**ASX and MEDIA RELEASE**

**03 May 2022**

# Annual Financial Report (Combined)

**Roots Sustainable Agricultural Technologies Limited (ASX: ROO, "Roots"** or "**the Company**") advises that the attached report is a combined copy of the full audited Financial Report lodged with ASX on 31 March 2022 and Directors Report and Additional ASX Information contained in the Preliminary Financial Report lodged with ASX on 28 February 2022. There have been no changes to the final audited Annual Financial Report and this has been re-lodged with ASX for completeness.

**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

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

*This announcement was authorised by the Board of Directors of Roots Sustainable Agricultural Technologies Limited.*

**Roots Sustainable Agricultural Technologies Ltd**
**Appendix 4E**
**Financial Report**

## 1. Company details

| | |
|---|---|
| Name of entity: | Roots Sustainable Agricultural Technologies Ltd |
| ARBN: | 619 754 540 |
| Reporting period: | For the year ended 31 December 2021 |
| Previous period: | For the year ended 31 December 2020 |

## 2. Results for announcement to the market

| | | | 31-Dec-21 US$'000 | 31-Dec-20 US$'000 |
|---|---|---|---|---|
| Revenues from ordinary activities | UP | 75% | 187 | 107 |
| Loss from ordinary activities after tax attributable to the owners of Roots Sustainable Agricultural Technologies Ltd | down | 28% | 2,319 | 3,202 |
| Loss for the year attributable to the owners of Roots Sustainable Agricultural Technologies Ltd | down | 28% | 2,319 | 3,202 |

*Dividends*

| | Amount per security Cents | Franked amount per security Cents |
|---|---|---|

Not applicable.

Additional Appendix 4E disclosure requirements can be found in the notes to the Roots Sustainable Agricultural Technologies Ltd's financial statements.

## 3. Net tangible assets

| | Reporting period U.S. dollars | Previous period U.S. dollars |
|---|---|---|
| Net tangible assets per ordinary security | 0.000104 | 0.000453 |

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

**Roots Sustainable Agricultural Technologies Ltd**
**Appendix 4E**
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## 6. Details of associates and joint venture entities

| Name of associate / joint venture | Reporting entity's percentage holding | | Contribution to profit/(loss) | |
|---|---|---|---|---|
| | Reporting period % | Previous period % | Reporting period $'000 | Previous period $'000 |

Not applicable.

## 7. Audit qualification or review

n/a

## 8. Attachments

The Audited Financial Report of Roots Sustainable Agricultural Technologies Ltd for the year ended 31 December 2021 is attached.

## 9. Signed

Signed Date: 31 March 2022

Boaz Wachtel
Executive Chairman
Beit Halevi

**Roots Sustainable Agricultural Technologies Ltd**

**ARBN 619 754 540**

**Financial Report – 31 December 2021**

**Roots Sustainable Agricultural Technologies Ltd**
**Corporate Directory**
**31 December 2021**

| | |
|---|---|
| **Directors** | Boaz Wachtel (Executive Chairman and CEO)<br>Sharon Devir (Executive Director)<br>Adam Blumenthal (Non-Executive Director)<br>Graeme Smith (Non-Executive Director)<br>Dafna Shalev-Flamm (Non-Executive Director)<br>James Ellingford (Non-Executive Director)<br>Peter Hatfull (Non-Executive Director) (appointed 23 July 2020) |
| **Company secretary** | Sarah Smith |
| **Registered office** | C/- Mirador Corporate Pty Ltd<br>Suite 2, 1 Altona Street<br>West Perth WA 6005<br>Telephone: +61 8 6559 1792 |
| **Principal place of business** | Hamezach 1 Str.<br>Kefar Vitkin Israel |
| **Share registry** | Automic Share Registry<br>Level 2, 267 St Georges Terrace<br>Perth WA 6000<br><br>Telephone: 1300 288 664 |
| **Auditor** | BDO - Tel Aviv<br>Amot Bituach House Bldg.<br>B 48 Derech Menachem Begin Rd<br>Tel Aviv Israel |
| **Solicitors** | **Australian Legal Advisor**<br>Steinepreis Paganin<br>Level 4, The Read Buildings<br>16 Milligan Street<br>Perth WA 6000<br><br>**Israeli Legal Advisor**<br>GKH Law Offices<br>One Azrieli Center<br>Round Building<br>Menachem Begin St.<br>Tel Aviv 6701101 Israel |
| **Bankers** | Bank Hapoalim Ltd.<br>Branch 407<br>Hatidhar St. 16<br>Raanana IA 43100 Israel<br><br>Westpac Banking Corporation<br>Level 4, Brookfield Place, Tower Two<br>123 St Georges Terrace<br>Perth WA 6000 |
| **ASX Code (Shares)** | ROO |
| **Website** | www.rootssat.com |

**Roots Sustainable Agricultural Technologies Ltd**
**Directors' Report**
**31 December 2021**

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Roots Sustainable Agricultural Technologies Ltd (referred to hereafter as the 'Company', 'Roots' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2021.

**Directors**
The following persons were directors of Roots Sustainable Agricultural Technologies Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Sharon Devir (appointed on 19 April 2009)
Boaz Wachtel (appointed on 19 April 2009)
Adam Blumenthal (appointed on 9 November 2017)
Graeme Smith (appointed on 9 November 2017)
Dafna Shalev-Flamm (appointed 29 May 2018)
James Ellingford (appointed 24 February 2020)
Peter Hatfull (appointed 23 July 2020)

**Principal activities**
The principal activity of the Group during the year was the sale of root zone heating and cooling systems to greenhouse farmers and the development of irrigation systems with combined fertilization and heating/cooling roots zone management.

**Review of Operations**

**New sale contract secured at Puerto Rican Cannabis farm:**
Roots secured a new sales contract for its proprietary Root Zone Temperature Optimisation (RZTO) technology valued at A$51,700 with Caribbean CBD Farm Inc., marking the Company's expansion into Puerto Rico. The contract consists of over 2,000 units, which will be inserted into pots located at the farm. The technology will deploy a heat pump, circulation pump and electronic panel to heat and cool the roots resulting in a greater yield. Mobile and PC applications developed by the Company will also equip farm staff with sensors, providing them real time feedback on the temperatures and functionality readings of the system.

Since the legalisation of medicinal cannabis in Puerto Rico in 2015, there has been a growing increase in patients utilising it for treatment. The territory now has 31 licenced cannabis producers, providing a large addressable market opportunity for the Company to continue to undertake business development initiatives to drive growth throughout Puerto Rico.

**New small-scale RZTO system launched:**
Following extensive R&D and product development initiatives, the Company launched a new, small-scale RZTO system to target additional market segments including home gardeners and non-commercial growers. The new offering is designed to assist home gardeners and others to cultivate food and other ornamentals under local weather conditions, delivering greater food security and superior cultivation quality.

The small-scale system utilises the same design and intellectual property ("IP") as the Company's existing, proprietary RZTO technology. It has an easy to operate electric heat exchange pump and can be used with up to 30 heat exchange probes for insertion into pots, grow bags or directly into soil.

It is designed to provide greater food security to gardeners and growers. By maintaining optimal root zone temperature year-round, it allows food and ornamentals to be grown through periods of extreme hot or cold weather. This provides for food production to take place locally, without the use of harmful pesticides and long-distance freighting. It also reduces greenhouse emissions and establishes a lower carbon footprint in communities.

**New mid-size RZTO system offering:**
The Company continued its product development with the launch of an additional new mid-size system, called the 'Super Mini'. The system also utilises the Company's proprietary RTZO technology, which optimises plant physiology for increased growth, productivity and quality by stabilising a plant's root zone temperature year around.

The 'Super Mini' system is designed for use in commercial growing operations providing growers with the ability to learn and adopt the technology to specific crops, varieties and growing conditions. As a 'plug and play' system it will reduce barriers to entry and enhance uptake, as well as allow potential distributors and dealers with the ability to test the systems advantages over the short term.

Both systems are available to buy outright or on a lease basis. Each solution can be installed by the end customer, without the need for a technician and highlights the Company's adaptive marketing approach towards COVID-19 restrictions. Roots is confident that the 'plug and play' system will reduce barriers to entry and enhance uptake.

The product launches allow Roots to offer its innovative technology in three varying sizes and target a larger segment of the addressable market. Roots is confident that the new product introductions will allow it to increase market share in the world's gardening market and the global nursery pots and planters market, which are both expected to see significant growth.

**Notice of Allowance for US design patent:**
The Company significantly strengthened its intellectual property portfolio during the year, receiving Notice of Allowance from the United States Patent and Trademark Office ('USPTO') for the Company's Heat Exchange Probe technology ('HEP').

The Notice of Allowance follows a stringent approval process and is the last major step in the patent application process, highlighting that an application meets all the necessary requirements for a patent to be issued. Representing a large and important market for the Company, Roots now possesses significant IP protection in several key markets including the US, Australia, China, the European Union, Turkey, Israel, United Kingdom and India.

**LOI secured with established European agricultural project specialist:**
Roots secured a non-binding, exclusive Letter of Intent with Serbian agriculture project developer Avital d.o.o. ('Avital') to market, sell and distribute the Company's HEP and RZTO technology in the Balkans.

Avital specialises in the initiation, integration and execution of agricultural projects by utilising their deep technological experience and a highly qualified team. Targeting the Balkan region where they boast a strong established presence, Roots will receive licensing fees for each complete system sold by Avital at a fixed percent out of the end user price.

As part of the agreement, Roots will provide an initial installation of RZTO technology at the Ivan Leposavic (Blueberry nights) farm, deploying >400 heat exchange stubs into Blueberry growing pots to accelerate growth rate and protect the crops from extreme heat and cold weather events. Success in the initial project will leave Roots well placed to expedite uptake in the region and establish a strong relationship with Avital.

**Expansion into Africa through LOI with Cherry Irrigation SA:**
Roots continued its international expansion with an additional LOI signed with irrigation system specialist Cherry Irrigation SA ('Cherry Irrigation'). Roots will provide exclusive marketing, sales and installation rights to Cherry Irrigation for South Africa and Namibia for a commitment period of three years conditioned on an average sale of no less than €1.0m (~A$1.55m). Upon the sale and installation of each system, Cherry Irrigation will pay Roots a royalty at a rate to be agreed upon in the definitive agreement, anticipated in early CY22.

Both parties have agreed upon as initial purchase order of four small scale RTZO systems, which will be used as pilot installations. Roots is confident that this agreement coupled with the effectiveness of the RZTO technology will act as a catalyst for broader product uptake across the Southern African region.

The agreement marks an important milestone for Roots, with the continued international expansion and first entry into the African market. Southern Africa boasts several lucrative market verticals such as blueberry production and cannabis cultivation, which present large market opportunities for the Company.

## Corporate overview

**Placement to advance growth initiatives:**
Roots secured firm commitments from sophisticated and professional investors to raise A$1m (before costs), by way of a placement of 160,256,410 CDIs. The CDIs will be issued at A$0.00624 and will rank equally with existing CDIs on issue.

Investors received one attaching option for every four Placement CDIs subscribed for and issued. The options will have a strike price of $0.02 and an expiry date of 30 September 2023. Subject to receipt of shareholder approval, investors will also receive three attaching options for every four placement CDIs subscribed for and issued, with a strike price of $0.0125 and an expiry date of 12 months from the date of issue.

EverBlu Capital Pty Ltd ('Everblu Capital') acted as lead manager to the Placement receiving a 6% cash fee for the total funds raised. In addition, and subject to receipt of shareholder approval, Everblu Capital will receive up to one option for every one share issued under the Placement (being up to a total of 160,256,410 options). The Broker Options will be issued on the same terms and conditions as the free attaching options issued under the Placement.

Funds from the Placement will be used to further progress the commercialisation of the Company's RZTO systems, broadening its growing international footprint, progress system installation and undertake additional marketing and business development initiatives to drive sales growth.

**Dividends**
There were no dividends paid or recommended during the financial year ended 31 December 2021 (2020: Nil).

**Significant changes in the state of affairs**
During the financial year, there were no significant changes in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

## Events subsequent to the end of the period:

**First revenues for 'Super Mini' RZTO booked:**
The Company secured its initial sales for the Company's 'Super-Mini' RZTO system. Orders were shipped to customers and distributors in multiple international markets including Australia, Singapore and South Africa for a total amount of A$13,000. The sales include shipments to a broad range of partners growing a diverse range of crops. This highlights the capability of the system to provide ideal growing conditions under unique and challenging environments and weather conditions and key building blocks for the Company to begin to achieve much larger commercial orders following the continued acceptance of the technology.

**Roots named among five finalists for GrowingIL competition "Keeping it Cool":**
The Israeli Ministry of Agriculture named Roots mong five finalists for the GrowingIL competition "Keeping it Cool". GrowingIL connects different parties in the Ag-Tech ecosystem and aims to develop the Israeli Ag-Tech ecosystem and reshape Israeli agriculture to meet emerging global food needs through the implementation of ground-breaking technologies. As a finalist for the competition, Roots will demonstrate amelioration effects of technologies on agriculture in the face of extreme weather conditions.

**Expansion in Asia with first sales in Azerbaijan:**
Roots secured a purchase agreement with Green Tech LLC ("Green Tech") which marks the Company's first sales into Azerbaijan, a large central Asian country with significant agricultural production primarily targeting the Russian markets. The agreement will see Green Tech purchase a 'Super Mini' RZTO system for the sum of A$11,784 for a proof of concept on their main crop producing areas which includes tomatoes and cucumbers. Following a successful period of one or two growth cycles, Roots anticipates the POC will lead to additional larger commercial orders.

**Successful RZTO installations in South Africa and Spain:**
The Company successfully completed two remote installation of its 'Super Mini' system at South Africa's Cheeba Africa, Cheeba Cannabis Academy and at a commercial sweet pepper green house in Almeria, Spain. The installations were both completed remotely with the assistance of Roots local agents in the regions Cherry Irrigation and Criado y López S.L. ("Criado Y Lopez").

At the Cheeba Cannabis Academy the installation was carried our under an equal split cost ($2,500 between the Academy and ROOTS). The commercial terms in Spain remain the same as the installation in South Africa with an equal split cost between Criado Y Lopez and ROOTS ($3,500 each). Since installation all parties have subsequently reported the system is in operation and performing well.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

**Likely developments and expected results of operations**
The company will work to expand its commercial activity internationally. An emphasis will be on the Cannabis sector.

**Information on Directors**

| | |
|---|---|
| Name: | Mr Boaz Wachtel |
| Title: | Executive Chairman and CEO |
| Qualifications: | Masters in Management and Marketing |
| Experience and expertise: | Mr. Wachtel is the Co-Founder and Executive Director of Roots. Mr. Wachtel is the inventor of irrigation by condensation (NASA Tech Brief magazine- Technologies of the Month) and root zone heating and cooling – ROOTS's core technologies. He has published 25 publications 6peciali on water and he is a frequent lecturer on agricultural technology, Middle East water issues and sustainability. He is a former assistant army attaché to the Israeli Embassy in Washington DC and has lectured at the UN conflict resolution conference. Mr Wachtel holds a Masters in Management and Marketing from the University of Maryland. |
| Other current directorships: | Creso Pharma Limited |
| Former directorships (last 3 years): | Nil |
| Special responsibilities: | Chairman, CEO |
| Interests in shares: | 5,376,777 CDIs |
| Interests in options: | 1,850,510 Unlisted Options<br>250,000 Listed Options |
| Contractual rights to shares: | 13,500,000 Performance Rights |

| | |
|---|---|
| Name: | Mr Sharon Devir |
| Title: | Executive Director, Business Development |
| Qualifications: | BSc, MSc, PHD |
| Experience and expertise: | Dr Devir is a Co-Founder and Chief Executive Officer of Roots. He previously cofounded Salicrop, an abiotic stress seed treatment technology as well as Rimonim, an Agri-Tech fund. Dr Devir was the former Chief Executive Officer of NGT, a technology incubator which sold a company Flourinex to Colgate for US$100 million. He was also the Former Chief Scientific Officer of AFIMILK dairy management systems and he has lectured at The Hebrew University, Israel on behalf of the Agriculture Faculty. Dr Devir's achievements led to being awarded the "Man of the Year" award by Israeli TV Channel 2 and the Daily "Yediot Acharonot" newspaper for his Unique Social Contribution. |
| Other current directorships: | Salicrop, SkyX, Rimonim Agro Management |
| Former directorships (last 3 years): | Nil |
| Special responsibilities: | Business Development |
| Interests in shares: | 2,959,564 CDIs |
| Interests in options: | 2,430,490 Unlisted Options<br>100,000 Listed Options |
| Contractual rights to shares: | 13,500,000 Performance Rights |

| | |
|---|---|
| Name: | Mr Adam Blumenthal |
| Title: | Non-Executive Director |
| Qualifications: | Bachelor of Commerce, a Masters of International Relations and a Masters of Business Administration |
| Experience and expertise: | Mr Blumenthal has 10 years' experience in investment banking and corporate finance. He has deep exposure to Australian and international markets, having provided capital raising and financing solutions to an extensive number of unlisted and listed companies. Mr Blumenthal has played a lead role in advising and supporting multiple organisations across a broad spectrum of industries. Using his experience and extensive network of international contacts to provide corporate advisory and capital markets input, he has successfully brought to market several companies and is actively involved in mining, cyber security, agricultural technology, medicinal cannabis, pharmaceutical and information technology sectors. Mr Blumenthal is a shareholder of EverBlu, the Lead Manager to the Offer and, on 23 August 2017, was appointed as the Chairman on EverBlu. |
| Other current directorships: | Creso Pharma Limited<br>Burrabulla Corporation Limited |
| Former directorships (last 3 years): | Nil |
| Interests in shares: | 43,638,831 CDIs |
| Interests in options: | 4,535,650 Listed Options<br>1,833,333 Unquoted Options |
| Contractual rights to shares: | 4,200,000 Performance Rights |

| | |
|---|---|
| Name: | Mr Graeme Smith |
| Title: | Independent Director and Non-Executive Director |
| Qualifications: | Certified Practicing Agriculturist (CPAG) |
| Experience and expertise: | Mr Smith is a Melbourne-based, world agriculture and horticulture expert, consultant and lecturer. Mr Smith is a Certified Practicing Agriculturist (CPAG), from the Australian Institute Agricultural Science and Technology. Graeme Smith Consulting has (beginning with Hydroponic Designs Pty Ltd), delivered over 40 protected cropping projects around Australia since 1995. These projects have largely delivered modern greenhouse food production systems ranging from 400m2 to 160,000m2 in poly tunnels through to modern glasshouses. Most of Mr Smith's food production projects involved full return on, system design, costings, project management, as well as commissioning and ongoing crop advisory services. |
| Other current directorships: | 288,750 |
| Former directorships (last 3 years): | Nil |
| Interests in shares: | Nil |
| Interests in options: | Nil |
| Contractual rights to shares: | Nil |

| | |
|---|---|
| Name: | Ms Dafna Shalev-Flamm (appointed 29 May 2018) |
| Title: | Independent Director and Non-Executive Director |
| Qualifications: | Certified Public Accountant, MBA |
| Experience and expertise: | Ms Shalev-Flamm was an experienced Chief Financial Officer and Director with extensive experience in operational management, accounting and finance, capital management and corporate governance. |
| Other current directorships: | Plasson Industries Ltd<br>MTI Computers<br>Software Services Ltd |
| Former directorships (last 3 years): | Poliram Ltd |
| Special responsibilities: | Chair of the Audit and Remuneration Committees |
| Interests in shares: | 934,375 |
| Interests in options: | Nil |
| Contractual rights to shares: | Nil |

| | |
|---|---|
| Name: | Dr James Ellingford (appointed 24 February 2020) |
| Title: | Independent Director and Non-Executive Director |
| Qualifications: | MBA. PG (Corp Mgmt). D.Mgt |
| Experience and expertise: | Dr Ellingford previously served as International President of a multi-billion dollar NASDAQ software business Take-Two Interactive Software with its headquarters in Geneva and New York. He has vast international experience in the software industry and has close ties with financial institutions and governments throughout the world. Dr Ellingford has had ample experience over the last several years in the Cannabis space as well as living for a period in West Coast of USA. This will serve Roots very well, given Roots is currently strengthening its focus on the Cannabis space in California. He is considered an expert in the areas of collaboration of media and digital assets, data sharing and corporate communications to enable workflow acceleration and has close ties with large US based corporates who dominate this space. Dr Ellingford holds a Postgraduate in Corporate Management, Master's in Business Administration and a Doctorate in Management. Dr Ellingford has lectured MBA students in Corporate Governance, ethics and marketing at a leading Sydney University which are areas he has a keen interest in. |
| Other current directorships: | Minrex Resources Limited<br>Creso Pharma Limited<br>Esense-Lab Limited |
| Former directorships (last 3 years): | Victory Mines Limited<br>Paterson Resources Limited<br>Manalto Limited<br>Burrabulla Corporation Limited |
| Special responsibilities: | Nil |
| Interests in shares: | Nil |
| Interests in options: | Nil |
| Contractual rights to shares: | Nil |

| | |
|---|---|
| Name: | Mr Peter Hatfull (appointed 23 July 2020) |
| Title: | Independent Director and Non-Executive Director |
| Qualifications: | Qualified as a Chartered Accountant in England and Wales |
| Experience and expertise: | Peter has over 40 years' experience in a range of Board and senior executive positions with Australian and international companies. He has an extensive skill-set in the areas of business optimisation, capital raising and Group restructuring.<br><br>Peter is a professional Director and is currently the independent Chairman of several listed and unlisted companies. Peter specializes in corporate governance and strategic planning and has held senior financial and board positions in Australia, Africa and the UK. Peter graduated as a Chartered Accountant in the United Kingdom where he worked for Coopers and Lybrand (now PriceWaterhouseCoopers), and subsequently moved to Africa, where he spent 8 years in Malawi prior to moving to Australia. |
| Other current directorships: | Raphael Resources Limited<br>eSense Lab Ltd |
| Former directorships (last 3 years): | Affinity Energy and Health Ltd |
| Special responsibilities: | Nil |
| Interests in shares: | Nil |
| Interests in options: | Nil |
| Contractual rights to shares: | Nil |

**Company secretary**
Ms Sarah Smith

Ms Smith specializes in corporate advisory, company secretarial and financial management services. Ms Smith's experience includes company secretarial and financial management services for ASX listed companies, capital raisings and IPOs, due diligence reviews and ASX and ASIC compliance. Ms Smith is a Chartered Accountant and has acted as the Company Secretary for a number of ASX listed companies.

**Meetings of directors**
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2021, and the number of meetings attended by each director were:

| | Directors' Meetings | | Audit Committee Meetings | | Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|
| | Attended | Held | Attended | Held | Attended | Held |
| Boaz Wachtel | 2 | 2 | - | - | - | - |
| Sharon Devir | 2 | 2 | - | - | - | - |
| Adam Blumenthal | 2 | 2 | - | - | - | - |
| Graeme Smith | 2 | 2 | 2 | 2 | 1 | 1 |
| Dafna Shalev-Flamm | 2 | 2 | 2 | 2 | 1 | 1 |
| James Ellingford | 2 | 2 | 2 | 2 | 1 | 1 |
| Peter Hatfull | 2 | 2 | - | - | - | - |

**Shares under option**
At the date of this report, the unissued ordinary shares under option are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 29 November 2017 | 30 November 2022 | AUD $0.01 | 1,655,000 |
| 25 July 2019 | 17 June 2024 | AUD$0.01 | 602,500 |
| 24 July 2019 | 24 July 2022 | AUD $0.12 | 5,408,592 |
| 17 September 2019 | 24 July 2022 | AUD $0.12 | 8,423,810 |
| 23 December 2019 | 24 July 2022 | AUD $0.12 | 6,333,350 |
| 15 October 2021 | 24 July 2022 | AUD $0.12 | 1,000,000 |
| 15 October 2021 | 15 October 2026 | AUD $0.01 | 4,833,333 |
| 15 October 2021 | 30 September 2023 | AUD $0.02 | 40,064,103 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

At the date of this report, the number of performance rights on issue was as follows:

| Grant date | Class | Expiry date | Number of rights issued |
|---|---|---|---|
| 11 September 2019 | Class E | 17 September 2023 | 4,400,000 |
| 11 September 2019 | Class F | 17 September 2022 | 4,400,000 |
| 11 September 2019 | Class G | 17 March 2022 | 4,400,000 |
| 18 October 2021 | Class H | 18 October 2024 | 6,000,000 |
| 18 October 2021 | Class I | 18 October 2024 | 6,000,000 |
| 18 October 2021 | Class J | 18 October 2024 | 6,000,000 |
| | | | **31,200,000** |

| Class | Milestone |
|---|---|
| Class E Performance Rights | The Class E Performance Rights will be able to be converted into a CDI by a Holder, upon the Company:<br>(a) Acquiring a business in the agricultural and/or cannabis or hemp sector which contributes to the Company's gross revenue by a minimum of 10% within 12 months from acquisition of the relevant business (Acquisition); and<br>following completion of the Acquisition, the Company's CDIs trading at a 20-day VWAP of A$0.12 or more. |
| Class F Performance Rights | The Class F Performance Rights will be able to be converted into a CDI by a Holder upon the Company recording gross revenue of $500,000 as a result of:<br>(a) Expansion into the US cannabis market; and/or<br>sales in Israel. |

| | |
|---|---|
| Class G Performance Rights | The Class G Performance Rights will be able to be converted into a CDI by a Holder upon the Company installing:<br><br>(a) four (4) RZTO systems for cannabis or hemp clients globally; and<br>(b) two (2) additional RZTO system installations in the Asian market. |
| Class H Performance Rights | The Class H Performance Rights will be able to be converted into a CDI by a Holder within 36 months of the date of issue, upon the Company:<br><br>(a) executing a joint venture agreement with a company with a synergic technology; and<br>(b) recording gross sales of at least AUD$100,000 pursuant to the joint venture with the first 12 months of the date of execution of the JV agreement. |
| Class I Performance Rights | The Class I Performance Rights will be able to be converted into a CDI by a Holder upon the Company:<br><br>(a) recording gross sales of AUD$500,000 (excluding any sales that is utilized for the purposes of satisfying the Class H Performance Rights milestone) within 18 months of the date of issue of the performance rights. |
| Class J Performance Rights | The Class J Performance Rights will be able to be converted into a CDI by a Holder upon the Company:<br><br>(b) recording gross sales of AUD$300,000 as a result of signing letters of intent or definitive dealership agreements in at least three new territories within 24 months of the date of issue of the performance rights. |

The performance rights will vest and become capable of exercise into ordinary shares in the Company upon the satisfaction of vesting conditions as disclosed above.

**Shares issued on the exercise of options**
At the date of this report, no shares were issued on the exercise of options.

**Indemnifying Officers**
The Company indemnifies each of its Directors and Officers. The Company indemnifies each Director or Officer to the maximum extent permitted by the Israeli Companies Law, 5759-1999 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a Director or Officer against any liability, which does not arise out of conduct constituting a willful breach of duty or a contravention of the Israeli Companies Law, 5759-1999. The Company must also use its best endeavours to insure a Director or Officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

**Insurance Premiums**
During the year, the Company paid insurance premiums to insure Directors and Officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

**Indemnity and insurance of auditor**
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Roots Sustainable Agricultural Technologies Ltd**
**Directors' Report**
**31 December 2021**

**Proceedings on behalf of the company**
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**Non-audit services**
During the year, BDO Israel, the Company's auditor, did not provide any services other than their statutory audits.

In the event that non-audit services are provided by BDO Israel, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and not compromise the auditor independence. These procedures include:

- all non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

**Corporations Act 2001**
As a foreign company registered in Australia, the Company will not be subject to Chapters 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (e.g. substantial holders and takeovers).

Under the Israeli Companies Law there are restrictions on acquisition of shares, requiring a tender offer for acquisition of public Company shares resulting in a holding of 25% or more voting rights of the Company. In addition, under the Companies Law, a person may not purchase shares of a public company if, following the purchase of shares, the purchaser would hold more than 90% of the company's shares, unless the purchaser makes a tender offer to purchase all of the target company's shares. Otherwise, the acquisition of the company's securities generally not restricted by the company's articles of association or the laws of Israel, except that Israeli law prohibits the ownership of securities by nationals of certain countries that are, or have been, in a state of war with Israel.

**Environmental Regulations**
In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

This report is made in accordance with a resolution of directors.

On behalf of the directors

B. Wachtel.

_____
Boaz Wachtel
Executive Chairman

31 March 2022
Beit-Halevi

## ASX ADDITIONAL INFORMATION

### 1. SHAREHOLDINGS

The Company has ordinary shares on issue. The Company's ordinary shares traded on the ASX are traded as Chess Depository Interests ('CDI's') under the code ROO. Each CDI has a beneficial interest in a share.

The issued capital of the Company as at 24 February 2022 is 749,632,688. All issued CDI's carry one vote per share. The number of holders of CDI's is 3,563.

The number of Listed Options on issue as at 24 February 2022 is 21,165,752 (exercisable at AUD$0.12 on or before 24 July 2022).

The Company as at 24 February 2022 has on issue the following unlisted securities:

- 47,154,936 unlisted options; and
- 31,200,000 performance rights.

***Unquoted Options***

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 29 November 2017 | 30 November 2022 | AUD $0.01 | 1,655,000 |
| 25 July 2019 | 17 June 2024 | AUD$0.01 | 602,500 |
| 24 July 2019 | 24 July 2022 | AUD $0.12 | 5,408,592 |
| 17 September 2019 | 24 July 2022 | AUD $0.12 | 8,423,810 |
| 23 December 2019 | 24 July 2022 | AUD $0.12 | 6,333,350 |
| 15 October 2021 | 24 July 2022 | AUD $0.12 | 1,000,000 |
| 15 October 2021 | 15 October 2026 | AUD $0.01 | 4,833,333 |
| 15 October 2021 | 30 September 2023 | AUD $0.02 | 40,064,103 |

***Performance Rights***

| Grant date | Class | Expiry date | Number of rights issued |
|---|---|---|---|
| 11 September 2019 | Class E | 17 September 2023 | 4,400,000 |
| 11 September 2019 | Class F | 17 September 2022 | 4,400,000 |
| 11 September 2019 | Class G | 17 March 2022 | 4,400,000 |
| 18 October 2021 | Class H | 18 October 2024 | 6,000,000 |
| 18 October 2021 | Class I | 18 October 2024 | 6,000,000 |
| 18 October 2021 | Class J | 18 October 2024 | 6,000,000 |

### 2. DISTRIBUTION OF EQUITY SECURITIES (SHAREHOLDERS AND CDI HOLDERS)

| Range | Total holders | Units | % of Issued Capital |
|---|---|---|---|
| 1 - 1,000 | 70 | 22,575 | 0.00% |
| 1,001 - 5,000 | 436 | 1,135,855 | 0.15% |
| 5,001 - 10,000 | 236 | 1,942,262 | 0.26% |
| 10,001 - 100,000 | 1,855 | 82,340,624 | 10.98% |
| Above 100,000 | 966 | 664,191,372 | 88.60% |
| **Total** | **3,563** | **749,632,688** | **100.00%** |

There are 2,597 number of investors holding a less than marketable parcel of 85,441,316 ROO shares based on a share price of A$0.005 at 24 February 2022.

## 3. TOP TWENTY LARGEST SHAREHOLDERS AS AT 24 FEBRUARY 2022

| | Holder Name | Number Held | Percentage |
|---|---|---|---|
| 1 | JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C> | 79,613,522 | 10.62% |
| 2 | ATLANTIC CAPITAL HOLDINGS PTY LTD <ATLANTIC CAPITAL A/C> | 42,367,533 | 5.65% |
| 3 | ANANDI INVESTMENTS PTY LTD <PATEL FAMILY A/C> | 27,344,642 | 3.65% |
| 4 | CHIFLEY PORTFOLIOS PTY LTD | 16,025,641 | 2.14% |
| 5 | MR MARK ANDREW TKOCZ | 8,807,424 | 1.17% |
| 6 | MR GREG HUGH PRIESTLEY | 8,200,000 | 1.09% |
| 7 | YUCAJA PTY LTD <THE YOEGIAR FAMILY A/C> | 7,730,857 | 1.03% |
| 8 | CITICORP NOMINEES PTY LIMITED | 6,256,142 | 0.83% |
| 9 | MR MICHAEL ERNEST GRANATA <THE GRANATA FAMILY A/C> | 5,500,000 | 0.73% |
| 10 | BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C> | 5,355,800 | 0.71% |
| 11 | BOAZ WACHTEL | 5,298,777 | 0.71% |
| 12 | MISS MELODY AN | 4,601,000 | 0.61% |
| 13 | P & L LOWMAN PTY LTD <P & L LOWMAN SUPER FUND A/C> | 4,450,000 | 0.59% |
| 14 | MR BIN XU | 4,400,000 | 0.59% |
| 15 | MR HAOCHEN HU | 4,000,000 | 0.53% |
| 16 | CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C> | 3,729,360 | 0.50% |
| 17 | MR DAVID ALEXANDER KENNEDY & MRS YUJIN JEONG | 3,701,111 | 0.49% |
| 18 | MR HIMANSHU PATEL | 3,419,932 | 0.46% |
| 19 | DR VIPUL BANSAL | 3,398,264 | 0.45% |
| 20 | GREENWOOD TRADING FUND PTY LTD | 3,221,721 | 0.43% |
| **Total: Top 20 holders** | | **247,421,726** | **33.01%** |
| **Total: Issued Capital** | | **749,632,688** | **100.00%** |

## 4. TOP TWENTY LARGEST LISTED OPTIONHOLDERS AS AT 24 FEBRUARY 2022

| | Holder Name | Number Held | Percentage |
|---|---|---|---|
| 1 | MS YASMIN ELIZABETH ILIC | 2,333,783 | 11.03% |
| 2 | JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C> | 1,785,353 | 8.44% |
| 3 | AUSTRALIAN SHARE NOMINEES PTY LIMITED <AUSTRALASIAN HOLDING AC> | 1,450,000 | 6.85% |
| 3 | ANGLO AUSTRALASIA HOLDINGS PTY LTD <ANGLO AUSTRALASIA A/C> | 1,450,000 | 6.85% |
| 4 | ATLANTIC CAPITAL HOLDINGS PTY LTD <ATLANTIC CAPITAL A/C> | 1,000,000 | 4.72% |
| 5 | MRS SIXIA XUE | 986,606 | 4.66% |
| 6 | M & K KORKIDAS PTY LTD <M&K KORKIDAS P/L S/FUND A/C> | 932,620 | 4.41% |
| 7 | MR RAMIN VAHDANI | 750,000 | 3.54% |
| 8 | M & K KORKIDAS PTY LTD <M & K KORKIDAS PTY LTD A/C> | 624,889 | 2.95% |
| 9 | MR JENS ROESTEL | 550,000 | 2.60% |
| 10 | MS LISA ASHE | 500,000 | 2.36% |
| 10 | MISS NUTCHA WONGINPHOR | 500,000 | 2.36% |
| 10 | PETARD PTY LTD | 500,000 | 2.36% |
| 11 | ADAM BLUMENTHAL | 458,334 | 2.17% |
| 12 | MR ALAN DENNIS HAZELL | 351,500 | 1.66% |
| 13 | PARRY CAPITAL MANAGEMENT LIMITED <PARRY SPEC SIT SP FUND A/C> | 333,333 | 1.57% |
| 14 | PARRY CAPITAL MANAGEMENT LIMITED <SPECIAL SITUATIONS A/C> | 265,879 | 1.26% |
| 15 | CAREEN HOLDINGS PTY LTD <PETER LEWIN RETIREMENT A/C> | 258,585 | 1.22% |
| 16 | MR BOAZ WACHTEL | 250,000 | 1.18% |
| 16 | MR THOMAS VAN KANN & MRS NATALIA VAN KANN <TN VAN KANN S/F A/C> | 250,000 | 1.18% |
| 17 | MR PAUL SIEGLE & MRS MECHELLE SIEGLE <SIEGS SUPER FUND A/C> | 237,749 | 1.12% |
| 18 | MRS CAROLYN KATZ | 225,000 | 1.06% |
| 19 | MR COLIN RICHARD KORN | 222,378 | 1.05% |
| 20 | SOLEVU PTY LTD <RT LIN SUPER FUND A/C> | 216,667 | 1.02% |
| **Total: Top 20 holders** | | **16,432,676** | **77.64%** |
| **Total: Listed Options @ $0.12; expiry 24/07/2022** | | **21,165,752** | **100.00%** |

## 5. VOTING RIGHTS

Ordinary shareholders have the right to one vote at a meeting of Shareholders of the Company or a Resolutions of Shareholders.

CDI Holders do not hold the right to vote at meetings of the Company and if they wish to take a vote, they must direct the CHESS Depositary Nominees (CDN) on how to vote in advance of the applicable meeting, provided that both Shareholders and CDI Holders are able to attend meetings.

## 6. SUBSTANTIAL SHAREHOLDERS AS AT 24 FEBRUARY 2022

| | Holder Name | Number Held | Percentage |
|---|---|---|---|
| 1 | JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C> | 79,613,522 | 10.62% |
| 2 | ATLANTIC CAPITAL HOLDINGS PTY LTD <ATLANTIC CAPITAL A/C> | 42,367,533 | 5.65% |

## 7. RESTRICTED SECURITIES SUBJECT TO ESCROW

There are no shares on issue that are subject to voluntary escrow restrictions or mandatory escrow restriction under ASX Listing Rules Chapter 9.

## 8. ON-MARKET BUY BACK

There is current no on-market buyback program for any Roots listed securities.

# Roots Sustainable Agricultural Technologies Ltd

**ARBN 619 754 540**

## Financial Report - December 31, 2021

# Roots Sustainable Agricultural Technologies Ltd

## December 31, 2021

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All amounts are stated in U.S. dollars ($)

# Independent Auditors' Report to Shareholders of
# Roots Sustainable Agricultural Technologies Ltd.

## Opinion

We have audited the accompanying financial report of Roots Sustainable Agricultural Technologies Ltd (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the related statements of comprehensive income, changes in equity (deficit) and cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion, the accompanying financial report present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty related going concern

We draw attention to note 1(B) of the financial report, which indicates that, the company has incurred negative cash from operation of 2,386 USD and net losses of USD 2,344 thousand during the year ended December 31, 2021. As stated in note 1(B), these matters, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of that matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| *Government grants* | *How the matter was addressed in our audit* |
|---|---|
| Government grants received by the Company in Israel are recognized as a liability as they are required to be repaid over time, with the timing of repayment varying based on the selling forecast and the timing of recognition of revenue. Grants' liabilities are therefore recognized at their fair value on the receiving dates and after initial recognition, the liability is measured at amortized cost using the effective interest method.<br>There is a risk that the Company may incorrectly measure the fair value and the amortized cost of the liability.<br>The accounting policy for government grants is described in Note 2(E), and the breakdown of the associated liability is disclosed in Note 6(C) of the accompanying financial report. | Our procedures in respect of this area included:<br>• Reviewing the terms of the grant agreements and ensuring that they were appropriately accounted for in the measurement of the liability.<br>• Agreed the key assumptions, inputs and royalty rates to the approved budget and to the terms of the underlying grant agreements. Holding discussions with key management personnel to understand management's sales forecast and the associated assumptions in determining the fair value and the amortized cost of the grant liability.<br>• Evaluating, with our valuation experts, the discount rate applied in calculating the fair value as used by the Company's independent valuation expert. |



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| Going concern – note 1B | How the matter was addressed in our audit |
|---|---|
| In addition to the matter described in the Material Uncertainty Related to Going Concern section we have determined the matter described below to be a key audit matter to be communicated in our report.<br>As at 31 December 2021 the Company has current assets of USD 1,777 thousand, includes cash and cash equivalents of USD 1,424 thousand and current liabilities of USD 670 thousand.<br>According to the Company's projected 12 month cash flow forecast an outgoing of approximately USD 2,500 thousand is expected.<br>The Company's ability to pay its trade and other payables over the next 12 months is dependent upon generating enough revenue from its operations and additional capital raisings<br>There is a risk that the Company may not be able to pay its debts when they fall due, therefore is key audit matter. | Our procedures in respect of this area included:<br>• Reviewing the Company's 12 month cash flow forecast and holding discussions with management regarding the accuracy of the projected operational expenditure and revenue from its operations.<br>• Obtained management representation relating to reliability of future capital raising and the accuracy of operational expenditure for the next 12 month. |

**Other information**

The directors are responsible for the other information. The other information comprises the information contained in the directors' report for the year ended December 31, 2021, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Management and Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Report**

our objectives are to obtain reasonable assurance about whether the financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial report.



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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Wertheimer

Tel-Aviv, Israel
March 31, 2022

Ziv Haft

Ziv haft
Certified Public Accountants (Isr.)
BDO Member Firm



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**Roots Sustainable Agricultural Technologies Ltd**

**ARBN 619 754 540**

**Statements of Financial Position**

| | Note | As at December 31, 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 1,424 | 3,067 |
| Restricted cash | 6.B | 42 | 84 |
| Trade receivables | | 62 | 126 |
| Other accounts receivables | 4 | 249 | 191 |
| **Total Current Assets** | | **1,777** | **3,468** |
| **Non-Current Assets** | | | |
| Property and equipment, net | | 46 | 56 |
| **Total Non-Current Assets** | | **46** | **56** |
| **TOTAL ASSETS** | | **1,823** | **3,524** |

**The accompanying notes are an integral part of the financial statements.**

**Roots Sustainable Agricultural Technologies Ltd**

**ARBN 619 754 540**

**Statements of Financial Position**

| | Note | As at December 31, 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade payables | | 28 | 86 |
| Other account payables | 5 | 458 | 568 |
| Derivative liability – warrants | | 184 | - |
| **Total Current Liabilities** | | **670** | **654** |
| **Non-Current Liabilities** | | | |
| Derivative liability – warrants | | **-** | 76 |
| Governmental liabilities on grants received | 6.C | 368 | 356 |
| **Total Non-Current Liabilities** | | **368** | **432** |
| **Shareholder's equity** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 7 | 18,228 | 17,553 |
| Warrants | | 164 | 164 |
| Foreign currency translation reserve | | (142) | (158) |
| Accumulated losses | | (17,465) | (15,121) |
| **Total equity** | | **785** | **2,438** |
| **TOTAL LIABILITIES AND EQUITY** | | **1,823** | **3,524** |

| March 31, 2022 | | |
|---|---|---|
| Date of approval of the financial statements | Boaz Wachtel<br>Chief Executive officer & Director | Moshe Hukaylo<br>Chief Financial officer |

**The accompanying notes are an integral part of the financial statements.**

**Roots Sustainable Agricultural Technologies Ltd**

**ARBN 619 754 540**

**Statements of Comprehensive loss**

| | Note | For the year ended December 31, 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| Revenues | 10 | 187 | 107 |
| Cost of revenues | | 117 | 94 |
| **Gross profit** | | 70 | 13 |
| Research and development expenses, net | 11 | 490 | 349 |
| Marketing, distribution and business development expenses | 12 | 605 | 751 |
| General and administrative expenses | 13 | 1,093 | 1,909 |
| **Loss from operations** | | **2,118** | **2,996** |
| Finance expense | 14 | 294 | 251 |
| Finance income | 14 | 68 | 45 |
| **Loss before income tax** | | **2,344** | **3,202** |
| Income tax | 15 | - | - |
| **Net loss** | | **2,344** | **3,202** |
| Other comprehensive loss | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Translation adjustment to the presentation currency | | (16) | (19) |
| **Total comprehensive loss** | | **2,328** | **3,183** |
| | | | |
| **Loss per share** | | | |
| Basic and diluted loss per share ($) | 7,9 | (0.004) | (0.014) |

**The accompanying notes are an integral part of the financial statements**.

**Roots Sustainable Agricultural Technologies Ltd**

**ARBN 619 754 540**

**Statements of Changes in Equity (deficit)**

**For the year ended December 31, 2021:**

| | Note | Share Capital and premium | Warrants | Foreign Currency Translation Reserve | Accumulated Deficit | Total Equity |
|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at January 1, 2021** | | 17,553 | 164 | (158) | (15,121) | 2,438 |
| **Changes during the period:** | | | | | | |
| **Comprehensive loss**: | | | | | | |
| Loss for the period | | - | - | - | (2,344) | (2,344) |
| **Other comprehensive loss:** | | | | | | |
| Translation differences | | - | - | 16 | - | 16 |
| **Total comprehensive loss for the period** | | **-** | **-** | **16** | **(2,344)** | **(2,328)** |
| Issuance of shares, net | 7 | 377 | - | - | - | 377 |
| Issuance of Performance rights | 8(b) | 56 | - | - | - | 56 |
| Issuance of shares to suppliers in lieu of cash payment | | 39 | - | - | - | 39 |
| Share-based compensation | 8(a) | 203 | - | - | - | 203 |
| **Balance as of December 31, 2021** | | 18,228 | 164 | (142) | (17,465) | 785 |

**The accompanying notes are an integral part of the financial statements.**

**Roots Sustainable Agricultural Technologies Ltd**

**ARBN 619 754 540**

**Statements of Changes in Equity (deficit)**

**For the year ended December 31, 2020:**

| | Note | Share Capital and premium | Warrants | Foreign Currency Translation Reserve | Accumulated Deficit | Total Equity |
|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at January 1, 2020** | | 11,468 | 164 | (177) | (11,919) | (464) |
| **Changes during the period:** | | | | | | |
| **Comprehensive loss**: | | | | | | |
| Loss for the period | | - | - | - | (3,202) | (3,202) |
| **Other comprehensive loss:** | | | | | | |
| Translation differences | | - | - | 19 | - | 19 |
| **Total comprehensive loss for the period** | | **-** | **-** | **19** | **(3,202)** | **(3,183)** |
| Issuance of shares, net | 7 | 4,642 | - | - | - | 4,642 |
| Conversion of convertible notes to shares | | 106 | - | - | - | 106 |
| Conversion of short term loans to shares | | 318 | - | - | - | 318 |
| Issuance of shares to suppliers in lieu of cash payment | 7 | 422 | - | - | - | 422 |
| Share-based compensation | | 597 | - | - | - | 597 |
| **Balance as of December 31, 2020** | | 17,553 | 164 | (158) | (15,121) | 2,438 |

**The accompanying notes are an integral part of the financial statements.**

**Roots Sustainable Agricultural Technologies Ltd**

**ARBN 619 754 540**

**Statements of Cash Flows**

| | Note | For the year ended December 31, | |
|---|---|---|---|
| | | 2021 | 2020 |
| | | $'000 | $'000 |
| **Cash Flows from Operating Activities:** | | | |
| Net loss for the year | | (2,344) | (3,202) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | |
| Depreciation | | 17 | 16 |
| Share-based compensation expenses | | 133 | 226 |
| Changes in fair value of derivatives | | (64) | 39 |
| Changes in fair value of convertible notes | | - | (72) |
| Change in liability for grants received from the IIA | | (125) | (41) |
| Interest on liability for grants received from the IIA | | 92 | 89 |
| Finance expense, net | | (16) | 15 |
| Interest on short term loans | | - | 111 |
| Change in trade receivable | | 67 | 33 |
| Change in other receivable | | (50) | (30) |
| Change in trade payable | | (18) | 342 |
| Change in other payable | | (78) | 11 |
| **Net cash used in operating activities** | | **(2,386)** | **(2,463)** |
| **Cash Flows From Investing Activities:** | | | |
| Purchase of property and equipment | | (5) | (13) |
| Change in restricted cash | | 43 | (39) |
| **Net cash provided by (used in) investing activities** | | **38** | **(52)** |
| **Cash Flows From Financing Activities:** | | | |
| Receipt of short term loans | | - | 183 |
| Net proceeds from issuance of shares | | - | 5,013 |
| Net proceeds from issuance of unit of securities | 7 | 672 | - |
| **Net cash provided by financing activities** | | **672** | **5,196** |
| **Increase (decrease) in cash and cash equivalents** | | (1,676) | 2,681 |
| Translation differences on cash and cash equivalents | | 33 | 45 |
| **Cash and cash equivalents at beginning of the year** | | 3,067 | 341 |
| **Cash and cash equivalents at the end of the year** | | **1,424** | **3,067** |

**The accompanying notes are an integral part of the financial statements.**

**NOTE 1 - GENERAL:**

A. Roots Sustainable Agricultural Technologies Ltd (the "Company") was incorporated in Israel on 20 April 2009 but commenced its operations in November 2012. The Company is listed, and its shares are publicly traded on the Australian Securities Exchange ("ASX").

Roots is an agriculture technology company focused on developing, producing and commercializing precision agriculture technologies that address difficult weather conditions, improve crop yields and provide water for irrigation in a cost effective and environmentally sustainable manner.

The formal address of the Company is Hamezach 1 Str. Kefar Vitkin, Israel.

B. The company is in its commercialization stage and does not generate significant revenue in this stage and financed its operation up to date mainly by issuance of shares. As of December 31, 2021 the Company has incurred negative cash from operation of 2,386 USD and net losses of USD 2,344 thousand for the current year. As a result of these matters, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

The directors believe that the company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on proceed from future fund raising in addition to revenues backlog. The Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis on the basis that the above can be reasonably expected to be accomplished.

C. The world Health Organization declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, A Layout has experienced significant disruption to its operations in the following respects:

- The closure of many retail locations due to local governments mandating that shopping centers and other 'non-essential' businesses cease normal operations;
- Disruptions in the supply of inventory from major suppliers;
- Decreased demand for certain products as a consequence of social distancing requirements and recommendations; and
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for A Layout's primary products.

The significant events and transactions that have occurred since 31 December 2020 relate to the effects of the global pandemic on A Layout's interim consolidated financial statements for the year ended 31 December 2021 and are summarized as follows.

**NOTE 1 – GENERAL (CONT.):**

The COVID-19 had no material effect on Roots financial position, however the effects on the activity were as follows:

1. The company intentionally reduced its work force to adopt to the new situation and decrease in activity, which resulted in reduced monthly expenditure.
2. Slowed down the overall business activity.
3. Shift in focus from international market to domestic market.
4. Developed strategic alliances in Israel to boost sales and streamline operation.
5. Launched North America S&M marketing campaign to prepare to market opening.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

**A. Basis of preparation:**

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention unless otherwise stated below.

**B. Estimates and assumptions:**

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenue and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates used by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in Note 3.

**C. Functional and reporting currency:**

The majority of the Company's costs are incurred in New Israeli Shekel (hereafter "NIS"). Thus, the functional currency of the Company is NIS.

The financial statements are presented in United States Dollars, which provides relevant information for the majority of investors and users of the financial statements. All values are rounded to the nearest dollar unless otherwise stated.

Assets and liabilities are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive loss.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**D. Foreign currency transactions:**

Transactions denominated in foreign currency (other than the functional currency) are recognized on initial recognition at the exchange rate as of the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate as of that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate as of the date of the transaction.

**E. Governmental liabilities on grants received:**

Grants received from the IIA for Israel Innovation Authority (henceforth "IIA") as support for a research and development projects include an obligation to pay back royalties conditional on future sales arising from the project. Grants received from the IIA are accounted for as forgivable loans, accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate of interest at the date of receiving the grant, unless there is reasonable assurance that the company will meet the conditions for the forgiveness of the loan, then recognized as a government grant. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a grant and recognized in profit or loss as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. At each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future sales and using the original effective interest method, and if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

**F. Cash equivalents:**

Cash equivalents are considered by the Company to be highly-liquid investments, including, inter alia, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

**G. Restricted cash:**

Restricted cash is considered by the Company to be deposits with banks which are used mainly as a security for guarantees provided against payable payments in advance.

**H. Deferred taxation:**

Deferred tax asset or liability is recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Recognition of deferred tax asset is restricted to

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

those instances where it is probable that such difference can be utilized. As of December 31, 2021 and 2020, since it is not probable that taxable profit will be available in the foreseen future therefore no deferred tax assets recognized.

**I. Impairment of non-financial assets:**

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest Company of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

During the years 2021 and 2020 no impairment charges of non-financial assets were recognized.

**J. Fair value measurement:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability, or
2. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

*Classification of fair value hierarchy*

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

| | | |
|---|---|---|
| Level 1 | - | Quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | - | Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly. |
| Level 3 | - | Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data). |

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**K. Financial instruments:**

**1. Financial assets:**

The Company classifies its financial assets based on the business model for managing the financial asset and its contractual cash flow characteristics. The Company's accounting policy for the relevant category is as follows:

**Amortized cost**

These assets arise principally from bank deposits, restricted cash, provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The Company measures provision of expected credit loss for financial assets at amortized cost, For December 31, 2021 and 2020, the provision is not material.

**2. Financial Liabilities:**

The Company classifies its financial liabilities into one of two categories:

**Amortized cost**

These liabilities include Governmental liabilities on grants received and trade payables, initially recognized at fair value less transaction costs that are directly attributable to the issue of the instrument, and are subsequently carried at amortized cost using the effective interest rate method.

**Fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss (convertible notes) and derivatives (Derivative liability – warrants).

Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

**3. Derecognition:**

**Financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**Financial Liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or Cancelled, or expire.

**Extinguishing Financial Liabilities with Equity Instruments**

When the Company issues equity instruments to a creditor to extinguish all or part of a financial liability, the Company derecognizes the financial liability fully or partly. The Company measures the equity instruments issued to the creditor at their fair value (or, if fair value is not reliably determinable, at the fair value of the liability extinguished). The Company recognizes in profit or loss any difference between the carrying amount of the financial liability (or part) extinguished and the measurement of the equity instruments issued.

**4. Issue of a unit of securities:**

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

**5. Derivative liability - Warrants:**

Warrants that are denominated in a currency other than the functional currency of the Company are considered a derivative liability and are classified as financial liabilities at fair value through profit or loss.

**L. Provisions:**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**M. Revenue from contracts with customers**

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

**Revenues from Construction Contracts**

The Company design and execute installation projects in the field of agriculture. The Company recognizes income from construction contracts over time, since the Company's performance creates an asset that the customer controls as the asset is created. Revenues are recognize by the input methods.

The Company recognizes revenue based on the cost incurred to date. It is determined by dividing actual completion costs incurred to date by the total completion costs anticipated.

When a loss from a contract is anticipated, a provision is made in the period in which it first becomes evident, for the entire loss anticipated, as assessed by the company's management.

The payment terms in the projects are based on milestones set at the date of signing the contract and are based mainly on the rate of progress. For this reason, the Company is not expected to recognize contract assets or contract liabilities in significant amounts in relation to these contracts.

**Financing components**

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

**N. Assets and liabilities arising from contracts with customers**

**Contract assets**

A contract asset is the Company's right to consideration in exchange for goods or services the entity has transferred to a customer that is conditional on something other than the passage of time.

**Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

**O. Property, plant and equipment:**

Property and equipment are stated at cost, net of accumulated depreciation and net of impairment. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets at the following rates:

| | % |
|---|---|
| Computer equipment | 33 |
| Machinery and equipment | 7-20 |
| Vehicles | 15 |

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**P. Employee benefits:**

1. **Short-term employee benefits:** Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid sick leave, recreation, and social security contributions and are recognized as expenses as the services are rendered.

2. **Post-employment benefits:** The Company's obligation to pay severance to its employees pursuant to section 14 to the Severance Pay Law and the provident component that the Company is obligated to deposit in favor it's employees are treated as defined contribution plans.

   The Company pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

   Contributions to the defined contribution plan are recognized as an expense simultaneously with receiving the employee's services and no additional provision is required in the financial statements except for the unpaid contribution.

**Q. Operating Segment**

The company currently conduct its operation through one operating segment

**R. Share-based payments:**

Where equity settled share options are awarded to employees, the fair value of the options calculated at the grant date based on the share fair price is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

**S. Research and Development:**

Costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

During the years 2021 and 2020 the company didn't stand in the following criteria therefore all research and development recognized as expenses.

**T. Issuance costs:**

The company allocated the incremental costs that were directly attributable to issuing new shares to equity (net of any income tax benefit) and the costs that were related to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, were recognized as an expense in the statement of comprehensive income. Costs that were related to both share issuance and listing were allocated between those functions based on the number of shares.

**U. Earnings (loss) per share:**

Earnings per share are calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from net income (loss). Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share.

**V. Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs (note 2T).

**Warrants**

Warrants to acquire a fixed number of the Company's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

**W. Leases**

The company has a contract with lease terms of 12 months or less. The company applies exemptions from the recognition 'short-term lease'.

**X. New standards, interpretations and amendments not yet effective**

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

- **IAS1 - Presentation of Financial Statements**

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Company is currently evaluate the impact of IAS 1 amendments, however, at this stage it is unable to assess such impact.

- **IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Regarding the Definition of Accounting Estimates)**

The definition of "change in accounting estimate" has been replaced by the definition of "accounting estimates". Accounting estimates under the new definition are "financial amounts in the financial statements subject to measurement uncertainty." The amendment clarifies that a change in an accounting estimate resulting from new information or new developments is not a correction of an error. In addition, the effects of a change in input or measurement technique used to develop an accounting estimate do not constitute a change in accounting estimates if those changes do not result from the correction of errors in a prior period.

The amendment will be applied from now on for annual reporting periods beginning on or after January 1, 2023. Early application is possible. The Company is currently evaluating the impact of the amendments, however, at this stage it is unable to assess such impact.

- **Onerous Contracts - Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The adoption of IAS 37 amendments will not have material impact on the financial statements.

## NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's earnings and financial position is Governmental liabilities on grants received.

**Governmental liabilities on grants received**

The Company measured governmental liabilities on grants received, each period, based on discounted cash flows derived from Company's future anticipated revenues. The discount rate reflect the market rate at the date of receiving the grant. A change in the estimate within a reasonable range will not result a material change of the liability.

## NOTE 4 - OTHER ACCOUNTS RECEIVABLES:

| | As at December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | $'000 | $'000 |
| Government institutions | 67 | 50 |
| Prepaid expenses | 153 | 70 |
| Other receivables | 29 | 71 |
| | **249** | **191** |

## NOTE 5 - OTHER ACCOUNTS PAYABLES:

| | As at December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | $'000 | $'000 |
| Employees and related institutions | 158 | 112 |
| Accrued expenses | 135 | 166 |
| Governmental liabilities on grants received (Note 6.C) | 25 | 70 |
| Liabilities to related parties | 140 | 136 |
| Other payables | - | 84 |
| | **458** | **568** |

## NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES:

A. The Company leases premises for its offices and R&D center in Bet Halevi. The initial contract period ended December 31, 2020. According to the lease agreement, the Company has five consecutive options each for 12 months at its discretion The management estimate a lease period of 12 months during 2022.
Total rent expenses for the years ended December 31, 2021 and 2020 were 14 and 11 thousand U.S. dollars respectively.

B. As of December 31, 2021 and 2020, the Company has a lien in first degree to the bank in amount of approximately 42 and 84 thousand U.S. dollars, respectively on a bank deposit account and all cash and securities deposited in them.

C. The Company participates in programs sponsored by the Israel Innovation Authority ("IIA"), for the support of several research and development projects programs which subjected to royalties, while others are not (the company is committed to pay royalties for the R&D programs, while the research programs does not require repayment). In exchange for the IIA's participation in the programs, the Company is required to pay royalties to the IIA at a rate of 3% of sales of developed products linked to U.S dollars, until repayment of 100% of the amount of grants received, plus annual interest at the LIBOR rate.
The Company is required to pay royalties, to the IIA, of sales to end customers of products developed with funds provided by the IIA, if and when such sales are recognized. As of December 31, 2021 and 2020 the Company has not received grants, the aggregate governmental liabilities was 800 thousands U.S. dollars, respectively. The exceptions of the Company to pay the grants are based on its estimation at the end of the each year. During 2021 the company didn't pay royalty to the IIA**.**

**Changes in liabilities arising from financing activities**

Reconciliation of the changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows:

| | **Governmental liabilities on grants received** | **Derivative liability – warrants** |
|---|---|---|
| | **$'000** | **$'000** |
| **At 1 January 2021** | 426 | 76 |
| Changes from financing cash flows | | |
| Issuance of warrants | - | 168 |
| Total changes from financing cash flows | - | 168 |
| Changes in fair value | - | (60) |
| Change in liability | (124) | - |
| Interest on liability | 93 | - |
| The effect of changes in foreign exchange rates | - | - |
| **At 31 December 2021** | 393 | 184 |

## NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES (CONT.)

| | Governmental liabilities on grants received | Derivative liability – warrants | Convertible notes | Short term loan |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **At 1 January 2020** | 378 | 32 | 178 | - |
| Changes from financing cash flows | | | | |
| Receipt of short term loans | - | - | - | 242 |
| Repayment of short term loans | - | - | - | (59) |
| Total changes from financing cash flows | - | - | - | 183 |
| Conversion of short term loans to shares | - | - | - | (313) |
| Changes in fair value | - | 44 | (72) | - |
| Change in liability | (41) | - | - | - |
| Conversion of convertible notes to shares | - | - | (106) | - |
| Interest on short term loans | - | - | - | 111 |
| Interest on liability | 89 | - | - | - |
| The effect of changes in foreign exchange rates | - | - | - | 19 |
| **At 31 December 2020** | 426 | 76 | - | - |

## NOTE 7 - SHAREHOLDERS EQUITY:

| | Number of shares | | | |
|---|---|---|---|---|
| | December 31, 2021 | | December 31, 2020 | |
| | Authorized | Issued and outstanding | Authorized | Issued and outstanding |
| Ordinary shares of NIS 0.01 par value | 1,000,000,000 | 749,632,688 | 1,000,000,000 | 539,783,931 |
| Warrants | 5,758,592 | 5,758,592 | 5,758,592 | 5,758,592 |

The Ordinary Shares confer upon the holders thereof all rights accruing to a shareholder of the Company, including, the right to receive notices of and to attend meetings of shareholders; for each share held, the right to one vote at all meetings of shareholders; and to share equally, on a per share basis, in such dividend and other distributions to shareholders of the Company as may be declared by the Board of Directors and upon liquidation or dissolution of the Company, in the distribution of assets of the Company legally available for distribution to shareholders in accordance with the terms of applicable law. All Ordinary Shares rank pari-passu in all respects with each other.

## NOTE 7 - SHAREHOLDERS EQUITY (CONT.):

Movements in ordinary shares:

| | 2021 | 2020 |
|---|---|---|
| | $'000 | |
| Balance as of January 1 | 539,783,931 | 120,764,335 |
| Conversion of short-term loans to shares | - | 18,000,000 |
| Conversion of convertible notes to shares | - | 5,982,385 |
| Issuance of shares to directors (note 7g) | 1,223,125 | - |
| Issuance of shares to advisor (note 7h) | 42,367,533 | - |
| Issuance of shares to suppliers and employees in lieu of cash payment (note 7i) | 6,001,688 | 27,682,413 |
| Issuance of unit of shares (note 7j) | 160,256,411 | 367,354,798 |
| Balance as of December 31 | 749,632,688 | 539,783,931 |

**A.** During 2020, the Company issued the following CDIs in lieu of cash payments:

a. 4,000,000 CDIs to contractors of the Company on 28 February 2020.
b. 12,480,433 CDIs to contractors of the Company on 28 August 2020.
c. 4,000,000 CDIs to contractors of the Company on 1 September 2020.
d. 2,800,000 CDIs to contractors of the Company on 1 September 2020.
e. 2,454,063 CDIs to contractors of the Company on 18 December 2020.
f. 1,947,917 CDIs to employee of the Company on 18 December 2020

The Company did this to preserve its cash reserves.

**B.** In February 2020, the Company announced that it had received firm commitments to raise up to AUD 0.5 million before expenses, by way of a placement of up to 15,151,515 CDIs at AUD 0.033 per CDI to sophisticated and professional investors. Issue of the CDIs was made on 13 February 2020 under the Company's available placement capacities with 2,841,909 CDIs issued under Listing Rule 7.1 and 12,309,606 CDIs issued under Listing Rule 7.1A.

Everblu Capital Pty Ltd acted as lead manager for the capital raising and received a fee of 6% of the total funds raised and, subject to receipt of prior shareholder approval to be sought at a future general meeting – 2,000,000 CDIs. The total fair value of the shares is $ 44 thousand

**C.** In May 2020 the Company announced that it had received firm commitments to raise up to AUD 280,000 before expenses, by way of a placement of up to 15,555,556 CDIs at AUD 0.018 per CDI to sophisticated and professional investors. The CDIs were issued on 27 May 2020.

Everblu Capital Pty Ltd acted as lead manager for the capital raising and received a fee of 6% of the total funds raised and, subject to receipt of prior shareholder approval to be sought at a future general meeting – 1,000,000 CDIs. The total fair value of the shares is $ 12 thousand

**NOTE 7 - SHAREHOLDERS EQUITY (CONT.):**

**D.** During May 2020, the company approved the issuance of 16,500,000 CDIs to contractors of the Company as stock based compensation. The total fair value of the shares at the amount of $ 228 thousand was expensed through profit and loss.

**E.** In August 2020, the Company announced that it had received firm commitments to raise up to AUD 2.510 million before expenses, by way of a placement of up to 156,875,000 CDIs at AUD 0.016 per CDI to sophisticated and professional investors. The CDIs were issued on 27 May 2020.

Everblu Capital Pty Ltd acted as lead manager for the capital raising and received a fee of 6% of the total funds raised and, subject to receipt of prior shareholder approval to be sought at a future general meeting – 10,000,000 CDIs. The total fair value of the shares is $ 118 thousand.

**F.** In December 2020, the Company announced that it had received firm commitments to raise up to AUD 2.510 million before expenses, by way of a placement of up to 179,772,727 CDIs at AUD 0.022 per CDI to sophisticated and professional investors. The CDIs were issued on 11 December 2020.

Everblu Capital Pty Ltd acted as lead manager for the capital raising and received a fee of 6% of the total funds raised and, subject to receipt of prior shareholder approval to be sought at a future general meeting – 11,867,553 CDIs. The total fair value of the shares is $ 197 thousand.

**G.** On October 2021, the Company issued 1,223,125 CDIs to Directors for services rendered in lieu of cash fees. This offering was reflected in the financial statements for 2020.

**H.** On October 2021, the Company issued 42,367,533 CDIs to to Everblu Capital (the Company's Corporate Advisor and Lead Manager) for capital raising and corporate advisory services provided over a period commencing from October 2019 to December 2020.

**I.** On October 2021, the Company issued 6,001,688 CDIs to contractors of the Company for services rendered in lieu of cash fees.

**J.** On December 2021, the Company announced that it had raised AUD 1million from Issuance of a unit of securities, before expenses, by way of a placement of up to 160,256,410 CDIs at AUD 0.00624 per CDI to sophisticated and professional investors. In addition, the Company issued option for every CDIs to investors:

(1) 40,064,103 options, which have an exercise price of AUD 0.02, exercisable over a period of 1.8 years.

(2) 120,192,308 options (pending approval of the shareholders meeting), which have an exercise price of AUD 0.0125, exercisable over a period of 1.8 years.

## NOTE 7 - SHAREHOLDERS EQUITY (CONT.):

**K.** Everblu Capital Pty Ltd (EverBlu) acted as Lead Manager to the Offer and as part of its mandate received (pending approval of the shareholders meeting) 40,064,103 Options exercisable over a period of 1.8 years with an exercise price of AUD0.02 and 120,192,308 Options over a period of 1.8 years with an exercise prices of AUD0.0125, on the same terms as those the subject of the Offer. The value of the 40,064,103 options is $29 thousand and total value of the 120,192,308 options is $141 thousand. In addition, EverBlu received AUD 60 thousand in cash.

The options valued using the Black Scholes option valuation methodology based on the following data and assumptions:

| | | |
|---|---|---|
| **Unlisted Options** | 40,064,103 | 120,192,308 |
| **Share price** | AUD0.006 | AUD0.006 |
| **Exercise price** | AUD0.02 | AUD0.0125 |
| **Risk-free interest rate** | 0.588% | 0.588% |
| **Expected average life** | 1.8 years | 1.8 years |
| **Expected volatility** | 100% | 100% |

## NOTE 8 - SHARE BASED PAYMENT:

**A. Options granted to employees and service providers:**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price** | **Number of Options** | **Weighted Average Exercise Price** |
| | | **NIS** | | **NIS** |
| Options outstanding as beginning of year | 1,935,500 | 0.04 | 2,083,500 | 0.04 |
| **Changes during the year:** | | | | |
| Granted (1) | 4,833,333 | 0.01 | - | 0.04 |
| Granted (2) | 1,000,000 | 0.01 | - | - |
| Forfeited | - | - | (148,000) | - |
| Exercised | - | - | - | - |
| Options outstanding at end of year | 7,768,833 | 0.05 | 1,935,500 | 0.04 |
| Options exercisable at year-end | 7,768,333 | 0.04 | 1,897,438 | 0.04 |

* The options outstanding at 31 December 2021 had a weighted-average contractual life of 2 year.

** The exercise price of options outstanding at 31 December 2021 ranged between NIS 0.01 and NIS 0.06.

**NOTE 8 - SHARE BASED PAYMENT (CONT.):**

1. On October 2021, the Company issued 4,833,333 unlisted options to directors. These options are exercisable over a period of 5 years with an exercise price of NIS0.01. The total value of the options are $ 27 thousand and as of December 31, 2021 the company recognized as an expense.
2. 1,000,000 Listed Options issued to Everblu Capital (the Company's Corporate Advisor and Lead Manager) for capital raising and corporate advisory services provided over a period commencing from October 2019 to December 2020. The total fair value of the shares is $ 7 thousand.

   The options valued using the Black Scholes option valuation methodology based on the following data and assumptions:

| | |
|---|---|
| **Share price** | AUD0.009 |
| **Exercise price** | NIS0.01 |
| **Risk-free interest rate** | 1.02% |
| **Expected average life** | 5 years |
| **Expected volatility** | 100% |

**B. Performance rights:**

The Performance Rights valued using option valuation methodology based on the following data and assumptions:

Data related to the Performance rights as of December 31, 2021 and changes during the two years ended on that date are as follows:

| | 2021 | 2020 |
|---|---|---|
| | Number of rights | |
| Performance rights outstanding as beginning of year | 16,166,666 | 19,133,333 |
| **Changes during the year:** | | |
| Granted (*) | 18,000,000 | |
| Forfeited | (11,766,666) | (2,966,667) |
| Exercised | - | - |
| Performance rights outstanding at end of year | 22,400,000 | 16,166,666 |
| Performance rights exercisable at year-end | - | 2,966,667 |

(*) On September 16, 2021 the company has agreed to issue an aggregate of 18,000,000 Performance Rights with exercise price of NIS 0.02 to Boaz Wachtel and Sharon Devir, each received 9,000,000 Performance Rights on the terms and conditions set out below:

Class H - 6,000,000 Performance Rights - Within 36 months of the date of issue of PR's:

a. company executing a joint venture agreement with a company with a synergetic technology to the company, and

b. company recording a least AUD100,000 pursuant to the joint venture within the first 12 months from the date of execution of the joint venture within 36 months of the date of issue of PR's.

**NOTE 8 - SHARE BASED PAYMENT (CONT.):**

**B. Performance rights (CONT.):**

Class I - 6,000,000 Performance Rights - Company recording gross sales of AUD500,000 within 18 months of the date of issue of PR's.

Class J - 6,000,000 Performance Rights - Company recording gross sales of AUD300,000 as a result of signing letter of intent or definitive dealership agreement in at least 3 new territories within 24 months of the date of issue of PR's.

The value of the Performance Rights was using the Black Scholes valuation methodology based on the following data and assumptions:

| **Performance Rights** | Class H | Class I | Class J |
|---|---|---|---|
| **Share price** | AUD0.009 | AUD0.009 | AUD0.009 |
| **Risk-free interest rate** | 0.001% | 0.003% | 0.005% |
| **expected average life** | 1 years | 1.5 years | 2 years |
| **expensed** | $ 16 thousand | $ 19 thousand | $ 21 thousand |
| **Expected Volatility** | 100% | 100% | 100% |

The total fair value of performance shares at the amount of $ 56 thousand was expensed through profit or loss.

**NOTE 9 - LOSS PER SHARE:**

**Net loss per share attributable to equity owners:**

| | **For the year ended December 31,** | |
|---|---|---|
| | **2021** | **2020** |
| | **$'000** | **$'000** |
| Net loss used in basic and diluted EPS | (2,344) | (3,202) |
| Weighted average number of shares used in basic and diluted EPS | 556,831,758 | 227,654,071 |
| Basic and diluted net EPS (dollars) | (0.004) | (0.014) |

At 31 December 2021, 22,400,000 Performance Rights and 47,832,936 options (2020: 16,166,666 Performance Rights and 1,935,500 options) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

**NOTE 10 - REVENUE:**

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| *Primary Geographic Markets* | **$'000** | **$'000** |
| Asia | 59 | - |
| Australia | 6 | - |
| America | 41 | - |
| Israel | 81 | 107 |
| **Total** | **187** | **107** |

All revenues were derived from 10 customers

**NOTE 11 - RESEARCH AND DEVELOPMENT EXPENSES, NET:**

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **$'000** | **$'000** |
| Salaries and benefits | 419 | 147 |
| Subcontractors | 70 | 157 |
| Materials | 89 | 16 |
| Legal fees | 31 | 60 |
| Other | 5 | 10 |
| | 614 | 390 |
| Governmental Grants received and changes in liability, net | (124) | (41) |
| **Total** | **490** | **349** |

**NOTE 12- MARKETING, DISTRIBUTION AND BUSINESS DEVELOPMENT EXPENSES:**

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **$'000** | **$'000** |
| Business development | 213 | 400 |
| Salaries and benefits | 338 | 233 |
| Marketing | - | 47 |
| Other | 54 | 71 |
| **Total** | **605** | **751** |

## NOTE 13 - GENERAL AND ADMINISTRATIVE EXPENSES:

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **$'000** | **$'000** |
| Salaries and benefits | 172 | 102 |
| Share based payment | 84 | 225 |
| Consulting | 267 | 368 |
| Public Relations | 77 | 893 |
| Professional fees | 178 | 144 |
| Insurance | 51 | 58 |
| Rental and office expenses | 48 | 35 |
| Refreshments | 11 | 9 |
| Advertising | 134 | 7 |
| Other | 71 | 68 |
| **Total** | **1,093** | **1,909** |

## NOTE 14 - FINANCE EXPENSE AND INCOME:

**Finance expense:**

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **$'000** | **$'000** |
| Changes in fair value of convertible notes | - | 13 |
| Net foreign exchange loss | 122 | - |
| Interest on governmental liabilities on grants received | 92 | 89 |
| Interest and bank charges and other | 4 | 100 |
| Issuance fees | 76 | 3 |
| Changes in fair value of derivative liability – warrants | - | 46 |
| **Total finance expense** | **294** | **251** |

**Finance income:**

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **$'000** | **$'000** |
| Changes in fair value of derivative liability – warrants | 68 | - |
| Net foreign exchange gain | - | 45 |
| **Total finance income** | **68** | **45** |

## NOTE 15 - TAXATION:

### A. Israeli tax rates:

Israeli corporate tax rates are 23%.

### B. Net operating losses carry forward:

As of December 31, 2021, the Company has estimated carry forward tax losses of approximately 15 million U.S. dollars, which may be carried forward and offset against taxable income for an indefinite period in the future. Deferred tax asset on the company's losses was not recognized since it is not probable that taxable profit will be available in the foreseen future.

### C. Reconciliation of effective tax rate:

The adjustments for the difference between the actual tax charge for the year and the standard rate of corporation tax in Israel applied to profits for the year are as follows:

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **$'000** | **$'000** |
| Loss before income tax | (2,344) | (3,202) |
| Tax computed at the corporate rate in Israel | 539 | 736 |
| losses for which no deferred tax asset is recognized | (539) | (736) |
| Total income tax expense | - | - |

## NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Company holds the following financial instruments:

| **Financial assets** | **2021** | **2020** |
|---|---|---|
| | **$'000** | **$'000** |
| *Financial assets at amortized cost* | | |
| Cash and cash equivalents | 1,424 | 3,067 |
| Restricted cash | 42 | 84 |
| Trade receivables | 62 | 68 |
| Other accounts receivables | 29 | 71 |
| | **1,557** | **3,290** |

| **Financial liabilities** | **2021** | **2020** |
|---|---|---|
| | **$'000** | **$'000** |
| *Financial liabilities at amortized cost* | | |
| Trade and other payables | 303 | 388 |
| Governmental liabilities on grants received | 393 | 426 |
| | **696** | **814** |
| *Financial assets at fair value* | | |
| Derivative liability – warrants | 184 | 76 |
| | **184** | **76** |

The Company is expose to variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, trade payables and other liabilities. The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly credit risk, currency risk and liquidity risk. The Company has no interest rate risk as the balances exposure to interest is minimal. The risk management policies employed by the Company to manage these risks discussed below.

### A. Credit risk:

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from deposits with banks and financial institutions and other financial instruments.

## NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

**Trade receivables and contract assets**

The Company believes that there is no material credit risk in light of Company's policy to assess the credit risk instruments of customers before entering contracts. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

**Cash and cash equivalents and deposits with banks**

The Company holds cash and cash equivalents and deposit accounts in big banking institutions in Israel and in the Australia, thereby substantially reducing the risk to suffer credit loss

**B. Foreign currency risk:**

Foreign exchange risk arises when the company enter into transactions denominated in a currency other than its functional currency. The company is exposed to currency risk to the extent that there is a mismatch between the currency in which it denominated and the respective functional currency of the company.

The currencies in which some transactions are primarily denominated are US dollars and Australian dollars.

The company's policy is not to enter into any currency hedging transactions. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | As at December 31, 2021 | | | |
|---|---|---|---|---|
| **Assets** | **US dollar** | **AUD** | **EURO** | **Total** |
| Cash And cash equivalents | 24 | 1,368 | 6 | 1,398 |
| Trade receivables | 48 | - | - | 48 |
| | **72** | **1,368** | **6** | **1,446** |
| **Liabilities** | | | | |
| Trade and other payables | 41 | 34 | - | 75 |
| Derivative liability – warrants | - | 184 | - | 184 |
| Governmental liabilities on grants received | 393 | - | - | 393 |
| | **434** | **218** | **-** | **652** |

## NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

| | As at December 31, 2020 | | | |
|---|---|---|---|---|
| **Assets** | **US dollar** | **AUD** | **NIS** | **Total** |
| Cash And cash equivalents | 27 | 2,871 | 169 | 3,067 |
| Restricted cash | - | - | 84 | 84 |
| Trade receivables | 48 | - | 20 | 68 |
| Other accounts receivables | 58 | - | 13 | 71 |
| | **133** | **2,871** | **286** | **3,290** |
| **Liabilities** | | | | |
| Trade and other payables | 18 | 130 | 240 | 388 |
| Derivative liability – warrants | - | 76 | - | 76 |
| Governmental liabilities on grants received | 426 | - | - | 426 |
| | **444** | **206** | **240** | **890** |

**Analysis:**

A 5% strengthening of the NIS against the following currencies would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 5% weakening of the NIS against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

| | 2021 | 2020 |
|---|---|---|
| **Linked to US dollar** | (362) | (311) |
| | 5% | 5% |
| | 18 | 16 |
| **Linked to AUD** | 1,150 | 2,665 |
| | 5% | 5% |
| | 58 | 133 |

### C. Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of loss. The Company has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. The Company has no material obligation beyond one year (the liabilities for governmental institutes depends on achieving future revenues) and has a negative working capital and cash in bank to finance its working capital in the near future.

**NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):**

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments except for governmental liabilities on grants received which based on the repayment forecast of the management of the company

**December 31, 2021:**

| | | Amortized cost | | | | | |
|---|---|---|---|---|---|---|---|
| | **Book value** | **Less than one year** | **1 to 2 years** | **2 to 3 years** | **3 to 4 years** | **> 5 years** | **Total** |
| | **U.S. dollars in thousands** | | | | | | |
| Trade and other accounts payables | (303) | (303) | - | - | - | - | (303) |
| Governmental liabilities on grants received | (393) | (30) | (90) | (180) | (270) | (230) | (800) |
| **Total** | **(696)** | **(333)** | **(90)** | **(180)** | **(270)** | **(230)** | **(1,103)** |

**December 31, 2020:**

| | | Amortized cost | | | | | |
|---|---|---|---|---|---|---|---|
| | **Book value** | **Less than one year** | **1 to 2 years** | **2 to 3 years** | **3 to 4 years** | **> 5 years** | **Total** |
| | **U.S. dollars in thousands** | | | | | | |
| Trade and other accounts payables | **(**388**)** | **(**388**)** | | - | - | - | (388) |
| Governmental liabilities on grants received | (426) | (70) | (146) | (234) | (302) | - | (752) |
| **Total** | **(814)** | **(458)** | **(146)** | **(234)** | **(302)** | **-** | **(1,140)** |

**D. Fair value of financial assets and liabilities:**

| | Fair value measurements using input type | | | |
|---|---|---|---|---|
| | U.S. $ in thousands | | | |
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **As of December 31, 2021** | | | | |
| Warrants (issuance of a unit of securities) * | 12 | - | - | 12 |
| Warrants (issuance of a unit of securities) | - | - | 172 | 172 |
| **As of December 31, 2020** | | | | |
| Warrants (issuance of a unit of securities)* | 76 | - | - | 76 |

*The warrants (issuance of a unit of securities) are trading under the ASX code ROOO

## NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.)

The fair value measurement of the warrants in the table above, was estimated using a Black & shoals model adjusted for a dilution affect analysis, based on a variety of significant unobservable inputs and thus represent a level 3 measurement within the fair value hierarchy. As of the issue date of the warrants, the key inputs that were used in measuring the fair value of the Convertible notes were: the risk free interest rate- 1.7%, the expected volatility-75% and the AUD/USD exchange rate -0.7088.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

| | 31.12.2021 | | | |
|---|---|---|---|---|
| **Item** | **Fair value** | **Unobservable inputs** | **Inputs** | **Relationship of unobservable inputs to fair value** |
| | **U.S. $ in thousands** | | | |
| Warrants | 172 | Volatility of firm's assets returns | 75% | A change in the volatility measure by %5 results in a change of +/- 12K of the fair value |

*Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:*

| | **2021** | **2020** |
|---|---|---|
| **Convertible notes** | **U.S. $ in thousands** | |
| Balance as of January 1 | - | 178 |
| Conversion of convertible notes to shares | - | (106) |
| Net loss recognized in Profit or loss | - | (72) |
| Balance as of December 31 | - | - |
| **Warrants** | | |
| Balance as of January 1 | - | - |
| Issuance of warrants | 172 | - |
| Net loss recognized in Profit or loss | - | - |
| Balance as of December 31 | 172 | - |

## NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.)

### E. Financial instruments not measured at fair value:

Financial instruments not measured at fair value includes cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, and governmental liabilities on grants received.

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables approximates their fair value.

The fair value of governmental liabilities on grants received for December 31, 2021 and December 31, 2020 is not materially different to the carrying amount, since the interest rate used in the initial recognition is close to current market rates.

### F. The Group's objectives when maintaining capital are:

The Company seeks to maintain a capital structure which enables it to continue as a going concern and which supports its business strategy. The Company's capital is provided by equity rising. The Company manages its capital structure through raising funds from shareholders. The Company has net cash and cash equivalents at the balance sheet date of 1,424 (2020 – 3,067) thousands U.S. dollars. Accordingly, the directors believe that the company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on receipt from issuance of shares in addition to revenues backlog.

## NOTE 17 - RELATED PARTY AND SHAERHOLDRS:

**Related party transactions:**

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| **Compensation of key management personnel of the Company:** | **$'000** | **$'000** |
| Short-term employee benefits *) | 307 | 171 |
| Post-employment benefits | 33 | 13 |
| Share based payment | 56 | - |

*) Including Management fees for the CEO, Directors Executive Management and other related parties.

**Balances with related parties:**

| | As at December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **$'000** | **$'000** |
| Other accounts payables | 140 | 134 |

**NOTE 18 - EMPLOYEE BENEFITS:**

The Company has defined contribution plans pursuant to Section 14 to the Severance Pay Law under which the Company pays fixed contributions to a specific fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

| | Year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **$'000** | **$'000** |
| Expenses in respect of defined contribution plans | 107 | 39 |