Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Financial Report – 31 December 2022

Roots Sustainable Agricultural Technologies Ltd
Corporate Directory
31 December 2022

Directors	Boaz Wachtel (Executive Chairman and CEO) Sharon Devir (Executive Director) Adam Blumenthal (Non-Executive Director) Graeme Smith (Non-Executive Director) Dafna Shalev-Flamm (Non-Executive Director)
Company secretary	Sarah Smith
Registered office	C/- Mirador Corporate Pty Ltd Suite 11, 23 Railway Rd Subiaco WA 6008 Telephone: +61 8 6559 1792
Principal place of business	Hamezach 1 Str. Kefar Vitkin Israel
Share registry	Automic Share Registry Level 2, 267 St Georges Terrace Perth WA 6000 Telephone: 1300 288 664
Auditor	BDO - Tel Aviv Amot Bituach House Bldg. B 48 Derech Menachem Begin Rd Tel Aviv Israel
Solicitors	**Australian Legal Advisor** Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000 **Israeli Legal Advisor** GKH Law Offices One Azrieli Center Round Building Menachem Begin St. Tel Aviv 6701101 Israel
Bankers	Bank Hapoalim Ltd. Branch 407 Hatidhar St. 16 Raanana IA 43100 Israel Westpac Banking Corporation Level 4, Brookfield Place, Tower Two 123 St Georges Terrace Perth WA 6000
ASX Code (Shares)	ROO
Website	www.rootssat.com

Roots Sustainable Agricultural Technologies Ltd
Directors' Report
31 December 2022

The Directors of Roots Sustainable Agricultural Technologies Ltd ("Roots" or "the Company") present their report, together with the financial statements of the Company for the year ended 31 December 2022.

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) (resigned 9 December 2022)
Peter Hatfull (appointed 23 July 2020) (resigned 1 August 2022)

Principal activities
The principal activity of the Company 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

Roots Sustainable Agricultural Technologies Limited ("Roots" or "the Company") is pleased to provide the following summary of activities undertaken during the 12-month period ended 31 December 2022 ("the period" or "FY2022").

Sales & Distribution

Increased market share in the UAE
During Q3, Roots secured a sales agreement with leading UAE-based agricultural company, EliteAgro. Under the agreement Roots agreed to facilitate the supply of HEPS (Heat Exchange Probes), as part of a root-zone cooling solution for EliteAgro's 'Coffee House Murmum' project. The HEPS are designed to cool the root zone temperature of the coffee plants at scale and keep them at an optimal range year-round. The total consideration payable to Roots for the HEPS solution was agreed at US$105,000 (~$A163,000).

EliteAgro is an established multi-channel agriculture business headquartered in the UAE, which serves a diversified client base across the Middle East and North Africa region, the European Union (EU) and other markets. In Q4, Roots continued to consolidate its market share in the United Arab Emirates following receipt of a second purchase order from Elite Agro for the Company's HEP solution. The order was valued at A$160,000 and took same-customer revenues for FY2022 to over A$300,000.

Exclusive dealership agreement with leading French distributor ES France
During Q4, Roots also secured a binding and exclusive strategic dealership agreement with ES Equipments Scientifiques France, unlocking additional opportunities in the country. ES France was established in 1963 and is now the leading distribution platform serving markets across France and the broader French-speaking area. The group generates annual revenues of more than €70m, with a workforce or around 100 staff and a 60-person sales team.

Both Roots and ES France are continuing work to submit ROO's agricultural technology systems for recognition by French and EU regulators in order to receive formal qualification as 'Energy Saving Agricultural Technologies'. The relevant regulatory approvals will allow Roots to qualify for energy saving subsidies in the EU market. Additional terms of the agreement can be found in the Company's announcement, dated 20 December 2022.

Authorised representation and distributor agreement in Oman
Also in Q4, the Company continued its international expansion initiatives through an 2pplicatio representation and distribution agreement with Unicorn-Farm Tech, the agricultural division of Unicorn International LLC. ("Unicorn"). Under the agreement, which has valid for two years, both Roots and Unicorn will work together to market, sell, install and service Roots' proprietary technology systems in Oman, where Unicorn has an independent organisation of engineers, consultants and technical specialists with domain expertise in power, data centres, industrial services, water works and renewables.

Binding dealership agreement broadens European footprint
During Q2, 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. 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. The deal-terms also stipulated that customer payment collection and post-sale services would also be undertaken by TK Solutions.

FY2022 sales updates

Throughout the period, Roots announced several new sales agreements that continued to demonstrate early traction for its product suite across global markets.

These included a US$5,000 order from Equitec in Q4, an independent Uruguayan agricultural distribution entity representing Israeli Ag Tech companies in South America. The deal saw Equitec acquire and 3pplica Mini ROOTS systems at several local farms. Uruguay agriculture contribute 10% of the country's GDP, with increasing investment directed to high end covered agriculture where the Company's technology can play a role.

In Q3, the Company achieved additional sales at a hydroponic fluid temperature project in Kibutz Pelech, Western Galilee. The project involves commercial plant operation, located in a quarter acre greenhouse, 3pplicati a Nutrient Film Technique method. Under the terms of the sales agreement, consideration paid to Roots was A$12,600 with 60% payable immediately, 39% on installation date and 10% payable upon completion of installation. Roots was also commissioned to install a Root Zone Temperature system comprising pipes in the beds of Ornithogalum flowers at Gobari Farm, Mashav Azriel. Under the terms of that sales agreement, consideration paid to Roots was A$25,974 with 40% payable immediately and the remaining 60% payable upon completion of installation and governmental subsidy payment.

Also in Q3, Roots completed the sale of a 'Super Mini' RZTO system to leading global precision irrigation company, Netafim Ltd. ('Netafim') for US$5,000. The system is being used for a pilot aiming to validate its efficacy at a farm in Southern Turkey. The strategic sale allows Roots to leverage its proven technology through Netafim's global marketing channels. The Company also signed a binding Letter of Intent (LOI) with no-shop for a period of 12 months whereby a pilot study will be conducted by Netafim in Turkey. During the no shop period Roots is not allowed to engage with Netafim's competitors in Turkey and five Asian countries. Following a successful pilot in Turkey, and subject to engagement under a definitive agreement, Netafim will be granted exclusivity under terms to be agreed, in additional jurisdictions: Azerbaijan, Kazakhstan, Georgia, Armenia and Turkmenistan.

Through the Company's exclusive partner and leading UK agricultural project and technology provider TK Solutions, Roots also secured six more purchase agreements for its demonstration systems for the UK market. The total sale value of the systems was A$10,000. An initial sale was made to Wilkins & Sons Limited for use at a strawberry farm at Colchester, UK to be deployed in strawberry grow bags, with additional systems sold to Berry Gardens to be used for testing at its trial site in the UK to progress growing strawberries in grow bags. The sales also highlight the potential for the Company's technology with major UK soft fruit producers, in a major market. The UK soft fruit market has witnessed explosive growth over the past 25 years, with production increases by 600%. Strawberry consumption in the UK rose 150% from 67,000 tonnes in 1996 to 168,000 tonnes by 2015, taking production to be a value of over £1.5Bn.

Those agreements followed Q2 sales in Israel where the Company secured a A$42,000 order for an in-soil RZTO system to Deer Country Farms, 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 3pplica.

During Q1, the Company secured initial sales for its '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. Also in Q1, Israel's prestigious Agriculture Research Organisation's ('ARO') Volcani Institute purchased three 'super mini' systems, for a total value of A$17,132. The systems were 3pplicat for a study on the effects of varying root zone temperatures on pathogens. Roots also secured a purchase agreement with Green Tech LLC ("Green Tech") which marked the Company's first sales into Azerbaijan, a large central Asian country with significant agricultural production primarily targeting the Russian markets.

Green Tech purchased 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.

Research & Development

During Q4, the Company was granted a certificate of design registration from the Israeli Patent Office for its revolutionary HEP technology. This registration provides Roots with an initial protection period of five years, which can be extended by four periods of five years each, subject to additional applications. The HEP allows farmers to reduce air heating and cooling expenditures creating a sustainable solution for the agricultural industry, which also increases crop yield and shortens grow cycles. The design highlights the continual innovation capabilities and extensive R&D and field trials undertaken by Roots to commercialise the technology.

In Q3, the Company entered into an LOI (Letter of Intent) with an experienced US executive, Michael Aronson, expected to provide broader exposure to an additional 10 states throughout the Northeast of the USA, in which the Company does not currently have sales representation. The agreement follows an extensive review of multiple near-term opportunities in the US to leverage the Company's proprietary technology to mitigate against food shortages and issues associated with climate change. The agreement follows the Company's launch in Central USA and an Oklahoma-based dealership hub earlier in 2022. The company also advises it has received its first order for a Mini Root Zone Temperature Optimisation (RZTO) system from the dealer, valued at A$4,500.

Also during Q3, the Company lodged two provisional patent applications with the United States Patent and Trademark Office (USPTO). The first patent application relates to in-house technology developed by Roots that targets a solution for micro-climate management in commercial agriculture operations. The innovative concept relates to the new dual-use of drip irrigation equipment, to push temperature regulated air (either hot or cold) between irrigation intervals. The apparatus positively influences the plant canopy and/or root zone area, facilitating the release of regulated air temperatures from the dripper holes within the existing irrigation system. The patent covers IP protection for its micro-climate platform, which could provide a more cost-effective and environmentally friendly operational solution for greenhouse farmers.

The second 4pplicationn relates to a coordinated system which unifies a number of temperature-related critical functions that are currently served by separate equipment, in order to achieve optimal growth conditions. The functions are: 1. Optimization of Root zone temperatures 2. Optimization of Irrigation water temperatures 3. Optimization of fertilization liquid temperatures. The technology offers an improved irrigation water solution, which assists farmers avoid extreme water temperatures (causing plants to wither with excessive cold irrigation, or wilting when irrigation water is too hot). A prototype has already been built and tested at the Company experimental greenhouse in Israel.

During Q1, 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 (A$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 (A$3,500 each). Since installation all parties have subsequently reported the system is in operation and performing well.

Separately, a Central US logistics hub was established following an agreement with Oklahoman agricultural equipment supplier GroPro. The agreement with GroPro includes provisions for the local US Company to market, sell, install and manage logistics of ROOTS's RZTO systems in Oklahoma. In addition, it was agreed that GroPro will serve as an installation and post-sale centre for Roots' customer base in the US.

Oklahoma is a large market opportunity – fast growing and the largest medicinal cannabis market on a per capita basis in the US.

Also during Q1, Roots secured its US design patent approval for the Company's innovative HEP design. The US is a large market opportunity for Roots and the design patent grant coincides with the above-mentioned establishment of the Company's central US logistics hub in Oklahoma. The US design patent grant further strengthen Roots' international IP portfolio of granted design patent in Australia, China, the EU, Turkey, Israel, the UK, and India. The Company has now begun a targeted business development program in order to expand its presence in the US.

Conferences & Awards

Co-founder and Executive Director, Dr Sharon Devir presents at COP27

During Q4, Dr Sharon Devir presented Roots' technology at the 2022 United Nations Climate Change Conference or Conference of the Parties of the UNFCCC, more commonly referred to as COP27, which was the 27th United Nations Climate Change conference, held from 6 November until 18 November 2022 in Sharm El Sheikh, Egypt. Roots was one of six Israeli companies presenting at the event. The Company was chosen due to its use of innovative technology to combat climate change. This represented a major milestone and provided recognition as a leader in finding a solution to climate change at the world's largest annual gathering on climate action. During the presentation, Dr Devir highlighted the ongoing shift towards regenerative agriculture, under a whole food system approach which can be achieved through the use of the Company's innovative technology.

In Q1, Roots was among Roots amongst five finalists named by The Israeli Ministry of Agriculture 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 demonstrated the positive amelioration effects of its technologies on agriculture in the face of extreme weather conditions.

Corporate overview

Placement
Roots secured firm commitments to raise A$650,000 (before expenses), by way of a placement of 216,666,667 CDIs to sophisticated and professional investors (Placement). The Placement CDIs were be issued at A$0.003 per CDI, representing a 25% discount to the 5-day volume weighted average price (VWAP). The new CDIs rank equally with existing CDIs on issue. Investors also received one free-attaching option for every one Placement CDI subscribed for and issued. The options will have a strike price of A$0.005 and an expiry date of 5 years from the date of issue (Placement Options). The Company intends to apply for quotation of the Placement Options subject to meeting the requirements of the ASX Listing Rules and will prepare a Cleansing Prospectus for these in due course.

Placement funds will be used for sales and marketing activity (local and international), operating expenses including employee salaries, patent maintenance and registering new IP, experimental greenhouse maintenance and pilots, plastic mouldings in Israel, payout of existing debt of A$365,000, and working capital.

Roots director Adam Blumenthal committed to participate in the Placement to an amount of A$200,000 (being 66,666,667 CDIs and 66,666,667 free-attaching options), subject to shareholder approval. This amount was included in the total Placement amount of $650,000.

The Company intends to prepare a Notice of Meeting (**NOM**) seeking the required shareholder approval for Mr Blumenthal's participation in the Placement, as well as other related party approvals, as soon as practicable.

Loan Facilities
On 18 November 2022, the Company reached an agreement with the lenders of the short-term loans announced on 1 September 2022 and 18 October 2022. Roots and each of the lenders of the short-term loans agreed to extend the repayment date of each of the short-term loans from 03 November 2022 to 31 January 2023, subject to Roots making a partial repayment of each of the short-term loans by way of issuing equity in Roots as set out below. The short-term loans originally became due and payable 7 days after the placement completed on 27 October 2022, however the Lenders subsequently agreed to waive this term of the agreements until an alternative arrangement could be negotiated with the Company. Subsequent to 31 December 2022, the Company reached an agreement with the lenders of the short-term loans announced by the Company on 1 September 2022 and 18 October 2022. Roots and each of the lenders of the short-term loans have agreed to extend the repayment date of each of the short-term loans from 31 January 2023 (as announced on 18 November 2022) to 15 March 2023. The current combined balance of the short-term loans is A$210,000.

RAH (STC) Pty Ltd (**RAH**), who has loaned Roots an aggregate amount of A$240,000 agreed as partial repayment of its loan, to convert A$134,882 of the outstanding amount owing to equity in Roots. Roots agreed to issue 80 million CDIs in ROO to RAH in satisfaction of the repayment of $134,882 of RAH's loan to Roots.

Glacier Glow Pty Ltd (**Glacier**), who has loaned Roots A$125,000 agreed as partial repayment of its loan, to convert A$61,630 of the outstanding amount owing to equity in Roots. Roots agreed to issue Glacier 32.7 million CDIs in satisfaction of the repayment of A$61,630 of Glacier's loan to Roots.

Roots issued the 112,700,000 CDIs on 18 November 2022, using the Company's Listing Rule 7.1 placement capacity.

Further details in respect of the key terms and conditions of each of the loan agreements are set out in the Company's ASX announcement dated 1 September 2022 and quarterly activities report lodged 18 October 2022.

Resignation of Non-Executive Directors
During the year, Mr Peter Hatfull and Dr James Ellingford resigned as Non-Executive Directors of the Company.

Dividends
There were no dividends paid or recommended during the financial year ended 31 December 2022 (2021: Nil).

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

Matters subsequent to the reporting year

On 16 January 2023, 13,200,000 performance rights lapsed.

On 23 January 2023, the Company completed a non-renounceable entitlement issue of one (1) chess depository interest (**CDI**) for every three (3) CDIs held together with one (1) free new option for every two (2) CDIs applied for and issued. The Company issued 6,943,459 fully paid ordinary shares at an issue price of AUD $0.003 per CDI raising $20,831 and 3,471,770 listed options expiring 31 January 2028.

On 25 January 2023, the Company informed investors that it was unable to meet the spread requirements required by the ASX Listing Rules to enable the New Options to be quoted. As such, in accordance with the terms of the Entitlement Offer and its obligations under the *Corporations Act 2001* (Cth), the Company could not proceed with the issue of the CDIs or New Options under the Entitlement Offer and will repay all application monies for the securities.

The Company's share registry, Automic Group confirmed that it would process refunds of the application monies to all investors who participated in the Entitlement Offer.

On 17 February 2023, the Company announced that it has reached an agreement with the lenders of the short-term loans announced by the Company on 1 September 2022 and 18 October 2022.

Roots and each of the lenders of the short-term loans have agreed to extend the repayment date of each of the short-term loans from 31 January 2023 (as announced on 18 November 2022) to 15 March 2023. The current combined balance of the short-term loans is A$210,000.

Other than stated above, there has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company.

Likely developments and expected results of operations
The Company will work to expand its commercial activity internationally.

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 7peciali 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:	1,000,000 Unlisted Options
Contractual rights to shares:	9,000,000 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:	2,000,000 Unlisted Options
Contractual rights to shares:	9,000,000 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
Former directorships (last 3 years):	Nil
Interests in shares:	43,638,831 CDIs
Interests in options:	1,833,333 Unquoted Options
Contractual rights to shares:	Nil

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:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	288,750 CDIs
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 MTI Computers Software Services Ltd
Former directorships (last 3 years):	Poliram Ltd
Special responsibilities:	Chair of the Audit and Remuneration Committees
Interests in shares:	934,375 CDIs
Interests in options:	Nil
Contractual rights to shares:	Nil

Name:	Dr James Ellingford (resigned 9 December 2022)
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:	Nil
Former directorships (last 3 years):	Creso Pharma Limited Minrex Resources Limited Esense-Lab Limited
Special responsibilities:	Nil
Interests in shares:	Nil
Interests in options:	Nil
Contractual rights to shares:	Nil

Name:	Mr Peter Hatfull (resigned 1 August 2022)
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. 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:	Rafaella Resources Limited
Former directorships (last 3 years):	ESense Lab 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 2022, 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	6	6	-	-	-	-
Sharon Devir	6	6	-	-	-	-
Adam Blumenthal	4	6	-	-	-	-
Graeme Smith	6	6	1	1	-	-
Dafna Shalev-Flamm	6	6	1	1	-	-
James Ellingford [1]	4	5	1	1	-	-
Peter Hatfull [2]	4	4	-	-	-	-

Note:
1. Mr Ellingford resigned on 9 December 2022.
2. Mr Hatfull Resigned on 1 August 2022.

In addition to the scheduled Board meetings, Directors regularly communicate by telephone, email or other electronic means, and where necessary, circular resolutions are executed to effect decisions.

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
25 July 2019	17 June 2024	AUD$0.01	602,500
15 October 2021	15 October 2026	AUD $0.01	4,833,333
15 October 2021	30 September 2023	AUD $0.02	40,064,103
6 October 2022	30 September 2023	AUD $0.0125	120,192,308

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
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
			18,000,000

Class	Milestone
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: (a) executing a joint venture agreement with a company with a synergic technology; and (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: (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: (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 Company. 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.

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

30 March 2023
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 2023 is 1,039,219,644. All issued CDI's carry one vote per share. The number of holders of CDI's is 3,462.

The Company as at 24 February 2023 has on issue the following unlisted securities:

- 165,692,244 unlisted options; and
- 18,000,000 performance rights.

Unquoted Options

Grant date	Expiry date	Exercise price	Number under option
25 July 2019	17 June 2024	AUD$0.01	602,500
15 October 2021	15 October 2026	AUD $0.01	4,833,333
15 October 2021	30 September 2023	AUD $0.02	40,064,103
6 October 2022	30 September 2023	AUD $0.0125	120,192,308

Performance Rights

Grant date	Class	Expiry date	Number of rights issued
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	21,655	0.00%
1,001 - 5,000	410	1,060,231	0.10%
5,001 - 10,000	222	1,835,288	0.18%
10,001 - 100,000	1,646	72,300,966	6.96%
Above 100,000	1,114	964,001,504	92.76%
Total	**3,462**	**1,039,219,644**	**100.00%**

There are 2,788 number of investors holding a less than marketable parcel of 147,600,263 ROO shares based on a share price of A$0.002 at 24 February 2023.

3. TOP TWENTY LARGEST SHAREHOLDERS AS AT 24 FEBRUARY 2023

	Holder Name	Number Held	Percentage
1	JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	55,577,743	5.35%
2	ATLANTIC CAPITAL HOLDINGS PTY LTD <ATLANTIC CAPITAL A/C>	42,367,533	4.08%
3	MATTHEW BURFORD SUPER FUND PTY LTD <BURFORD SUPERFUND A/C>	29,661,836	2.85%
4	ANANDI INVESTMENTS PTY LTD <PATEL FAMILY A/C>	27,344,642	2.63%
5	MR SIMON SALIBA	20,000,000	1.92%
6	SIX DEGREES GROUP HOLDINGS PTY LTD	15,800,000	1.52%
7	DR VIPUL BANSAL	14,231,864	1.37%
8	GREGORY DENISE PTY LTD <GREGORY DENISE SUPER A/C>	12,146,893	1.17%
9	BNP PARIBAS NOMS PTY LTD <DRP>	11,978,022	1.15%
10	CITICORP NOMINEES PTY LIMITED	10,760,038	1.04%
11	MR JI PAN	9,483,333	0.91%
12	SUPERHERO SECURITIES LIMITED <CLIENT A/C>	9,298,147	0.89%
13	MR ALEXANDER LEWIT	9,130,435	0.88%
14	MR GREG HUGH PRIESTLEY	8,200,000	0.79%
15	MR HAOCHEN HU	7,000,000	0.67%
16	MR MURRAY JOHN ROBINSON	6,800,000	0.65%
17	GIL ATIA	6,521,739	0.63%
18	MR MICHAEL ERNEST GRANATA <THE GRANATA FAMILY A/C>	6,500,000	0.63%
19	MR MICHAEL ROBERT THURSBY	5,993,407	0.58%
20	STATE ONE CAPITAL GROUP P/L <CJZ - CSABA A/C>	5,553,618	0.53%
Total: Top 20 holders		**314,349,250**	**30.25%**
Total: Issued Capital		**1,039,219,644**	**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 2023

	Holder Name	Number Held	Percentage
1	JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	55,577,743	5.35%

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.

9. FRANKING CREDITS

The company has no franking credits.

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Financial Report - December 31, 2022

Roots Sustainable Agricultural Technologies Ltd

December 31, 2022

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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, 2022, 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, 2022, 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 USD 1,788 and net losses of USD 2,130 thousand during the year ended December 31, 2022. 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. Except for the matter described in the Material Uncertainty Related to Going Concern section, We have determined that there are no other key audit matters to communicate in our report.

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 31 December 2022, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report 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 report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bnei Brak	Kiryat Shmona	Petah Tikva	Modiin Ilit	Nazrat Ilit
03-6386868	02-6546200	04-8680600	077-7784100	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888

Main office: Beit Amot BDO, 48 Menachem Begin Road, Tel Aviv, 6618001 Email: bdo@bdo,co.il Website: www.bdo.co.il

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 Report

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

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

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.

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.

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bnei Brak	Kiryat Shmona	Petah Tikva	Modiin Ilit	Nazrat Ilit
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- 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.

Ziv Haft

Tel-Aviv, Israel — Ziv haft

March 30, 2023 — Certified Public Accountants (Isr.)

BDO Member Firm

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bnei Brak	Kiryat Shmona	Petah Tikva	Modiin Ilit	Nazrat Ilit
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		As at December 31,	
		2022	**2021**
	Note	**$'000**	**$'000**
ASSETS			
Current Assets			
Cash and cash equivalents		50	1,424
Restricted cash	6.B	14	42
Trade receivables		15	62
Other accounts receivables	4	167	249
Total Current Assets		**246**	**1,777**
Non-Current Assets			
Property and equipment, net		23	46
Total Non-Current Assets		**23**	**46**
TOTAL ASSETS		**269**	**1,823**

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

	Note	As at December 31, 2022 $'000	As at December 31, 2021 $'000
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables		130	28
Other account payables	5	404	458
Loans	6.D	140	-
Derivative liability – warrants		125	184
Total Current Liabilities		**799**	**670**
Non-Current Liabilities			
Governmental liabilities on grants received	6.C	370	368
Total Non-Current Liabilities		**370**	**368**
Shareholder's equity (deficit)			
Equity attributable to owners of the parent			
Share Capital and Premium	7	18,821	18,228
Warrants		-	164
Foreign currency translation reserve		(126)	(142)
Accumulated losses		(19,595)	(17,465)
Total equity (deficit)		**(900)**	**785**
TOTAL LIABILITIES AND EQUITY		**269**	**1,823**

March 30, 2023		
Date of approval of the financial statements	Boaz Wachtel Chief Executive officer & Director	Moshe Hukaylo Chief Financial officer

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

	Note	For the year ended December 31, 2022 $'000	2021 $'000
Revenues	10	154	187
Cost of revenues		98	117
Gross profit		56	70
Research and development expenses, net	11	283	490
Marketing, distribution and business development expenses	12	669	605
General and administrative expenses	13	1,112	1,093
Loss from operations		**2,008**	**2,118**
Finance expense	14	431	294
Finance income	14	309	68
Loss before income tax		**2,130**	**2,344**
Income tax	15	-	-
Net loss		**2,130**	**2,344**
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Translation adjustment to the presentation currency		(16)	(16)
Total comprehensive loss		**2,114**	**2,328**
Loss per share			
Basic and diluted loss per share ($)	7,9	(0.002)	(0.004)

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

For the year ended December 31, 2022:

	Note	Share Capital and premium	Warrants	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity (Deficit)
		$'000	$'000	$'000	$'000	$'000
Balance at January 1, 2022		18,228	164	(142)	(17,465)	785
Changes during the period:						
Comprehensive loss:						
Loss for the period		-	-	-	(2,130)	(2,130)
Other comprehensive loss:						
Translation differences		-	-	16	-	16
Total comprehensive loss for the period		**-**	**-**	**16**	**(2,130)**	**(2,114)**
Issuance of unit of securities, net	7(f)	5	-	-	-	5
Issuance of shares as repayment of a loan		131	-	-	-	131
Issuance of shares to suppliers in lieu of cash payment	7(s) 7(h)	50	-	-	-	50
Expiration of warrants	7(j)	164	(164)			-
Share-based compensation	7(f)	243	-	-	-	243
Balance as of December 31, 2022		**18,821**	**-**	**(126)**	**(19,595)**	**(900)**

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

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.

Statements of Cash Flows

	Note	For the year ended December 31, 2022 $'000	For the year ended December 31, 2021 $'000
Cash Flows from Operating Activities:			
Net loss for the year		(2,130)	(2,344)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation		14	17
Share-based compensation expenses		198	133
Changes in fair value of derivatives		(298)	(64)
Change in liability for grants received from the IIA		(90)	(125)
Interest on liability for grants received from the IIA		93	92
Finance expense, net		66	(16)
Loss on disposal of property, plant and equipment		1	-
Change in trade receivable		39	67
Change in other receivable		77	(50)
Change in trade payable		145	(18)
Change in other payable		97	(78)
Net cash used in operating activities		**(1,788)**	**(2,386)**
Cash Flows From Investing Activities:			
Purchase of property and equipment		-	(5)
Proceeds from sale of property, plant and equipment		3	-
Change in restricted cash		23	43
Net cash provided by investing activities		**26**	**38**
Cash Flows From Financing Activities:			
Receipt of short-term loans		244	-
Repayment of loan		(34)	-
Net proceeds from issuance of unit of securities	7	266	672
Net cash provided by financing activities		**476**	**672**
Decrease in cash and cash equivalents		(1,286)	(1,676)
Translation differences on cash and cash equivalents		(88)	33
Cash and cash equivalents at beginning of the year		1,424	3,067
Cash and cash equivalents at the end of the year		**50**	**1,424**

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, 2022 the Company has incurred negative cash from operation of USD 1,788 thousand and net losses of USD 2,130 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.

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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 those instances where it is probable that such difference can be utilized. As of December 31, 2022 and 2021, since it is not probable that taxable profit will be available in the foreseen future therefore no deferred tax assets recognized.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

I. Impairment of non-financial assets:

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 2022 and 2021 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, 2022 and 2021, 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 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.

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. 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 2022 and 2021 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**

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 2024. However. The Company does not believe these standard and interpretation will have a material impact on the financial statements once adopted.

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

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 does not believe these standard and interpretation will have a material impact on the financial statements once adopted.

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 can result a material change of the liability.

NOTE 4 – OTHER ACCOUNTS RECEIVABLES:

	As at December 31,	
	2022	2021
	$'000	$'000
Government institutions	40	67
Prepaid expenses	86	153
Other receivables	41	29
	167	**249**

NOTE 5 – OTHER ACCOUNTS PAYABLES:

	As at December 31,	
	2022	2021
	$'000	$'000
Employees and related institutions	106	158
Accrued expenses	143	135
Governmental liabilities on grants received (Note 6.C)	26	25
Liabilities to related parties	124	140
Other payables	5	-
	404	**458**

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, 2021. 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 2023. Total rent expenses for the years ended December 31, 2022 and 2021 were 14 and 14 thousand U.S. dollars respectively.

B. As of December 31, 2022 and 2021, the Company has a lien in first degree to the bank in amount of approximately 14 and 42 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, 2022 and 2021 the Company has not received grants, the aggregate governmental liabilities was 748 thousands U.S. dollars. The exceptions of the Company to pay the grants are based on its estimation at the end of each year.

D. During August and October 2022, the company received a loan in a total of AUD365 thousands (approximately USD244thousands) from two lenders, under the following terms and conditions:
   a. Use of loan for general working capital and ongoing business debts.
   b. Interest for the period of (10% for AUD140 thousands and 20% for AUD225 thousands).
   c. The repayment of the loans, together with any accrued Interest, must be repaid by Roots to the Lender in cash on the earlier to occur of:
      (1) The date that is seven days following Roots completing an equity capital raising of a minimum of AUD400,000 (Capital Raising); and
      (2) The date is as shown below:
         I. The loan AUD100 thousands , is 2.5 months from the date the relevant funds under the Agreement are advanced, (DATE BEING 26th July 2022).
         II. The loan AUD125 thousands, is 2.5 months from the date the relevant funds under the Agreement are advanced, (DATE BEING 10th October 2022).
         III. The loan AUD140 thousands, thousands, is 6 weeks from the date the relevant funds under the Agreement are advanced, (DATE BEING 7th October 2022).

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES (CONT.)

Everblu Capital Pty Ltd acted as lead manager for the capital raising and received a fee of 6% of the total loan received.

During November 2022 the Company and each of the lenders of the loans have agreed to extend the repayment date of each of the loans to 31 January 2023, subject to the Company making a partial repayment of each of the loans by way of AUD50 thousands in cash and issuing Shares at fair value, For information on the repayment of the loan in shares, see note 7i.

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	Loans
	$'000	$'000	$'000
At 1 January 2022	393	184	-
Changes from financing cash flows			
Issuance	-	239	244
Repayment	-	-	(34)
Total changes from financing cash flows	-	239	210
Changes in fair value	-	(298)	-
Conversion to shares	-	-	(131)
Change in liability	**(90)**	-	-
Interest on liability	**93**	-	61
The effect of changes in foreign exchange rates	-	-	-
At 31 December 2022	396	125	140

	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 7 - SHAREHOLDERS EQUITY:

	Number of shares			
	December 31, 2022		December 31, 2021	
	Authorized	**Issued and outstanding**	**Authorized**	**Issued and outstanding**
Ordinary shares of NIS 0.01 par value	2,000,000,000	1,049,219,644	1,000,000,000	749,632,688
Warrants (note 7j)	-	-	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.

Movements in ordinary shares:

	2022	2021
	$'000	
Balance as of January 1	749,632,688	539,783,931
Conversion of short-term loans to shares (note 7h)	112,700,000	-
Issuance of shares to employees in lieu of cash payment (note 7i)	11,086,956	-
Issuance of shares to directors	-	1,223,125
Issuance of shares to advisor (note 7f)	10,000,000	42,367,533
Issuance of shares to suppliers in lieu of cash payment (note 7g)	15,800,000	6,001,688
Issuance of unit of shares (note 7f)	150,000,000	160,256,411
Balance as of December 31	1,049,219,644	749,632,688

A. 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.

B. 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.

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

NOTE 7 - SHAREHOLDERS EQUITY (CONT.):

D. 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.

E. 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%

F. On October 2022, the Company announced that it had raised AUD 450 thousand from Issuance of a unit of securities, before expenses, by way of a placement of up to 150,000,000 CDIs at AUD 0.003per CDI (representing a 25% discount to the 5-day volume weighted average price) to sophisticated and professional investors. In addition, the Company issued to the investors one option for every CDIs in a total amount of 150,000,000 options (pending approval of the shareholders meeting), which have an exercise price of AUD 0.005, exercisable over a period of 5 years.

Everblu Capital Pty Ltd acted as lead manager for the capital raising and received:

1. Fee of 6% of the total funds raised.
2. 10,000,000 CDIs (pending approval of the shareholders meeting). The total fair value of the shares is $ 4 thousand, accounted as share based payment.
3. 150,000,000 Options (pending approval of the shareholders meeting) exercisable over a period of 5 years with an exercise price of AUD0.005. The value of the option is $239 thousand, accounted as share based payment.

NOTE 7 - SHAREHOLDERS EQUITY (CONT.):

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

Unlisted Options	150,000,000
Share price	AUD0.0035
Exercise price	AUD0.005
Risk-free interest rate	3.66%
Expected average life	5 years
Expected volatility	100%

G. During October 2022, the Company issued 15,800,000 CDIs to Six degrees for services rendered in lieu of cash fees. The value of the CDIs is $31 thousand.

H. During November 2022, the Company issued 112,700,000 CDIs for partial repayment of the loans in a total amount of AUD196, 512 (for more details, see note 6d). The value of the CDIs is $131 thousand.

I. During December 2022, the company issued 11,086,957 CDIs to employees in lieu of cash fees. The value of the CDIs is $14 thousand.

J. On July 24, 2019, the Company issued 5,758,592 warrants to existing shareholders (the Company offers the warrants pro rata to all of its existing shareholders), in July 2022 the warrants expired.

NOTE 8 - SHARE BASED PAYMENT:

A. Options granted to employees and service providers:

	2022		2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		NIS		NIS
Options outstanding as beginning of year	7,768,833	0.05	1,935,500	0.04
Changes during the year:				
Granted (1)	-	-	4,833,333	0.01
Granted (2)	-	-	1,000,000	0.01
Forfeited	(2,333,000)	0.05	-	-
Exercised	-	-	-	-
Options outstanding at end of year	5,435,833	0.05	7,768,833	0.05
Options exercisable at year-end	-	-	7,768,333	0.04

* The options outstanding at 31 December 2022 had a weighted-average contractual life of 1 year.

** The exercise price of options outstanding at 31 December 2022 ranged between NIS 0.01 and NIS 0.06.

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%

NOTE 8 - SHARE BASED PAYMENT (CONT.):

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, 2022 and changes during the two years ended on that date are as follows:

	2022	2021
	Number of rights	
Performance rights outstanding as beginning of year	22,400,000	16,166,666
Changes during the year:		
Granted (*)	-	18,000,000
Expired	(4,400,000)	(11,766,666)
Exercised	-	-
Performance rights outstanding at end of year	18,000,000	22,400,000
Performance rights exercisable at year-end	-	-

(*) 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:

<u>Class H - 6,000,000 Performance Rights</u> - 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.

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

<u>Class J - 6,000,000 Performance Rights</u> - 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 in the financial statements for 2021.

C. Warrants granted to service providers:

	2022		2021	
	Number of warrants	Weighted Average Exercise Price	Number of warrants	Weighted Average Exercise Price
		AUD		AUD
Options outstanding as beginning of year	160,256,410	0.01	1,000,000	0.04
Changes during the year:				
Granted (*)	150,000,000	0.005	160,256,410	0.01
Forfeited	-		(1,000,000)	0.04
Exercised	-		-	-
Options outstanding at end of year	310,256,410	0.05	160,256,410	0.01
Options exercisable at year-end	160,256,410	0.01	160,256,410	0.01

(*) Pending approval of the shareholders meeting.

NOTE 9 - LOSS PER SHARE:

Net loss per share attributable to equity owners:

	For the year ended December 31,	
	2022	2021
Net loss used in basic and diluted EPS ($'000)	(2,130)	(2,344)
Weighted average number of shares used in basic and diluted EPS	1,003,911,163	556,831,758
Basic and diluted net EPS (dollars)	(0.002)	(0.004)

At 31 December 2022, 18,000,000 Performance Rights, 5,435,833 options and 310,256,410 warrants (2021: 22,400,000 Performance Rights 7,768,833 options and 160,256,410 warrants) 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,	
	2022	**2021**
Primary Geographic Markets	**$'000**	**$'000**
Asia	8	59
Australia	-	6
America	5	41
Dubai	105	-
England	5	-
Israel	31	81
Total	**154**	**187**

All revenues were derived from 10 customers

NOTE 11 - RESEARCH AND DEVELOPMENT EXPENSES, NET:

	For the year ended December 31,	
	2022	**2021**
	$'000	**$'000**
Salaries and benefits	207	419
Subcontractors	107	70
Materials	45	89
Legal fees	11	31
Other	3	5
	373	614
Governmental Grants received and changes in liability, net	(90)	(124)
Total	**283**	**490**

NOTE 12- MARKETING, DISTRIBUTION AND BUSINESS DEVELOPMENT EXPENSES:

	For the year ended December 31,	
	2022	**2021**
	$'000	**$'000**
Business development	155	213
Salaries and benefits	416	338
Marketing	4	-
Other	94	54
Total	**669**	**605**

NOTE 13 - GENERAL AND ADMINISTRATIVE EXPENSES:

	For the year ended December 31,	
	2022	2021
	$'000	$'000
Salaries and benefits	107	172
Share based payment	-	84
Consulting	311	267
Public Relations	199	77
Professional fees	147	178
Insurance	154	51
Rental and office expenses	70	48
Refreshments	19	11
Advertising	39	134
Other	66	71
Total	**1,112**	**1,093**

NOTE 14 - FINANCE EXPENSE AND INCOME:

Finance expense:

	For the year ended December 31,	
	2022	2021
	$'000	$'000
Net foreign exchange loss	37	122
Interest on governmental liabilities on grants received	93	92
Interest and bank charges and other	3	4
Issuance fees	237	76
Interest on loans	61	-
Total finance expense	**431**	**294**

Finance income:

	For the year ended December 31,	
	2022	2021
	$'000	$'000
Changes in fair value of derivative liability – warrants	298	68
Other	11	-
Total finance income	**309**	**68**

NOTE 15 - TAXATION:

A. Israeli tax rates:

Israeli corporate tax rates are 23%.

B. Net operating losses carry forward:

As of December 31, 2022, the Company has estimated carry forward tax losses of approximately 16 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,	
	2022	**2021**
	$'000	**$'000**
Loss before income tax	(2,130)	(2,344)
Tax computed at the corporate rate in Israel	490	539
losses for which no deferred tax asset is recognized	(490)	(539)
Total income tax expense	-	-

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Company holds the following financial instruments:

Financial assets	**2022**	**2021**
	$'000	**$'000**
Financial assets at amortized cost		
Cash and cash equivalents	50	1,424
Restricted cash	14	42
Trade receivables	15	62
Other accounts receivables	41	29
	120	**1,557**

Financial liabilities	**2022**	**2021**
	$'000	**$'000**
Financial liabilities at amortized cost		
Trade and other payables	433	303
Loans	140	-
Governmental liabilities on grants received	396	393
	969	**696**
Financial assets at fair value		
Derivative liability – warrants	125	184
	125	**184**

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, 2022					
Assets	**US dollar**	**AUD**	**EURO**	**AED**	**GBP**	**Total**
Cash And cash equivalents	16	10	8	-	12	46
Trade receivables	-	-	-	15	-	15
Other accounts receivables	11	-	-	-	-	11
	27	**10**	**8**	**15**	**12**	**72**
Liabilities						
Trade and other payables	43	152	-	-	-	195
Loans	-	140	-	-	-	140
Derivative liability – warrants	-	125	-	-	-	125
Governmental liabilities on grants received	396	-	-	-	-	396
	439	**417**	**-**	**-**	**-**	**856**

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

	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**

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.

	2022	**2021**
Linked to US dollar	(412)	(362)
	5%	5%
	21	18
Linked to AUD	(407)	1,150
	5%	5%
	20	(58)

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. However, the Company has material current obligations as well as beyond one year (the liabilities for governmental institutes depends on achieving future revenues) and has a negative working capital.

For information, see note 1b.

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, 2022:

	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	(433)	(433)	-	-	-	-	(433)
Loans	(140)	(201)	-	-	-	-	(201)
Governmental liabilities on grants received	(396)	(30)	(90)	(180)	(270)	(237)	(807)
Total	**(969)**	**(664)**	**(90)**	**(180)**	**(270)**	**(237)**	**(1,441)**

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)**

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, 2022				
Warrants (issuance of a unit of securities)	-	-	125	125
As of December 31, 2021				
Warrants (issuance of a unit of securities) *	12	-	-	12
Warrants (issuance of a unit of securities)	-	-	172	172

*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 December 31, 2022 the key inputs that were used in measuring the fair value of the warrants were: the risk free interest rate- 3.7%, the expected volatility-100% and the AUD/USD exchange rate -0.679.

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

31.12.2022

Item	Fair value	Unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
	U.S. $ in thousands			
Warrants	125	Volatility of firm's assets returns	100%	A change in the volatility measure by %5 results in a change of +/- 9K of the fair value

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	100%	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:

	2022	2021
	$'000	
Warrants		
Balance as of January 1	172	-
Issuance of warrants	239	172
Net loss recognized in Profit or loss	(286)	-
Balance as of December 31	125	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, 2022 and December 31, 2021 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 50 (2021 – 1,424) 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,	
	2022	**2021**
Compensation of key management personnel of the Company:	**$'000**	**$'000**
Short-term employee benefits *)	213	307
Post-employment benefits	22	33
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,	
	2022	**2021**
	$'000	**$'000**
Other accounts payables	124	140
Liabilities to shareholders	(35)	-

NOTE 18 - EMPLOYEE BENEFITS:

	Year ended December 31,	
	2022	2021
	$'000	$'000
Expenses in respect of defined contribution plans	78	107

NOTE 19 –SUBSEQUENT EVENTS:

According to note 1d, During January 2023 the Company and each of the lenders of the loans have agreed to extend the repayment date of each of the loans to March 15, 2023.