

Roots Sustainable Agricultural Technologies Ltd
Appendix 4D
Half-year report

1. Company details

Name of entity: Roots Sustainable Agricultural Technologies Ltd
 ARBN: 619 754 540
 Reporting period: For the half-year ended 30 June 2018
 Previous period: For the half-year ended 30 June 2017

2. Results for announcement to the market

			30-Jun-18 US\$'000	30-Jun-17 US\$'000
Revenues from ordinary activities		N/A	200	-
Profit (Loss) from ordinary activities after tax attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	up	891% to	(1,437)	(145)
Profit (Loss) for the half-year attributable to the owners of Roots Sustainable Agricultural Technologies Ltd	up	677% to	(1,538)	(198)
<i>Dividends</i>			Amount per security Cents	Franked amount per security Cents
Not applicable.				

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>3.34</u>	<u>1.52</u>

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) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000

Not applicable.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

Details of attachments (if any):

The Interim Report of Roots Sustainable Agricultural Technologies Limited for the half-year ended 30 June 2018 is attached.

9. Signed

Signed



Sharon Devir
Executive Chairman

Date: 29 August 2018

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

As lead auditor for the review of Roots Sustainable Agricultural Technologies Ltd. for the half-year ended 30 June, 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Tel-Aviv, Israel
August 29, 2018

Ziv haft
Certified Public Accountants (Isr.)

BDO Member Firm



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Roots Sustainable Agricultural Technologies Ltd.

ARBN 619 754 540

CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF JUNE 30, 2018

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Roots Sustainable Agricultural Technologies Ltd.

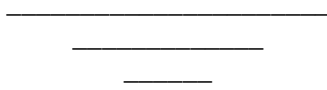
CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited)

AS OF JUNE 30, 2018

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**Report on Review of Interim Financial Information to the Shareholders of
Roots Sustainable Agricultural Technologies Ltd.**

Introduction

We have reviewed the accompanying interim financial information of Roots Sustainable Agricultural Technologies Ltd. (the "Company"), which comprises the condensed statement of financial position as of June 30, 2018 and the condensed statements of comprehensive income, changes in equity and cash flows for six month period then ended. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 – "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Review of Interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the International Accounting Standard 34.

Without qualifying our opinion, we would like to draw the attention to note 1.b regarding funding of the company activity.

Tel-Aviv, Israel
August 29, 2018

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Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Condensed statement of financial position

	<u>30.06.2018</u>	<u>30.06.2017</u>	<u>31.12.2017</u>
	<u>U.S. \$ in thousands</u>		
	<u>Unaudited</u>		
ASSETS			
Current Assets			
Cash and cash equivalents	1,768	753	3,544
Restricted cash	36	23	23
Contract asset	27	-	-
Other accounts receivables	239	185	39
	<u>2,070</u>	<u>961</u>	<u>3,606</u>
Non-Current Assets			
Property and equipment, net	70	10	45
	<u>70</u>	<u>10</u>	<u>45</u>
TOTAL ASSETS	<u>2,140</u>	<u>971</u>	<u>3,651</u>

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Condensed statement of financial position

	<u>30.06.2018</u>	<u>30.06.2017</u>	<u>31.12.2017</u>
	<u>U.S. \$ In thousands</u>		
	<u>Unaudited</u>		
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables	41	13	130
Convertible loans	-	920	-
Other account payables	203	174	167
	<u>244</u>	<u>1,107</u>	<u>297</u>
Non-Current Liabilities			
Governmental liabilities on grants received	373	539	352
	<u>373</u>	<u>539</u>	<u>352</u>
Shareholder's equity			
Equity attributable to owners of the parent			
Share capital	9,516	1,078	9,457
Foreign currency translation reserve	(136)	(71)	(35)
Accumulated losses	(7,857)	(1,682)	(6,420)
	<u>1,523</u>	<u>(675)</u>	<u>3,002</u>
Total equity and liabilities	<u>2,140</u>	<u>971</u>	<u>3,651</u>

August 28, 2018

Date of approval of
financial statements

Sharon Devir

Chief Executive officer

Boaz Wachtel

Director

Moshe Hukaylo

Chief Financial officer

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

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Condensed Statements of Comprehensive Income

	Six month period ended June 30,		Year ended December 31,
	2018	2017	2017
U.S. \$ in thousands			
Unaudited			
Revenues	200	-	-
Cost of revenues	168	-	-
Gross profit	32	-	-
Share based compensation	59	-	2,548
Listing fee expenses	35	-	641
Research and development expenses, net	535	88	222
Marketing, distribution and business development expenses	434	-	-
General and administrative expenses	351	17	156
loss from operations	1,382	105	3,567
Finance expense	55	40	1,412
Finance income	-	-	96
Loss before income tax	1,437	145	4,883
Taxes on income	-	-	-
Net loss	1,437	145	4,883
<i>Items that will not be reclassified to profit or loss:</i>			
Translation adjustment to the presentation currency	101	53	17
Total comprehensive loss	1,538	198	4,900
Loss per share			
Basic and diluted loss per share (\$)	(0.023)	(0.010)	(0.253)

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Condensed statement of changes in equity

For the six month period ended June 30, 2018 (Unaudited):

	Share Capital	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
	U.S. \$ in thousands			
Balance at January 1, 2018	9,457	(35)	(6,420)	3,002
Changes during the period:				
Comprehensive loss:				
Loss for the period	-	-	(1,437)	(1,437)
Other comprehensive loss:				
Translation differences	-	(101)	-	(101)
Total comprehensive loss for the period	-	(101)	(1,437)	(1,538)
Stock based compensation	59	-	-	59
Balance as of June 30, 2018	9,516	(136)	(7,857)	1,523

For the six month period ended June 30, 2017 (Unaudited):

	Share Capital	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
	U.S. \$ in thousands			
Balance at January 1, 2017	1,078	(18)	(1,537)	(477)
Changes during the period:				
Comprehensive loss:				
Loss for the period	-	-	(145)	(145)
Other comprehensive loss:				
Translation differences	-	(53)	-	(53)
Total comprehensive loss for the period	-	(53)	(145)	(198)
Issue of benefit shares	-	-	-	-
Balance as of June 30, 2017	1,078	(71)	(1,682)	(675)

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

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Condensed statement of changes in equity (cont.)

For the year ended December 31, 2017:

	Share Capital	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
	U.S. \$ in thousands			
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

(*) less than one thousand dollars

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

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Condensed statements of cash flows

	Six months period ended June 30,		Year ended December 31,
	2018	2017	2017
U.S. \$ in thousands			
Unaudited			
Cash Flows from Operating Activities:			
Net loss for the year	(1,437)	(145)	(4,883)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	6	-	3
Share-based compensation expenses	59	-	2,548
Share-based compensation included in listing fee expenses	-	-	262
Loss from changes in fair value of embedded derivative	-	-	1,362
Finance expense, net	-	20	-
Change in liability for grants received from the IIA	79	(74)	(287)
Increase in contract asset	(27)	-	-
Increase in other accounts receivable	(209)	(170)	(27)
Increase (decrease) in trade payable	(86)	(25)	87
Increase in other accounts payable	8	141	123
Net cash used in operating activities	(1,607)	(253)	(812)
Cash Flows From Investing Activities:			
Purchase of property and equipment	(35)	(8)	(45)
Change in restricted cash	(15)	(11)	(11)
Net cash used in investing activities	(50)	(19)	(56)
Cash Flows From Financing Activities:			
Receipt of grants from the IIA	-	-	62
Receipt of convertible loan	-	900	900
Net Proceeds from issuance of shares upon IPO	-	-	3,292
Net cash provided by financing activities	-	900	4,254
Translation differences on cash and cash equivalents	(119)	23	56
Increase (decrease) in cash and cash equivalents	(1,657)	628	3,386
Cash and cash equivalents at beginning of the year	3,544	102	102
Cash and cash equivalents at the end of the year	1,768	753	3,544

The accompanying notes form an integral part of the condensed financial statements.

Roots Sustainable Agricultural Technologies Ltd

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Notes to condensed consolidated 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 since December 2017, 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 Suite 2, Level 1/1 Altona Street West Perth WA 6005, Australia.

B. The company is in its commercialization stage and does not generate significant revenue in this stage. The management acting to seek additional resources for funding company activity.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

These interim financial statements of the company are for the six months ended June 30, 2018 and are represented in US dollar, which is the presentation and functional currency of the Company.

The interim financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in International Accounting Standard No. 34 ("Interim Financial Reporting").

The interim financial information set out above has been prepared on the going concern basis in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS). Statutory financial information for the financial year ended December 31, 2017 was approved by the board on February 28, 2018. The report of the auditors on those financial statements was unqualified.

The interim financial statements as of June 30, 2018 have not been audited.

The interim financial information should be read in conjunction with the annual financial statements as of December 31, 2017 and for the year then ended and with the notes thereto. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2017 are applied consistently in these interim financial statements, except for the adoption of new standards effective as of 1 January 2018.

New IFRSs adopted in the period

1. IFRS 9 Financial Instruments

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

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

Roots Sustainable Agricultural Technologies Ltd

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Notes to condensed consolidated financial statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

(a) Classification and measurement

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"):

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

A debt investment is measured at fair value through other comprehensive income ("FVOCI") if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see b below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Roots Sustainable Agricultural Technologies Ltd

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Notes to condensed consolidated financial statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The Company has implemented the classification and measurement requirements of IFRS 9 retrospectively on the basis of the facts and circumstances that existed as of January 1, 2018 by recognizing the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings and other components of equity as of January 1, 2018.

(b) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Notes to condensed consolidated financial statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Trade receivables

Exposures were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry – for wholesale customers; and delinquency status, geographic region, age of relationship and type of product purchased – for other customers.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, on the basis of the facts and circumstances that existed as of January 1, 2018 by recognizing the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings and other components of equity as of January 1, 2018.

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

2. IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services .

IFRS 15 sets out a single revenue recognition model, according to which the entity shall recognize revenue in accordance with the said core principle by implementing a five-step model framework :

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract .
3. Determine the transaction price .
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when the entity satisfies a performance obligation.

Below are the significant accounting policies and judgments applied by the Company in recognizing revenue from customer contracts in detail according to the Company's main activities:

Revenues from Construction Contracts

Revenues are recognize by the input methods.

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

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

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Notes to condensed consolidated financial statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

The Company recognizes income from construction contracts over time, since the Company's performance creates an asset that the customer controls as the asset is created and does not create an asset with alternative use to the Company and the Company has the right to enforce payment for performance completed up to that date.

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

Warranty obligations

The Company generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under IFRS 15, which the Company accounts for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Financing components

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

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

NOTE 3 - SIGNIFICANT AND SUBSEQUENT EVENTS:

- A. The company signed through 2018, several commercial sale and re seller and installation agreements. The company operates to implement those agreement. and installation
- B. On February 27, 2018 the company Issue of Performance Rights to unrelated Consultant. The Performance Rights will convert into Ordinary Shares in three equal tranches on a 1:1 basis upon the satisfaction of Performance Milestones as follows:
 - 66,666 Performance Rights will vest upon the completion of 12 months of continuous service to the Company.
 - 66,667 Performance Rights will vest upon the Consultant introducing a new opportunity, investor or client for the benefit of the Company as determined by the CEO.
 - 66,667 Performance Rights will vest upon the completion of 24 months continuous service to the Company.

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Notes to condensed consolidated financial statements

NOTE 3 - SIGNIFICANT AND SUBSEQUENT EVENTS (CONT.):

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

Share price - AUD 0.48 (representing approximately \$0.36)

Expected volatility - 70%

Risk-free interest rate – 1.9% And expected average life of options 1.67 years

The total fair value of performance rights based on the Company's forecasts for milestone fulfilment, as the vesting condition is non-market related at the amount of \$71 thousand (AUD 96 thousand), \$17 thousand was expensed through profit and loss during the period.

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