

5 June 2023

## Response to ASX Price Query

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

Dear Mr Dawson

## Roots Sustainable Agricultural Technologies Ltd ('ROO'): Financial Condition Query

We refer to your letter dated 25 May 2023. In response to the questions outlined in the letter, we provide the following information (using your numbering):

- 1. Please explain the reason for delay in seeking shareholder approval for Mr Blumenthal's participation in the October 2022 Placement, in circumstances where:**
  - ROO first announced the October 2022 Placement over 7 months ago and marked the announcement as price sensitive;
  - ROO announced that Mr Blumenthal and a company associated with Mr Blumenthal intended to participate in the March 2023 Placement notwithstanding that no shareholder approval had yet been sought for Mr Blumenthal's participation in the October 2022 Placement; and
  - ROO estimated it had nil quarters of funding available as at 31 March 2023.

*The notice period under Israeli law for any Notice of Meeting (NOM) which seeks to obtain shareholder approval for any related party matter is 35 days. The notice period under Israeli law for any NOM that does not contain such resolutions is 21 days. Therefore, for the General Meeting held on 20 March 2023, it was agreed by the Board to leave out any related party resolutions to avoid delays in seeking shareholder approval for urgent funding initiatives, being refreshment of the Company's LR 7.1 placement capacity, consolidation of issued capital and approval of a future placement.*

*The Company announced to ASX on 21 February 2023 that it still intends to prepare a NOM seeking the required shareholder approval for Mr Blumenthal's participation in the October 2022 Placement, as well as other related party approvals, as soon as practicable. The NOM has been prepared by the Company and is in the process of being finalised and approved by the Board and will be sent to ASX for review shortly.*

2. **Noting the apparent materiality of the October 2022 Placement funding to ROO's financial condition, please explain why ROO did not update the market on the reasons behind the delay in seeking shareholder approval, and whether ROO considers this to be compliant with Listing Rule 3.1.**

*The Company announced to ASX on 21 February 2023 that it intends to prepare a NOM seeking the required shareholder approval for Mr Blumenthal's participation in the October 2022 Placement, as well as other related party approvals, as soon as practicable.*

*As the Company is still intending to seek shareholder approval for Mr Blumenthal's participation in the October 2022 Placement, the Company does not consider the delay is information that a reasonable person would expect to have a material effect on the price or value of the entity's securities, and as such is not required to be disclosed under Listing Rule 3.1.*

*As such, the Company considers it is in compliance with Listing Rule 3.1.*

*As noted in the response to question 1, the NOM has been prepared by the Company and is in the process of being finalised and approved by the Board, and will be sent to ASX for review shortly.*

3. **Is ROO of the view that it had a reasonable basis to state that it had received "firm commitments" to raise \$650,000, given a significant proportion of the October 2022 Placement securities were allocated to Mr Blumenthal and the requisite meeting has still not yet eventuated? If so, please explain that basis.**

*Yes, ROO has received an application form from Mr Blumenthal to participate to an amount of A\$200,000.*

*As stated above, the Company is still intending to seek shareholder approval for Mr Blumenthal's participation in the October 2022 Placement.*

4. **Does Roots expect to receive the funds from Mr Blumenthal in relation to the October 2022 Placement?**

*Yes*

5. **Please explain the reason for delay in seeking shareholder approval for Mr Blumenthal's participation in the March 2023 Placement, in circumstances where ROO estimated it had nil quarters of funding available as at 31 March 2023.**

*As noted above, the notice period under Israeli law for any NOM which seeks to obtain shareholder approval for any related party matter is 35 days. The notice period under Israeli law for any NOM that does not contain such resolutions is 21 days. Therefore, for the General Meeting held 20 March 2023, it was agreed to leave out any related party resolutions to avoid delays in seeking shareholder approval for urgent funding initiatives, being refreshment of the Company's LR 7.1 placement capacity, consolidation of issued capital and approval of a future placement.*

*The NOM seeking shareholder approval for Mr Blumenthal's participation in the March 2023 Placement has been prepared by the Company and is in the process of being finalised and approved by the Board, and will be sent to ASX for review shortly.*

**6. When does ROO expect to hold a meeting to approve Mr Blumenthal's participation in both Placements? What factors may effect this timeline?**

*As noted above, the NOM seeking shareholder approval for Mr Blumenthal's participation in the October 2022 and March 2023 Placements has been prepared by the Company and is in the process of being finalised and approved by the Board, and will be sent to ASX for review shortly.*

*Depending on ASX review time of the NOM, the meeting is expected to be held by early August 2023.*

**7. Does ROO consider that the financial condition of ROO is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion, commenting specifically on the matters referred to at paragraph F(ii) to (iv) above, namely:**

**7.1 ROO's net cash used in operating activities for the quarter ended 31 March 2023 was \$115,000;**

**7.2 ROO's cash and cash equivalents as at 31 March 2023 was \$3,000; and**

**7.3 ROO's estimated that it had nil quarters of funding available as at 31 March 2023.**

*Yes.*

*There are a significant pipeline of pending orders at various stages with 30-40% profit margins that the Company will seek to secure, which will bring an estimated additional A\$150-200k cash to the Company. Orders are completed in 4 stages as follows - Stage 1: Customers complete questionnaire with details of the project; Stage 2: Roots provides a quote and payment terms; Stage 3: Execution of the sales order; Stage 4: Payment. With the pending orders referred to above, Roots has provided the customers (Elite Agro and Silal in the UAE and Unicorn Farm Tech in Oman) with a quote and payment terms and expect to close in the coming days/week. Following execution (Stage 3) the payment terms are 60% upfront, 30% on shipment and 10% on completion of the installation. Once the UAE and Oman orders are executed, Roots will receive 60% upfront payment within a few days. There are additional orders in the pipeline at various points in the 4 stage process.*

*In parallel, the Company's cash expenditure has been significantly reduced by cutting down number of employees positions, halting R&D and reducing S&M expenses as well as cutting travelling expenses to a minimum required. Therefore, these funds should be sufficient to allow Company operations until the General Meeting is held (expected date on or around early August 2023), whereby the Company is seeking shareholder approval for Mr Blumenthal's participation in the October 2022 Placement (A\$200,000) and Mr Blumenthal and Associate's participation in the April 2023 Placement (A\$300,000).*

*In addition, the Company has negotiated with its suppliers and sub-contractors for payment deferral arrangements. Moreover, the Company's directors have agreed to be paid part in cash and part in CDIs since June 2022 retroactively. The Company also intends to negotiate additional loans from Director Adam Blumenthal and other related parties of up to A\$300,000 at an interest rate of 15% per annum. If the Company and the directors finalise these loans, full terms and conditions of the loans will be announced to ASX, and shareholder approval will be required.*

- 8. If the answer to question 7 is "No", please explain what steps ROO has taken, or proposes to take, to warrant its continued listing on ASX under the requirements of Listing Rule 12.2.**

*N/A.*

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

*Yes.*

- 10. If the answer to question 9 is "Yes", please explain the basis for this conclusion.**

*The Company has prepared a NOM to seek shareholder approval for Mr Blumenthal's participation in the October 2022 Placement (\$200,000) and Mr Blumenthal and Associate's participation in the April 2023 Placement (\$300,000) which is expected to bring a total of \$500,000 to the Company in the near term which will provide sufficient working capital to repay the Company's outstanding liabilities as well as fund ongoing operations. In addition, the Company intends to fund its operations through sales orders as detailed in the response to question 7.*

*The Company has also received loans from directors historically where required, and is in the position to receive further loans when required in the lead up to any capital raising. The Company may also elect to sign a loan agreement for A\$300,000 at its discretion if needed.*

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

*N/A.*

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

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

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

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



For and on behalf of the Board

*B. Wachtel.*

Boaz Wachtel  
(Chairman)

For personal use only



25 May 2023

Reference: 74675

Ms Sarah Smith  
Company Secretary  
Roots Sustainable Agricultural Technologies Ltd

By email: ss@miradorcorporate.com

Dear Ms Smith

**Roots Sustainable Agricultural Technologies Ltd ('ROO'): General – Financial Condition Query**

ASX refers to the following:

- A. ROO's announcement entitled "Roots Secures firm commitments to raise \$650,000" lodged on the ASX Market Announcements Platform ('MAP') on 21 October 2022 and marked price sensitive, disclosing, among other things, that ROO:

*"...is pleased to advise it has 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" (October 2022 Placement); and*

*"Director Adam Blumenthal intends to participate in the [October 2022] Placement to an amount of A\$200,000 (66,666,667 CDIs and 66,666,667 attaching Placement Options)"*

- B. ROO's announcement entitled "Update on Director participation in October 2022 Placement" lodged on MAP on 21 February 2023, disclosing, in relation to the October 2022 Placement, that ROO:

*"...refers to its ASX announcement made on 21 October 2022 (Announcement), whereby the Company announced it had received firm commitments to raise A\$650,000 (before expenses), by way of a placement of 216,666,667 CDIs, together with a one-for-one free-attaching option, to sophisticated and professional investors (Placement).*

*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 as noted in the Announcement.*

*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, and expects to dispatch this NOM on or around 20th March 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 24 April 2023."*

- C. ROO's announcement entitled "Notice of General Meeting/Proxy Form" lodged on MAP on 24 February 2023, disclosing, in relation to the October 2022 Placement, that:

*"Adam Blumenthal wishes to participate in the [October 2022] Placement to an amount of \$200,000, for a total of 66,666,667 Placement CDIs and 66,666,667 Placement Options, on the same terms as unrelated participants subject to Shareholder approval. This amount was included in the total Placement amount of \$650,000 announced on 21 October 2022. 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, and expects to*

*dispatch this NOM on or around 20 March 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 24 April 2023.*"

- D. ROO's announcement entitled "Roots proposes A\$1,800,000 private placement" lodged on MAP on 7 March 2023 and marked price sensitive, disclosing, among other things, that ROO:
- "...is proposing to raise A\$1,800,000 (before expenses), by way of a placement of CDIs to sophisticated and professional investors" (March 2023 Placement)*
- E. ROO's Half Year Audited Statutory Accounts for the period ended 31 December 2022 and released on MAP on 30 March 2023 which stated, in relation to the October 2022 Placement, that:
- "The Company intends to prepare a Notice of Meeting (NOM) seeking the required shareholder approval for Mr Blumenthal's participation in the [October 2022] Placement, as well as other related party approvals, as soon as practicable".*
- F. ROO's Quarterly Activities Report and Appendix 4C for the period ended 31 March 2023 and lodged on MAP on 28 April 2023, disclosing:
- (i) In relation to the October 2022 Placement:
- "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."*
- (ii) ROO's net cash used in operating activities for the quarter ended 31 March 2023 was \$115,000 ;
- (iii) ROO's cash and cash equivalents as at 31 March 2023 was \$3,000;
- (iv) ROO estimated that it had nil quarters of funding available as at 31 March 2023; and
- (v) ROO's statement that it had *"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"*
- G. ROO's announcement entitled "Roots completes A\$650,000 private placement and reaches agreement to convert debt to equity" released on MAP on 14 April 2023 which stated, in relation to the March 2023 Placement, that ROO:
- "Roots 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"*
- H. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- I. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;
- The information concerns an incomplete proposal or negotiation;
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
- The information is generated for the internal management purposes of the entity; or
- The information is a trade secret; and

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

J. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

*“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”*

K. Listing Rule 12.2 which states

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

### Request for information

Having regard to the above, ASX asks ROO to respond separately to each of the following questions and requests for information:

1. Please explain the reason for delay in seeking shareholder approval for Mr Blumenthal’s participation in the October 2022 Placement, in circumstances where:
  - ROO first announced the October 2022 Placement over 7 months ago and marked the announcement as price sensitive;
  - ROO announced that Mr Blumenthal and a company associated with Mr Blumenthal intended to participate in the March 2023 Placement notwithstanding that no shareholder approval had yet been sought for Mr Blumenthal’s participation in the October 2022 Placement; and
  - ROO estimated it had nil quarters of funding available as at 31 March 2023.
2. Noting the apparent materiality of the October 2022 Placement funding to ROO’s financial condition, please explain why ROO did not update the market on the reasons behind the delay in seeking shareholder approval, and whether ROO considers this to be compliant with Listing Rule 3.1.
3. Is ROO of the view that it had a reasonable basis to state that it had received “firm commitments” to raise \$650,000, given a significant proportion of the October 2022 Placement securities were allocated to Mr Blumenthal and the requisite meeting has still not yet eventuated? If so, please explain that basis.



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4. Does ROO expect to receive the funds from Mr Blumenthal in relation to the October 2022 Placement?
5. Please explain the reason for delay in seeking shareholder approval for Mr Blumenthal's participation in the March 2023 Placement, in circumstances where ROO estimated it had nil quarters of funding available as at 31 March 2023.
6. When does ROO expect to hold a meeting to approve Mr Blumenthal's participation in both placements? What factors may affect this timeline?
7. Does ROO consider that the financial condition of ROO is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion, commenting specifically on the matters referred to at paragraph F(ii) to (iv) above, namely:
- 7.1 ROO's net cash used in operating activities for the quarter ended 31 March 2023 was \$115,000;
  - 7.2 ROO's cash and cash equivalents as at 31 March 2023 was \$3,000; and
  - 7.3 ROO's estimated that it had nil quarters of funding available as at 31 March 2023.
8. If the answer to question 7 is "No", please explain what steps ROO has taken, or proposes to take, to warrant its continued listing on ASX under the requirements of Listing Rule 12.2.
9. Do the directors of ROO consider that ROO is a going concern?
10. If the answer to question 9 is "Yes", please explain the basis for this conclusion.
11. If the answer to question 7 is "No", on what basis does ROO consider its securities warrant continued listing on ASX under the requirements of Listing Rule 12.2.
12. Please confirm that ROO is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
13. Please confirm that ROO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ROO with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **2:00 PM AWST Tuesday, 30 May 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, ROO's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require ROO to request a trading halt immediately.

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

#### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in ROO's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

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- the reasons for the trading halt;
  - how long you want the trading halt to last;
  - the event you expect to happen that will end the trading halt;
  - that you are not aware of any reason why the trading halt should not be granted; and
  - any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in ROO's securities under Listing Rule 17.3.

### **Listing Rules 3.1 and 3.1A**

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

### **Release of correspondence between ASX and entity**

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

### **Questions**

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

Yours sincerely

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**Ben Dawson**  
Adviser, Listings Compliance