



**ASX and MEDIA RELEASE**

**31 January 2023**

## **Quarterly Activities Report and Appendix 4C**

### **Highlights:**

- **Strong progress through international expansion opportunities, strengthened intellectual property suite and follow up orders to major customers.**
- **The company finalised FY2022 with aggregate customer orders of A\$451,000 which represent an increase of 132% on previous year (A\$195,000).**
- **A\$160,000 purchase order for HEP technology secured from Elite Agro – highlights second order from the group and takes same-customer revenue to A\$300,000 during FY2022**
- **Heat Exchange Probe (HEP) being deployed at the Coffee House Murmum project in the UAE which comprises more than 9,000 coffee plants – provides considerable validation of ROO's technology.**
- **12 month binding and exclusive strategic dealership agreement entered into with ES France, unlocking additional opportunities in the country**
- **Authorised representation and distribution agreement secured with leading independent infrastructure consultancy, Unicorn International LLC consolidated representation in Oman**
- **Uruguay dealership established with Equitec Control – and \$5,000 USD order**
- **International recognition considerably increased following company presentation at COP27 – Roots chosen as one of six Israeli companies to present and highlight technology benefits.**
- **Intellectual Property portfolio strengthened following receipt of design registration for Heat Exchange Probe (HEP) technology from Israeli Patent Office**

**Roots Sustainable Agricultural Technologies Limited (ASX: ROO, "Roots" or "the Company")** is pleased provide the following update to shareholders for the period ended 31 December 2022 (the 'quarter') together with its Appendix 4C Quarterly cash flow report.

### **Operational overview:**

#### **Increased market share in the UAE via follow up purchase orders:**

Roots continued to consolidate its market share in the United Arab Emirates following receipt of a second purchase order from major customer, Elite Agro for the Company's HEP solution. The order was valued at A\$160,000 and took same-customer revenues for CY2022 to over A\$300,000.



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.

Under the terms of the sales agreement, Elite Agro will take receipt of a second shipment of the HEPS technology to facilitate an expanded root-zone cooling solution for its suite of commercial agriculture operations including the Coffee House Murmum project.

The Coffee House Murmum project comprises more than 9,000 coffee plants that need to be maintained in hot weather conditions outside of Dubai. It was established as a major coffee production hub to service the UAE and adjacent markets.

Roots' HEPS technology has been shown to provide an effective cooling solution at large commercial scale for Elite Agro's operations.

#### **Authorised representation and distributor agreement expands operations in established market:**

The Company continued its international expansion initiatives through an authorised representation and distribution agreement (21.22.2022) with Unicorn-Farm Tech, the agricultural division of Unicorn International LLC. (<http://unicornllc.com/>) ("Unicorn").

Unicorn is an independent organisation of engineers, consultants and technical specialists with domain expertise in power, data centres, industrial services, water works and renewables. It is focused on helping clients receive a seamless experience that will allow them to leverage the value of technology investment, solve their most complex operational challenges and drive performance improvements.

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. Unicorn will be progress promotion and the sale of Root's product and services while offering demonstrations to potential customers. The group will also conduct initial site surveys and carry out installation initiatives, as well as after sales services.

#### **Exclusive dealership agreement with leading French distributor ES France:**

The Company also secured a binding and exclusive strategic dealership agreement (13.12.2022) 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 of around 100 staff and a 60 person sales team. ES France built its market position via a rigorous selection process for the best manufacturers, based on price-quality ratio, innovative technology, quality certification and niche products.

ES France aims to be the distributor of choice for global manufacturers by operating as the interface between foreign manufacturers and French customers, both by leveraging its distribution networks built up over almost 60 years, and a commitment to providing customers with the best pre- and post-sales service. It is made up of seven commercial departments which act as independent profit centres, with specialised sales teams for each department.



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.

**Uruguay dealership established with Equitec Control and \$5,000 USD order initiated:**

Equitec is an independent Uruguayan agricultural distribution entity representing Israeli Ag Tech companies in South America. The company purchased and paid \$5,000 USD for Mini ROOTS systems for instalment in local farms. Uruguay agriculture contribute 10% of the country's GDP with increasing investment directed to high end covered agriculture where ROOTS's technology can play a role.

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

Highlighting the increased recognition for the Company's innovative technology, Dr Sharon Devir present 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.

**Certificate of design registration awarded in Israel:**

The Company was granted a certificate of design registration from the Israeli Patent Office for its revolutionary Heat Exchange Probe ("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 considerable R&D, and field trials undertaken by Roots to develop and commercialise the technology.

The design registration significantly strengthens the Company's intellectual property portfolio and follows similar patent approvals in other large markets, including the USA. The global jurisdictions where Roots has now achieved IP design registration now comprise most of the world's major markets including China, the European Union, India, Canada and the United Kingdom.



### **Corporate overview:**

#### **Firm commitments to raise \$650,000:**

The Company secured firm commitments, via a placement to raise A\$650,000 (before costs) through the issue of 216,666,667 CDIs to new and existing sophisticated and professional investors. The Placement CDIs were issued at A\$0.003 per CDI, representing a 25% discount to the 5-day volume weighted average price (VWAP). Investors will also receive one free-attaching option for every one Placement CDI subscribed for and issued (subject to shareholder approval). 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). Issue of the Placement Options is subject to receipt of shareholder approval.

Roots director Adam Blumenthal intends 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 has been included in the total placement amount of \$650,000.

The Placement CDIs (excluding Director, Adam Blumenthal's) were issued on 27 October 2022.

Funds from the Placement will be used towards 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, and working capital.

#### **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.

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.

#### **Entitlement Offer:**

During the quarter, the Company undertook a pro-rata non-renounceable entitlement issue of one (1) chess depositary interest (**CDI**) for every three (3) CDIs held by those CDI holders registered at the Record Date, where each CDI represents a beneficial interest in one fully paid ordinary share in the capital of the Company (**Share**), at an issue price of \$0.003 per CDI, together with one (1) free new option for every two (2) CDIs applied for and issued (**New Option**) to raise up to \$1,028,133 (**Entitlement Offer**). The Entitlement Issue Prospectus was lodged with ASIC and ASX on 25 November 2022.

The Company received applications from Shareholders subscribing for 6,943,459 New CDIs and 3,471,730 New Options in the Company raising funds of \$20,831.26. Pursuant to the terms of the Entitlement Offer, the Company was required to seek quotation of the New Options to be issued under the Entitlement Offer.

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.

#### **Management commentary:**

**CEO Mr Boaz Wachtel said:** *"Roots has continued to make very pleasing progress during the quarter, highlighted by a number of agreements, business development and marketing initiatives and purchase orders which will lay a strong foundation for FY2023."*

*"The Company has continued to consolidate its footprint in key markets, evident from new agreements across the Middle East and Europe. This will allow Roots to continue to demonstrate the benefits of its technology to a range of major producers and growers, with an aim to further increase sales."*

*"We look forward to providing additional updates on sales growth, new market entries and ongoing product development initiatives over the coming months."*

#### **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\$380K. The majority of this expenditure was research and development, advertising and marketing, staff costs, product manufacturing and administration and corporate costs.

#### **ASX Listing Rule 4.7C.3**

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



Related Party	Amount	Description
Directors (Executive)	US\$50,779	Periodical Director Fees in accordance with Director Agreements
Directors (Non-Executive)	US\$14,301	Periodical Director Fees in accordance with Director Agreements
Everblu Capital Pty Ltd	US\$29,215	Capital Raising Fees (excl GST)
Everblu Capital Pty Ltd	US\$95,340	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, lower installation costs, and reduce energy consumption to bring maximum benefit to farmers through their two-in-one root zone heating and cooling technology and off the grid irrigation by condensation technology.

Roots is a graduate company of the Office of the Israeli Chief Scientist Technological Incubator program. For more information visit [www.Rootssat.com](http://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.*

#### **Corporate Enquiries:**

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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
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**ARBN**

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**Quarter ended ("current quarter")**

31 December 2022
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Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	45	150
1.2 Payments for		
(a) research and development	(48)	(169)
(b) product manufacturing and operating costs	(6)	(34)
(c) advertising and marketing	(51)	(301)
(d) leased assets	-	-
(e) staff costs	(193)	(787)
(f) administration and corporate costs	(162)	(717)
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)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (institutes & exchange rate)	36	54
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(380)</b>	<b>(1,810)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-



Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	3	3
	(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)	28	28
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>31</b>	<b>31</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	292	292
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	94	244
3.6	Repayment of borrowings	(34)	(34)
3.7	Transaction costs related to loans and borrowings	(32)	(32)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>320</b>	<b>470</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	105	1,424
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(380)	(1,810)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	31	31

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	320	470
4.5	Effect of movement in exchange rates on cash held (see note 6)	(26)	(65)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>50</b>	<b>50</b>

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

6.	Payments to related parties of the entity and their associates	Current quarter US\$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	160
6.2	Aggregate amount of payments to related parties and their associates included in item 3	29
<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.*

	<b>Total facility amount at quarter end US\$'000</b>	<b>Amount drawn at quarter end US\$'000</b>
7.1 Loan facilities	-	136
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	136

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

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

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During the third quarter, the Company entered into two short-term loan agreements for an aggregate amount of A\$225,000 (**Loan Agreements 1 & 2**) with Glaciereglow Pty Ltd and RAH (STC) Pty Ltd (**the Lenders**). The Lenders are unrelated parties of the Company, and the loans are unsecured.

During the fourth quarter, the Company entered into a short-term loan agreement for an amount of A\$140,000 (**Loan Agreement 3**) with RAH STC Pty Ltd (**the Lender**). The Lender is an unrelated party of the Company, and the loan is unsecured.

**Loan Agreements – Original Terms and Conditions:**

**Interest:**

Loan Agreements 1 & 2: Interest is not compounding and is payable at a rate of 20% on the total principal loan amount for the 4 month period to the repayment date of 31 December 2022 (60% per annum);

Loan Agreement 3: Interest is not compounding and is payable at a rate of 10% on the total principal loan amount for the 6 week period to the repayment date of 18 November 2022 (86% per annum);

**Term:**

Any funds drawn down by Roots, together with any accrued interest, must be repaid by Roots to the Lenders by 31 January 2023 (**Repayment Date**).

**Repayment**

Subject to the other terms of the Loan Agreements, any funds drawn down by Roots under the Loan Agreements, 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 Lenders.

**Purpose**

To be applied towards general working capital.

**Summary of loans in reference to section 7.6 above, including repayments made and extension of term:**

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 as of end of Q4 2022 in a total of A\$210,000 (USD\$136k).
- g. Repayment of all outstanding loans was extended to 31 January 2023.

8.	Estimated cash available for future operating activities	US\$'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(380)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	50
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	50
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	0.13

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

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

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

Answer: Yes.

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

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

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. The company is in various stages of engagement for fundraising, and therefore the BOD believes the company will be able to continue its operations and to meet its business objectives.

## 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: 31 January 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

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.