

30 July 2021

## Quarterly Activity Report and Appendix 4C

Roots Sustainable Agricultural Technologies Limited (ASX: ROO, “Roots” or “the Company”) is pleased to provide this update to shareholders for the period ended 30 June 2021 (the ‘quarter’).

### Operational Overview:

#### **Proposed transaction:**

During the quarter, Roots requested a trading halt and suspension in response to the Company seeking to engage in a new business activity that would involve the sale and distribution of plant and hemp-based food products in the US.

Following extensive discussions and submissions, the ASX determined that it considered the potential transaction would constitute a change in the nature of the Company’s activities and Roots would be required under ASX Listing Rule 11.1.3 to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules before it may complete the potential transaction.

Such compliance was expected to cause further transactional delays and significant costs, which would prevent Roots from being able to complete its other current business endeavours. The Company has, therefore, decided not to proceed with potential transaction which will allow it to continue to focus on the growth of its core business.

### Outlook:

Roots will continue to focus on the growth of its core operating business during the current quarter and beyond. The Company is building a strong sales pipeline in Israel, as well as pursuing several parallel sales channels in the United States to drive revenue.

The Company is also progressing IP registration and additional R&D opportunities including pilot trial programs with new customers, as well as new product development initiatives which will allow for the Company’s range of solutions to be used in recreational growing capacities.

### Management commentary:

**Roots Executive Chairman and CEO, Boaz Wachtel said:** *“Root is continuing to witness a number of opportunities that will allow the Company to further commercialise its innovative product suite and drive sales growth. We are building a strong pipeline across Israel, through large scale farm operations, as well as the cannabis industry and we anticipate that a number of sales contracts will materialise over the coming months. The Company is also implementing strategies to drive sales through the US and Europe.*

*“Management are also pursuing R&D initiatives that will allow our Root Zone Temperature Optimisation and heat exchange stub products to be embedded into new systems, different growing settings including open fields and on smaller at home operations.*



*“Food security is a major global issue. Our RZTO technology has shown considerable advantages including shortening grow cycles, increased plant yield, energy savings and enhanced production security, so we are very confident that multiple developments will materialise in the coming months.”*

**-ENDS-**

**ASX Listing Rule 4.7C.1**

There were no material developments or changes in business activities for the quarter. Operational expenditure during the quarter was US\$753K. The majority of this expenditure was research and development, advertising and marketing, staff costs, product manufacturing and administration and corporate costs.

**ASX Listing Rule 4.7C.3**

The following table sets out the information as required by ASX Listing Rule 4.7.3C regarding payments to related parties of the entity and their associates:

Related Party	Amount	Description
Directors (Executive)	US\$42,722	Periodical Director Fees in accordance with Director Agreements
Directors (Non-Executive)	US\$33,537	Periodical Director Fees in accordance with Director Agreements
Everblu Capital Pty Ltd	US\$22,485	Corporate Advisory Fees (excl GST)

**About Roots Sustainable Agricultural Technologies Ltd:**

Israeli-based, Roots Sustainable Agricultural Technologies Ltd. is developing and commercialising disruptive, modular, cutting-edge technologies to address critical problems faced by agriculture today, including management of plant's root zone temperatures and the shortage of water for irrigation.

Roots has developed proprietary know-how and patents to optimise performance, lower installation costs, and reduce energy consumption to bring maximum benefit to farmers through their two-in-one root zone heating and cooling technology and off the grid irrigation by condensation technology.

Roots is a graduate company of the Office of the Israeli Chief Scientist Technological Incubator program.

More information [www.Rootssat.com](http://www.Rootssat.com)

**About Root Zone Temperature Optimization (RZTO)**

Root Zone Temperature Optimization (RZTO) optimises plant physiology for increased growth, productivity and quality by stabilising the plant's root zone temperature. Using Ground source heat exchange (GSHE) installations either alone, or in combination with heat pumps, or with heat pumps alone, ROOTS is able to provide accurate range of root zone temperatures for farmer and the plants to obtain the multiple benefits.

This significantly increases yields, increases growing cycle planting options, improves quality, mitigates extreme heat and cold stress while significantly reducing energy consumption by stabilising and optimising the ROOTS zone temperature.

*This announcement was authorised to be given to the ASX by the Roots Executive Directors, Mr Boaz Wachtel and Mr Sharon Devir.*

**Corporate Enquiries:**

EverBlu Capital

E: [info@everblucapital.com](mailto:info@everblucapital.com)

P: +61 2 8249 0000

**Released through:** Henry Jordan, Six Degrees Investor Relations, +61 (0) 431 271 538



### **Forward looking statements**

This announcement contains forward-looking statements with respect to ROOTS and its respective operations, strategy, investments, financial performance and condition. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations.

The actual results and performance of ROOTS could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition and government regulation.

The cautionary statements qualify all forward-looking statements attributable to ROOTS and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and ROOTS has no obligation to up-date such statements, except to the extent required by applicable laws.

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## Appendix 4C

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Roots Sustainable Agricultural Technologies Ltd
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**ARBN**

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**Quarter ended ("current quarter")**

30 June 2021
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<b>Consolidated statement of cash flows</b>	<b>Current quarter US\$'000</b>	<b>Year to date (6 months) US\$'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	18	46
1.2 Payments for		
(a) research and development	(37)	(67)
(b) product manufacturing and operating costs	(21)	(24)
(c) advertising and marketing	(211)	(316)
(d) leased assets	-	-
(e) staff costs	(196)	(377)
(f) administration and corporate costs	(225)	(359)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(5)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (institutes)	(76)	(42)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(753)</b>	<b>(1,144)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(4)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses		
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	45
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(4)</b>	<b>41</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,619	3,067
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(753)	(1,144)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	41

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	59	(44)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,920</b>	<b>1,920</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	1,920	2,618
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,920</b>	<b>2,618</b>

6. Payments to related parties of the entity and their associates		Current quarter US\$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	99
6.2	Aggregate amount of payments to related parties and their associates included in item 3	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

	<b>Total facility amount at quarter end US\$'000</b>	<b>Amount drawn at quarter end US\$'000</b>
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-

**7.5 Unused financing facilities available at quarter end**

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- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

**8. Estimated cash available for future operating activities****US\$'000**

8.1	Net cash from / (used in) operating activities (Item 1.9)	(753)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,920
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,920
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	2.55

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A.

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2021

Authorised by: The Board of Roots Sustainable Agricultural Technologies Limited  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.