

ASX and MEDIA RELEASE

28 July 2022

## Quarterly Activity Report and Appendix 4C

### Highlights:

- Binding agreement secured with leading UK agricultural project and technology provider TK Solutions AG Ltd to broaden European footprint
- Agreement covers for the sales, marketing, logistics, installation and post-sale service of Roots' Root Zone Temperature Optimisation ("RZTO") technology into the UK, Ireland and Austria
- 12-month binding agreement with South African insulated panel and cold room manufacturer Precool Manufacturing Co (Pty) Ltd ("Precool") highlights new market entry
- Binding agreement will allow both parties to advance marketing, sales, installation and post-sale services for Roots' innovative RZTO technology in the South African market
- \$42,000 order for an in-soil RZTO system secured from Israeli Peony flower farmer
- Binding Letter of Intent ("LOI") executed with FinePro Renewable Energy Ltd ("FinePro") to advance Irrigation by Condensation ("IBC") technology
- Roots' IBC solution is a proprietary disruptive technology helping farmers globally, to produce food irrigated from only the humidity in the air

Roots Sustainable Agricultural Technologies Limited (ASX: ROO, "Roots" or "the Company") is pleased to provide this update to shareholders for the period ended 30 June 2022 (the 'quarter'), together with its Appendix 4C Quarterly Cash Flow Report.

### Operational Overview

#### **Binding dealership agreement broadens European footprint:**

The Company considerably expanded its distribution footprint in the UK, Ireland and Austria following the execution of a 12-month exclusive binding dealership agreement with leading UK agricultural project and technology provider TK Solutions AG Ltd ('TK Solutions') for the sales, marketing, logistics, installation and post-sale service of Roots' Root Zone Temperature Optimisation ("RZTO") technology.

TK Solutions is an established provider that represents leading Israeli agricultural technology companies in Europe. The group offers complete agricultural growing solutions under its Sustainable Agriculture Provider Ltd brand. TK Solutions' offering encompasses project design, supply of components for irrigation systems, assembly for commissioned pump houses, advanced automation systems and aftersales technical and IT support.



Under the agreement, TK Solutions will provide the sales and marketing of the Company's RZTO technology. The group will deliver the logistics and installation of system components when required including storage, assembling, packaging, shipment to site and supervising local installers. Customer payment collection and post-sale services will also be undertaken by TK Solutions. The cost of the system will be payable by TK Solutions to Roots, based on agreed prices of the RZTO technology systems. TK Solutions will then sell the systems to customers on standard commercial terms.

**Binding agreement secured with leading South African agricultural insulation solutions provider:**

To broaden international reach, the Company entered into a 12-month binding agreement with South African insulated panel and cold room manufacturer Precool Manufacturing Co (Pty) Ltd ("Precool") in respect of marketing, sales, installation and post-sale services for Roots' innovative RZTO technology in the South African market.

Precool was established in 1969 and provides modular insulation solutions for temperature sensitive environments including those in the agricultural and food sectors. Precool offers a variety of products and services targeting a number of segments including medicinal cannabis, nurseries and berries, as well as leafy vegetables. The group is based in Cape town and is strategically located near a large number of blueberry product sites, a major sector in South Africa.

As part of the agreement, both parties will market, sell, install and provide post sale services of RZTO technology, leveraging Precool's in-market expertise to identify potential customers and sales channels. Costs of the RZTO systems to be sold within South Africa will be split between the parties, with Roots bearing 55% of this. The Company has agreed not to engage with any other entity to market, sell or install its technology within the Republic of South Africa for a period of 12 months after the date of purchase of Root's technology by a customer under the agreement.

**Additional RZTO sale to Israeli Peony flower farm:**

Underpinning sales for the period, the Company secured a \$42,000 order for an in-soil RZTO system to Deer Country Farms. The group is a Peony flower grower, situated in a mountainous area in Israel.

Roots was engaged by Deer Country Farms due to the tailor-made temperature requirements of Peony farm cultivation, where at certain periods the soil is required to be cooled to below ten degrees Celsius. Current growing methods are labour intensive and require transporting growing pots into a freezer to induce dormancy and then re-plant them back in the soil or pots.

Roots' RZTO system will allow farmers to cool the soil to temperatures similar to the freezer, saving them the labour resources required to constantly move pots in and out of the freezer. Further, the innovative technology will provide the group with a more environmentally sustainable solution, lower operating costs and accelerated and high quality plant growth.

**Binding LOI to advance Irrigation by Condensation ("IBC") technology:**

The Company entered into a binding Letter of Intent ("LOI") with FinePro Renewable Energy Ltd ("FinePro"). Established in 2001, Finepro is an international consulting, fabrication and turnkey company operating in the gas and energy sector. FinePro has become a leader in the space and is the official representative in Israel of 12 international companies with dozens of years of experience in the gas sector.



FinePro will serve as the Company's integrator of Roots' IBC technology with its Gas or Solar operated and energy storage systems. Roots' IBC is a proprietary disruptive technology helping farmers globally, to produce food irrigated from only the humidity in the air.

The IBC system has demonstrated its effectiveness in the production of nine different crops to date. Roots and FinePro plan to offer a gas-based IBC system, providing a more cost effectiveness than current iterations that rely on solar and batter operated energy.

Under the LOI, for every sale of the IBC system made by Roots, FinePro will be entitled to 70% of the selling price with Roots receiving 30%. For sales made by FinePro, FinePro will be entitled to 75% of the selling price with Roots receiving 25%. The systems will be built at FinePro facilities and financed by FinePro. Roots will contribute the agricultural equipment as well as technical assistance required for system assembly.

#### **Corporate overview**

Subsequent to the end of the quarter on 25 July 2022, 21,165,752 Listed Options exercisable at \$0.12 (ASX: ROOO) lapsed unexercised.



#### ASX Listing Rule 4.7C.1

There were no material developments or changes in business activities for the quarter. Operational expenditure during the quarter was US\$543K. The majority of this expenditure was research and development, advertising and marketing, staff costs, product manufacturing and administration and corporate costs.

#### ASX Listing Rule 4.7C.3

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

Related Party	Amount	Description
Directors (Executive)	US\$54,076	Periodical Director Fees in accordance with Director Agreements
Directors (Non-Executive)	US\$26,289	Periodical Director Fees in accordance with Director Agreements
Everblu Capital Pty Ltd	US\$27,600	Corporate Advisory Fees (excl GST)

#### Outlook

Roots will continue to advance its international expansion during the current period and beyond, while simultaneously progressing the commercialisation and sales of its product range through its partner network and other channels. The Company is continuing to witness strong demand for its solutions as carbon neutrality and the adoption of innovation sustainable technology continues to increase due to the growing need for sustainable and regenerative agricultural practices.

#### Management commentary:

**Boaz Wachtel, ROOTS' CEO and Chairman said:** *"During the period Roots was focused on executing a number of agreements that will assist in ongoing international expansion and commercialisation efforts. New partnerships are becoming well established and provide a multiple potential sales channels in growing markets.*

*"Our business development pipeline has continued to build over the last few months, particularly as potential customers become more aware of the revolutionary and sustainable nature of our agricultural technology. There is a considerable amount of data and numerous case studies available that show how Roots' technology increases yields, improves production security and improves a grower or farmers bottom line.*

*"We look forward to converting our ongoing discussions with new customers into sales, as well as growing our existing relationships to unlock value for shareholders over the coming months."*

**-ENDS-**

#### About Roots Sustainable Agricultural Technologies Ltd:

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

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

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



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

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

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

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

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

#### **Corporate Enquiries:**

EverBlu Capital

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

P: +61 2 8249 0000

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

#### **Forward looking statements**

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

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

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

## Appendix 4C

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

## Name of entity

Roots Sustainable Agricultural Technologies Ltd

## ARBN

619 754 540

## Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (6 months) US\$'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	(5)	16
1.2 Payments for		
(a) research and development	(56)	(94)
(b) product manufacturing and operating costs	(3)	(3)
(c) advertising and marketing	(25)	(168)
(d) leased assets	-	-
(e) staff costs	(218)	(426)
(f) administration and corporate costs	(266)	(435)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received (see note 6)	-	-
1.5 Interest and other costs of finance paid	(1)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (institutes & exchange rate)	31	128
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(543)</b>	<b>(986)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	15	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>15</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	933	1,424
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(543)	(986)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	15	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held (see note 6)	(61)	(94)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>344</b>	<b>344</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	344	933
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>344</b>	<b>933</b>

6.	Payments to related parties of the entity and their associates	Current quarter US\$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	108
6.2	Aggregate amount of payments to related parties and their associates included in item 3	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		



**7. Financing facilities**

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

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

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

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

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

-

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

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

8.1 Net cash from / (used in) operating activities (Item 1.9)

(543)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

344

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

344

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

0.63

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

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

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

Answer: Yes.

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

Answer: The company plans to raise funds during Q3 2022 through loans and equity. The BOD of the company believes this plan will be successful.

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

Answer: Yes.

## Compliance statement

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

Date: 28 July 2022

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

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
6. The Company reclassified amounts related to effect of exchange rate impact on its balance sheet. An amount previously presented in Q1 2022 report within line 1.4 (USD84K) is netted of within line 1.9 in Q2 report retroactively from Q1 2022.