

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 2017
Previous period:	For the year ended 31 December 2016

2. Results for announcement to the market

			31 December 2017 US\$'000	31 December 2016 US\$'000
Revenues from ordinary activities	down	N/A	-	6
Loss from ordinary activities after tax attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	up	921%	4,883	478
Loss for the year attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	up	921%	4,883	478

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	0.0492	(1.861)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

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

Not applicable.

7. Audit qualification or review

The financial statements have been audited and an unqualified opinion has been issued. The audit report is included in the attached financial statements.

8. Attachments

The Annual Report of Roots Sustainable Agricultural Technologies Ltd for the year ended 31 December 2017 is attached.

9. Signed

Signed 

Sharon Devir
Director
Beit Halevi

Date: 28 February 2018

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Annual Report – 31 December 2017

Roots Sustainable Agricultural Technologies Ltd
Corporate Directory
31 December 2017

Directors

Sharon Devir
Boaz Wachtel
Adam Blumenthal
Graeme Smith
Tal Misch Vered

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 register

Automatic Share Registry
Level 2, 267 St Georges Terrace
Perth WA 6000

Telephone: 1300 288 664

Auditor

BDO - Tel Aviv
Amot Bituach House Bldg.
B 48 Derech Menachem Begin Rd
Tel Aviv Israel

Solicitors

Australian Legal Advisor
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Israeli Legal Advisor
Shenhav & Co. Advocates & Notary
Or Towers Building
Building B
4 Hanechoshet Street
Tel Aviv 69710 Israel

Bankers

Bank Hapoalim Ltd.

Westpac Banking Corporation
Level 4, Brookfield Place, Tower Two
123 St Georges Tce
Perth WA 6000

Stock exchange listing

Roots Sustainable Agricultural Technologies Ltd shares are listed on the Australian Securities Exchange (ASX code: ROO)

Website

www.rootssat.com

Roots Sustainable Agricultural Technologies Ltd
Directors' Report
31 December 2017

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 2017.

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)
Tal Misch Vered (appointed on 9 November 2017)
Eran Fridman (resigned on 9 November 2017), serves now as an observer
Tal Youdim (resigned on 9 November 2017)

The company established an audit committee, headed by Ms. Tal Misch Vered and with two additional members, Adam Blumenthal and Graeme Smith.

The company also established a remuneration committee, headed by Ms. Tal Misch Vered with two additional members: Mr. Graeme Smith and Mr. Wachtel Boaz.

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- The company successfully listed on the Australian Stock Exchange on December 7th 2017, raising AU\$5 million
- International marketing and sales:
- 3 demo systems installed in Almeria, Spain
- An R&D agreement to develop a proprietary RZT pipe was signed with Wisman Fridma, Plastic manufacturers who also a share-holder in ROOTS
- In October 2017, ROOTS signed an Memorandum of Understanding (MOU) with Adema in Spain. The MOU details the main activities to be signed as a binding agreement, being the supervision of up to four demo installations in Spain, and business development to help ROOTS establish a dealership in Spain.
- International marketing and Sales: install 3 demo systems in Almeria Spain.
- Israel marketing and sales: Install a demo farm in an Herbs organic farm, sale one hybrid system.
- CFO, Technical field installation team, Technical manager and an officer manager.
- Successfully completion of the IBC, irrigation by condensation proof of concept.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2017 (2016: Nil).

Roots Sustainable Agricultural Technologies Ltd
Directors' Report
31 December 2017

Review of operations

- Following the IPO and listing, the company initiated a rapid expansion related to all spheres of activities. The company hired new workers, senior among them is Ehud Raivitz who will serve as deputy CEO and head of Engineering and development, Mr. Gili Atiya - head of installations, Yiftah Rosenbach - Agronomist and supporting workers.
- The company secured first significant order of \$257K from Dagan Automation for the Chinese market
- The Company signed an exclusive distribution agreement for China with Dagan contingent on 19 M USD sales over 5 years.
- The Company completed its IBC proof of concept with the successful growing of several crops with irrigation just from humidity in the air.
- International involvement are ongoing the expanding - it includes activities in Au (Pilot project in Perth area for greenhouse crops and trees for the first time) Spain (4 Pilots on going) and expansion plan to N America.
- The company forwarded first payment according to the contract with Weisman Friedman of \$132K based on agreed development milestone.
- Consolidated computer system was set up with cloud base back up of all data and e-mails of the company
- The website has been upgraded and additional headings and sub-heading were added to reflect the activities of the Co.
- Agreements with multiple vendors were signed including Marketeye, Stock Digital and Stock head.
- All debts related to the IPO process has been settled and paid.
- The average monthly cash burning rate is \$188K
- The Ag-Tech sector on the ASX and among other stock exchanges and investors around the world is attracting significant investments, mostly in precision Ag, Water, Drones and Big data collection and analysis.
- Due to the short time since the IPO, the accounts have not been audited yet.

Significant changes in the state of affairs

The following significant changes in the state of affairs occurred during the financial year:

New board

The current Directors of the Company are Sharon Devir and Boaz Wachtel. Following Admission, Sharon Devir and Boaz Wachtel were joined by Adam Blumenthal, Graeme Smith and Tal Misch-Vered as directors with Messrs Youdim and Fridman to resign. Tal Misch-Vered and Graeme Smith will serve as external directors as required by Israeli law, while Tal Misch-Vered will also chair the remuneration and audit committees.

IPO

ROOTS successfully listed December 7th on the ASX.

Funds raised from the IPO will be used to: fund commercialisation of current RTZO pilot programs; geographic expansion into global markets; complete IBC proof of concept on several crops; increase sales and marketing; research and development; working capital; and IPO expenses.

CFO

ROOTS appointed Moshe Hukaylo as the company's CFO in November 2017 to oversee the financial management of ROOTS. Mr Hukaylo is a CPA with a MBA and has over 20 years of experience in all areas of financial and business management. He has previously served as CFO in affiliates of international corporates (Pfizer & Merck Serono) and brings with him a broad knowledge base and expertise in escorting these organizations through their growth phases.

Headcount

The company appointed Ehud Raivitz as the Deputy CEO. Ehud Raivitz, who served in his last position as a CEO of a medical device company with 90M\$ USD turnover and over 400 employees.

Additional recruitments: Installation manager (Israel and int'l, Technical R&D, Technical manager (logistics and large-scale int'l project) and an Agronomy (Israel sales, Agro R&D, and an Agro post sale service), Office manager.

For its Australian and ASX listed activities, the company recruited a company secretary in Perth, and PR, media, strategic consultants and investor relation experts in Perth and Sydney.

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

Australia dealer
 Sale to China
 Dagan agreement

Likely developments and expected results of operations

Pilots, Sales, M&A, scaleup, engineering

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 Sailcrop, an abiotic stress seed treatment technology as well as Rimonom, 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, Rimonom Agro Management
Former directorships (last 3 years):	Nil
Special responsibilities:	Chairman, CEO
Interests in shares:	1,931,564 Ordinary Shares
Interests in options:	430,490 Options
Contractual rights to shares:	3,000,000 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:	4,798,777 Ordinary Shares
Interests in options:	850,510 Options
Contractual rights to shares:	1,500,000 Performance Rights

Roots Sustainable Agricultural Technologies Ltd
Directors' Report
31 December 2017

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: Nil
Interests in options: Nil
Contractual rights to shares: 2,750,000 Performance Rights

Name: Mr Graeme Smith
Title: Outside 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 Tal Misch Vered
Title: Outside 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
Interests in shares: Nil
Interests in options: Nil
Contractual rights to shares: Nil

Roots Sustainable Agricultural Technologies Ltd
Directors' Report
31 December 2017

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 2017, and the number of meetings attended by each director were:

	Directors' Meetings	
	Attended	Held
Sharon Devir	8	8
Boaz Wachtel	8	8
Adam Blumenthal ⁽ⁱ⁾	1	8
Graeme Smith ⁽ⁱ⁾	1	8
Tal Misch Vered ⁽ⁱ⁾	1	8
Eran Fridman ⁽ⁱⁱ⁾	7	8
Tal Youdim ⁽ⁱⁱ⁾	7	8

- (i) Adam Blumenthal, Graeme Smith and Tal Misch Vered were appointed as Directors on 9 November 2017.
(ii) Eran Fridman and Tal Youdim resigned as Directors on 9 November 2017.

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

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 B	29 November 2020	2,966,666
29 November 2017	Class C	29 November 2020	2,966,667
			8,900,000

Class	Milestone
Class A Performance Rights	The 12-month anniversary of the Company having been admitted to the Official List of ASX.
Class B Performance Rights	The Company's share price trading at not less than \$0.40 for 5 consecutive trading days.
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.

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 2017

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

On behalf of the directors


Sharon Devir
Director

28 February 2018
Beit-Halevi

For personal use

**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, 2017, 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, 2018

Ziv haft 

Certified Public Accountants (Isr.)

BDO Member Firm



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Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Annual Report – December 31, 2017

Roots Sustainable Agricultural Technologies Ltd

December 31, 2017

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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, 2017, 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, 2017, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Government grants

Government grants received by the Company in Israel are recognized as a liability as they are required to be repaid over time, with the timing of repayment varying based on the selling forecast and the timing of recognition of revenue. Grants' liabilities are therefore recognized at their fair value on the receiving dates and after initial recognition, the liability is measured at amortized cost using the effective interest method.

There is a risk that the Company may incorrectly measure the fair value and the amortized cost of the liability.

The accounting policy for government grants is described in Note 1(e), and the breakdown of the associated liability is disclosed in Note 7(c) of the accompanying financial report.

How the matter was addressed in our audit

Our procedures in respect of this area included:

- 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.
- 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.
- 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

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

How the matter was addressed in our audit

Our procedures in respect of this area included:

- Evaluating, with our valuation experts, the calculation of the fair value as held by the



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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 1(q), and the assumptions are disclosed in note 9 of the accompanying financial report.

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 2017, 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.

Company's independent valuation expert.

- Holding discussions with key management personnel to understand the share-based payment schemes and the changes made to the awards if any.
- Reviewed communications to scheme members regarding any changes and the shareholder's approval.
- Recalculated the estimated charge which reflect the best estimate of the number of options expected to be vested.
- Confirm 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.



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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

Tel-Aviv, Israel

February 28, 2018

Ziv Haft

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Roots Sustainable Agricultural Technologies Ltd**ARBN 619 754 540****Statements of Financial Position**

		As at December 31,	
		2017	2016
	Note	\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents		3,544	102
Restricted cash	7.B	23	10
Other accounts receivables	4	39	7
Total Current Assets		3,606	119
Non-Current Assets			
Property and equipment, net		45	2
Total Non-Current Assets		45	2
TOTAL ASSETS		3,651	121

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,	
		2017	2016
		S'000	S'000
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables		130	36
Other account payables	5	167	29
Total Current Liabilities		297	65
Non-Current Liabilities			
Governmental liabilities on grants received	7.C	352	533
Total Non-Current Liabilities		352	533
Shareholder's equity (deficit)			
Share capital	8	9,457	1,078
Reserves	9	(35)	(18)
Accumulated losses		(6,420)	(1,537)
Total Shareholders' equity (deficit)		3,002	(477)
TOTAL LIABILITIES AND EQUITY (DEFICIT)		3,651	121

February 28, 2018

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.

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Comprehensive loss

	Note	For the year ended December 31,	
		2017	2016
		\$'000	\$'000
Revenues		-	6
Gross profit		-	6
Share based compensation	9	2,548	-
Listing fee expenses		641	-
Research and development expenses, net	11	222	292
Selling, general and administrative expenses	12	156	37
Operating loss		3,567	323
Finance expense	13	1,412	155
Finance income	13	96	-
Loss before income tax		4,883	478
Taxes on income	14	-	-
Net loss		4,883	478
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation adjustment to the presentation currency		17	8
Total comprehensive loss		4,900	486
Loss per share			
Basic and diluted loss per share (\$)	8,10	(0.253)	(0.031)

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

Roots Sustainable Agricultural Technologies Ltd**ARBN 619 754 540****Statements of Changes in Equity****For the year ended December 31, 2016:**

	Share Capital	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2016	556	(10)	(1,059)	(513)
Changes during the period:				
Comprehensive loss:				
Loss for the period	-	-	(478)	(478)
Other comprehensive loss:				
Translation differences	-	(8)	-	(8)
Total comprehensive loss for the period	-	(8)	(478)	(486)
Issuance of share capital	243	-	-	243
Exercise of options to share capital	-	-	-	-
Conversion of convertible loan to shares	279	-	-	279
Balance as of December 31, 2016	<u>1,078</u>	<u>(18)</u>	<u>(1,537)</u>	<u>(477)</u>

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

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Changes in Equity

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.

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Cash Flows

	For the year ended December 31,	
	2017	2016
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	(4,883)	(478)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	3	1
Share-based compensation expenses	2,548	-
Share-based compensation included in listing fee expenses	262	-
Loss from changes in fair value of embedded derivative	1,362	13
Finance expense, net	-	142
Change in liability for grants received from the IIA	(287)	61
Increase in other accounts receivable	(27)	(18)
Increase (decrease) in trade payable	87	(4)
Increase (decrease) in other accounts payable	123	(10)
Net cash used in operating activities	(812)	(293)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(45)	-
Change in restricted cash	(11)	-
Net cash provided by (used in) investing activities	(56)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Receipt of grants from the IIA	62	100
Exercise of options by employees	-	*
Embedded derivative	-	3
Receipt of convertible loan	900	2
Proceeds from issuance of ordinary shares	-	243
Net Proceeds from issuance of shares upon IPO	3,292	-
Net cash provided by financing activities	4,254	348
Translation differences on cash and cash equivalents	56	2
Increase in cash and cash equivalents	3,386	54
Cash and cash equivalents at beginning of the year	102	48
Cash and cash equivalents at the end of the year	3,544	102

*) Less than 1 U.S. thousand dollars.

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 research and development stage and does not generate significant revenue in this stage.

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.

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 is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company transactions and 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 recorded 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, other than those capitalized to qualifying assets 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 on or after January 1, 2009, are accounted for as forgivable loans, in accordance with IAS 20, pursuant to the provisions of IAS 39. 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 recorded in profit or loss in accordance with the provisions of IAS 39. 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 recorded 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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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, 2017 and 2016, there is no temporary difference and 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. 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.

J. 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 recorded 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. 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 recorded in profit or loss.

K. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 group of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

During the years 2017 and 2016 no impairment charges of non-financial assets were recognized.

L. 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.

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). |

M. Financial Liabilities:

The Company financial liabilities are mostly governmental liabilities, convertible loans, trade payables and other accounts payable, the governmental grants measured at amortized cost using the effective interest rate method. In 2016 the convertible loans are initially recognized at Fair value and subsequently measured at amortized cost using the effective interest rate method and in 2017 the convertible loans are designated upon initial recognition as at fair value through profit or loss.

The convertibles loans include embedded derivative which measured as follow:

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Derivatives, including separated embedded derivatives, classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

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

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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, 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 Group 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 2017 and 2016 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 recorded 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

U. Changes in accounting policies and disclosures continued

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative:

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information in note 7.

V. New IFRSs in the period prior to their adoption:

IFRS 9 Financial Instruments:

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets should be at fair value. IFRS 9 establishes a distinction between debt instruments to be measured at fair value through profit or loss and debt instruments to be measured at fair value through other comprehensive income. Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income (loss), in accordance with the election by the Company on an instrument-by-instrument basis. If equity instruments are held for trading, they should be measured at fair value through profit or loss.

According to IFRS 9, the provisions of IAS 39 will continue to apply to de-recognition and to financial liabilities for which the fair value option has not been elected.

According to IFRS 9, For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss

IFRS 9 also prescribes new hedge accounting requirements.

IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

The Company believes that IFRS 9 will not have a material 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 are the recognition of share-based payments and Governmental liabilities on grants received.

Share based payments

The Company has a share-based remuneration scheme for employees. The fair value of share options is estimated by using the Black&Scholes option pricing model, on the date of grant based on certain assumptions. Those assumptions are described in note 9 and include, among others, the dividend growth rate, expected share price volatility, expected life of the options and number of options expected to vest. The fair value of the equity settled options granted is charged to statement of comprehensive income on a straight-line basis over the vesting period of each tranche and the credit is taken to equity, based on the Company's estimate of shares that will eventually vest. Some of the share options plan have performance conditions in addition to continued service.

Governmental liabilities on grants received

The Company measured the fair value of its 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,	
	2017	2016
	\$'000	\$'000
Government institutions	33	5
Other receivables	6	2
	39	7

NOTE 5 - OTHER ACCOUNTS PAYABLES:

	As at December 31,	
	2017	2016
	\$'000	\$'000
Employees and related institutions	72	19
Accrued expenses	48	1
Governmental liabilities on grants received (Note 7.C)	10	6
Liabilities to related parties	3	3
Other payables	34	-
	167	29

NOTE 6 - CONVERTIBLE LOANS:

- A. In August 2015, (hereafter: effective date) the Company entered into a convertible loan agreement (hereafter: loan), pursuant to which, the lenders loaned the Company an amount of \$ 106 thousand. The loan bears an annual interest of 5% to be repaid in one lump sum with the loan principal upon the lapse of 16 months as of the effective date. The lenders may convert the loan into the Company's ordinary share in amount equal to 60% of the share fair price of conversion during 16 months after the effective date. At the effective date, the company acknowledged an amount of \$ 70 thousand of the loan received as an embedded derivative, which reflects the fair value of 40% discount on the Company's ordinary share in case of conversion. Following the measurement dates, the company measures the embedded derivative by fair value until its conversion or repayment. The residual value of the loan, an amount of \$ 36 thousand, is classify as a convertible loan and is amortize by effective interest until its conversion or repayment. In September 2016, the lenders chose to convert the loan in amount of \$ 112 thousand (interest included) in exchange for 10,464 of the Company's ordinary share NIS 0.01 par value (24 U.S dollars). Due to the conversion, the embedded derivative and the convertible loan in total amount of \$ 176 thousand imputed to Premium (additional paid in capital).
- B. In September 2015, (hereafter: effective date) the Company entered into an additional convertible loan agreement (hereafter: loan) with its employee (also shareholder). According to the agreement, the company would deduct from the employee's salary an amount of \$ 4 thousand for each month starting December 2014 until august 2015 and an average amount of \$ 2 thousand for each month starting September 2015 until February 2016. The loan bears an annual interest of 5% to be repaid in one lump sum with the loan principal during a period of 18 months as of the effective date. The employee may convert the loan into the Company's ordinary share in amount equal to 60% of the per share issuance price of conversion during 18 months as of the effective date. In August 2016, the employee chose to convert the loan in amount of \$ 47 thousand (interest include) in exchange for 4,532 of the Company's ordinary share NIS 0.01 par value. Due to the conversion, The embedded derivative and the convertible loan in total amount of about \$ 103 thousand imputed to Premium (additional paid in capital).
- C. 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, 2017 and 2016 were 3 and 7 thousand U.S. dollars respectively.
- B. As of December 31, 2017 and 2016, the Company has a lien in first degree to the bank in amount of approximately 23 and 10 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, 2017 and 2016 the Company has received grants amounted to 217 and 100 thousands U.S. dollars respectively, the aggregate governmental liabilities was 362 and 539 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, 2017 the company haven't paid yet any royalty payments to the IIA.

Changes in liabilities arising from financing activities

Reconciliation of the changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows:

	Governmental liabilities on grants received U.S. dollars in thousands
At 1 January 2017	539
Changes from financing cash flows	
grants received from IIA	62
Repayment of liabilities on grants received from IIA	-
Total changes from financing cash flows	62
Changes in fair value	(287)
The effect of changes in foreign exchange rates	48
At 31 December 2017	362

NOTE 8 - SHAREHOLDERS EQUITY (DEFICIT):

	Number of shares			
	December 31, 2017		December 31, 2016	
	<u>Authorized</u>	<u>Issued and outstanding</u>	<u>Authorized</u>	<u>Issued and outstanding</u>
Ordinary shares of NIS 0.01 par value	100,000,000	61,000,000	1,000,000	256,269

- 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 1.1.2016 the share capital consist 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.
- 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 due to the lack of the ability to reliably measure the fair value of the services rendered.

NOTE 9 - SHARE BASED PAYMENT:

A. On January 2015, the Board of Directors approved an Employee Stock Option Plan ("ESOP"). The plan included total of 11,570 options to be converted to 111 thousand shares of the Company. The options vesting schedule as follow: for 50% to vest immediately and the rest until the end of 2016, subject to continued employment or service. As of December 31, 2016 all the remaining options were exercised to ordinary shares on 1:1 basis. The Company recognizes share based compensation costs for only those shares expected to vest on a straight-line basis of each tranche over the requisite service period of the award. The weighted average fair value of the options was estimated using a Black & Scholes option pricing model based on the following significant data and assumptions:

	<u>Date of grant</u> <u>15.01.2015</u>
Share price (USD)	17.28
Exercise price (USD)	-
Expected volatility	46 %
Risk-free interest rate	1.86%
Expected dividends	0%
Expected average life of options	6

The volatility measured at the standard deviation of expected share price returns is based on the historical volatility of the similar companies.

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

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 recorded 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. 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, 2017 the company recorded an expense at the amount of \$ 7 thousand.

NOTE 9 - SHARE BASED PAYMENT (CONT.):

Data related to the share option plan as of December 31, 2017 and changes during the two years ended on that date are as follows:

	2017		2016	
	Number of Options	Weighted Average Exercise Price NIS	Number of Options	Weighted Average Exercise Price NIS
Options outstanding as beginning of year	-	-	11,570	0.01
Changes during the year:				
Granted	1,655,000	0.04	-	-
Forfeited	-	-	(2,314)	0.01
Exercised	-	-	(9,256)	0.01
Options outstanding at end of year (*)	1,655,000	0.04	-	-
Options exercisable at year-end	1,281,000	0.04	-	-
Weighted-average fair value of options Granted during the year	\$ 421,000		-	

* The options outstanding at 31 December 2017 had a weighted-average contractual life of 0.5 year.

C. Performance rights:

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:

2,966,666 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 vesting condition is non-market related.

2,966,666 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 vesting condition is non-market related.

NOTE 9 - SHARE BASED PAYMENT (CONT.):

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.

NOTE 10 - LOSS PER SHARE:

Net loss per share attributable to equity owners:

	For the year ended December 31,	
	2017	2016
	\$'000	\$'000
Net loss used in basic and diluted EPS	(4,883)	(478)
Weighted average number of shares used in basic and diluted EPS	19,311,813	15,268,248
Basic and diluted net EPS (dollars)	(0.253)	(0.031)

At 31 December 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 - RESEARCH AND DEVELOPMENT, NET:

	For the year ended December 31,	
	2017	2016
	\$'000	\$'000
Salaries and benefits	339	138
Subcontractors	123	46
Legal fees	-	39
Materials	47	29
Participation in expense	(5)	(4)
Other	5	7
	509	255
Governmental Grants received and changes in liability, net	(287)	37
Total	222	292

NOTE 12 - GENERAL AND ADMINISTRATIVE EXPENSES:

	For the year ended December 31,	
	2017	2016
	\$'000	\$'000
Advertising and exhibitions	41	17
Professional fees	94	8
Insurance	4	3
Rental and office expenses	5	1
Refreshments	8	1
Other	4	7
Total	156	37

NOTE 13 - FINANCE INCOME AND EXPENSES:

Finance income:

	For the year ended December 31,	
	2017	2016
	\$'000	\$'000
Net foreign exchange gain	96	-
Total finance income	96	-

Finance expense:

	For the year ended December 31,	
	2017	2016
	\$'000	\$'000
Change in convertible loan	1,367	-
Interest expenses on governmental liabilities on grants received	45	38
Interest and bank charges	-	1
Net change in embedded derivative	-	13
Interest expenses on loans	-	97
Net foreign exchange loss	-	6
Total finance expense	1,412	155

NOTE 14 - TAXATION:

A. Israeli tax rates:

Israeli corporate tax rates are 25% in 2016 and 24% in 2017.

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, 2106. 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, 2017, 2016 the Company has estimated carry forward tax losses of approximately 4,370 and 692 thousands U.S. dollars, respectively, 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.

NOTE 15 - 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 arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company closely monitors the activities of its counterparties, which enables it to ensure the prompt collection of customers' balances. The Company's main financial assets are cash and cash equivalents and represent the Company's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the Company holds cash with major financial institutions in Israel.

NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	As at December 31,	
	2017	2016
	\$'000	\$'000
Cash at bank and restricted cash	3,567	112

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 of ordinary shares. The Company has net cash and cash equivalents at the balance sheet date of 3,132 (2016 - 102) thousands U.S. dollars, and a positive working capital. Accordingly, management does not believe that there are significant capital risks in the near future.

B. Foreign currency risk:

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

The currencies in which some transactions are primarily denominated are US dollars and Australian dollars. The company's policy is not to enter into any currency hedging transactions. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	As at December 31, 2017		
	US dollar	AUD	Total
Assets			
Cash And cash equivalents	83	3,446	3,529
	83	3,446	3,529
Liabilities			
Trade and other payables	10	101	111
Governmental liabilities on grants received	352	-	352
	362	101	463

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.

Linked to US dollar	(279)
	5%
	(14)
Linked to AUD	3,345
	5%
	167

NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

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.

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, 2017:

	Amortized cost						Total
	Book value	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 5 years	
U.S. dollars in thousands							
Trade and other accounts payables	(225)	(225)	-	-	-	-	(225)
Governmental liabilities on grants received	(362)	(11)	(44)	(89)	(177)	(518)	(839)
Total	(587)	(236)	(44)	(89)	(177)	(518)	(1,064)

December 31, 2016:

	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	(46)	(46)	-	-	-	-	(46)
Governmental liabilities on grants received	(533)	(5)	(46)	(128)	(314)	(210)	(703)
Total	(579)	(51)	(46)	(128)	(314)	(210)	(749)

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.

NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

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

	2017
	\$'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

NOTE 16 - RELATED PARTY AND SHAREHOLDERS:

Compensation of key management personnel of the Group:

	For the year ended December 31,	
	2017	2016
	\$'000	\$'000
Short-term employee benefits *)	379	114
Share base payment	1,856	-
Material costs	-	10

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

Balances with related parties:

	As at December 31,	
	2017	2016
	\$'000	\$'000
Trade payables	2	25
Liabilities to shareholders	3	3

NOTE 17 - SUBSEQUENT EVENTS:

- A. On January 18, the company signed an agreement with Adam Water Solutions (AWS) a Perth based irrigation and ag-tech integrator to execute a distribution agreement hand in hand with 2 joint pilot and demo installations of Roots Heating and Cooling systems. During first year installations are planned for a Greenhouse and proof of concept for the first time on Apricot young trees for one-year examination period.

NOTE 17 - SUBSEQUENT EVENTS (CONT.):

B. On January 21, 2018 the company has signed its first commercial sale and installation agreement with Dagan Agricultural Automation (“Dagan”), one of the world’s leading global Ag-tech integrators.

The \$ 257 thousand purchase order from the sale is payable to Roots in three installments with the first instalment payable upfront, generating immediate revenue for Roots. The second is due at the initiation of the installations; and the final instalment on completion of installation – expected in late April. Project construction commences within 30 days with the Roots installation team arriving in China in February to prepare and supervise installation. It will allow Dagan to install and exclusively use Roots’ patented Root Zone Temperature Optimization (RZTO) technology and associated products to heat and cool the roots in one of Dagan's projects in China.

C. On February 2, 2018 the company has signed an exclusive binding marketing and distribution agreement for the China market with Dagan Agricultural Automation, one of the world’s leading global Ag-tech integrators. It will allow Dagan to exclusively sell Roots’ patented root zone temperature optimizations (RZTO) technology and associated products for three years throughout China - which now accounts for 53 per cent (nearly \$550 million tons) of total global vegetable production.

In addition, the agreement provides for a possible extension for a further two years, with the ability to expand the agreement to include other Roots’ patented technology such as Irrigation by Condensation (IBC) and extend this exclusivity to other geographic markets.

The agreement sets sales targets for Dagan to maintain exclusivity for the initial three years and for consecutive extension periods of additional two years conditioned on meeting the sales target of an aggregate sum of 19M\$ USD. The agreement also stipulates that at the end of Y3, or earlier, both parties will discuss in good faith the establishment of a joint company related to the installation marketing and sales of Roots' products in China

This China distribution agreement builds on the recent purchase order (January 21) received from Dagan in an amount of \$ 257 thousand of Roots’ proprietary root zone temperature optimization (RZTO) technology to heat and cool the roots in a large Project in China.

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 25 February 2018 is 61,000,000. All issued ordinary fully paid shares carry one vote per share.

The Company as at 25 February 2018 has issued the following unlisted securities:

- 1,655,000 unlisted options; and
- 8,900,000 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.
- 2,966,666 Class A performance rights escrowed for 24 months.
- 2,966,667 Class B performance rights escrowed for 24 months.
- 2,966,667 Class C performance rights escrowed for 24 months.

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

Range	Total holders	Units	% of Issued Capital
1 - 1,000	40	31,198	0.05%
1,001 - 5,000	533	1,553,308	2.55%
5,001 - 10,000	204	1,728,901	2.83%
10,001 - 100,000	283	9,820,546	16.10%
100,001 - 9,999,999,999	90	47,866,047	78.47%
Total	1,150	61,000,000	100.00%

The number of investors holding a less than marketable parcel of 1,035 ROO shares (based on a share price of A\$0.48) was 44.

3. TOP TWENTY LARGEST SHAREHOLDERS AS AT 25 FEBRUARY 2018

	Holder Name	Number Held	Percentage
1	BOAZ WACHTEL	4,798,777	7.87%
2	J P MORGAN NOMINEES AUSTRALIA	4,607,888	7.55%
3	SUBURBAN HOLDINGS PTY LIMITED	2,995,000	4.91%
4	YUODIM PHARMACEUTICALS LTD	2,682,750	4.40%
5	SHARON DEVIR	1,931,564	3.17%
6	AUST EXECUTOR TRUSTEES LTD <CYAN C3G FUND>	1,678,000	2.75%
7	ALEX MEITLIS	1,524,777	2.50%
8	ERAN FRIEDMAN	1,241,545	2.04%
9	YOEL FRIEDMAN	1,241,545	2.04%
10	TOMER WEISMANN	1,241,545	2.04%
11	JACOB WEISMANN	1,241,545	2.04%
12	HORATIO STREET PTY LTD	1,027,500	1.68%
13	CHIFLEY PORTFOLIOS PTY LTD <DAVID HANNON RETIREMENT A/C>	1,005,494	1.65%
14	MFCM NOMINEE SERVICES PTY LTD	956,250	1.57%

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15	STOCK ASSIST GROUP PTY LTD	770,000	1.26%
16	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	748,000	1.23%
17	FRANKLIN INTERNATIONAL HOLDINGS PTY LTD <FRANKLIN INTL HOLDINGS A/C>	740,625	1.21%
18	RIVINGTON INVESTMENTS PTY LTD	737,500	1.21%
19	MR DAVID HANNON	572,500	0.94%
20	MRS TERRI WOLPERT	562,500	0.92%
Total: Top 20 holders		32,305,305	52.98%

4. VOTING RIGHTS

Ordinary shareholders have the right to one vote at a meeting of Shareholders of the Company or an 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 CHESSE Depository Nominees (CDN) on how to vote in advance of the applicable meeting, provided that both Shareholders and CDI Holders are able to attend meetings.

5. SUBSTANTIAL SHAREHOLDERS AS AT 25 FEBRUARY 2018

	Holding Balance	% of Issued Capital
BOAZ WACHTEL	4,798,777	7.87%
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,820,209	7.55%

6. RESTRICTED SECURITIES SUBJECT TO ESCROW

The following securities are subject to escrow:

	Name	Number of Securities	Escrow Period
1	CDI escrowed 12 months	13,872,947	30/11/2018
2	CDI escrowed 24 months	15,791,987	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 B escrowed 24 months	2,966,667	30/11/2019
6	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 2017 in a way that is consistent with its business objectives and strategy.