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ASX and MEDIA RELEASE

29 October 2020

September 2020 Quarterly Activity Report and Appendix 4C

Highlights:

- **Buy Now Pay Later platform implemented for Roots customers - initially in Israel**
- **Plant-based meat department established with leading researcher**
- **Expanded into Turkey with granted design patent**
- **Enhanced go-to-market strategy and supply chain through quality partnerships**
- **More RZTO installations and sales secured**
- **Successful $2.51m placement completed**

Roots Sustainable Agricultural Technologies Limited (ASX: ROO, "Roots" or "**the Company")** is pleased to provide this update to shareholders for the period ended 30 September 2020 ('the quarter'). Very solid operational and corporate progress was made in the period which places the Company on a strong footing for the December quarter and well into calendar year 2021.

Operational Overview

Roots continued to increase its exposure to high-growth sectors and new markets. Key operational developments in the quarter include:

- **Establishing a Buy Now Pay Later platform** through a strategic agreement with major retail and marketing company Amir Marketing and Investing in Agriculture Ltd ("Amir") to promote and sell ROO's proprietary Root Zone Temperature Optimisation (RZTO) technology in Israel. The agreement also includes a 'Buy Now – Pay Later' component, which will lower the barriers of entry for farmers and expedite uptake. Amir markets and sells a wide range of agricultural products and solutions to private farmers and agricultural businesses in Israel. They have 23 retail stores and trade centres across all major agricultural areas in the country and service approximately 7,500 customers per annum.

- **Setting up a wholly-owned plant-based meat division** to capitalise on recent Proof of Concept (POC) study results that show the positive effects of the RZTO technology on the yield of protein-based plants and to pursue opportunities presented in the lucrative plant-based meat market. The plant-based meat division is focused on collaborating with industry partners and developing go-to-market strategies that would allow growers and product creators to use RZTO technology for protein-based plants used in the growing artificial meat industry. World-leading researcher Zohar Kerem is heading the department on an advisory

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basis. Zohar Kerem is a professor of food chemistry and has had longstanding career in the agricultural sector.

- **Building its presence in a new large international agricultural market:** The Company received a Notice of Allowance for its Design patent in Turkey. This is an excellent development as Turkey is geographically close to Israel and it has the seventh largest agricultural sector in the world with 3.5 million farmers and 20 million hectares of production area. It accounts for 6.1% of Turkey's GDP, a figure that's risen 40% since the turn of the century. Turkey intends to be amongst the top five producers by 2023.

- **Signing a none exclusive LOI for RZTO systems in Northern California:** Roots signed a non-exclusive Letter of Intent ("LOI") with smart technology provider, Humboldt CCTV ("Humboldt") to market, sell and distribute RZTO-based device kits in Northern California. Humboldt is an established business specialising in smart agricultural technology and wireless connectivity solutions for farmers. The group has a longstanding and established customer base, as well as a team of engineers and sales representatives covering the Californian market. Under the LOI, Roots will receive licensing fees for technology usage for each system sold and a fixed price per number of related parts bought by Humboldt for system installations. California is also a large market opportunity and the top agricultural producing state in the USA. In 2018, California's farms and ranches generated almost US$50Bn in revenue for output. The state has over 69,400 individual farms and ranches that contribute 40% of all organic production in the USA.

- **Securing engagements with well-respected technology and manufacturing partners to enhance Roots' overall offering.** Roots secured a partnership with global irrigation control system manufacturer Talgil where Roots can access Talgil's global dealer network and its technology will be integrated with Talgil's SAPIR2 controller. The SAPIR2 is an internet enabled, medium to large scale, professional irrigation controller, supported 24/7 in multiple languages. The Company also enhanced its supply chain through an engagement with Ultraplast industries LTD, an Israeli based extruder, to upgrade and manufacture Roots' Heat Exchange device (HED). Roots' former manufacturer in China ceased operations due to Covid-19 for a few months and an alternative manufacturer was located in Israel to meet the growing demand.

- **Adding more sales and completing installations in Israel** including a third re-order and subsequent installation for the same hydroponic (NFT) customer in Bnei Atarot. In another development, the company installed two paid demonstrations among two new cannabis growers. Based on previous experience, these installations are expected to lead to sales of systems with much greater coverage area as the demonstration is concluded over one or two growing cycles. A third demonstration was installed at a cannabis growing operation near the Dead Sea and covers 150 Heat Exchange Probes (HEP) compared with 150 plants under control.

Corporate overview

During the quarter the Company received firm commitments to raise approximately A$2,510,000 (before expenses), by way of a placement of 156,875,000 CDIs (Placement CDIs) to sophisticated and professional investors (Placement). The Placement CDIs were issued on 27 August 2020.

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The funds raised from the Placement are being deployed to expand the commercialisation of Root Zone Temperature Optimization (RZTO) systems including installation and engineering costs, sales and marketing, business development, IP creation and maintenance, to pay out existing debt, costs of the placement and for working capital. Everblu Capital Pty Ltd acted as lead manager for the capital raising and received 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 - 10,000,000 CDIs.

The Company issued 7,000,000 CDIs on 27 August 2020, and a further 11,000,000 CDIs on 1 September 2020 to satisfy part repayment of short term loans to unrelated parties.

The Company issued 12,480,433 CDIs on 28 August 2020, and 2,800,000 CDIs on 1 September 2020 to unrelated third party contractors in lieu of cash fees for services provided, in order to conserve the Company's cash reserves.

On 1 September 2020, 4,000,000 CDIs were issued to CST Capital as part of the redemption and termination arrangement in relation to the Convertible Securities Agreement (CSA) between the Company and CST Capital as trustee for The CST Investments Fund (as announced to ASX on 8th February 2019).

Management commentary:

Roots Executive Chairman and CEO, Boaz Wachtel said: *"Roots has made considerable progress in the September quarter and we are also now much better capitalised to deliver growth. Despite the challenges posed by the ongoing pandemic, Roots' continues to grow and expand. We now have a much stronger foothold in three very large and high-growth sectors – cannabis, plant-based meat and Buy Now Pay Later (BNPL) which we have achieved by identifying the best people and the best partners. As well, we are rapidly expanding our geographical footprint, again in part by partnering with an established operator in Northern California, and entering new and very lucrative agricultural markets like Turkey which is near to our base in Israel.*

"We are also investing more in our technology to add new functionality so it appeals to a broader range of potential customers in the global agribusiness and cannabis sectors. These initiatives will underpin our growing sales pipeline and business development initiatives. We look forward to reporting back on progress as we capitalise on these significant initiatives undertaken in the September quarter."

-ENDS-

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ASX Listing Rule 4.7C.1

There were no material developments or changes in business activities for the quarter. Operational expenditure during the quarter was 1.156m. The majority of this expenditure was research and development, advertising and marketing, staff costs and administration and corporate costs.

ASX Listing Rule 4.7C.3

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

Related Party	Amount	Description
Directors (Executive)	US$41,631	Periodical Director Fees in accordance with Director Agreements
Directors (Non-Executive)	A$85,335	Periodical Director Fees in accordance with Director Agreements
Everblu Capital Pty Ltd	A$174,600	Capital Raising Fees
Everblu Capital Pty Ltd	A$105,000	Corporate Advisory Fees

About Roots Sustainable Agricultural Technologies Ltd:

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

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

Roots is a graduate company of the Office of the Israeli Chief Scientist Technological Incubator program.

More information www.Rootssat.com

About Root Zone Temperature Optimization (RZTO)

Root Zone Temperature Optimization (RZTO) optimises plant physiology for increased growth, productivity and quality by stabilising the plant's root zone temperature. Using Ground source heat exchange (GSHE) installations either alone, or in combination with heat pumps, or with heat pumps alone, ROOTS is able to provide accurate range of root zone temperatures for farmer and the plants to obtain the multiple benefits.

This significantly increases yields, increases growing cycle planting options, improves quality, mitigates extreme heat and cold stress while significantly reducing energy consumption by stabilising and optimising the ROOTS zone temperature.

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

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Forward looking statements

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

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

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

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`Appendix 4C

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

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Name of entity

Roots Sustainable Agricultural Technologies Ltd

ARBN	**Quarter ended ("current quarter")**
619 754 540	30 September 2020

Consolidated statement of cash flows		**Current quarter US$'000**	**Year to date (9 months) US$'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	33	84
1.2	Payments for		
	(a) research and development	(129)	(117)
	(b) product manufacturing and operating costs	(28)	(42)
	(c) advertising and marketing	(487)	(857)
	(d) leased assets	-	-
	(e) staff costs	(150)	(383)
	(f) administration and corporate costs	(351)	(560)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(10)	4
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (institutes)	(34)	(25)
1.9	**Net cash from / (used in) operating activities**	**(1,156)**	**(1,896)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(3)	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter US$'000	Year to date (9 months) US$'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(11)	(54)
2.6	**Net cash from / (used in) investing activities**	**(14)**	**(54)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,838	2,353
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(122)	(122)
3.5	Proceeds from borrowings	-	243
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	17	(31)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(37)	(37)
3.10	**Net cash from / (used in) financing activities**	**1,696**	**2,406**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	269	341
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,156)	(1,896)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(54)

Consolidated statement of cash flows		Current quarter US$'000	Year to date (9 months) US$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,696	2,406
4.5	Effect of movement in exchange rates on cash held	8	6
4.6	**Cash and cash equivalents at end of period**	**803**	**803**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US$'000	Previous quarter US$'000
5.1	Bank balances	803	803
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	803	803

6.	Payments to related parties of the entity and their associates	Current quarter US$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(112)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Payments in Item 6.1	
Salaries and wages paid to Directors and/or Director related entities	$90k
Corporate advisory fees paid to a Director related entity	$22k

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end US$'000**	**Amount drawn at quarter end US$'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**		

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

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

8.	**Estimated cash available for future operating activities**	**US$'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,156)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	803
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	803
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	(0.70)

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

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

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

Answer: Yes.

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

Answer: Yes, the Company is planning to raise additional capital in the next quarter to enable the Company to continue to fund its operations. This has previously proven to be successful. The Directors are in discussions to optimize funding options available.

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

Answer: Yes, the Company expects to be able to continue its operations and meet its business objectives based on the current cashflow forecast prepared for internal purposes.

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2020

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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