

## 1. Company details

|                   |                                 |
|-------------------|---------------------------------|
| Name of entity:   | ShareRoot Limited               |
| ABN:              | 71 063 144 865                  |
| Reporting period: | For the year ended 30 June 2019 |
| Previous period:  | For the year ended 30 June 2018 |

## 2. Results for announcement to the market

|                                                                                         |    |           | \$          |
|-----------------------------------------------------------------------------------------|----|-----------|-------------|
| Revenues from ordinary activities                                                       | up | 137.1% to | 927,041     |
| Loss from ordinary activities after tax attributable to the owners of ShareRoot Limited | up | 2.3% to   | (3,105,138) |
| Loss for the year attributable to the owners of ShareRoot Limited                       | up | 2.3% to   | (3,105,138) |

### Dividends

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

### Comments

ShareRoot's results for the financial year ending 30 June 2019 reflect significant improvements over the previous 12-month period with the continued growth in revenue coming predominately from its healthcare/science digital marketing business The Social Science. During the period, ShareRoot has focused its business towards improving revenue generating activities and technology development for the Australian digital healthcare market with a view to entering the global market once the technology and new services associated with the offering is more mature.

Revenue for the period reached \$927,041 that represented over a 100% growth from the corresponding financial year. The overall loss for the consolidated entity after providing for income tax amounted to \$3,105,138 (30 June 2018: \$3,035,627).

The majority of the loss in the financial year is attributed to MediaConsent and UGC platform R&D and corporate activities in the US before the leadership change in February/ March 2019. Following the leadership change and the outcome of the strategic and technology review, the US operation, which was predominantly R&D and administration, was significantly scaled back. The ShareRoot services group out of Denver, who were and are revenue generating, were maintained. All R&D investment in the MediaConsent platform (other than the Australian aspect of MediaConsent Clinical) was suspended in February 2019 pending the strategic and technology review of the company. From late April 2019 forward, R&D investment was only applied to activities associated with new technologies in the pipeline such as the new digital health platforms (eg. Opyl, Widget and Rank'd), all of which were developed to Minimum Viable Product (MVP) stage in Q4, 2019. Moving forward, the company's R&D activities will be focused on further developing the new digital health platforms and associated digital marketing services. MediaConsent Clinical will be developed in Australia.

## 3. Net tangible assets

|                                           | Reporting period<br>Cents | Previous period<br>Cents |
|-------------------------------------------|---------------------------|--------------------------|
| Net tangible assets per ordinary security | 0.00                      | 0.10                     |

## 4. Control gained over entities

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

## 5. 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.

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## 6. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued.

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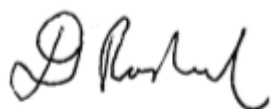
## 7. Attachments

### *Details of attachments (if any):*

The Annual Report of ShareRoot Limited for the year ended 30 June 2019 is attached.

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## 8. Signed



Signed \_\_\_\_\_

Date: 30 August 2019

# **ShareRoot Limited**

**ABN 71 063 144 865**

## **Annual Report - 30 June 2019**

|                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Directors                        | <p>Julian Chick - Chairman and Non-Executive Director - Appointed 6 May 2019</p> <p>Damon Rasheed - Non-Executive Director - Appointed 1 February 2019</p> <p>Marat Basyrov - Non-Executive Director - Appointed 1 March 2019</p> <p>Lee Rodne - Non-Executive Chairman - Resigned 1 February 2019</p> <p>Noah Abelson-Gertler - Managing Director and CEO - Resigned 1 March 2019</p> <p>Peter McLennan - Non-Executive Director - Resigned 1 February 2019</p> <p>Harvey Kaplan - Non-Executive Director - Appointed 1 February 2019, resigned 6 May 2019</p> |
| Company secretary                | <p>David Hwang - Appointed 22 May 2019</p> <p>Andrew Bursill - Resigned 22 May 2019</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Notice of annual general meeting | The details of the annual general meeting of ShareRoot Limited are: to be determined                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Registered office                | <p>Level 5, 126 Phillip Street</p> <p>Sydney NSW 2000, Australia</p> <p>Telephone: +61 2 8072 1440</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Principal place of business      | <p>Engine House</p> <p>105 Wellington Street</p> <p>St Kilda VIC 3182, Australia</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Share register                   | <p>Automic Pty Ltd</p> <p>Level 5, 126 Phillip Street</p> <p>Sydney NSW 2000, Australia</p> <p>Telephone: +1300 288 664 (within Australia); +61 2 9698 5414 (outside Australia)</p> <p>Email: hello@automic.com.au</p>                                                                                                                                                                                                                                                                                                                                          |
| Auditor                          | <p>BDO East Coast Partnership (BDO)</p> <p>Level 11, 1 Margaret Street</p> <p>Sydney NSW 2000, Australia</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Solicitors                       | <p>Automic Legal Pty Ltd</p> <p>Level 5, 126 Phillip Street</p> <p>Sydney NSW 2000, Australia</p> <p>Vault Legal</p> <p>102 / 15 Corporate Drive</p> <p>Moorabbin VIC 3189, Australia</p> <p>Vasquez Benisek &amp; Lindgren LLP</p> <p>3685 Mt. Diablo Blvd., Ste. 300</p> <p>Lafayette CA 94549, USA</p>                                                                                                                                                                                                                                                       |
| Bankers                          | <p>Westpac Banking Corporation</p> <p>Level 13 109 St Georges Tce</p> <p>Perth WA 6000, Australia</p> <p>First Republic Bank</p> <p>44 Montgomery Street</p> <p>San Francisco, CA 94104, USA</p>                                                                                                                                                                                                                                                                                                                                                                |
| Stock exchange listing           | ShareRoot Limited shares are listed on the Australian Securities Exchange (ASX code: SRO)                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Website                          | <a href="http://www.shareroor.co">www.shareroor.co</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Corporate Governance Statement   | <a href="http://www.shareroor.co/investors">www.shareroor.co/investors</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

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 year ended 30 June 2019.

### **Directors**

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

|                                                                      |                                                |
|----------------------------------------------------------------------|------------------------------------------------|
| Julian Chick - Chairman and Non-Executive Director                   | Appointed 6 May 2019                           |
| Damon Rasheed - Non-Executive Director                               | Appointed 1 February 2019                      |
| Marat Basyrov - Non-Executive Director                               | Appointed 1 March 2019                         |
| Lee Rodne - Non-Executive Chairman                                   | Resigned 1 February 2019                       |
| Noah Abelson-Gertler - Managing Director and Chief Executive Officer | Resigned 1 March 2019                          |
| Peter McLennan - Non-Executive Director                              | Resigned 1 February 2019                       |
| Harvey Kaplan - Non-Executive Director                               | Appointed 1 February 2019, resigned 6 May 2019 |

### **Principal activities**

During the period, the principal activities of the company were predominantly the development of its MediaConsent platforms and supporting the consolidation and growth of The Social Science and acquisition of Ludomade.

In the final four months of the year, following a full leadership change late in Q3, 2019 and early Q4, 2019, the company undertook a major strategic and technology review and recalibrated the business plan to focus on developing digital and data technologies and services addressing the escalating needs of the global healthcare sector.

### **Dividends**

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

## **Review of operations**

Revenue for the financial year reached \$927,041 which represented over a 100% growth from the previous financial year. The overall loss for the consolidated entity after providing for income tax amounted to \$3,105,138 (30 June 2018: \$3,035,627).

### *Operational Progress*

ShareRoot's results for the financial year ending 30 June 2019 reflect significant growth in revenue and refinement of the business model, value proposition and R&D technology investment strategy over the previous 12-month period. During the financial year, the company's revenue growth was driven predominantly by The Social Science, the STEMM digital marketing and content services division based in Melbourne, Australia. The Social Science also led the research and development of MediaConsent Clinical.

The company further invested in its MediaConsent platform, initiating a specialist application of the platform - MediaConsent Clinical, during the financial year. ShareRoot expanded its technology pipeline with the design and development to MVP stage of three new technology offerings – Opyl, Widget and Rank'd. Opyl was applied to two beta client projects in May – June, generating early modest 'test' revenue and critical feedback. With more beta clients expected to be signed early in the new year.

The new ShareRoot strategy is to initially focus on the application of MediaConsent (clinical) into the healthcare industry, with it aiming to provide patients control of their healthcare data from a wide variety of sources, while allowing companies, institutes, medical researchers and healthcare providers consented access to real world patient data, significantly expanding and accessing new research opportunities whilst ensuring compliance with new digital privacy laws and regulations.

Since the acquisition of The Social Science (TSS) in April 2018, ShareRoot has worked to integrate its UGC and MediaConsent platform into the TSS client base, as well as using TSS expertise and client networks to identify unmet needs and develop new digital and data technologies to expand its offering to customers and clients. TSS has delivered and created long term value opportunities for ShareRoot in being able to identify new market offerings and in accelerating the deployment of early stage technologies to proof of concept within the client group. The TSS client services team will continue to scale in 2019, pursuing new business and eventually be responsible for driving revenue and service delivery with Opyl when it is fully operational. The TSS digital marketing and client services team also have the internal skills and capabilities to undertake the launch and full scale marketing of Opyl, Widget, Rank'd and MediaConsent (clinical) when they are operational.

Following the strategy and technology review in February/March, and in response to limited cash resources, ShareRoot undertook a significant scale back of the US operation, suspending all further development and expenses associated with MediaConsent in the US. The company's leadership team have worked to extinguish all non-critical expenditure in the US electing to only maintain revenue generating activities associated with ongoing client services out of the US.

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, expands revenue generating client services, advances new digital and data technology offerings in healthcare via TSS and optimise overall company functionality.

### *Board and leadership changes*

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. Michelle Gallaher, Managing Director of TSS, was appointed ShareRoot CEO on 14 March 2019. On 6 May 2019, Harvey Kaplan resigned as Chairman and Dr Julian Chick was appointed to the Board and role of Chairman.

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

As discussed above, significant changes during the year were mainly around the change in leadership in the company with a renewed focus on the digital healthcare market and developing new technologies and services.

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

**Matters subsequent to the end of the financial year**

Although the company finished the year with A\$99k in cash, in July 2019 it completed a successful Rights Issue and placement of \$1.2 million before costs, with an oversubscription of shortfall shares leaving the company in a stronger cash position with funds available to progress its rapidly developing digital health agenda.

In July 2019, the company announced that it plans to divest the Ludomade business as it is considered non-core to ShareRoot's future strategic direction. ShareRoot is in discussion with a number of potential interested parties.

No other matter or circumstance has arisen since 30 June 2019 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.

**Likely developments and expected results of operations**

Following the strategic and technology review in February/March 2019, ShareRoot recalibrated the effort of the organisations revenue generating and R&D activities to focus on addressing the rapidly advancing global digital health market. The outcome of the review determined that Ludomade was no longer a strategic fit with health and operationally a significant distraction given that it had so far failed to deliver expected revenues and that it should be expediently divested, thereby also eliminating further expenses supporting a push toward greater operational efficiency. ShareRoot is in discussion with three interested parties and expects to reach an agreement.

The review also determined that TSS was in a position of strength as a trusted leader in delivering digital services to a high value health and science-oriented client base to be able to take the lead in developing a new suite of digital tools, powered by artificial intelligence, to address an emerging data-dependent market. Within six weeks of the review concluding, ShareRoot/TSS had designed the basis of Opyl – a suite of technologies that offers deep insights into communities or populations derived from social media and other structured and unstructured data, powered by artificial intelligence. Within weeks five beta clients were signed to Opyl, generating modest 'test' revenue. ShareRoot is exploring a business model with Opyl, that potentially may provide a white-label service offering to other agencies. Opyl continues to develop with each client trial project and is expected to be fully operational and entering full product launch and marketing by November 2019. If Opyl can achieve the outcomes predicted by the development team, Opyl has the capability to generate significant revenue for ShareRoot.

Concurrent to the Opyl development, ShareRoot undertook the foundational design and value proposition of two more technologies with the potential to earn income and or create long term value for the company. Widget, an influencer marketing tool for Instagram and Rank'd, an app designed to keep healthcare providers and STEMM academics up to date with new papers published, new products and clinical research/ trial opportunities are both at MVP stage. Widget is being trialled with a client and generating early revenue. Rank'd is further behind and only at the basic design and test stage.

MediaConsent, a significant historical investment for ShareRoot, was considered an appropriate and valuable asset to maintain and grow following the strategic review. To ensure optimal alignment with the renewed healthcare strategic focus, the platform will continue to be developed and proven initially for the healthcare market before considering expansion into other markets. In the coming year, ShareRoot will focus on moving the new technologies in the pipeline into proof of concept and through beta revenue generating status as quickly as possible towards full market launch, adding new revenue streams to the revenue generated from digital marketing services. ShareRoot will aggressively pursue government grants and R&D tax incentives it is eligible for and investigate the opportunity of linkages or other industry grant programs as appropriate to the R&D agenda.

**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on directors**

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name:                                | Dr Julian Chick (Appointed 6 May 2019)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Title:                               | Chairman and Non-Executive Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Experience and expertise:            | <p>Dr Chick is an executive with more than 25 years of experience in the biotechnology and medical technology industry as well as five years in investment banking.</p> <p>Leading public and private companies, Dr Chick's previous roles include investment adviser, healthcare analyst for private equity investors, portfolio manager, investment banker and venture capitalist.</p> <p>Dr Chick has advanced a number of technologies from discovery through to market as well as leading numerous capital raisings, M&amp;A transactions, company restructuring, business development and licensing transactions.</p> <p>Dr Chick has a background with ShareRoot, as a shareholder and later worked as an independent advisor on The Social Science acquisition in April 2018.</p> |
| Other current directorships:         | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Former directorships (last 3 years): | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Interests in shares:                 | 4,033,333 ordinary shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Interests in options:                | 16,500,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name:                                | Damon Rasheed (Appointed 1 February 2019)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Title:                               | Non-Executive Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Experience and expertise:            | <p>Mr Rasheed has more than 20 years' experience in the tech sector, including founding several successful start-ups. He is the founder of the Rate Detective Group, one of Australia's largest financial comparison websites. He is also the co-founder of Advantage Data, a leading machine learning and AI consultancy business. His most recent venture is Aurum Data which has built a propriety AI model to value data and discover commercialisation strategies for data sets. He has sat on the boards of several private technology companies both in Australia and overseas.</p> <p>Mr Rasheed's former roles include CEO of iBus Media Limited, one of the world's largest online media companies and as an economist assessing mergers at the Australian Competition and Consumer Commission (ACCC).</p> <p>Mr Rasheed holds a Masters Degree in Commerce (Hons) and a Degree in Economics (Hons) majoring in statistics.</p> |
| Other current directorships:         | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Former directorships (last 3 years): | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Interests in shares:                 | nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Interests in options:                | 11,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |



Name: Marat Basyrov (Appointed 1 March 2019)  
 Title: Non-Executive Director  
 Experience and expertise: Mr Basyrov is an experienced investor and serial entrepreneur, applying creative and technology-forward data and digital solutions across a large cross-section of industries to solve complex challenges. He sits on the board of advisors to Forbes Ali.

He made his first million dollars at the age of 26 by investing in the stock market.

As a Chief Executive Officer of artificial intelligence software and app solutions provider, Edway Apps Studio and Intelligent Profit Solutions, Mr Basyrov has a track record of success through building a number of data-driven startup companies including Adevi.io.

Mr Basyrov has a broad high-value professional network of developers, investors and collaborators across the globe. Mr Basyrov holds a Bachelor of Business in Accounting and Management from Central Queensland University and is a Certified Practising Accountant (Australia).

Other current directorships: N/A  
 Former directorships (last 3 years): N/A  
 Interests in shares: 80,200,000 ordinary shares  
 Interests in options: 11,000,000

Name: Lee Rodne (Resigned 1 February 2019)  
 Title: Non-Executive Chairman  
 Experience and expertise: An internationally regarded executive, Mr Rodne brought more than 20 years of senior executive experience across all aspects of operational management and governance. He held numerous senior roles in the technology, healthcare, mining and renewable energy sectors in North America, the UK and Australia.

Mr Rodne has a strong track record building shareholder value by growing small technology businesses into global companies with significant valuations.

Previously, Mr Rodne led the spin-out of Fortescue Metals Group's technology subsidiary Allied Medical Ltd as its CEO and Managing Director, increasing its valuation from \$800,000 to a peak of circa \$250 million. Allied Medical Ltd subsequently further enhanced shareholder value through a merger with bioMD Ltd, leading to the creation of market-leading diversified healthcare group Admedus Ltd.

Mr Rodne was previously the Senior Executive of Sirius Minerals through a major acquisition project that saw its market capitalisation grow to over \$1 billion, and has also led IT and technology consulting practices with Fortune 500 businesses in the US as a Director and Vice-President of a leading US-based consulting firm.

Other current directorships: N/A  
 Former directorships (last 3 years): N/A  
 Interests in shares: 9,333,335 ordinary shares (at date of resignation)  
 Interests in options: 9,000,000 (at date of resignation)

Name: Noah Abelson-Gertler (Resigned 1 March 2019)  
 Title: Managing Director and Chief Executive Officer  
 Experience and expertise: Mr Abelson-Gertler holds a Bachelor of Arts degree in Psychology from the University of Maryland.

Mr Abelson-Gertler was the Chief Executive Officer of ShareRoot and was responsible for executing ShareRoot's strategic development plan.

Mr Abelson-Gertler has previous management experience in new products and has launched a vitamin supplement company.

Mr Abelson-Gertler worked in the Facebook advertising space as the person tasked with launching AdParlor's (one of Facebook's largest Ads API partners) US presence and generating over 3.1 million USD in a single quarter. This experience enabled Mr Abelson to develop numerous contacts within the social landscape as well as a deep understanding of what it takes and how to build strong and lasting professional relationships.

Other current directorships: N/A  
 Former directorships (last 3 years): N/A  
 Interests in shares: 55,406,075 ordinary shares (at date of resignation)  
 Interests in options: nil (at date of resignation)

Name: Peter McLennan (Resigned 1 February 2019)  
 Title: Non-Executive Director  
 Experience and expertise: Mr McLennan has over 20 years' experience in financial services and technology in Australia and the UK working for some of world's leading companies in those sectors. He is the founder of FitzRoy Capital a corporate financial advisory business. He is also a cofounder of WG Partners LP, a life sciences sector specialist financial advisor.

In 2010 Mr McLennan was a founding shareholder in York Potash now Sirius Minerals which is now a FTSE250 company. Previously he was a Principal at investment bank Piper Jaffray in London. Mr McLennan commenced his career at IBM, eventually taking leadership roles in managing some of IBM's largest clients in Europe and Australia.

Other current directorships: N/A  
 Former directorships (last 3 years): N/A  
 Interests in shares: 2,000,000 ordinary shares (at date of resignation)  
 Interests in options: 11,000,000 (at date of resignation)

Name: Harvey Kaplan (Appointed 1 February 2019, resigned 6 May 2019)  
 Title: Non-Executive Director  
 Experience and expertise: Mr Kaplan is a qualified lawyer and holds a Bachelor of Laws from the University of Western Australia. His past experience includes working as a corporate solicitor for both Phillips Fix and Mallesons Stephen Jacques. Mr Kaplan spent 15 years at Macquarie Bank as an Associate Director in the Private Wealth Division. In this role he assisted in numerous corporate transactions involving listed companies.

Other current directorships: Non-Executive Director of Strategic Energy Resources (ASX: SER)  
 Former directorships (last 3 years): N/A  
 Interests in shares: nil (at date of resignation)  
 Interests in options: 11,000,000 (at date of resignation)

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### **Company secretaries**

David Hwang (Appointed 22 May 2019)

Mr Hwang is an experienced corporate lawyer specialising in listings on ASX (IPOs and reverse listings), equity capital markets, mergers & acquisitions and providing advice on corporate governance and compliance issues. Mr Hwang leads the company secretarial practice at Automic Group and is the Chief Compliance Officer at Automic Group.

Andrew Bursill (Resigned 22 May 2019)

Mr Bursill has more than 20 years of experience as CFO of ASX listed, public and private companies in tech, biotech, medical devices, mining and VC. He has CFO experience at all stages of company development from pre-revenue start-ups to \$100 million plus annual turnover. Mr Bursill is a founding partner of CFO Innovation – a provider of outsourced CFO and Company Secretarial services, where he has participated in numerous successful IPOs and backdoor listings. Mr Bursill is a member of the Chartered Accountants Australia and New Zealand.

### **Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

|                      | Full Board<br>Attended | Held |
|----------------------|------------------------|------|
| Julian Chick         | 3                      | 3    |
| Damon Rasheed        | 3                      | 3    |
| Marat Basyrov        | 3                      | 3    |
| Lee Rodne            | 3                      | 3    |
| Noah Abelson-Gertler | 3                      | 3    |
| Peter McLennan       | 3                      | 3    |
| Harvey Kaplan        | -                      | -    |

Held: represents the number of meetings held during the time the director held office.

There were a total of 6 Board meetings held during the year ended 30 June 2019.

### **Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

### ***Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Capital management

The company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' and program participants' interests:

- Focuses on sustained growth in shareholder wealth
- Attracts and retains high calibre executives
- Rewards capability and experience
- Provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

### ***Non-executive directors remuneration***

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the board. The board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 30 October 2018, where the shareholders approved a maximum annual aggregate remuneration of \$300,000.

### ***Voting and comments made at the Company's 2018 Annual General Meeting ('AGM')***

At the 2018 AGM, more than 75% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

### ***Details of remuneration***

#### ***Amounts of remuneration***

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors and employees of ShareRoot Limited:

- Julian Chick - Chairman - Appointed 6 May 2019
- Michelle Gallaher - Chief Executive Officer - Appointed 14 March 2019
- Damon Rasheed - Non-Executive Director - Appointed 1 February 2019
- Marat Basyrov - Non-Executive Director - Appointed 1 March 2019
- Lee Rodne - Non-Executive Chairman - Resigned 1 February 2019
- Noah Abelson-Gertler - Managing Director and Chief Executive Officer - Resigned 1 March 2019
- Peter McLennan - Non-Executive Director - Resigned 1 February 2019
- Harvey Kaplan - Non-Executive Director - Appointed 1 February, resigned 6 May 2019

The amount of remuneration of the directors and key management personnel is set out below:

|                                 | Short-term benefits  |            |              | Post-employment benefits | Long-term benefits | Share-based payments  |                       |         |
|---------------------------------|----------------------|------------|--------------|--------------------------|--------------------|-----------------------|-----------------------|---------|
|                                 | Cash salary and fees | Cash bonus | Non-monetary | Super-annuation          | Long service leave | Equity-settled shares | Equity-settled option | Total   |
| 2019                            | \$                   | \$         | \$           | \$                       | \$                 | \$                    | \$                    | \$      |
| Non-Executive Directors:        |                      |            |              |                          |                    |                       |                       |         |
| Damon Rasheed*                  | 16,667               | -          | -            | 1,583                    | -                  | -                     | 5,196                 | 23,446  |
| Marat Basyrov**                 | 13,333               | -          | -            | 1,267                    | -                  | -                     | 3,713                 | 18,313  |
| Lee Rodne^                      | 46,667               | -          | -            | 4,433                    | -                  | -                     | (12,266)              | 38,834  |
| Peter McLennan^                 | 23,333               | -          | -            | -                        | -                  | -                     | (2,935)               | 20,398  |
| Harvey Kaplan*<br>^^^           | 10,580               | -          | -            | 1,005                    | -                  | -                     | -                     | 11,585  |
| Executive Directors:            |                      |            |              |                          |                    |                       |                       |         |
| Julian Chick***                 | 6,087                | -          | -            | 578                      | -                  | -                     | 882                   | 7,547   |
| Noah Abelson-Gertler^^          | 272,516              | -          | -            | -                        | -                  | -                     | -                     | 272,516 |
| Other Key Management Personnel: |                      |            |              |                          |                    |                       |                       |         |
| Michelle Gallaher****           | 67,083               | -          | 132,500      | 6,373                    | -                  | -                     | 26,626                | 232,582 |
|                                 | 456,266              | -          | 132,500      | 15,239                   | -                  | -                     | 21,216                | 625,221 |

\* Appointed 1 February 2019

\*\* Appointed 1 March 2019

\*\*\* Appointed 6 May 2019

\*\*\*\* Appointed 14 March 2019. Non-monetary benefit relates to payment of \$32,500 MBA tuition fees and \$100,000 forgiveness and waiver of salary advance.

^ Resigned 1 February 2019

^^ Resigned 1 March 2019. Included in this cash component is US\$75,000 (A\$104,814), 5 months payment in lieu of notice termination payment

^^^ Appointed 1 February 2019, resigned 6 May 2019

|                                 | Short-term benefits  |            |              | Post-employment benefits | Long-term benefits | Share-based payments  |                       |         |
|---------------------------------|----------------------|------------|--------------|--------------------------|--------------------|-----------------------|-----------------------|---------|
|                                 | Cash salary and fees | Cash bonus | Non-monetary | Super-annuation          | Long service leave | Equity-settled shares | Equity-settled option | Total   |
| 2018                            | \$                   | \$         | \$           | \$                       | \$                 | \$                    | \$                    | \$      |
| <i>Non-Executive Directors:</i> |                      |            |              |                          |                    |                       |                       |         |
| Lee Rodne                       | 93,000               | -          | -            | 8,835                    | -                  | -                     | 26,775                | 128,610 |
| Peter McLennan*                 | 40,000               | -          | -            | -                        | -                  | -                     | 20,167                | 60,167  |
| <i>Executive Directors:</i>     |                      |            |              |                          |                    |                       |                       |         |
| Noah Abelson-Gertler            | 232,138              | -          | -            | -                        | -                  | -                     | -                     | 232,138 |
| Marc Angelone**                 | 193,449              | -          | -            | -                        | -                  | -                     | -                     | 193,449 |
|                                 | 558,587              | -          | -            | 8,835                    | -                  | -                     | 46,942                | 614,364 |

\* Appointed 31 July 2017

\*\* Resigned 20 April 2018

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name                                   | Fixed remuneration |      | At risk - STI |      | At risk - LTI |      |
|----------------------------------------|--------------------|------|---------------|------|---------------|------|
|                                        | 2019               | 2018 | 2019          | 2018 | 2019          | 2018 |
| <i>Non-Executive Directors:</i>        |                    |      |               |      |               |      |
| Damon Rasheed*                         | 78%                | -    | -             | -    | 22%           | -    |
| Marat Basyrov**                        | 80%                | -    | -             | -    | 20%           | -    |
| Lee Rodne^                             | 100%               | 79%  | -             | -    | -             | 21%  |
| Peter McLennan^                        | 79%                | 66%  | -             | -    | 21%           | 34%  |
| Harvey Kaplan* ^^^                     | 100%               | -    | -             | -    | -             | -    |
| <i>Executive Directors:</i>            |                    |      |               |      |               |      |
| Julian Chick***                        | 88%                | -    | -             | -    | 12%           | -    |
| Noah Abelson-Gertler^^                 | 100%               | 100% | -             | -    | -             | -    |
| Marc Angelone*****                     | -                  | 100% | -             | -    | -             | -    |
| <i>Other Key Management Personnel:</i> |                    |      |               |      |               |      |
| Michelle Gallaher****                  | 89%                | -    | -             | -    | 11%           | -    |

\* Appointed 1 February 2019

\*\* Appointed 1 March 2019

\*\*\* Appointed 6 May 2019

\*\*\*\* Appointed 14 March 2019

\*\*\*\*\* Resigned 20 April 2018

^ Resigned 1 February 2019

^^ Resigned 1 March 2019

^^^ Appointed 1 February 2019, resigned 6 May 2019

### **Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Term of agreement:

Name: Michelle Gallaher (Appointed 14 March 2019)  
Title: Chief Executive Officer  
Agreement commenced: 14 March 2019  
Term of agreement:

(a) Remuneration: Fixed annual salary \$230,000 (inclusive of director's fees) plus 9.5% employer superannuation contribution;

(b) Non-cash benefits: the Board may, at its discretion, determine that Ms Gallaher may participate in the company's share plan, subject to shareholder and regulatory approval; payment of remaining tuition fees in relation to MBA programme provided appointment is not terminated during the initial term (ie, 12 months from commencement date); laptop computer; mobile phone and data service; forgive and waive recovery of salary advance provided agreement not terminated during the initial term of 12 months.

(c) Termination: the company and Ms Gallaher may terminate the Executive Services Agreement without cause by giving the other party six months' notice.

Name: Noah Abelson-Gertler (Resigned 1 March 2019)  
Title: Managing Director and Chief Executive Officer  
Agreement commenced: 14 March 2016  
Term of agreement:

(a) Remuneration: Fixed annual salary of US\$180,000 (A\$251,553) (inclusive of Director's fees);

(b) Non-cash benefits: the Board may, at its discretion, determine that Mr Abelson-Gertler will be entitled to performance based bonus payments and participation in the company's share plan, subject to shareholder and regulatory approval.

(c) Termination: the company and Mr Abelson-Gertler may terminate the Director Service Agreement without cause by giving the other party six months' notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

### **Share-based compensation**

#### *Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

*Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Name             | Number of options granted | Grant date  | Vesting date and exercisable date            | Expiry date | Exercise price | Fair value per option at grant date |
|------------------|---------------------------|-------------|----------------------------------------------|-------------|----------------|-------------------------------------|
| Damon Rasheed *  | 11,000,000                | 8 Feb 2019  | Three equal tranches being 11 Feb20, 21 & 22 | 8 Feb 2024  | \$0.005        | \$0.0020                            |
| Harvey Kaplan ** | 11,000,000                | 8 Feb 2019  | Three equal tranches being 11 Feb20, 21 & 22 | 8 Feb 2024  | \$0.005        | \$0.0020                            |
| Marat Basyrov *  | 11,000,000                | 21 Mar 2019 | Three equal tranches being 21 Mar20, 21 & 22 | 21 Mar 2024 | \$0.005        | \$0.0020                            |
| Julian Chick *   | 11,000,000                | 13 May 2019 | Three equal tranches being 13 May20, 21 & 22 | 13 May 2024 | \$0.005        | \$0.0010                            |

\* Approved in the shareholders meeting on 30 October 2018. The options are exercisable in 12, 24 and 36 months from date of grant in equal proportion of 3,666,666 each.

\*\* Approved in the shareholders meeting on 30 October 2018. The options are exercisable in 12, 24 and 36 months from date of grant in equal proportion of 3,666,666 each. These options lapsed on Mr Kaplan's resignation on 6 May 2019.

Options granted carry no dividend or voting rights.

**Additional information**

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

|                       | 2019<br>\$  | 2018<br>\$  | 2017<br>\$  | 2016<br>\$  | 2015*<br>\$ |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Sales revenue         | 927,041     | 390,956     | 169,094     | 56,037      | -           |
| Loss after income tax | (3,105,138) | (3,035,627) | (3,228,403) | (6,083,488) | (4,476,738) |

\* Operating as Monto Minerals Limited

|                                              | 2019   | 2018   | 2017   | 2016   | 2015*  |
|----------------------------------------------|--------|--------|--------|--------|--------|
| Share price at financial year end (\$)       | 0.001  | 0.005  | 0.007  | 0.034  | 0.035  |
| Basic earnings per share (cents per share)   | (0.18) | (0.33) | (0.81) | (2.74) | (0.58) |
| Diluted earnings per share (cents per share) | (0.18) | (0.33) | (0.81) | (2.74) | (0.58) |

\* Operating as Monto Minerals Limited



**Additional disclosures relating to key management personnel**

**Shareholding**

The number of ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

|                                                                 | Balance at<br>the start of<br>the year | Received<br>as part of<br>remuneration | Additions        | Disposals/<br>other | Balance at<br>the end of<br>the year |
|-----------------------------------------------------------------|----------------------------------------|----------------------------------------|------------------|---------------------|--------------------------------------|
| <b>Ordinary shares</b>                                          |                                        |                                        |                  |                     |                                      |
| Julian Chick (appointed 6 May 2019) *                           | 2,420,000                              | -                                      | 1,613,333        | -                   | 4,033,333                            |
| Michelle Gallaher (appointed 14 Mar 2019) *                     | -                                      | -                                      | -                | -                   | -                                    |
| Damon Rasheed (appointed 1 Feb 2019) *                          | -                                      | -                                      | -                | -                   | -                                    |
| Marat Basyrov (appointed 1 Mar 2019) *                          | 80,200,000                             | -                                      | -                | -                   | 80,200,000                           |
| Lee Rodne (resigned 1 Feb 2019) **                              | 9,333,333                              | -                                      | -                | (9,333,333)         | -                                    |
| Noah Abelson-Gertler (resigned 1 Mar 2019) **                   | 55,406,075                             | -                                      | -                | (55,406,075)        | -                                    |
| Peter McLennan (resigned 1 Feb 2019) **                         | 2,000,000                              | -                                      | -                | (2,000,000)         | -                                    |
| Harvey Kaplan (appointed 1 Feb 2019,<br>resigned 6 May 2019) ** | -                                      | -                                      | -                | -                   | -                                    |
|                                                                 | <u>149,359,408</u>                     | <u>-</u>                               | <u>1,613,333</u> | <u>(66,739,408)</u> | <u>84,233,333</u>                    |

\* the amount in "balance at the start of the year" represents balance when became a KMP

\*\* the amount in "other" represents the balance at date of resignation

**Option holding**

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

|                                                                  | Balance at<br>the start of<br>the year | Granted           | Exercised | Expired/<br>forfeited/<br>other | Balance at<br>the end of<br>the year |
|------------------------------------------------------------------|----------------------------------------|-------------------|-----------|---------------------------------|--------------------------------------|
| <b>Options over ordinary shares</b>                              |                                        |                   |           |                                 |                                      |
| Julian Chick (appointed 6 May 2019) *                            | 5,500,000                              | 11,000,000        | -         | -                               | 16,500,000                           |
| Michelle Gallaher (appointed 14 Mar 2019) *                      | 9,000,000                              | -                 | -         | -                               | 9,000,000                            |
| Damon Rasheed (appointed 1 Feb 2019) *                           | -                                      | 11,000,000        | -         | -                               | 11,000,000                           |
| Marat Basyrov (appointed 1 Mar 2019) *                           | -                                      | 11,000,000        | -         | -                               | 11,000,000                           |
| Lee Rodne (resigned 1 Feb 2019) ^                                | 11,916,666                             | -                 | -         | (11,916,666)                    | -                                    |
| Noah Abelson-Gertler (resigned 1 Mar 2019) ^^                    | 2,916,666                              | -                 | -         | (2,916,666)                     | -                                    |
| Peter McLennan (resigned 1 Feb 2019) ^^^                         | 11,000,000                             | -                 | -         | (11,000,000)                    | -                                    |
| Harvey Kaplan (appointed 1 Feb 2019,<br>resigned 6 May 2019) ^^^ | -                                      | 11,000,000        | -         | (11,000,000)                    | -                                    |
|                                                                  | <u>40,333,332</u>                      | <u>44,000,000</u> | <u>-</u>  | <u>(36,833,332)</u>             | <u>47,500,000</u>                    |

\* the amount in "balance at the start of the year" represents balance when became a KMP

^ the amount in "other" is made up of 2,916,666 expired options and 9,000,000 balance at date of resignation

^^ the amount in "other" is made up of 2,916,666 expired options

^^^ the amount in "other" represents the balance at date of resignation

|                                     | Vested options   | Unvested options  | Balance at the end of the year |
|-------------------------------------|------------------|-------------------|--------------------------------|
| <b>Options over ordinary shares</b> |                  |                   |                                |
| Julian Chick                        | 5,500,000        | 11,000,000        | 16,500,000                     |
| Michelle Gallaher                   | 3,000,000        | 6,000,000         | 9,000,000                      |
| Damon Rasheed                       | -                | 11,000,000        | 11,000,000                     |
| Marat Basyrov                       | -                | 11,000,000        | 11,000,000                     |
| Harvey Kaplan                       | -                | -                 | -                              |
|                                     | -                | -                 | -                              |
|                                     | -                | -                 | -                              |
|                                     | -                | -                 | -                              |
|                                     | <u>8,500,000</u> | <u>39,000,000</u> | <u>47,500,000</u>              |

*Performance rights holding*

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

|                                                | Balance at the start of the year | Granted  | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|------------------------------------------------|----------------------------------|----------|-----------|---------------------------|--------------------------------|
| <b>Performance rights over ordinary shares</b> |                                  |          |           |                           |                                |
| Noah Abelson-Gertler (resigned 1 Mar 2019)     | <u>45,000,000</u>                | <u>-</u> | <u>-</u>  | <u>(45,000,000)</u>       | <u>-</u>                       |

\* The amount in "other" refers to performance rights lapsed upon termination due to performance hurdles of revenue milestones and share price milestones not being achieved.

***This concludes the remuneration report, which has been audited.***

### Shares under option and performance rights

Unissued ordinary shares of ShareRoot Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|------------|-------------|----------------|---------------------|
| 07/01/2016 | 31/12/2020  | \$0.050        | 21,000,000          |
| 05/12/2016 | 05/12/2026  | \$0.012        | 4,248,000           |
| 27/06/2017 | 27/02/2022  | \$0.005        | 3,000,000           |
| 10/11/2017 | 10/11/2022  | \$0.005        | 3,666,667           |
| 21/02/2018 | 20/02/2023  | \$0.006        | 3,000,000           |
| 21/02/2018 | 05/06/2022  | \$0.007        | 8,000,000           |
| 21/02/2018 | 13/04/2022  | \$0.005        | 11,842,105          |
| 17/04/2018 | various     | \$0.005        | 4,000,000           |
| 06/03/2018 | 04/05/2023  | \$0.005        | 9,000,000           |
| 04/05/2018 | 04/05/2023  | \$0.005        | 2,500,000           |
| 06/02/2017 | 06/02/2027  | \$0.008        | 600,000             |
| 20/03/2017 | 20/03/2027  | \$0.025        | 1,491,666           |
| 01/04/2017 | various     | \$0.006        | 6,000,000           |
| 24/07/2018 | 24/07/2023  | \$0.001        | 25,000,000          |
| 15/10/2018 | 06/03/2023  | \$0.004        | 2,000,000           |
| 15/10/2018 | 06/03/2023  | \$0.004        | 750,000             |
| 15/10/2018 | 18/09/2023  | \$0.004        | 300,000             |
| 15/10/2018 | 09/06/2023  | \$0.004        | 300,000             |
| 08/02/2019 | 08/02/2024  | \$0.005        | 11,000,000          |
| 21/03/2019 | 21/03/2024  | \$0.005        | 11,000,000          |
| 13/05/2019 | 13/05/2024  | \$0.005        | 11,000,000          |
|            |             |                | <u>139,698,438</u>  |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

### Shares issued on the exercise of options

There were no ordinary shares of ShareRoot Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

### Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

### Non-audit services

There were no non-audit services provided during the financial year by the auditor.

**Officers of the company who are former partners of BDO East Coast Partnership (BDO)**

There are no officers of the company who are former partners of BDO East Coast Partnership (BDO).

**Auditor's independence declaration**

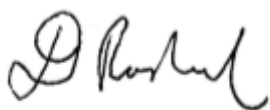
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**Auditor**

BDO East Coast Partnership (BDO) continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



---

Damon Rasheed  
Director

30 August 2019

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

As lead auditor of ShareRoot Limited for the year ended 30 June 2019, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ShareRoot Limited and the entities it controlled during the period.



Gareth Few  
Partner

**BDO East Coast Partnership**

Sydney, 30 August 2019

|                                                                  |    |
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## **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 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 30 August 2019. The directors have the power to amend and reissue the financial statements.

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 the parent entity for the purposes of consolidating the financial statements.

Amount shown in note 27 "Parent entity information" continue to reflect the financial statements of the legal parent, ShareRoot Limited.

**ShareRoot Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2019**

ShareRoot

|                                                                                                   | Note | Consolidated<br>2019<br>\$ | 2018<br>\$         |
|---------------------------------------------------------------------------------------------------|------|----------------------------|--------------------|
| <b>Revenue from contracts with customers</b>                                                      | 4    | 927,041                    | 390,956            |
| Other income                                                                                      | 5    | 1,021,615                  | 28,517             |
| <b>Expenses</b>                                                                                   |      |                            |                    |
| Employee benefits expense                                                                         |      | (1,467,826)                | (1,607,636)        |
| Depreciation and amortisation expense                                                             |      | (26,033)                   | (34,857)           |
| Impairment                                                                                        | 6,7  | (1,862,584)                | -                  |
| Finance costs                                                                                     | 7    | (8,747)                    | (946)              |
| Occupancy costs                                                                                   | 7    | (39,711)                   | (42,185)           |
| Administration expenses                                                                           |      | (1,043,110)                | (1,092,461)        |
| Consultancy costs                                                                                 |      | (417,008)                  | (346,420)          |
| Corporate compliance and management                                                               |      | (55,227)                   | (96,674)           |
| Share based payments                                                                              | 7    | (133,548)                  | (233,921)          |
| <b>Loss before income tax expense</b>                                                             |      | (3,105,138)                | (3,035,627)        |
| Income tax expense                                                                                | 8    | -                          | -                  |
| <b>Loss after income tax expense for the year attributable to the owners of ShareRoot Limited</b> | 19   | (3,105,138)                | (3,035,627)        |
| <b>Other comprehensive income</b>                                                                 |      |                            |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i>                              |      |                            |                    |
| Foreign currency translation                                                                      |      | 21,547                     | 29,143             |
| Other comprehensive income for the year, net of tax                                               |      | 21,547                     | 29,143             |
| <b>Total comprehensive income for the year attributable to the owners of ShareRoot Limited</b>    |      | <u>(3,083,591)</u>         | <u>(3,006,484)</u> |
|                                                                                                   |      | <b>Cents</b>               | <b>Cents</b>       |
| Basic earnings per share                                                                          | 32   | (0.18)                     | (0.33)             |
| Diluted earnings per share                                                                        | 32   | (0.18)                     | (0.33)             |

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

|                                  | Note | Consolidated<br>2019<br>\$ | 2018<br>\$       |
|----------------------------------|------|----------------------------|------------------|
| <b>Assets</b>                    |      |                            |                  |
| <b>Current assets</b>            |      |                            |                  |
| Cash and cash equivalents        | 9    | 99,140                     | 1,546,284        |
| Trade and other receivables      | 10   | 177,999                    | 185,959          |
| Prepayments and other deposits   | 11   | 53,015                     | 129,252          |
| Total current assets             |      | <u>330,154</u>             | <u>1,861,495</u> |
| <b>Non-current assets</b>        |      |                            |                  |
| Property, plant and equipment    |      | -                          | 4,918            |
| Intangibles                      | 12   | -                          | 161,658          |
| Other assets                     |      | -                          | 5,653            |
| Total non-current assets         |      | <u>-</u>                   | <u>172,229</u>   |
| <b>Total assets</b>              |      | <u>330,154</u>             | <u>2,033,724</u> |
| <b>Liabilities</b>               |      |                            |                  |
| <b>Current liabilities</b>       |      |                            |                  |
| Trade and other payables         | 13   | 480,408                    | 514,868          |
| Borrowings                       | 14   | 203,989                    | -                |
| Deferred revenue                 | 15   | 48,562                     | 103,179          |
| Total current liabilities        |      | <u>732,959</u>             | <u>618,047</u>   |
| <b>Non-current liabilities</b>   |      |                            |                  |
| Deferred revenue                 | 16   | -                          | 21,560           |
| Total non-current liabilities    |      | <u>-</u>                   | <u>21,560</u>    |
| <b>Total liabilities</b>         |      | <u>732,959</u>             | <u>639,607</u>   |
| <b>Net assets/(liabilities)</b>  |      | <u>(402,805)</u>           | <u>1,394,117</u> |
| <b>Equity</b>                    |      |                            |                  |
| Issued capital                   | 17   | 14,826,597                 | 13,673,475       |
| Reserves                         | 18   | 1,076,931                  | 921,837          |
| Accumulated losses               | 19   | (16,306,333)               | (13,201,195)     |
| <b>Total equity/(deficiency)</b> |      | <u>(402,805)</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 year ended 30 June 2019**

ShareRoot

| <b>Consolidated</b>                                          | <b>Issued<br/>capital<br/>\$</b> | <b>Reserves<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total equity<br/>\$</b>                       |
|--------------------------------------------------------------|----------------------------------|------------------------|--------------------------------------|--------------------------------------------------|
| Balance at 1 July 2017                                       | 9,850,132                        | 546,263                | (10,165,568)                         | 230,827                                          |
| Loss after income tax expense for the year                   | -                                | -                      | (3,035,627)                          | (3,035,627)                                      |
| Other comprehensive income for the year, net of tax          | -                                | 29,143                 | -                                    | 29,143                                           |
| Total comprehensive income for the year                      | -                                | 29,143                 | (3,035,627)                          | (3,006,484)                                      |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |                        |                                      |                                                  |
| Shares issued during the year                                | 4,197,127                        | -                      | -                                    | 4,197,127                                        |
| Costs of issue                                               | (373,784)                        | -                      | -                                    | (373,784)                                        |
| Share option reserve on recognition of remuneration options  | -                                | 346,431                | -                                    | 346,431                                          |
| Balance at 30 June 2018                                      | <u>13,673,475</u>                | <u>921,837</u>         | <u>(13,201,195)</u>                  | <u>1,394,117</u>                                 |
| <b>Consolidated</b>                                          | <b>Issued<br/>capital<br/>\$</b> | <b>Reserves<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total<br/>deficiency in<br/>equity<br/>\$</b> |
| Balance at 1 July 2018                                       | 13,673,475                       | 921,837                | (13,201,195)                         | 1,394,117                                        |
| Loss after income tax expense for the year                   | -                                | -                      | (3,105,138)                          | (3,105,138)                                      |
| Other comprehensive income for the year, net of tax          | -                                | 21,547                 | -                                    | 21,547                                           |
| Total comprehensive income for the year                      | -                                | 21,547                 | (3,105,138)                          | (3,083,591)                                      |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |                        |                                      |                                                  |
| Shares issued during the year                                | 1,221,772                        | -                      | -                                    | 1,221,772                                        |
| Costs of issue                                               | (68,650)                         | -                      | -                                    | (68,650)                                         |
| Share option reserve on recognition of remuneration options  | -                                | 133,547                | -                                    | 133,547                                          |
| Balance at 30 June 2019                                      | <u>14,826,597</u>                | <u>1,076,931</u>       | <u>(16,306,333)</u>                  | <u>(402,805)</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 year ended 30 June 2019**



|                                                                  | <b>Note</b> | <b>Consolidated<br/>2019<br/>\$</b> | <b>2018<br/>\$</b> |
|------------------------------------------------------------------|-------------|-------------------------------------|--------------------|
| <b>Cash flows from operating activities</b>                      |             |                                     |                    |
| Receipts from customers (inclusive of GST)                       |             | 907,689                             | 452,266            |
| Payments to suppliers and employees (inclusive of GST)           |             | (3,016,124)                         | (3,318,552)        |
|                                                                  |             | (2,108,435)                         | (2,866,286)        |
| Interest received                                                |             | 5,578                               | 2,193              |
| Net cash used in operating activities                            | 31          | (2,102,857)                         | (2,864,093)        |
| <b>Cash flows from investing activities</b>                      |             |                                     |                    |
| Payment for purchase of business, net of cash acquired           | 28          | (687,853)                           | (499,649)          |
| Proceeds from disposal of property, plant and equipment          |             | -                                   | 3,954              |
| Net cash used in investing activities                            |             | (687,853)                           | (495,695)          |
| <b>Cash flows from financing activities</b>                      |             |                                     |                    |
| Proceeds from issue of shares                                    | 17          | 1,221,772                           | 4,197,127          |
| Share issue transaction costs                                    | 17          | (68,650)                            | (260,416)          |
| Repayment of director loan                                       |             | -                                   | 461,364            |
| Drawings from director loan                                      |             | -                                   | (16,177)           |
| Proceeds from borrowings                                         | 14          | 200,000                             | -                  |
| Net cash from financing activities                               |             | 1,353,122                           | 4,381,898          |
| Net increase/(decrease) in cash and cash equivalents             |             | (1,437,588)                         | 1,022,110          |
| Cash and cash equivalents at the beginning of the financial year | 9           | 1,546,284                           | 493,804            |
| Effects of exchange rate changes on cash and cash equivalents    |             | (9,556)                             | 30,370             |
| Cash and cash equivalents at the end of the financial year       | 9           | <u>99,140</u>                       | <u>1,546,284</u>   |

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

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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 Financial Instruments from 1 July 2018, which replaced AASB 139 Financial Instruments: Recognition and Measurement. As a result, the consolidated entity has changed its accounting policy for the recognition and measurement of receivables. The adoption of AASB 9 has not had a material impact on the consolidated entity's financial statements.

#### *AASB 15 Revenue from Contracts with Customers*

The consolidated entity has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018, which replaced AASB 118 Revenue. AASB 15 establishes a principles-based approach for revenue recognition whereby revenue is recognised when performance obligations are satisfied. The standard applies a five-step approach to the timing of revenue recognition and is applicable to all contracts with customers, except those in the scope of other standards. As a result, the consolidated entity has changed its accounting policy for revenue recognition. The adoption of AASB 15 has not had a material impact on the consolidated entity's financial statements.

### **Accounting Standards issued but not yet adopted**

#### *AASB 16 Leases*

The consolidated entity will adopt AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. Management has completed an assessment by reviewing all leases. Based on the work performed to date the findings indicate that the application of AASB 16 will not have a material impact on the consolidated entity's financial statements.

### **Comparative figures**

Certain comparative figures have been reclassified to reflect a more meaningful comparison.

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been approved and authorised for issue on 30 August 2019 by the Board of Directors.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

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

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

**Going Concern**

The consolidated entity has incurred net losses after tax of \$3,083,591 (2018: \$3,006,484) and net cash outflows from operations of \$2,102,857 (2018: \$2,864,093) for the year ended 30 June 2019, and had working capital deficit of \$150,254 at 30 June 2019 (2018: surplus \$1,346,627). Cash balance as at 30 June 2019 was \$99,140 while borrowings amounted to \$203,989 (as at 30 June 2018: \$1,546,284 and nil respectively).

These conditions give rise to a material uncertainty that casts significant doubt upon the consolidated entity's ability to continue as a 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.

ShareRoot completed a rights issue and share placement subsequent to the year-end in July 2019 where \$1.2 million was raised before capital raising costs. The money raised is to be used predominantly to scale the existing revenue-generating digital client services capabilities and capacity; complete and launch new technology projects and roll out marketing campaigns and continue the development of MediaConsent Clinical.

Following the strategic and operational review (completed in April 2019), the Board and Management decided to focus on the digital health market and introduce new data and digital technologies to expand the service offerings. At the same time, it was also decided to reduce spending in other parts of the business, most notably with the closure of US R&D and corporate activities and the divestiture of recent acquisition, Ludomade.

The directors have prepared a revised cash flow forecast which takes into account

- commercialisation of its new AI-powered digital insights platform (Opyl) which has already shown potential as well as other ShareRoot technologies;
- further reduction in expenditure for non-core parts of the business and rationalisation and streamlining of the company structure;
- the change in operational focus and significant reduction in costs.

This forecast indicates that the consolidated entity can continue as a going concern for at least the next 12 months.

Furthermore, the directors are reviewing the Group's ability to apply for R&D grants and other subsidies associated with moving the bulk of R&D and development activity onshore, which have not yet been factored into the cash flow forecast but will provide cash inflows to reduce the impact of R&D expenditure should they be successfully granted.

Should the commercialisation of new products and platforms take longer than forecast the directors may be required to raise further capital through either equity or debt. The company has a history of being able to raise capital and debt when required and the directors are confident that should the need arise they will be able to raise sufficient funds to meet their liabilities as they fall due.

Should the consolidated entity be unable to implement the above strategies or source alternative funding, it may be necessary to realise some or all assets and discharge liabilities at amounts different to those stated in the financial statements. No adjustments have been made to the recoverability and classification of asset and the amount and classification of liabilities that might be necessary should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

The parent entity disclosure relates to the legal parent entity, ShareRoot Limited.

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

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ShareRoot Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. ShareRoot Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**ShareRoot Inc**

The consolidated entity results are based on reverse acquisition principals which results in the Legal Parent (in this case, ShareRoot Limited) being accounted for as the subsidiary, while the Legal Acquiree (in this case, ShareRoot Inc), being accounted for as the parent.

The excess of fair value of the shares owned by the former ShareRoot Limited shareholders and the fair value of the identifiable net assets of ShareRoot Limited immediately prior to the completion of the merger is to be accounted for under "AASB 2: Share-based Payment" (AASB 2) as an expense and was expensed to the statement of profit or loss and other comprehensive income. The net assets of ShareRoot Limited were recorded at fair value at the completion of the acquisition.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is ShareRoot Limited's functional and presentation currency. For ShareRoot Inc (accounting parent located in United States of America) and Ludomade Inc (a subsidiary located in United States of America), its functional currency is denominated in US Dollars.

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

## Note 1. Significant accounting policies (continued)

### Revenue recognition

#### *Revenue from contracts with customers*

Revenue is recognised upon satisfaction of the performance obligation. Performance obligations differ dependent on the nature of the contracts. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

#### *Revenue from rendering of services*

The consolidated entity primarily generates revenue from sale of its annual subscription services, which enable its customer to access an online platform that allows them to search and source user generated content. The consolidated entity also sells advertising and contesting services that are sold in a one-off basis rather than a subscription model.

The consolidated entity recognises subscription revenue over the subscription period (generally 1 year) on a straight-line basis. 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.

In relation to the revenue streams of the consolidated entity, the main revenue streams are recognised as follows:

**SaaS revenue** - This refers to SaaS platform that customers pay for in order to be complaint in how they market to consumers, gather data and respect consumer privacy. Revenue from the sale of annual subscription services, which enable its customer to access an online platform that allows then to search and source user generated content, is recognised over the subscription period (generally 1 year) on a straight line basis. The performance obligation is satisfied over time.

**Retainer revenue** - For retainer contracts, revenue from its social media marketing agency arm is recognised when the performance obligations are satisfied.

**Project revenue** - Project revenue is from ad-hoc projects. For project contracts, revenue is recognised when the performance obligations are satisfied.

**Web revenue** - Relates to Ludomade projects. For these contracts, revenue is recognised when the performance obligations are satisfied.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### Deferred revenue

Deferred revenue includes billings or payments received in advance of revenue recognition and is recognised as the revenue recognition criteria are met. Deferred revenue primarily consists of unearned portion of subscription fees.

## Note 1. Significant accounting policies (continued)

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

Trade receivables are recognised when the control of ownership of the underlying sales transactions have passed to the customer in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

The consolidated entity holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Other receivables arise principally from financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less allowance for impairment.

The consolidated entity has adopted a simplified approach for trade receivables with an amount equal to the full-expected credit losses to be recognised.

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.



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

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

**Goodwill**

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

**Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to year end that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

**Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**Employee benefits**

*Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

*Share-based payments*

Equity-settled share-based compensation benefits are provided to employees.



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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

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

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of ShareRoot Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

## Note 1. Significant accounting policies (continued)

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

## Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the 12-month expected credit loss unless the credit risk on a financial assets has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

A simplified approach is used for trade receivables. These assumptions include recent sales experience and historical collection rates.

### *Impairment of non-financial assets*

The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### *Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### *Impairment of intangible assets*

At each reporting date, the consolidated entity reviews the carrying amount of its goodwill to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the goodwill is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows (CGUs) from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amounts of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

## Note 3. Operating segments

### *Identification of reportable operating segments*

Performances are monitored per individual entity basis.

### Note 3. Operating segments (continued)

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

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

#### Types of products and services

The principal products and services of each of these operating segments are as follows:

|                        |                                                                                                                                                                                                               |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Social Science     | ShareRoot's social media marketing agency providing client services and account management layer behind the group's technology properties. The main revenue streams are retainer revenue and project revenue. |
| UGC Discovery platform | ShareRoot's Legal Rights Management protecting against unauthorised use of people's social and digital content. This platform forms part of SaaS revenue in ShareRoot Inc.                                    |
| MediaConsent platform  | ShareRoot's first platform to give consumers/citizens control of their data and privacy through a preference and consent management dashboard. This platform forms part of SaaS revenue in ShareRoot Inc.     |
| Ludomade Inc.          | Provides consumer data and privacy compliance. The main revenue stream is web revenue.                                                                                                                        |

#### Major customers

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

#### Operating segment information

|                                                    | The Social<br>Science<br>\$ | ShareRoot<br>Inc<br>\$ | Ludomade<br>\$ | ShareRoot<br>Limited<br>\$ | ShareRoot<br>Ops<br>\$ | Total<br>\$        |
|----------------------------------------------------|-----------------------------|------------------------|----------------|----------------------------|------------------------|--------------------|
| <b>2019</b>                                        |                             |                        |                |                            |                        |                    |
| <b>Revenue</b>                                     |                             |                        |                |                            |                        |                    |
| Sales to external customers                        | 575,898                     | 239,092                | 112,813        | -                          | (762)                  | 927,041            |
| <b>Total revenue</b>                               | <u>575,898</u>              | <u>239,092</u>         | <u>112,813</u> | <u>-</u>                   | <u>(762)</u>           | <u>927,041</u>     |
| <b>EBITDA</b>                                      | (196,064)                   | (1,249,365)            | 58,769         | (708,419)                  | (762)                  | (2,095,841)        |
| Depreciation and amortisation                      | -                           | (5,695)                | (20,338)       | -                          | -                      | (26,033)           |
| Impairment of assets                               | -                           | (1,700,961)            | -              | (161,623)                  | -                      | (1,862,584)        |
| Interest revenue                                   | 4,713                       | -                      | -              | 865                        | -                      | 5,578              |
| Finance costs                                      | (4,758)                     | -                      | -              | (3,989)                    | -                      | (8,747)            |
| Fair value adjustments -<br>deferred consideration | -                           | 1,016,037              | -              | -                          | -                      | 1,016,037          |
| Share based payments                               | -                           | -                      | -              | (133,548)                  | -                      | (133,548)          |
| <b>Profit/(loss) before income<br/>tax expense</b> | <u>(196,109)</u>            | <u>(1,939,984)</u>     | <u>38,431</u>  | <u>(1,006,714)</u>         | <u>(762)</u>           | <u>(3,105,138)</u> |
| Income tax expense                                 |                             |                        |                |                            |                        | -                  |
| <b>Loss after income tax<br/>expense</b>           |                             |                        |                |                            |                        | <u>(3,105,138)</u> |

**Note 3. Operating segments (continued)**

|                                       | The Social<br>Science<br>\$ | ShareRoot<br>Inc<br>\$ | ShareRoot<br>Limited<br>\$ | ShareRoot<br>Ops<br>\$ | Total<br>\$        |
|---------------------------------------|-----------------------------|------------------------|----------------------------|------------------------|--------------------|
| <b>2018</b>                           |                             |                        |                            |                        |                    |
| <b>Revenue</b>                        |                             |                        |                            |                        |                    |
| Sales to external customers           | 134,372                     | 256,584                | -                          | -                      | 390,956            |
| <b>Total revenue</b>                  | <u>134,372</u>              | <u>256,584</u>         | <u>-</u>                   | <u>-</u>               | <u>390,956</u>     |
| <b>EBITDA</b>                         | (37,397)                    | (2,003,268)            | (718,035)                  | (9,396)                | (2,768,096)        |
| Depreciation and amortisation         | -                           | (34,857)               | -                          | -                      | (34,857)           |
| Interest revenue                      | -                           | -                      | 2,193                      | -                      | 2,193              |
| Finance costs                         | (946)                       | -                      | -                          | -                      | (946)              |
| Share based payments                  | -                           | -                      | (233,921)                  | -                      | (233,921)          |
| <b>Loss before income tax expense</b> | <u>(38,343)</u>             | <u>(2,038,125)</u>     | <u>(949,763)</u>           | <u>(9,396)</u>         | <u>(3,035,627)</u> |
| Income tax expense                    |                             |                        |                            |                        | -                  |
| <b>Loss after income tax expense</b>  |                             |                        |                            |                        | <u>(3,035,627)</u> |

*Geographical information*

|           | <b>Sales to external<br/>customers</b> |                |
|-----------|----------------------------------------|----------------|
|           | <b>2019</b>                            | <b>2018</b>    |
|           | <b>\$</b>                              | <b>\$</b>      |
| Australia | 575,136                                | 134,372        |
| USA       | 351,905                                | 256,584        |
|           | <u>927,041</u>                         | <u>390,956</u> |

**Note 4. Revenue from contracts with customers**

|                                  | <b>Consolidated</b> |                |
|----------------------------------|---------------------|----------------|
|                                  | <b>2019</b>         | <b>2018</b>    |
|                                  | <b>\$</b>           | <b>\$</b>      |
| Sales from rendering of services | <u>927,041</u>      | <u>390,956</u> |
|                                  |                     |                |
|                                  | <b>Consolidated</b> |                |
|                                  | <b>2019</b>         | <b>2018</b>    |
|                                  | <b>\$</b>           | <b>\$</b>      |
| <b>Details:</b>                  |                     |                |
| SaaS revenue                     | 235,109             | 256,584        |
| Retainer revenue                 | 464,607             | 61,548         |
| Project revenue                  | 106,298             | 44,129         |
| Web                              | 112,813             | -              |
| Other                            | 8,214               | 28,695         |
| Sales from rendering of services | <u>927,041</u>      | <u>390,956</u> |

**Note 5. Other income**

|                                                                           | <b>Consolidated</b> |               |
|---------------------------------------------------------------------------|---------------------|---------------|
|                                                                           | <b>2019</b>         | <b>2018</b>   |
|                                                                           | <b>\$</b>           | <b>\$</b>     |
| Net gain on disposal of property, plant and equipment                     | -                   | 3,719         |
| Interest income                                                           | 5,578               | 2,193         |
| Miscellaneous other income                                                | -                   | 22,605        |
| Fair value adjustment - deferred consideration relating to Ludomade Inc * | 1,016,037           | -             |
| Other income                                                              | <u>1,021,615</u>    | <u>28,517</u> |

\* 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 (A\$687,853) plus future contingent consideration of up to US\$1,000,000 (A\$1,375,706) depending on the revenue and gross margin performance milestones (see note 28 Business combinations).

Based on the revenue and profit in Ludomade since acquisition, management consider there to be a remote likelihood of future payment of the deferred consideration recognised on the acquisition of Ludomade.

Accordingly, a fair value adjustment has been recognised to adjust the deferred consideration liability down to nil.

**Note 6. Impairment**

|                                 | <b>Consolidated</b> |             |
|---------------------------------|---------------------|-------------|
|                                 | <b>2019</b>         | <b>2018</b> |
|                                 | <b>\$</b>           | <b>\$</b>   |
| <b>Details</b>                  |                     |             |
| Impairment of TSS goodwill      | 161,623             | -           |
| Impairment of Ludomade goodwill | 1,700,961           | -           |
| Total impairment                | <u>1,862,584</u>    | <u>-</u>    |

*Impairment testing of goodwill on acquisition*

The impairment testing of goodwill involves the use of accounting estimates and assumptions. The recoverable amount of the cash generating unit is determined on the basis of value in use calculations.

The value in use is calculated using a discounted cash flow methodology covering a four-year period with an appropriate terminal value before the end of year four for the cash generating unit.

The value generated from the cash flow projections to arrive at a recoverable value for goodwill is then compared with the carrying value of goodwill.

*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 consolidated entity with risk adjustments where applicable. The pre-tax discount rate used for cash generating unit is 15%.

**Note 6. Impairment (continued)**

*The Social Science*

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 consolidated entity's existing operations.

Based on impairment testing of goodwill related to TSS as at 30 June 2019, 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.

TSS' forecast cashflows do not support the initial goodwill recognised at acquisition.

*Ludomade*

On 15 November 2018, the company completed the acquisition of 100% of the ordinary shares of Ludomade, Inc. (Ludomade).

Based on impairment testing of goodwill related to Ludomade as at 30 June 2019, 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 Ludomade should be impaired to nil.

Since Ludomade's acquisition, it has failed to generate the revenues forecast at acquisition.

**Note 7. Expenses**

|                                                                  | <b>Consolidated</b> |             |
|------------------------------------------------------------------|---------------------|-------------|
|                                                                  | <b>2019</b>         | <b>2018</b> |
|                                                                  | <b>\$</b>           | <b>\$</b>   |
| Loss before income tax includes the following specific expenses: |                     |             |
| <i>Impairment</i>                                                |                     |             |
| Goodwill                                                         | 1,862,584           | -           |
| <i>Share based payments</i>                                      |                     |             |
| Options issued to employees, directors and other parties         | 133,548             | 233,921     |
| <i>Finance costs</i>                                             |                     |             |
| Interest and finance charges paid/payable                        | 8,747               | 946         |
| <i>Rental expense relating to operating leases</i>               |                     |             |
| Minimum lease payments                                           | 39,711              | 42,185      |
| <i>Superannuation expense</i>                                    |                     |             |
| Defined contribution superannuation expense                      | 8,328               | 16,911      |

**Note 8. Income tax expense**

|                                                                                      | <b>Consolidated</b> |             |
|--------------------------------------------------------------------------------------|---------------------|-------------|
|                                                                                      | <b>2019</b>         | <b>2018</b> |
|                                                                                      | <b>\$</b>           | <b>\$</b>   |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>  |                     |             |
| Loss before income tax expense                                                       | (3,105,138)         | (3,035,627) |
| Tax at the statutory tax rate of 27.5%                                               | (853,913)           | (834,797)   |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: |                     |             |
| Impairment of goodwill                                                               | 512,210             | -           |
| Share-based payments                                                                 | 36,725              | 64,328      |
| Fair value adjustment - deferred consideration relating to Ludomade Inc              | (279,410)           | -           |
|                                                                                      | (584,388)           | (770,469)   |
| Current year tax losses not recognised                                               | 584,388             | 770,469     |
| Income tax expense                                                                   | -                   | -           |

**Note 9. Current assets - Cash and cash equivalents**

|              | <b>Consolidated</b> |             |
|--------------|---------------------|-------------|
|              | <b>2019</b>         | <b>2018</b> |
|              | <b>\$</b>           | <b>\$</b>   |
| Cash at bank | 99,140              | 1,546,284   |



**Note 10. Current assets - Trade and other receivables**

|                                            | <b>Consolidated</b>   |                       |
|--------------------------------------------|-----------------------|-----------------------|
|                                            | <b>2019</b>           | <b>2018</b>           |
|                                            | <b>\$</b>             | <b>\$</b>             |
| Trade receivables                          | 145,866               | 144,554               |
| Less: Allowance for expected credit losses | (12,472)              | -                     |
|                                            | <u>133,394</u>        | <u>144,554</u>        |
| Other receivables                          | <u>44,605</u>         | <u>41,405</u>         |
|                                            | <u><u>177,999</u></u> | <u><u>185,959</u></u> |

*Allowance for expected credit losses*

The consolidated entity has recognised a loss of \$12,472 (2018: \$nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

Management believes that the amounts that are past due by more than 30 days are still collectable in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customer's credit scores if they are available. The ageing of the consolidated entity's trade receivables that were not impaired was as follows:

|                               | <b>2019</b>           | <b>2018</b>           |
|-------------------------------|-----------------------|-----------------------|
|                               | <b>\$</b>             | <b>\$</b>             |
| <b>Trade receivables</b>      |                       |                       |
| Neither past due not impaired | 44,972                | 117,475               |
| Past due 1 - 30 days          | 6,721                 | 12,351                |
| Past due 31 - 90 days         | 28,178                | 660                   |
| Past due 90+ days             | <u>53,523</u>         | <u>14,068</u>         |
| Total                         | <u><u>133,394</u></u> | <u><u>144,554</u></u> |

**Note 11. Current assets - Prepayments and other deposits**

|             | <b>Consolidated</b>  |                       |
|-------------|----------------------|-----------------------|
|             | <b>2019</b>          | <b>2018</b>           |
|             | <b>\$</b>            | <b>\$</b>             |
| Prepayments | 29,309               | 112,394               |
| Deposits    | <u>23,706</u>        | <u>16,858</u>         |
|             | <u><u>53,015</u></u> | <u><u>129,252</u></u> |

**Note 12. Non-current assets - Intangibles**

|                                                        | <b>Consolidated</b> |             |
|--------------------------------------------------------|---------------------|-------------|
|                                                        | <b>2019</b>         | <b>2018</b> |
|                                                        | <b>\$</b>           | <b>\$</b>   |
| Goodwill - at cost (see note 28 Business combinations) | -                   | 161,623     |
| Intellectual property - at cost                        | 97,873              | 92,941      |
| Less: Accumulated amortisation                         | (97,873)            | (92,906)    |
|                                                        | -                   | 35          |
|                                                        | -                   | 161,658     |

*Reconciliations*

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

|                                                   | Goodwill    | Intellectual<br>Property | Total       |
|---------------------------------------------------|-------------|--------------------------|-------------|
|                                                   | \$          | \$                       | \$          |
| <b>Consolidated</b>                               |             |                          |             |
| Balance at 1 July 2017                            | -           | 25,200                   | 25,200      |
| Additions through business combinations (note 28) | 161,623     | -                        | 161,623     |
| Exchange differences                              | -           | 3,366                    | 3,366       |
| Amortisation expense                              | -           | (28,531)                 | (28,531)    |
| Balance at 30 June 2018                           | 161,623     | 35                       | 161,658     |
| Additions through business combinations (note 28) | 1,700,961   | -                        | 1,700,961   |
| Impairment of TSS goodwill (note 6)               | (161,623)   | -                        | (161,623)   |
| Impairment of Ludomade goodwill (note 6)          | (1,700,961) | -                        | (1,700,961) |
| Amortisation expense                              | -           | (35)                     | (35)        |
| Balance at 30 June 2019                           | -           | -                        | -           |

Impairment of goodwill is discussed in note 6.

**Note 13. Current liabilities - Trade and other payables**

|                             | <b>Consolidated</b> |             |
|-----------------------------|---------------------|-------------|
|                             | <b>2019</b>         | <b>2018</b> |
|                             | <b>\$</b>           | <b>\$</b>   |
| Trade payables              | 185,094             | 50,544      |
| Other payables and accruals | 295,314             | 464,324     |
|                             | 480,408             | 514,868     |

**Note 14. Current liabilities - Borrowings**

|                  | <b>Consolidated</b> |             |
|------------------|---------------------|-------------|
|                  | <b>2019</b>         | <b>2018</b> |
|                  | <b>\$</b>           | <b>\$</b>   |
| Shareholder loan | 203,989             | -           |

In April 2019, A\$200,000 secured loan was advanced by major shareholder Antanas Guoga ("Tony G") to the company. The loan is fully drawn and the interest on the loan is 8% pa. The amount owing at balance date including interest is reflected above. Maturity of the loan is 30 March 2020 and it is expected that the amount will be repaid on or before that date.

**Note 15. Current liabilities - Deferred revenue**

|                  | <b>Consolidated</b> |             |
|------------------|---------------------|-------------|
|                  | <b>2019</b>         | <b>2018</b> |
|                  | <b>\$</b>           | <b>\$</b>   |
| Deferred revenue | 48,562              | 103,179     |

Deferred revenue expected to be realised more than 12 months after the reporting period are presented under non-current liabilities.

**Note 16. Non-current liabilities - Deferred revenue**

|                  | <b>Consolidated</b> |             |
|------------------|---------------------|-------------|
|                  | <b>2019</b>         | <b>2018</b> |
|                  | <b>\$</b>           | <b>\$</b>   |
| Deferred revenue | -                   | 21,560      |

Deferred revenue expected to be realised in 12 months or less after the reporting period are presented under current liabilities.

**Note 17. Equity - Issued capital**

|                              | <b>Consolidated</b> |               |             |             |
|------------------------------|---------------------|---------------|-------------|-------------|
|                              | <b>2019</b>         | <b>2018</b>   | <b>2019</b> | <b>2018</b> |
|                              | <b>Shares</b>       | <b>Shares</b> | <b>\$</b>   | <b>\$</b>   |
| Ordinary shares - fully paid | 1,569,454,374       | 1,231,699,788 | 14,826,597  | 13,673,475  |

**Note 17. Equity - Issued capital (continued)**

*Movements in ordinary share capital*

| Details                                | Date             | Shares               | \$                |
|----------------------------------------|------------------|----------------------|-------------------|
| Balance                                | 1 July 2017      | 445,554,422          | 9,850,132         |
| Issue of shares - placement            | 11 July 2017     | 178,444,002          | 1,070,664         |
| Issue of shares - placement            | 4 September 2017 | 43,978,020           | 307,846           |
| Shares issued pursuant to Rights Issue | 12 January 2018  | 143,723,344          | 718,617           |
| Rights Issue Shortfall                 | 22 January 2018  | 257,063,712          | 1,285,319         |
| Issue of shares - placement            | 22 January 2018  | 162,936,288          | 814,681           |
| Share issue costs                      |                  | -                    | (373,784)         |
| Balance                                | 30 June 2018     | 1,231,699,788        | 13,673,475        |
| Issue of shares - placement            | 24 July 2018     | 104,254,587          | 521,272           |
| 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                      |                  | -                    | (68,650)          |
| Balance                                | 30 June 2019     | <u>1,569,454,374</u> | <u>14,826,597</u> |

*Movements in options*

| Details                        | Date         |                    |
|--------------------------------|--------------|--------------------|
| Balance                        | 1 July 2017  | 107,271,150        |
| Options lapsed during the year |              | (73,023,150)       |
| Issue of options to broker     |              | 22,000,000         |
| Issue of options to director   |              | 11,000,000         |
| Issue of options to employees  |              | 46,433,771         |
| Issue of options - placement   |              | 89,222,001         |
| Balance                        | 30 June 2018 | 202,903,772        |
| Options lapsed during the year |              | (135,555,334)      |
| Issue of options to director   |              | 44,000,000         |
| Issue of options to employees  |              | 3,350,000          |
| Issue of options - placement   |              | 25,000,000         |
| Balance                        | 30 June 2019 | <u>139,698,438</u> |

*Movements in performance rights*

| Details                     | Date         |              |
|-----------------------------|--------------|--------------|
| Balance                     | 1 July 2017  | 120,000,000  |
| Lapse of performance rights |              | (30,000,000) |
| Balance                     | 30 June 2018 | 90,000,000   |
| Lapse of performance rights |              | (90,000,000) |
| Balance                     | 30 June 2019 | <u>-</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.

## Note 17. Equity - Issued capital (continued)

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.

### *Share buy-back*

There is no current on-market share buy-back.

### *Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

## Note 18. Equity - Reserves

|                          | <b>Consolidated</b> |                |
|--------------------------|---------------------|----------------|
|                          | <b>2019</b>         | <b>2018</b>    |
|                          | <b>\$</b>           | <b>\$</b>      |
| Foreign currency reserve | (372,018)           | (393,565)      |
| Options reserve          | 1,448,949           | 1,315,402      |
|                          | <u>1,076,931</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.

### *Options 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.

**Note 18. Equity - Reserves (continued)**

*Movements in reserves*

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

| <b>Consolidated</b>            | <b>Foreign<br/>exchange<br/>reserve<br/>\$</b> | <b>Option<br/>reserve<br/>\$</b> | <b>Total<br/>\$</b> |
|--------------------------------|------------------------------------------------|----------------------------------|---------------------|
| Balance at 1 July 2017         | (422,708)                                      | 968,971                          | 546,263             |
| Foreign currency translation   | 29,143                                         | -                                | 29,143              |
| Options issued during the year | -                                              | 346,431                          | 346,431             |
| Balance at 30 June 2018        | (393,565)                                      | 1,315,402                        | 921,837             |
| Foreign currency translation   | 21,547                                         | -                                | 21,547              |
| Options issued during the year | -                                              | 133,547                          | 133,547             |
| Balance at 30 June 2019        | <u>(372,018)</u>                               | <u>1,448,949</u>                 | <u>1,076,931</u>    |

**Note 19. Equity - accumulated losses**

|                                                           | <b>Consolidated</b>        |                            |
|-----------------------------------------------------------|----------------------------|----------------------------|
|                                                           | <b>2019<br/>\$</b>         | <b>2018<br/>\$</b>         |
| Accumulated losses at the beginning of the financial year | (13,201,195)               | (10,165,568)               |
| Loss after income tax expense for the year                | <u>(3,105,138)</u>         | <u>(3,035,627)</u>         |
| Accumulated losses at the end of the financial year       | <u><u>(16,306,333)</u></u> | <u><u>(13,201,195)</u></u> |

**Note 20. Equity - Dividends**

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

**Note 21. Financial instruments**

**Financial risk management objectives**

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

**Market risk**

*Foreign currency risk*

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. As each of the individual entity within the group primarily transact in their own respective functional currency, foreign currency risk is deemed to be minimal.

**Note 21. Financial instruments (continued)**

*Price risk*

The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*

Interest rate risk is deemed to be minimal as the consolidated entity exposure on interest risk mainly on its cash at bank.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for expected credit losses of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity deemed its credit risk to be minimal as its financial assets are mainly cash held at financial institutions.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

**Liquidity risk**

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

|                                      | Weighted<br>average<br>interest rate<br>% | 1 year or less<br>\$ | Between 1<br>and 2 years<br>\$ | Between 2<br>and 5 years<br>\$ | Over 5 years<br>\$ | Remaining<br>contractual<br>maturities<br>\$ |
|--------------------------------------|-------------------------------------------|----------------------|--------------------------------|--------------------------------|--------------------|----------------------------------------------|
| <b>2019</b>                          |                                           |                      |                                |                                |                    |                                              |
| <b>Non-derivatives</b>               |                                           |                      |                                |                                |                    |                                              |
| <i>Non-interest bearing</i>          |                                           |                      |                                |                                |                    |                                              |
| Trade payables                       | -                                         | 185,094              | -                              | -                              | -                  | 185,094                                      |
| Other payables and accruals          | -                                         | 295,314              | -                              | -                              | -                  | 295,314                                      |
| <i>Interest-bearing - fixed rate</i> |                                           |                      |                                |                                |                    |                                              |
| Other loans                          | 8.00%                                     | 203,989              | -                              | -                              | -                  | 203,989                                      |
| Total non-derivatives                |                                           | 684,397              | -                              | -                              | -                  | 684,397                                      |
| <b>2018</b>                          |                                           |                      |                                |                                |                    |                                              |
| <b>Non-derivatives</b>               |                                           |                      |                                |                                |                    |                                              |
| <i>Non-interest bearing</i>          |                                           |                      |                                |                                |                    |                                              |
| Trade payables                       | -                                         | 50,544               | -                              | -                              | -                  | 50,544                                       |
| Other payables                       | -                                         | 464,324              | -                              | -                              | -                  | 464,324                                      |
| Total non-derivatives                |                                           | 514,868              | -                              | -                              | -                  | 514,868                                      |

## Note 21. Financial instruments (continued)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### *Fair value of financial instruments*

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## Note 22. Key management personnel disclosures

### *Directors*

The following persons were directors of ShareRoot Limited during the financial year:

|                      |                                                |
|----------------------|------------------------------------------------|
| Julian Chick         | Appointed 6 May 2019                           |
| Damon Rasheed        | Appointed 1 February 2019                      |
| Marat Basyrov        | Appointed 1 March 2019                         |
| Harvey Kaplan        | Appointed 1 February 2019, resigned 6 May 2019 |
| Lee Rodne            | Resigned 1 February 2019                       |
| Peter McLennan       | Resigned 1 February 2019                       |
| Noah Abelson-Gertler | Resigned 1 March 2019                          |

### *Other key management personnel*

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

|                   |                         |
|-------------------|-------------------------|
| Michelle Gallaher | Appointed 14 March 2019 |
|-------------------|-------------------------|

### *Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

|                              | <b>Consolidated</b> |                |
|------------------------------|---------------------|----------------|
|                              | <b>2019</b>         | <b>2018</b>    |
|                              | <b>\$</b>           | <b>\$</b>      |
| Short-term employee benefits | 588,766             | 558,587        |
| Post-employment benefits     | 15,239              | 8,835          |
| Share-based payments         | 21,216              | 46,942         |
|                              | <u>625,221</u>      | <u>614,364</u> |

## Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership (BDO), the auditor of the company:

|                                                          | <b>Consolidated</b> |               |
|----------------------------------------------------------|---------------------|---------------|
|                                                          | <b>2019</b>         | <b>2018</b>   |
|                                                          | <b>\$</b>           | <b>\$</b>     |
| <i>Audit services - BDO East Coast Partnership (BDO)</i> |                     |               |
| Audit or review of the financial statements              | <u>72,000</u>       | <u>62,500</u> |



## **Note 24. Contingent liabilities**

### *The Social Science*

On 9 April 2018, the company completed the acquisition of 100% of the ordinary shares of The Social Science Pty Ltd (TSS) for \$500,000 plus future contingent consideration of up to \$333,333 depending on revenue performance milestones as outlined below.

As part of the Purchase Agreement, the vendors of The Social Science are entitled to receive performance shares in the company (Shares) equal to the Tranche 2 Consideration Securities (\$166,667 worth of Shares calculated at 30-day VWAP as at 30 June 2019) and Tranche 3 Consideration Securities (\$166,667 worth of Shares calculated at 30-day VWAP as at 30 June 2020).

The revenue performance milestones for the contingent consideration are:

- Tranche 2 - during the 12 month period from 1 July 2018 to 30 June 2019, minimum of \$900,000 revenue
- Tranche 3 - during the 12 month period from 1 July 2019 to 30 June 2020, minimum of \$1,200,000 revenue

At acquisition date management consider these to be stretch targets and as such considered remote in the likelihood of settlement and as such are considered a contingent liability.

### *Ludomade*

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 (A\$687,853), refer note 28 Business combinations, plus future consideration of up to an additional US\$1,000,000 (A\$1,375,706) 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 (A\$687,853) ; plus
- 25% of profits earned over the 39 whole months immediately following acquisition, up to a total of US\$500,000 (A\$687,853)

At balance sheet date management considered these to be achievable targets based on the forecast revenues provided at that time. These were initially taken up as deferred consideration as a balance sheet liability. As at 30 June 2019, the forecast revenue and profit are considered to be stretch targets and as such considered remote in the likelihood of settlement. The deferred consideration has been derecognised as at 30 June 2019.

Given the uncertainty of the timing and amounts of the future purchase consideration, these are now recognised as a contingent liability.

### *Shareholder loan*

On 1 April 2019, Mr Antanas Guoga ("Tony G") advanced a loan \$200,000 loan to the company with maturity 30 March 2020. The loan may be convertible to fully paid ordinary shares in the capital of the company as the discretion of the company. The conversion to fully paid ordinary shares may be in part or in full, with the balance being paid in cash.

## **Note 25. Commitments**

### *Lease commitments - operating*

Committed at the reporting date but not recognised as liabilities, payable:

Within one year

| <b>Consolidated</b> |             |
|---------------------|-------------|
| <b>2019</b>         | <b>2018</b> |
| <b>\$</b>           | <b>\$</b>   |
| 49,500              | -           |

## Note 26. Related party transactions

### *Parent entity*

ShareRoot Limited is the legal parent entity.

For the purposes of consolidating the financial statements, ShareRoot Inc is deemed to be the accounting parent entity.

### *Subsidiaries*

Interests in subsidiaries are set out in note 29.

### *Key management personnel*

Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

### *Transactions with related parties*

The following transactions occurred with related parties:

|                                                                                                                                                                                                         | Consolidated |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------|
|                                                                                                                                                                                                         | 2019         | 2018   |
|                                                                                                                                                                                                         | \$           | \$     |
| Payment for goods and services:                                                                                                                                                                         |              |        |
| Payment to Franks & Associates Pty Limited, associated with Andrew Bursill, for accounting and company secretarial services. Andrew Bursill was a director in ShareRoot Limited, resigning 31 July 2017 | -            | 93,913 |
| Payment to Aretex Pty Limited, associated with Andrew Bursill, for bookkeeping services. Andrew Bursill was a director in ShareRoot Limited, resigning 31 July 2017                                     | -            | 19,327 |

### *Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

### *Loans to/from related parties*

Michelle Gallaher has drawings from the company corporate credit card which are to be repaid to the company. The balance outstanding as at 30 June 2019 is A\$15,823 (2018: A\$16,177).

In April 2019, A\$200,000 secured loan was advanced by major shareholder Antanas Guoga ("Tony G") to the company. The loan is fully drawn and the interest on the loan is 8% pa. The amount owing at balance date including interest is A\$203,989. Maturity of the loan is 30 March 2020 and it is expected that the amount will be repaid on or before that date.

### *Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

## Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

### *Statement of profit or loss and other comprehensive income*

|                            | Parent    |             |
|----------------------------|-----------|-------------|
|                            | 2019      | 2018        |
|                            | \$        | \$          |
| Loss after income tax      | (803,634) | (1,006,294) |
| Total comprehensive income | (803,634) | (1,006,294) |

**Note 27. Parent entity information (continued)**

*Statement of financial position*

|                           | <b>Parent</b> |              |
|---------------------------|---------------|--------------|
|                           | <b>2019</b>   | <b>2018</b>  |
|                           | <b>\$</b>     | <b>\$</b>    |
| Total current assets      | 10,879        | 877,221      |
| Total assets              | 10,879        | 877,221      |
| Total current liabilities | 413,813       | 237,389      |
| Total liabilities         | 413,813       | 237,389      |
| Equity                    |               |              |
| Issued capital            | 16,653,323    | 16,991,196   |
| Options reserve           | 1,613,088     | 1,514,347    |
| Accumulated losses        | (18,669,345)  | (17,865,711) |
| Total equity/(deficiency) | (402,934)     | 639,832      |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Note 28. 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 (A\$687,853) plus future contingent consideration of up to US\$1,000,000 (A\$1,375,706) 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 (A\$1,375,706) to be paid as follows:

- 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 (A\$687,853); plus
- 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 (A\$687,853).

The acquired business contributed revenue of A\$112,813 and income after tax of A\$38,431 to the consolidated entity for the period from 15 November 2018 to 30 June 2019. If the acquisition occurred on 1 July 2018, the full year contributions would have been revenues of A\$180,600 and income after tax of A\$61,523.

**Note 28. Business combinations (continued)**

The initial accounting for the business combination was provisional due to the uncertainty around the fair value of assets and liabilities at acquisition date. This was reassessed at year end 30 June 2019.

*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 consolidated entity with risk adjustments where applicable. The pre-tax discount rate used for cash generating unit is 15%.

*Fair value adjustment of deferred consideration*

Based on the revenue and profit in Ludomade since acquisition, management consider there to be a remote likelihood of future payment of the deferred consideration.

Accordingly, a fair value adjustment has been recognised in other income (see note 5) to adjust the deferred consideration liability down to nil. The deferred consideration is now considered a contingent liability (see note 24).

## Note 28. Business combinations (continued)

### *Impairment testing of goodwill on acquisition*

The impairment testing of goodwill involves the use of accounting estimates and assumptions. The recoverable amount of the cash generating unit is determined on the basis of value in use calculations.

The value in use is calculated using a discounted cash flow methodology covering a four-year period with an appropriate terminal value before the end of year four for the cash generating unit.

The value generated from the cash flow projections to arrive at a recoverable value for goodwill is then compared with the carrying value of goodwill.

Based on impairment testing of goodwill related to Ludomade as at 30 June 2019, 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 Ludomade should be impaired to nil (see note 6).

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

|                                                                    | Fair value<br>\$        |
|--------------------------------------------------------------------|-------------------------|
| 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 to vendor                                                | 687,853                 |
| Deferred consideration                                             | <u>1,016,037</u>        |
|                                                                    | <u><u>1,703,890</u></u> |

## Note 29. Interests in subsidiaries

### (a) Ultimate parent

ShareRoot Limited is the ultimate parent entity and the parent entity of the consolidated entity from a legal perspective. For accounting purposes, ShareRoot Inc is the deemed ultimate parent of the consolidated entity in line with reverse acquisition accounting.

### (b) Corporate structure

The legal corporate structure of the consolidated entity is set out below;

| Name                               | Principal place of business /<br>Country of incorporation | Ownership interest |           |
|------------------------------------|-----------------------------------------------------------|--------------------|-----------|
|                                    |                                                           | 2019<br>%          | 2018<br>% |
| Legal parent                       |                                                           | -                  | -         |
| ShareRoot Limited                  | Australia                                                 | -                  | -         |
| Legal subsidiaries                 |                                                           | -                  | -         |
| ShareRoot Inc                      | United States of America                                  | 100.00%            | 100.00%   |
| ShareRoot (Australian Ops) Pty Ltd | Australia                                                 | 100.00%            | 100.00%   |
| The Social Science Pty Ltd         | Australia                                                 | 100.00%            | 100.00%   |
| Ludomade, Inc                      | United States of America                                  | 100.00%            | -         |

**Note 30. Events after the reporting period**

Although the company finished the year with A\$99k in cash, in July 2019 it completed a successful Rights Issue and placement of \$1.2 million before costs, with an oversubscription of shortfall shares leaving the company in a stronger cash position with funds available to progress its rapidly developing digital health agenda.

In July 2019, the company announced that it plans to divest the Ludomade business as it is considered non-core to ShareRoot's future strategic direction. ShareRoot is in discussion with a number of potential interested parties.

No other matter or circumstance has arisen since 30 June 2019 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 31. Reconciliation of loss after income tax to net cash used in operating activities**

|                                                                         | <b>Consolidated</b> |                    |
|-------------------------------------------------------------------------|---------------------|--------------------|
|                                                                         | <b>2019</b>         | <b>2018</b>        |
|                                                                         | <b>\$</b>           | <b>\$</b>          |
| Loss after income tax expense for the year                              | (3,105,138)         | (3,035,627)        |
| Adjustments for:                                                        |                     |                    |
| Depreciation and amortisation                                           | 26,033              | 34,857             |
| Impairment of goodwill                                                  | 1,862,584           | -                  |
| Share-based payments                                                    | 133,548             | 233,921            |
| Other non-cash movement                                                 | -                   | (4,577)            |
| Fair value adjustment of deferred consideration in relation to Ludomade | (1,016,037)         | -                  |
| Change in operating assets and liabilities:                             |                     |                    |
| Decrease in trade and other receivables                                 | 7,960               | 3,614              |
| Decrease/(increase) in prepayments                                      | 82,959              | (96,685)           |
| Decrease/(increase) in other non-current assets                         | 5,653               | (205)              |
| Decrease in trade and other payables                                    | (24,242)            | (61,542)           |
| Increase/(decrease) in deferred revenue                                 | (76,177)            | 62,151             |
| Net cash used in operating activities                                   | <u>(2,102,857)</u>  | <u>(2,864,093)</u> |

**Note 32. Earnings per share**

|                                                                                           | <b>Consolidated</b>  |                    |
|-------------------------------------------------------------------------------------------|----------------------|--------------------|
|                                                                                           | <b>2019</b>          | <b>2018</b>        |
|                                                                                           | <b>\$</b>            | <b>\$</b>          |
| Loss after income tax attributable to the owners of ShareRoot Limited                     | <u>(3,105,138)</u>   | <u>(3,035,627)</u> |
|                                                                                           | <b>Number</b>        | <b>Number</b>      |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 1,694,417,552        | 906,305,094        |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>1,694,417,552</u> | <u>906,305,094</u> |
|                                                                                           | <b>Cents</b>         | <b>Cents</b>       |
| Basic earnings per share                                                                  | (0.18)               | (0.33)             |
| Diluted earnings per share                                                                | (0.18)               | (0.33)             |

### Note 33. Options

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Board of Directors, grant options over ordinary shares in the company to certain personnel of the consolidated entity. Share options are issued at nil consideration.

In addition, options may also be issued to advisers of the company for example to assist with capital raising activities.

Set out below are summaries of options granted under the plan:

| 2019       |             |                |                                  |            |           |                           |                                |
|------------|-------------|----------------|----------------------------------|------------|-----------|---------------------------|--------------------------------|
| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted    | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
| 07/01/2016 | 31/12/2020  | \$0.000        | 21,000,000                       | -          | -         | -                         | 21,000,000                     |
| 05/12/2016 | 05/12/2026  | \$0.000        | 4,248,000                        | -          | -         | -                         | 4,248,000                      |
| 27/06/2017 | 27/06/2022  | \$0.000        | 9,000,000                        | -          | -         | (6,000,000)               | 3,000,000                      |
| 11/07/2017 | 31/12/2018  | \$0.000        | 22,000,000                       | -          | -         | (22,000,000)              | -                              |
| 10/11/2017 | 10/11/2022  | \$0.000        | 11,000,000                       | -          | -         | (7,333,333)               | 3,666,667                      |
| 21/02/2018 | 20/02/2023  | \$0.000        | 3,000,000                        | -          | -         | -                         | 3,000,000                      |
| 21/02/2018 | 05/06/2022  | \$0.000        | 8,000,000                        | -          | -         | -                         | 8,000,000                      |
| 21/02/2018 | 13/04/2022  | \$0.000        | 11,842,105                       | -          | -         | -                         | 11,842,105                     |
| 17/04/2018 | 17/04/2023  | \$0.000        | 300,000                          | -          | -         | -                         | 300,000                        |
| 19/02/2018 | 19/02/2023  | \$0.000        | 3,000,000                        | -          | -         | -                         | 3,000,000                      |
| 05/04/2018 | 05/04/2023  | \$0.000        | 200,000                          | -          | -         | -                         | 200,000                        |
| 05/04/2018 | 05/04/2018  | \$0.000        | 200,000                          | -          | -         | -                         | 200,000                        |
| 18/04/2018 | 18/04/2023  | \$0.000        | 300,000                          | -          | -         | -                         | 300,000                        |
| 06/03/2018 | 04/05/2023  | \$0.000        | 9,000,000                        | -          | -         | -                         | 9,000,000                      |
| 04/05/2018 | 04/05/2023  | \$0.000        | 2,500,000                        | -          | -         | -                         | 2,500,000                      |
| 06/02/2017 | 06/02/2027  | \$0.000        | 600,000                          | -          | -         | -                         | 600,000                        |
| 20/03/2017 | 20/03/2027  | \$0.000        | 425,000                          | -          | -         | -                         | 425,000                        |
| 20/03/2017 | 22/03/2027  | \$0.000        | 566,666                          | -          | -         | -                         | 566,666                        |
| 20/03/2017 | 20/03/2027  | \$0.000        | 500,000                          | -          | -         | -                         | 500,000                        |
| 01/04/2017 | 01/04/2027  | \$0.000        | 1,500,000                        | -          | -         | -                         | 1,500,000                      |
| 01/04/2017 | 01/04/2027  | \$0.000        | 750,000                          | -          | -         | -                         | 750,000                        |
| 01/04/2017 | 01/04/2027  | \$0.000        | 1,500,000                        | -          | -         | -                         | 1,500,000                      |
| 01/04/2017 | 01/04/2027  | \$0.000        | 1,500,000                        | -          | -         | -                         | 1,500,000                      |
| 26/01/2018 | 26/02/2028  | \$0.000        | 750,000                          | -          | -         | -                         | 750,000                        |
| 24/07/2018 | 24/07/2023  | \$0.000        | -                                | 25,000,000 | -         | -                         | 25,000,000                     |
| 15/10/2018 | 06/03/2018  | \$0.000        | -                                | 2,000,000  | -         | -                         | 2,000,000                      |
| 15/10/2018 | 06/03/2023  | \$0.000        | -                                | 750,000    | -         | -                         | 750,000                        |
| 15/10/2018 | 18/09/2023  | \$0.000        | -                                | 300,000    | -         | -                         | 300,000                        |
| 15/10/2018 | 09/06/2023  | \$0.000        | -                                | 300,000    | -         | -                         | 300,000                        |
| 08/02/2019 | 08/02/2024  | \$0.000        | -                                | 11,000,000 | -         | -                         | 11,000,000                     |
| 21/03/2019 | 21/03/2024  | \$0.000        | -                                | 11,000,000 | -         | -                         | 11,000,000                     |
| 08/02/2019 | 08/02/2024  | \$0.000        | -                                | 11,000,000 | -         | (11,000,000)              | -                              |
| 13/05/2019 | 13/05/2024  | \$0.000        | -                                | 11,000,000 | -         | -                         | 11,000,000                     |
|            |             |                | 113,681,771                      | 72,350,000 | -         | (46,333,333)              | 139,698,438                    |

Note 33. Options (continued)

2018

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted    | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|------------|-----------|---------------------------|--------------------------------|
| 07/01/2016 | 31/12/2020  | \$0.050        | 21,000,000                       | -          | -         | -                         | 21,000,000                     |
| 05/12/2016 | 05/12/2026  | \$0.012        | 7,559,838                        | -          | -         | (3,311,838)               | 4,248,000                      |
| 13/12/2016 | 31/12/2017  | \$0.050        | 14,272,500                       | -          | -         | (14,272,500)              | -                              |
| 27/06/2017 | 27/06/2022  | \$0.006        | 9,000,000                        | -          | -         | -                         | 9,000,000                      |
| 21/02/2018 | 05/06/2022  | \$0.007        | -                                | 8,000,000  | -         | -                         | 8,000,000                      |
| 21/02/2018 | 20/02/2023  | \$0.005        | -                                | 3,000,000  | -         | -                         | 3,000,000                      |
| 21/02/2018 | 13/04/2022  | \$0.005        | -                                | 11,842,105 | -         | -                         | 11,842,105                     |
| 11/07/2017 | 31/12/2018  | \$0.010        | -                                | 22,000,000 | -         | -                         | 22,000,000                     |
| 09/11/2017 | 10/11/2022  | \$0.005        | -                                | 11,000,000 | -         | -                         | 11,000,000                     |
| 01/04/2017 | 01/04/2027  | \$0.006        | -                                | 1,500,000  | -         | -                         | 1,500,000                      |
| 01/04/2017 | 01/04/2027  | \$0.006        | -                                | 750,000    | -         | -                         | 750,000                        |
| 06/02/2017 | 06/02/2027  | \$0.008        | -                                | 600,000    | -         | -                         | 600,000                        |
| 20/03/2017 | 20/03/2027  | \$0.025        | -                                | 425,000    | -         | -                         | 425,000                        |
| 20/03/2017 | 20/03/2027  | \$0.025        | -                                | 566,666    | -         | -                         | 566,666                        |
| 20/03/2017 | 20/03/2027  | \$0.025        | -                                | 500,000    | -         | -                         | 500,000                        |
| 26/01/2018 | 26/01/2028  | \$0.006        | -                                | 750,000    | -         | -                         | 750,000                        |
| 05/04/2018 | 05/04/2023  | \$0.005        | -                                | 200,000    | -         | -                         | 200,000                        |
| 05/04/2018 | 05/04/2023  | \$0.005        | -                                | 200,000    | -         | -                         | 200,000                        |
| 19/02/2018 | 20/02/2023  | \$0.006        | -                                | 3,000,000  | -         | -                         | 3,000,000                      |
| 01/04/2017 | 01/04/2027  | \$0.006        | -                                | 1,500,000  | -         | -                         | 1,500,000                      |
| 01/04/2017 | 01/04/2027  | \$0.006        | -                                | 1,500,000  | -         | -                         | 1,500,000                      |
| 17/04/2018 | 17/04/2023  | \$0.005        | -                                | 300,000    | -         | -                         | 300,000                        |
| 18/04/2018 | 18/04/2023  | \$0.005        | -                                | 300,000    | -         | -                         | 300,000                        |
| 06/03/2018 | 04/05/2023  | \$0.005        | -                                | 9,000,000  | -         | -                         | 9,000,000                      |
| 04/05/2018 | 04/05/2023  | \$0.005        | -                                | 2,500,000  | -         | -                         | 2,500,000                      |
|            |             |                | 51,832,338                       | 79,433,771 | -         | (17,584,338)              | 113,681,771                    |

The weighted average of the options remaining life is 3.9 years (2018: 3.7 years)



**Note 33. Options (continued)**

Set out below are the options exercisable at the end of the financial year:

| Grant date | Expiry date | 2019<br>Number    | 2018<br>Number    |
|------------|-------------|-------------------|-------------------|
| 07/01/2006 | 31/12/2020  | 21,000,000        | 21,000,000        |
| 05/12/2016 | 05/12/2026  | 2,956,000         | 4,248,000         |
| 27/06/2017 | 27/06/2022  | 3,000,000         | -                 |
| 11/07/2017 | 31/12/2018  | 22,000,000        | 22,000,000        |
| 10/11/2017 | 10/11/2022  | 3,666,667         | 11,000,000        |
| 21/02/2018 | 20/02/2023  | 3,000,000         | 3,000,000         |
| 21/02/2018 | 05/06/2022  | 8,000,000         | 8,000,000         |
| 21/02/2018 | 13/04/2022  | 11,842,105        | 11,842,105        |
| 17/04/2018 | 17/04/2023  | 100,000           | -                 |
| 19/02/2018 | 19/02/2023  | 1,000,000         | -                 |
| 05/04/2018 | 05/04/2023  | 66,667            | -                 |
| 05/04/2018 | 05/04/2023  | 66,667            | -                 |
| 18/04/2018 | 18/04/2023  | 100,000           | -                 |
| 06/03/2018 | 04/05/2023  | 3,000,000         | -                 |
| 04/05/2018 | 04/05/2023  | 2,500,000         | -                 |
| 06/02/2017 | 06/02/2027  | 300,000           | 225,000           |
| 20/03/2017 | 20/03/2027  | 290,000           | 150,000           |
| 20/03/2017 | 20/03/2027  | 380,000           | 200,000           |
| 20/03/2017 | 20/03/2027  | 350,000           | 200,000           |
| 01/04/2017 | 01/04/2027  | 375,000           | 375,000           |
| 01/04/2017 | 01/04/2027  | 375,000           | 187,500           |
| 01/04/2017 | 01/04/2027  | 562,500           | 375,000           |
| 01/04/2017 | 01/04/2027  | 750,000           | 375,000           |
| 26/01/2018 | 26/01/2028  | 187,500           | -                 |
| 24/07/2018 | 24/07/2023  | 8,333,334         | -                 |
| 15/10/2018 | 06/03/2023  | 1,333,334         | -                 |
| 15/10/2018 | 06/03/2023  | 500,000           | -                 |
| 15/10/2018 | 18/09/2023  | 100,000           | -                 |
| 15/10/2018 | 09/06/2023  | 100,000           | -                 |
|            |             | <u>96,234,774</u> | <u>83,177,605</u> |

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price<br>at grant date | Exercise<br>price | Expected<br>volatility | Dividend<br>yield | Risk-free<br>interest rate | Fair value<br>at grant date |
|------------|-------------|------------------------------|-------------------|------------------------|-------------------|----------------------------|-----------------------------|
| 24/07/2018 | 24/07/2023  | \$0.006                      | \$0.001           | 158.00%                | -                 | 2.31%                      | \$0.0060                    |
| 15/10/2018 | 06/03/2023  | \$0.004                      | \$0.004           | 176.00%                | -                 | 2.40%                      | \$0.0038                    |
| 15/10/2018 | 06/03/2023  | \$0.004                      | \$0.004           | 176.00%                | -                 | 2.40%                      | \$0.0038                    |
| 15/10/2018 | 18/09/2023  | \$0.006                      | \$0.004           | 148.00%                | -                 | 2.22%                      | \$0.0036                    |
| 15/10/2018 | 09/06/2023  | \$0.004                      | \$0.004           | 170.00%                | -                 | 2.43%                      | \$0.0038                    |
| 08/02/2019 | 08/02/2024  | \$0.002                      | \$0.005           | 299.00%                | -                 | 1.72%                      | \$0.0020                    |
| 21/03/2019 | 21/03/2024  | \$0.002                      | \$0.005           | 299.00%                | -                 | 1.54%                      | \$0.0020                    |
| 08/02/2019 | 08/02/2024  | \$0.002                      | \$0.005           | 299.00%                | -                 | 1.72%                      | \$0.0020                    |
| 13/05/2019 | 13/05/2024  | \$0.001                      | \$0.005           | 299.00%                | -                 | 1.34%                      | \$0.0010                    |

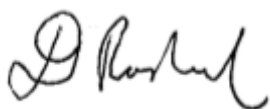
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Damon Rasheed  
Director

30 August 2019

## INDEPENDENT AUDITOR'S REPORT

To the members of ShareRoot Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of ShareRoot Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related 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 entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Accounting for share-based payments

| Key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Group's disclosures in respect to share based payments under AASB 2 - <i>Share Based Payments</i> are included in Note 7, the Group has recognised a share based payment expense in the Statement of Profit and Loss and Other Comprehensive Income due to the granting and vesting of a number of equity instruments.</p> <p>Share based payments is a key audit matter as the accounting requires judgement and the use of assumptions regarding their recognition and measurement.</p> | <p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing market announcements and board minutes to ensure all new options granted during the year were accounted for</li> <li>• Consideration of whether the Group used an appropriate model in valuing the options</li> <li>• Recalculating estimated fair value of the options using a relevant option valuation methodology, and assessed the valuation inputs</li> <li>• Evaluated management's assumptions used in the calculation being interest rate, volatility, the expected vesting period, and the number of options expected to vest.</li> <li>• Evaluated the adequacy and accuracy of the disclosure of the share-based payment arrangements within the financial report including disclosures comprising key management personnel remuneration.</li> </ul> |

### Revenue recognition and measurement

| Key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                     | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>As required by AASB 15 - <i>Revenue from Contracts with Customers</i> revenue is disclosed in Note 1. The Group's revenue is derived primarily from the sale of subscription services with revenue being recognised over time.</p> <p>The recognition of revenue was considered a key audit matter as this was the first period of reporting under AASB 15 and it is a key performance indicator to the users of the financial</p> | <p>To determine whether revenue was appropriately accounted for and disclosed within the financial statements, we undertook, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Evaluated the revenue recognition policies for all material sources of revenue and ensured that revenue was recognised appropriately, in line with AASB 15.</li> <li>• Reviewed management's assessment of revenue recognition including review of significant customer contracts to determine whether performance obligations and consideration received had been appropriately determined.</li> </ul> |

statements and as such it is of high interest to stakeholders.

- Substantively tested a sample of revenue transactions throughout the financial year, tracing sales invoices to supporting sales documentation and cash receipts.
- Performed detailed cut-off testing to ensure that revenue transactions around the year end had been recorded in the correct period financial report

### Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' Report (excluding the audited Remuneration Report section) for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

### Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report under the heading 'Remuneration Report' for the year ended 30 June 2019.

In our opinion, the Remuneration Report of ShareRoot Limited, for the year 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **BDO East Coast Partnership**

A handwritten signature in black ink that reads 'Gareth Few'. Above the signature, the letters 'BDO' are written in a stylized, cursive script.

Gareth Few  
Partner

Sydney, 30 August 2019

The shareholder information set out below was applicable as at 26 August 2019.

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

|                                       | Number of holders of ordinary shares | Number of holders of options over ordinary shares |
|---------------------------------------|--------------------------------------|---------------------------------------------------|
| 1 to 1,000                            | 2,045                                | -                                                 |
| 1,001 to 5,000                        | 175                                  | -                                                 |
| 5,001 to 10,000                       | 74                                   | -                                                 |
| 10,001 to 100,000                     | 372                                  | -                                                 |
| 100,001 and over                      | 945                                  | 38                                                |
|                                       | <b>3,611</b>                         | <b>38</b>                                         |
| Holding less than a marketable parcel | -                                    | -                                                 |

### Equity security holders

#### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

|                                                                                 | Ordinary shares<br>Number held | % of total<br>shares issued |
|---------------------------------------------------------------------------------|--------------------------------|-----------------------------|
| MR ANTANAS GUOGA                                                                | 267,863,231                    | 9.40                        |
| SCINTILLA STRATEGIC INVESTMENTS LIMITED                                         | 120,259,778                    | 4.22                        |
| REWOP PTY LTD (SCOTT POWER SUPER FUND A/C)                                      | 84,066,996                     | 2.95                        |
| MR MARAT BASYROV                                                                | 73,000,000                     | 2.56                        |
| DR DEREK ANTHONY JELLINEK                                                       | 68,315,333                     | 2.40                        |
| MR GAVIN JEREMY DUNHILL                                                         | 50,000,000                     | 1.75                        |
| NOAH ABELSON                                                                    | 49,118,821                     | 1.72                        |
| MRS LUYE LI                                                                     | 45,000,000                     | 1.58                        |
| MR ELIE CHAKKOUR                                                                | 40,000,000                     | 1.40                        |
| RCKC NOMINEES PTY LTD                                                           | 33,000,000                     | 1.16                        |
| MRS JACINTA MAY WILKIE                                                          | 29,525,000                     | 1.04                        |
| DR THOMAS PETER CLARKE & MRS GILDA FRANCES CLARKE (TP&GF CLARKE SUPER FUND A/C) | 27,783,000                     | 0.98                        |
| MR YEQIAN GENG & MRS YAN HUO                                                    | 26,666,666                     | 0.94                        |
| FUTURE LAND LIMITED                                                             | 25,904,022                     | 0.91                        |
| MR ANDREW RICHARD JACKSON BALL                                                  | 25,560,393                     | 0.90                        |
| MR PETER BI                                                                     | 25,000,000                     | 0.88                        |
| MARC ANGELONE                                                                   | 24,952,155                     | 0.88                        |
| LAWCKO PTY LTD (LAWCKO FAMILY A/C)                                              | 21,500,000                     | 0.75                        |
| MR LEGH DAVIS & MRS HELEN DAVIS (SUPER A/C)                                     | 20,916,000                     | 0.73                        |
| SUPERTANK PTY LTD (SUPERTANK SUPERFUND A/C)                                     | 20,916,000                     | 0.73                        |
|                                                                                 | <b>1,079,347,395</b>           | <b>37.88</b>                |

*Twenty largest unquoted equity security holders*

The names of the twenty largest security holders of unquoted equity securities are listed below:

|                                          | Options over ordinary<br>shares | % of total<br>options<br>issued |
|------------------------------------------|---------------------------------|---------------------------------|
|                                          | Number held                     |                                 |
| MR ANTANAS GUOGA                         | 25,000,000                      | 17.90                           |
| JULIAN CHICK                             | 14,000,000                      | 10.02                           |
| FOSTER STOCKBROKING PTY LTD              | 14,000,000                      | 10.02                           |
| BLARNEY VENTURES                         | 11,842,105                      | 8.48                            |
| MR MARAT BASYROV                         | 11,000,000                      | 7.87                            |
| DAMON RASHEED                            | 11,000,000                      | 7.87                            |
| MICHELLE GALLAHER                        | 9,000,000                       | 6.44                            |
| JASON WEAVER (WEAVER FAMILY A/C)         | 8,000,000                       | 5.73                            |
| PETER MCLENNAN                           | 3,666,667                       | 2.62                            |
| LEE RODNE                                | 3,000,000                       | 2.15                            |
| THOMAS RIESTER                           | 3,000,000                       | 2.15                            |
| OLENA DOPIRO                             | 2,608,800                       | 1.87                            |
| JULIAN CHICK CONSULTING                  | 2,500,000                       | 1.79                            |
| EMMA GALLAHER                            | 2,000,000                       | 1.43                            |
| NWR COMMUNICATIONS PTY LTD               | 1,750,000                       | 1.25                            |
| PRECISION CAPITAL MANAGEMENT PTY LTD     | 1,750,000                       | 1.25                            |
| SCOTT MISON (THE SCOTT MISON FAMILY A/C) | 1,750,000                       | 1.25                            |
| OLENA DOPIRO                             | 1,500,000                       | 1.07                            |
| MARA LU HERRERA COHEN                    | 1,500,000                       | 1.07                            |
| SHANE LEWIS                              | 1,500,000                       | 1.07                            |
|                                          | <b>130,367,572</b>              | <b>93.30</b>                    |

*Unquoted equity securities*

| Unlisted Option expiry and exercise price | Number<br>on issue | Number<br>of holders |
|-------------------------------------------|--------------------|----------------------|
| UNL OPTIONS EXP 31/12/2020 @ \$0.05       | 21,000,000         | 6                    |
| UNL OPTIONS EXP 10YRS GRANT DAY @ \$0.012 | 4,248,000          | 4                    |
| UNL OPTIONS EXP 27/06/2022 @ \$0.005      | 3,000,000          | 1                    |
| UNL OPTIONS EXP 10/11/2022 @ \$0.005      | 3,666,667          | 1                    |
| UNL OPTIONS EXP 20/02/2023 @ \$0.006      | 3,000,000          | 1                    |
| UNL OPTIONS EXP 05/06/2022 @ \$0.007      | 8,000,000          | 1                    |
| UNL OPTIONS EXP 13/04/2022 @ \$0.005      | 11,842,105         | 1                    |
| UNL OPTIONS EXP 17/04/23 @ \$0.005        | 300,000            | 1                    |
| UNL OPTIONS EXP 19/02/23 @ \$0.005        | 3,000,000          | 1                    |
| UNL OPTIONS EXP 05/04/23 @ \$0.005        | 400,000            | 2                    |
| UNL OPTIONS EXP 18/04/23 @ \$0.005        | 300,000            | 1                    |
| UNL OPTIONS EXP 04/05/23 @ \$0.005        | 11,500,000         | 2                    |
| UNL OPTIONS EXP 06/02/27 @ \$0.008        | 600,000            | 1                    |
| UNL OPTIONS EXP 20/03/27 @ \$0.025        | 1,491,666          | 3                    |
| UNL OPTIONS EXP 01/04/27 @ \$0.006        | 5,250,000          | 4                    |
| UNL OPTIONS EXP 26/01/28 @ \$0.006        | 7,500,000          | 1                    |
| UNL ESS OPT EXP 24/07/2023 @ \$0.01       | 25,000,000         | 1                    |
| UNL OPT EXP 6/03/2023 @ \$0.004           | 2,750,000          | 2                    |
| UNL OPT EXP 18/09/2023 @ \$0.004          | 300,000            | 1                    |
| UNL OPT EXP 9/06/2023 @ \$0.004           | 300,000            | 1                    |
| UNL OP EX 8/2/2024 @ \$0.005              | 11,000,000         | 1                    |
| UNL OP EX 21/3/24 @ \$0.005               | 11,000,000         | 1                    |
| UNL OP EXP 13/5/24 @ \$0.005              | 11,000,000         | 1                    |



### Substantial holders

Substantial holders in the company are set out below:

|                                  | Ordinary shares              |                           |
|----------------------------------|------------------------------|---------------------------|
|                                  | Number held                  | % of total shares issued  |
| MR ANTANAS GUOGA                 | 189,333,333                  | 6.65                      |
|                                  | Options over ordinary shares |                           |
|                                  | Number held                  | % of total options issued |
| MR ANTANAS GUOGA                 | 25,000,000                   | 17.90                     |
| FOSTER STOCKBROKING PTY LTD      | 14,000,000                   | 10.02                     |
| JULIAN CHICK                     | 14,000,000                   | 10.02                     |
| BLARNEY VENTURES                 | 11,842,105                   | 8.48                      |
| DAMON RASHEED                    | 11,000,000                   | 7.87                      |
| MR MARAT BASYROV                 | 11,000,000                   | 7.87                      |
| MICHELLE GALLAHER                | 9,000,000                    | 6.44                      |
| JASON WEAVER (WEAVER FAMILY A/C) | 8,000,000                    | 5.73                      |

### Voting rights

The voting rights attached to ordinary shares are set out below:

#### Ordinary shares

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.

#### Options

All quoted and unquoted options do not carry any voting rights.