

ShareRoot

ASX Announcement

31 January 2018

ShareRoot Group December 2017 Quarterly Report

Highlights:

- Numerous UGC contracts signed and renewed with industry heavyweights, including a major video agency and global partner agency
- UGC ad integration across prominent social media platforms: Facebook, Instagram, and Snapchat - further consolidating Facebook partnership while initiating exciting new partnerships with Instagram and Snapchat
- Introduction of MediaConsent platform to protect companies across digital marketing and to protect individual's data privacy
- Entered into a binding purchasing agreement to acquire TSS – expected to add positive revenue growth this financial year and enhances the Group's content creation capabilities, international reach, and provides added flexibility to the client base
- Quarterly revenue from clients remains stable, user base continues to experience rapid growth

Post Period Highlights:

- Completion of oversubscribed capital raising, with \$2.8 million raised through Rights Issue and Shortfall and Additional Placement
- Provides ShareRoot with significant financial flexibility to pursue key growth objectives in 2018 with expected revenue growth this quarter and financial year

ShareRoot Limited (ASX: SRO) ('ShareRoot' or 'the Group') is pleased to provide this update to shareholders on the Group's performance during the quarter ended 31 December, 2017.

Operational Overview

During the quarter, the Group reached another significant milestone with its unique and legally secure user-generated content (UGC) marketing platform, reaching 436,976 users by 31 December 2017.

ShareRoot's user base more than quadrupled since the end of the March quarter (almost 100,000 users) and more than doubled the figure recorded at the end of the June quarter (180,000 users).

This highlights not only the increased number of companies interacting with the Group's platform, but also the lift in traffic. The rapid growth has been attributed to a growing number of clients publishing additional

social walls on web pages, further utilising ShareRoot's UGC platform - which will likely result in further spikes in user engagement as this becomes a common theme among clients.

MediaConsent Platform

On 20 November 2017, ShareRoot introduced its digital marketing protection technology platform MediaConsent.

MediaConsent is designed to expand the Group's UGC offering and is being developed to provide protection for both people and companies, by enabling companies to operate without concerns of litigation across all digital marketing channels and provides consumers with control over their personal and private information.

MediaConsent will enable:

- Companies to comply with digital marketing laws (data privacy) and regulations that are being implemented globally.
- Consumers to control data preferences and specify how and when they are interacted with by companies and marketing agencies.
- Ensures companies remain compliance-audit ready, saving potentially millions of dollars in law suits.

The Company is aiming to roll out MediaConsent in the upcoming quarter.

ShareRoot acquires digital content creator agency TSS

ShareRoot advised in December 2017 that it had entered into a binding agreement to acquire 'The Social Science' (TSS), a growing and profitable social media and digital marketing agency based in Melbourne, Victoria.

The acquisition will complement the Group's customer offerings across social and digital marketing segments with being able to create, harness and legally protect content across a much broader spectrum of social and digital media platforms.

TSS adds to ShareRoot's existing business and the combined businesses will have considerably more social media, digital marketing, and client offerings to go along with a growing client base and growing revenue.

Post-acquisition, TSS provides the Group with an additional capability of content creation, and therefore, added capabilities to produce, promote and protect content for social and digital media platforms.

New UGC ad integration of Facebook/Instagram/Snapchat

In October 2017, ShareRoot launched the new integration with Facebook and Instagram Ads Managers, which enables clients to use photos and videos obtained from the Group's UGC platform directly into Facebook and Instagram Ads Manager.

The new integration further built the Group's relationship with Facebook and signalled its first partnership integration with Instagram, as well as growing Ad Tech partnership potential.

On 13 November 2017, ShareRoot launched a world-first UGC integration with Snapchat's Ad Manager. The feature allows clients to easily push image and video content sourced from ShareRoot's UGC platform directly to Snapchat's ad platform with a single click. This integration is unique to the Company's UGC solution and is not offered by any competitors.

The interoperability with Snapchat, Facebook and Instagram Ad Managers further advances the Group's push into the lucrative social media and ad tech markets in 2018.

December Quarter Contract highlights

MMGY Global

On 3 October 2017, ShareRoot advised it had secured an additional revenue-generating three-month pilot contract through its partnership with the MMGY Global Marketing Agency ('MMGY Global'), the largest integrated travel marketing organisation in the world.

The revenue-generating contract was for an initial three-month pilot trial of ShareRoot's unique cloud-based legal rights management (LRM) platform for UGC within MMGY Global's hotel clients that manages hotel portfolios of over 1,000 properties and revenues of more than US\$140 million per annum.

ShareRoot's partnership with MMGY Global has now resulted in four different client contracts.

Jukin Media

On 16 October 2017 ShareRoot advised its entry into a revenue-accretive agreement to licence its technology to a major US-based UGC video acquisition agency.

The client, Jukin Media, has provided video content to household-name media brands and global television networks including NBC, Fox, MTV, BBC, CNN and popular daytime talk show Ellen.

It will leverage ShareRoot's proprietary UGC search technology to identify social media trends and potential viral videos, which removed their requirement to hire an additional team member.

Singapore Tourism Board

In November 2017, the Company secured a contract extension with the Singapore Tourism Board ('STB') for its cloud-based LRM platform for UGC, which included an increase in monthly recurring revenue spend over the previous agreements.

STB is a statutory body under the Singapore Government's Ministry of Trade and Industry and originally signed up as a client in December 2016.

The contract extension provided a 40% increase in monthly recurring revenue while maintaining the original subscription scope.

Turtle Bay

The Group secured a contract extension with leading Hawaiian luxury resort Turtle Bay ('Turtle Bay') in November for its cloud-based LRM platform for UGC, which included an increase in monthly recurring revenue spend over the previous agreements.

Turtle Bay is an award-winning luxury resort in Hawaii that implemented Shopping Galleries, powered by ShareRoot Group's UGC platform, in October 2016.

The contract extension provided a 20% increase in monthly recurring revenue, including an upgrade in its subscription to include email campaign integrations.

Post-period highlights and outlook

Post-quarter end, the Group finalised a Rights Issue Shortfall placement as well as an Additional Placement having closed oversubscribed, raising \$2.8 million.

Significantly, this total exceeded the Company's initial target of \$2 million, which was a pleasing outcome and further evidence of the good support received from shareholders and new investors.

As announced on 10 January 2018, the completion of the raising provides the Company with significant financial flexibility to pursue key objectives in 2018:

- Increasing the number of strategic partnerships and growing the use of ShareRoot's UGC platform, with rapid escalation of user growth expected in 2018.
- The roll-out of 'MediaConsent', expanding ShareRoot's market penetration into the multi-billion dollar Customer Identity Management (CIM) market.
- The acquisition of The Social Science (TSS), a profitable revenue-generating social media and digital marketing agency that builds on the Group's existing client offerings across social and digital marketing segments.

ShareRoot expects further sales contracts and revenue growth in the coming quarter.

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About Share Root Group:

ShareRoot Limited (ASX: SRO) ('ShareRoot' or 'the Group') is established in the rapidly growing field of User Generated Content (UGC) marketing, providing businesses such as Costco and McDonald's franchisees a platform to search, legally acquire, organize and measure the effectiveness of user generated marketing campaigns.

UGC or Social Network Advertising is forecast to grow into a US\$17 billion per year marketing sector with an 18% compound annual growth rate through to 2019.

ShareRoot Group works with companies via a platform provided on a monthly charge basis, solving problems of finding suitable social media content, ensuring legal compliance such as privacy regulations, assisting with Customer Identity Management (CIM), and helping to build and monitor the success of marketing campaigns.

About Share Root Group's UGC platform:

The Group's cloud-based UGC solution allows clients to easily search for relevant user-generated content across a range of social media services, request and obtain legal permission for the full legal rights to use this content, then helps them to effectively utilise these materials as part of their marketing campaigns.

The strong legal protections built into ShareRoot's UGC platform allows clients to avoid the legal disputes and intellectual property issues that companies are encountering at a growing rate when sharing user-generated content as part of their marketing efforts, while also supporting the efforts of artists and original content creators.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SHAREROOT LIMITED

ABN

71 063 144 865

Quarter ended ("current quarter")

31 DECEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	52	102
1.2 Payments for		
(a) research and development	(179)	(345)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(104)	(269)
(d) leased assets		
(e) staff costs	(112)	(162)
(f) administration and corporate costs	(281)	(663)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(624)	(1,449)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	1	3
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	1	3

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		1,379
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		(91)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities		1,288

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	929	494
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(624)	(1,449)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	1	3
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	1,288

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	37	7
4.6	Cash and cash equivalents at end of quarter	343	343

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	343	929
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	343	929

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
140
-

Remuneration and fees paid to Directors and their associates.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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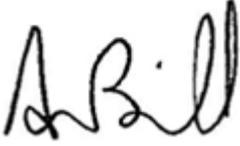
9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	251
9.2 Product manufacturing and operating costs	16
9.3 Advertising and marketing	40
9.4 Leased assets	-
9.5 Staff costs	107
9.6 Administration and corporate costs	203
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	617

Note that the company has successfully raised capital of \$2.8 million (before costs) post 31 December 2017. Refer to ASX announcement dated 23 January 2018 for further details.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date:31 January 2018

Company Secretary

Print name: Andrew Bursill

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.