

7 March 2023

Response to ASX Appendix 4C Query

Attn: Ben Dawson
Australian Securities Exchange
Level 40 Central Park
152-158 St Georges Terrace
Perth WA 6000
By email: ListingsCompliancePerth@asx.com.au

Dear Mr Dawson

Roots Sustainable Agricultural Technologies Ltd ('ROO'): Appendix 4C – Query

We refer to your letter dated 09 February 2023. In response to the questions outlined in the letter, we provide the following information (using your numbering):

- 1. Has ROO 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 ROO will be successful in raising further cash? In answering this question, please provide more specific details regarding the basis for the board of directors' belief in ROO's ability to utilise loans and equity raisings to fund ROO's operations, particularly in light of the matters referred to above at paragraphs B to D.**

The Company is proposing, subject to shareholder approval, to undertake as soon as possible:

- (a) a consolidation of its issued capital;*
- (b) a placement of CDIs to raise additional funds (on a post-consolidation basis); and*
- (c) a potential Rights Issue/Share Purchase Plan (on a post-consolidation basis) simultaneous with the proposed placement, and subject to the proposed placement being approved by shareholders.*

In addition,

- (a) The chairman, Boaz Wachtel and Non-executive Director, Adam Blumenthal each intend to provide an interest free loan in the amount of \$50,000 (total \$100,000) to assist the Company with working capital until a placement is completed. These loans are unsecured. If required, both Boaz Wachtel and Adam Blumenthal have agreed to loan the Company an additional \$50,000 each (total \$100,000) on interest free terms (loans will be unsecured); and*
- (b) Repayment of the existing outstanding short-term loans of \$210,000 (as detailed in the December 2022 Appendix 4C lodged on 31 January 2023), have been extended to 15 March 2023.*

*The Company believes that the capital raising and consolidation of capital outlined above will be supported by shareholders. The Company lodged a Notice of Meeting seeking shareholder approval for the capital raising and consolidation of capital on 24 February 2023. Everblu Capital Pty Ltd (**Everblu**) has been mandated to raise funds through the upcoming placement*

(upon shareholder approval). Everblu is extremely certain it will be able to raise these funds, as it has done so on an ongoing basis since the IPO.

In the meantime, the Company, through its Corporate Advisor Everblu, is in the process of negotiating additional short-term bridging loans with unrelated parties, similar to those arrangements announced on 01 September 2022. These negotiations remain ongoing and Everblu is sufficiently certain that these arrangements will eventuate, and the Company is confident it will be able to negotiate a funding arrangement in the near future.

To date, Everblu has been able to negotiate with lenders refinancing terms and conditions, either delaying loan repayment deadlines or conversion of loans to CDIs. The Company believes that this can be achieved at this time as well. In addition, ROO has recently undertaken cost saving measures and reduced its operating expenses significantly. Further, the Company reached agreements with key employees to pay wages with equity in lieu of cash (refer to Appendix 2A lodged on 23 December 2022).

2. Does ROO believe that the funds it proposes to raise from loans and equity raisings, combined with the December Cash Balance of \$50,000, will provide it with sufficient working capital given the December Cash Outflow of \$380,000?

Yes.

3. If the answer to question 2 is “Yes”, please provide a detailed basis for this conclusion.

The Company is proposing to raise an additional \$1.8 million via a placement of CDIs and draw down short-term loans of approximately \$200,000. Everblu is extremely confident that it will be able to secure these additional funds on behalf of the Company which will provide the Company with sufficient working capital for ongoing operations. The Company plans to use the funds from the capital raising to pay down existing debt and accounts payable, as well as fund its ongoing operations.

4. If the answer to question 2 is “No”, please explain in detail what steps ROO proposes to take to ensure it has sufficient working capital to achieve its objectives.

N/A

5. Does ROO consider that the financial condition of ROO is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion, commenting specifically on the following:

5.1 the December Cash Outflow;

5.2 the December Cash Balance; and

5.3 ROO’s estimate of 0.13 quarters of funding available as at 31 December 2022.

Yes, despite the Company’s operating expenses exceeding its cash balances in December 2022, the Company considers that the financial condition of the Company is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2. This is on the basis, that on completion of the proposed placement and short-term loan agreements, the Company will

have approximately four quarters of funding available. Please refer to the attached pro-forma balance sheet.

- 6. If the answer to question 5 is “No”, please explain what steps ROO has taken, or proposes to take, to warrant its continued listing on ASX under the requirements of Listing Rule 12.2.**

N/A

- 7. Do the directors of ROO consider that ROO is a going concern?**

Yes

- 8. If the answer to question 7 is “Yes”, please explain the basis for this conclusion.**

As noted in the response to question 5, the Company is currently taking steps to raise equity in the near term which will provide sufficient working capital to repay the Company’s outstanding liabilities as well as fund ongoing operations into the future.

- 9. If the answer to question 7 is “No”, on what basis does ROO consider its securities warrant continued listing on ASX under the requirements of Listing Rule 12.2?**

N/A

- 10. Please confirm that ROO is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.**

The Company confirms that the Company is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

- 11. Please confirm that ROO’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ROO with delegated authority from the board to respond to ASX on disclosure matters.**

ROO’s responses to the questions above have been authorised and approved by its board.

For and on behalf of the Board

Boaz Wachtel
(Chairman)

Pro-forma balance sheet
 Roots Sustainable Agricultural
 Technologies Limited (ASX: ROO)

	Notes	UNAUDITED December 31, 2022 000US\$	Adjustments 000US\$	PRO FORMA March 31, 2023 000US\$
CURRENT ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	(1) (2) (3) (4)	50	577	627
Restricted cash		14	0	14
Trade receivables		14	0	14
Other accounts receivables		167	0	167
TOTAL CURRENT ASSETS		245	577	822
NON-CURRENT ASSETS				
Property and equipment		23	0	23
TOTAL NON-CURRENT ASSETS		23	0	23
TOTAL ASSETS		268	577	845
CURRENT LIABILITIES				
Trade payables	(4)	136	-44	92
Other accounts payables	(4)	442	-442	0
Short-term loans	(2) (3)	140	-87	53
Derivative liability – warrants		22	0	22
TOTAL CURRENT LIABILITIES		740	-573	167
NON-CURRENT LIABILITIES				
Governmental liabilities on grants received		373	0	373
TOTAL CURRENT LIABILITIES		373	0	373
TOTAL LIABILITIES		1113	-573	540
NET ASSETS (LIABILITIES)		-845	1,150	305
EQUITY				
Share Capital and Premium	(1)	14,639	1,150	15,789
Warrants		4,209	0	4,209
Foreign currency translation reserve		-125	0	-125
Accumulated losses		-19,568	0	-19,568
TOTAL EQUITY		-845	1,150	305

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Notes to Pro forma BS:

- (1) The company plans a placement to raise gross amount of A\$1.8M.
- (2) The company received loans from Directors in a total of A100K.
- (3) The company will repay loans in a total of A\$228K by March 15, 2023.
- (4) The company will repay liabilities to service providers in a total of A\$715K by March 31, 2023.



9 February 2023

Reference: 67904

Ms Sarah Smith
Company Secretary
Roots Sustainable Agricultural Technologies Ltd

By email: ss@miradorcorporate.com

Dear Ms Smith

Roots Sustainable Agricultural Technologies Ltd ('ROO'): Appendix 4C - Query

ASX refers to the following:

- A. ROO's Appendix 4C quarterly cash flow report for the period ended 30 September 2022 lodged on the ASX Market Announcements Platform ('MAP') and released on 18 October 2022 (the 'September Appendix 4C') which disclosed the following, among other things:
- i. ROO's net cash used in operating activities for the quarter ended 30 September 2022 was \$444,000;
 - ii. ROO's cash and cash equivalents as at 30 September 2022 was \$105,000;
 - iii. ROO estimated that it had 0.24 quarters of funding available as at 30 September 2022; and
 - iv. ROO plans to raise funds during Q4 2022 through loans and equity, which will commence following the AGM. The board of directors of ROO believe this plan will be successful.
- B. ROO's announcement entitled, "Entitlement Offer", released on MAP on 25 November 2022 which disclosed, among other things, that ROO would complete a pro-rata non-renounceable entitlement issue of one (1) chess depository interest ('CDI') for every three (3) CDIs held by eligible shareholders, at an issue price of \$0.003 per CDI, together with one free new option ('New Options') for every two CDIs applied for and issued, to raise up to \$1,028,133.
- C. ROO's announcement entitled, "Shortfall Notice – Entitlement Issue", released on MAP on 23 January 2023 which disclosed, among other things, that ROO had received applications from shareholders subscribing for 6,943,459 CDIs in ROO totalling \$20,831.26.
- D. ROO's announcement entitled, "Entitlement Offer – Return of Application Monies", released on MAP on 25 January 2023 which disclosed, among other things, that ROO was unable to meet the spread requirements required by the ASX Listing Rules to enable the New Options to be quoted and, as such, ROO did not proceed with the issue of CDI's or New Options under the entitlement offer and would repay all application monies for the securities offered.
- E. ROO's Appendix 4C quarterly report for the period ended 31 December 2022 lodged on MAP and released on 31 January 2023 (the 'December Appendix 4C') which disclosed the following, among other things:
- i. ROO's net cash used in operating activities for the quarter ended 31 December 2022 was \$380,000 ('December Cash Outflow');
 - ii. ROO's cash and cash equivalents as at 31 December 2022 was \$50,000 ('December Cash Balance');
 - iii. ROO estimated that it had 0.13 quarters of funding available as at 31 December 2022; and

- iv. ROO plans to raise funds during Q1 2023 through loans and equity raisings. The board of directors of ROO believe these plans will be successful, as since the IPO, ROO has been able to raise funds when required. ROO is in the final stages of preparing a notice of Meeting (subject to ASX review) which will give ROO additional capacity to raise funds in this quarter. Everblu Capital is mandated to conduct the next placement and the current aim is to raise a minimum of \$1m. ROO is also able to raise some funds via short term loans when required.

F. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

Request for information

In light of ROO's disclosures in the September Appendix 4C and December Appendix 4C, ASX asks ROO to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Has ROO 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 ROO will be successful in raising further cash? In answering this question, please provide more specific details regarding the basis for the board of directors' belief in ROO's ability to utilise loans and equity raisings to fund ROO's operations, particularly in light of the matters referred to above at paragraphs B to D.
2. Does ROO believe that the funds it proposes to raise from loans and equity raisings, combined with the December Cash Balance of \$50,000, will provide it with sufficient working capital given the December Cash Outflow of \$380,000?
3. If the answer to question 2 is "Yes", please provide a detailed basis for this conclusion.
4. If the answer to question 2 is "No", please explain in detail what steps ROO proposes to take to ensure it has sufficient working capital to achieve its objectives.
5. Does ROO consider that the financial condition of ROO is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion, commenting specifically on the following:
 - 5.1 the December Cash Outflow;
 - 5.2 the December Cash Balance; and
 - 5.3 ROO's estimate of 0.13 quarters of funding available as at 31 December 2022.
6. If the answer to question 5 is "No", please explain what steps ROO has taken, or proposes to take, to warrant its continued listing on ASX under the requirements of Listing Rule 12.2.
7. Do the directors of ROO consider that ROO is a going concern?
8. If the answer to question 7 is "Yes", please explain the basis for this conclusion.
9. If the answer to question 7 is "No", on what basis does ROO consider its securities warrant continued listing on ASX under the requirements of Listing Rule 12.2?
10. Please confirm that ROO is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

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11. Please confirm that ROO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ROO with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **2:00 PM AWST Monday, 13 February 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, ROO's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on MAP.

Suspension

If you are unable to respond to this letter by the time specified above or if ASX does not consider your responses to be satisfactory, ASX may suspend trading in ROO's securities under Listing Rule 17.2 or 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to ROO's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that ROO's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Ben Dawson
Adviser, Listings Compliance