

30 April 2018

Roots enters China and Australia markets, accelerates sales and continues innovation testing in Q1 2018

March Quarterly Report and Appendix C

Highlights:

International marketing and sales

- **China binding exclusive distribution agreement with Dagan, conditional on \$US19 million in sales on the basis of the agreement continuing for five years.**
- **First A\$323,000/ US\$257,000 purchase order in China under the Dagan agreement**
- **Australia non-exclusive distribution agreement and pilot demo program with Adam Water Solutions**

Technology

- **World-first proof of concept on young apricot trees installed at a facility east of Perth**
- **Mature avocado trees installation in the North of Israel**

Team

- **New appointments: Dave Sharma, former Australia Ambassador to Israel, to assist with the development of international contracts world-wide.**

ROOTS Sustainable Agricultural Technologies (ASX: ROO, the "Company" or "ROOTS") is pleased to provide its quarterly update for the three months ending 31 March 2018.

Commenting on the Company's continued progress over Q1 2018, CEO Sharon Devir said, "Roots is entering an exciting period, with the necessary resources to realize its potential, both in light of the recent contract sales into China, distribution agreements in Australia and China, as well as results from further proof of concept tests with our patented Root Zone Temperature Optimization (RZTO) and Irrigation by Condensation (IBC) technology."

Financials

The Company's cash balance as at 31 March 2018 was US\$2.6million.

The Company expects that the cash burn rate will continue in line with expectations as it continues to invest in demonstration and pilot installations in several markets, in new product development and collaborations, product engineering to scale-up development and in its commercialization efforts. The Appendix 4C attached to this report contains the Company's cash flow statement for the quarter.

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Operational updates during the quarter

Australia

In late January Roots signed a non-exclusive distribution agreement and pilot demo program with Adam Water Solutions, a leading West Australian irrigation and Ag-tech integrator, to sell, distribute and install its RZTO products in Australia.

The pilot program consists of two-installations of ground-source, heat exchange-based heating and cooling systems to demonstrate their capacity to influence yield, quality, maturity time and extreme weather ameliorating effects. The first pilot will provide a world-first proof of concept on young apricot trees for a one-year period and has been installed at a facility east of Perth.

Dave Sharma, former Australia Ambassador to Israel, joined the Roots team in February as a consultant to assist with the development of international contracts and clients and increase awareness of the company's innovative technology in agronomy around the world. Mr Sharma has established excellent networks across the Australian Government and private sector. His strong ties both in Israel and Australia make him a befitting choice for Roots given its current expansion in Australia from its base in Israel.

China

In early February Roots signed a binding exclusive distribution agreement for the China market with Dagan Agricultural Automation ("Dagan"), one of the world's leading global Ag-tech integrators. Exclusivity of the distribution arrangement is conditional on \$US19 million in sales on the basis of the agreement continuing for five years. It allows Dagan to exclusively sell Roots' patented RZTO technology and associated products for an initial three years throughout China - which now accounts for 53 per cent (nearly 550 million tons) of total global vegetable production. The agreement is for a term of three years and provides for an extension for a further two years, with the ability to expand the agreement to include other Roots' patented technology such as IBC and extend this exclusivity to other geographic markets.

Roots also signed its first commercial sale and installation agreement with Dagan under the China distribution agreement. The first of three instalments for the A\$323,000/ US\$257,000 sale has been paid in the March quarter, the second was received in April and the final instalment will be received on completion of the installation, which is expected in mid-June.

Israel

In early March Roots successfully conducted a pilot in the Israel winter, where the roots of traditional summer basil plants were heated using Roots' patented RZTO technology, increasing yield and average plant size by 66 and 35 per cent respectively. The pilot was conducted in winter on an organic farm in the Carmia region of southern Israel. Using the ground source heat exchange version of Root's RZTO system, the basil roots were heated up to five-degrees warmer compared with control plantings to achieve these results.

Further Israeli installations during the period included an avocado tree heating experiment in Northern Israel, starting the construction of a testing green house in the company's experimental site incorporating the RZTO coils and the sale and installation completed of hybrid system in a high end private farm.

Outlook

Roots is in the R&D and pilot production phases for applications and new products that will utilize its RZTO and IBC technologies.

The Company is developing a field semi-commercial IBC pilot system to be launched later this year as well as viability tests on cooling and heating open field trees in both Israel and Australia.

The Company is progressing well with its engineering development in scaling up ground source heat exchange and root zone pipes on site installation tools for these expected contracts.

Roots will continue to build off its base of operations and sales now in Israel, Spain, China and Australia to launch its technology in additional markets in several locations round the world.

-ENDS-

About Roots Sustainable Agricultural Technologies Ltd:

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

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

Roots is a graduate company of the Office of the Israeli Chief Scientist Technological Incubator program. More information www.Rootssat.com

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Roots Sustainable Agricultural Technologies Ltd

ARBN

619 754 540

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (3 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	81	81
1.2 Payments for		
(a) research and development	(216)	(216)
(b) product manufacturing and operating costs	(215)	(215)
(c) advertising and marketing	(158)	(158)
(d) leased assets	-	-
(e) staff costs	(146)	(146)
(f) administration and corporate costs	(154)	(154)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (institutes)	(38)	(38)
1.9 Net cash from / (used in) operating activities	(846)	(846)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(27)	(27)
(b) businesses (see item 10)	-	-

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Consolidated statement of cash flows		Current quarter US\$'000	Year to date (3 months) US\$'000
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:	-	-
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(15)	(15)
2.6	Net cash from / (used in) investing activities	(42)	(42)

3.	Cash flows from financing activities		
3.1	Proceeds from issue of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (IPO costs)	(69)	(69)
3.10	Net cash from / (used in) financing activities	(69)	(69)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,544	3,544
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(846)	(846)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(42)	(42)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(69)	(69)

+ See chapter 19 for defined terms

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (3 months) US\$'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,587	2,587

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	2,587	3,544
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,587	3,544

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter US\$'000

(55)

-

Salaries and wages paid to Directors and/or Director related entities

\$55K

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter US\$'000

(161)

-

Payments for research and development to a related entity.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
N/A		

9. Estimated cash outflows for next quarter	US\$'000
9.1 Research and development	(99)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(142)
9.4 Leased assets	-
9.5 Staff costs	(140)
9.6 Administration and corporate costs	(99)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(480)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: _____
(Company secretary)

Date: 30 April 2018

Print name: Sarah Smith

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.