

## 1. Company details

Name of entity:	ShareRoot Limited
ABN:	71 063 144 865
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	342.5% to	568,252
Loss from ordinary activities after tax attributable to the owners of ShareRoot Limited	down	1.8% to	(1,341,363)
Loss for the half-year attributable to the owners of ShareRoot Limited	down	1.8% to	(1,341,363)
		<b>31 December 2018</b>	<b>31 December 2017</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(0.10)	(0.21)
Diluted earnings per share		(0.10)	(0.21)

### Dividends

There were no dividends paid, recommended or declared during the current financial period.

### Comments

The loss for the consolidated entity after providing for income tax amounted to \$1,341,363 (31 December 2017: \$1,365,630).

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(0.02)</u>	<u>0.10</u>

## 4. Control gained over entities

Name of entities (or group of entities)	Ludomade, Inc.
Date control gained	15 November 2018

	\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	103,913
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	949,220

## 5. Loss of control over entities

Not applicable.

---

## 6. Dividends

### *Current period*

There were no dividends paid, recommended or declared during the current financial period.

### *Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

---

## 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 ShareRoot Limited for the half-year ended 31 December 2018 is attached.

---

## 9. Signed

Signed



---

Harvey Kaplan  
Director

Date: 28 February 2019

# **ShareRoot Limited**

**ABN 71 063 144 865**

## **Interim Report - 31 December 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of ShareRoot Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018 ('the financial half-year').

### **Directors**

The following persons were directors of ShareRoot Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Lee Rodne (Chairman) (Resigned 1 February 2019)  
Noah Abelson-Gertler (Resigned 1 March 2019)  
Peter McLennan (Resigned 1 February 2019)  
Damon Rasheed (Appointed 1 February 2019)  
Harvey Kaplan (Appointed 1 February 2019)

### **Principal activities**

During the financial half-year the principal continuing activity of the consolidated entity is the provision of Software as a Service (SaaS) platform that works with brands and digital agencies to easily identify and legally source user generated content (UGC).

There are no changes to the principal activity during the half year.

### **Dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

### **Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$1,341,363 (31 December 2017: \$1,365,630).

#### **Operational Progress**

ShareRoot raised additional capital from strategic tech entrepreneur and now MediaConsent Advisory Board member Antanas Guoga ("Tony G").

ShareRoot anticipates that as the Group grows it will continue to increase its revenue and decrease its loss quarter over quarter as it drives operational efficiencies and continues to integrate revenue streams like The Social Science and optimise overall company functionality.

In November 2018, ShareRoot acquired Ludomade Inc., a profitable games and app technology company. This successful acquisition of Ludomade will position ShareRoot to significantly increase its revenue generations, while driving collaborations with the MediaConsent platform and The Social Science.

### **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

### **Matters subsequent to the end of the financial half-year**

The resolution to approve the proposed consolidation of capital did not pass at the Company's General Meeting on 30 January 2019. Following on from this, directors Mr Lee Rodne and Mr Peter McLennan resigned as directors on 1 February 2019, replaced by Mr Damon Rasheed and Mr Harvey Kaplan.

Mr Noah Abelson-Gertler has resigned as the CEO of the Company's wholly-owned subsidiary ShareRoot Inc, and as a Director of ShareRoot Limited with effect from 1 March 2019. The Board's highest priority is to recruit a new CEO and is in advanced discussions with suitable candidates.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Harvey Kaplan  
Director

28 February 2019

## DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF SHAREROOT LIMITED

As lead auditor for the review of ShareRoot Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* 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 ShareRoot Limited and the entities it controlled during the period.



Gareth Few  
Partner

**BDO East Coast Partnership**

Sydney, 28 February 2019

Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	18
Independent auditor's review report to the members of ShareRoot Limited	19

## **General information**

The financial statements cover ShareRoot Limited as a consolidated entity consisting of ShareRoot Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is ShareRoot Limited's functional and presentation currency.

ShareRoot Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Level 5  
126 Phillip Street  
SYDNEY NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2019.

Readers please note:

The presentation of these financial statements reflects the accounting required as a result of ShareRoot Limited acquiring ShareRoot Inc, which for accounting purposes, was a reverse acquisition. While ShareRoot Limited remains the parent entity for the consolidated entity, ShareRoot Inc is that parent entity for the purposes of consolidating the financial statements.

**ShareRoot Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2018**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	3	568,252	128,423
Other income	4	3,047	21,709
<b>Expenses</b>			
Employee benefits expense		(787,638)	(264,908)
Depreciation and amortisation expense		(3,268)	(24,639)
Impairment	5	(161,623)	-
Finance costs		(615)	-
Occupancy		(17,337)	(31,596)
Administration		(535,187)	(668,038)
Consultancy costs		(230,194)	(96,134)
Development costs relating to the ShareRoot platform		(113,427)	(404,779)
Share based payment		(63,373)	(25,668)
<b>Loss before income tax expense</b>		<b>(1,341,363)</b>	<b>(1,365,630)</b>
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of ShareRoot Limited</b>		<b>(1,341,363)</b>	<b>(1,365,630)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		4,022	7,101
Other comprehensive income for the half-year, net of tax		4,022	7,101
<b>Total comprehensive income for the half-year attributable to the owners of ShareRoot Limited</b>		<b>(1,337,341)</b>	<b>(1,358,529)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	13	(0.10)	(0.21)
Diluted earnings per share	13	(0.10)	(0.21)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



**ShareRoot Limited**  
**Statement of financial position**  
**As at 31 December 2018**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		810,171	1,546,284
Trade and other receivables		254,444	185,959
Prepayments and other deposits		144,840	129,252
Total current assets		<u>1,209,455</u>	<u>1,861,495</u>
<b>Non-current assets</b>			
Property, plant and equipment		22,734	4,918
Goodwill and other intangibles	6	1,700,961	161,658
Other assets		5,927	5,653
Total non-current assets		<u>1,729,622</u>	<u>172,229</u>
<b>Total assets</b>		<u>2,939,077</u>	<u>2,033,724</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		561,228	514,868
Deferred consideration	7	551,159	-
Deferred revenue		67,781	103,179
Total current liabilities		<u>1,180,168</u>	<u>618,047</u>
<b>Non-current liabilities</b>			
Deferred revenue		-	21,560
Deferred consideration	7	438,261	-
Total non-current liabilities		<u>438,261</u>	<u>21,560</u>
<b>Total liabilities</b>		<u>1,618,429</u>	<u>639,607</u>
<b>Net assets</b>		<u>1,320,648</u>	<u>1,394,117</u>
<b>Equity</b>			
Issued capital	8	14,873,974	13,673,475
Reserves	9	989,232	921,837
Accumulated losses		<u>(14,542,558)</u>	<u>(13,201,195)</u>
<b>Total equity</b>		<u>1,320,648</u>	<u>1,394,117</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**ShareRoot Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2018**



<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Retained profits \$</b>	<b>Total equity \$</b>
Balance at 1 July 2017	9,850,132	546,263	(10,165,568)	230,827
Loss after income tax expense for the half-year	-	-	(1,365,630)	(1,365,630)
Other comprehensive income for the half-year, net of tax	-	7,101	-	7,101
Total comprehensive income for the half-year	-	7,101	(1,365,630)	(1,358,529)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,173,843	-	-	1,173,843
Share-based payments	-	138,177	-	138,177
Balance at 31 December 2017	<u>11,023,975</u>	<u>691,541</u>	<u>(11,531,198)</u>	<u>184,318</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Retained profits \$</b>	<b>Total equity \$</b>
Balance at 1 July 2018	13,673,475	921,837	(13,201,195)	1,394,117
Loss after income tax expense for the half-year	-	-	(1,341,363)	(1,341,363)
Other comprehensive income for the half-year, net of tax	-	4,022	-	4,022
Total comprehensive income for the half-year	-	4,022	(1,341,363)	(1,337,341)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	1,200,499	-	-	1,200,499
Share-based payments	-	63,373	-	63,373
Balance at 31 December 2018	<u>14,873,974</u>	<u>989,232</u>	<u>(14,542,558)</u>	<u>1,320,648</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**ShareRoot Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2018**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		479,450	102,704
Payments to suppliers and employees		(1,743,359)	(1,551,974)
Interest received		584	526
Net cash used in operating activities		(1,263,325)	(1,448,744)
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	11	(687,853)	-
Payments for property, plant and equipment		(1,207)	-
Proceed from sale of property, plant and equipment		-	2,934
Net cash from/(used in) investing activities		(689,060)	2,934
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	8	1,221,773	1,378,510
Share issue transaction costs		(21,274)	(91,299)
Net cash from financing activities		1,200,499	1,287,211
Net decrease in cash and cash equivalents		(751,886)	(158,599)
Cash and cash equivalents at the beginning of the financial half-year		1,546,284	493,804
Effects of exchange rate changes on cash and cash equivalents		15,773	6,506
Cash and cash equivalents at the end of the financial half-year		<u>810,171</u>	<u>341,711</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

#### ***AASB 9 Financial Instruments***

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

#### **Impact of first time adoption of AASB 9 Financial Instruments:**

If the collection of revenue is not considered probable at the time of rendering of services, the consolidated entity does not recognise revenue until the fee is collected. As a result, there has not been an impairment of trade receivables during the last three twelve month periods ending 31 December. The Group has decided not to impair any trade receivables based on this assessment.

**Note 1. Significant accounting policies (continued)**

*AASB 15 Revenue from Contracts with Customers*

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of first time adoption of AASB 15 Revenue from Contracts with Customers:

*Rendering of services*

Revenue from the sale of annual subscription services, which enable its customer to access an online platform that allows them to search and source user generated content is recognised over the subscription period (generally 1 year) on a straight line basis. Given that the service is provided on a monthly basis there is no significant impact to revenue recognition here.

Revenue from advertising and contesting services are sold in a one-off basis rather than a subscription model. For contracts where the consolidated entity is able to provide advertising services for a specific contract period, advertising revenue is recognised ratably over the advertising term. Contest revenue is recognised when the contest has concluded. Given that the performance obligation is satisfied there is no significant impact to revenue recognition here.

Revenue from its social media marketing agency arm is recognised when it is received (retainer contracts) or when the right to receive payment is established (for project revenue). During the period, all revenue relating to set-up fees represent a genuine fee for service provided to set up and enable the customer's use of the products and therefore no significant impact to revenue recognition here.

**Note 1. Significant accounting policies (continued)**

**Going concern**

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity has incurred net losses after tax of \$1,341,363 (2017: \$1,365,630) and net cash outflows from operations of \$1,263,325 (2017: \$1,448,744) for the half-year ended 31 December 2018.

ShareRoot Limited recently completed a strategic review, revealing both opportunities and challenges to the company in being able to realise its full potential.

The outcomes from the review will result in a reduction of overall operational costs including closing ShareRoot Inc. (a US registered business) which will deliver an estimated saving of AUD\$500k per year.

The strategic review further identified market opportunities to potentially significantly increase the company revenue in the future, targeting select markets, allocating appropriate marketing and sales budget, utilising expertise and offering extended client services.

There is also opportunity in moving the development of technology from international locations to Australia, to allow access to Australian R&D tax incentives.

ShareRoot Limited now has a clear vision and path forward to leverage existing functional parts of ShareRoot, including Ludomade and The Social Science.

For more detail regarding this strategic review please refer to the ASX press release dated 28 February 2019.

The directors have prepared cash flow forecasts which indicate that the consolidated entity will be required to raise funds to provide additional working capital. The directors have a plan to raise further capital through either debt or equity which will provide sufficient resources to fund the company until such time as the outcome of the strategic review can be implemented in full.

These conditions indicate a material uncertainty that may cast a significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the consolidated entity's strategic review, cash-flow forecasts and past ability to raise capital (recent rights issue and placement completed in January 2018 raised \$2.8 million (before costs) and subsequent capital raising in November 2018 for \$780k to facilitate the acquisition of Ludomade and provide working capital), the directors are confident that the consolidated entity will be able to continue as a going concern. The directors are also confident they are able to manage discretionary spending to ensure that cash is available to meet debts as and when they fall due.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

**Note 2. Operating segments**

*Identification of reportable operating segments*

The consolidated entity is organised into a single operating segment being ShareRoot's global business solving the issues faced by consumers and companies in data and privacy in digital marketing.

The segment has four platforms: firstly, ShareRoot's Legal Rights Management UGC platform protecting against unauthorised use of people's social and digital content; secondly, its social media marketing agency 'The Social Science' providing client services and account management layer behind the Group's technology properties; thirdly, the MediaConsent platform which is the first platform to give consumers/citizens control of their data and privacy through a preference and consent management dashboard; and fourthly, the newly acquired Ludomade Inc., which provides consumer data and privacy compliance.

## Note 2. Operating segments (continued)

The Chief Operating Decision Maker (CODM) reviews cash flows, revenue and profit / loss before tax. The CODM reviews the operations as one consolidated business. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

### Major customers

The consolidated entity does not have any single customer which contributes more than 10% of the consolidated entity's revenue.

### Geographical information

	31 December 2018 \$	31 December 2017 \$
Sales to external customers		
Australia	310,248	-
USA	258,004	128,423
	<u>568,252</u>	<u>128,423</u>

## Note 3. Revenue

	Consolidated 31 December 2018 \$	31 December 2017 \$
Sales from rendering of services	<u>568,252</u>	<u>128,423</u>

## Note 4. Other income

	Consolidated 31 December 2018 \$	31 December 2017 \$
Interest income	584	526
Other income	<u>2,463</u>	<u>21,183</u>
Other income	<u>3,047</u>	<u>21,709</u>

## Note 5. Impairment

On 9 April 2018, the Company completed the acquisition of 100% of the ordinary shares of The Social Science Pty Ltd (TSS).

The goodwill recognised in relation to the acquisition of TSS in the 30 June 2018 full year accounts was attributable to the skills and technical talent of the employees of the acquisition and the synergies expected to be achieved from integrating the business into the Group's existing operations.

Based on impairment testing of goodwill related to TSS as at 31 December 2018, the value generated from the cash flow projections to arrive at a recoverable value for goodwill indicated that the carrying value of goodwill relating to TSS should be impaired to nil.

Refer to Note 6 Goodwill and other intangibles for further information.

**Note 6. Non-current assets - goodwill and other intangibles**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2018</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost (see note 11 Business combinations)	1,862,584	161,623
Less: Impairment (see note 5 Impairment)	(161,623)	-
	<u>1,700,961</u>	<u>161,623</u>
Intellectual property - at cost	97,437	92,941
Less: Accumulated amortisation	(97,437)	(92,906)
	<u>-</u>	<u>35</u>
	<u><u>1,700,961</u></u>	<u><u>161,658</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Goodwill	Intellectual	
	\$	Property	
		\$	Total
			\$
<b>Consolidated</b>			
Balance at 1 July 2018	161,623	35	161,658
Additions through business combinations (note 11)	1,700,961	-	1,700,961
Impairment (note 5)	(161,623)	-	(161,623)
Amortisation expense	-	(35)	(35)
	<u>-</u>	<u>(35)</u>	<u>(35)</u>
Balance at 31 December 2018	<u><u>1,700,961</u></u>	<u><u>-</u></u>	<u><u>1,700,961</u></u>

**Note 7. Current liabilities - deferred consideration**

**Non-Current liabilities - deferred consideration**

On 15 November 2018, the Company completed the acquisition of 100% of the issued capital of Ludomade Inc. (a Delaware corporation) for US\$500,000 (refer note 11 Business combinations) plus future consideration of up to an additional US\$1,000,000 to be paid as follows:

- 25% of revenues earned over the 39 whole months immediately following acquisition, up to a total of US\$500,000; plus
- 25% of profits earned over the 39 whole months immediately following acquisition, up to a total of US\$500,000

Based on cash-flow projections, at acquisition date management consider that:

- for revenue earned, the full amount of US\$500,000 will be paid as deferred consideration.
- for profits earned, US\$357,600 of the maximum US\$500,000 will be paid as deferred consideration.

The future deferred consideration is recognised over 39 months. It was discounted to present values using a 15% discount rate.



**Note 7. Current liabilities - deferred consideration (continued)**

	<b>31 December 2018 \$</b>
Discounted future deferred consideration for 25% of revenue up to US\$500,000, projected forecast US\$500,000	583,254
Discounted future deferred consideration for 25% of profit up to US\$500,000, projected forecast US\$357,600	406,166
	<u>989,420</u>
	<b>31 December 2018 \$</b>
Discounted future deferred consideration - current	551,159
Discounted future deferred consideration - non-current	438,261
	<u>989,420</u>

**Note 8. Equity - issued capital**

	<b>31 December 2018 Shares</b>	<b>30 June 2018 Shares</b>	<b>Consolidated 31 December 2018 \$</b>	<b>30 June 2018 \$</b>
Ordinary shares - fully paid	<u>1,569,454,374</u>	<u>1,231,699,788</u>	<u>14,873,974</u>	<u>13,673,475</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>\$</b>
Balance	1 July 2018	1,231,699,788	13,673,475
Issue of shares - Placement	24 July 2018	104,254,587	521,273
Issue of shares - Placement	29 November 2018	189,499,999	568,500
Issue of shares - Placement	10 December 2018	44,000,000	132,000
Share issue costs		-	(21,274)
Balance	31 December 2018	<u>1,569,454,374</u>	<u>14,873,974</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Note 9. Equity - reserves**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2018</b>
	<b>2018</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(389,543)	(393,565)
Option reserve	1,378,775	1,315,402
	<u>989,232</u>	<u>921,837</u>

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Option reserve*

The reserve is used to recognise the value of equity benefits provided to employees, directors and other parties as part of their remuneration and compensation for services.

*Movements in reserves*

Movements in each class of reserve during the current financial half-year are set out below:

<b>Consolidated</b>	<b>Foreign exchange reserve \$</b>	<b>Option reserve \$</b>	<b>Total \$</b>
Balance at 1 July 2018	(393,565)	1,315,402	921,837
Foreign currency translation	4,022	-	4,022
Option expense for the period	-	63,373	63,373
Balance at 31 December 2018	<u>(389,543)</u>	<u>1,378,775</u>	<u>989,232</u>

**Note 10. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

**Note 11. Business combinations**

On 15 November 2018, the Company completed the acquisition of 100% of the ordinary shares of Ludomade, Inc. (Ludomade) for upfront consideration of US\$500,000 plus future contingent consideration of up to US\$1,000,000 depending on the revenue and gross margin performance milestones as outlined below.

As part of the Stock Purchase Agreement, the vendors of Ludomade are entitled to receive up to an additional US\$1,000,000 to be paid as follows:

(i) Twenty five percent (25%) of Revenues earned over the thirty-nine (39) whole months immediately following acquisition date. Revenues shall be calculated and paid on a monthly basis, up to a total of US\$500,000; plus

(ii) Twenty five percent (25%) of Profits earned over the thirty-nine (39) whole months immediately following acquisition date. Profits shall be calculated and paid on a quarterly basis, up to a total of US\$500,000.

The acquired business contributed revenues and income after tax of A\$103,913 to the consolidated entity for the period from 15 November 2018 to 31 December 2018. If the acquisition occurred on 1 July 2018, the full year contributions would have been revenues of A\$949,220 and profit after tax of A\$588,648.

The initial accounting for the business combination is provisional due to the uncertainty around the fair value of assets and liabilities at acquisition date. This will be reassessed for the end of the next financial reporting period.

*Deferred consideration*

The future deferred consideration over 39 months, was discounted to present values using a 15% discount rate.

*Assumptions used*

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill.

- Cashflow forecasts: Cash flow forecasts are based on four year valuation forecasts for growth and profitability.
- Terminal value: Terminal value is calculated using a perpetuity growth formula based on the cash flow forecast for year four. Terminal growth rate is based on past performance and management's conservative expectations for future performance. The terminal growth rate assumption is 0%.
- Discount rate: Discount rate used reflects a beta and equity risk premium appropriate to the Group with risk adjustments where applicable. The pre-tax discount rate used for cash generating unit is 15% .

*Impairment testing*

There was no impairment charge recognised during the period relating to the Ludomade Inc. acquisition.

The fair value of the assets and liabilities acquired as at the date of acquisition, converted to AUD on acquisition date, and used for provisional accounting were as follows:

	<b>Fair value</b> <b>\$</b>
Prepayments	6,722
Plant and equipment	19,842
Other payables	<u>(23,635)</u>
Net assets acquired	2,929
Goodwill	<u>1,700,961</u>
Acquisition-date fair value of the total consideration transferred	<u><u>1,703,890</u></u>
Representing:	
Cash paid or payable to vendor	687,853
Deferred consideration	<u>1,016,037</u>
	<u><u>1,703,890</u></u>

## Note 12. Events after the reporting period

The resolution to approve the proposed consolidation of capital did not pass at the Company's General Meeting on 30 January 2019. Following on from this, directors Mr Lee Rodne and Mr Peter McLennan resigned as directors on 1 February 2019, replaced by Mr Damon Rasheed and Mr Harvey Kaplan.

Mr Noah Abelson-Gertler has resigned as the CEO of the Company's wholly-owned subsidiary ShareRoot Inc, and as a Director of ShareRoot Limited with effect from 1 March 2019. The Board's highest priority is to recruit a new CEO and is in advanced discussions with suitable candidates.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Note 13. Earnings per share

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of ShareRoot Limited	<u>(1,341,363)</u>	<u>(1,365,630)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,312,588,578</u>	<u>642,742,687</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,312,588,578</u>	<u>642,742,687</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.10)	(0.21)
Diluted earnings per share	(0.10)	(0.21)

\* The options on issue are currently out of the money.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'H. Kaplan', is written over a horizontal line.

Harvey Kaplan  
Director

28 February 2019

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of ShareRoot Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of ShareRoot Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

#### Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134



*Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, 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 Australian Auditing Standards 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.

#### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**BDO East Coast Partnership**

A handwritten signature in black ink, appearing to read 'Gareth Few', is written over a faint, stylized 'BDO' logo.

**Gareth Few**  
**Partner**

Sydney, 28 February 2019