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 2018
Previous period:	For the year ended 31 December 2017

2. Results for announcement to the market

			31-Dec-18 US$'000	31-Dec-17 US$'000
Revenues from ordinary activities	up	100%	305	-
Loss from ordinary activities after tax attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	down	41%	2,884	4,883
Loss for the year attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	down	41%	2,884	4,883

Dividends

	Amount per security Cents	Franked amount per security Cents

Not applicable.

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

3. Net tangible assets

	Reporting period U.S. dollars	Previous period U.S. dollars
Net tangible assets per ordinary security	0.0019	0.0492

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

Roots Sustainable Agricultural Technologies Ltd
Appendix 4E
Preliminary final report

6. Details of associates and joint venture entities

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

Not applicable.

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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.

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8. Attachments

The Annual Report of Roots Sustainable Agricultural Technologies Ltd for the year ended 31 December 2018 is attached.

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9. Signed

רוטס - טכנולוגיות חקלאיות
ברות קיימא בע"מ
ח.פ. 514262682

Signed

Date: 28 February 2019

Sharon Devir
Director
Beit Halevi

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Annual Report – 31 December 2018

Directors	Sharon Devir (Executive Chairman and CEO) Boaz Wachtel (Executive Director) Adam Blumenthal (Non-Executive Director) Graeme Smith (Non-Executive Director) Dafna Shalev-Flamm (Non-Executive Director)
Company secretary	Sarah Smith
Registered office	C/- Mirador Corporate Pty Ltd Suite 2, 1 Altona Street West Perth WA 6005 Telephone: +61 8 6559 1792
Principal place of business	Hamezach 1 Str. Kefar Vitkin Israel
Share registry	Automic Share Registry Level 2, 267 St Georges Terrace Perth WA 6000 Telephone: 1300 288 664
Auditor	BDO - Tel Aviv Amot Bituach House Bldg. B 48 Derech Menachem Begin Rd Tel Aviv Israel
Solicitors	**Australian Legal Advisor** Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000 **Israeli Legal Advisor** GKH Law Offices One Azrieli Center Round Building Menachem Begin St. Tel Aviv 6701101 Israel
Bankers	Bank Hapoalim Ltd. Branch 407 Hatidhar St. 16 Raanana IA 43100 Israel Westpac Banking Corporation Level 4, Brookfield Place, Tower Two 123 St Georges Tce Perth WA 6000
ASX Code (Shares)	ROO
Website	www.rootssat.com

Roots Sustainable Agricultural Technologies Ltd
Directors' Report
31 December 2018

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 2018.

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)
Tal Misch Vered (appointed on 9 November 2017, resigned 29 May 2018)

Principal activities
The principal activity of the Group during the year was the sale of root zone heating and cooling systems to greenhouse farmers and the development of irrigation systems with combined fertilization and heating/cooling roots zone management.

Review of operations

Roots Sustainable Agricultural Technologies Ltd is an agricultural technology company focused on developing, producing and commercializing precision agriculture technologies that help:

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

The highlights for the current financial year include:

Technical
- Showcasing world-first off-grid, solar and wind-operated Irrigation by Condensation (IBC) installation on beans and alfalfa at key international agriculture conference Agri-Tech Israel 2018;
- Successful hydroponic nutrient-temperature controlled greenhouse installation using RZTO, in partnership with Teshuva Agricultural Projects (TAP), where plant roots remained within favourable growing ranges more than 11 degrees lower than the ambient air temperature of nearly 40 degrees;
- Excellent RZTO proof of concept results showing a 40 to 272 percent increase in average plant wet weight of eight
- strains of heated medical cannabis;
- RZTO cooling increasing lettuce growth in greenhouse of more than 130% and nearly halving growing time;
- Cooling chives roots using RZTO during Israeli summer to increase yield by more than 250%;
- Completing world-first pilot in a commercial operation combining RZTO and Nutrient Film Techniques (NFT);
- ;
- Conducting a successful winter pilot on basil increasing yield by 66%; and
- Entering the floriculture sector with successful RZTO cooling on Alstroemeria (Peruvian Lily).
- Opened new demonstration research and development hub in Hasahron Area, Central Israel to allow faster commercialization of agtech solutions and innovation;

Marketing and Sales

- Entry into China with exclusive distribution agreement with Dagan, conditional on $US19 million in ongoing sales over five years;
- First China sales with significant US$257,000 contract for RZTO;
- First RZTO commercial sale in Israel for medical cannabis;
- Israeli Government approval of up to 30% subsidy for basil growers using RZTO, following successful basil pilot;
- First RZTO commercial sale in Israel for basil
- Entry and first RZTO sale in South Korea through agreement with Korean agricultural production and distribution company.
- Signed non-excusive Australian distribution agreement for RZTO and pilot demo program
- Signed Letter of Intent with Teshuva Agricultural Projects (TAP) for global collaboration on hydroponic greenhouses using NFT and RZTO systems.

IP

- Granting of Australian patent for RZTO.
- Divisional patent granted in India for irrigation by condensation (IBC) technology
- Additional filing of IP in various territories in process

Corporate

- Formation of Scientific Advisory Board comprising Professor Raoul Bino, Professor Haim Rabinowitch and Professor Uzi Kafkafi, academic leaders in agriculture from Holland and Israel.
- Appointed Dave Sharma, former Australia Ambassador to Israel, to assist with the development of international contracts world-wide.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2018 (2017: Nil).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

In February 2019, the Company announced its intention to complete a non-renounceable entitlement issue of one (1) Option for every two (2) CDIs held by eligible CDI Holders registered at the Record Date at an issue price of $0.04 per Option.

In February 2019, the Company has received a financing commitment by way of execution of a convertible securities agreement with CST Capital (hereafter: the Investor), in which the Company borrowed a total amount of up to AUD 1.62 million ($1,212 thousand) via the issue of convertible notes (hereafter: the Notes). The Notes will be issued in two tranches with a face value of AU$1.00 per Note (Face Value), with 1,650,000 collateral CDIs over fully paid ordinary shares (CDIs) to be issued to the Investor prior to the first purchase of 900,000 Notes. The first tranche is for an amount of AU$0.81 million. A subsequent tranche of up to AU$0.81 million will be issued at a later date subject to mutual consent between Roots and the Investor. The Notes will be 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, upon issuance of a tranche, the Investor 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 19 February 2019, the Company issued 1,935,484 Unlisted Options (exercisable at $0.14 on or before 19 August 2020) being the Options relating to the first tranche of Notes.

Likely developments and expected results of operations

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

Information on Directors

Name:	Mr Sharon Devir
Title:	Executive Director/CEO
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:	Chairman, CEO
Interests in shares:	2,931,564 CDI's (subject to escrow until 6 December 2019) 28,000 CDI's
Interests in options:	430,490 Options
Contractual rights to shares:	2,000,000 Performance Rights

Name:	Mr Boaz Wachtel
Title:	Co-Founder, R&D and Business Development, Executive Director
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):	MMJ Phytotech (resigned August 2015)
Special responsibilities:	Business Development
Interests in shares:	5,298,777 CDI's (subject to escrow until 6 December 2019) 78,000 CDI's
Interests in options:	850,510 Options
Contractual rights to shares:	1,000,000 Performance Rights (subject to escrow until 6 December 2019)

Name:	Mr Adam Blumenthal
Title:	Non-Executive Director
Qualifications:	Bachelor of Commerce, a Masters of International Relations and a Masters of Business Administration
Experience and expertise:	Mr Blumenthal has 10 years' experience in investment banking and corporate finance. He has deep exposure to Australian and international markets, having provided capital raising and financing solutions to an extensive number of unlisted and listed companies. Mr Blumenthal has played a lead role in advising and supporting multiple organisations across a broad spectrum of industries. Using his experience and extensive network of international contacts to provide corporate advisory and capital markets input, he has successfully brought to market several companies and is actively involved in mining, cyber security, agricultural technology, medicinal cannabis, pharmaceutical and information technology sectors. Mr Blumenthal is a shareholder of EverBlu, the Lead Manager to the Offer and, on 23 August 2017, was appointed as the Chairman on EverBlu.
Other current directorships:	Creso Pharma Limited Burrabulla Corporation Limited
Former directorships (last 3 years):	MOV Corporation Limited (resigned December 2014)
Interests in shares:	966,667 CDI's (subject to escrow until 6 December 2019) 354,632 CDI's
Interests in options:	Nil
Contractual rights to shares:	1,783,333 Performance Rights (subject to escrow until 6 December 2019)

Name:	Mr Graeme Smith
Title:	Independent Director and Non-Executive Director
Qualifications:	Certified Practicing Agriculturist (CPAG)
Experience and expertise:	Mr Smith is a Melbourne-based, world agriculture and horticulture expert, consultant and lecturer. Mr Smith is a Certified Practicing Agriculturist (CPAG), from the Australian Institute Agricultural Science and Technology. Graeme Smith Consulting has (beginning with Hydroponic Designs Pty Ltd), delivered over 40 protected cropping projects around Australia since 1995. These projects have largely delivered modern greenhouse food production systems ranging from 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

Name:	Ms Tal Misch Vered (resigned 29 May 2018)
Title:	Independent Director and Non-Executive Director
Qualifications:	Certified Public Accountant, BA, MSc.
Experience and expertise:	Ms Misch Vered is a Certified Public Accountant since 1994. She is currently a board member of four Israeli public companies and an institutional investor as follows: Telsys Ltd. (Chairperson of the financial statements and the compensation committee), Medipower (Overseas) Public (Chairperson of the financial statements committee and the compensation committee), Opal Balance Investments, Ltd. (Chairperson of the financial statements committee and the compensation committee), and Mordechai Aviv, Keren Hishtalmut le Ovdei Medina (Chairperson of the audit committee).
Other current directorships:	Telsys Ltd, Medipower (Overseas) Public, Opal Balance Investments, Ltd. Mordechai Aviv, Keren Hishtalmut le Ovdei Medina
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of the Audit and remuneration committees (resigned 29 May 2018)
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 2018, and the number of meetings attended by each director were:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Sharon Devir	6	6	-	-	1	1
Boaz Wachtel	5	6	-	-	1	1
Adam Blumenthal	6	6	1	2	1	1
Graeme Smith	6	6	2	2	1	1
Dafna Shalev-Flamm (i)	2	2	1	1	-	-
Tal Misch Vered (ii)	4	4	1	1	1	1

(i) Dafna Shalev-Flamm was appointed as a Non-Executive Director on 29 May 2018.
(ii) Tal Misch Vered resigned as a Director on 29 May 2018.

Shares under option

At the date of this report, the unissued ordinary shares under option are as follows:

Grant date	Expiry date	Exercise price	Number under option
29 November 2017	30 November 2022	AUD $0.01	1,655,000
19 February 2019	19 August 2020	AUD $0.14	1,935,484

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

At the date of this report, the number of performance rights on issue was as follows:

Grant date	Class	Expiry date	Number of rights issued
29 November 2017	Class A	29 November 2020	2,966,666
29 November 2017	Class C	29 November 2020	2,966,667
19 June 2018	Class D	19 June 2023	200,000
			6,133,332

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 D Performance Rights	66,666 Performance Rights will vest upon 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 66,667 Performance Rights will vest upon completion of 24 months continuous service to the Company.

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.

Non-audit services

During the year, BDO Israel, the Company's auditor, did not provide any services other than their statutory audits.

In the event that non-audit services are provided by BDO Israel, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and not compromise the auditor independence. These procedures include:

- all non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Corporations Act 2001

As a foreign company registered in Australia, the Company will not be subject to Chapters 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (e.g. substantial holders and takeovers).

Under the Israeli Companies Law there are restrictions on acquisition of shares, requiring a tender offer for acquisition of public Company shares resulting in a holding of 25% or more voting rights of the Company. In addition, under the Companies Law, a person may not purchase shares of a public company if, following the purchase of shares, the purchaser would hold more than 90% of the company's shares, unless the purchaser makes a tender offer to purchase all of the target company's shares. Otherwise, the acquisition of the company's securities generally not restricted by the company's articles of association or the laws of Israel, except that Israeli law prohibits the ownership of securities by nationals of certain countries that are, or have been, in a state of war with Israel.

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

Roots Sustainable Agricultural Technologies Ltd
Directors' Report
31 December 2018

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

On behalf of the directors

רוטס - טכנולוגיות חקלאיות
בנות קיימא בע"מ
ח.פ. 514262682

Sharon Devir
Director

28 February 2019
Beit-Halevi

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

As lead auditor of Roots Sustainable Agricultural Technologies Ltd. for the year ended 31 December, 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements in relation to the audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Tel-Aviv, Israel
February 28, 2019

Ziv haft Ziv Haft

Certified Public Accountants (Isr.)

BDO Member Firm

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Financial Report – December 31, 2018

Roots Sustainable Agricultural Technologies Ltd

December 31, 2018

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

Independent Auditors' Report to Shareholders of Roots Sustainable Agricultural Technologies Ltd.

Opinion

We have audited the accompanying financial report of Roots Sustainable Agricultural Technologies Ltd (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the related statements of comprehensive income, changes in equity 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, 2018, 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 and net losses of USD 2,884 thousand during the year ended December 31, 2018. 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	*How the matter was addressed in our audit*
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.	Our procedures in respect of this area included: • Reviewing the terms of the grant agreements and ensuring that they were appropriately accounted for in the measurement of the liability. • Agreed the key assumptions, inputs and royalty rates to the approved budget and to the terms of the underlying grant agreements. Holding discussions with key management personnel to understand management's sales forecast and the associated assumptions in determining the fair value and the amortized cost of the grant liability.

The accounting policy for government grants is described in Note 2(E), and the breakdown of the associated liability is disclosed in Note 7(C) of the accompanying financial report.	• Evaluating, with our valuation experts, the discount rate applied in calculating the fair value as used by the Company's independent valuation expert.
Share based payment	***How the matter was addressed in our audit***
The Company has a share based remuneration scheme. The fair value of share options is estimated by using the pricing model, on the date of grant based on certain assumptions. The fair value of the share based payment granted is charged to the statement of comprehensive income over the vesting period of each tranche and the credit is taken to equity, based on the Company's estimate of shares that are expected to vest. Some of the share options plans have performance conditions in addition to continued service. Share-based payments is a complex accounting area including assumptions utilized in the fair value calculations. There is a risk that amounts are incorrectly recognized and/or inappropriately disclosed in the financial report. The accounting policy for share based payment is described in Note 2(Q), and the assumptions are disclosed in note 9 of the accompanying financial report.	Our procedures in respect of this area included: • Reviewing the terms of the share based scheme and ensuring that they were appropriately accounted for. • Holding discussions with key management personnel to understand the share-based payment schemes and the changes made to the awards, if any. • Reviewing communications to scheme members regarding any changes and the reviewing shareholder's approval. • Evaluating, with our valuation experts, the calculation of the fair value as held by the Company's independent valuation expert. • Recalculated the estimated charge which reflect the best estimate of the number of options expected to be vested. • Confirmed the inputs to the calculations, where appropriate, to external data. • Considered the adequacy of the Company's disclosures in respect with the treatment of share-based payments in the financial report.
Going concern – note 1B	***How the matter was addressed in our audit***
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 2018 the Company has current assets of USD 842 thousand, includes cash and cash equivalents of USD 593 thousand and trade and other payables of USD 418 thousand. According to the Company's projected 12 month cash flow forecast an outgoing of approximately USD 2,000 thousand is expected. The Company also included in its cash flow forecast receipt from a convertible loan agreement in which the Company has borrowed a total of AUD 1,620 thousand (approximately USD 1,150 thousand) from its shareholders. The Company's ability to pay its trade and other payables over the next 12 months is dependent upon generating enough revenue from its operations and additional capital raisings There is a risk that the Company may not be able to pay its debts when they fall due, therefore is key audit matter.	Our procedures in respect of this area included: • Reviewing the Company's 12 month cash flow forecast and holding discussions with management regarding the accuracy of the projected operational expenditure and cash receipt from convertible loan and revenue from its operations. • Obtained confirmation for the receipt of USD 575 thousand post 31 December 2018. • 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 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of these financial report in accordance with IFRSs, and for such internal control as management and the directors determines is necessary to enable the preparation of consolidated financial report that are free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Management and the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Report

our objectives are to obtain reasonable assurance about whether the financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Yaniv Cohen
Partner
Tel-Aviv, Israel
February 28, 2019

Ziv haft
Certified Public Accountants (Isr.)
BDO Member Firm

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Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Financial Position

	Note	As at December 31, 2018 $'000	As at December 31, 2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		593	3,544
Restricted cash	7.B	35	23
Trade receivables		115	-
Other accounts receivables	4	154	39
Total Current Assets		**897**	**3,606**
Non-Current Assets			
Property and equipment		78	45
Total Non-Current Assets		**78**	**45**
TOTAL ASSETS		**975**	**3,651**

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

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Financial Position

	Note	As at December 31, 2018 $'000	As at December 31, 2017 $'000
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables		63	130
Other account payables	5	398	167
Total Current Liabilities		**461**	**297**
Non-Current Liabilities			
Governmental liabilities on grants received	7.C	394	352
Total Non-Current Liabilities		**394**	**352**
Shareholder's equity			
Equity attributable to owners of the parent			
Share capital	8	9,567	9,457
Foreign currency translation reserve		(143)	(35)
Accumulated losses		(9,304)	(6,420)
Total Shareholders' equity		**120**	**3,002**
TOTAL LIABILITIES AND EQUITY		**975**	**3,651**

February 28, 2019			
Date of approval of the financial statements	Sharon Devir Chief Executive officer	Boaz Wachtel Director	Moshe Hukaylo Chief Financial officer

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

Statements of Comprehensive loss

	Note	For the year ended December 31, 2018 $'000	2017 $'000
Revenues	11	305	-
Cost of revenues		268	-
Gross profit		37	-
Share based compensation	9	110	2,548
Listing fee expenses		31	641
Research and development expenses, net	12	849	222
Marketing, distribution and business development expenses	13	967	-
General and administrative expenses	14	819	156
Loss from operations		**2,737**	**3,567**
Finance expense	15	147	1,412
Finance income	15	-	96
Loss before income tax		**2,884**	**4,883**
Income tax	16	-	-
Net loss		**2,884**	**4,883**
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Translation adjustment to the presentation currency		108	17
Total comprehensive loss		**2,992**	**4,900**
Loss per share			
Basic and diluted loss per share ($)	8,10	(0.046)	(0.253)

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

For the year ended December 31, 2018:

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

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

For the year ended December 31, 2017:

	Share Capital	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
	$'000	**$'000**	**$'000**	**$'000**
Balance at January 1, 2017	**1,078**	**(18)**	**(1,537)**	**(477)**
Changes during the period:				
Comprehensive loss:				
Loss for the period	-	-	(4,883)	(4,883)
Other comprehensive loss:				
Translation differences	-	(17)	-	(17)
Total comprehensive loss for the period	**-**	**(17)**	**(4,883)**	**(4,900)**
Issuance of shares upon IPO, net	3,292	-	-	3,292
Issuance of benefit shares	-	-	-	-
Stock based compensation	2,810	-	-	2,810
Conversion of convertible loan to shares	2,277	-	-	2,277
Balance as of December 31, 2017	**9,457**	**(35)**	**(6,420)**	**3,002**

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

Statements of Cash Flows

	For the year ended December 31, 2018	For the year ended December 31, 2017
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	(2,884)	(4,883)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	10	3
Share-based compensation expenses	110	2,548
Share-based compensation included in listing fee expenses	-	262
Loss from changes in fair value of embedded derivative	-	1,362
Change in liability for grants received from the IIA	-	(287)
Interest on liability for grants received from the IIA	105	-
Increase in trade receivable	(117)	-
Increase in other accounts receivable	(126)	(27)
Increase (decrease) in trade payable	(63)	87
Increase in other accounts payable	215	123
Net cash used in operating activities	**(2,750)**	**(812)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(48)	(45)
Change in restricted cash	(14)	(11)
Net cash used in investing activities	**(62)**	**(56)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of liabilities on grants received from IIA	(6)	-
Receipt of grants from the IIA	-	62
Receipt of convertible loan	-	900
Net Proceeds from issuance of shares upon IPO	-	3,292
Net cash provided by financing activities	**(6)**	**4,254**
Translation differences on cash and cash equivalents	(133)	56
Increase (decrease) in cash and cash equivalents	(2,818)	3,386
Cash and cash equivalents at beginning of the year	3,544	102
Cash and cash equivalents at the end of the year	**593**	**3,544**

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, 2018 the Company has incurred negative cash from operation and net losses of USD 2,884 thousand for the current year. As a result of these matters, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

The directors believe that the company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on receipt from a convertible note agreement (see Note 20B) in addition to revenues backlog. The Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis on the basis that the above can be reasonably expected to be accomplished.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

A. Basis of preparation:

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for the embedded derivative that is measured at fair value through profit or loss.

B. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenue and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

C. Functional and reporting currency:

The majority of the Company's costs are incurred in New Israeli Shekel (hereafter "NIS"). Thus, the functional currency of the Company is NIS.

The financial statements are presented in United States Dollars, which provides relevant information for the majority of investors and users of the financial statements. All values are rounded to the nearest dollar unless otherwise stated.

Assets and liabilities are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive loss.

D. Foreign currency transactions:

Transactions denominated in foreign currency (other than the functional currency) are recognized on initial recognition at the exchange rate as of the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate as of that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate as of the date of the transaction.

E. Governmental liabilities on grants received:

Grants received from the IIA for Israel Innovation Authority (henceforth "IIA") as support for a research and development projects include an obligation to pay back royalties conditional on future sales arising from the project. Grants received from the IIA are accounted for as forgivable loans, accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a grant and recognized in profit or loss as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Changes in the projected cash flows are discounted using the original effective interest and recognized in profit or loss. At the end of each reporting period, the company evaluates, based on its best estimate of future sales, whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid. If there is such reasonable assurance, the appropriate amount of the liability is derecognized and recognized in profit or loss as an adjustment of research and development expenses. If the estimate of future sales indicates that there is no such reasonable assurance, the appropriate amount of the liability that reflects expected future royalty payments is recognized with a corresponding adjustment to research and development expenses.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

F. Cash equivalents:

Cash equivalents are considered by the Company to be highly-liquid investments, including, inter alia, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

G. Restricted cash:

Restricted cash is considered by the Company to be deposits with banks which are used mainly as a security for guarantees provided against payable payments in advance.

H. Deferred taxation:

Deferred tax asset or liability is recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Recognition of deferred tax asset is restricted to those instances where it is probable that such difference can be utilized. As of December 31, 2018 and 2017, there is deferred tax assets since it is not probable that taxable profit will be available in the foreseen future therefore no deferred tax assets recognized.

I. Impairment of non-financial assets:

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest Company of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

During the years 2018 and 2017 no impairment charges of non-financial assets were recognized.

J. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability, or
2. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of fair value hierarchy

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1	-	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	-	Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
Level 3	-	Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

K. Financial instruments:

The accounting policy applied until December 31, 2017 in regards of financial instruments is as follows:

1. Financial assets:

The Company classifies its financial assets depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Loans and receivables: Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market and they are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, loans are measured based on their terms at amortized cost plus directly attributable transaction costs using the effective interest method and less any impairment losses.

2. Impairment of financial assets:

The Company assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset as follows. Financial assets carried at amortized cost:

There is objective evidence of impairment of loans and receivables if one or more events have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments. The amount of the loss recognized in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate at initial recognition). If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal recognized in profit or loss.

3. Financial Liabilities:

The Company financial liabilities are mainly governmental liabilities, convertible loans, trade payables and other accounts payable, the governmental grants measured at amortized cost using the effective interest rate method. In 2017 the convertible loans are designated upon initial recognition as at fair value through profit or loss, during 2017 the loan converted to shares.

<u>The accounting policy applied as from January 01, 2018 in regards of financial instruments is as follows:</u>

1. Financial assets:

The Company classifies its financial assets into one of two categories, depending on the purpose for which the asset was acquired.

Amortized cost

These assets arise principally from the 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.

2. Financial Liabilities:

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Amortized cost

These liabilities include Governmental liabilities on grants received, initially recognized at fair value plus transaction costs that are directly attributable to the issue of the instrument, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

3. Derecognition:

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.

Financial Liabilities

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

L. Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

Revenues from Construction Contracts

The Company recognizes income from construction contracts over time, since the Company's performance creates an asset that the customer controls as the asset is created.

Revenues are recognize by the input methods.

Input methods recognize revenue on the basis of an entity's efforts or inputs towards satisfying a performance obligation (including resources consumed, labor hours expended, costs incurred, time elapsed) relative to the total expected inputs to satisfy the performance obligation.

When a loss from a contract is anticipated, a provision is made in the period in which it first becomes evident, for the entire loss anticipated, as assessed by the company's management.

The payment terms in the projects are based on milestones set at the date of signing the contract and are based mainly on the rate of progress. For this reason, the Company is not expected to recognize assets in respect of contracts and liabilities in respect of contracts in significant amounts in relation to these contracts.

Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

M. 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).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. 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:

	%
Computer equipment	33
Machinery and equipment	7-20
Vehicles	15

O. 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.

P. Operating Segment

The company currently conduct its operation through one operating segment.

Q. 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. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied,

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense charged is not adjusted for failure to achieve a market vesting condition.

R. Research and Development:

Costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

During the years 2018 and 2017 the company didn't stand in the following criteria therefore all research and development recognized as expenses.

S. 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.

T. 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 continuing operations. 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.

U. New IFRSs adopted in the period:

1. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has implemented the requirements of IFRS 9 retrospectively on the basis of the facts and circumstances that existed as of January 1, 2018 by recognizing the cumulative effect of the retrospective

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

application as an adjustment to the opening balance of retained earnings and other components of equity as of January 1, 2018.

The adoption of IFRS 9 did not have an impact on the financial statements.

2. IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The Company elected to apply IFRS 15 retrospectively for the first time by recognizing the cumulative effect of the retroactive application as an adjustment to the opening balance of retained earnings as at January 1, 2018. The adoption of IFRS 15 did not have an impact on the financial statements.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's earnings and financial position is Governmental liabilities on grants received.

Governmental liabilities on grants received

The Company measured governmental liabilities on grants received, each period, based on discounted cash flows derived from Company's future anticipated revenues. The discount rate reflect the market rate.

NOTE 4 - OTHER ACCOUNTS RECEIVABLES:

	As at December 31,	
	2018	2017
	$'000	$'000
Government institutions	63	33
Prepaid expenses	46	-
Other receivables	45	6
	154	**39**

NOTE 5 - OTHER ACCOUNTS PAYABLES:

	As at December 31,	
	2018	2017
	$'000	$'000
Employees and related institutions	121	72
Accrued expenses	99	48
Governmental liabilities on grants received (Note 7.C)	39	10
Liabilities to related parties	90	3
Other payables	49	34
	398	**167**

NOTE 6 - CONVERTIBLE LOAN:

On April 2017, the Company signed a convertible loan agreement (the "Agreement") with an investor (hereafter: the Lender), in which the Company borrowed a total amount of AUD 1.2 million ($900 thousand). The loan bears an annual interest of 3% starting October 2017.

According to the Agreement the loan will be mandatory converted to the Company's ordinary shares In case of an initial public offering ("IPO") at an exercise price of $0.06 (AUD 0.08). The Company designated upon initial recognition that the convertible loan will be measured at fair value through profit or loss. Upon the IPO that took place in December, 2017 the loan fair value amounted to $ 2,277 thousand was converted into 15,000,000 shares.

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES:

A. The Company leases premises for its offices and R&D center in Bet Halevi. The initial contract period ended September 30, 2015. According to the lease agreement, the Company has an option to renew the lease period for tree additional years at its discretion. The company chose to utilize this option.

Total rent expenses for the years ended December 31, 2018 and 2017 were 20 and 3 thousand U.S. dollars respectively.

B. As of December 31, 2018 and 2017, the Company has a lien in first degree to the bank in amount of approximately 35 and 23 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, 2018 and 2017 the Company has received grants amounted to 0 and 62 thousands U.S. dollars respectively, the aggregate governmental liabilities was 433 and 362 thousands U.S. dollars, respectively. The exceptions of the Company to pay the grants are based on its estimation at the end of the each year. As of December 31, 2018 the company paid royalty to the IIA amounted to 6 thousands U.S. dollars.

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES (CONT.):

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	
	2018	**2017**
	$'000	**$'000**
At 1 January	362	539
Changes from financing cash flows grants received from IIA	-	62
Repayment of liabilities on grants received from IIA	(6)	-
Total changes from financing cash flows	(6)	62
changes in fair value	-	(287)
Interest on liability	105	-
The effect of changes in foreign exchange rates	(28)	48
At 31 December	**433**	**362**

NOTE 8 - SHAREHOLDERS EQUITY:

	Number of shares			
	December 31, 2018		December 31, 2017	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary shares of NIS 0.01 par value	100,000,000	63,966,667	100,000,000	61,000,000

A. 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.

B. In January 1, 2016 the share capital consists of 217,682 ordinary shares of NIS 0.01 and during 2016, the company has issued share capital as following:

- The company issued 10,464 ordinary shares of NIS 0.01 par value for four lenders and 4,532 ordinary shares of NIS 0.01 par value for an employee. See also note 6.
- Two employees exercised 9,256 options into 9,256 ordinary shares of NIS 0.01 par value at a price of NIS 0.01 per share. See also note 9.
- The company issued 14,335 ordinary shares of NIS 0.01 par value, for a total amount of 244 thousand U.S. dollars.

NOTE 8 – SHAREHOLDERS EQUITY (CONT.):

C. On April 3, 2017, the company reconstruct the share capital of the Company by issuance of 14,743,731 Ordinary Shares as bonus shares to be pro-rata allocated to the holders of the Ordinary Shares of the Company so that the holding ratio remain the same as previous to the reconstruction.

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

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

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

NOTE 9 - SHARE BASED PAYMENT:

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

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

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

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

NOTE 9 - SHARE BASED PAYMENT (CONT.):

- 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:

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, 2018 the company recognized an expense at the amount of $ 56 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, 2018 the company recognized an expense at the amount of $ 13 thousand.

Data related to the share option plan as of December 31, 2018 and changes during the two years ended on that date are as follows:

	2018		2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		NIS		NIS
Options outstanding as beginning of year	1,655,000	0.04	-	-
Changes during the year:				
Granted	160,000	0.04	1,655,000	0.04
Forfeited	(36,000)	-	-	-
Exercised	-	-	-	-
Options outstanding at end of year (*)	1,779,000	0.04	1,655,000	0.04
Options exercisable at year-end	1,415,667	0.04	1,281,000	0.04
Weighted-average fair value of options Granted during the year	$ 34,164		$ 421,000	

* The options outstanding at 31 December 2018 had a weighted-average contractual life of 3.04 year.

NOTE 9 - SHARE BASED PAYMENT (CONT.):

B. Performance rights:

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

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

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

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

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

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

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

• 66,667 Performance Rights will vest upon the completion of 12 months of continuous service to the Company.

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

• 66,667 Performance Rights will vest upon the completion of 24 months continuous service to the Company.

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

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

NOTE 9 - SHARE BASED PAYMENT (CONT.):

The total fair value of performance rights is 71 thousand (AUD 96 thousand), $41 thousand was expensed through profit and loss during the period.

Data related to the Performance rights as of December 31, 2018 and changes during the two years ended on that date are as follows:

	2018		2017	
	Number of rights	Weighted Average Exercise Price	Number of rights	Weighted Average Exercise Price
		NIS		NIS
Performance rights outstanding as beginning of year	8,900,000	-	-	-
Changes during the year:				
Granted	200,000	-	8,900,000	-
Forfeited	-	-	-	-
Exercised	(2,966,667)	-	-	-
Performance rights outstanding at end of year (*)	6,133,333	-	8,900,000	-
Performance rights exercisable at year-end	2,966,667	-	-	-
Weighted-average fair value of Performance rights Granted during the year	$ 71,000		$ 2,215,000	

* The Performance rights outstanding at December 31, 2018 had a weighted-average contractual life of 0.07 year.

NOTE 10 - LOSS PER SHARE:

Net loss per share attributable to equity owners:

	For the year ended December 31,	
	2018	2017
	$'000	$'000
Net loss used in basic and diluted EPS	(2,884)	(4,883)
Weighted average number of shares used in basic and diluted EPS	62,853,151	19,311,813
Basic and diluted net EPS (dollars)	(0.046)	(0.253)

At 31 December 2018, 6,133,333 Performance Rights and 1,779,000 options (2017: 8,900,000 Performance Rights and 1,655,000 options) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

NOTE 11 - REVENUE:

	For the year ended December 31,	
	2018	**2017**
Primary Geographic Markets	**$'000**	**$'000**
China	258	-
Israel	47	-
Total	**305**	**-**

NOTE 12 - RESEARCH AND DEVELOPMENT EXPENSES, NET:

	For the year ended December 31,	
	2018	**2017**
	$'000	**$'000**
Salaries and benefits	163	339
Subcontractors	453	123
Materials	160	47
Legal fees	45	-
Participation in expense	-	(5)
Other	28	5
	849	509
Governmental Grants received and changes in liability, net	-	(287)
Total	**849**	**222**

NOTE 13 - MARKETING, DISTRIBUTION AND BUSINESS DEVELOPMENT EXPENSES:

	For the year ended December 31,	
	2018	**2017**
	$'000	**$'000**
Public Relations	319	-
Marketing	259	-
Salaries and benefits	189	-
Business development	141	-
Other	59	-
Total	**967**	**-**

NOTE 14 - GENERAL AND ADMINISTRATIVE EXPENSES:

	For the year ended December 31,	
	2018	**2017**
	$'000	**$'000**
Salaries and benefits	271	-
Consulting	247	-
Professional fees	128	94
Insurance	58	4
Rental and office expenses	57	5
Refreshments	16	8
Exhibitions	7	41
Other	35	4
Total	**819**	**156**

NOTE 15 - FINANCE EXPENSE AND INCOME:

Finance expense:

	For the year ended December 31,	
	2018	**2017**
	$'000	**$'000**
Change in convertible loan	-	1,367
Interest on governmental liabilities on grants received	77	45
Interest and bank charges	3	-
Net foreign exchange loss	67	-
Total finance expense	**147**	**1,412**

Finance income:

	For the year ended December 31,	
	2018	**2017**
	$'000	**$'000**
Net foreign exchange gain	-	96
Total finance income	**-**	**96**

NOTE 16 - TAXATION:

A. Israeli tax rates:

Israeli corporate tax rates are 24% in 2017 and 23% in 2018.

The Law for the Amendment to the Income Tax Ordinance, New Version, 1961(hereafter – "the Ordinance") (Amendment 216 to the Ordinance) (hereafter – "the amendment") was published in the official gazette in January 2016; the said law stipulated the reduction of the rate of corporate tax from 26.5% to 25% commencing January 1, 2016. On December 2016, the Israeli government published the Economic Efficiency Law (2016) (legislative amendments to accomplish budget goals for the years 2017 and 2018) According to which, in 2017 the tax rate will decrease by 1% and starting 2018 by 2%; so that the tax rate will be 24% in 2017 and 23% in 2018 and onwards. Since the Company has carry forward losses and there is no deferred tax assets or liability there is no impact of the tax rate change.

B. Net operating losses carry forward:

As of December 31, 2018, the Company has estimated carry forward tax losses of approximately 5,562 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,	
	2018	**2017**
	$'000	**$'000**
Loss before income tax	(2,884)	(4,883)
Tax computed at the corporate rate in Israel	(663)	(1,172)
losses for which no deferred tax asset is recognized	663	1,172
Total income tax expense	-	-

NOTE 17 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Company is expose to 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, foreign exchange transactions and other financial instruments.

Trade receivables and contract assets

The Company believes that there is no material credit risk in light of Company's policy to assess the credit risk instruments of customers before entering contracts. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Cash and cash equivalents and deposits with banks

The Company holds cash and cash equivalents and deposit accounts in big banking institutions in Israel and in the Australia, thereby substantially reducing the risk to suffer credit loss

B. Foreign currency risk:

Foreign exchange risk arises when the company enter into transactions denominated in a currency other than its functional currency. The company is exposed to currency risk to the extent that there is a mismatch between the currency in which it denominated and the respective functional currency of the company.

The currencies in which some transactions are primarily denominated are US dollars and Australian dollars.

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

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

	As at December 31, 2017			
Assets	**US dollar**	**AUD**	**NIS**	**Total**
Cash And cash equivalents	83	3,446	15	3,544
	83	**3,446**	**15**	**3,544**
Liabilities				
Trade and other payables	41	101	71	213
Governmental liabilities on grants received	362	-	-	362
	403	**101**	**71**	**575**

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.

	2018	**2017**
Linked to US dollar	(337)	(320)
	5%	5%
	(17)	(16)
Linked to AUD	377	3,345
	5%	5%
	19	167

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 positive working capital and cash in bank to finance its working capital in the near future.

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

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

December 31, 2018:

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

December 31, 2017:

	Amortized cost						
	Book value	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 5 years**	**Total**
	U.S. dollars in thousands						
Trade and other accounts payables	(213)	(213)	-	-	-	-	(213)
Governmental liabilities on grants received	(362)	(11)	(44)	(89)	(177)	(518)	(839)
Total	**(575)**	**(224)**	**(44)**	**(89)**	**(177)**	**(518)**	**(1,052)**

D. Fair value of financial assets and liabilities:

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

The fair value of governmental liabilities on grants received measured (for disclosure purposes only) according to level 3.

Item	**Fair value**	**Valuation technique**	**Fair value hierarchy level**	**Significant unobservable inputs**
	$'000			
Governmental liabilities on grants received	433	fair value using a discount rate that reflects a market rate of interest	level 3	WACC

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

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

	2018	2017
	$'000	$'000
Balance as of January 1	-	-
Convertible loan	-	900
Conversion of convertible loan to shares (transferred out to Level 1) *	-	(2,277)
Loss recognized in Profit or loss:	-	1,377
Balance as of December 31	-	-

* At the time of conversion, the shares had quoted fair value, therefore measured at Level 1

E. The Group's objectives when maintaining capital are:

The Company seeks to maintain a capital structure which enables it to continue as a going concern and which supports its business strategy. The Company's capital is provided by equity rising. The Company manages its capital structure through raising funds from shareholders. The Company has net cash and cash equivalents at the balance sheet date of 593 (2017 – 3,132) thousands U.S. dollars, and a positive working capital. 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 a convertible note agreement (see Note 20B) in addition to revenues backlog.

NOTE 18 - RELATED PARTY AND SHAERHOLDRS:

Related party transactions:

	For the year ended December 31,	
	2018	2017
Compensation of key management personnel of the Company:	$'000	$'000
Short-term employee benefits *)	168	105
Share base payment	-	1,856
Other related party transactions:		
Material costs	435	-

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

Balances with related parties:

	As at December 31,	
	2018	2017
	$'000	$'000
Trade payables	90	2

NOTE 19 - EMPLOYEE BENEFITS:

The Company has defined contribution plans pursuant to Section 14 to the Severance Pay Law under which the Company pays fixed contributions to a specific fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

	Year ended December 31,	
	2018	**2017**
	$'000	**$'000**
Expenses in respect of defined contribution plans	33	18

NOTE 20 - EVENTS AFTER THE REPORTING PERIOD:

A. In February 2019, the Company announced its intention to complete a non-renounceable entitlement issue of one (1) Option for every two (2) CDIs held by eligible CDI Holders registered at the Record Date at an issue price of $0.04 per Option.

B. On February 2019, the Company has received a financing commitment by way of execution of a convertible securities agreement with CST Capital (hereafter: the Investor), in which the Company borrowed a total amount of up to AUD 1.62 million ($1,212 thousand) via the issue of convertible notes (hereafter: the Notes). The Notes will be issued in two tranches with a face value of AU$1.00 per Note (Face Value), with 1,650,000 collateral CDIs over fully paid ordinary shares (CDIs) to be issued to the Investor prior to the first purchase of 900,000 Notes. The first tranche is for an amount of AU$0.81 million. A subsequent tranche of up to AU$0.81 million will be issued at a later date subject to mutual consent between Roots and the Investor. The Notes will be 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, upon issuance of a tranche, the Investor 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 19 February 2019, the Company issued 1,935,484 Unlisted Options (exercisable at $0.14 on or before 19 August 2020) being the Options relating to the first tranche of Notes.

CORPORATE GOVERNANCE STATEMENT

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

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

ASX ADDITIONAL INFORMATION

1. SHAREHOLDINGS

The Company has ordinary shares on issue. The Company's ordinary shares traded on the ASX are traded as Chess Depository Interests ('CDI's') under the code ROO. Each CDI has a beneficial interest in a share.

The issued capital of the Company as at 27 February 2019 is 65,616,667. All issued ordinary fully paid shares carry one vote per share.

The Company as at 27 February 2019 has on issue the following unlisted securities:

- 3,590,484 unlisted options; and
- 6,133,333 performance rights.

Unquoted Options

- 1,281,000 unquoted options with an exercise price of $0.01 and an expiry date of 30 November 2022.
- 20,000 unquoted options with an exercise price of $0.01 and an expiry date of 30 November 2022.
- 354,000 unquoted options with an exercise price of $0.01 and an expiry date of 30 November 2022.
- 1,935,484 unquoted options with an exercise price of $0.14 and an expiry date of 19 August 2020.
- 2,966,666 Class A performance rights escrowed for 24 months.
- 2,966,667 Class C performance rights escrowed for 24 months.
- 200,000 Class D performance rights expiring 5 years from issue.

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

Range	Total holders	Units	% of Issued Capital
1 - 1,000	45	24,171	0.04%
1,001 - 5,000	759	2,104,910	3.21%
5,001 - 10,000	312	2,515,891	3.83%
10,001 - 100,000	455	13,998,886	21.33%
100,001 - 9,999,999,999	80	46,972,809	71.59%
Total	**1,651**	**65,616,667**	**100.00%**

The number of investors holding a less than marketable parcel of 5,800 ROO shares (based on a share price of A$0.086 was 844.

3. TOP TWENTY LARGEST SHAREHOLDERS AS AT 27 FEBRUARY 2019

	Holder Name	Number Held	Percentage
1	BOAZ WACHTEL	5,298,777	8.08%
2	SUBURBAN HOLDINGS PTY LIMITED	2,907,981	4.43%
3	YOUDIM PHARMACEUTICA LS LTD	2,682,750	4.09%
4	J P MORGAN NOMINEES AUSTRALIA	2,571,844	3.92%
5	SHARON DEVIR	1,931,564	2.94%
6	ERAN FRIEDMAN	1,741,545	2.65%
7	CST CAPITAL PTY LTD <CST INVESTMENTS FUND A/C>	1,650,000	2.51%
8	ALEX MEITLIS	1,524,777	2.32%
9	JACOB WEISMANN	1,241,545	1.89%
10	YOEL FRIEDMAN	1,241,545	1.89%
11	TOMER WEISMANN	1,241,545	1.89%
12	HORATIO STREET PTY LTD	1,102,500	1.68%
13	SHARON DEVIR	1,000,000	1.52%

14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	962,482	1.47%
15	MFCM NOMINEE SERVICES PTY LTD	956,250	1.46%
16	ADAM BLUMENTHAL	916,667	1.40%
17	JANSTEG PTY LTD	800,000	1.22%
18	STOCK ASSIST GROUP PTY LTD	780,605	1.19%
19	FRANKLIN INTERNATIONAL HOLDINGS PTY LTD <FRANKLIN INTL HOLDINGS A/C>	740,625	1.13%
20	TAC PROFESSIONAL SERVICES PTY LTD	645,500	0.98%
Total: Top 20 holders		**31,938,502**	**48.66%**

4. VOTING RIGHTS

Ordinary shareholders have the right to one vote at a meeting of Shareholders of the Company or a Resolutions of Shareholders.

CDI Holders do not hold the right to vote at meetings of the Company and if they wish to take a vote, they must direct the CHESS Depositary Nominees (CDN) on how to vote in advance of the applicable meeting, provided that both Shareholders and CDI Holders are able to attend meetings.

5. SUBSTANTIAL SHAREHOLDERS AS AT 27 FEBRUARY 2019

	Holding Balance	% of Issued Capital
BOAZ WACHTEL	5,298,777	8.08%

6. RESTRICTED SECURITIES SUBJECT TO ESCROW

The following securities are subject to escrow:

	Name	Number of Securities	Escrow Period
1	CDI escrowed 24 months	15,791,987	30/11/2019
2	CDI escrowed 24 months	2,966,666	30/11/2019
3	Unlisted Options $0.01 escrowed 24 months	1,281,000	30/11/2022
4	Performance Rights Class A escrowed 24 months	2,966,666	30/11/2019
5	Performance Rights Class C escrowed 24 months	2,966,667	30/11/2019

7. ON-MARKET BUY BACK

There is current no on-market buyback program for any Roots listed securities.

8. GROUP CASH AND ASSETS

In accordance with Listing Rule 4.10.19, the Company confirms that it has been using the cash and assets for the year ended 31 December 2018 in a way that is consistent with its business objectives and strategy.