

APPENDIX 4E
Preliminary Final Report
For the Year Ended 30 June 2017
Under ASX Listing Rule 4.3A

1. Reporting period

The financial information contained in the attached financial report is for year ended 30 June 2017. The previous corresponding period was for the year ended 30 June 2016.

2. Results for announcement to the market

	June 2017 \$	June 2016 \$	Change \$	Change %
Revenue from ordinary activities	68,278	1,691	66,587	3938%
Profit / (Loss) after tax attributable to members	(2,674,771)	(356,984)	(2,317,787)	649%
Total comprehensive income / (loss)	(2,674,771)	(356,984)	(2,317,787)	649%

3. Net Tangible Asset (NTA) backing per share

	30 June 2017 \$	30 June 2016 \$
Net tangible asset per ordinary share	3.74c	(2.35)

4. Details of entities over which control has been gained or lost during the period

On 12 October 2016, Gooroo Ventures Limited ("Gooroo") completed the acquisition of MSGooroo Pty Ltd ("MSGooroo"). Refer to Note 2(c) of the financial report for further details in relation to this transaction.

The consolidated financial statements represented the continuation of the financial statements of MSGooroo Pty Ltd from the date of the transaction.

5. Dividends

There were no payments of dividends during the period.

6. Dividend Reinvestment Plan

There is no dividend reinvestment plan in operation.

7. Associates or Joint Ventures

There are no associates or joint venture entities.

Commentary on the results for the year and significant information

Results of operations

Revenue for the year ended 30 June 2017 increased from \$1,691 to \$68,278 mainly due to Gooroo Hirer revenue and interest received during the year.

Loss after income tax increased from \$356,984 to \$2,674,771 as a result of increased operating expenses including the following:

- Increased employee benefits expense totalling \$1,579,756 as a result of increased number of staff focused on software research and development activities, and remuneration for the management team;
- Higher depreciation expense on additional property, plant and equipment;
- Higher amortisation and impairment expenses on intangible assets;
- Higher share-based payment expense from the additional shares, options and rights issued to employees and consultants;
- IPO transaction costs of \$142,310 that has been included in the profit or loss;
- Additional marketing and sales support activities carried out in the USA totalling \$429,690;
- Increase in overall operation and corporate activities due to becoming a publicly listed company

The company received an R&D Tax Incentive refund of \$203,216 during the year and will lodge a claim for the 2017 year with an estimated cash refund of approximately \$727,000. The company will also lodge an Export Market Development Grant (EMDG) claim with an estimated cash refund of approximately \$144,000.

Review of Operations

During this period, the company has focused on product development and the commercialisation of Gooroo's Talent Matching System; which uses advancements in artificial intelligence and applied neuroscience to assess and rank candidates for open job roles and predict future contribution of individuals to companies.

On 23 January 2017, Gooroo started piloting its Talent Matching System in market, with a focus on third tier recruiters in the USA. The learnings from customer usage has helped to inform product refinements and prepare for a commercial release to an enterprise market.

The company started building its enterprise sales and B2B marketing capability in May 2017 and moved toward the commercialisation of the Gooroo Hirer platform, targeting recruitment firms and companies in Australia in June 2017. The company transitioned to modest revenue in this period on the back of new contract signings.

During May 2017, the company started investing in the development of an advanced assessment platform (Mindspace) that involve the digitisation, scaling and automation of forty years of neuroscience into a user-friendly platform, leveraging the assets contained in the acquisition of ColourGrid™ in 2016. This globally-unique product offering will meet the needs of existing and prospective corporate clients and recruitment firms who will be able to access, request and manage individual and team assessments online and on-demand at any time.

The company's community of technology professionals continued to grow organically throughout the year, exceeding over 20,000 members in June 2017. Microsoft Corporation, through its alliance with the company continued to recommend Gooroo to its global community of certified professionals.

Future Prospects

The company is well positioned to capitalise on the investment made, and commercialisation activities initiated in the previous period.

The company has built a strong sales pipeline of enterprise deals in Australia. The focus is now on the commercialisation of the Gooroo Hirer platform and selling subscription contracts to build an annuity revenue stream.

The company will launch the first version of Gooroo Mindspace assessment platform in September 2017. This new functionality will provide Gooroo with a world-first offering that can be used by clients in the hiring process as well as post-hiring process such as talent management, organisation engagement and workforce professional development.

The company expects that Gooroo Hirer and Gooroo Mindspace integrated offering will accelerate sales conversion rates, adoption and sustainable revenue growth throughout this period.

The company will progress discussions with partners who have expressed interest to leverage the company's intellectual property to explore new market opportunities, including initiatives that will leverage the company's ability to predict the decision-making patterns of consumers.

Significant changes in the state of affairs

1. Acquisition of MSGooroo Pty Ltd (MSGooroo):

On 12 October 2016, Gooroo entered into a Share Purchase Agreement with MSGooroo to acquire 100% interest in MSGooroo with the intention of listing on the Australian Stock Exchange. The acquisition was subsequently completed on 12 October 2016.

2. Issue and conversion of convertible notes

In August 2016, MSGooroo issued 4,750 convertible notes to raise \$475,000 to fund its operating expenses. The conversion occurred on 12 October 2016 upon the completion of the IPO by Gooroo. A total of 14,750 convertible notes were converted into ordinary shares in Gooroo pursuant to their terms and conditions (this included 10,000 previously issued convertible notes).

3. Completion of Initial Public Offering (IPO)

On 12 October 2016, the Company completed its IPO and was admitted into the Australian Stock Exchange (ASX). The shares were first quoted on the ASX on 19 October 2016.

Other Information

This report is based on the consolidated financial statements which are in the process of being audited by Grant Thornton.

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**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2017**

	Note	2017 \$	2016 \$
Revenue	4	24,135	1,673
Other income		253	18
Finance income	4	43,890	-
Employee benefits expense		(1,579,756)	(96,755)
Depreciation, amortisation and impairment expense		(97,227)	(8,411)
Corporate transaction costs		(142,310)	-
Share-based payments		(263,467)	(159,819)
Product development costs		(91,491)	-
Other expenses	5	(1,201,631)	(313,217)
Finance costs	5	(87)	(19,154)
Loss before income tax		(3,307,691)	(595,665)
Income tax benefit		632,920	238,681
Net loss for the year		(2,674,771)	(356,984)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,674,771)	(356,984)
Loss per share			
Basic loss per share (cents)		(5.99)	(1.46)
Diluted loss per share (cents)		(5.99)	(1.46)

Consolidated Statement of Financial Position
30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	1,829,292	533,592
Trade and other receivables	7	762,508	286,149
Current tax receivable		2,962	-
Other assets		38,595	4,021
TOTAL CURRENT ASSETS		2,633,357	823,762
NON-CURRENT ASSETS			
Property, plant and equipment	8	86,478	-
Intangible assets	9	1,200,155	445,065
TOTAL NON-CURRENT ASSETS		1,286,633	445,065
TOTAL ASSETS		3,919,990	1,268,827
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	349,234	211,986
Borrowings	11	-	1,185,463
Short-term provisions		29,012	12,798
Other liabilities		38,480	-
TOTAL CURRENT LIABILITIES		416,726	1,410,247
TOTAL LIABILITIES		416,726	1,410,247
NET ASSETS		3,503,264	(141,420)
EQUITY			
Issued capital	12	6,654,928	435,585
Reserves	13	234,300	134,188
Accumulated losses		(3,385,964)	(711,193)
TOTAL EQUITY		3,503,264	(141,420)

**Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2017**

2017

	Ordinary Shares \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2016	435,585	(711,193)	134,188	(141,420)
Loss for the period	-	(2,674,771)	-	(2,674,771)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(2,674,771)	-	(2,674,771)
Transactions with owners in their capacity as owners				
Conversion of convertible notes	1,475,000	-	(25,476)	1,449,524
Conversion of A class shares	213,089	-	(213,089)	-
Shares issued during the year	5,365,876	-	-	5,365,876
Transaction costs	(855,622)	-	84,410	(771,212)
Share based payments	21,000	-	254,267	275,267
Balance at 30 June 2017	6,654,928	(3,385,964)	234,300	3,503,264

2016

	Ordinary Shares \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2015	262,050	(354,209)	-	(92,159)
Loss for the period	-	(356,984)	-	(356,984)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(356,984)	-	(356,984)
Transactions with owners in their capacity as owners				
Share based payments	106,547	-	110,082	216,629
Shares issued during the year	66,988	-	-	66,988
Convertible notes - equity component	-	-	24,106	24,106
Balance at 30 June 2016	435,585	(711,193)	134,188	(141,420)

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2017

	2017	2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	26,370	1,691
Payments to suppliers and employees	(2,879,469)	(283,361)
Research & development tax incentive received	235,450	150,264
Finance costs	(87)	(2,197)
Interest received	40,928	-
Net cash used in operating activities	14 (2,576,808)	(133,603)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(101,959)	(6,978)
Purchase and development of intangible assets	(825,036)	(228,255)
Net cash used by investing activities	(926,995)	(235,233)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	5,000,001	66,988
Proceeds from issue of convertible notes	455,000	946,238
Proceeds from borrowings	(263,331)	(111,882)
Transaction costs	(392,167)	-
Net cash used by financing activities	4,799,503	901,344
Net increase/(decrease) in cash and cash equivalents held	1,295,700	532,508
Cash and cash equivalents at beginning of year	533,592	1,084
Cash and cash equivalents at end of financial year	6 1,829,292	533,592

Notes to the Financial Statements

For the Year Ended 30 June 2017

1. General information and statement of compliance

The consolidated financial report covers the consolidated financial statements and notes of Gooroo Ventures Limited ("the Company") as an individual entity and the consolidated Group comprising Gooroo Ventures Limited and its controlled entities ('the Group'). Gooroo Ventures Limited is a Company limited by shares, incorporated and domiciled in Australia.

The preliminary final report is based on the Company's consolidated financial statements which is in the process of being audited and have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The Company does not expect that there will be any audit qualifications to the financial statements.

The following is a summary of the material accounting policies adopted by the company in the preparation of the preliminary financial report. The accounting policies have been consistently applied, unless otherwise stated.

2. Summary of Accounting Policies

(a) Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

(b) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

(c) Group restructure

Gooroo Ventures Limited was incorporated to be the vehicle for ASX listing of the existing MSGooroo Pty Ltd company and business. The existing MSGooroo Pty Ltd shareholders exchanged their shares for shares in Gooroo Ventures Limited and MSGooroo Pty Ltd became a 100% owned subsidiary of Gooroo Ventures Limited. The transaction had no economic substance and has been treated as a restructure. The financial statements are prepared as a continuation of MSGooroo Pty Ltd with all assets and liabilities measured at existing book values. Costs incurred by Gooroo Ventures Limited in relation to the acquisition and listing have been treated as an expense. The impact of the above on each of the primary statements is as follows:

Consolidated Statement of Financial Position

The 30 June 2017 and 30 June 2016 statement of financial position represent both Gooroo Ventures Limited and MSGooroo Pty Ltd

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The 30 June 2017 figures represent 12 months of activities of MSGooroo Pty Ltd and activities of Gooroo Ventures Limited since its inception on 28 July 2016. The 30 June 2016 figures represent activities of MSGooroo Pty Ltd only, as Gooroo Ventures Limited was not yet incorporated.

Consolidated Statement of Changes in Equity

The 30 June 2017 figures comprise of changes in equity for both MSGooroo Pty Ltd and Gooroo Ventures Limited. The 30 June 2016 figures represent changes in equity of MSGooroo Pty Ltd only, as Gooroo Ventures Limited was not yet incorporated.

Notes to the Financial Statements

For the Year Ended 30 June 2017

Consolidated Statement of Cash Flows

The 30 June 2017 statement of cash flows represents the cash transactions of both MSGooroo Pty Ltd and Gooroo Ventures Limited. The 30 June 2016 statement of cash flows represent the cash transactions of MSGooroo Pty Ltd only, as Gooroo Ventures Limited was not yet incorporated.

(d) Income taxes

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the Australian Taxation Office (ATO) and other fiscal authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Research and development tax incentive

Research and development tax incentive income is recognised at fair value when there is reasonable assurance that the income will be received. Income from research and development tax incentive is recognised as an offset against income tax expense or benefit.

(e) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Service revenue

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

Notes to the Financial Statements

For the Year Ended 30 June 2017

Interest and dividend income

Interest income and expenses are reported on an accrual basis using the effective interest method

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

IT equipment and other equipment

Plant and equipment are measured using the cost model.

Depreciation

Depreciation is recognised on either the straight line basis or the reducing balance basis to write down the cost less estimated residual value of IT equipment and other equipment. The following useful lives are applied:

- Computer equipment: 2 - 5 years
- Furniture and fittings and office equipment: 3 - 10 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

(g) Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss (FVTPL);
- available for sale (AFS) financial assets; and
- held to maturity (HTM) investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Notes to the Financial Statements

For the Year Ended 30 June 2017

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case by case basis.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss (FVTPL) include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Available for sale financial assets

Available for sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group held no AFS financial assets during the reporting period.

All available for sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available for sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit or loss and any subsequent increase in fair value is recognised in other comprehensive income.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held to maturity if it is the intention of the Group's management to hold them until maturity.

Held to maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

Notes to the Financial Statements

For the Year Ended 30 June 2017

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Available for sale financial assets

A significant or prolonged decline in value of an available for sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

(h) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(i) Other Intangible Assets

Acquired intangible assets

Acquired intellectual properties are capitalised on the basis of the costs incurred to acquire them. They are carried at cost less any accumulated amortisation and impairment losses. Amortisation begins when the asset is available for use.

Internally developed software

Expenditure on the research phase of projects is recognised as an expense when incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software; and
- the software will generate probable future economic benefits

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Costs that are directly attributable include employees' costs incurred on software development, along with an appropriate portion of relevant overheads.

Subsequent measurement

Notes to the Financial Statements For the Year Ended 30 June 2017

All intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 2(m).

The following useful lives are applied:

- software: 5 years
- intellectual properties: 20 years

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note 2(m).

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

Subsequent expenditures on the maintenance of computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(k) Employee benefits

Short term employee benefits

Short term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Short term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long term employee benefits

Employee benefits expected to be settled more than twelve (12) months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

(m) Equity settled compensation

The Company provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Company in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions'). There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to Directors and individuals providing services similar to those provided by an employee.

Notes to the Financial Statements

For the Year Ended 30 June 2017

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Binomial Option Pricing formula taking into account the terms and conditions upon which the instruments were granted. The expected price volatility is based on the historic volatility of the Company's share price on the ASX.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Gooroo Ventures Limited ('market conditions').

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting year has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a year represents the movement in cumulative expense recognised at the beginning and end of the year.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted.

(n) Going concern

The financial report has been prepared on the basis of a going concern. The financial report shows the Group incurred a net loss of \$2,674,771 (2016: \$356,984) and a net cash outflow from operating and investing activities of \$3,503,803 (2016: \$368,836) during the reporting period. The Group's ability to continue as a going concern is contingent upon generation of cash flow from its business and/or successfully raising additional capital. If sufficient cash flow is not generated and/or additional capital funds are not raised, the going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

3. Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these consolidated financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Note 2(h)).

Notes to the Financial Statements
For the Year Ended 30 June 2017

Impairment of intangible assets

The Group assesses impairment at end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions

Share-based payment transactions

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed over the vesting period.

Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different option values, which would result in the recognition of a higher or lower expense.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

4. Revenue and Other Income

Revenue from continuing operations

	2017 \$	2016 \$
Sales revenue		
- Employment Services	19,570	-
- Learning Services	4,565	1,673
Total sales revenue	24,135	1,673
Finance income		
- interest from cash and cash equivalents	43,890	-
Total finance income	43,890	-

5. Expenses

The result for the year includes the following specific expenses:

Finance Costs:

- Interest paid	87	19,154
Total finance costs	87	19,154

Other Expenses:

Professional fees	98,598	-
Auditing or reviewing the financial report	27,000	10,000
Advertising and marketing	245,945	44,014
Agency fees	24,508	-
Account fees	2,802	905
ASX fees	75,321	-
Consulting fees	79,272	178,865
Computer costs - other	14,781	21,036
Legal costs	6,249	12,037
Donation	50,600	10,000
Insurance	25,548	5,644
HR outsourcing	83,000	-
Outgoings	19,991	-
Rental expenses	67,646	1,800
Research costs	48,543	2,138
Sales support	183,745	-
Share registry service	12,403	-
Travel expenses	47,330	-
Impairment loss on non-financial assets	13,707	-
Other operating expenses	74,642	26,778
Total other expenses	1,201,631	313,217

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

6. Cash and Cash Equivalents

	2017	2016
	\$	\$
Cash at bank and in hand	579,292	533,592
Short-term deposits	1,250,000	-
	1,829,292	533,592

7. Trade and Other Receivables

CURRENT		
Trade receivables	7,744	-
	7,744	-
GST receivable	20,806	15,236
R&D tax incentive receivable	733,958	270,913
Total current trade and other receivables	762,508	286,149

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. All of the Group's trade and other receivables have been reviewed for indicators of impairment.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

8. Property, plant and equipment

Furniture and fittings		
At cost	49,760	-
Accumulated depreciation	(2,228)	-
Total furniture, fixtures and fittings	47,532	-
Office equipment		
At cost	4,912	-
Accumulated depreciation	(948)	-
Total office equipment	3,964	-
Computer equipment		
At cost	51,452	4,166
Accumulated depreciation	(16,470)	(4,166)
Total computer equipment	34,982	-
Total property, plant and equipment	86,478	-

Notes to the Financial Statements For the Year Ended 30 June 2017

8. Property, plant and equipment (continued)

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Furniture and Fittings \$	Office Equipment \$	Computer Equipment \$	Total \$
Year ended 30 June 2017				
Balance at the beginning of year	-	-	-	-
Additions	49,760	4,912	47,286	101,958
Depreciation expense	(2,228)	(948)	(12,304)	(15,480)
Balance at the end of the year	47,532	3,964	34,982	86,478

	Furniture, Fixtures and Fittings \$	Office Equipment \$	Computer Equipment \$	Total \$
Year ended 30 June 2016				
Balance at the beginning of year	-	-	1,433	1,433
Additions	-	-	968	968
Depreciation expense	-	-	(2,401)	(2,401)
Balance at the end of the year	-	-	-	-

9. Intangible Assets

	2017 \$	2016 \$
Internally generated intangible assets		
Cost	1,055,041	230,005
Accumulated amortisation and impairment	(81,746)	-
Net carrying value	973,295	230,005
Intellectual property		
Cost	226,860	215,060
Net carrying value	226,860	215,060
Total Intangibles	1,200,155	445,065

Notes to the Financial Statements For the Year Ended 30 June 2017

9. Intangible Assets (continued)

(a) Movements in carrying amounts of intangible assets

	Internally generated intangible assets \$	Intellectual property \$	Total \$
Year ended 30 June 2017			
Balance at the beginning of the year	230,005	215,060	445,065
Acquired	-	11,800	11,800
Internally generated	825,036	-	825,036
Amortisation	(68,039)	-	(68,039)
Impairment loss in income	(13,707)	-	(13,707)
Closing value at 30 June 2017	973,295	226,860	1,200,155

	Internally generated intangible assets \$	Intellectual property \$	Total \$
Year ended 30 June 2016			
Balance at the beginning of the year	-	-	-
Additions	-	215,060	215,060
Additions - internally generated	230,005	-	230,005
Closing value at 30 June 2016	230,005	215,060	445,065

An impairment loss of \$13,707 (2016: Nil) was recognised for Gooroo Think, an internally developed software. The recoverable amount of the asset is its value in use, determined based on management's expectation of the net profits that will be derived from utilising or disposal of the asset. The management determined recoverable amount for Gooroo Think was nil.

10. Trade and Other Payables

	2017 \$	2016 \$
Current		
Trade payables	242,163	186,380
Other payables	107,071	25,606
Total trade and other payables	349,234	211,986

All amounts are short-term and the carrying amounts are considered to be a reasonable approximation of fair value.

11. Borrowings

CURRENT

Unsecured liabilities:

Convertible notes - liability component	-	922,132
Loans from related parties	-	263,331
Total current borrowings	-	1,185,463

Notes to the Financial Statements For the Year Ended 30 June 2017

12. Issued Capital

(a) Share capital

The share capital of Gooroo consists of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Gooroo.

	No. of shares	2017 \$
Shares issued and fully paid (3)		
Balance on incorporation	1	1
Issued on conversion of convertible notes	9,218,750	1,475,000
Issued during the period (1)	25,000,000	5,000,000
Issued to broker	1,204,375	240,875
issued to MSGooroo shareholders (2)	26,000,000	773,674
Issued to consultant	100,000	21,000
Transaction costs in relation to share issue	-	(855,622)
	61,523,126	6,654,928

- During the year, the Company issued 25,000,000 shares under the Initial Public Offering to raise \$5,000,000.
- As part of the consideration for the acquisition of MSGooroo Pty Ltd by Gooroo Ventures Limited, the previous owners of MSGooroo Pty Ltd transferred their shareholdings to Gooroo Ventures Limited in exchange for 26,000,000 ordinary shares in Gooroo Ventures Limited. In addition, these parties may be issued up to 54,000,000 additional shares in the Company upon the achievement of certain milestones.
- The number of shares disclosed in this note is the number of shares in Gooroo Ventures Limited while the carrying value of shares (\$) discloses the opening share capital of MSGooroo Pty Ltd on 1 July 2016 adjusted for movements prior to the IPO, and all movements in Gooroo Ventures Limited subsequent to the IPO.

(b) Performance shares

	No of shares	2017 \$
Balance on incorporation	-	\$ -
A Class performance shares issued	22,000,000	-
B Class performance shares issued	22,000,000	-
C Class performance shares issued	10,000,000	-
Balance at the end of reporting period	54,000,000	\$ -

Shareholders of MSGooroo Pty Ltd were granted 54,000,000 Performance Shares as part of the consideration of the acquisition by Gooroo. The terms and conditions of the Performance Shares are summarised below:

Share Class	Conversion Event	Number of Shares	Time Frame
A Class Performance Shares	(a) the Company achieving a 20-day Volume Weighted Average Market Price of the Company Shares equal to or greater than \$0.50; and (b) the Group having at least 10,000 members registered on gooroo.io, (whether or not they occur at the same time)	1 Share, subject to the General Term above relating to Reorganisation of Capital	3 Years from Issue (12 October 2019)
B Class Performance Shares	(a) the Group generating two consecutive Quarters of Consolidated Sales Revenue of at least \$3 million per Quarter; or (b) the Group achieving Consolidated Sales Revenue of at least \$10m for a Financial Year; or	1 Share, subject to the General Term above relating to Reorganisation of Capital	Prior to 30 June 2019

Notes to the Financial Statements
For the Year Ended 30 June 2017

Share Class	Conversion Event	Number of Shares	Time Frame
	(c) the: (i) Company having achieved a Market Capitalisation of \$70 million or more for 10 consecutive Business Days; and (ii) Group having at least 20,000 members registered on gooroo.io (whether or not they occur at the same time)		
C Class Performance Shares	(a) the Group generating two consecutive Quarters of Consolidated Sales Revenue of at least \$4.5 million per Quarter; or (b) the Group achieving Consolidated Sales Revenue of at least \$15m for a Financial Year; or (c) the: (i) Company having achieved a Market Capitalisation of \$110 million or more for 10 consecutive Business Days; and (ii) Group having at least 30,000 members registered on gooroo.io (whether or not they occur at the same time)	1 Share, subject to the General Term above relating to Reorganisation of Capital	Prior to 30 June 2020

13. Reserves

	2017 \$	2016 \$
Convertible instruments reserve		
Opening balance	24,106	-
Convertible notes - equity component	-	25,476
Conversion of convertible notes	(24,106)	-
Transaction costs	-	(1,370)
Closing balance	-	24,106
Share-based payments reserve		
Opening balance	110,082	-
Share-based payments	177,490	110,082
Conversion of A class shares	(53,272)	-
Closing balance	234,300	110,082
Total reserves	234,300	134,188

(a) Convertible instruments reserve

The convertible instruments reserve is used to record the value of the equity component of the convertible instruments.

(b) Share-based payments reserve

The share-based payments reserve is used to record the value of the equity benefits provided to Directors and executives as part of their remuneration and non-employees for their goods and services. Refer to Note 29 for further details of the securities issued during the financial year.

Notes to the Financial Statements
For the Year Ended 30 June 2017

14. Cash Flow Information

Reconciliation of Cash Flows from Operations with Profit/(Loss) after income tax

	2017	2016
	\$	\$
Loss for the year	(2,674,771)	(356,984)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- amortisation	68,039	-
- depreciation	15,481	8,411
- Impairment	13,707	-
- share-based payments	263,467	159,819
- tax portion of share issue costs	65,575	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(485,674)	(73,037)
- (increase)/decrease in other assets	(27,582)	-
- (increase)/decrease in prepayments	(6,992)	(112)
- increase/(decrease) in trade and other payables	137,248	118,226
- increase/(decrease) in other liabilities	38,480	-
- increase/(decrease) in employee benefits	16,214	10,074
Cashflows from operations	<u>(2,576,808)</u>	<u>(133,603)</u>

15. Contingent Asset

The Company is in the process of submitting an application for the Export Market Development Grants (EMDG) for the year ended 30 June 2017. The grant receivable is estimated to be \$144,000. The amount receivable is subject to audit by Austrade.