



ASX and MEDIA RELEASE

28 April 2023

Quarterly Activities Report and Appendix 4C

Highlights:

- Firm commitments received from professional and sophisticated investors to raise \$650,000 – funds to be deployed towards international sales, market activities and IP filing.
- Debt to equity conversions progressed to strengthen balance sheet
- Subsequent to the end of the period, Roots strengthened its intellectual property portfolio through the grant of a new design patent in Canada and patent application in the US
- First sales in the Philippines achieved with US\$6,500 order secured post quarter end

Roots Sustainable Agricultural Technologies Limited (ASX: ROO, “Roots” or “the Company”) is pleased provide the following update to shareholders for the period ended 31 March 2023 (the ‘quarter’) together with its Appendix 4C Quarterly cash flow report.

Operational overview:

During the period, the Company continued to progress a number of activities which led to a strengthened intellectual property portfolio and international sales footprint post quarter end.

North American patent updates:

Subsequent to the end of the period, Roots was granted a design patent in Canada which considerably broadens the Company’s addressable market. The Canadian Patent Office granted Roots patent number 209610 for its innovative Heat Exchange Probe technology.

In accordance with the patent approval, the technology will be designated in Canada as ‘Adapter for Pipe Joints’ and represents an important development for the intellectual property (IP) protection of Roots’ technology in the Canadian market.

The Company will target Canadian greenhouse operations which play a major role in the country’s agricultural sector. Root’s patented Heat Exchange probe offers several advantages such as increased yield, early maturity and energy savings for air heating and cooling in a greenhouse setting.

Roots also strengthened its IP suite in the US, filing another application with the US Patent Office. The provisional patent application was for the Roots’ irrigation-by-condensation technology, with new upgrades including rain collection and a drip irrigation option.

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The recently filed US patent highlights the Company's ongoing commitment to protect its IP in the US market and follows on from two separate patent applications lodged in 2022 (refer ASX Announcement 23 August 2022).

The recent US patent application offers a system and method to produce irrigation water from the humidity in the air, augmented with an ability to capture rainwater and metered and timely distribution of both sources of water from the air to designated plants. A comprehensive PCT or USA patent will be filed in the coming months.

Ongoing international sales expansion:

Post quarter end, Roots secured its maiden sale in the Philippines through a US\$6,500 purchase order for a Mini-Roots system. The order was made an agricultural company that will deploy the technology for root zone cooling in relation to strawberry growing.

The sale was obtained via the Company's first Philippines-based dealer and is expected to set an important precedent for the application of Root Zone Optimisation Technology in the country. The Philippines highlights a large market opportunity for Roots, given its extreme weather events and regular heatwaves.

Corporate overview:

Subsequent to the end of the quarter, the Company received firm commitments to raise A\$650,000 (before expenses), by way of a placement of 78,597,340 CDIs to sophisticated and professional investors (**Placement**). Participants in the Placement will also receive one (1) free attaching option for every one (1) Placement CDIs subscribed for (**Placement Options**), subject to shareholder approval. The Placement Options will have an exercise price of \$0.0103 and will expire 4 years after the date of issue.

The issue price of the Placement CDIs is A\$0.00827 per CDI, being equal to 75% of the 5 Day VWAP calculated over the 5 days on which sales in the CDIs are recorded prior to the date on which the agreement to issue is made or the date of issue of the Placement CDIs.

The Company received shareholder approval for a placement of CDIs to raise up to A\$1,800,000 at a General Meeting held on 20 March 2023 and will use this approval to issue the Placement CDIs. Given the market conditions and the amount of debt converted to equity, the Company was comfortable with the A\$650,000 raise and approximately A\$620k of debt to equity conversions as detailed below.

The funds raised from the Placement will be used towards the payout of existing creditors/debt, local and international sales and marketing activity, IP registration, operating expenses, legal and administrative costs, costs of the offer and working capital.

Director Adam Blumenthal intends to participate in the placement for an amount of A\$150,000 and Suburban Holdings Pty Ltd (a related party and associate of Director Adam Blumenthal) intends to participate for an amount of A\$150,000 (both subject to shareholder approval). The related party participation is included in the total placement amount of A\$650,000.

Everblu Capital Pty Ltd (ACN 612 793 683) (AFSL 499 601) (**EverBlu**), acted as lead manager for the Placement and will receive a fee of 6% of the total funds raised under the Placement. In addition, it is proposed, subject to shareholder approval to issue Everblu 10,000,000 options with an exercise price of \$0.0103 and an expiry date of 4 years after date of issue (**Broker Options**) and 10,000,000 CDIs (**Broker**



CDIs). If the Company does not receive shareholder approval for the issue of the Broker Options and Broker CDIs Everblu will not receive any additional consideration for acting as lead manager to the Placement.

In addition, the Company has entered into a short-term loan agreement for an amount of A\$200,000 (**Loan Agreement**) with an unrelated party of the Company. Subject to shareholder approval, it has been agreed for the loan be repaid via an issue of CDIs at the same deemed issue price of \$0.00827 as the Placement. Accordingly, the Company is proposing to issue approximately 28,755,528 CDIs in satisfaction of the entire loan principle and accrued interest to 8 June 2023.

The Company's Corporate Advisor, Everblu, arranged the Loan Agreement and will receive a 6% commission on total loan funds in accordance with their corporate advisory mandate with the Company.

Debt to Equity Conversions

In addition, subsequent to the end of the quarter, the Company reached agreements with several creditors and lenders to issue CDIs in lieu of cash fees/loans owing at the same price as the Placement (\$0.00827 per CDI). These arrangements are summarised below:

1. A\$26,675 owing to Six Degrees for investor relations services provided will be satisfied by the issue of 3,225,514 CDIs under the Company's Listing Rule 7.1 placement capacity;
2. a combined total of A\$114,903 Director fees owing to Directors, Boaz Wachtel, Sharon Devir, Dafna Shalev-Flamm and Graeme Smith will be satisfied by the issue of 13,893,954 CDIs, subject to shareholder approval;
3. A\$20,833 owing to the Company's CFO for services provided will be satisfied by the issue of 2,519,105 CDIs under the Company's Listing Rule 7.1 placement capacity;
4. the current combined balance of short-term loans announced by the Company on 1 September 2022 and 18 October 2022 of A\$210,000 as well as accrued interest to 8th June 2023 will be satisfied by the issue of 29,673,156 CDIs, subject to shareholder approval; and
5. Chairman, Boaz Wachtel has agreed to convert his \$50,000 interest free loan to 6,045,949 CDIs, subject to shareholder approval.

An updated pro-forma balance sheet reflecting the revised placement amount of \$650,000, and debt to equity arrangements was lodged with ASX on 14 April 2023.

Rights Issue

The Company plans to complete a Rights Issue shortly after the settlement of the Placement to raise up to approximately A\$750,000 (before costs) at the same price as the Placement. The Company will provide further details in this respect in due course.

Update on General Meeting for required shareholder approvals

In relation to Adam Blumenthal's commitment to participate in the October 2022 Placement to an amount of A\$200,000 (being 5,555,556 CDIs and 5,555,556 free-attaching options on a post consolidation basis), subject to shareholder approval, the Company has commenced the preparation of a Notice of Meeting (NOM) seeking the required shareholder approval for this. In addition, the Company will seek the other approvals associated with the current Placement and debt to equity conversions as soon as practicable and expects to dispatch this NOM on or around 5 May 2023. The notice period under Israeli law for the NOM will be 35 days and accordingly, the General Meeting is expected to be held on or around 8 June 2023.



Management commentary:

CEO Mr Boaz Wachtel said: *"The Company continued to make progress across its two key areas of focus. During the quarter, a considerable amount of work was taken to progress our recently lodged US patent and we are very pleased to have strengthened our IP suite in Canada. The North American market remains an important territory for Roots, given its size and food security risk. Further, to have expanded into the Philippines highlights the potential global opportunity for the Company's technology. We continued to reduce the company's cash burn rate and seek additional synergetic business models to complement the current model and product mix".*

"Following recent funding initiatives, the Company remains placed to capitalise on a number of opportunities that are currently underway."

ASX Listing Rule 4.7C.1

There were no material developments or changes in business activities for the quarter. Operational expenditure during the quarter was US\$115K. The majority of this expenditure was staff costs, product manufacturing and administration and corporate costs.

ASX Listing Rule 4.7C.3

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

Related Party	Amount	Description
Directors (Executive)	-	Periodical Director Fees in accordance with Director Agreements
Directors (Non-Executive)	-	Periodical Director Fees in accordance with Director Agreements
Everblu Capital Pty Ltd	-	Capital Raising Fees (excl GST)
Everblu Capital Pty Ltd	-	Corporate Advisory Fees (excl GST)

-ENDS-

About Roots Sustainable Agricultural Technologies Ltd:

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

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

Roots is a graduate company of the Office of the Israeli Chief Scientist Technological Incubator program. For more information visit www.Rootssat.com

About Root Zone Temperature Optimization (RZTO)

Root Zone Temperature Optimization (RZTO) systems optimises plant physiology for production security, increased growth, productivity, and quality. By stabilising the plant's root zone temperature,



i.e. cooling the roots during the summer and heating them during the winter multiple benefits can be obtained for the farmer and plant: significant yield increase, option for early or late planting, improved quality, mitigation of extreme heat and cold stress and plant's immune system boosting. These benefits are achieved under significant energy reduction and savings compared with air heating and cooling. Using unique heat pumps, either alone or in combination with Ground source heat exchange (GSHE) installations, ROOTS is able to provide accurate stable range of root zone temperatures for farmer and the plants year-round. ROOTS is a global leader in Root zone temperature management.

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

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Forward looking statements

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

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

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

Appendix 4C

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

Name of entity

Roots Sustainable Agricultural Technologies Ltd

ARBN

619 754 540

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (3 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	55	55
1.2 Payments for		
(a) research and development	(57)	(57)
(b) product manufacturing and operating costs	(48)	(48)
(c) advertising and marketing	7	7
(d) leased assets	-	-
(e) staff costs	(67)	(67)
(f) administration and corporate costs	(7)	(7)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received (see note 6)	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (institutes & exchange rate)	2	2
1.9 Net cash from / (used in) operating activities	(115)	(115)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter US\$'000	Year to date (3 months) US\$'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	67	67
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	67	67
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	50	50
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(115)	(115)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (3 months) US\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	67	67
4.5	Effect of movement in exchange rates on cash held (see note 6)	-	-
4.6	Cash and cash equivalents at end of period	3	3

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	3	50
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3	50

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

7. Financing facilities

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

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

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

Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
211	211
-	-
-	-
211	211

7.5 Unused financing facilities available at quarter end

-

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

Loan Agreements – Summary, Terms and Conditions:**Lenders and Principal Balance:**

Loan Agreement 1 & 3: Lender is RAH STC Pty Ltd (an unrelated party); principal balance is A\$170,000; and

Loan Agreement 2: Lender is Glacier Glow Pty Ltd (an unrelated party); principal balance of A\$40,000.

Interest:

Loan Agreements 1 & 2: Interest is not compounding and is payable at a rate of 60% per annum;

Loan Agreement 3: Interest is not compounding and is payable at a rate of 86% per annum;

Repayment

Subject to the other terms of the Loan Agreements, any funds drawn down by Roots under the Loan Agreements above, together with any accrued Interest, must be repaid by Roots to the Lender on the Repayment Date in cash unless otherwise agreed between Roots and the Lender. Subsequent to the end of the quarter (as announced on 14 April 2023), the Lenders agreed to convert their short-term loans to CDIs at a deemed issue price of \$0.00827 per CDI. The current combined balance of short-term loans announced by the Company on 1 September 2022 and 18 October 2022 of A\$210,000 (USD143,967) as well as any accrued interest to 8th June 2023 will be satisfied by the issue of 29,673,156 CDIs, subject to shareholder approval.

Purpose

To be applied towards general working capital.

Summary of loans in reference to section 7.6 above:

The company received during FY2022 loans in an aggregate total of A\$365,000:

- a. Loans in aggregate total of A\$225,000 received during Q3 2022.
- b. Loans in aggregate total of A\$140,000 received during Q4 2022.
- c. Loans principal in a total of A\$50,000 repaid in cash during Q4 2022.
- d. Loans principal in a total of A\$105,000 settled in shares during Q4 2022.
- e. Interest on loans in a total of A\$91,512 settled in shares during Q4 2022.
- f. Loans principal balance (to unrelated parties) as of end of Q1 2023 in a total of A\$210,000 (USD143,967).

In addition to the above, during the quarter, Directors Adam Blumenthal and Boaz Wachtel provided interest free loans to the Company in the amount of A\$50,000 each (total A\$100,000; USD66,743). Subsequent to the end of the quarter (as announced on 14 April 2023), Boaz Wachtel has agreed to convert his loan of A\$50,000 to 6,045,949 CDIs, subject to shareholder approval.

8.	Estimated cash available for future operating activities	US\$'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(115)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	3
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	-

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

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

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

Answer: Yes.

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

Answer: As announced on 14 April 2023, the Company received firm commitments to raise 650k before costs (including related parties participation of 300k which is subject to shareholder approval). Tranche 1 of the Placement (350k) settled on 28 April 2023. In addition, there were substantial debt to equity conversions that were detailed in the announcement lodged with ASX on 14 April 2023 that will assist with the Company's cash position. In addition, the Company plans to complete a Rights Issue for an additional amount of \$750,000 in the near future.

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

Answer: Yes.

Compliance statement

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

Date: 28 April 2023

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

Notes

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

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

and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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