

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 2020
Previous period:	For the year ended 31 December 2019

2. Results for announcement to the market

			<u>31-Dec-20</u>	<u>31-Dec-19</u>
			<u>US\$'000</u>	<u>US\$'000</u>
Revenues from ordinary activities	UP	67%	107	99
Loss from ordinary activities after tax attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	down	22%	3,201	2,615
Loss for the year attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	down	22%	3,201	2,615

Dividends

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

	<u>Reporting period</u>	<u>Previous period</u>
	<u>U.S. dollars</u>	<u>U.S. dollars</u>
Net tangible assets per ordinary security	<u>0.00045</u>	<u>(0.00039)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

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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 2020 is attached.

9. Signed

B. Wachtel

Signed

Boaz Wachtel
Executive Chairman
Beit Halevi

Date: 26 February 2021

For personal use only

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Annual Report – 31 December 2020

Roots Sustainable Agricultural Technologies Ltd

Corporate Directory

31 December 2020

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)
Peter Hatfull (Non-Executive Director) (appointed 23 July 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

Automatic 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 2020

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 2020.

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)
James Ellingford (appointed 24 February 2020)
Peter Hatfull (appointed 23 July 2020)
Dror Nagel (appointed 19 July 2019 and resigned 12 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

Design patent registration received for revolutionary heat exchange probe:

The Company successfully registered a design patent for its heat exchange probe in Australia. The heat exchange probe is designed to be inserted into the tops of plant's pots and grow bags to significantly simplify working procedures and lower the installation cost associated with Roots' Root Zone Temperature Optimisation (RZTO) technology.

The Company's heat exchange probe enables the mobility of pots and grow bags during the growing cycle. Chains of probes with insulated pipes in-between can be used for row installations. The solution caters primarily to the nursery, greenhouse and cannabis markets and has been successfully tested to Roots' research hub and among Cannabis growers in Israel.

Roots completed the registration on 10 January 2020 and were awarded the patent shortly afterwards. The patent was approved by IP Australia. IP Australia is an agency of the Department of Industry, Innovation and Science. It administers intellectual property rights and legislation relating to patents, trademarks registered designs and plant breeder's rights in Australia. The design patent will protect intellectual property developed and owned by Roots, while it sells the solution internationally.

Additional progress made on patents in China and EU for heat exchange probe technology:

The Company also provided an update on the pan EU registration notice and China allowance notice from the People's Republic of China Patent office to register a patent for its unique heat exchange probe. The registration is valid from the filing date (25 November 2019) for 45 years in the EU and ten years in China. This development unlocks a number of significant opportunities for Roots.

Second commercial sale of RZTO technology to Israeli cannabis grower:

Roots secured a \$36,000 purchase order from Barlev Agricultural Crops Ltd ("Barlev"), a prominent medicinal cannabis producer based in Israel, for the Company's RZTO technology. The sale was a follow up order and provides validation of the Company's technology and bid to push into the growing global cannabis sector.

Binding sales and distribution agreement with Italy's Cairo & Doutcher for RZTO technology:

To broaden its footprint throughout Europe, Roots secured an agreement with leading Italian ag-tech and distribution company Cairo & Doutcher. The exclusive agreement commits Cairo & Doutcher to achieving clearly defined sales targets totalling €3,500,000 between now and the end of 2023.

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The agreement follows the successful installation of an RZTO system for root zone heating and cooling of flowers at Cairo & Doucher's greenhouse in Southern Italy during Autumn 2019. This installation will continue to be used for customer demonstrations in Italy and three more installations for other types of crops will be added.

Roots is also pleased to confirm that based on the very positive demonstration results of the RZTO technology at the flower farm in Italy, Cairo & Doucher have extended an invitation to the Italian Minister of Agriculture to view the system and review its benefits. An update will be provided following this proposed visit.

RZTO heating technology increases okra yield by 78% under extreme cold conditions:

Roots reported pleasing results from a proof of concept (POC) study conducted in Southern Israel, which used RZTO technology to increase okra yield by 78% under cold weather conditions. The POC was conducted over four months, with RZTO technology activated only during the cooler months to heat the root zones of okra. The system was able to maintain a table root temperature of 22°C, despite fluctuations in air temperature.

The completion of the study provided further validation of the Company's RZTO technology and unlocks another large market opportunity.

RZTO technology increases asparagus yield in successful R&D pilot:

Roots completed a POC trial at its R&D facility in Israel, which led to considerable asparagus yields. During the trial, asparagus fruits were heated on two levels, heating around 22°C and 24°C occurred using a hybrid system of a heat pump and ground source heat exchange and 26°C and 28°C, using ground source heat exchange only.

Result from 7 harvest cycles shows that asparagus heated at the root zone level, using RZTO technology showed a mean increase of 90% yield of all marketable asparagus parcels, compared to the control group. These results provide further validation of the Company's RZTO technology and presents another significant opportunity for Roots.

Agreement with FinePro Consulting Ltd:

The Company secured an agreement with FinePro Consulting Ltd. (FinePro), an Israeli representative of Robur, the leading Italian gas-based heat pumps manufacturer to explore complementary sales opportunities within the agricultural technology sector. The collaboration will also ascertain the level of demand of off-grid technologies with respect to root zone heating and cooling and greenhouse climate control.

The two parties will use Robur's teams in Israel for turnkey installations, with Roots technical staff to allow farmers to use RZTO technology for off grid installations.

Using Robur's gas operated off grid heat pumps opens vast markets in Israel, California and elsewhere to work with gas-operated heat pumps. In addition, Roots received initial design from Robur for an off-grid Irrigation by condensation (IBC) set up that includes gas operated chiller backed by small solar panel installation and batteries.

This design is intended to lower the IBC overall price and facilitate the use of IBC where electricity is not available or solar panels are not fully functional due to heavy cloud cover.

Third RZTO technology order from existing customer in Israel:

The Company secured a \$17,000 order for its proprietary RZTO technology for immediate installation from leading hydroponic vegetable grower HYDRO GROW, located in Bnei Atarot in Israel.

HYDRO GROW is a respected and long-standing supplier of fresh vegetables to Israel's hospitality sector and its customer base includes some of the county's premier restaurants.

Roots completed the installation during July and the group is now reaping the commercial benefits form deploying RZTO technology, with enhanced production securing and low operating expenses.

Engagement with Talgil:

Roots began a collaboration with global irrigation control system manufacturer Talgil, to increase its system reputability and redundancies. The agreement also gave Roots access Talgil's global dealer network. Further, the Company's system is now integrated with Talgil's SAPIR2 controller, which is an internet enabled, medium to large scale, professional irrigation controller, supported 24/7 in multiple languages.

Ultraplast Industries Ltd engagement:

Roots engaged with Ultraplast industries LTD, an Israeli based extruder, to upgrade and manufacture the Company's proprietary and revolutionary vertical T shaped Heat Exchange device (HED). The vertical HED is a significant development in the climate control space worldwide as it offers the possibility to optimise root zone temperatures as well as providing accurate range with minute amounts of energy inputs (compared to air heating and cooling). The Company's 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 for the HED based heating and cooling of roots in any substrate.

Expansion into Turkey:

Broadening its global footprint, the Company expanded into Turkey following the receipt of a Notice of Allowance for its design patent in the country. This was an excellent development for the Company, given Turkey's proximity to Israel and that Turkey is the seventh largest agricultural sector in the world.

Strategic 'Buy-now, Pay later' marketing and sales agreement secured with Amir Ltd:

In a major development, the Company executed a strategic agreement with retail and marketing company, Amir Marketing and Investing in Agriculture Ltd ("Amir") to promote and sell ROO's RZTO technology in Israel. The agreement also included a "Buy-now, Pay later" component, lowering the barrier of entry for farmers.

Amir markets and sells a wide range of agricultural products and solutions to private farmers and business in Israel. It has 23 stores and trade centres across all major farming regions in the country and services approximately 7,000 customers.

Under the agreement, Amir will exclusively promote RZTO technology in its stores and offer a "Buy-now, Pay later" plan, which will allow payments to be made over 24 months, with flexible structures. Roots are confident that this will considerably expedite product uptake in Israel.

Plant based meat department established to pursue large market opportunities:

The plant-based meat division was established within the Company to capitalise on recent POC study results that show the positive effects that RZTO technology has on the yield of protein-based plants and to pursue opportunities presented by the lucrative plant-based food market.

The Roots plant-based meat department will be 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 will lead the department on an advisory basis. Zohar Kerem is a professor of food chemistry and has had longstanding career in the agricultural sector. His previous research has covered the chemistry of phytochemicals and harnessing computational tools such as databases, specifically designed algorithms and modelling to predict and elucidate food-drug interactions.

The plant-based meats industry provides a significant opportunity for Roots. The expected value for the total market in 2019 is US\$12.1Bn and is expected to grow at a compound annual growth rate (CAGR) of 15%, to reach a value of US\$27.9Bn by 2025.

Demand for plant-based meat alternatives is being driven by consumers seeking healthier dietary options and R&D efforts from health experts and food manufacturers. Popularity for the products has also increased following the establishment of NASDAQ-listed Beyond Meat Inc. (market capitalisation ~US\$7.83Bn) and America's largest private company Cargill investing in alternative meat manufacturers.

Agreement signed with established distributor to sell RZTO systems in Northern California:

The Company signed a non-binding, non-exclusive Letter of Intent ("LOI") with smart technology provider Humboldt CCTV ("Humboldt") to market, sell and distribute root zone heat exchange device kits which contain the Company's heat exchange probe.

Humboldt is an established family-owned business that specialise 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.

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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. Humboldt will initially target the Lake, Mendocino and Humboldt counties. Upon meeting certain milestones, both parties aim to expand the LOI to a binding agreement which would cover the remainder of California and other states in the USA.

Humboldt will dedicate two to three salespeople to drive product uptake amongst its customer base. The group will also import the kits, handle logistical parameters, provide installation services, and offer post sale services and maintenance where required. Humboldt will also be responsible for identifying sub-contractors, manufacturers, and suppliers to be approved together with Roots to integrate system components based on the Company's bill of materials.

Following the initial LOI, Roots furthered the agreement with Humboldt to integrate its heat exchange probe into the group's SmartAg solution. Humboldt's SmartAg solution allows growers to wirelessly monitor soil moisture, crop temperature weather, weather station data and environmental conditions at a grow site. The solution comprises of a portfolio of sensors and Humboldt's secure wireless networks to enable real-time access to information and equipment deployed across remote locations.

As part of the agreement, Roots will invest USD\$100,000 in Humboldt CCTV in return for 10% of its holdings. The invested proceeds will be devoted to marketing and sale initiatives in the CA USA Cannabis sector. ROOTS and Humboldt will also progress the first deployment of the Company's heat exchange stub, managed and controlled by Humboldt's SmartAg offering at a large cannabis cultivation facility located in Northern California. The trial will be used to progress business development initiatives with other growers and potential customers across Northern California.

Heat exchange probe integrated with plant irrigation and fertigation functions:

During the period, Roots developed a next generation agricultural solution, which combines plant irrigation and fertigation functions within its revolutionary heat exchange probe, providing a number of systems in one complete offering.

The Company's new multipurpose solution will now allow growers to couple various irrigation emitters including drip, nozzle and sprayers to its probe technology, as well as combine liquid fertilisers with the irrigation function also allowing for plant fertigation through a single piping system.

This is a breakthrough in agricultural technology and Roots is confident that the new solution will significantly reduce costs for farmers, as they will now be able to use the one solution infrastructure for two functions. The Company also anticipates that installation of the multipurpose solution will drastically reduce labour costs.

Unlike existing solutions, the Company's new offering will rely on energy efficient heat pumps and ground source heat exchange to optimise root zone temperature year-round. This will be pivotal as Roots targets customers in the covered cultivation space.

The new solution is protected under existing design and utility patents. Roots has identified a number of potential customers in Israel and more broadly and is confident that it will secure first purchase orders shortly.

RZTO pilot trail commenced on grapevines:

The Company commenced an RZTO technology trial on grapevines at Calmor Grapes in North Central Israel, in collaboration with leading researcher Dr Netzer Yishai. The pilot will test 220 plants over a 1,000m² patch. Half of the plants will be heated to 22-25°C range using RZTO technology with the other half used as a control group. The trial is expected to last up to 24 months with early results expected within 9 to 12 months.

The trial will utilise a heat pump to heat and cool water in the pipes running alongside the plants. Installation was complete, taking only three days through the use of a tractor tooled ROO's insertion device, allowing for fast and convenient installation.

Broadened global footprint following Balkans LOI:

Roots secured an LOI with established agriculture and water treatment technologies provider Avital COO ("Avital") to deploy the Company's technologies into Serbia and other countries in the Balkans.

Established in 2002, Avital is at the forefront of agricultural and water treatment technology. The group has a strong track record of delivering successful, sustainable projects across Serbia and other Balkan countries and is the sole dealer of other major irrigation companies to a wide range of customers.

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Under the LOI, Roots and Avital will progress a demonstration of the RZTO and heat exchange probe technology at one of Avital's customer farms which is a commercial grower of blueberries. Further, both parties will progress the LOI to a binding agreement whereby Avital becomes Roots' preferred distributor for Serbia and select Balkan nations. This means Roots will have a broader presence in Europe encompassing the Balkans, Italy and Spain.

The Company expects to commence the trial with Avital's customer in Q1 2021 or before. As part of the initiative, 420 blueberry plants will be heated or cooled as needed, based on local agronomical protocol, matching the RZTO performance versus a separate control group. Roots is confident that a successful trial will generate revenue generating installation and service contracts in Serbia. The country is a major producer and exporter of blueberries cultivating over 500 tonnes annually.

Maiden deployment of heat exchange probe at Northern Israel cannabis farm:

Roots commenced the installation of 1,000 heat exchange probes with the My Green Fields cannabis farm in Northern Israel, which marked the first deployment of Israeli-manufactured heat exchange probes on a large commercial scale.

The technology will be deployed to specifically assist in the clone production room and throughout the farm's flowering room. The system will use existing heat pumps and water tanks to supply hot or cold water as needed, based on plant root temperatures.

The Company's heat exchange probe has previously increased cannabis yields by 20% or more, with THC levels rising or kept in similar ranges. Roots anticipates more sales to materialise in the near term to cannabis cultivators in Israel and other regulated markets.

LOI secured with organic Czech Republic hemp producer, Hempoint to progress plant-based meat opportunities:

Roots secured a non-binding LOI with leading organic hemp grower and hemp food manufacturer Hempoint s.r.o. ("Hempoint") to further its plant-based meat department.

Hempoint is based in the Czech Republic and part of the CzeHemp (www.czechemp.cz) cluster, a non-governmental, non-profit organisation of private and public companies, and R&D focused groups actively developing the Czech hemp and medicinal cannabis industry.

CzeHemp is currently collaborating with a number of academic institutions to develop a range of proprietary methods to increase hemp protein from seeds to higher levels of total plant protein. Hemp seed is a lean source of plant-based protein, with a very low-fat content. It contains no cholesterol or saturated fat and carries all of the required amino acids needed to help repair muscle cells, regulate the nervous system and boost brain function.

Hempoint's current hemp protein product is produced by the mechanical sifting of milling of hemp seed cake flour and currently offers 50% protein powder content. Hemp protein powder is an all natural source of plant protein that is both gluten and lactose free. It has a wide range of uses and is organic certified, allergy free and GMO-free.

Hempoint has established, sustainable and organic production facilities at the Sasov Biofarm, located near Jihlava city, in the Czech Highlands. The group also has an existing distribution footprint for its hemp seed stock and hemp-based food products into key markets including France, Poland and Italy.

In the definitive agreement Roots and Hempoint will review Academic IP, technical development and sourcing of protein from hemp for plant-based meat product initiatives. Both parties will review the current state of technologies to increase hemp protein content and will choose a specific technology to collaborate and potentially license to use to increase protein content.

Corporate overview:

Board appointments and optimisation:

During the period, Roots advised that Mr Boaz Wachtel was appointed as CEO and Executive Chairman, with Mr Sharon Devir assuming the role of Executive Director and Business Development. The planned change in leadership roles coincided with Roots placing a greater focus on pursuing opportunities in the global cannabis sector.

The Company also strengthened its Board and management team through a number of key appointments. This included welcoming Dr James Ellingford as a Non-executive Director on 24 February 2020. Dr Ellingford has previously served as a International President of NASDAQ software business Take-Two Interactive Software and has vast experience in the software industry, as well as close ties with financial institutions and governments globally.

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Directors' Report
31 December 2020

Roots also appointed Mr Peter Hatfull as a Non-Executive Director on 23 July 2020. Mr Hatfull is a professional Director, with over 40 years of experience in a range of senior executive positions in Australia and internationally.

To streamline the Board, Mr Dror Nagel resigned as a Non-Executive Director on 12 February 2020. Mr Nagel had been a Non-Executive Director since July 2019 and the Board would like to take this opportunity to thank him for his guidance.

Placements to drive growth:

Roots completed a number of private placements to provide the Company with the necessary financial flexibility to drive growth. In February, Roots received firm commitments from sophisticated and professional investors to raise \$500,000 (before costs) through the issue of 15,151,515 CDIs at an issue price of \$0.033 per CDI. The issue was 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.

In May, Roots raised \$280,000 (before costs) through the issue of 15,555,556 CDI to professional and sophisticated investors at \$0.0018 per CDI. The issue of CDIs was made through the Company's available placement capacity under Listing Rule 7.1.

In August, Roots received commitments of \$2,510,000 (before costs) through the placement of 156,875,000 CDIs to professional and sophisticated investors at \$0.016 per CDI. The issue of these CDIs followed receipt of shareholder approval at the Company's Annual General Meeting in July 2020, as well as utilisation of existing placement capacities under Listing Rule 7.1 and Listing rule 7.1A.

In December, Roots secured firm commitments from institutional, professional, and sophisticated investors to raise up to A\$3,955,851 (before costs), through the issue of approximately 179,811,397 CDIs at an issue price of \$0.022 per CDI ("placement"). The issue price represented a 22.9% discount to the 5-day volume weighted average price. The Company issued CDIs to participants in the Placement on the following basis:

- a. 53,341,384 CDIs issued pursuant to the Company's available placement capacity under Listing Rule 7.1.
- b. 35,560,922 CDIs pursuant to the Company's available placement capacity under Listing Rule 7.1A.
- c. 90,909,091 CDIs pursuant to shareholder approval, which was obtained on 25 November 2020.

Funds raised from the placement are intended to be used for local and international sales and marketing activities, operating expenses, patent maintenance and registering new IP, experimental greenhouse maintenance and pilots, plastic mouldings in Israel, legal and administrating costs, to payout existing debt and the expansion of protein and cannabis opportunities.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2020 (2019: Nil).

Significant changes in the state of affairs

During the financial year, there were no significant changes in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

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.

Roots Sustainable Agricultural Technologies Ltd

Directors' Report

31 December 2020

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 2020

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

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 400m² to 160,000m² 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

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

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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

Name: Mr Peter Hatfull (appointed 23 July 2020)
Title: Independent Director and Non-Executive Director
Qualifications: Qualified as a Chartered Accountant in England and Wales
Experience and expertise: Peter has over 40 years' experience in a range of Board and senior executive positions with Australian and international companies. He has an extensive skill-set in the areas of business optimisation, capital raising and Group restructuring.

Peter is a professional Director and is currently the independent Chairman of several listed and unlisted companies. Peter specializes in corporate governance and strategic planning and has held senior financial and board positions in Australia, Africa and the UK. Peter graduated as a Chartered Accountant in the United Kingdom where he worked for Coopers and Lybrand (now PriceWaterhouseCoopers), and subsequently moved to Africa, where he spent 8 years in Malawi prior to moving to Australia.

Other current directorships: Raphael Resources Limited
eSense Lab Ltd

Former directorships (last 3 years): Affinity Energy and Health Ltd

Special responsibilities: Nil
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

Roots Sustainable Agricultural Technologies Ltd

Directors' Report

31 December 2020

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

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 2020, and the number of meetings attended by each director were:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Attended	Held	Attended	Held	Attended	Held
Boaz Wachtel	7	7	-	-	-	-
Sharon Devir	7	7	-	-	-	-
Adam Blumenthal	6	7	-	-	-	-
Graeme Smith	7	7	2	2	2	2
Dafna Shalev-Flamm	7	7	2	2	2	2
James Ellingford ⁽ⁱ⁾	5	5	2	2	1	1
Peter Hatfull ⁽ⁱⁱ⁾	1	1	-	-	-	-
Dror Nagel ⁽ⁱⁱⁱ⁾	1	1	-	-	1	1

(i) James Ellingford was appointed on 24 February 2020.

(ii) Peter Hatfull was appointed on 23 July 2020.

(iii) Dror Nagel resigned on 12 February 2020.

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
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.

Roots Sustainable Agricultural Technologies Ltd
Directors' Report
31 December 2020

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: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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).

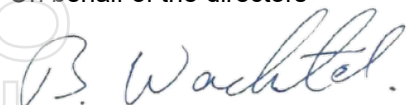
Under the Israeli Companies Law there are restrictions on acquisition of shares, requiring a tender offer for acquisition of public Company shares resulting in a holding of 25% or more voting rights of the Company. In addition, under the Companies Law, a person may not purchase shares of a public company 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.

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

On behalf of the directors



Boaz Wachtel
Executive Chairman

26 February 2021
Beit-Halevi

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

As lead auditor for the review of Roots Sustainable Agricultural Technologies Ltd. for the half-year ended 31 December, 2020, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Roots Sustainable Agricultural Technologies Ltd. during the period.

Tel-Aviv, Israel
February 26, 2020



Ziv haft

Certified Public Accountants (Isr.)

BDO Member Firm

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/>.

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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 18 February 2021 is 539,783,931. All issued CDI's carry one vote per share. The number of holders of CDI's is 4,047.

The Company as at 18 February 2021 has on issue the following unlisted securities:

- 2,257,500 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
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	67	22,102	0.00%
1,001 - 5,000	482	1,286,454	0.24%
5,001 - 10,000	282	2,338,820	0.43%
10,001 - 100,000	2,328	100,112,602	18.55%
Above 100,000	888	436,023,953	80.78%
Total	4,047	539,783,931	100.00%

The number of investors holding a less than marketable parcel of 14,453,592 ROO shares (based on a share price of A\$0.023 was 1,477.

3. TOP TWENTY LARGEST SHAREHOLDERS AS AT 18 FEBRUARY 2021

	Holder Name	Number Held	Percentage
1	MRS CHUNYAN NIU	12,510,237	2.32%
2	J P MORGAN NOMINEES AUSTRALIA	11,082,095	2.05%
3	MR BARRY JOSEPH DOWLING	8,000,000	1.48%
4	ANANDI INVESTMENTS PTY LTD <PATEL FAMILY A/C>	7,500,000	1.39%
5	JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	6,881,527	1.27%
6	CITICORP NOMINEES PTY LIMITED	6,185,028	1.15%
7	MR SUFIAN AHMAD <SIXTY TWO CAPITAL A/C>	6,000,000	1.11%
8	BOAZ WACHTEL	5,298,777	0.98%
9	CHIFLEY PORTFOLIOS PTY LTD <DAVID HANNON RET FUND A/C>	5,090,909	0.94%
10	COMSEC NOMINEES PTY LIMITED	4,829,275	0.89%
11	MS CHUNYAN NIU	4,511,635	0.84%
12	MR ANTHONY EDWARD KOROMAN & MRS DELEY SANGMO BHUTIA	4,000,000	0.74%
13	MR BILAL AHMAD	3,375,000	0.63%
14	MS CHUNYAN NIU	3,235,312	0.60%
15	GREENWOOD TRADING FUND PTY LTD	3,221,721	0.60%
16	COOPER CORPORATE AND CONSULTING PTY LTD	3,000,000	0.56%
17	J G MIZZI SUPER PTY LTD <J G AND M V MIZZI SF A/C>	3,000,000	0.56%
18	AUSSIZZ MIGRATION & EDUCATION CONSULTANTS PTY LTD	3,000,000	0.56%
19	YOUDIM PHARMACEUTICA LS LTD	2,682,750	0.50%
20	MR MOBEEN IQBAL	2,665,000	0.49%
Total: Top 20 holders		106,069,266	19.65%
Total: Issued Capital		539,783,931	100.00%

4. TOP TWENTY LARGEST LISTED OPTIONHOLDERS AS AT 18 FEBRUARY 2021

	Holder Name	Number Held	Percentage
1	MS YASMIN ELIZABETH ILIC	2,157,043	10.70%
2	JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	1,785,353	8.85%
3	AUSTRALIAN SHARE NOMINEES PTY LIMITED <AUSTRALASIAN HOLDING AC>	1,450,000	7.19%
4	ANGLO AUSTRALASIA HOLDINGS PTY LTD <ANGLO AUSTRALASIA A/C>	1,450,000	7.19%
5	TRINITY DIRECT PTY LTD	1,036,644	5.14%
6	M & K KORKIDAS PTY LTD <M&K KORKIDAS P/L S/FUND A/C>	907,620	4.50%
7	MS CHUNYAN NIU	618,322	3.07%
8	MISS NUTCHA WONGINPHOR	500,000	2.48%
9	MR OON TIAN YEOH & MRS ELZBIETA HELENA YEOH	485,692	2.41%
10	ADAM BLUMENTHAL	458,334	2.27%
11	MR JENS ROESTEL	450,000	2.23%
12	MR JOSEPH DIAS & MRS THERESA FLORY DIAS	400,000	1.98%
13	MR ALAN DENNIS HAZELL	351,500	1.74%
14	PARRY CAPITAL MANAGEMENT LIMITED <PARRY SPEC SIT SP FUND A/C>	333,333	1.65%
15	PARRY CAPITAL MANAGEMENT LIMITED <SPECIAL SITUATIONS A/C>	265,879	1.32%

16	CAREEN HOLDINGS PTY LTD <PETER LEWIN RETIREMENT A/C>	258,585	1.28%
17	MR BOAZ WACHTEL	250,000	1.24%
18	MR THOMAS VAN KANN & MRS NATALIA VAN KANN <TN VAN KANN S/F A/C>	250,000	1.24%
19	MS LISA ASHE	250,000	1.24%
20	MRS CAROLYN KATZ	225,000	1.12%
Total: Top 20 holders		13,883,305	68.85%
Total: Listed Options @ \$0.12; expiry 24/07/2022		20,165,752	100.00%

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 Depository 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 18 FEBRUARY 2021

There were no substantial shareholders as at 18 February 2021.

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.

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Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Financial Report – December 31, 2020

Roots Sustainable Agricultural Technologies Ltd

December 31, 2020

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All amounts are stated in U.S. dollars (\$)

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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, 2020, 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, 2020, 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 has incurred negative cash from operation of 2,154 USD and net losses of USD 3,202 thousand during the year ended December 31, 2020. 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.

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.

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

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 2020 the Company has current assets of USD 3,468 thousand, includes cash and cash equivalents of USD 3,067 thousand and current liabilities of USD 654 thousand.

According to the Company's projected 12 month cash flow forecast an outgoing of approximately USD 2,500 thousand is expected.

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.

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 revenue from its operations.
- 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 2020, 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:

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- 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

David Wertheimer
Partner
Tel-Aviv, Israel
February 26, 2021

Ziv Haft
Ziv haft

Certified Public Accountants (Isr.)
BDO Member Firm

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Financial Position

	Note	As at December 31,	
		2020	2019
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents		3,067	341
Restricted cash	8.B	84	38
Trade receivables		126	91
Other accounts receivables	4	191	207
Total Current Assets		3,468	677
Non-Current Assets			
Property and equipment, net		56	55
Total Non-Current Assets		56	55
TOTAL ASSETS		3,524	732

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

Roots Sustainable Agricultural Technologies Ltd


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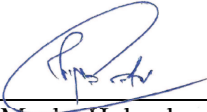
Statements of Financial Position

	Note	As at December 31,	
		2020 \$'000	2019 \$'000
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables		86	171
Convertible notes	5	-	178
Derivative liability – warrants		-	*
Other account payables	7	568	480
Total Current Liabilities		654	829
Non-Current Liabilities			
Derivative liability – warrants		76	32
Governmental liabilities on grants received	8.C	356	335
Total Non-Current Liabilities		432	367
Equity (deficit)			
Equity attributable to owners of the parent			
Share capital	9	17,553	11,468
Warrants		164	164
Foreign currency translation reserve		(158)	(177)
Accumulated losses		(15,121)	(11,919)
Total equity (deficit)		2,438	(464)
TOTAL LIABILITIES AND EQUITY		3,524	732

* Represent an amount lower than \$1 thousand

February 26, 2021
Date of approval of the financial
statements


Boaz Wachtel
Chief Executive officer
& Director


Moshe Hukaylo
Chief Financial 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,	
		2020	2019
		\$'000	\$'000
Revenues	12	107	99
Cost of revenues		94	104
Gross Loss (profit)		(13)	5
Research and development expenses, net	13	349	126
Marketing, distribution and business development expenses	14	751	* 925
General and administrative expenses	15	1,909	* 1,457
Loss from operations		2,996	2,513
Finance expense	16	251	361
Finance income	16	45	259
Loss before income tax		3,202	2,615
Income tax	17	-	-
Net loss		3,202	2,615
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss:</i>			
Translation adjustment to the presentation currency		(19)	34
Total comprehensive loss		3,183	2,649
Loss per share			
Basic and diluted loss per share (\$)	9,11	(0.014)	(0.031)

* Reclassified refer to note 15

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 (deficit)

For the year ended December 31, 2020:

	Note	Share Capital \$'000	Warrants \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Deficit \$'000	Total Equity \$'000
Balance at January 1, 2020		11,468	164	(177)	(11,919)	(464)
Changes during the period:						
Comprehensive loss:						
Loss for the period			-	-	(3,202)	(3,202)
Other comprehensive loss:						
Translation differences			-	19	-	19
Total comprehensive loss for the period				19	(3,202)	(3,183)
Issuance of shares, net	9	4,642	-	-	-	4,642
Conversion of convertible notes to shares	5	106	-	-	-	106
Conversion of short term loans to shares	6	318	-	-	-	318
Issuance of shares to suppliers in lieu of cash payment	9E	422	-	-	-	422
Share-based compensation		597	-	-	-	597
Balance as of December 31, 2020		17,553	164	(158)	(15,121)	2,438

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 (deficit)

For the year ended December 31, 2019:

	Note	Share Capital \$'000	Warrants \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Deficit \$'000	Total Equity \$'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	9	942	-	-	-	942
Issuance of warrants		-	164	-	-	164
Conversion of convertible notes to shares	5	431	-	-	-	431
Issuance of shares to suppliers in lieu of cash payments	9E	227	-	-	-	227
Share-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 Cash Flows

	Note	For the year ended	
		December 31,	
		2020	2019
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the year		(3,202)	(2,615)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation		16	18
Loss from disposal of property and equipment		-	1
Share-based compensation expenses		226	301
Changes in fair value of derivatives		39	(251)
Changes in fair value of convertible notes		(72)	135
Change in liability for grants received from the IIA		(41)	(188)
Interest on liability for grants received from the IIA		89	104
Finance expense, net		15	-
Interest on loans		111	-
Change in trade receivable		33	34
Change in other accounts receivable		(30)	(44)
Change in trade payable		342	327
Change in other accounts payable		11	41
Net cash used in operating activities		(2,463)	(2,137)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment		(13)	(3)
Proceeds from sale of property and equipment		-	12
Change in restricted cash		(39)	-
Net cash provided by (used in) investing activities		(52)	9
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of liabilities on grants received from IIA	8C	-	(3)
Receipt of convertible note	5	-	573
Repayment of convertible note	5	-	(88)
Short term credit, net	6	183	-
Net proceeds from issuance of warrants	9	-	164
Net proceeds from issuance of unit of securities	9	-	1,187
Net proceeds from issuance of shares	9	5,013	-
Net cash provided by financing activities		5,196	1,833
Increase (decrease) in cash and cash equivalents		2,681	(295)
Translation differences on cash and cash equivalents		45	43
Cash and cash equivalents at beginning of the year		341	593
Cash and cash equivalents at the end of the year		3,067	341

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, 2020 the Company has incurred negative cash from operation of 2,463 USD and net losses of USD 3,202 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 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.

C. The world Health Organization declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, A Layout has experienced significant disruption to its operations in the following respects:

- The closure of many retail locations due to local governments mandating that shopping centers and other 'non-essential' businesses cease normal operations;
- Disruptions in the supply of inventory from major suppliers;
- Decreased demand for certain products as a consequence of social distancing requirements and recommendations; and
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for A Layout's primary products.

The significant events and transactions that have occurred since 31 December 2019 relate to the effects of the global pandemic on A Layout's interim consolidated financial statements for the year ended 31 December 2020 and are summarized as follows.

NOTE 1 – GENERAL (CONT.):

The COVID-19 had no material effect on Roots financial position, however the effects on the activity were as follows:

1. The company intentionally reduced its work force to adopt to the new situation and decrease in activity, which resulted in reduced monthly expenditure.
2. Shift in focus from international market to domestic market.
3. Developed strategic alliances in Israel to boost sales and streamline operation.
4. Launched North America S&M marketing campaign to prepare to market opening.

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 unless otherwise stated below.

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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 at the date of receiving the grant, unless there is reasonable assurance that the company will meet the conditions for the forgiveness of the loan, then recognized as a government grant. 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.

Changes in the liability resulting from a change in future royalty payments are recognized in research and development expenses.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

those instances where it is probable that such difference can be utilized. As of December 31, 2020 and 2019, 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 2020 and 2019 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.

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).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

K. Financial instruments:

1. Financial assets:

The Company classifies its financial assets 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, 2020 and 2019, 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 less 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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial Liabilities

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

Extinguishing Financial Liabilities with Equity Instruments

When the Company issues equity instruments to a creditor to extinguish all or part of a financial liability, the Company derecognizes the financial liability fully or partly. The Company measures the equity instruments issued to the creditor at their fair value (or, if fair value is not reliably determinable, at the fair value of the liability extinguished). The Company recognizes in profit or loss any difference between the carrying amount of the financial liability (or part) extinguished and the measurement of the equity instruments issued.

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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 design and execute installation projects in the field of agriculture. 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 contract assets or contract liabilities 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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

- 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 2020 and 2019 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.

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 (note 2T).

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 company has a contract with lease terms of 12 months or less. The company applies exemptions from the recognition 'short-term lease'.

X. New standards, interpretations and amendments not yet effective

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

IAS1 - Presentation of Financial Statements

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. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

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

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Company is currently evaluate the impact of IAS 37 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 at the date of receiving the grant. A change in the estimate within a reasonable range will not result a material change of the liability.

NOTE 4 - OTHER ACCOUNTS RECEIVABLES:

	As at December 31,	
	2020	2019
	\$'000	\$'000
Government institutions	50	38
Prepaid expenses	70	95
Other receivables	71	74
	191	207

NOTE 5 - CONVERTIBLE NOTES:

In 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 preceding 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 preceding 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 5 - CONVERTIBLE NOTES (CONT.):

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

On June 5, 2019, there were redemptions of conversion by cash in the amount of AU\$126,500 on conversion of 115,000 Notes.

On January 2020, the company issued 2,400,000 CDIs on conversion of 60,000 Notes

On May 2020 as part of the redemption and termination arrangements between the Company and CST Capital and the outstanding 98,000 Convertible Notes on issue, the following has been agreed:

1. Cash payment of AUD 100,000 to CST Capital to CST Capital;
2. Issue of 3,582,385 conversion CDIs to CST Capital; and
3. Forgiving 1,650,000 Collateral CDIs previously issued to CST Capital.

On September 2020, the company agreed the cash payment of AUD 100,000 mentioned above to CST Capital be settled via \$50,000 cash and issue 4,000,000 price of \$0.013 AUD per CDI.

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 6 – SHORT TERM LOANS

- a. On May 7, 2020 the company signed a short term loan agreement that will be repaid 90 days after the execution date, the total sum of the loan is AUD 135 thousands (approximately USD 87 thousands), the Repayment Amount is AUD 170 thousands (approximately USD 116 thousands).
- b. On June 22, 2020 the company signed a short term loan agreement that will be repaid 60 days after the execution date, the total sum of the loan is AUD 275 thousands (approximately USD 189 thousands) before establishment fee payment of AUD 50 thousands (approximately USD 34 thousands), the Repayment Amount is AUD 325 thousands (approximately USD 222 thousands).

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Notes to the Financial Statements

NOTE 6 – SHORT TERM LOANS (CONT.):

- c. On August 2020, the company issued 7,000,000 CDIs at AUD 0.016 per CDI as part repayment of existing short- term loan from May to unrelated parties.
- d. On September 2020, the company issued 11,000,000 CDIs at AUD 0.03 per CDI as part repayment of existing short- term loan from June to unrelated parties.

NOTE 7 - OTHER ACCOUNTS PAYABLES:

	As at December 31,	
	2020	2019
	\$'000	\$'000
Employees and related institutions	112	66
Accrued expenses	166	204
Governmental liabilities on grants received (Note 8.C)	70	43
Liabilities to related parties	136	86
Other payables	84	81
	568	480

NOTE 8 - 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 during 2020 and another one during 2021. The company management decision considering the business risk is to evaluate each option at a time, therefore the management estimate a lease period of 12 months.

Total rent expenses for the years ended December 31, 2020 and 2019 were 11 and 17 thousand U.S. dollars respectively.

- B. As of December 31, 2020 and 2019, the Company has a lien in first degree to the bank in amount of approximately 84 and 38 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.

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, 2020 and 2019 the Company has not received grants, the aggregate governmental liabilities was 426 and 378 thousands

NOTE 8 - COMMITMENTS AND CONTINGENT LIABILITIES (CONT.)

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. During 2020 the company didn't paid royalty to the IIA.

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 \$'000	Derivative liability – warrants \$'000	Convertible notes \$'000	Short term loan \$'000
At 1 January 2020	378	32	178	-
Changes from financing cash flows				
Receipt of short term loans	-	-	-	(242)
Repayment of short term loans	-	-	-	59
Total changes from financing cash flows	-	-	-	(183)
Conversion of short term loans to shares	-	-	-	313
Changes in fair value	-	44	(72)	-
Change in liability	(41)	-	-	-
Conversion of convertible notes to shares	-	-	(106)	-
Interest on short term loans	-	-	-	(111)
Interest on liability	89	-	-	-
The effect of changes in foreign exchange rates	-	-	-	(19)
At 31 December 2020	426	76	-	-
	Governmental liabilities on grants received \$'000	Derivative liability – warrants \$'000	Convertible notes \$'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	

NOTE 9 - SHAREHOLDERS EQUITY:

	Number of shares			
	December 31, 2020		December 31, 2019	
	<u>Authorized</u>	<u>Issued and outstanding</u>	<u>Authorized</u>	<u>Issued and outstanding</u>
Ordinary shares of NIS 0.01 par value	1,000,000,000	539,783,931	150,801,791	120,764,335
Warrants (note 9D)	5,758,592	5,758,592	5,758,592	5,758,592

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:

	2020	2019
	\$'000	
Balance as of January 1	120,764,335	63,966,667
Conversion of Performance Rights (note 9A and 10B(iii))	-	66,666
Collateral Shares issued	-	1,650,000
Conversion of short term loans to shares (note 6C and 6D)	18,000,000	-
Conversion of convertible notes to shares (note 5)	5,982,385	15,518,779
Issuance of shares to suppliers and employees in lieu of cash payment (note 9E)	27,682,413	5,340,779
Issuance of unit of securities (note 9A and 9C)	-	34,221,444
Issuance of unit of shares (note 9F,9G,9I and 9J)	367,354,798	-
Balance as of December 31	539,783,931	120,764,335

A. In 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

NOTE 9 – SHAREHOLDERS EQUITY (CONT.):

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.

- B.** During 2019, the Company issued 5,340,779 CDIs to contractors of the Company for services rendered in lieu of cash payments. The Company did this to preserve its cash reserves.
- C.** In 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).
- D.** In 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 AUD 0.12 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 AUD 15,000 engagement fee and 6% of the gross proceeds raised under any shortfall offer.

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 – SHAREHOLDERS EQUITY (CONT.):

E. During 2020, the Company issued the following CDIs in lieu of cash payments:

- a. 4,000,000 CDIs to contractors of the Company on 28 February 2020.
- b. 12,480,433 CDIs to contractors of the Company on 28 August 2020.
- c. 4,000,000 CDIs to contractors of the Company on 1 September 2020.
- d. 2,800,000 CDIs to contractors of the Company on 1 September 2020.
- e. 2,454,063 CDIs to contractors of the Company on 18 December 2020.
- f. 1,947,917 CDIs to employee of the Company on 18 December 2020

The Company did this to preserve its cash reserves.

F. In February 2020, the Company announced that it had 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 was made on 13 February 2020 under the Company's available placement capacities with 2,841,909 CDIs issued under Listing Rule 7.1 and 12,309,606 CDIs issued under Listing Rule 7.1A.

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 – 2,000,000 CDIs.

G. In May 2020 the Company announced that it had received firm commitments to raise up to AUD 280,000 before expenses, by way of a placement of up to 15,555,556 CDIs at AUD 0.018 per CDI to sophisticated and professional investors. The CDIs were issued on 27 May 2020.

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 – 1,000,000 CDIs.

H. During May 2020, the company approved the issuance of 16,500,000 CDIs to contractors of the Company as stock based compensation. The total fair value of the shares at the amount of \$ 228 thousand was expensed through profit and loss.

I. In August 2020, the Company announced that it had received firm commitments to raise up to AUD 2.510 million before expenses, by way of a placement of up to 156,875,000 CDIs at AUD 0.016 per CDI to sophisticated and professional investors. The CDIs were issued on 27 May 2020.

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.

NOTE 9 – SHAREHOLDERS EQUITY (CONT.):

J. In December 2020, the Company announced that it had received firm commitments to raise up to AUD 2.510 million before expenses, by way of a placement of up to 179,772,727 CDIs at AUD 0.022 per CDI to sophisticated and professional investors. The CDIs were issued on 11 December 2020.

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 – 11,867,553 CDIs.

NOTE 10 - 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.

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

NOTE 10 - SHARE BASED PAYMENT (CONT.):

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, 2020 the company recognized an expense at the amount of \$ 1 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, 2020 the company recognized an expense at the amount of \$ 4 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, 2020 the company recognized an expense at the amount of \$ 2 thousand.

Data related to the share option plan as of December 31, 2020 and changes during the two years ended on that date are as follows:

	2020		2019	
	Number of Options	Weighted Average Exercise Price NIS	Number of Options	Weighted Average Exercise Price NIS
Options outstanding as beginning of year	2,083,500	0.04	1,779,000	0.04
Changes during the year:				
Granted	-	0.04	464,500	0.04
Forfeited	(148,000)	-	(160,000)	-
Exercised	-	-	-	-
Options outstanding at end of year (*)	<u>1,935,500</u>	<u>0.04</u>	<u>2,083,500</u>	<u>0.04</u>
Options exercisable at year-end	<u>1,897,438</u>	<u>0.04</u>	<u>1,457,667</u>	<u>0.04</u>
Weighted-average fair value of options Granted during the year	<u>-</u>		<u>\$ 19,428</u>	

* The options outstanding at 31 December 2020 had a weighted-average contractual life of 0.939 year.

NOTE 10 - SHARE BASED PAYMENT (CONT.):

B. Performance rights:

i. 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).

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.

ii. 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:

NOTE 10 - SHARE BASED PAYMENT (CONT.):

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 \$ 290,000 was expensed through profit and loss.

Data related to the Performance rights as of December 31, 2020 and changes during the two years ended on that date are as follows:

	2020		2019	
	Number of rights	Weighted Average Exercise Price NIS	Number of rights	Weighted Average Exercise Price NIS
Performance rights outstanding as beginning of year	19,133,333	-	6,133,333	-
Changes during the year:				
Granted		-	13,200,000	-
Forfeited	(2,966,667)	-	(133,333)	-
Exercised (**)	-	-	(66,667)	-
Performance rights outstanding at end of year (*)	16,166,666	-	19,133,333	-
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	

* The Performance rights outstanding at December 31, 2020 had a weighted-average contractual life of 0.8 year.

** The weighted average share price at the date of exercise of Performance rights exercised during the year ended 31 December 2019 was AUD 0.115.

NOTE 11 - LOSS PER SHARE:

Net loss per share attributable to equity owners:

	For the year ended December 31,	
	2020	2019
	\$'000	\$'000
Net loss used in basic and diluted EPS	(3,202)	(2,615)
Weighted average number of shares used in basic and diluted EPS	227,654,071	84,542,899
Basic and diluted net EPS (dollars)	(0.014)	(0.031)

At 31 December 2020, 16,166,666 Performance Rights and 1,935,500 options (2019: 19,133,333 Performance Rights and 2,083,500 options) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

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Notes to the Financial Statements**NOTE 12 - REVENUE:**

	For the year ended December 31,	
	2020	2019
	\$'000	\$'000
<i>Primary Geographic Markets</i>		
Asia	-	31
Israel	107	68
Total	107	99

All revenues were derived from 6 customers

NOTE 13 - RESEARCH AND DEVELOPMENT EXPENSES, NET:

	For the year ended December 31,	
	2020	2019
	\$'000	\$'000
Salaries and benefits	147	78
Subcontractors	157	132
Materials	16	23
Legal fees	60	33
Other	10	16
	390	282
Governmental Grants received and changes in liability, net	(41)	(156)
Total	349	126

NOTE 14- MARKETING, DISTRIBUTION AND BUSINESS DEVELOPMENT EXPENSES:

	For the year ended December 31,	
	2020	2019
	\$'000	\$'000
Business development	400	144
Salaries and benefits	233	344
Marketing	47	371
Other	71	66
Total	751	925

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Notes to the Financial Statements**NOTE 15 - GENERAL AND ADMINISTRATIVE EXPENSES:**

	For the year ended December 31,	
	2020	2019
	\$'000	\$'000
Salaries and benefits	102	203
Share based payment	225	* 303
Consulting	368	251
Public Relations	893	** 388
Professional fees	144	158
Insurance	58	30
Rental and office expenses	35	50
Refreshments	9	17
Other	75	57
Total	1,909	1,457

* Public Relations was reclassified from marketing, distribution and business development expenses to general and administrative expenses due to the fact that those expenses are related to raising capital

** Reclassified from share based payment

NOTE 16 - FINANCE EXPENSE AND INCOME:**Finance expense:**

	For the year ended December 31,	
	2020	2019
	\$'000	\$'000
Changes in fair value of convertible notes	13	138
Interest on governmental liabilities on grants received	89	104
Interest and bank charges and other	100	4
Capital issuance fees	3	115
Changes in fair value of derivative liability – warrants	46	-
Total finance expense	251	361

Finance income:

	For the year ended December 31,	
	2020	2019
	\$'000	\$'000
Changes in fair value of derivative liability – warrants	-	242
Net foreign exchange gain	45	17
Total finance income	45	259

NOTE 17 - TAXATION:

A. Israeli tax rates:

Israeli corporate tax rates are 23% in 2020 and 2019.

B. Net operating losses carry forward:

As of December 31, 2020, the Company has estimated carry forward tax losses of approximately 13,413 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,	
	2020	2019
	\$'000	\$'000
Loss before income tax	(3,202)	(2,615)
Tax computed at the corporate rate in Israel	736	601
losses for which no deferred tax asset is recognized	(736)	(601)
Total income tax expense	-	-

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Notes to the Financial Statements**NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:**

The Company holds the following financial instruments:

Financial assets	2020	2019
	\$'000	\$'000
<i>Financial assets at amortized cost</i>		
Cash and cash equivalents	3,067	341
Restricted cash	84	38
Trade receivables	68	91
Other accounts receivables	71	54
	3,290	524
Financial liabilities		
	2020	2019
	\$'000	\$'000
<i>Financial liabilities at amortized cost</i>		
Trade and other payables	388	461
Governmental liabilities on grants received	426	378
	814	839
<i>Financial assets at fair value</i>		
Convertible notes	-	178
Derivative liability – warrants	76	32
	76	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 balances exposure to interest is minimal. The risk management policies employed by the Company to manage these risks discussed below.

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.

NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

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, 2020			
	US dollar	AUD	NIS	Total
Assets				
Cash And cash equivalents	27	2,871	169	3,067
Restricted cash	-	-	84	84
Trade receivables	48	-	20	68
Other accounts receivables	58	-	13	71
	133	2,871	286	3,290
Liabilities				
Trade and other payables	18	130	240	388
Derivative liability – warrants	-	76	-	76
Governmental liabilities on grants received	426	-	-	426
	444	206	240	890

NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Assets	As at December 31, 2019			
	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

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.

	2020	2019
Linked to US dollar	(311)	(363)
	5%	5%
	16	18
Linked to AUD	2,665	(182)
	5%	5%
	133	9

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.

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Notes to the Financial Statements

NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments except for governmental liabilities on grants received which based on the repayment forecast of the management of the company

December 31, 2020:

	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							
Derivative liability – warrants	(76)	-	(76)	-	-	-	(76)
Trade and other accounts payables	(388)	(388)	-	-	-	-	(388)
Governmental liabilities on grants received	(426)	(70)	(146)	(234)	(302)	-	(752)
Total	(890)	(458)	(222)	(234)	(302)	-	(1,216)

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)

D. Fair value of financial assets and liabilities:

	Fair value measurements using input type			
	U.S. \$ in thousands			
	Level 1	Level 2	Level 3	Total
As of December 31, 2020				
Warrants (issuance of a unit of securities) **	76	-	-	76
As of December 31, 2019				
Convertible notes	-	-	178	178
Warrants	-	-	*	*
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

NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.)

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.

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 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:

31.12.2019				
Item	Fair value	Unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
	U.S. \$ in thousands			
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	*	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 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

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

	2020	2019
	U.S. \$ in thousands	
Convertible notes		
Balance as of January 1	178	-
Receipts of convertible notes	-	545
Repayment of convertible note	-	(88)
Conversion of convertible notes to shares	(106)	(431)
Net loss recognized in Profit or loss	(72)	152
Balance as of December 31	-	178
Warrants		
Balance as of January 1	*	-
Receipts of Warrants	-	186
Transferred out to Level 1 **	-	(119)
Expiration	*	-
Net Profit recognized in Profit or loss	-	(67)
Balance as of December 31	-	*

* 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 measured at Level 1

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, 2020 and December 31, 2019 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 raising. 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 19 - RELATED PARTY AND SHAREHOLDERS:

Related party transactions:

	For the year ended December 31,	
	2020	2019
	\$'000	\$'000
Compensation of key management personnel of the Company:		
Short-term employee benefits *)	171	282
Share base payment	-	295
Other related party transactions:		
Material costs	-	33

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

Balances with related parties:

	As at December 31,	
	2020	2019
	\$'000	\$'000
Trade payables	81	86

NOTE 20 - 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,	
	2020	2019
	\$'000	\$'000
Expenses in respect of defined contribution plans	39	87