

engage:BDR Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: engage:BDR Limited
ABN: 621 160 585
Reporting period: For the half-year ended 30 June 2019
Previous period: For the half-year ended 30 June 2018

2. Results for announcement to the market

	% Change	30 June 2019	30 June 2018
Revenues from ordinary activities	1.5%	6,176,341	6,083,466
Loss from ordinary activities after tax attributable to the owners of engage:BDR Limited	79%	(886,315)	(4,225,926)
Loss for the half-year attributable to the owners of engage:BDR Limited	78%	(886,315)	(4,225,926)

Dividends

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

Comments

Please refer to the H1 of 2019 Interim Financial statements – 30 June 2019 for further explanations on the above figures presented.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(0.006)</u>	<u>(0.01)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of engage:BDR Limited for the half-year ended 30 June 2019 is attached.

12. Signed



Signed _____

Ted Dhanik
Executive Chairman

Date: 1 September 2019

engage:BDR Limited

ABN 621 160 585

Interim Report - 30 June 2019

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Corporate directory
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Directors

Mr Ted Dhanik
Mr Kurtis Rintala
Mr Tom Anderson
Mr Darian Pizem
Mr Robert Antulov

Company secretary

Ms Melanie Leydin

Registered office

Scottish House
Level 4
90 William Street
Melbourne Victoria 3000
Australia

Principal place of business

Suite 302
8439 Sunset Boulevard
West Hollywood
California 90069
USA

Share register

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Abbotsford Victoria 3067
Australia
Telephone: +61 3 9415 5000
Fax: +61 3 9473 2500

Auditor

BDO East Coast Partnership
Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne Victoria 3000
Australia

Stock exchange listing

engage:BDR Limited securities are listed on the Australian Securities Exchange (ASX code: EN1 and EN10)

Website

engagebdr.com

engage:BDR Limited
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of engage:BDR Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

Directors

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

Mr Ted Dhanik (Co-Founder and Executive Chairman)
Mr Kurtis Rintala (Co-Founder and Executive Director)
Mr Tom Anderson (Non-Executive Director)
Mr Darian Pizem (Non-Executive Director)
Mr Robert Antulov (Non-Executive Director)

Principal activities

engage:BDR is an internet-based marketplace platform and associated technology solution provider. engage:BDR's proprietary technology is used to optimise the sale of advertising inventory from digital publishers (websites and apps) to advertisers and their agents (brands, agencies and advertising platforms). The ability to optimise the inventory from digital publishers to advertisers and their agents allows engage:BDR to play an active role in managing the ad exchange platform.

engage:BDR allows digital publishers to monetise their available advertising space by making the inventory available to multiple advertisers, as well as providing various related technologies designed to help publishers create additional incremental revenue streams. engage:BDR's ad exchange platform also allows publishers to sell space for video advertising on webpages that do not have video content.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$886,315 (31 December 2018: \$4,226,445).

At the end of January 2019, the Company successfully raised A\$700k in a placement to existing shareholders and shortly after, a draw-down from its existing convertible notes facility of US\$720k. The capital was raised specifically to activate dormant publishers which were strong contributors to the Company's programmatic business over the past two years.

About A\$1.1m was deployed during February 2019. The process to activate some publishers took nearly 3-4 weeks, and management reported on 18 March 2019 of the initial results of the activity, which yielded about US\$20k (~A\$28k) revenue per day.

Companies in the advertising industry typically experience their lightest revenues during the first and second quarters of the year. The Company's revenue exponentially increased when the Company announced preliminary results of the incremental publisher activations on 18 March 2019, just 13 days prior to the Q1 end. The majority of this incremental revenue growth was attributable to April 2019 and beyond, as expected.

In early February 2019, the Company signed three new programmatic integrations and added to the programmatic exchange. With the addition of these three programmatic integrations, the Company has reached over 175 integrations. On 18 February 2019, the Company integrated a Top 2 U.S. Digital TV Player Comcast FreeWheel.

IconicReach, engageBDR's Instagram influencer self-serve platform, signed a number of new brands to its portfolio including ASHLEYlauren, NSR Riding, WeDu Communications, Happyroom Co., Gio Clavis, Putti Atti and TikTok. In addition, IconicReach signed musician Sean Kingston to a six-figure contract in May 2019.

In June 2019, the Company announced that it has achieved its programmatic integration target of 194 and reset its goal to include an additional 20 new integrations for the balance of the year. Additionally, AdCel released its monetization SDK (software development kit) for the Unreal Engine, ahead of schedule. Unreal Engine is the 3D game development platform by the makers of the world famous Fortnite game. AdCel is the second mediation (monetization) plugin to be released for Unreal Engine 4. Since Unreal Engine is currently one of the largest 3D game platforms in the world, Management feels the AdCel integration is a significant revenue opportunity for the Company immediately.

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AdCel also released a monetization plugin for the React Native app development platform. This platform was initially developed by Facebook and is now a popular opensource development environment (Instagram, AirBnB, Bloomberg, Uber, Pintrest, Facebook, etc); AdCel was the second mediation (monetization) plugin to be deployed for this platform as well.

Monetisation plugins are native on devices (mobile or TV) within the app's SDKs, creating advertising opportunities. Having direct integrations, or plugins, with development platforms enables app publishers to quickly, in an automated capacity, integrate AdCel within their apps. AdCel expects to board a significant volume of new publishers in 2019 through these two channels, further compounding revenue without adding any incremental operating expenses.

Significant changes in the state of affairs

On 21 January 2019 the Company announced that two new recently signed integrations, Third Presence and AcuityAds, had gone live.

On 25 January 2019, the Company issued 25,099,423 fully paid ordinary shares to professional and sophisticated investors at a price of \$0.028 (2.8 cents) per share, raising a total of \$702,784 before costs of issue.

On 30 January 2019, the Company issued 13,471,396 fully paid ordinary shares on conversion of 106,188 convertible notes at a conversion price of \$0.011 (1.1 cents) per share.

On 30 January 2019, the Company issued:

- 625,000 unlisted convertible notes issued at USD\$0.90 per Note with a face value of USD\$1.00 per Note. Notes are secured with a Maturity date of 19 November 2019. The Notes are convertible at the lesser of AUD0.09 (9 cents) converted into USD, and a market share price-derived amount. These convertible notes replaced the 625,000 Loan Notes outstanding from the Loan Note issue made in November 2018.
- 1,900,000 fully paid ordinary shares at a deemed issue price of \$0.06 (6 cents) per share as the remaining security for the convertible notes.
- 8,676,093 unlisted options exercisable at \$0.052, expiring 29 January 2022.

On 4 February 2019, the Company issued 9,028,597 fully paid ordinary shares on conversion of 85,052 convertible notes at a conversion price of \$0.013 (1.3 cents) per share.

On 18 February 2019, the Company issued 7,498,236 fully paid ordinary shares on conversion of 92,500 convertible notes at a conversion price of \$0.018 (1.8 cents) per share.

On 18 February 2019 the Company announced a new integration, Comcast Freewheel.

On 25 February 2019 the Company announced two new integrations, MobFox and Chalk Digital.

On 28 February 2019, the Company issued the following:

- 589,300 fully paid ordinary shares to a consultant in lieu of consulting fees at a deemed issue price of \$0.051 (5.1 cents) per share;
- 2,000,000 fully paid ordinary shares to a consultant in lieu of consulting fees at a deemed issue price of \$0.022 (2.2 cents) per share;
- 18,607,945 fully paid ordinary shares for settlement of outstanding creditor balances at a deemed issue price of \$0.021 (2.1 cents) per share.

On 8 March 2019, the Company issued the following:

- 10,657,140 fully paid ordinary shares to satisfy the deferred consideration at 31 December 2018 for the Company's acquisition of AdCel LLC as per the Company's announcement on 30 July 2018, at a deemed issued price of \$0.22 (22 cents) per share;
- 4,000,000 listed options as consideration for corporate advisory services, exercisable at \$0.25 (25 cents) per option by 22 December 2020.

On 18 March 2019, the Company issued the following:

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- 11,347,597 fully paid ordinary shares on conversion of 117,500 unlisted convertible notes at a conversion price of \$0.015 (1.5 cents) per share;
- 12,467,980 fully paid ordinary shares for settlement of outstanding creditor balances at a deemed issue price of \$0.031 (3.1 cents) per share.

On 20 March 2019, the Company issued 17,719,531 fully paid ordinary shares on conversion of 188,760 unlisted convertible notes at a conversion price of \$0.015 (1.5 cents) per share.

On 2 April 2019, the Company issued the following:

- 800,000 unlisted convertible notes issued at USD\$0.90 per Note with a face value of USD\$1.00 per Note. Notes are secured with a maturity date of 30 January 2020. The Notes are convertible at the lesser of:
 - 92% of the lowest daily VWAP during the five trading days prior to the date of a conversion notice in respect to those Series 2 Notes being given to the Company, rounded down to the nearest \$0.001; and
 - 130% of the five day VWAP during the five trading days prior to the date of issue of the Notes.
- 3,300,034 fully paid ordinary shares with a deemed issue price of \$0.015 (1.5 cents) per share, upon conversion of 35,000 unlisted Series 1 convertible notes;
- 10,889,034 fully paid ordinary shares with a deemed issue price of \$0.031 (3.1 cents) per share, upon conversion of 240,000 unlisted Series 2 convertible notes;
- 14,959,756 fully paid ordinary shares with a deemed issue price of \$0.041 (4.1 cents) per share in relation to settlement of outstanding creditor balances.

On 5 April 2019, the Company issued 13,220,706 fully paid ordinary shares with a deemed issue price of \$0.034 (3.4 cents) per share, upon conversion of 320,000 unlisted Series 2 convertible notes.

On 8 April 2019, the Company issued the following:

- 800,000 unlisted Series 3 convertible notes issued at \$0.90 per Note with a face value of USD\$1.00 per Note. Notes are secured with a maturity date of 8 April 2020. The Notes are convertible at the lesser of:
 - 92% of the lowest daily VWAP during the five trading days prior to the date of a conversion notice in respect of those Series 3 Notes being given to the Company, rounded down to the nearest \$0.001; and
 - 130% of the five day VWAP during the five trading days prior to the date of issue of the Notes.
- 749,810 fully paid ordinary shares with a deemed price of \$0.047 (4.7 cents) per share, for settlement of outstanding liabilities.

On 17 April 2019, the Company announced that it has deployed Facebook advertising as part of its paid social strategy. Advertisements on Facebook utilise users' unique profiles as targeting metrics to allow brands to reach their most appropriate potential customers. As announced on 11 February 2019, the Company targeted a launch in Q3 of this year for this product. Management is pleased to report, that due to customer demand, the first phase of this product has gone live significantly ahead of schedule

On 18 April 2019, the Company issued the following:

- 7,504,000 fully paid ordinary shares with a deemed issue price of \$0.039 (3.9 cents) per share, upon conversion of 140,000 unlisted Series 2 convertible notes and 70,000 unlisted Series 3 convertible notes;
- 1,136,945 fully paid ordinary shares with a deemed issue price of \$0.049 (4.9 cents) per share in relation to settlement of outstanding liabilities;
- 15,602,041 fully paid ordinary shares with a deemed issue price of \$0.049 (4.9 cents) per share in relation to settlement of outstanding creditor balances.

On 23 April 2019, the Company announced that IconicReach has expanded its influencer marketing to the video sharing app, TikTok. IconicReach will be starting its first TikTok campaign with influencers in the music space, with the intent of creating a viral dance contest by well-known artists.

On 7 May 2019, the Company issued the following:

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- 6,241,616 fully paid ordinary shares with a deemed issue price of \$0.039 (3.9 cents) per share, upon conversion of 170,000 unlisted Series 3 convertible notes;
- 19,165,736 fully paid ordinary shares with a deemed issue price of \$0.042 (4.2 cents) per shares, in relation to settlement of outstanding creditors and liability balances.

On 17 May 2019, the Company issued 7,255,000 fully paid ordinary shares with a deemed issue price of \$0.028 (2.8 cents) per share, upon conversion of 70,000 unlisted Series 2 convertible notes and 70,000 unlisted Series 3 convertible notes.

On 31 May 2019, the Company issued the following:

- 8,967,567 fully paid ordinary shares with a deemed issue price of \$0.03 (3 cents) per share, upon conversion of 185,000 unlisted Series 3 convertible notes;
- 8,607,926 fully paid ordinary shares with a deemed issue price of \$0.042 (4.2 cents) per share, in relation to settlement of outstanding creditor balances.

On 14 June 2019, the Company issued the following:

- 4,382,407 fully paid ordinary shares with a deemed issue price of \$0.033 (3.3 cents) per share, upon conversion of 30,000 unlisted Series 2 convertible notes and 70,000 unlisted Series 3 convertible notes.
- 8,563,860 fully paid ordinary shares with a deemed issue price of \$0.038 (3.8 cents) per share, in relation to settlement of outstanding creditor balances.

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

Matters subsequent to the end of the financial half-year

No 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.

On 10 July 2019, the Company issued 8,399,240 fully paid ordinary shares for settlement of creditor balances and settlement of outstanding liabilities at a deemed issue price of \$0.043 (4.3 cents) per share.

On 9 August 2019, the Company issued the following:


- 9,767,745 fully paid ordinary shares with a deemed issue price of \$0.034 (3.4 cents) per share, in relation to settlement of outstanding creditor balances;
- 3,038,854 fully paid ordinary shares with a deemed issue price of \$0.034 (3.4 cents) per share, in relation to settlement of employee bonuses.

Auditor's independence declaration

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

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

On behalf of the directors



Ted Dhanik
Executive Chairman

1 September 2019

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF ENGAGE:BDR LIMITED

As lead auditor for the review of engage:BDR Limited for the half-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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of engage: BDR Limited and the entities it controlled during the period.



James Mooney
Partner

BDO East Coast Partnership

Melbourne, 1 September 2019

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30 June 2019 Interim Condensed Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 30 June 2019

	Notes	30/06/2019 AUD \$	30/06/2018 AUD \$
Revenue from contracts with customers		6,176,341	6,083,466
Cost of sales		(3,571,740)	(3,584,391)
Gross profit		2,604,601	2,499,075
Other income	4	1,597,804	1,369,338
Employee and contractor costs		(1,352,044)	(2,971,295)
Operations and administration expense		(2,009,329)	(2,286,619)
Depreciation and amortisation		(926,376)	(1,122,708)
Advertising and marketing expense		(31,038)	(224,546)
Share based payment expense		(317,833)	-
Finance costs	7	(413,944)	(179,311)
Other expenses		(38,156)	(60,076)
Impairment loss		-	(1,249,784)
(Loss) before income tax		(886,315)	(4,225,926)
Income tax (expense)		-	(519)
(Loss) after tax from continuing operations		(886,315)	(4,226,445)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(115,137)	(383,357)
Other comprehensive income		-	-
Equity investment reserve		(113,216)	(376,090)
Total Comprehensive (loss) for the period attributable to the owners		(1,114,667)	(4,985,892)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Loss per share for loss attributable to ordinary equity holders of the Group from:	30/06/2019 AUD \$	30/06/2018 AUD \$
Continuing operations:		
Basic earnings (loss) per share	(0.00)	(0.02)
Diluted earnings (loss) per share	(0.00)	(0.02)

30 June 2019 Interim Condensed Financial Report

Consolidated Statement of Financial Position at 30 June 2019

	Notes	30/06/2019 AUD \$	31/12/2018 AUD \$
ASSETS			
Current assets			
Cash and cash equivalents	9	2,694,331	320,276
Trade and other receivables	10	3,821,640	2,026,138
Prepaid expenses		382,184	281,831
Related party receivables	13	2,413,021	2,229,032
Investments in equity instruments		51,738	114,314
		9,362,914	4,971,591
Non-current assets			
Property, plant & equipment		126,802	299,497
Intangible assets	8	2,556,816	2,519,265
Goodwill		1,468,517	1,455,522
Right to use asset		210,921	
Investments in equity instruments			50,640
		4,363,056	4,324,924
Total assets		13,725,970	9,296,515
EQUITY & LIABILITIES			
Current liabilities			
Trade and other payables	12	7,500,020	12,856,467
Employee liabilities		52,578	52,410
Lease liability		388,744	292,285
Borrowings	9	4,862,217	2,598,440
		12,803,559	15,799,602
Non-current liabilities			
		64,515	105,760
Total liabilities		64,515	105,760
		12,868,074	15,905,362
Net Assets/Liabilities			
		857,896	(6,608,847)
Equity			
Share capital	11	28,461,455	20,025,656
Share based payment reserve		3,679,530	3,533,918
Equity investment reserve		(2,476,582)	(2,363,366)
Foreign currency translation reserve		(213,898)	(98,761)
Accumulated losses		(28,592,609)	(27,706,294)
Total equity		857,896	(6,608,847)

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

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Consolidated Statement of changes in equity for the half year ended 30 June 2019

	Share based payment reserve AUD \$	Share Capital AUD \$	Accumulated Losses AUD \$	Foreign Currency Translation Reserve AUD \$	Equity investment reserve AUD \$	Total AUD \$
At 01 January 2018	3,533,918	15,665,594	(18,717,695)	214,278	-	696,095
Comprehensive loss for the year	-	-	(4,226,445)	-	-	(4,602,535)
Movement in foreign currency translation reserve	-	-	-	(383,357)	-	(383,357)
Movement in equity investment	-	-	-	-	(376,090)	(376,090)
Shares issued on conversion of notes	-	556,494	-	-	-	556,494
Shares issued on completion of capital raise	-	2,000,000	-	-	-	2,000,000
Costs of capital raise (net of tax)	-	(120,000)	-	-	-	(120,000)
Shares issued on completion of Share Purchase Plan	-	204,350	-	-	-	204,350
At 30 June 2018	3,533,918	18,306,438	(22,944,140)	(169,079)	(376,090)	(1,648,953)
At 01 January 2019	3,533,918	20,025,656	(27,706,294)	(98,761)	(2,363,366)	(6,608,847)
Comprehensive loss for the period	-	-	(886,315)	-	-	(886,315)
Movement in foreign currency translation reserve	-	-	-	(115,137)	-	(115,137)
Movement in equity investment	-	-	-	-	(113,216)	(133,216)
Shares issued in relation to Adcel Acquisition	-	1,055,057	-	-	-	1,055,057
Shares issued on conversion of notes	-	2,825,962	-	-	-	2,825,962
Shares issued to Viriathus	-	3,486,439	-	-	-	3,486,439
Options issued	145,612	-	-	-	-	145,612
Share based payment	-	365,557	-	-	-	365,557
Shares issued on capital raise	-	702,784	-	-	-	702,784
At 30 June 2019	3,679,530	28,461,455	(28,592,609)	(213,898)	(2,476,582)	857,897

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

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Consolidated Statement of Cash Flows for the half year ended 30 June 2019

	Notes	30/06/2019 AUD \$	30/06/2018 AUD \$
Cash flows from operating activities			
(Loss) after tax from continuing operations		(886,315)	(4,226,445)
- Finance costs	7	413,944	179,311
<i>Adjustments for non-cash income and expenses:</i>			
- Depreciation		169,771	182,089
- Amortisation	8	756,605	940,619
- Impairment expense		-	1,249,784
- Re-measurement of payables	4	(1,213,615)	(758,568)
- Interest income not received	4	(29,901)	(31,619)
- Release of deferred income	4	(246,969)	(574,564)
- Foreign exchange		270	31,426
<i>Changes in operating assets and liabilities:</i>			
- (Increase) / Decrease in trade and other receivables		(1,795,502)	(173,299)
- (Increase)/ Decrease in prepayments		(100,353)	159,458
- Increase / (Decrease) in trade and other payables		398,664	(3,234,082)
- Increase / (Decrease) in factoring liability		1,900,909	(153,673)
Cash (used in) operations		(632,492)	(6,409,563)
Interest paid	7	(413,944)	(179,311)
Net cash from / (used in) operating activities		(1,046,436)	(6,588,874)
Cash flows from investing activities			
Purchases of fixed assets		(7,775)	(40,831)
Capitalised software development	8	(706,193)	(363,459)
Loans to related parties (shareholders)		-	(187,644)
Net cash from/(used) in investing activities		(713,968)	(591,934)
Cash flows from financing activities			
Proceeds from capital raises		702,784	2,204,350
Cost of capital raise (net of tax)		-	(120,000)
Proceeds from loans		3,302,614	-
Repayment of finance leases		(138,744)	(424,971)
Net cash from / (used in) financing activities		3,866,654	1,659,379
Net increase / (decrease) in cash and cash equivalents		2,106,250	(5,521,429)
Cash and cash equivalents at beginning of year	10	320,276	7,274,894
Effects of currency translation		267,805	(223,553)
Cash and cash equivalents at end of year	10	2,694,331	1,529,912

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

**Notes to the Financial Statements
For the half year ended 30 June 2019**

1. Corporate information

The interim condensed consolidated financial report (“the half year report”) covers engage:BDR Limited, the parent, and its subsidiary (collectively referred to as ‘the Group’ or ‘Engage BDR’). engage:BDR Limited is a public company incorporated and domiciled in Australia with the ASX stock ticker of EN1. The financial statements are for the half year ended 30 June 2019 and are presented in Australian Dollars (AUD). All values in the financial report have been rounded off to the nearest dollar (\$) in accordance with Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission. These policies have been consistently applied to all the periods presented, unless otherwise stated.

engage:BDR Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

engage:BDR Limited
Scottish House
Level 4
90 William Street
Melbourne Victoria 3000
Australia

The half year report of engage:BDR Limited for the half year ended 30 June 2019 was authorised for issue by a resolution of the Directors on 31 August 2019.

2. Summary of significant accounting policies

(a) Basis of preparation

The interim condensed consolidated financial statements for the half year ended 30 June 2019 have been prepared in accordance with AASB 134 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2018.

(b) Going concern

The interim condensed financial report has been prepared on a going concern basis, which takes into account the net current liabilities of \$12,803,559, negative operating cash flows of \$3,584,946, net assets of \$857,896 and an ending cash position of \$2,694,331 as at 30 June 2019.

The Directors acknowledge that there are various indicators which may, individually or when looked at collectively cast doubt on the entity’s ability to continue as a going concern including the net current asset deficiency, negative operating cash flows and diminished value of Investments.

These conditions give rise to a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

Notwithstanding the above the Directors consider the going concern basis to be appropriate giving consideration to:

- Confidence in raising capital as needed;
- Confidence in achieving the group’s forecast revenues and positive operating cash flow in H2 2019 through continued completion of planned integrations onto the group’s programmatic advertising platform and growth of the Iconic Reach business;

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- The ability of the Group to undertake additional debt, equity or hybrid capital raisings in the near term (for which the Group has already negotiated terms to acquire a substantive amount in working capital). The Group expects to provide subsequent announcements related to this raise before the year ended 31 December 2019;
- The Group's ability, if required, to seek the support from its founders and major shareholders for the further injection of capital; and
- Its ability to exercise control over discretionary operational cash outflows;

Accordingly, the accounts have been prepared on a going concern basis.

As a result the financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(c) Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision makers, who provide the strategic direction and management oversight of the Group in terms of monitoring results and approving strategic planning for the business.

The Group has assessed its operations of comprising of two reportable segments – being programmatic and non-programmatic trading. However, due to the similar nature and characteristics of these operations, and the fact that they are reported together to the chief operating decision maker (with the only distinction made upon reporting being the split in revenue by programmatic and non-programmatic) they have been combined and shown together. Refer Note 5 for the segmental analysis.

2.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies for the first time, AASB 16 *Leases*.

a) AASB 16 *Leases*

AASB 16 is applicable for annual reporting periods commencing on or after 1 January 2019. As from 1 January 2019, the Group has adopted AASB 16 in respect to Leases. AASB 16 supersedes AASB 117 *Leases* and eliminates the classifications of operating leases and finance leases. Subject to exceptions, a 'Right-of-Use' asset and a related lease liability will be recognised in the statement of financial position at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset. The lease liability is initially recognised at the present value of the non-cancellable lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. The exceptions to AASB 16 relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture), where an accounting choice exists whereby either a right-of-use asset is recognised or lease payments are expensed to profit or loss as incurred.

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The unwind of the financial charge on the lease liability and the depreciation of the leased asset are recognised in the statement of comprehensive income. Expenses in respect of leases include depreciation of the right-of-use and interest expense in respect of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any premeasurement of lease liabilities. Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The Group has applied the modified retrospective method of adoption with the date of initial application at 1 January 2019, and therefore the comparative information has not been restated and continues to be reported under the preceding standard, AASB 117. On transition to AASB 16, the Group recognised an additional \$281,229 of right-of-use assets and \$281,229 of lease liabilities. The Group has recognised a depreciation charge during the period of \$64,515 in relation to depreciation of the right-of-use asset, and additional finance costs of \$5,324 due to interest expense on the lease liability.

When measuring lease liabilities, the Group discounted the lease payments using an estimated incremental borrowing rate date of initial application of AASB 16. The rate applied was 5.50%.

3. Critical accounting estimates and judgements

The preparation of interim condensed consolidated financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. Other Income

	30/06/2019	30/06/2018
	AUD \$	AUD \$
Finance income	29,901	31,619
Re-measurement of payables ^[1]	1,213,615	758,568
Release of deferred income on forfeiture ^[2]	246,969	574,564
Other income	107,319	4,587
Total other income	1,597,804	1,369,338

^[1] Per Group policy, payables are remeasured on a regular basis to adjust for invalid traffic.

^[2] In accordance with the Advertiser Service Agreement, balances that satisfy the following criteria are considered forfeited and eligible for recognition as other income: Balances older than 6 months; Likelihood of near-future business (6 months) Bankruptcies, mergers, closures, and assessment of those less than a year old.

5. Segmental Analysis

Product Information	Programmatic	Non-programmatic	Consolidated
Period ended 30 June 2019	AUD \$	AUD \$	AUD \$
Revenue from external customers	6,024,515	151,826	6,176,341

Product Information	Programmatic	Non-programmatic	Consolidated
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Period ended 30 June 2018	AUD \$	AUD \$	AUD \$
Revenue from external customers	5,321,574	761,892	6,083,466

Geographic Information	30/06/2019 AUD \$	30/06/2018 AUD \$
Australia	431	354
United States of America	5,873,072	5,661,556
Other ^[1]	302,838	421,556
	6,176,341	6,083,466

^[1] No other single country represents greater than 10% of the Group's total revenue.

Major Customers

Below is a summary of revenues from major customers where the transactions with each individual customer exceed 10% or more of the Group's total revenue.

Customer and segment	30/06/2019 AUD \$	30/06/2018 AUD \$
Customer A – Programmatic	5,338,321	4,836,275

6. Significant operations and administration expenses

	30/06/2019 AUD \$	30/06/2018 AUD \$
Technology infrastructure and software costs	642,300	289,323
Legal and accounting expense	514,249	663,592
Bad debt expense	169,269	387,061
Office and other rental expenditure	61,554	277,089
Other operations and administration expenses	151,509	143,448

7. Finance costs

	30/06/2019 AUD \$	30/06/2018 AUD \$
Interest on financing arrangements	391,060	75,567
Interest on finance leases	12,294	11,685
Interest on credit line	-	81,162
Interest on corporate credit cards	10,589	10,897
Total finance costs	413,944	179,311

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8. Intangible assets

	Software development costs 30/06/2019 AUD \$	Non-compet e clause 30/06/2019 AUD \$	Total 30/06/2019 AUD \$
Cost			
At 01 January	6,158,244	-	6,158,244
Additions	706,193	-	706,193
Exchange difference	102,558	-	102,558
At period end	6,966,995	-	6,966,995
Accumulated amortization			
At 01 January	3,638,979	-	3,638,979
Amortisation for the year	756,605	-	756,605
Exchange difference	14,595	-	14,595
At period end	4,410,179	-	4,410,179
Carrying amount	2,556,816	-	2,556,816
	31/12/2018	31/12/2018	31/12/2018
	AUD \$	AUD \$	AUD \$
Cost			
At 01 January	6,521,346	793,433	7,314,779
Additions	585,277	-	585,277
Additions from business combination	1,191,694	-	1,191,694
De-recognition of ineligible projects	(179,448)	-	(179,448)
Impairment loss	(2,647,751)	(793,433)	(3,441,184)
Exchange difference	687,126	-	687,126
At period end	6,158,244	-	6,158,244
Accumulated amortization			
At 01 January	2,977,363	363,656	3,341,019
Amortisation for the year	1,926,068	138,360	2,064,428
Additions from business combination	49,654	-	49,654
De-recognition of ineligible projects	(25,978)	-	(25,978)
Accumulated amortization related to impaired asset	(1,648,722)	(502,016)	(2,150,738)
Exchange difference	360,594	-	360,594
At period end	3,638,979	-	3,638,979
Carrying amount	2,519,265	-	2,519,265

Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefit and these benefits can be measured reliably. The development costs have finite useful lives typically between 3 and 10 years, with a weighted average of 4 years (2018: 3 years). Impairment of capitalized software costs is considered at each reporting period.

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9. Cash and bank balances, financial assets, and financial liabilities

As at 30 June 2019, the Company has \$2,694,331 (31 December 2018: \$320,276) classified as cash and cash equivalents.

(a) Financial liabilities

	30/06/2019	31/12/2018
	AUD \$	AUD \$
Short term loans	148,644	148,170
Promissory notes	503,280	520,600
Due to Fast Pay	2,949,641	1,048,731
Notes payable	1,260,652	880,939
Total borrowings	4,862,217	2,598,440

10. Trade and other receivables

	30/06/2019	31/12/2018
	AUD \$	AUD \$
Trade debtors	3,821,640	2,026,138

(a) Transfer of trade receivables

The Group has retained the credit risk associated with the trade receivables, due to the obligation to repurchase from the factoring company any receivables that are deemed uncollectible, and therefore the risks and rewards of the asset reside with the Group. The total carrying amount (which is approximate to fair value) of the trade receivables transferred subject to factoring arrangement is \$2,949,641 (December 2018: \$1,048,731). This arrangement has no expiration date with an interest rate of 8.25%.

	30/06/2019	31/12/2018
	AUD \$	AUD \$
Carrying amount of trade receivables transferred	2,949,641	1,048,731

(b) Current receivables

	30/06/2019	31/12/2018
	AUD \$	AUD \$
Current:		
Trade debtors	4,237,040	2,387,919
Less: Allowance for impairment	(455,161)	(489,173)
Net trade debtors	3,781,879	2,810,462
Other receivables	39,761	127,392
Total current receivables	3,821,640	2,026,138

(c) Ageing of past due but not impaired

	30/06/2019	31/12/2018
	AUD \$	AUD \$
Not overdue	2,580,635	1,532,827
0 – 30 days	1,196,996	82,235
31 – 60 days	4,806	41,950
61 – 90 days	9,491	49,365
Over 91 days	445,112	681,542
Total ageing of past due but not impaired	4,237,040	2,387,919

30 June 2019 Interim Condensed Financial Report

The average age of the Company's trade receivables is 109 days (June 2018: 77 days).

In determining the recoverability of a trade receivable, the Group considers any recent history of payments and the status of the projects to which the debt relates. No payment terms have been renegotiated. The concentration of credit risk is limited due to the customer based being large and unrelated. Accordingly, the Directors believe that there is no further provision required in excess of the allowance for impairment.

(d) Movement in the provision for impairment

	30/06/2019	31/12/2018
	AUD \$	AUD \$
Balance at beginning of year	(489,173)	(340,655)
impairment recognized during the year	(169,269)	(461,063)
Amounts written off as uncollectible	245,004	355,996
Exchange difference	(41,723)	(43,451)
Balance at the end of the year	(455,161)	(489,173)

(e) Fair value of receivables

Fair value of receivables at period end is considered to be the same as receivables net of the allowance for impairment.

11. Share capital

	30/06/2019	31/12/2018
	AUD \$	AUD \$
At 01 January	20,025,656	15,665,594
Shares issued during the year	8,435,799	4,360,062
At period end	28,461,455	20,025,656
<i>Issued shares</i>	# shares	# shares
At 01 January	288,604,744	249,699,958
Acquisition	-	-
Shares issued to employees in engage:BDR LLC	5,710,704	-
Shares issued on completion of the IPO in engage:BDR Limited	-	-
Share conversion on acquisition of engage:BDR LLC	-	-
Shares issued to convertible note holders – principal and interest ^[1]	120,825,721	2,745,721
Shares issued to convertible note holders – additional ^[1]	-	484,539
Shares issued during capital raise, net of fees ^[2]	-	12,500,000
Shares issued for consulting fees	2,589,300	2,250,000
Shares issued for outstanding creditors	94,151,195	-
Share issued during Share Purchase Plan ^[3]	25,099,423	1,294,375
Shares issued in relation to AdCel acquisition ^[4]	10,657,140	11,071,951
Shares issued to AdCel executives ^[5]	-	5,458,200
Share issued as collateral for Loan note ^[6]	1,900,000	3,100,000
At period end	549,538,227	288,604,744

^[1] Convertible note holders were issued 2,745,721 shares on 27 February 2018 on conversion of the notes. An additional 484,539 shares were issued to those convertible note holders on 15 June 2018.

^[2] A capital raise of \$2,000,000 was completed on 11 May 2018 with 14,750,000 shares issued. Transaction costs of \$120,000 were incurred in relation to the transaction.

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^[3] A Share Purchase Plan to existing shareholders was closed on 6 June 2018 raising \$204,350 with the issuance of 1,290,625 shares.

^[4] Total consideration for the acquisition of AdCel was 21,729,091 shares of the Group. The remaining 10,657,140 shares were issued on 08 March 2019.

^[5] As part of continuing consulting agreement with AdCel's executives, shares were issued as consideration.

^[6] Per the terms of the Loan note, shares were issued as collateral.

12. Trade and other payables

Current

	30/06/2019	31/12/2018
	AUD \$	AUD \$
Trade payables ^[1]	5,961,341	9,115,785
Credit card liabilities ^[2]	16,224	441,173
Accrued expenses ^[1]	1,143,658	1,244,209
Deferred income	142,273	409,074
Accrued payroll liabilities ^[3]	(48,493)	237,757
Bonus and commissions payable ^[3]	181,482	238,696
Accrued municipal tax	103,535	115,350
Deferred service costs ^[4]	-	-
Deferred payable ^[5]	-	1,055,057
Exchange difference		(634)
	7,500,020	12,856,467

Trade creditors and accruals principally comprise of amounts outstanding for trade purchases and ongoing costs.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest has been charged by any suppliers as a result of late payment of invoices during the year.

The carrying amount of trade and other payables approximates their fair value.

^[1] Trade payables and accrued expenses are non-interest bearing and are normally settled on 60-day terms.

^[2] This amount related to credit card liabilities which are interest bearing.

^[3] Accrued payroll liabilities is comprised of salary wages, commissions, and benefits (mainly accrued paid-time off, pension, and insurance related liabilities).

^[4] Deferred service costs relate to contractor fees that were paid upfront by an external provider for which the Group has negotiated a contractually agreed repayment term. Deferred service costs are contracted in US Dollars.

^[5] Total consideration for the acquisition of AdCel was 21,729,091 shares of the Group. As at 31 December 2018, there was 10,657,140 shares not yet issued and outstanding. They were issued 08 March 2019.

13. Related party disclosures

The Group's related parties include its key management personnel and employees.

The Group has secured (\$2,042,113) and unsecured (\$370,908) loans due from key management personnel and employees.

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As at 30 June 2019, the loan receivable of \$2,413,021 is classified as a current receivable. The original repayment date was 30 June 2019 and a revised repayment date of 31 August 2020 was approved by a Board resolution on 29 August 2019. There were no other changes to terms and conditions.

(a) Loans to/from related parties

(i) Loans to key management personnel and employees

	30/06/2019	31/12/2018
	AUD \$	AUD \$
Loans to key management personnel and employees	2,413,021	2,229,032

(b) Terms and conditions

Loans to key management personnel are charged interest at a simple interest rate of 2.78% per annum (2018: 2.78%), calculated monthly. Further loans were advanced during the period. \$2,042,113 of the loans outstanding are secured against each individuals' shareholding. The unsecured loans outstanding are repayable by 31 August 2019. All loans were approved by the Board of Directors of the Group.

(c) Liabilities assumed by directors and other key management personnel of the Group

In connection with the acquisition of Tiveo LLC and under the transaction documents dated 12 August 2016, Ted Dhanik, Ken Kwan and Kurtis Rintala (or their successors) undertook to issue additional shares of their Trading Stock in Engage:BDR, LLC on a pro-rata basis to the former Majority Members of Tiveo (being Abdulaziz Alrajhi, BODO LLC, Neston Property Ltd. and David Cure) in the event that after Engage:BDR Units were listed for trading on the ASX the value of Engage:BDR Units held by the former Majority Members is below an amount of US\$6,693,120. This is not an obligation of the Group but rather of the aforementioned individuals.

14. Convertible loan notes

Between 19 November 2018 to 30 January 2019, the Group entered into convertible note agreement with a face value of US\$6,550,000 (AU\$9,326,066). As of 30 June 2019 three series of the convertible notes have been issued. The face value series aggregate amount is \$2,225,000 (AU\$3,168,015). Each note has a maturity of one year after drawdown. Each drawdown amount is only 90% of the face value with the 10% difference treated as a prepaid fee.

As of 30 June 2019, the Company completed the issuance of new shares to the convertible note, resulting in 120,825,721 new shares being issued. The issuance of the replacement convertible securities was ratified on 29 January 2019 during a general shareholder meeting. The shares were converted at lower of 92% of lowest VWAP for 10 days or US\$0.09 (AU\$0.06). As of 30 June 2019 the liability of the convertible note stands at US\$235,000 (AU\$334,599).

15. Events occurring after the balance sheet date

No 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, except for the following:

On 10 July 2019, the Company issued 8,399,240 fully paid ordinary shares for settlement of creditor balances and settlement of outstanding liabilities at a deemed issue price of \$0.043 (4.3 cents) per share.

On 9 August 2019, the Company issued the following:

- 9,767,745 fully paid ordinary shares with a deemed issue price of \$0.034 (3.4 cents) per share, in relation to settlement of outstanding creditor balances;

30 June 2019 Interim Condensed Financial Report

- 3,038,854 fully paid ordinary shares with a deemed issue price of \$0.034 (3.4 cents) per share, in relation to settlement of employee bonuses.

Extension of Related Party Loans

On 29 August 2019, the Directors agreed to an extension of the related party loans with repayment now due on 31 August 2020. There were no other changes to the terms and conditions.

Future Capital Raising

The Group have entered into an advisory mandate in August 2018 to assist with future capital raisings to support the Group.

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Directors' Declaration for the period ended 30 June 2019

In accordance with a resolution of the directors of engage:BDR Limited, I state that:

1. In the opinion of the directors:

- (a) The interim financial statements and notes of engage:BDR Limited are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made in accordance with a resolution of directors.

On behalf of the Board



T Dhanik
Director
Los Angeles
1 September 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of engage:BDR Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of engage:BDR Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 2(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.


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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

BDO East Coast Partnership

The image shows two handwritten elements. At the top is a small, stylized version of the BDO logo. Below it is a handwritten signature in cursive script that reads 'James Mooney'.

James Mooney
Partner

Melbourne, 1 September 2019

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