

## ASX and MEDIA RELEASE

8 February 2019

### Roots secures up to AU\$1.62 million financing by way of convertible notes to fast track commercialisation of RZTO opportunities

**Roots Sustainable Agricultural Technologies Limited (ASX: ROO, Roots or Company)** today announced that it has received a financing commitment, by way of execution of a convertible securities agreement with CST Capital as trustee for The CST Investment Fund (**the Investor**), of up to AU\$1.62 million (before costs) via the issue of convertible notes (**Notes**) by the Company.

The Notes will be issued in two tranches with a face value of AU\$1.00 per Note (**Face Value**), with 1,650,000 collateral CDIs over fully paid ordinary shares (**CDIs**) to be issued to the Investor prior to the first purchase of 900,000 Notes. The issuance of the collateral CDIs will be completed pursuant to the Company's current placement capacity under ASX Listing Rule 7.1. The first tranche is for an amount of AU\$0.810 million. A subsequent tranche of up to AU\$0.810 million will be issued at a later date subject to mutual consent between Roots and the Investor.

The Notes will be interest-free and convertible. The Notes can initially be converted at 130% of the 5-day VWAP prior to issuance of the applicable tranche. From 65 days following the date of issue, the Notes can be converted at the lower of 130% of the 5-day VWAP prior to issuance of the applicable tranche and 90% of the lowest daily VWAP during the 15 trading days preceeding the conversion date. Other than with the prior written consent of the Company, in any calendar month, the Investor may not convert more than one third of the Notes issued on a purchase date at 90% of the lowest daily VWAP during the 15 trading days preceeding the conversion date.

Upon issuance of a tranche, the Investor will receive options equal to the face value, multiplied by 0.2, divided by the closing VWAP prior to issuance. The options will be exercisable for 18 months and have an exercise price equal to 160% of the 5-day VWAP prior to issuance of the options.

The Notes in the first tranche mature 3 months after issue, and the maximum number of new CDIs that the Company may or is required to issue on conversion of the Notes in the first tranche, without the Company first obtaining shareholder approval to the issue, is 9,395,000, less the number of collateral CDIs, and less the first tranche of options (**Tranche 1 Options**). The number of Tranche 1 Options to be issued is that number of options equal to the Face Value (AU\$1.00 per Note) multiplied by 0.2 divided by closing VWAP prior to issuance. The Tranche 1 Options are to be issued 2 business days after the date of the convertible securities agreement and will be issued for nil consideration. Assuming the Tranche 1 Options are issued on 11 February 2019 (and there being no trading of ROO shares today) 2,038,506 Tranche 1 Options will be issued pursuant to the Company's current placement capacity under ASX Listing Rule 7.1. Shareholder approval will be sought for the issue of the second tranche of options.

Assuming the number of Tranche 1 Options to be issued is 2,038,506, the Company could issue up to 5,706,494 CDIs upon conversion of the first tranche of Notes, however the Company intends on seeking shareholder approval for any CDIs to be issued upon conversion.

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The Company is required to seek shareholder approval for the issue of replacement Notes which are not subject to this restriction within 60 days of the issue of the Notes in the first tranche. The replacement Notes, upon issuance, will replace and cancel the Notes of the first Tranche. If the Company obtains shareholder approval, then the Company must issue replacement Notes to the investor (on a one for one basis) on the same terms as the Notes in the first tranche, except that they will not be subject to the maximum CDI restriction, however the replacement Notes will be convertible on the same terms as the first tranche of Notes, and will mature 12 months after issue of the Notes in the first tranche.

The funds raised from the issue of Notes will be utilised to fast track the commercialisation of the Company's RZTO opportunities, and for ongoing working capital.

### Convertible Note Terms

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|---|--|
| <b>Financing:</b>                               | Up to AU\$1.80 million in face value of unsecured convertible notes (the “Notes”) issued as follows:<br><b>Tranche 1 Purchase Price:</b> AU\$0.810 million upon closing;<br><b>Tranche 2 Purchase Price:</b> up to AU\$0.810 million subject to mutual consent   |
| <b>Subscription Price:</b>                      | Each Note will be subscribed at 90% of Face Value  |
| <b>Maturity of Notes:</b>                       | Tranche 1: 3 months after issue<br>Replacement Notes: 12 months after Tranche 1 issue<br>Tranche 2: 12 months after issue  |
| <b>Maximum CDI Number and Replacement Notes</b> | The maximum number of new CDIs that the Company may or is required to issue on conversion of the Tranche 1 Notes, without the Company first obtaining shareholder approval to the issue, is 9,395,000, less the number of collateral CDIs, and less the Tranche 1 Options.<br><br>The Company is required to seek shareholder approval for the issue of replacement Notes, to replace the Notes issued in the first tranche and which are not subject to this restriction within 60 days of the Tranche 1 issue. If the Company obtains shareholder approval, then the Company must issue replacement Notes to the investor (on a one for one basis) on the same terms as the Tranche 1 Notes, except that they will not be subject to the Maximum CDI Number and will have the Maturity Date set out above. |
| <b>Interest:</b>                                | Interest free  |
| <b>Convertibility:</b>                          | Conversion Price (b) (below) will not be available for 65 days from issuance of the applicable Notes.<br>Other than with the prior written consent of the Company, in any calendar month, the Investor may not convert more than one third of the Notes issued on a purchase date at the Variable Conversion Price.  |
| <b>Conversion Price:</b>                        | The lower of (a) 130% of the 5-day VWAP prior to the issuance of the applicable tranche ( <b>Fixed Conversion Price</b> ) (this fixed Conversion Price will be entitled to customary anti-dilution protections) and (b) if more than 65 days following the date of issue, the lower of the Fixed Conversion Price and 90% of the lowest daily VWAP during the 15 trading days preceding the conversion date ( <b>Variable Conversion Price</b> ).  |
| <b>Investor Restrictions</b>                    | In any given trading day the investor cannot sell more than the greater of 15% of the volume per day or 10% of the face value of the outstanding notes (except where the face value of the outstanding notes is less than \$200,000, then 10% of \$200,000).   |
| <b>Events of Default:</b>                       | Standard Events of Default.  |
| <b>Fee:</b>                                     | 3% of the aggregate Face Value of each Tranche.  |

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| <b>Early Redemption:</b> | The Company may at any time prior to the maturity date redeem up to 75% of outstanding Notes by giving notice to the Investor stating it wishes to do so. After the Company gives a redemption notice, the Investor may give a conversion notice for up to 50% of the redemption amount. On or before 20 business days after the notice, the Company must pay the Investor 110% of the amount outstanding (less the Face Value of any Notes the subject of an existing conversion notice). |
| <b>Options:</b>          | Upon issuance of a Tranche, the Investor will receive a number of options equal to the face value multiplied by 0.2 divided by closing VWAP prior to issuance. The options will be exercisable for 18 months and have an exercise price equal to 160% of the 5-day VWAP prior to the issuance of the options.  |
| <b>Security:</b>         | Unsecured.<br>1.65 million collateral CDIs will be issued in consideration of the Investor entering into the convertible securities agreement and undertaking the risk of the transaction contemplated therein.  |
| <b>Customary Terms:</b>  | The convertible securities agreement contains such additional and supplementary provisions, including, without limitation, customary representations and warranties.   |

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**About Roots Sustainable Agricultural Technologies Ltd:**

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

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

Roots is a graduate company of the Office of the Israeli Chief Scientist Technological Incubator program.

More information [www.Rootssat.com](http://www.Rootssat.com)

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