

Roots Sustainable Agricultural Technologies Ltd
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Roots Sustainable Agricultural Technologies Ltd
ARBN:	619 754 540
Reporting period:	For the year ended 31 December 2019
Previous period:	For the year ended 31 December 2018

2. Results for announcement to the market

			31-Dec-19	31-Dec-18
			US\$'000	US\$'000
Revenues from ordinary activities	down	67%	99	305
Loss from ordinary activities after tax attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	down	9%	2,615	2,884
Loss for the year attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	down	9%	2,615	2,884
<i>Dividends</i>				
			Amount per security	Franked amount per security
			Cents	Cents

Not applicable.

Additional Appendix 4E disclosure requirements can be found in the notes to the Roots Sustainable Agricultural Technologies Ltd's financial statements.

3. Net tangible assets

	Reporting period	Previous period
	U.S. dollars	U.S. dollars
Net tangible assets per ordinary security	<u>(0.00039)</u>	<u>0.00019</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000

Not applicable.

7. Audit qualification or review

The financial statements have been audited and an unqualified opinion has been issued. The audit report is included in the attached financial statements.

8. Attachments

The Annual Report of Roots Sustainable Agricultural Technologies Ltd for the year ended 31 December 2019 is attached.

9. Signed



Signed

Date: 27 February 2020

Boaz Wachtel
Executive Chairman
Beit Halevi

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Annual Report – 31 December 2019

Roots Sustainable Agricultural Technologies Ltd
Corporate Directory
31 December 2019

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) James Ellingford (Non-Executive Director) (appointed 24 February 2020)
Company secretary	Sarah Smith
Registered office	C/- Mirador Corporate Pty Ltd Suite 2, 1 Altona Street West Perth WA 6005 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 2019

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Roots Sustainable Agricultural Technologies Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2019.

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)
Dror Nagel (appointed 19 July 2019 and resigned 12 February 2020)
James Ellingford (appointed 24 February 2020)

Principal activities

The principal activity of the Group 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 Ltd is an agricultural technology company focused on developing, producing and commercializing precision agriculture technologies that help:

- Plants address difficult weather conditions via root zone heating and cooling;
- Improve crop yields;
- Energy saving;
- Improve fertilization methods by the cooling and heating of roots; and
- Provide water from humidity, combined with roots cooling, in order to improve crop yield for irrigation purposes, in a cost effective and environmentally sustainable manner.

The highlights for the year ended 31 December 2019, include:

Marketing and Sales

- **Commercial sales secured from exclusive Chinese distribution partner Dagan Agricultural Automation**
In January 2019, the Company secured a A\$278,000 (US\$200,000) sale for its patented Root Zone Temperature Optimisation (RZTO) heating and cooling technology to be utilised in a new agricultural project in China – the second sale under the exclusive arrangement.

A third installation agreement was finalised in March 2019 for the RZTO technology in China. The A\$64,400 sale was for a state-of-the-art greenhouse pilot in the Guiyang district of Guizhou.

- **Expansion into the lucrative North American cannabis sector nets ~A\$160,000 in RZTO sales**
Following a successful technology showcase to cannabis growers and equipment suppliers, Roots entered the North American cannabis market in February 2019.

The first RZTO sale in America, valued at A\$49,500 (US\$35,000), was confirmed in March 2019 to cannabis industry leader Tim Blake of Laytonville, California.

The second RZTO sale into America (worth A\$42,300 or US\$30,000) was finalised in April 2019 to independent cannabis producer Ivo Lopez of Mendocino Natural Farms in Northern California, where Roots installed RZTO in multiple 1,000sqf hoop houses.

The Company's momentum in the North American sector continued in May with the finalisation of a third RZTO sale – worth A\$28,000 (US\$20,000) – to premium recreational and medical cannabis producer Cannndescent.

A fourth sale to large Californian organic producer PRO was finalised in June 2019, valued at A\$43,450 (US\$30,000).

To further leverage the sales momentum in North America, the Company announced plans to fast-track its expansion into the region with the establishment of a US-based senior management and operations team in June 2019.

- **Roots expands into plant-based meat market**

In August 2019, the Company initiated a planting program specifically aimed at examining the effects of its RZTO and IBC technologies on several protein-laden crops to increase the content of leghemoglobin.

The push into the plant-based meat market was driven by growing interest in meat replacement crops, which has accelerated the search for high protein vegetables and technologies that can increase the protein content in any given crop.

Growing interest in the Company's protein planting program for the meat replacement market prompted a change in strategic direction which resulted in the Company's entrance into the indoor growing market for organic high-value meat replacement crops.

Roots continues to examine the impact of its RZTO technology on increasing the protein content in organic crops.

- **Roots secures A\$87,000 RZTO sale with proprietary new heat exchange stub**

In October, the Company received an A\$87,000 signed order of its RZTO technology, combined with its newly developed heat exchange stub, from Israeli cannabis producer UNIVO to control soil temperatures in pots and grow bags.

Under the agreement, Roots utilised its patent-protected heat exchange stub to install its RZTO technology into thousands of cannabis pots at UNIVO's Israeli growing facilities.

- **LOI signed with Cairo & Dautcher signals entry into the Italian market**

In October 2019, the Company signed a 12-month Letter of Intent ("LOI") with leading Italian ag-tech producer and nursery Cairo & Dautcher to install a commercial demonstration utilising the RZTO technology. The LOI also covered the potential for both parties to explore distribution opportunities if successful.

- **Collaboration agreement signed to target growing greenhouse market**

The Company signed a collaboration agreement with ASX-listed technology company ClearVue Technologies (ASX: CPV) to explore complementary sales opportunities within the growing greenhouse sector, including the construction of a world-first demonstration greenhouse in Israel.

Both parties are jointly pursuing sales opportunities with new and existing clients, leveraging each other's industry-leading technologies to offer a unique combined offering within the greenhouse market.

- **Collaboration with Nostromo progresses off-grid Irrigation by Condensation technology**

The Company announced a collaboration with cold thermal energy storage company Nostromo Ltd in October to progress the commercialisation of its solar-powered off-grid Irrigation by Condensation (IBC) systems.

Under the agreement, the collaboration centres on developing an autonomous and cost-effective solar-powered water cooling and energy storage system to replace lithium batteries in Roots' IBC system.

The combined demonstration is underway at Nostromo's lab in Israel using Nostromo's IceBrick to irrigate crops at night using only the condensation formed on the external surface of pipes.

- **Roots enters Canadian ag-tech market with signing of Water Ways Technologies Distribution Agreement**

Roots entered the Canadian agricultural market in December 2019, signing a non-binding exclusive agreement with leading Israeli-based agriculture technology company Water Ways Technologies.

Under the terms of the agreement, Water Ways have the right to import and sell Roots' patented RZTO technology in Canada, thereby capitalising on Water Ways' established market presence.

This entry marked a significant market opportunity for the Company, as Canada is actively promoting new agricultural innovations through the C\$3 billion 'Canadian Agricultural Partnerships' innovation program.

Technical Developments

Cannabis

In February 2019, the Company released successful results regarding RZTO heating on cannabis in an open field in Washington State, which showed that the average dry un-trimmed bud and leaf weight of heated cannabis plants was more than 200% higher than un-heated control crop.

Following the initial sale to cannabis industry leader Tim Blake of Laytonville, California in March 2019, RZTO heating technology increased the harvest yield on cannabis flowers on Mr Blake's least property by 40% (see ASX Announcements dated March 22 and August 1, 2019).

Similar results were returned in September at Mendocino Natural Farms in California, which followed the initial sale in April. The heating and cooling technology increased the harvest yield of cannabis flowers by 40% and in addition to increased yield, the projected number of harvests per year at the facility is predicted to double through a 30% reduction in annual growth cycles.

In a first for the Company, its RZTO cooling technology was used in a climate-controlled greenhouse facility at CannDESCENT in October, increasing cannabis yield by up to 118%. Increases of 30% and 118% were achieved during the US summer on two cannabis strains of 400 and 200 cooled plants respectively within a climate-controlled greenhouse utilising wet mattresses and fans.

From a collaboration standpoint, in December the Company signed a collaboration agreement with Tel Aviv Stock Exchange-listed medicinal cannabis producer, Seach Medical Group Ltd (TASE: SEMG, Seach) to research the effect of RZTO on cannabis crops.

Testing is underway at Seach's premise in Givat Chen, Israel, and will conclude in March 2020.

Fruit and Vegetables

In April 2019, the Company received pleasing results that found the RZTO heating technology boosted yields of Yardlong Beans by 40%, compared to an unheated control crop.

The results came from a grower in Southern Israel who had purchased a RZTO system and conducted the growing in hoop houses during the Israeli winter from November 2018 to March 2019. The heating system stabilised crop roots at optimal 20 degrees, despite ambient air temperatures frequently dropping to five degrees.

The results from a commercial demonstration conducted in Almeria, Spain, were received in May, with the total heated tomato plant yields were found to be 19% heavier compared to the unheated control crop. The RZTO heating technology was used to maintain the crop root temperature at a relatively stable range around 21 degrees, despite ambient air temperatures in the greenhouse frequently dropping to 10 degrees.

The Company conducted a world-first table grape harvest irrigated solely by the condensation of humidity in the air, using its IBC system.

The vines, planted in May 2018 and harvested in July 2019 at the Roots research and development hub in central Israel, were sustained throughout the year with water condensed on the external surface of pipes.

In September 2019, the Company successfully used its RZTO cooling technology on basil plants under extreme heat in the Arava desert in Israel to reduce plant mortality by more than 60%, resulting in a 30% increase in yield compared to un-cooled control crops.

Protein-based programs

Results from the initial Proof of Concept study on the effects of RZTO technology on protein-based model plants were received in December 2019, yielding very encouraging results.

The first RZTO results on two protein model grown plants in an open field (peas and beans) showed the cooling of the roots during summer yielded increased weight. These results leave Roots poised to ramp up its pursuit of opportunities in the organic protected high-end plant-based meat segment.

Showcases

In June 2019, the Company hosted a government, departmental and business delegation headed by the South Australia Minister for Primary Industries and Regional Development, The Hon Tim Whetstone MP, at its research and development hub in Beit Halevy, Israel.

The delegation comprised senior representatives from the Australian agriculture sector including the Chief Operating Officer of the Office of South Australian Chief Entrepreneur, Dr Andrew Dunbar, Chief Executive of the Department of Primary Industries and Regions, South Australia, Scott Ashby, and Mark Allison, CEO and Managing Director of Elders Limited (ASX:ELD).

The delegation examined the RZTO and IBC technologies as it looked to for new technologies to help ameliorate the impact of drought on agriculture.

The Company also presented its IBC technology at the 2019 Agrivest event in Tel Aviv, where Roots was a finalist in the 'Best Agtech company' category.

Corporate Overview

In February, the Company secured up to A\$1.62 million financing to fast-track commercialisation of RZTO opportunities. The funding was secured through a convertible securities agreement executed with CST Capital via the issue of convertible notes by the Company.

In May 2019, Roots received A\$1.066 Million from a secured private placement of \$A1.66 million. Funds raised were deployed towards commercialising RZTO in various jurisdictions, increase marketing and sales activity as well as pursue cannabis and hemp opportunities in North America.

Key Management Changes

In July 2019, Mr Dror Nagel was appointed to the Company's Board as Non-Executive Director. On 12 February 2020, Mr Dror Nagel resigned effective immediately.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2019 (2018: Nil).

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 13 January 2020, the Company appointed Mr Boaz Wachtel was appointed CEO and Executive Chairman, with Mr Sharon Devir assuming the role of Executive Director and Business Development.

On 21 January 2020, 60,000 Convertible Notes were converted in accordance with the Convertible Securities Agreement between the Company and CST Capital as trustee for The CST Investment Fund. The Company issued 2,400,000 Chess Depository Interests (CDIs) at a deemed issue price of \$0.025 per CDI as a result of the conversion.

On 12 February 2020, Mr Dror Nagel resigned as Non-Executive Director of the Company effective immediately.

On 13 February 2020, the Company completed a Placement of CDIs to sophisticated and professional investors. The Company issued 15,151,515 CDIs to raise A\$500,000 before expenses. The funds raised from the Placement will be used to commercialise Root Zone Temperature Optimization (RZTO) marketing and sales opportunities in various jurisdictions, expand cannabis growers marketing and sales activities in North America, to fund the pursuit of new cannabis and hemp opportunities and to providing ongoing working capital.

Everblu Capital Pty Ltd acted as lead manager for the capital raising and will receive a fee of 6% of the total funds raised and, subject to receipt of prior shareholder approval to be sought at a future general meeting – 2,000,000 CDIs.

On 13 February 2020, the Company signed an exclusive and binding sales and distribution agreement for the Italian market for its proprietary Root Zone Temperature Optimization (RZTO) technology with Cairo and Douter, a leading Italian ag-tech production and distribution company.

Roots Sustainable Agricultural Technologies Ltd
Directors' Report
31 December 2019

On 24 February 2020, Dr James Ellingford was appointed Non-Executive Director. 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.

Likely developments and expected results of operations

The company will work to expand its commercial activity internationally. An emphasis will be on the Cannabis sector.

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 focussing 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:	850,510 Unlisted Options 250,000 Listed Options
Contractual rights to shares:	5,500,000 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:	430,490 Unlisted Options 100,000 Listed Options
Contractual rights to shares:	6,500,000 Performance Rights

Roots Sustainable Agricultural Technologies Ltd

Directors' Report

31 December 2019

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 Burrabulla Corporation Limited
Former directorships (last 3 years):	Nil
Interests in shares:	1,271,298 CDIs
Interests in options:	3,358,334 Listed Options
Contractual rights to shares:	6,033,334 Performance Rights (subject to escrow until 6 December 2019)
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 400m ² to 160,000m ² 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:	Nil
Interests in options:	Nil
Contractual rights to shares:	Nil

Roots Sustainable Agricultural Technologies Ltd

Directors' Report

31 December 2019

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: Nil
Interests in options: Nil
Contractual rights to shares: Nil

Name: Mr Dror Nagel (appointed 19 July 2019 and resigned 12 February 2020)
Title: Independent Director and Non-Executive Director
Qualifications: Certified Public Accountant, BA, MSc.
Experience and expertise: Mr Nagel has extensive experience managing public companies, some of them abroad. He is a former CEO and Director of Azorim, one of Israel's leading property development businesses. Mr. Nagel's skill set includes corporate governance, regulatory environments, stock exchanges familiarity and investor relations in international capital markets. Mr Nagel serves as a chairman of the investment committee of the largest pension fund in Israel, and as director in several public companies in Israel. Mr Nagel held senior positions in the Israeli capital markets such as CEO of Phoenix investments, senior positions in Bank Hapoalim (Israel's largest Banking group) and chairman of Katzir (private equity fund).
Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: Nil
Interests in shares: Nil
Interests in options: Nil
Contractual rights to shares: Nil

Roots Sustainable Agricultural Technologies Ltd**Directors' Report****31 December 2019**

Name:	Dr James Ellingford (appointed 24 February 2020)
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:	Minrex Resources Limited Creso Pharma Limited Esense-Lab Limited
Former directorships (last 3 years):	Victory Mines Limited Paterson Resources Limited Manalto Limited Burrabulla Corporation Limited
Special responsibilities:	Nil
Interests in shares:	Nil
Interests in options:	Nil
Contractual rights to shares:	Nil

Company secretary

Ms Sarah Smith

Ms Smith specialises 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 2019, and the number of meetings attended by each director were:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Attended	Held	Attended	Held	Attended	Held
Sharon Devir	5	5	-	-	-	-
Boaz Wachtel	5	5	-	-	-	-
Adam Blumenthal	4	5	-	1	-	-
Graeme Smith	5	5	1	2	2	2
Dafna Shalev-Flamm	5	5	2	2	2	2
Dror Nagel ⁽ⁱ⁾	2	2	1	1	2	2

(i) Dror Nagel was appointed 19 July 2019 and resigned 12 February 2020.

Roots Sustainable Agricultural Technologies Ltd
Directors' Report
31 December 2019

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
29 November 2017	30 November 2022	AUD \$0.01	1,655,000
19 February 2019	19 August 2020	AUD \$0.14	1,935,484
25 July 2019	17 June 2024	AUD\$0.01	602,500
24 July 2019	24 July 2022	AUD \$0.12	5,408,592
17 September 2019	24 July 2022	AUD \$0.12	8,423,810
23 December 2019	24 July 2022	AUD \$0.12	6,333,350

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
29 November 2017	Class A	29 November 2020	2,966,666
29 November 2017	Class C	29 November 2020	2,966,667
11 September 2019	Class E	17 September 2023	4,400,000
11 September 2019	Class F	17 September 2022	4,400,000
11 September 2019	Class G	17 March 2022	4,400,000
			19,133,333

Class	Milestone
Class A Performance Rights	The 12-month anniversary of the Company having been admitted to the Official List of ASX.
Class C Performance Rights	The Company total sales, calculated from the date that the Company is admitted to the Official List, exceeding AU\$500,000.
Class E Performance Rights	The Class E Performance Rights will be able to be converted into a CDI by a Holder, upon the Company:
	(a) Acquiring a business in the agricultural and/or cannabis or hemp sector which contributes to the Company's gross revenue by a minimum of 10% within 12 months from acquisition of the relevant business (Acquisition); and
	(b) following completion of the Acquisition, the Company's CDIs trading at a 20-day VWAP of A\$0.12 or more.
Class F Performance Rights	The Class F Performance Rights will be able to be converted into a CDI by a Holder upon the Company recording gross revenue of \$500,000 as a result of:
	(a) Expansion into the US cannabis market; and/or
	(b) sales in Israel.
Class G Performance Rights	The Class G Performance Rights will be able to be converted into a CDI by a Holder upon the Company installing:
	(a) four (4) RZTO systems for cannabis or hemp clients globally; and
	(b) two (2) additional RZTO system installations in the Asian market.

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 Group. 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.

Roots Sustainable Agricultural Technologies Ltd
Directors' Report
31 December 2019

This report is made in accordance with a resolution of directors.

On behalf of the directors



Boaz Wachtel
Executive Chairman

27 February 2020
Beit-Halevi

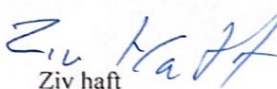


**DECLARATION OF INDEPENDENCE BY BDO ZIV HAFT TO THE DIRECTORS
OF ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES LTD.**

As lead auditor of Roots Sustainable Agricultural Technologies Ltd. for the year ended 31 December, 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements in relation to the audit; and
 2. No contraventions of any applicable code of professional conduct in relation to the audit.
- This declaration is in respect of Roots Sustainable Agricultural Technologies Ltd.

Tel-Aviv, Israel
February 27, 2020


Ziv haft

Certified Public Accountants (Isr.)

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Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Financial Report – December 31, 2019

Roots Sustainable Agricultural Technologies Ltd

December 31, 2019

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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, 2019, 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, 2019, 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 current liabilities exceeded its total assets by USD 152 and has incurred negative cash from operation and net losses of USD 2,615 thousand during the year ended December 31, 2019. 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.

Government grants

Government grants received by the Company in Israel are recognized as a liability as they are required to be repaid over time, with the timing of repayment varying based on the selling forecast and the timing of recognition of revenue. Grants' liabilities are therefore recognized at their fair value on the receiving dates and after initial recognition, the liability is measured at amortized cost using the effective interest method.

There is a risk that the Company may incorrectly measure the fair value and the amortized cost of the liability.

How the matter was addressed in our audit

Our procedures in respect of this area included:

- Reviewing the terms of the grant agreements and ensuring that they were appropriately accounted for in the measurement of the liability.
- Agreed the key assumptions, inputs and royalty rates to the approved budget and to the terms of the underlying grant agreements. Holding discussions with key management personnel to understand management's sales forecast and the associated assumptions in determining the fair value and the amortized cost of the grant liability.

The accounting policy for government grants is described in Note 2(E), and the breakdown of the associated liability is disclosed in Note 7(C) of the accompanying financial report.

Share based payment

The Company has a share based remuneration scheme. The fair value of share options is estimated by using the pricing model, on the date of grant based on certain assumptions. The fair value of the share based payment granted is charged to the statement of comprehensive income over the vesting period of each tranche and the credit is taken to equity, based on the Company's estimate of shares that are expected to vest. Some of the share options plans have performance conditions in addition to continued service. Share-based payments is a complex accounting area including assumptions utilized in the fair value calculations.

There is a risk that amounts are incorrectly recognized and/or inappropriately disclosed in the financial report. The accounting policy for share based payment is described in Note 2(R), and the assumptions are disclosed in note 9 of the accompanying financial report.

Going concern – note 1B

In addition to the matter described in the Material Uncertainty Related to Going Concern section we have determined the matter described below to be a key audit matter to be communicated in our report.

As at 31 December 2019 the Company has current assets of USD 677 thousand, includes cash and cash equivalents of USD 341 thousand and current liabilities of USD 829 thousand.

According to the Company's projected 12 month cash flow forecast an outgoing of approximately USD 2,000 thousand is expected.

The Company also included in its cash flow forecast receipt from issuance of shares in total of AUD 500 thousand (approximately USD 350 thousand) from its shareholders.

The Company's ability to pay its trade and other payables over the next 12 months is dependent upon generating enough revenue from its operations and additional capital raisings

There is a risk that the Company may not be able to pay its debts when they fall due, therefore is key audit matter.

- Evaluating, with our valuation experts, the discount rate applied in calculating the fair value as used by the Company's independent valuation expert.

How the matter was addressed in our audit

Our procedures in respect of this area included:

- Reviewing the terms of the share based scheme and ensuring that they were appropriately accounted for.
- Holding discussions with key management personnel to understand the share-based payment schemes and the changes made to the awards, if any.
- Reviewing communications to scheme members regarding any changes and the reviewing shareholder's approval.
- Evaluating, with our valuation experts, the calculation of the fair value as held by the Company's independent valuation expert.
- Recalculated the estimated charge which reflect the best estimate of the number of options expected to be vested.
- Confirmed the inputs to the calculations, where appropriate, to external data.
- Considered the adequacy of the Company's disclosures in respect with the treatment of share-based payments in the financial report.

How the matter was addressed in our audit

Our procedures in respect of this area included:

- Reviewing the Company's 12 month cash flow forecast and holding discussions with management regarding the accuracy of the projected operational expenditure and cash receipt from convertible loan and revenue from its operations.
- Obtained confirmation for the receipt of USD 350 thousand post 31 December 2019.
- Obtained management representation relating to reliability of future capital raising and the accuracy of operational expenditure for the next 12 month.

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 2019, 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.

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.

- 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

Yaniv Cohen

Partner

Tel-Aviv, Israel

February 27, 2020

Ziv Haft

Certified Public Accountants (Isr.)

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Roots Sustainable Agricultural Technologies Ltd**ARBN 619 754 540****Statements of Financial Position**

		As at December 31,	
		2019	2018
	Note	\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents		341	593
Restricted cash	7.B	38	35
Trade receivables		91	115
Other accounts receivables	4	207	154
Total Current Assets		677	897
Non-Current Assets			
Property and equipment		55	78
Total Non-Current Assets		55	78
TOTAL ASSETS		732	975

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

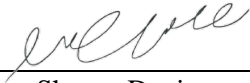
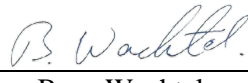
Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Financial Position

		As at December 31,	
		2019	2018
	Note	\$'000	\$'000
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables		171	63
Convertible notes		178	-
Derivative liability – warrants		*	-
Other account payables	5	480	398
Total Current Liabilities		829	461
Non-Current Liabilities			
Derivative liability – warrants		32	-
Governmental liabilities on grants received	7.C	335	394
Total Non-Current Liabilities		367	394
Shareholder's equity			
Equity attributable to owners of the parent			
Share capital	8	11,468	9,567
Warrants		164	-
Foreign currency translation reserve		(177)	(143)
Accumulated losses		(11,919)	(9,304)
Total Shareholders' equity (deficit)		(464)	120
TOTAL LIABILITIES AND EQUITY		732	975

* Represent an amount lower than \$1 thousand

February 27, 2020		
Date of approval of the financial statements	Sharon Devir Director	Boaz Wachtel Chief Executive officer

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

Roots Sustainable Agricultural Technologies Ltd**ARBN 619 754 540****Statements of Comprehensive loss**

	Note	For the year ended December 31,	
		2019	2018
		\$'000	\$'000
Revenues	11	99	305
Cost of revenues		104	268
Gross Loss (profit)		5	(37)
Share based compensation	9	303	110
Listing fee expenses		-	31
Research and development expenses, net	12	126	849
Marketing, distribution and business development expenses	13	1,313	967
General and administrative expenses	14	766	819
Loss from operations		2,513	2,737
Finance expense	15	361	147
Finance income	15	259	-
Loss before income tax		2,615	2,884
Income tax	16	-	-
Net loss		2,615	2,884
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss:</i>			
Translation adjustment to the presentation currency		34	108
Total comprehensive loss		2,649	2,992
Loss per share			
Basic and diluted loss per share (\$)	8,10	(0.031)	(0.046)

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

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Changes in Equity

For the year ended December 31, 2019:

	Note	Share Capital	Warrants	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2019		9,567	-	(143)	(9,304)	120
Changes during the period:						
Comprehensive loss:						
Loss for the period		-	-	-	(2,615)	(2,615)
Other comprehensive loss:						
Translation differences		-	-	(34)	-	(34)
Total comprehensive loss for the period		-	-	(34)	(2,615)	(2,649)
Issuance of shares	8	942	-	-	-	942
Issuance of warrants		-	164	-	-	164
Conversion of convertible notes to shares	6	431	-	-	-	431
Issuance of shares to suppliers in lieu of cash fees	8E	227	-	-	-	227
Stock based compensation		301	-	-	-	301
Balance as of December 31, 2019		11,468	164	(177)	(11,919)	(464)

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

Roots Sustainable Agricultural Technologies Ltd**ARBN 619 754 540****Statements of Changes in Equity****For the year ended December 31, 2018:**

	Share Capital	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2018	9,457	(35)	(6,420)	3,002
Changes during the period:				
Comprehensive loss:				
Loss for the period	-	-	(2,884)	(2,884)
Other comprehensive loss:				
Translation differences	-	(108)	-	(108)
Total comprehensive loss for the period	-	(108)	(2,884)	(2,992)
Stock based compensation	110	-	-	110
Balance as of December 31, 2018	9,567	(143)	(9,304)	120

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

Roots Sustainable Agricultural Technologies Ltd**ARBN 619 754 540****Statements of Cash Flows**

Note	For the year ended December 31,		
	2019	2018	
	\$'000	\$'000	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the year	(2,615)	(2,884)	
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	18	10	
Loss from disposal of property and equipment	1	-	
Share-based compensation expenses	301	110	
Gain from changes in fair value of derivatives	(251)	-	
Loss from changes in fair value of convertible notes	135	-	
Change in liability for grants received from the IIA	(188)	-	
Interest on liability for grants received from the IIA	104	105	
Decrease (increase) in trade receivable	34	(117)	
Increase in other accounts receivable	(44)	(126)	
Increase (decrease) in trade payable	327	(63)	
Increase in other accounts payable	41	215	
Net cash used in operating activities	(2,137)	(2,750)	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(3)	(48)	
Proceeds from sale of property and equipment	12	-	
Change in restricted cash	-	(14)	
Net cash provided by (used in) investing activities	9	(62)	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of liabilities on grants received from IIA	7C	(3)	(6)
Receipt of convertible note	6	573	-
Repayment of convertible note	6	(88)	-
Net proceeds from issuance of warrants		164	-
Net proceeds from issuance of shares		1,187	-
Net cash provided by (used in) financing activities		1,833	(6)
Decrease in cash and cash equivalents		(295)	(2,818)
Translation differences on cash and cash equivalents		43	(133)
Cash and cash equivalents at beginning of the year		593	3,544
Cash and cash equivalents at the end of the year		341	593

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, 2019 the Company current liabilities exceeded its total assets by USD 152 and has incurred negative cash from operation and net losses of USD 2,615 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 receipt from issuance of a unit of shares (see Note 21D) 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, except for the liabilities, derivatives and embedded derivatives that is measured at fair value through profit or loss.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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.

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. 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. Changes in the projected cash flows are discounted using the original effective interest and recognized in profit or loss. At the end of each reporting period, the company evaluates, based on its best estimate of future sales, whether there is reasonable assurance that the liability recognized, will not be repaid. If there is such reasonable assurance, the appropriate amount of the liability is derecognized and recognized in profit or loss as an adjustment of research and development expenses. If the estimate of future sales indicates that there is no such reasonable assurance, the appropriate amount of the liability that reflects expected future royalty payments is recognized with a corresponding adjustment to research and development expenses.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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, 2019 and 2018, there is deferred tax assets since it is not probable that taxable profit will be available in the foreseen future therefore no deferred tax assets recognized.

I. Impairment of non-financial assets:

Other 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 2019 and 2018 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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).

K. Financial instruments:

1. Financial assets:

The Company classifies its financial assets into one of the following categories, 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, 2019 and 2018, 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 receivables, initially recognized at fair value plus 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 (convertible notes) and 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. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch 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.

Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or Cancelled, or expire.

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. Accordingly, these warrants are measured at fair value and the changes in fair value in each reporting period are recognized in profit or loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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.

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 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 assets in respect of contracts and liabilities in respect of contracts 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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:

	<u>%</u>
Computer equipment	33
Machinery and equipment	7-20
Vehicles	15

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. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits: The plans are normally financed by contributions to insurance companies and classified as defined contribution plans.

The Company has defined contribution plans pursuant to Section 14 to the Severance Pay Law under which the Company pays fixed contributions to a specific fund 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 in respect of severance or retirement pay 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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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
- 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 2019 and 2018 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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.

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 accounting policy applied until December 31, 2018 in regards of financial instruments is as follows:

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

The accounting policy applied as from January 01, 2019 in regards of financial instruments is as follows:

The Company has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The main impact of adopting the standard is the elimination of existing requirement on lessees to classify leases as operating lease (off-balance sheet) or finance lease, and they are now required to use a single accounting model for all leases, similarly to how finance leases are currently accounted for. Accordingly, before the initial application of IFRS 16, under IAS 17 (the previous standard for leases), the Company classified leases where it served as lessee as operating leases, because it did not have substantially all risks and rewards incidental to ownership of the asset. In agreements where the Company is the lessee, it applies IFRS 16 using a single accounting model under which it recognizes a right-of-use asset and a lease liability upon commencement of the lease contract. It does so for all leases in which the Company has right to control the use of identified assets for a period of time in exchange for consideration. Accordingly, the Company recognizes depreciation on the right-of-use asset and tests the need for recognizing impairment of the right-of-use asset in compliance with IAS 36 "Impairment of Assets", and also recognizes finance expenses in relation to a lease liability. Therefore, beginning on the initial application of IFRS 16, rent expenses relating to properties rented under operating leases, are now presented as assets that are depreciated through depreciation assets.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

The Company choose to use the practical expedient and not recognized right-of-use asset and a lease liability to leases for which the lease term ends within 12 months, the Company account for those leases in the same way as short-term leases and recognize the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

X. New standards, interpretations and amendments not yet effective

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. 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 2022.

The Company is currently evaluate the impact of IAS 1 amendments, however, at this stage it is unable to assess such impact.

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

NOTE 4 - OTHER ACCOUNTS RECEIVABLES:

	As at December 31,	
	2019	2018
	\$'000	\$'000
Government institutions	38	63
Prepaid expenses	95	46
Other receivables	74	45
	207	154

NOTE 5 - OTHER ACCOUNTS PAYABLES:

	As at December 31,	
	2019	2018
	\$'000	\$'000
Employees and related institutions	66	121
Accrued expenses	204	99
Governmental liabilities on grants received (Note 7.C)	43	39
Liabilities to related parties	86	90
Other payables	81	49
	480	398

NOTE 6 - CONVERTIBLE NOTES:

On February 2019, the Company secured a financing commitment, by way of execution of a convertible securities agreement with CST Capital as trustee for The CST Investment Fund (CST Capital), of up to AU\$1,620,000 (before costs) via the issue of convertible notes (Notes) by the Company. The Notes were to be issued in two tranches with a face value of AU\$1.00 per Note (Face Value). The first tranche of 900,000 Notes was for an amount of AU\$810,000 and was issued immediately. The second tranche of 900,000 Notes for an amount of AU\$810,000 will be issued at a later date subject to mutual consent between Roots and CST Capital (As of December 31, 2019, the second tranche was not issued). In addition, the Company issued 1,650,000 collateral CDIs, and 1,935,484 Unlisted Options (warrants exercisable at \$0.14 on or before 19 August 2020) to CST Capital prior to the first purchase of 900,000 Notes.

Terms and Conditions of the Notes:

- The Notes are interest-free and convertible.
- The Notes can initially be converted at 130% of the 5-day VWAP prior to issuance of the applicable tranche. From 65 days following the date of issue, the Notes can be converted at the lower of 130% of the 5-day VWAP prior to issuance of the applicable tranche and 90% of the lowest daily VWAP during the 15 trading days preceeding the conversion date.
- Other than with the prior written consent of the Company, in any calendar month, CST Capital may not convert more than one third of the Notes issued on a purchase date at 90% of the lowest daily VWAP during the 15 trading days preceeding the conversion date.
- Upon issuance of a tranche, CST Capital will receive options equal to the face value, multiplied by 0.2, divided by the closing VWAP prior to issuance. The options will be exercisable for 18 months and have an exercise price equal to 160% of the 5-day VWAP prior to issuance of the options.

On receipt of conversion notices from CST Capital in accordance with the Agreement, the Company issued 1,076,924 CDIs on conversion of 70,000 Notes on May 7, 2019.

On May 24, 2019, the Company issued 830,000 Replacement Convertible Notes in accordance with the Convertible Securities Agreement. The Replacement Notes were approved by shareholders at the Annual General Meeting held 23 May 2019.

NOTE 6 - CONVERTIBLE NOTES (CONT.):

During 2019 the company issued 15,518,779 CDIs on conversion of 627,000 Notes.

On June 5, 2019, Redemptions of conversion by Cash amount of AU\$126,500.

The Company classified the convertible notes entirely as liabilities because they were issued in a currency other than the functional currency of the company. As the instrument contains an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair value through profit or loss are expensed as incurred.

The component of fair value changes relating to the company's own credit risk is recognized in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss. There was no change in the company company's own credit risk since the issuance of the convertible notes.

The warrants were classified as a derivative financial liability and are re-measured each reporting date, with changes in fair value recognized in finance expense (income), net, since the exercise price of the warrants is denominated in AUD and the functional currency of the Company is the NIS.

NOTE 7 - 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, 2019. According to the lease agreement, the Company has five consecutive options each for 12 months at its discretion. The company chose to utilize one 12 month option. The company management decision considering the business risk is to evaluate each option at a time.

Total rent expenses for the years ended December 31, 2019 and 2018 were 17 and 20 thousand U.S. dollars respectively.

B. As of December 31, 2019 and 2018, the Company has a lien in first degree to the bank in amount of approximately 38 and 35 thousands 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 required 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.

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES (CONT.)

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, 2019 and 2018 the Company has not received grants, the aggregate governmental liabilities was 378 and 433 thousands

U.S. dollars, respectively. The exceptions of the Company to pay the grants are based on its estimation at the end of the each year. As of December 31, 2019 the company paid royalty to the IIA amounted to 9 thousands U.S. dollars.

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	Convertible notes
	\$'000	\$'000	\$'000
At 1 January 2019	433	-	-
Changes from financing cash flows			
Receipts of Warrants	-	273	-
Receipts of convertible notes	-	-	545
Repayment of convertible note	-	-	(88)
Repayment of liabilities on grants received from IIA	(3)	-	-
Total changes from financing cash flows	(3)	273	457
Changes in fair value	-	(242)	138
Change in liability	(188)	-	-
Conversion of convertible notes to shares	-	-	(430)
Interest on liability	104	-	-
The effect of changes in foreign exchange rates	32	1	13
At 31 December 2019	378	32	178

	Governmental liabilities on grants received
	\$'000
At 1 January 2018	362
Changes from financing cash flows	
grants received from IIA	-
Repayment of liabilities on grants received from IIA	(6)
Total changes from financing cash flows	(6)
changes in fair value	-
Interest on liability	105
The effect of changes in foreign exchange rates	(28)
At 31 December 2018	433

NOTE 8 - SHAREHOLDERS EQUITY:

	Number of shares			
	December 31, 2019		December 31, 2018	
	<u>Authorized</u>	<u>Issued and outstanding</u>	<u>Authorized</u>	<u>Issued and outstanding</u>
Ordinary shares of NIS 0.01 par value	<u>150,801,791</u>	<u>120,764,335</u>	<u>100,000,000</u>	<u>63,966,667*</u>

* Adjusted

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:

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	
Balance as of January 1	63,966,667	61,000,000
Conversion of Performance Rights (note 8B and 9B(iii))	66,666	2,966,667
Collateral Shares issued (note 6)	1,650,000	-
Conversion of convertible notes to shares (note 6)	15,518,779	-
Issuance of shares to suppliers in lieu of cash fees (note 8D)	5,340,779	-
Issuance of unit of securities (note 8C and 8E)	34,221,444	-
Balance as of December 31	<u>120,764,335</u>	<u>63,966,667</u>

A. In December 2017, the Company's IPO took place, in which 25,000,000 shares issued at a price per share of \$0.15 (AUD 0.2). In addition, the Company issued as following:

- Prior to admission 1,500,000 Bonus shares issued to all pre-offer shareholders on a pro-rata basis.
- Prior to admission 15,000,000 shares issued according to its convertible loan agreement (See Note 6).
- 4,500,000 shares issued to seed capitalists at par value. The value of the transaction measured according to the value of the shares granted due to the lack of the ability to reliably measure the fair value of the services rendered.

B. On May 17, 2018 the company converted 2,966,667 Performance Rights into Ordinary Shares. The Performance Rights converted on the satisfaction of the following Milestone as per the IPO Prospectus lodged with ASX on 6 December 2017: "Roots Share Price trading at not less than \$0.40 for 5 consecutive trading days"

NOTE 8 – SHAREHOLDERS EQUITY (CONT.):

- C.** On May 2019, the Company announced that it had raised AUD1.06 million from Issuance of a unit of securities, before expenses, by way of a placement of up to 23,692,857 CDIs at AUD 0.070 per CDI to sophisticated and professional investors. The issue of the CDIs was subject to receipt of shareholder approval which was received at the Company’s annual general meeting held on Thursday, 23 May 2019. In addition, the Company issued one free-attaching option for every three CDIs to investors in the placement (Placement Options) subject to shareholder approval. The Placement Options have an exercise price of AUD 0.12 and a 36-month term. Of the 23,692,857 CDIs making up the Placement, 15,221,430 were issued to non-related parties on 23 May 2019 (AUD 1.06 million). The remaining 8,468,427 Placement CDIs related to directors participation (additional AUD 0.6 million) in the Placement was not materialized to the date of the report.
- D.** During 2019, the Company issued 5,340,779 CDIs to contractors of the Company for services rendered in lieu of cash fees. The Company did this to preserve its cash reserves.
- E.** On October 2019, the Company announced that it has received firm commitments to raise up to AUD 0.82 million before expenses, by way of a placement of up to 19,069,767 CDIs at AUD 0.043 per CDI to sophisticated and professional investors. Issue of the CDIs will be made under the Company’s available placement capacities with 10,069,767 CDIs to be issued under Listing Rule 7.1 and 9,000,000 CDIs to be issued under Listing Rule 7.1A. In addition, the Company issued one free-attaching option for every three CDIs will also be issued to investors in the placement. The options will be the same as the listed option class “ROOO” on issue, which have an exercise price of AUD 0.12 and an expiry date of 25 July 2022. Of the 19,069,767 CDIs making up the Placement, 19,000,014 were issued on 24 October 2019 (AUD 0.81 million).
- F.** On June 2019, the Company lodged a Prospectus for a pro rata non-renounceable rights issue (Rights Issue or Offer) on the basis of one (1) listed option to acquire a CDI (New Option) for every two (2) CDIs held by those CDI holders registered at the Record Date to raise up to AUD 1,700,752. The price of New Options under the Offer was AUD0.04 each (Issue Price). The Company lodged a Supplementary Prospectus on subsequent to half-year end on 18th July 2019.

The New Options had an exercise price of AUD0.12 per Option and an expiry date of three years from the date of issue. Everblu Capital Pty Ltd (EverBlu) acted as Lead Manager to the Offer and as part of its mandate received 3,000,000 Options on the same terms as those the subject of the Offer, an AUD15,000 engagement fee and 6% of the gross proceeds raised under any shortfall offer.

NOTE 8 – SHAREHOLDERS EQUITY (CONT.):

The Entitlement Issue closed subsequent to the end of the half-year and the New Options were issued on July 24, 2019. The Company received applications from Shareholders subscribing for 5,758,592 New Options in the Company totaling AUD 230,344. As such, there was a shortfall under the Entitlement Offer of 37,110,337 new options. The Shortfall New Options will be placed at the discretion of the Board as soon as practicable, and in any event, by October 19, 2019. The Company applied for quotation of the new options and the options are trading under the ASX code ROOO.

The funds raised from the Offer are planned to be used towards installation and engineering, sales, marketing and business development, general and administration costs, expenses of the offer and working capital.

NOTE 9 - SHARE BASED PAYMENT:

A. Options and shares granted to employees and service providers:

- i. Prior to admission, some of the Director issued with a total of 1,281,000 options ('Director Options'), which are fully vested and have an exercise price of \$0.01 exercisable to ordinary shares on 1:1 basis. The Director Options were valued using the Black Scholes option valuation methodology. The company recognized an expense at the amount of \$ 326 thousand.

An additional 700,000 options will be granted to employees, executives and consultants 326,000 of these options are not yet allocated and will be retained to be granted at a future date, with vesting conditions to be determined. The remaining 374,000 options exercisable to ordinary shares on 1:1 basis were granted subject to a range of vesting periods.

- 80,000 options vest upon completion of a technical milestones as follows: (i) 40,000 Options upon completion of the system head and monitor system on or before May 1, 2018; (ii) 20,000 Options upon completion of a commercial ground source heat exchanger and a set of agricultural smart pipes field tests on or before November 1, 2018; and (iii) 20,000 Options upon completion of the manufacturing of a smart pipe series, on or before 1 June 2019;
- 120,000 Options vest upon the following sales milestones: (i) 10,000, 20,000 and 10,000 Options when the Company's Sales (including backlog) directly through JV exceed AUD 100,000, 250,000 and 500,000 Respectively, on or before March 31, 2019; and (ii) 80,000 Options when the Company's Sales (including backlog) exceed AUD 2,000,000 (in the aggregate) on or before June 1, 2019.
- 174,000 Options shall vest on a time basis: (i) 32,000 Option following two years from the date of the Company's admission to the ASX; (ii) 62,000 Options follow three years from the date of the Company's admission to the ASX; and (iii) 80,000 Options following four years from the date of the Company's admission to the ASX.

NOTE 9 - SHARE BASED PAYMENT (CONT.)

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

Share price - AUD 0.335 (representing approximately \$0.26), Exercise price - AUD 0.01 (representing approximately \$0.078), Expected volatility - 70% ,Risk-free interest rate – 2.161% , and expected average life of options 0.5 year

The total value of the options are \$ 95 thousand and as of December 31, 2019 the company recognized an expense at the amount of \$ 16 thousand.

- ii. Further to the above On July 01, 2018 the company granted 160,000 options from the unallocated options to employees, executives and consultants in same conditions except the following:

Share price - AUD 0.285 (representing approximately \$0.21), Exercise price - AUD 0.01 (representing approximately \$0.073), Risk-free interest rate – 2.01%, and expected average life of options 2 years.

The total value of the options are \$ 34 thousand and as of December 31, 2019 the company recognized an expense at the amount of \$ 15 thousand.

- iii. Further to the above On July 01, 2019 the company granted 464,500 options from the unallocated options to employees, executives and consultants in same conditions except the following:

Share price - AUD 0.06 (representing approximately \$0.042), Exercise price - AUD 0.01 (representing approximately \$0.073), Risk-free interest rate – 0.9%, and expected average life of options 2 years.

The total value of the options are \$ 19 thousand and as of December 31, 2019 the company recognized an expense at the amount of \$ 17 thousand.

Data related to the share option plan as of December 31, 2019 and changes during the two years ended on that date are as follows:

	2019		2018	
	Number of Options	Weighted Average Exercise Price NIS	Number of Options	Weighted Average Exercise Price NIS
Options outstanding as beginning of year	1,779,000	0.04	1,655,000	0.04
Changes during the year:				
Granted	464,500	0.04	160,000	0.04
Forfeited	(160,000)	-	(36,000)	-
Exercised	-	-	-	-
Options outstanding at end of year (*)	<u>2,083,500</u>	<u>0.04</u>	<u>1,779,000</u>	<u>0.04</u>
Options exercisable at year-end	<u>1,457,667</u>	<u>0.04</u>	<u>1,415,667</u>	<u>0.04</u>
Weighted-average fair value of options Granted during the year	<u>\$ 19,428</u>		<u>\$ 34,164</u>	

* The options outstanding at 31 December 2019 had a weighted-average contractual life of 1.939 year.

NOTE 9 - SHARE BASED PAYMENT (CONT.):

B. Performance rights:

- i. Upon IPO, three classes of Performance Rights ("Rights") were approved by The Board and shareholders at an Extraordinary General Meeting. The Rights are fully vested and convert to ordinary shares on 1:1 basis, when the attaching milestone is met:

2,966,667 Class A - upon the 12-month anniversary of the Company having been admitted to the official list of ASX; (Milestone A). These performance rights have been valued at \$754 thousand (AUD 994 thousand) based on the Company's forecasts for milestone fulfilment, as the condition is not vesting condition.

2,966,667 Class B - upon the Company's share price being traded at not less than \$0.40 for 5 consecutive trading days; (Milestone B). These performance rights have been valued at \$707 thousand (AUD 931 thousand) using the Monte Carlo simulation model.

2,966,666 Class C - the Company's total sales, starting as of its first day of listing on the ASX, exceeds 500,000 Australian Dollars; (Milestone C). These performance rights have been valued at \$754 thousand (AUD 994 thousand) based on the Company's forecasts for milestone fulfilment, as the condition is not vesting condition.

The Class A and Class C Rights valued using the Black Scholes option valuation methodology, Class B valued using the Monte Carlo simulation model based on the following data and assumptions:

Share price - AUD 0.335 (representing approximately \$0.26), Expected volatility - 70%, Risk-free interest rate - 1.9%, and expected average life of options 2 years. The total fair value of performance shares at the amount of \$ 2,215 thousand was expensed through profit and loss.

- ii. On February 27, 2018 the company Issue of Performance Rights to unrelated Consultant. The Performance Rights will convert into Ordinary Shares in three equal tranches on a 1:1 basis upon the satisfaction of Performance Milestones as follows:

- 66,667 Performance Rights will vest upon the completion of 12 months of continuous service to the Company.
- 66,667 Performance Rights will vest upon the Consultant introducing a new opportunity, investor or client for the benefit of the Company as determined by the CEO and vest upon the completion of 24 months continuous service to the Company.
- 66,667 Performance Rights will vest upon the completion of 24 months continuous service to the Company.

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

Share price - AUD 0.48 (representing approximately \$0.36), Expected volatility - 70%, Risk-free interest rate - 1.9% and expected average life of options 1.67 years.

The total fair value of performance rights is 71 thousand (AUD 96 thousand), \$15 thousand was expensed through profit and loss during the period.

NOTE 9 - SHARE BASED PAYMENT (CONT.):

On April 2019, on the termination of service agreement, the company issued 66,666 CDIs to service provider, as conversion of Performance Rights previously allocated to him. Out of 220,000 PR allocated, 133,334 PRs elapsed.

- iii. On September 2019, three classes of Performance Rights ("Rights") were approved by The Board and shareholders at a General Meeting. The Rights are fully vested at grant date and Convertible to ordinary shares on 1:1 basis, when the attaching milestone is met:

4,400,000 Class E - upon the Company's acquiring a business in the agricultural and/or cannabis or hemp sector which contributes to the Company's gross revenue by a minimum of 10% within 12 months from acquisition of the relevant business (Acquisition); and following completion of the Acquisition, the Company's CDIs trading at a 20-day VWAP of A\$0.12 or more, within 36 months of the date of issue of the Performance Rights.

4,400,000 Class F - upon the Company's expansion into the US cannabis market; and/or sales in Israel, with a minimum of 20% of sales incoming being derived from either the US cannabis market or sales in Israel, within 24 months of the date of issue of the Performance Rights.

4,400,000 Class G - upon the Company's installation of four (4) RZTO systems for cannabis or hemp clients globally; and two (2) additional RZTO system installations in the Asian market, within 18 months of the date of issue of the Performance Rights.

The Performance Rights valued using option valuation methodology based on the following data and assumptions:

Share price - AUD 0.048 (representing approximately \$0.033), Expected volatility - 78%, Risk-free interest rate - 0.9%, and expected average life of options 2 years. The total fair value of performance shares at the amount of \$ 290 thousand was expensed through profit and loss.

NOTE 9 - SHARE BASED PAYMENT (CONT.):

Data related to the Performance rights as of December 31, 2019 and changes during the two years ended on that date are as follows:

	2019		2018	
	Number of rights	Weighted Average Exercise Price NIS	Number of rights	Weighted Average Exercise Price NIS
Performance rights outstanding as beginning of year	6,133,333	-	8,900,000	-
Changes during the year:				
Granted	13,200,000	-	200,000	-
Forfeited	(133,333)	-	-	-
Exercised (**)	(66,667)	-	(2,966,667)	-
Performance rights outstanding at end of year (*)	19,133,333	-	6,133,333	-
Performance rights exercisable at year-end	2,966,667	-	2,966,667	-
Weighted-average fair value of Performance rights Granted during the year	\$ 290,000		\$ 71,000	

* The Performance rights outstanding at December 31, 2019 had a weighted-average contractual life of 1.8 year.

** The weighted average share price at the date of exercise of Performance rights exercised during the year ended 31 December 2019 was AUD0.115 (2018 – AUD0.44).

NOTE 10 - LOSS PER SHARE:

Net loss per share attributable to equity owners:

	For the year ended December 31,	
	2019	2018
	\$'000	\$'000
Net loss used in basic and diluted EPS	(2,615)	(2,884)
Weighted average number of shares used in basic and diluted EPS	84,542,899	62,853,151
Basic and diluted net EPS (dollars)	(0.031)	(0.046)

At 31 December 2019, 19,133,333 Performance Rights and 2,083,500 options (2018: 6,133,333 Performance Rights and 1,779,000 options) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

Roots Sustainable Agricultural Technologies Ltd**ARBN 619 754 540****Notes to the Financial Statements****NOTE 11 - REVENUE:**

	For the year ended December 31,	
	2019	2018
	\$'000	\$'000
<i>Primary Geographic Markets</i>		
Asia	31	258
Israel	68	47
Total	99	305

All revenues were derived from 3 customers

NOTE 12 - RESEARCH AND DEVELOPMENT EXPENSES, NET:

	For the year ended December 31,	
	2019	2018
	\$'000	\$'000
Salaries and benefits	78	163
Subcontractors	132	453
Materials	23	160
Legal fees	33	45
Other	16	28
	282	849
Governmental Grants received and changes in liability, net	(156)	-
Total	126	849

NOTE 13 - MARKETING, DISTRIBUTION AND BUSINESS DEVELOPMENT EXPENSES:

	For the year ended December 31,	
	2019	2018
	\$'000	\$'000
Public Relations	388	319
Marketing	371	259
Salaries and benefits	344	189
Business development	144	141
Other	66	59
Total	1,313	967

NOTE 14 - GENERAL AND ADMINISTRATIVE EXPENSES:

	For the year ended December 31,	
	2019	2018
	\$'000	\$'000
Salaries and benefits	203	271
Consulting	251	247
Professional fees	158	128
Insurance	30	58
Rental and office expenses	50	57
Refreshments	17	16
Other	57	42
Total	766	819

NOTE 15 - FINANCE EXPENSE AND INCOME:

Finance expense:

	For the year ended December 31,	
	2019	2018
	\$'000	\$'000
Changes in fair value of convertible notes	138	-
Interest on governmental liabilities on grants received	104	77
Interest and bank charges	4	3
Capital issuance fees	115	-
Net foreign exchange gain	-	67
Total finance expense	361	147

Finance income:

	For the year ended December 31,	
	2019	2018
	\$'000	\$'000
Changes in fair value of derivative liability – warrants	242	-
Net foreign exchange gain	17	-
Total finance income	259	-

NOTE 16 - TAXATION:**A. Israeli tax rates:**

Israeli corporate tax rates are 23% in 2018 and 2019.

Since the Company has carry forward losses and there is no deferred tax assets or liability there is no impact of the tax rate change.

B. Net operating losses carry forward:

As of December 31, 2019, the Company has estimated carry forward tax losses of approximately 9,145 thousands 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,	
	2019	2018
	\$'000	\$'000
Loss before income tax	(2,615)	(2,884)
Tax computed at the corporate rate in Israel	(601)	(663)
losses for which no deferred tax asset is recognized	601	663
Total income tax expense	-	-

NOTE 17 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Company holds the following financial instruments:

Financial assets	2019	2018
	\$'000	\$'000
<i>Financial assets at amortized cost</i>		
Cash and cash equivalents	341	593
Restricted cash	38	35
Trade receivables	91	115
Other accounts receivables	54	28
	524	771
Financial liabilities	2019	2018
	\$'000	\$'000
<i>Financial liabilities at amortized cost</i>		
Trade and other payables	461	461
Governmental liabilities on grants received	335	394
	796	855
<i>Financial assets at fair value</i>		
Convertible notes	178	-
Derivative liability – warrants	32	-
	210	-

The Company is exposed to a 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 balance exposure to interest is minimal. The risk management policies employed by the Company to manage these risks are discussed below.

NOTE 17 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

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.

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, 2019			
Assets	US dollar	AUD	NIS	Total
Cash And cash equivalents	31	253	57	341
Restricted cash	-	-	38	38
Trade receivables	48	-	43	91
Other accounts receivables	45	-	9	54
	124	253	147	524
Liabilities				
Trade and other payables	109	225	127	461
Convertible notes	-	178	-	178
Derivative liability – warrants	-	32	-	32
Governmental liabilities on grants received	378	-	-	378
	487	435	127	1,049

NOTE 17 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

	As at December 31, 2018			
	US dollar	AUD	NIS	Total
Assets				
Cash And cash equivalents	132	455	6	593
Trade receivables	85	-	30	115
Other accounts receivables	26	-	2	28
	243	455	38	736
Liabilities				
Trade and other payables	147	78	76	301
Governmental liabilities on grants received	433	-	-	433
	580	78	76	734

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.

	2019	2018
Linked to US dollar	(363)	(337)
	5%	5%
	18	17
Linked to AUD	(182)	377
	5%	5%
	9	(19)

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. The Company has no material obligation beyond one year (the liabilities for governmental institutes depends on achieving future revenues) and has a negative working capital and cash in bank to finance its working capital in the near future.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the repayment forecast of the management of the company.

NOTE 17 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

December 31, 2019:

	Amortized cost						Total
	Book value	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 5 years	
	U.S. dollars in thousands						
Convertible notes	(178)	(178)	-	-	-	-	(178)
Derivative liability – warrants	(32)	-	-	(32)	-	-	(32)
Trade and other accounts payables	(461)	(461)	-	-	-	-	(461)
Governmental liabilities on grants received	(378)	(43)	(70)	(146)	(234)	(297)	(790)
Total	(1,049)	(682)	(70)	(178)	(234)	(297)	(1,461)

December 31, 2018:

	Amortized cost						Total
	Book value	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 5 years	
	U.S. dollars in thousands						
Trade and other accounts payables	(301)	(301)	-	-	-	-	(301)
Governmental liabilities on grants received	(433)	(44)	(89)	(178)	(266)	(230)	(807)
Total	(734)	(345)	(89)	(178)	(266)	(230)	(1,108)

D. Fair value of financial assets and liabilities:

The fair value of the Company's current financial assets and liabilities approximates their carrying amounts as their maturity date is less than 1 year and they do not bear a fixed interest rate.

Fair value measurements using input type

U.S. \$ in thousands

	Level 1	Level 2	Level 3	Total
As of December 31, 2019				
Convertible notes	-	-	178	178
Warrants (convertible notes)	-	-	*	*
Warrants (issuance of a unit of securities)**	32	-	-	32

* Represent an amount lower than \$1 thousand

** Starting September 2019 the warrants (issuance of a unit of securities) are trading under the ASX code ROOO, therefore transferred from Level 3 to Level 1

The fair value measurement of both the convertible notes, as well as the warrants in the table above, was estimated using a Monte Carlo simulation analysis, based on a variety of significant unobservable inputs and thus represent a level 3 measurement within the fair value hierarchy. As of the issue date of the warrants and Convertible notes, the key inputs that were used in measuring the fair value of the Convertible notes were: the risk free interest rate- 1.7%, the expected volatility-75% and the AUD/USD exchange rate -0.7088.

NOTE 17 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

As of December 31, 2019, the key inputs that were used in measuring the fair value of the Convertible notes were: the risk free interest rate – 0.95%, the expected volatility - 78% and the AUD/USD exchange rate - 0.703.

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

Item	Fair value U.S. \$ in thousands	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Convertible notes	178	Value of the firm's assets	4,669,448	A change in the value of the firm's assets by 700K results in a change of +/- 6.4K of the fair value
		Volatility of firm's assets returns	75%	A change in the volatility measure by %5 results in a change of +/- 0.5K of the fair value
		Assets value loss given default	91%	A change in the assets value loss given default by %1 results in a change of +/- 4K of the fair value
Warrants (convertible notes)	*	Value of the firm's assets	4,669,448	A change in the value of the firm's assets by 700K results in a change of +/- *K of the fair value
		Volatility of firm's assets returns	75%	A change in the volatility measure by %5 results in a change of +/- *K of the fair value
		Assets value loss given default	91%	A change in the assets value loss given default by %1 results in a change of +/- *K of the fair value

* Represent an amount lower than \$1 thousand

NOTE 17 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

	2019	2018
	U.S. \$ in thousands	
Convertible notes		
Balance as of January 1	-	-
Receipts of convertible notes	545	-
Repayment of convertible note	(88)	-
Conversion of convertible notes to shares	(431)	-
Net loss recognized in Profit or loss	152	-
Balance as of December 31	178	-
Warrants (issuance of a unit of securities and convertible notes)		
Balance as of January 1	-	-
Receipts of Warrants	186	-
Transferred out to Level 1 *	(119)	-
Net Profit recognized in Profit or loss	(67)	-
Balance as of December 31	**	-
* Starting September 2019 the warrants (issuance of a unit of securities) are trading under the ASX code ROOO, therefore measured at Level 1		
** Represent an amount lower than \$1 thousand		

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, 2019 and December 31, 2018 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 341 (2018 – 593) 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 (see Note 21D) in addition to revenues backlog.

NOTE 18 - RELATED PARTY AND SHAREHOLDERS:

Related party transactions:

	For the year ended December 31,	
	2019	2018
	\$'000	\$'000
Compensation of key management personnel of the Company:		
Short-term employee benefits *)	153	168
Share base payment	290	-
Other related party transactions:		
Material costs	33	435

*) Including Management fees for the CEO, Directors Executive Management and other related parties.

Balances with related parties:

	As at December 31,	
	2019	2018
	\$'000	\$'000
Trade payables	87	90

NOTE 19 - EMPLOYEE BENEFITS:

The Company has defined contribution plans pursuant to Section 14 to the Severance Pay Law under which the Company pays fixed contributions to a specific fund 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.

	Year ended December 31,	
	2019	2018
	\$'000	\$'000
Expenses in respect of defined contribution plans	87	33

NOTE 21 - EVENTS AFTER THE REPORTING PERIOD:

- A. On 13 January 2020, the Company appointed Mr Boaz Wachtel was appointed CEO and Executive Chairman, with Mr Sharon Devir assuming the role of Executive Director and Business Development.
- B. On 21 January 2020, 60,000 Convertible Notes were converted in accordance with the Convertible Securities Agreement between the Company and CST Capital as trustee for The CST Investment Fund. The Company issued 2,400,000 Chess Depository Interests (CDIs) at a deemed issue price of \$0.025 per CDI as a result of the conversion.
- C. On 12 February 2020, Mr Dror Nagel resigned as Non-Executive Director of the Company effective immediately

NOTE 21 - EVENTS AFTER THE REPORTING PERIOD (CONT.):

- D. On February 2020, the Company announced that it has received firm commitments to raise up to AUD 0.5 million before expenses, by way of a placement of up to 15,151,515 CDIs at AUD 0.033 per CDI to sophisticated and professional investors. Issue of the CDIs will be made under the Company's available placement capacities with 2,841,909 CDIs to be issued under Listing Rule 7.1 and 12,309,606 CDIs to be issued under Listing Rule 7.1A.

Everblu Capital Pty Ltd acted as lead manager for the capital raising and will receive a fee of 6% of the total funds raised and, subject to receipt of prior shareholder approval to be sought at a future general meeting – 2,000,000 CDIs.

- E. On 13 February 2020, the Company signed an exclusive and binding sales and distribution agreement for the Italian market for its proprietary Root Zone Temperature Optimization (RZTO) technology with Cairo and Dutcher, a leading Italian ag-tech production and distribution company.
- F. On 24 February 2020, Dr James Ellingford was appointed Non-Executive Director. 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.

CORPORATE GOVERNANCE STATEMENT

The Company and the Board of Directors are committed to achieving the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

A description of the Group's main corporate governance practices is set out on the Company's website at <http://rootssat.com/profile/corporate-governance/>.

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 17 February 2020 is 138,315,850. All issued CDI's carry one vote per share. The number of holders of CDI's is 2,371.

The Company as at 17 February 2020 has on issue the following unlisted securities:

- 4,192,984 unlisted options; and
- 19,133,333 performance rights.

Unquoted Options

Grant date	Expiry date	Exercise price	Number under option
29 November 2017	30 November 2022	AUD \$0.01	1,655,000
19 February 2019	19 August 2020	AUD \$0.14	1,935,484
25 July 2019	17 June 2024	AUD\$0.01	602,500
24 July 2019	24 July 2022	AUD \$0.12	5,408,592
17 September 2019	24 July 2022	AUD \$0.12	8,423,810
23 December 2019	24 July 2022	AUD \$0.12	6,333,350

Performance Rights

Grant date	Class	Expiry date	Number of rights issued
29 November 2017	Class A	29 November 2020	2,966,666
29 November 2017	Class C	29 November 2020	2,966,667
11 September 2019	Class E	17 September 2023	4,400,000
11 September 2019	Class F	17 September 2022	4,400,000
11 September 2019	Class G	17 March 2022	4,400,000

2. DISTRIBUTION OF EQUITY SECURITIES (SHAREHOLDERS AND CDI HOLDERS)

Range	Total holders	Units	% of Issued Capital
1 - 1,000	54	23,513	0.02%
1,001 - 5,000	574	1,560,535	1.13%
5,001 - 10,000	379	3,167,723	2.29%
10,001 - 100,000	1,138	38,890,535	28.12%
Above 100,000	226	94,673,544	68.45%
Total	2,371	138,315,850	100.00%

The number of investors holding a less than marketable parcel of 15,625 ROO shares (based on a share price of A\$0.032 was 1,307.

3. TOP TWENTY LARGEST SHAREHOLDERS AS AT 17 FEBRUARY 2020

	Holder Name	Number Held	Percentage
1	BOAZ WACHTEL	5,298,777	3.83%
2	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	3,030,303	2.19%
3	PARRY CAPITAL MANAGEMENT LTD <PARRY SPEC SIT SP FUND A/C>	3,000,000	2.17%
4	SUBURBAN HOLDINGS PTY LIMITED	2,907,981	2.10%
5	YODIM PHARMACEUTICA LS LTD	2,682,750	1.94%
6	S3 CONSORTIUM PTY LTD	2,420,000	1.75%
7	MR CARL DILENA	2,015,151	1.46%
8	FINCLEAR NOMINEES PTY LTD <ACCUMULATION ENTREPOT A/C>	1,932,424	1.40%
9	SHARON DEVIR	1,931,564	1.40%
10	J P MORGAN NOMINEES AUSTRALIA	1,829,117	1.32%
11	ERAN FRIEDMAN	1,741,545	1.26%
12	ALEX MEITLIS	1,524,777	1.10%
13	CMC MARKETS STOCKBROKING NOMINEES PTY LIMITED <ACCUM A/C>	1,430,637	1.03%
14	MR JONATHAN DAVID LINTON	1,391,224	1.01%
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,259,200	0.91%
16	YOEL FRIEDMAN	1,241,545	0.90%
17	TOMER WEISMANN	1,241,545	0.90%
18	JACOB WEISMANN	1,241,545	0.90%
19	LEET INVESTMENTS PTY LTD	1,000,000	0.72%
20	SHARON DEVIR	1,000,000	0.72%
Total: Top 20 holders		40,120,085	29.01%

4. TOP TWENTY LARGEST LISTED OPTIONHOLDERS AS AT 17 FEBRUARY 2020

	Holder Name	Number Held	Percentage
1	JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	3,571,429	17.71%
2	AUSTRALIAN SHARE NOMINEES PTY LTD <AUSTRALASIAN HOLDINGS A/C>	1,450,000	7.19%
3	ANGLO AUSTRALASIA HOLDINGS PTY LTD <ANGLO AUSTRALASIA A/C>	1,450,000	7.19%
4	TRINITY DIRECT PTY LTD	1,236,644	6.13%
5	MS YASMIN ELIZABETH ILIC	920,793	4.57%
6	MR DAVID ROBERT PIPER	800,000	3.97%
7	MS CHUNYAN NIU	618,322	3.07%
8	PETARD PTY LTD	500,000	2.48%
9	MR JONATHAN DAVID LINTON	463,742	2.30%
10	ADAM BLUMENTHAL	458,334	2.27%
11	MRS SIXIA XUE	441,666	2.19%
12	MR LUKE KUKULJ	350,000	1.74%
13	PARRY CAPITAL MANAGEMENT LIMITED <PARRY SPEC SIT SP FUND A/C>	333,333	1.65%
14	MR IAN STUART FISHER	316,265	1.57%
15	PARRY CAPITAL MANAGEMENT LIMITED <SPECIAL SITUATIONS A/C>	265,879	1.32%
16	MR DANIEL ELLIDGE	250,000	1.24%
17	MR BOAZ WACHTEL	250,000	1.24%
18	MR KEVIN DANIEL LEARY & MRS HELEN PATRICIA LEARY <KEVIN & HELEN LEARY S/F A/C>	245,876	1.22%

19	MRS CAROLYN KATZ	225,000	1.12%
20	MR COLIN RICHARD KORN	222,378	1.10%
Total: Top 20 holders		14,801,138	73.40%

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 17 FEBRUARY 2020

There were no substantial shareholders as at 17 February 2020.

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. GROUP CASH AND ASSETS

In accordance with Listing Rule 4.10.19, the Company confirms that it has been using the cash and assets for the year ended 31 December 2019 in a way that is consistent with its business objectives and strategy.