

Roots Sustainable Agricultural Technologies Ltd

Appendix 4D Half-year report

1. Company details

Name of entity:	Roots Sustainable Agricultural Technologies Ltd
ARBN:	619 754 540
Reporting period:	For the half-year ended 30 June 2023
Previous period:	For the half-year ended 30 June 2022

2. Results for announcement to the market

			30-Jun-2023 US\$'000	30-Jun-2022 US\$'000
Revenues from ordinary activities	up	384%	121	25
Loss from ordinary activities after tax attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	down	29%	(730)	(1,024)
Loss for the year attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	down	29%	(730)	(1,024)

Dividends

	Amount per security US\$	Franked amount per security US\$
Not applicable.		

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

3. Net tangible assets

	Reporting period U.S. dollars	Previous period U.S. dollars
Net tangible assets per ordinary security	<u>(0.0009)</u>	<u>0.0000</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 were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

The Interim Report of Roots Sustainable Agricultural Technologies Limited for the half-year ended 30 June 2023 is attached.

9. Signed

Signed 

Date: 31 August 2023

Boaz Wachtel
Executive Chairman
Beit Halevi

Roots Sustainable Agricultural Technologies Ltd.

ARBN 619 754 540

CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF JUNE 30, 2023

Roots Sustainable Agricultural Technologies Ltd.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited)

AS OF JUNE 30, 2023

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Report on Review of Interim Financial Information to the Shareholders of
Roots Sustainable Agricultural Technologies Ltd.

Introduction

We have reviewed the accompanying interim financial information of Roots Sustainable Agricultural Technologies Ltd. (the "Company"), which comprises the condensed statement of financial position as of June 30, 2023, and the condensed statements of comprehensive income, changes in deficit and cash flows for six-month period then ended. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 – "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Review of Interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Company as at June 30, 2023, and of its financial performance and its cash flows for the six month period then ended in accordance with the International Accounting Standard 34.

Emphasis of Matter

We draw attention to note 1(B) of the financial information, which indicates that, the company has incurred negative cash flows from operating activities of USD 457 thousand and net losses of USD 730 thousand during the six-month period ended June 30, 2023. 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 conclusion is not modified in respect of this matter.

Tel-Aviv, Israel

August 31, 2023


Ziv Haft

Certified Public Accountants (Isr.)

BDO Member Firm

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Condensed statement of financial position

		<u>30.06.2023</u>	<u>30.06.2022</u>	<u>31.12.2022</u>
		<u>U.S. \$ in thousands</u>		
	<u>Note</u>	<u>Unaudited</u>		
ASSETS				
Current Assets				
Cash and cash equivalents		15	345	50
Restricted cash		14	37	14
Trade receivables		77	75	15
Other accounts receivables		<u>129</u>	<u>194</u>	<u>167</u>
		<u>235</u>	<u>651</u>	<u>246</u>
Non-Current Assets				
Property and equipment		<u>17</u>	<u>34</u>	<u>23</u>
		<u>17</u>	<u>34</u>	<u>23</u>
TOTAL ASSETS				
		<u><u>252</u></u>	<u><u>685</u></u>	<u><u>269</u></u>

The accompanying notes form an integral part of the condensed financial statements.

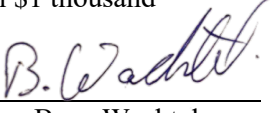

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Condensed statement of financial position

		30.06.2023	30.06.2022	31.12.2022
		U.S. \$ In thousands		
	Note	Unaudited		
LIABILITIES AND EQUITY				
Current Liabilities				
Trade payables		41	87	130
Other payables		529	437	404
Loans		210	-	140
Convertible loan		67	-	-
Derivative liability – warrants	3	312	31	125
		1,159	555	799
Non-Current Liabilities				
Governmental liabilities on grants received		377	373	370
		377	373	370
Shareholder's deficit				
Equity attributable to owners of the parent				
Share Capital and Premium		19,063	18,228	18,821
Warrants			164	-
Foreign currency translation reserve		(22)	(146)	(126)
Accumulated losses		(20,325)	(18,489)	(19,595)
		(1,284)	(243)	(900)
		252	685	269
TOTAL LIABILITIES AND DEFICIT		252	685	269

* Represent an amount lower than \$1 thousand

August 31, 2023		
Date of approval of the financial statements	Boaz Wachtel Chief Executive officer & Director	Moshe Hukaylo Chief Financial officer

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Condensed Statement of Comprehensive Income

	Six month period ended June 30,		Year ended December 31,
	2023	2022	2022
	U.S. \$ in thousands		
	Unaudited		
Revenues	121	25	154
Cost of revenues	57	15	98
Gross Profit	64	10	56
Research and development expenses, net	84	207	283
Marketing, distribution and business development expenses	190	348	669
General and administrative expenses	311	592	1,112
Loss from operations	521	1,137	2,008
Finance expense	231	49	431
Finance income	22	162	309
Loss before income tax	730	1,024	2,130
Income Tax	-	-	-
Net loss	730	1,024	2,130
<i>Items that will not be reclassified to profit or loss:</i>			
Translation adjustment to the presentation currency	104	(4)	(16)
Total comprehensive loss	626	1,028	2,114
Loss per share			
Basic and diluted loss per share (\$)*	(0.007)	(0.016)	(0.025)

* See Note 4A.

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

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Condensed statement of changes in deficit

For the six-month period ended June 30, 2023 (Unaudited):

	Share Capital and Premium	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
	U.S. \$ in thousands			
Balance at January 1, 2023	18,821	(126)	(19,595)	(900)
Changes during the period:				
Comprehensive loss:				
Loss for the period	-	-	(730)	(730)
Other comprehensive loss:				
Translation differences	-	104	-	104
Total comprehensive loss for the period	-	104	(730)	(626)
Issuance of unit of securities, net	136	-	-	136
Issuance of shares to suppliers in lieu of cash payment	50	-	-	50
Share-based compensation	56	-	-	56
Balance as of June 30, 2023	19,063	(22)	(20,325)	(1,284)

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Condensed statement of changes in deficit (cont.)

For the six month period ended June 30, 2022 (Unaudited):

	Share Capital and Premium	Warrants	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
	U.S. \$ in thousands				
Balance at January 1, 2022	18,228	164	(142)	(17,465)	785
Changes during the period:					
Comprehensive loss:					
Loss for the period	-	-	-	(1,024)	(1,024)
Other comprehensive loss:					
Translation differences	-	-	(4)	-	(4)
Total comprehensive loss for the period	-	-	(4)	(1,024)	(1,028)
Balance as of June 30, 2022	18,228	164	(146)	(18,489)	(243)

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

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Condensed statement of changes in equity (deficit) (cont.)

For the year ended December 31, 2022:

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

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

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Condensed statement of cash flows

	Six-month period ended June 30,		Year ended December 31,
	2023	2022	2022
	U.S. \$ in thousands		
	Unaudited		
Cash Flows from Operating Activities:			
Net loss for the period	(730)	(1,024)	(2,130)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	5	7	14
Share-based compensation expenses	9	-	198
Changes in fair value of convertible loan	(65)	-	-
Changes in fair value of derivatives	90	(141)	(298)
Change in liability for grants received from the IIA	(14)	(15)	(90)
Interest on liability for grants received from the IIA	67	44	93
Loss on disposal of property, plant and equipment	-	-	66
Finance expense, net	46	(12)	1
Change in trade receivables	(65)	(22)	39
Change in other receivables	31	29	77
Change in trade payables	36	66	145
Change in other payables	133	23	97
Net cash used in operating activities	(457)	(1,045)	(1,788)
Cash Flows from Investing Activities:			
Proceeds from sale of property, plant and equipment	-	-	3
Change in restricted cash	-	-	23
Net cash provided by investing activities	-	-	26
Cash Flows from Financing Activities:			
Receipt of short-term loans	204	-	244
Repayment of loan	-	-	(34)
Net proceeds from issuance of unit of securities	218	-	266
Net cash provided by financing activities	422	-	476
Decrease in cash and cash equivalents	(35)	(1,045)	(1,286)
Translation differences on cash and cash equivalents	-	(34)	(88)
Cash and cash equivalents at beginning of the period	50	1,424	1,424
Cash and cash equivalents at the end of the period	15	345	50

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

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Notes to condensed consolidated 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 June 30, 2023, the company has incurred negative cash from operation of USD 457 thousand and net losses of USD 730 thousand during the six-month period ended June 30, 2023. As a result of these matters, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

The directors believe that the company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on proceed from future fund raising in addition to revenues backlog. The Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis on the basis that the above can be reasonably expected to be accomplished.

Roots Sustainable Agricultural Technologies Ltd

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Notes to condensed consolidated financial statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The interim financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in International Accounting Standard No. 34 ("Interim Financial Reporting").

The interim financial information set out above has been prepared on the going concern basis in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS). Statutory financial information for the financial year ended December 31, 2022, was approved by the board on March 31, 2023. The report of the auditors on those financial statements was unqualified.

The interim financial statements as of June 30, 2023, have not been audited.

The interim financial information should be read in conjunction with the annual financial statements as of December 31, 2022, and for the year then ended and with the notes thereto. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2022, are applied consistently in these interim financial statements.

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to December 31, 2023 (the date on which the Company's next annual financial statements will be prepared up to) that the Company has decided not to adopt early. The Company evaluated during the period the effect of these standards and interpretations and does not believe that it will have a material impact on the financial statements once adopted.

Roots Sustainable Agricultural Technologies Ltd

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Notes to condensed consolidated financial statements

NOTE 3 - FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT

	<u>Fair value measurements using input type</u>			
	<u>U.S. \$ in thousands</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As of June 30, 2023 (Unaudited)				
Warrants (issuance of a unit of securities)	-	-	312	312
Loan	-	-	67	67
Convertible loan	-	-	67	67
As of June 30, 2022 (Unaudited)				
Warrants (issuance of a unit of securities)	-	-	31	31
Warrants (issuance of a unit of securities)	*	-	-	*
As of December 31, 2022				
Warrants (issuance of a unit of securities)	-	-	125	125

* Represent an amount lower than \$1 thousand

** The warrants (issuance of a unit of securities) are trading under the ASX code ROOO

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

	<u>Item</u>	<u>Fair value</u>	<u>Unobservable inputs</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
		<u>U.S. \$ in thousands</u>			
30.06.23 (Unaudited)	Loan	67	Volatility of firm's assets returns	100%	A change in the volatility measure by %5 results in a change of +/- 3 of the fair value
30.06.23 (Unaudited)	Warrants	312	Volatility of firm's assets returns	100%	A change in the volatility measure by %5 results in a change of +/- 21 of the fair value
30.06.22 (Unaudited)	Warrants	31	Volatility of firm's assets returns	78%	A change in the volatility measure by %5 results in a change of +/- * of the fair value
31.12.22	Warrants	125	Volatility of firm's assets returns	100%	A change in the volatility measure by %5 results in a change of +/- 9K of the fair value

* Represent an amount lower than \$1 thousand

Roots Sustainable Agricultural Technologies Ltd

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Notes to condensed consolidated financial statements

NOTE 3 - FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT (Cont.)

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

	30.06.2023	30.06.2022	31.12.2022
	U.S. \$ in thousands		
	Unaudited		
Warrants			
Opening Balance	125	172	172
Issuance of warrants	109	-	239
Net profit recognized in Profit or loss	78	(141)	(286)
Closing Balance	312	31	125
	30.06.2023	30.06.2022	31.12.2022
	U.S. \$ in thousands		
	Unaudited		
Convertible loan			
Opening Balance	-	-	-
loan acceptance	135	-	-
Net profit recognized in Profit or loss	(68)	-	-
Closing Balance	67	-	-

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, loans 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.

Roots Sustainable Agricultural Technologies Ltd

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Notes to condensed consolidated financial statements

NOTE 4 – EVENTS DURING THE REPORTED PERIOD:

A. In March 2023, shareholders of the company approved the consolidation of capital as follows:

- Every 12 Shares into 1 Share;
- Every 12 Options into 1 Option; and
- Every 12 Performance Rights into 1 Performance Right.

Accordingly, the loss per share for the year ended on December 31, 2022, and for six-month period ended on June 30, 2022, were re-presented in order to retroactively reflect the consolidation of capital.

B. On 14 April 2023, the company announced it has received firm commitments from sophisticated and professional investors to raise A\$650,000 (appr. USD 440 thousand) at A\$0.00827 per share with one free attaching option for every one new share applied (“Placement”). The Placement Options will have an exercise price of \$0.0103 and will expire 4 years from the date of issue. On 28 April 2023, the company completed A\$350,000 (appr. USD 232 thousand) of the Placement with the balance of A\$300,000 (appr. USD 203 thousand) to be completed upon receiving shareholders’ approval at the upcoming General Meeting in September 2023.

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

1. Fee of 6% of the total funds raised.
 2. 10,000,000 CDIs (pending approval of the shareholders meeting). The total fair value of the shares is \$ 27 thousand.
 3. 10,000,000 Options (pending approval of the shareholders meeting) exercisable over a period of 4 years with an exercise price of AUD0.0103. The value of the option is \$0.5 thousand.
- C. On 19 March 2023, the company issued 15,800,000 options exercisable at \$0.006 expiring 21 March 2028 to Six Degrees in lieu of cash fees for company secretarial services. (The total fair value of the option is \$ 29 thousand).
- D. During April 2023, the company has entered into a short-term loan agreement for an amount of A\$200,000 (approximately USD 135 thousands), with an unrelated party of the company. The loan is bearing interest of 20% per annum and is convertible to CDI’s in a price of A\$ 0.00827 per share, subject to receiving shareholders’ approval at the upcoming General Meeting in September 2023. The total fair value of the loans is \$ 67 thousand.

The Company classified the convertible notes as liability 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.

Roots Sustainable Agricultural Technologies Ltd

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Notes to condensed consolidated financial statements

NOTE 4 – EVENTS DURING THE REPORTED PERIOD (CONT.):

Everblu arranged the loan agreement and will receive a 6% commission on total loan funds in accordance with their corporate advisory mandate with the Company.

- E. On 19 May 2023, the company issued 4,054,167 shares (The total fair value on issuing date of the shares is \$ 16 thousand) and 4,054,167 options exercisable at \$0.0103 expiring 17 July 2027 to Mirador Corporate in lieu of cash fees for company secretarial services provided from 1 January 2023 to 15 May 2023. The shares were issued at a price of \$0.006 per share.
- F. On 19 May 2023, the company issued 3,225,514 shares to Six Degrees Group Holdings Pty Ltd in lieu of cash fees for investor relations and communication services provided from 1 November 2022 to 30 April 2023. The shares were issued at a price of \$0.00827 per share. (The total fair value of the shares is \$ 18 thousand).
- G. On 19 May 2023, the company issued 2,519,105 shares to Mr Moshe Hukaylo (CFO) in lieu of cash fees for CFO services provided from 1 November 2022 to 31 March 2023. The shares were issued at a price of \$0.00827 per share. (The total fair value of the shares is \$ 14 thousand).
- H. During the period, Mr Adam Blumenthal and Mr Boaz Wachtel provided interest free loans to the Company in the amount of A\$50,000 each (total A\$100,000; USD66,743).

NOTE 5– SUBSEQUENT EVENTS:

On 31 July 2023, the company entered into a short-term loan agreement for an aggregate amount of A\$165,287 with First State Pty Ltd. The lender is an unrelated party and is unsecured. The loan has a term of 3 months with an interest of 30% for the term.