



31 August 2018

ASX ANNOUNCEMENT

2018 Half Year Audit Review

Highlights

- The Company's revenues for H1 2018 were A\$6,083,466, nearly 7% higher than forecasted
- Gross profit grew to 41% for H1 2018 compared to 37% in the corresponding period in 2017
- Current liabilities were reduced by A\$5,321,619 in H1 2018 compared to the corresponding period in 2018
- The Company's profit from continuing operation (normalised EBITDA) was A\$598,575¹
- The programmatic business (higher margins) grew 28% in H1 2018 vs. the corresponding period in 2017, largely offsetting the expected falls in the non-programmatic (lower margins) business
- The Company integrated 36 new programmatic partners in 2018, through the end of August, bringing the total to 118, not including 40+ Adcel clients to be integrated shortly

¹

Net Income			-\$4,226,445	EBITDA			-\$2,923,907
Depreciation and Amortization			\$1,122,708	Intangible Asset Impairment			\$1,249,784
Finance Costs			\$179,311	A/P Reassessment			\$1,609,106
Taxes			\$519	Legal			\$663,592
Normalised EBITDA							\$598,575

engage BDR ("engage:BDR or Company") (ASX:EN1 and EN1O) presents its financial statement for the first six months of the 2018 calendar year.

engage:BDR Limited (ASX:EN1 and ENO)
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Financial Results and Business Performance

The Company's 1H 2018 programmatic revenues were 28% higher than the same period in 2017. At the same time, the Company's finance costs from A\$386,860 in H1 2017 to A\$179,311 in H1 2018. Additionally, gross profits increased from 37% to 41%, while current liabilities were significantly reduced by A\$5,321,619.

Programmatic Integrations

In the period from January to the end of August 2018, the Company added a further 36 new programmatic integrations, making the total integrations completed to date, 118. This does not include AdCel's 40+ integrations, which the Company will now begin to integrate following the successful acquisition of the AdCel business in July 2018. The latest integrations include Aerserv, Freewheel, Cox Media, Switchconcept, Monumetric, Mobile Posse, Third Presence, Appodeal and UnderDog Media.

Acquisition Prospects

The Company is also currently conducting detailed due diligence on another digital media and advertising business with a view to possibly acquiring that programmatic social ad buying company in H2 2018. If this acquisition is undertaken and integrated into the Company's existing business it would significantly increase the Company's revenues and expand its range of digital media products and services offerings.

There are three distinct areas where marketers spend their digital media budgets: programmatic advertising, influencer marketing, and programmatic social ad buying. engage:BDR already operates in the programmatic and influencer marketing ecosystems and the additional of a programmatic social ad buying platform would significantly enhance the Company's product suite.

The company being considered is extremely experienced in the area of a social ads and media buying on the world's largest media platforms, including, Facebook, Instagram, SnapChat, Twitter, YouTube and LinkedIn. The Company's paid media strategy, coupled with their technological know-how, would reduce marketing budget waste and maximise the reach of ads across social media platforms.

It is currently contemplated that if the proposed acquisition proceeds that the purchase consideration will be paid entirely in fully-paid shares in the Company which will be voluntarily escrowed for an appropriate period.

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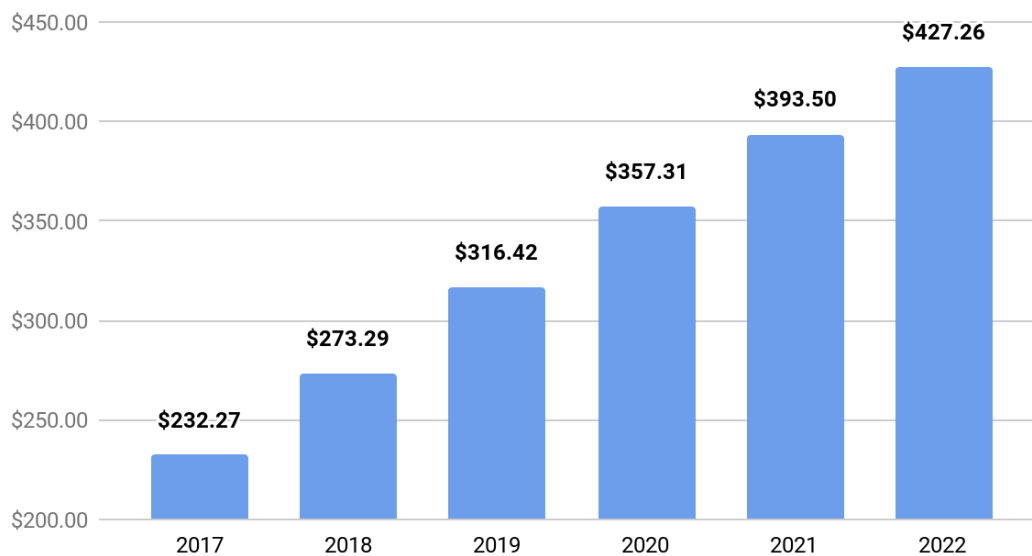


The Company will make a further announcement to the market if and when the negotiations for the potential acquisition reach a sufficiently advanced stage.

Digital Marketing Budgets

Over the past few years digital marketing has continued to grow as advertisers invest greater sums into each niche. [eMarketer](#) forecasts that in 2018, US digital ad spend will surpass \$107 billion and by 2022, digital ad spend worldwide will exceed \$427 billion.

Digital Ad Spend Worldwide, 2017-2022 (\$Billion)



*Source: [eMarketer](#)

Based on these estimates, **programmatic, influencer and social ad spend** together make up **more than half** of the total US digital ad budgets. [eMarketer](#) reports that, ad spending for programmatic digital display is set to exceed \$39.46 billion in 2018 and is projected reach \$45 billion by 2019.

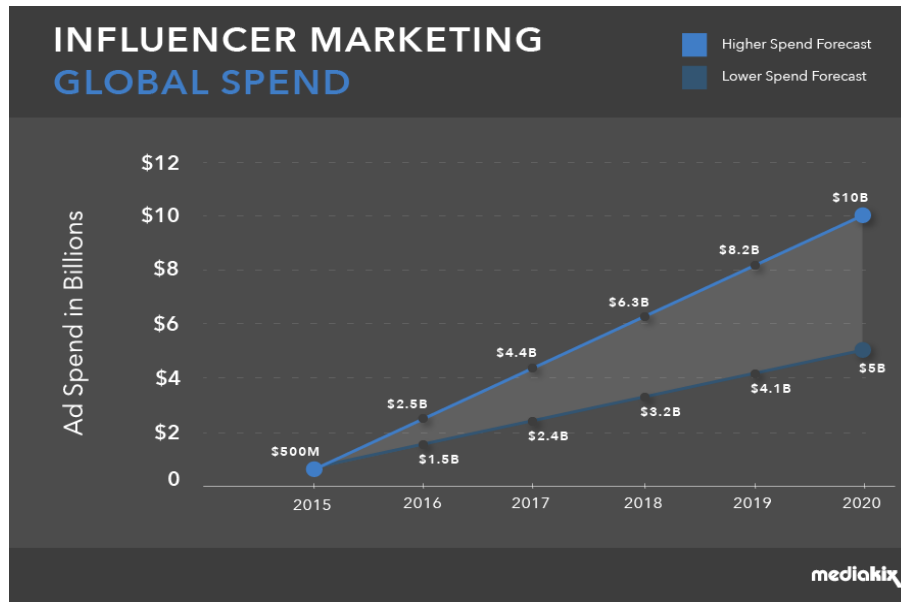
At the same time, [Statistica](#) reports estimate that, U.S. social media ad revenue will increase by nearly 23% when compared with last year and reach over \$23 billion in 2018. Various sources, including [LaunchMetrics](#), cite that upwards of 60% of brands confirm that they will be increasing their influencer marketing budgets in 2019. [Business](#)

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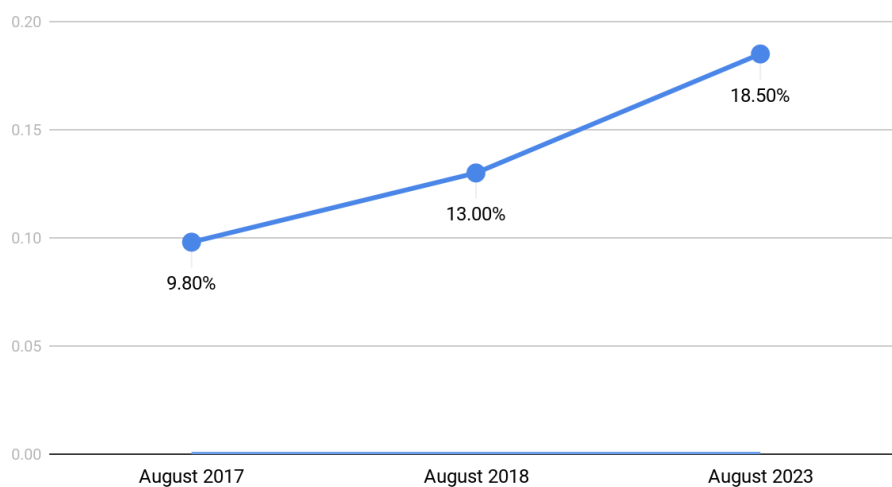
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[Insiders'](#) intelligence reports indicate that, "influencer marketing ad spend is expected to reach between \$5 billion and \$10 billion in 2022."



US Social Media Spend as Percent of Marketing Budget



* Source: [CMO Highlights and Insights Report](#)

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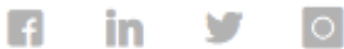
AdCel Acquisition Announcement Correction

The Company also wishes to advise of a minor correction to the previously announced AdCel acquisition announcement released to the market on 30 July 2018. The previous announcement, as a result of an oversight, omitted reference to certain future potential incentive components of the agreed deal if a number future gross revenue targets are achieved. The revised agreement also provided that if AdCel achieves gross revenues of USD \$1,750,000 in the 2018 financial year being to 31 December 2018, then the AdCel vendors will receive additional purchase consideration of USD \$1,000,000 in cash. In addition if AdCel achieves gross revenues of USD \$ 3,000,000 with at least a 30% gross operating profit in the 2019 financial year, then the AdCel vendors will receive additional purchase consideration of USD \$750,000 in cash and if AdCel achieves gross revenues of USD \$5,000,000 with at least a 30% gross operating profit in the 2020 financial year, then the Vendor will receive additional purchase consideration of USD \$750,000 in cash.

A handwritten signature in black ink, appearing to read "TDR", positioned above the printed name of Ted Dhanik.

On behalf of the Board
Ted Dhanik
Co-Founder and Executive Chairman
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Engage:BDR Limited
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Appendix 4D – Half-year report
for the half-year ended 30 June 2018

1. Details of the reporting period and the previous corresponding period

Current period:	01 January 2018 to 30 June 2018
Prior corresponding period:	01 January 2017 to 30 June 2017

2. Results for announcement to the market

		30 Jun 2018	30 Jun 2017	Change
	Key Information	AUD \$	AUD \$	%
2.1	Revenue	6,083,466	7,546,485	-19%
2.2	Loss from ordinary activities after tax to members	(4,225,926)	(1,281,482)	-230%
2.3	Loss for the period attributable to members	(4,985,892)	(745,703)	-569%
2.4	Dividends Not applicable			
2.5	Dividend record date Not applicable			
2.6	Commentary Please refer to the H1 of 2018 Interim Financial statements - 30 June 2018 for further explanations of the figures presented at 2.1 - 2.4 above.			

3. Net tangible assets per ordinary share

	30 Jun 2018	30 Jun 2017
Security	AUD \$	AUD \$
Ordinary shares	(0.01)	(0.11)

4. Control gained or lost over entities during the period, and those having material effect

No entities were acquired or disposed of during the period.

5. Dividend details

Not applicable

6. Dividend or distribution reinvestment plan details

Not applicable

7. Investments in associates and joint ventures

No investments in associates and joint ventures are held by the consolidated group

8. Foreign entities

Not applicable

9. Audit dispute or qualification

The interim financial statements for the period ended 30 June 2018 have no audit dispute or qualification

A handwritten signature in black ink, consisting of stylized letters that appear to be 'TH' followed by a long horizontal stroke.

engage:BDR Limited

ACN 621 160 585

Interim Report - 30 June 2018

engage:BDR Limited
Corporate Directory
30 June 2018

Directors	Mr Ted Dhanik Mr Kurtis Rintala Mr Tom Anderson Mr Bruce McMenamin Mr Ron Phillips
Company secretary	Mr Bruce McMenamin
Registered office	Scottish House Level 4 90 William Street Melbourne Victoria 3000 Australia
Principal place of business	Suite 100 9220 Sunset Boulevard West Hollywood California 90069 USA
Share register	Computershare Investor Services 452 Johnston Street Abbotsford Victoria 3067 Telephone: (03) 9415 5000
Auditor	Ernst & Young Melbourne 8 Exhibition Street Melbourne Victoria 3000 Australia
Stock exchange listing	engage:BDR Limited securities are listed on the Australian Securities Exchange (ASX code: EN1 and EN1O).
Website	engagebdr.com
Corporate Governance Statement	The Company's 2017 Corporate Governance Statement has been released to ASX on 29 March 2018 and is available on the Company's website.

engage:BDR Limited
Director's Report
30 June 2018

The Directors present their report, together with the interim condensed financial report of engage:BDR Limited comprising 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 2018 (referred to hereafter as 'engage:BDR' or the 'Group').

Directors

The following persons were directors of engage:BDR Limited since the end of the financial 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 Bruce McMenamin (Non-Executive Director)
Mr Ron Phillips (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 year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$4,226,445 (31 December 2017: \$9,877,691). engage:BDR's operating loss after tax after excluding significant items was \$2,976,142. Significant non cash expenses included \$1,249,784 relating to impairment of intangible assets that were part of the MyDiveo acquisition completed in 2016

The Company was incorporated on 17 August 2017. On 14 December 2017, the Company listed on ASX and, as a consequence, completed the final pre-condition for the acquisition of engage:BDR LLC's issued share capital, which resulted in the Company becoming the ultimate parent of engage:BDR LLC. The Company was incorporated specifically to acquire all of the shares of engage:BDR LLC. The Company has not conducted any business other than to be the holding company of engage:BDR LLC, with the legal acquisition of engage:BDR LLC being treated as a business reorganisation with the establishment of the new parent entity, engage:BDR Limited.

The Group provides the following review of its operations for the 2018 financial half-year and its recent progress since listing on ASX. engage:BDR generates revenue from three revenue streams – influencer-marketing, programmatic and non-programmatic.

Non-programmatic display advertising sales

The Group's Non-programmatic display advertising sales business is tag-based, traditionally sold and managed banner advertising campaigns run for direct advertisers. This was the Group's first product, initially launched in 2009 and remained a significant revenue contributor in 2017, but clients' spends mostly shifted to the programmatic display advertising product in 2018. The Group anticipates that this part of the Group's business will continue to decline as advertising buyers continue to migrate their business to more efficient and cost effective programmatic buying. engage:BDR is expecting to be able to deliver significantly increased trading margins as a consequence of moving to a near totally automated programmatic operation during 2018. Overall, non-programmatic sales comprised 12.5% of revenue in 1H 2018 vs. 45% in 1H 2017.

Programmatic display advertising sales

The Group's Programmatic display advertising sales business includes selling banner advertising inventory through the Group's digital auctioning technology to platforms and marketplaces. The Group developed this product to replace the traditional Non-Programmatic display advertising channel. Many of the Group's Non-programmatic buyers are still bidding on the Group's inventory through server-to-server connections. The adoption of programmatic display advertising has proved extremely successful in 2018 and opened additional revenue opportunities from many of the Company's existing clients, largely because programmatic buying and selling of advertising is much more efficient and significantly more cost effective to operate, thus increasing the Group's overall gross profit margins from 37% in 1H 2017 vs 42% in 1H 2018.

Non-programmatic video advertising sales

The Group's Non-Programmatic video advertising sales business includes selling video inventory through tag-based technology to direct advertisers, platforms and marketplaces. The Group has spent the last two years developing its own proprietary video ad serving technologies and further expanding this part of the business by enabling both buying and selling of video in addition to its display business. The Group has significantly increased revenue per customer by integrating the video channel with the display buyers and sellers and opening business on the display ad side to customers that were originally integrating into the video business. The Company anticipates that the programmatic video business will eclipse this and all other ad formats over the next three to five years and accordingly has dedicated significant financial resources to this part of the business in 2018 to encourage this shift.

Programmatic video advertising sales

The Group's Programmatic video advertising sales business grew significantly during the year as the Group continued to progress the development and launch of its programmatic and video advertising platforms. Significant achievements in the reporting period included considerable expansion of programmatic display and video partnerships and integrations and the launch of its true programmatic, real-time bidding buy-side and sell-side marketplace for video.

The Group's further developed proprietary programmatic technology to significantly increases the Group's operating margins by reducing payroll and associated sales commissions. With the rapid adoption of programmatic buying, brands, agencies and digital media buyers have moved their budgets to auction-based buying, in contrast to buying from sales people, individual RFP (request for proposal) and insertion orders. This behavioural change has made the marketplace much more efficient, significantly reducing the staff overhead required to sell advertising in the traditional way. The group employs zero sales people as a result of this automation.

Advertising buyers, through the Group's programmatic platform, are essentially bidding for advertising inventory in real-time in dynamic auctions, which occur in milliseconds while the relevant web page is loading. This new engage:BDR format has created significant barriers to entry for new companies looking to enter the digital advertising arena. Companies must realistically own and develop their own proprietary technology to be able to participate in the rapidly developing programmatic advertising ecosystem as licensing third party technologies is cost-prohibitive. engage:BDR has developed its own real-time auctioning and bidding technologies which provide it with a significant competitive advantage. engage:BDR has established thousands of direct publisher relationships which is a key differentiator and competitive advantage for the Group in an ecosystem which is experiencing inventory quality issues, brokers and middlemen.

Influencer Marketing

The Group's Influencer Marketing business, IconicReach technology developed over the past two+ years and was open for business as of January 2018. The platform is generating revenue and is constantly being updated from a features and technology perspective, based on feedback from support staff, advertisers and publishers. The technology is a self-serve platform for Instagram influencers to sign up to sell their content and posts to advertisers via the IconicReach marketplace. The advertisers also sign up on a self-serve basis and choose the influencers right for their campaigns (who fit their target audiences) and transact entirely on the platform. The platform manages work-flow, payments from advertisers to the influencers, reporting and accountability of content and delivery. In January 2018, the Group signed a USD\$500k IconicReach campaign with new Block Chain technology IvyKoin. Additionally in January, the Group had the official launch of IconicReach at the Sundance Film Festival through a three day event with the Associated Press. IconicReach continues to board new advertisers across many verticals and has worked with many brands including Puma, 1stPhorm, TruWomen, Rekovr, Coreana, LadyKin, CryptoHub, and many more.

Significant changes in the state of affairs

The Company achieved a successful listing on the ASX on 14 December 2017, after completing a significantly over-subscribed IPO. The Company raised \$10 million in the IPO and had a market capitalisation on listing of \$49.9 million.

The Group is continuing the integration of partners into its video platform. After completion of the development of the Groups proprietary video ad serving platform in late 2015, the Group began selling and integrating several demand partnerships. With these relationships established and technologically now being integrated, the Group will be able to auction video advertising on its platform on a significantly larger scale which will have a corresponding positive effect on revenues. The Group had 42 integrations completed as at July 2017 and had 118 integrations completed as at the end of August 2018.

The Group has migrated the majority of its non-programmatic display business to programmatic. As planned, the Group grew its programmatic display revenues and further scaled back resources and attention devoted to the non-programmatic display business.

The Group has continued the development of its "IconicReach" influencer marketing platform. As the market for influencer based advertising grows, the Group has developed a platform that allows brands and influencers to connect and transact digitally. This proprietary technology developed by the Group utilises the shift to programmatic in display advertising and applies the same principles to the influencer marketing space.

The Group completed two capital raises during the period. The first was \$2,000,000 raised by issuance of 14,750,000 new shares. The second was \$204,350 raised during a Share Purchase Plan that resulted in the issuance of 1,290,625 new shares.

The Company is contemplating undertaking a further capital raising in the short to medium term to provide it with additional capital to prepay for advertising to ensure better pricing and for working capital. The Company also has access to a number of other financing facilities should the need arise.

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

The Group completed the acquisition of AdCel LLC on 30 July 2018 in which the Group provided consideration of \$3.515 million USD (\$4.744 million AUD) in fully paid ordinary shares in engage:BDR Limited at an equivalent of AUD \$0.22 cents per share. Under the terms of a revised agreement, AdCel will no longer receive the \$1 million USD in cash consideration as foreshadowed in the original ASX Announcement about the proposed acquisition, with the initial consideration of \$3.515 million USD (\$4.744 million AUD) being settled in equity.

Per the terms of the sale and purchase agreement, the arrangement includes future consideration payable in \$USD cash to the vendors of AdCel subject to AdCel achieving specific financial performance hurdles. The first contingent cash consideration amount payable of \$1 million USD exists under terms if AdCel achieve revenue of \$1.75 million USD in the 12 month period to December 2018, with further contingent cash consideration of \$750,000 USD and \$750,000 USD payable based on achieving revenue and gross profit targets in the 12 month periods to 31 December 2019 and 31 December 2020 respectively. An analysis of actual results January 2018 to July 2018 and forecast results August 2018 to December 2018 indicate AdCel to be short of this target for the period to 31 December 2018.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year.

Likely developments and expected results of operations

Growth of video revenue on the proprietary platforms (programmatic and tag based)

As a consequence of the fact that the Group's programmatic platform is now completed and a number of partnerships have been established, the Group expects to grow video revenues significantly in 2018. This revenue will be less dependent on third parties than prior video advertising revenues were.

Continued growth of programmatic display revenue

The Group also expects to see continued growth of its programmatic display business. Through monetisation of existing partnerships and creation of new ones, the Group expects to be able to significantly scale revenue while maintaining its lower cost operations. As more non-programmatic buyers and sellers migrate to purely programmatic environments, the Group expects revenue per customer to increase dramatically. This enables optimisation of the Group's existing relationships and the ability to attract new buyers and sellers.

Growth of influencer marketing revenue

The Group brought in additional incremental revenue through this platform and further diversification of the Group's product and service offering. With Instagram influencers becoming extremely popular, new marketing channels for advertisers and platform efficiencies are required to scale this new form of media. IconicReach, engageBDR's Instagram influencer self-serve platform, is focused on being the largest marketplace focused on advertiser-supplied creative, creating a scalable and efficient revenue stream for micro-and influencers with large audiences. The Group foresees significant opportunities that several thousand influencers and hundreds of brands will join the IconicReach platform in 2018.

The Board wants to thank those shareholders who participated in the Company's successful significantly oversubscribed IPO and more recently is extremely confident of the Group's continued progress as it moves more of its business to the significantly more efficient, scalable and higher margin programmatic format.



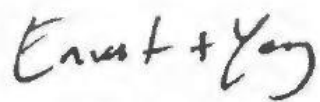
Ted Dhanik August 31, 2018

Auditor's Independence Declaration to the Directors of engage:BDR Limited

As lead auditor for the review of engage:BDR Limited for the half-year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) 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 financial period.



Ernst & Young



Don Grant
Partner

June 2018 Interim Condensed Financial Report

Consolidated Statement of Comprehensive Income for the half year ended 30 June 2018

	Notes	30/06/2018 AUD \$	30/06/2017 AUD \$
Revenue from contracts with customers		6,083,466	7,546,485
Cost of sales		(3,584,391)	(4,706,853)
Gross profit		2,499,075	2,839,632
Other income	4	1,369,338	2,625,066
Employee and contractor costs		(2,971,295)	(2,463,673)
Operations and administration expense	6	(2,286,619)	(2,447,780)
Depreciation and amortisation		(1,122,708)	(1,303,561)
Advertising and marketing expense		(224,546)	(139,047)
Finance costs	7	(179,311)	(386,860)
Other expenses		(60,076)	(4,729)
Impairment loss	8	(1,249,784)	-
(Loss) before income tax		(4,225,926)	(1,280,952)
Income tax (expense)		(519)	(530)
(Loss) after tax from continuing operations		(4,226,445)	(1,281,482)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(383,357)	555,711
Equity investment reserve		(376,090)	(19,932)
Total Comprehensive (loss) for the period attributable to the owners		(4,985,892)	(745,703)

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:	30/06/2018 AUD \$	30/06/2017 AUD \$
Continuing operations:		
Basic earnings (loss) per share	(0.02)	(0.01)
Diluted earnings (loss) per share	(0.02)	(0.01)

June 2018 Interim Condensed Financial Report

Consolidated Statement of Financial Position at 30 June 2018

	Notes	30/06/2018 AUD \$	31/12/2017 AUD \$
ASSETS			
Current assets			
Cash and cash equivalents	9(a)	1,529,912	7,274,894
Trade and other receivables	10	3,051,737	2,878,438
Prepaid expenses		399,331	558,789
Related party receivables	14	2,631,913	2,277,582
Investments in equity instruments	15	42,782	366,838
		7,655,675	13,356,541
Non-current assets			
Property, plant & equipment		474,413	735,405
Intangible assets	8	2,203,019	3,973,760
Investments in equity instruments	15	242,430	300,140
		2,919,862	5,009,305
Total assets		10,575,537	18,365,846
EQUITY & LIABILITIES			
Current liabilities			
Trade and other payables	13	10,164,673	14,157,323
Employee liabilities		87,573	85,409
Lease liability	12(a)	285,921	391,231
Borrowings	9	1,527,284	2,753,107
		12,065,451	17,387,070
Non-current liabilities			
Trade and other payables	9	-	2,892
Lease liability	12(a)	159,039	279,789
		159,039	282,681
Total liabilities		12,224,490	17,669,751
Net Assets		(1,648,953)	696,095
Equity			
Share capital	11	18,306,438	15,665,594
Accumulated losses		(22,944,140)	(18,717,695)
Equity investment reserve		(376,090)	-
Share based payment reserve		3,533,918	3,533,918
Foreign currency translation reserve		(169,079)	214,278
Total equity		(1,648,953)	696,095

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

June 2018 Interim Condensed Financial Report

Consolidated Statement of changes in equity for the half year ended 30 June 2018

	Share based payment reserve <u>AUD \$</u>	Share Capital <u>AUD \$</u>	Accumulated Losses <u>AUD \$</u>	Foreign Currency Translation Reserve <u>AUD \$</u>	Equity investment reserve <u>AUD \$</u>	Total <u>AUD \$</u>
At 01 January 2017	-	1,178	(8,151,694)	(474,032)	-	(8,624,548)
Comprehensive loss for the year	-	-	(1,281,482)	-	-	(1,281,482)
Movement in foreign currency translation reserve	-	-	-	555,711	-	555,711
Movement in equity investment	-	-	-	-	(19,932)	(19,932)
At 30 June 2017	-	1,178	(9,433,176)	81,679	(19,932)	(9,370,251)
At 01 January 2018	3,533,918	15,665,594	(18,717,695)	214,278	-	696,095
Comprehensive loss for the period	-	-	(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)

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

June 2018 Interim Condensed Financial Report

Consolidated Statement of Cash Flows for the half year ended 30 June 2018

	Notes	30/06/2018 <u>AUD \$</u>	30/06/2017 <u>AUD \$</u>
Cash flows from operating activities			
(Loss) after tax from continuing operations		(4,226,445)	(1,281,482)
- Finance costs	7	179,311	386,860
<i>Adjustments for non-cash income and expenses:</i>			
- Depreciation		182,089	270,581
- Amortisation		940,619	1,032,980
- Gain on de-recognition of investment in associate		-	(2,471,213)
- Impairment expense		1,249,784	-
- Re-measurement of payables		(758,568)	-
- Interest income not received		(31,619)	-
- Release of deferred income		(574,564)	-
Foreign exchange		31,426	-
<i>Changes in operating assets and liabilities:</i>			
- (Increase) / Decrease in trade and other receivables		(173,299)	2,434,003
- Decrease / (Increase) in prepayments		159,458	134,114
- Increase / (Decrease) in trade and other payables		(3,234,02)	878,348
- Increase / (Decrease) in factoring liability		(153,673)	(1,321,869)
Cash (used in) operations		(6,409,563)	62,322
Interest paid		(179,311)	(56,274)
Net cash from / (used in) operating activities		(6,588,874)	6,048
 Cash flows from investing activities			
Purchases of property, plant & equipment		(40,831)	(886)
Capitalised software development		(363,459)	(516,484)
Loans to related parties (shareholders)		(187,644)	(230,829)
Shareholder loan repayments received		-	-
Net cash from/(used) in investing activities		(591,934)	(748,199)
 Cash flows from financing activities			
Proceeds from capital raises		2,204,350	-
Cost of capital raise		(120,000)	-
Proceeds from loans		-	-
Repayment of finance leases		(424,971)	(344,087)
Net cash from / (used in) financing activities		1,659,379	(344,087)
 Net increase / (decrease) in cash and cash equivalents		(5,521,429)	(1,086,238)
Cash and cash equivalents at beginning of year	9	7,274,894	986,603
Effects of currency translation		(223,553)	183,786
Cash and cash equivalents at end of year	9	1,529,912	84,151

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 2018**

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 2018 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 2018 was authorised for issue by a resolution of the Directors on 31 August 2018.

(a) Business reorganisation

engage:BDR Limited was incorporated on 17 August 2017. On 14 December 2017, engage:BDR Limited completed the acquisition of engage:BDR LLC through a share sale and purchase agreement, which resulted in engage:BDR Limited becoming the ultimate parent of engage:BDR LLC. engage:BDR Limited was incorporated for the sole purpose of acquiring all of the shares of engage:BDR LLC. engage:BDR Limited has not conducted any business other than to be the holding company of engage:BDR LLC, with the legal acquisition of engage:BDR LLC being treated as a business re-organisation with the establishment of the new parent entity, engage:BDR Limited.

engage:BDR Limited's consolidated financial statements for the periods ended 30 June 2018, 31 December 2017, and 30 June 2017 are presented as the continuation of engage:BDR LLC operations and business.

2. Summary of significant accounting policies

(a) Basis of preparation

The interim condensed consolidated financial statements for the half year ended 30 June 2018 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 2017.

(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 \$4,409,776, negative operating cash flows of \$6,588,874, net liabilities of \$1,648,953 and an ending cash position of \$1,529,912 as at 30 June 2018.

During the half year ended 30 June 2018, the Group successfully raised a further \$2,204,350, before costs, from a share placement to sophisticated investors and share purchase plan to existing eligible shareholders. The funds received are being used to continue the

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platform integrations in the Group's programmatic business, the further development of the Iconic Reach influencer marketing business and for working capital.

The delay in the listing of the Group in 2017 placed significant constraints on the business in particularly for Q4 FY17, which flowed through into H1 2018 in terms of cash outflow particularly in Q1 2018 and which adversely impacted on both operating performance and cash flow.

The fair value of the Lottogopher Investment diminished \$376,088 from 31 December 2017.

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, diminished value of Investments and the adverse impact of the delayed IPO which impacted on H1 2018.

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 2018 through continued completion of planned integrations onto the group's programmatic advertising platform and growth of the Iconic Reach business;
- The ability of the Group to undertake additional debt, equity or hybrid capital raisings in the near term (for which the company has a proven track record having completed three equity raisings in the past 12 months);
- The Group's ability, if required, to seek the support from its founders and major shareholders for the further injection of capital;
- Its ability to exercise control over discretionary operational cash outflows;
- Repayment of unsecured related party loan receivables of \$2,631,913 by 30 June 2019 after a proportion of the founders shares are released from voluntary escrow; and
- The expected realisation of Investments in equity instruments to be realised on expiry of escrow restrictions (currently valued at \$285,212).

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.

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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 2017, except for the adoption of new standards as of 1 January 2018. 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 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*.

(a) AASB 15 *Revenue from Contracts with customers*

As from 1 January 2018, the Group has adopted AASB 15 in respect to Revenue Recognition. AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

The Group has applied the modified retrospective method of adoption with the date of initial application of 1 January 2018 and has elected to apply that method to all contracts that were not completed at the date of initial application. The impact of this new standard has been assessed by management and it has been determined the application of AASB 15 does not have a material impact on revenue recognition and therefore, there is no cumulative catch-up adjustment to be recognised at the date of initial application, being 1 January 2018, in the statement of change in equity, nor will there be any impact on the profit or loss for the six months ended 30 June 2018. Under this method of adoption, the comparative information in the financial report has not been restated and continues to be reported under AASB 118 and related Interpretations.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The Group complies with AASB 15 in that contract revenue is only recognised as revenue when all performance obligations under the enforceable contract have been satisfied by the Group. Performance obligations are satisfied when the customer has control of the good or service.

As from 1 January 2018, the Group has adopted AASB 15 in respect to Revenue Recognition. The Group recognizes revenue in accordance with the core principles of AASB 15.

The Group has applied the modified retrospective method of adoption and has elected to apply that method to all contracts that were not completed at the date of initial application. The impact of these new standards has been assessed by management and determined the application of the new standards does not have a material impact on the previous period financial statements therefore there will not be any disclosures that outline any impact to the comparative period and there will not be a cumulative catch-up adjustment that will be recognised in the statement of change in equity for the six months ending 30 June 2018. Under this method of initial application, disclosures for the comparative period in the notes to the financial report remain under the previous revenue recognition accounting requirements applicable to that period.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customers. The Group complies with AASB 15 in that contract income is only recognised as revenue when all obligations pursuant to that contract have been fulfilled by the Group.

Where a customer prepays any portion of a contract, the Group records such prepayments as a Deferred Income Liability. Prepayments are paid for approximately one month of contract cost in advance, with specific insertion orders allocated to a prepaid amount. These sums will not be recognised as revenue until all obligations pursuant to that insertion order contract have been fulfilled by the Group and approved by the counterparty. The amounts received upfront are not refundable.

All contracts with customers are standardised and satisfy the criteria of transaction approval, identification of each party's rights, payment terms, commercial substance, and probable collection based on the customer's ability and intention to pay.

There are no material contracts with customers where there are multiple goods or services promised in which they are distinct and separable in both context and considering other readily available resources.

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The Group does not offer variable pricing, no significant financing portion, no non-cash consideration, no return rights, and no material lag between collection of monies and delivery of service.

The Group does not offer bundled pricing on services provided separately where delivery and settlement is not consistent.

The Group does not offer customized goods, receive refundable upfront fees, nor have arrangements where performance obligations are settled over an extended period of time rather than a point in time.

(b) AASB 9 Financial Instruments

AASB 9 replaces AASB 139: Financial Instruments: Recognition and Measurement ('AASB 139') for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The impacts of which has been disclosed in the respective notes to the financial statements.

Classification and measurement

Except for certain trade receivables, under AASB 9, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

Other financial assets are classified and subsequently measured, as follows:

- *Equity instruments* at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its quoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under AASB 9. Under AASB 139, the Group's quoted equity instruments were classified as AFS financial assets.

The accounting for the Group's financial liabilities remains largely the same as it was under AASB 139. Similar to the requirements of AASB 139, AASB 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under AASB 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by AASB 139.

Impairment

The adoption of AASB 9 has included a review of the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward looking expected credit loss ('ECL') approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The Group has applied AASB 9 prospectively.

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.

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4. Gain on de-recognition of investment in associate and other income

	30/06/2018	30/06/2017
	AUD \$	AUD \$
Gain on de-recognition of investment in associate ^[1]	-	2,471,213
Finance income	31,619	37,732
Re-measurement of payables ^[2]	758,568	-
Release of deferred income on forfeiture ^[3]	574,564	-
Other income	4,587	116,121
Total other income	1,369,338	2,625,066

^[1] During the half-year ended 30 June 2017, the group recognised a gain of \$2,471,213 as other income related to the de-recognition of its previous investment in an associate upon the recognition of equity instruments held in Lottogopher Holdings Inc., an entity which was publicly listed in May 2017 on the Canadian Stock Exchange. The Group previously held an equity investment in the trading operations of an associated entity of Lottogopher Holdings Inc., which was accounted for using the equity method due to having significant influence over the entity. On completion of the Initial Public Offering in May 2017, the investment held was converted into equity shares of Lottogopher on the Canadian Stock Exchange, with the gain of \$2,471,213 representing the fair value re-measurement of the previous equity accounted investment on receipt of equity by the Group.

^[2] Per Group policy, payables are remeasured on a regular basis to adjust for invalid traffic.

^[3] 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 2018	AUD \$	AUD \$	AUD \$
Revenue from external customers	5,321,574	761,892	6,083,466

Product Information	Programmatic	Non-programmatic	Consolidated
Period ended 30 June 2017	AUD \$	AUD \$	AUD \$
Revenue from external customers	4,146,879	3,399,606	7,546,485

Geographic Information	30/06/2018	30/06/2017
	AUD \$	AUD \$
Australia	354	1,818
United States of America	5,661,556	6,309,981
Other ^[1]	421,556	1,234,686
	6,083,466	7,546,485

^[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	30/06/2018	30/06/2017
	AUD \$	AUD \$
Customer A – Programmatic	4,836,275	2,346,633
Customer B – Programmatic & Non-Programmatic	-	1,044,331

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6. Significant operations and administration expenses

	30/06/2018	30/06/2017
	AUD \$	AUD \$
Technology infrastructure and software costs	289,323	745,910
Legal and accounting expense	663,592	383,386
Bad debt expense	387,061	418,285
Office and other rental expenditure	277,089	421,743
Other operations and administration expenses	143,448	300,783

7. Finance costs

	30/06/2018	30/06/2017
	AUD \$	AUD \$
Interest on financing arrangements	75,567	69,374
Interest on finance leases	11,685	10,765
Interest on credit line	81,162	244,257
Interest on corporate credit cards	10,897	62,464
Total finance costs	179,311	386,860

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8. Intangible assets

	Software development costs 30/06/2018 AUD \$	Non-compete clause 30/06/2018 AUD \$	Total 30/06/2018 AUD \$
Cost			
At 01 January	6,521,346	793,433	7,314,779
Additions	363,459	-	363,459
Impairment loss	(2,528,748)	(804,012)	(3,332,760)
Exchange difference	183,106	10,579	193,685
At period end	4,539,163	-	4,539,163
Accumulated amortization			
At 01 January	2,977,363	363,656	3,341,019
Amortisation for the year	806,617	134,002	940,619
Accumulated amortisation related to impaired asset	(1,580,468)	(502,508)	(2,082,976)
Exchange difference	132,632	4,850	137,482
At period end	2,336,144	-	2,336,144
Carrying amount	2,203,019	-	2,203,019
	31/12/2017	31/12/2017	31/12/2017
	AUD \$	AUD \$	AUD \$
Cost			
At 01 January	6,108,131	860,932	6,969,063
Additions	909,663	-	909,663
Exchange difference	(496,448)	(67,499)	(563,947)
At period end	6,521,346	793,433	7,314,779
Accumulated amortization			
At 01 January	1,429,973	107,616	1,537,590
Amortisation for the year	1,692,164	269,683	1,961,847
Exchange difference	(144,774)	(13,643)	(158,417)
At period end	2,977,363	363,656	3,341,019
Carrying amount	3,543,983	429,776	3,973,760

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 4 years, with a weighted average of 3 years (2017: 3 years). Impairment of capitalized software costs is considered at each reporting period.

At the half year, the Group completed a full review of its business and its operating model in the context of actual results not reflecting the previous market guidance issued. As part of this process, it was determined that based upon the performance of the myDiveo software asset in the period that an indicator of impairment was recognised and an impairment loss provision of \$1,249,784 was recorded against the carrying value of the relevant development costs and non-compete clause, bringing the asset value to \$nil. The review of the business did not identify any impairment of any remaining intangible assets following consideration of indicators of impairment under AASB 136. As at the half year ended 30 June 2018, the remaining intangible assets were determined to be deriving positive cash flows related to the identifiable intangible assets and will continue to be amortised in accordance with the group accounting policy.

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

As at 30 June 2018, the Group has \$1,529,912 (31 December 2017: \$7,274,894) classified as cash and cash equivalents.

(a) Financial arrangements

The Group had the following borrowing facilities at the end of the reporting period.

	Drawn		Undrawn		Total	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017
	AUD \$	AUD \$	AUD \$	AUD \$	AUD \$	AUD \$
Fixed rate						
Promissory notes	516,617 ^[1]	1,045,716 ^[1]	-	-	516,617 ^[1]	1,045,716 ^[1]
Convertible notes	-	543,051 ^[2]	4,798,991 ^{[2] [3]}	4,798,991 ^{[2] [3]}	4,798,991 ^{[2] [3]}	5,342,042 ^[2]
Total	516,617	1,588,767	4,798,991	4,798,991	5,315,608	6,387,758

^[1] Promissory note borrowings were issued between October and December 2016 with a maturity of 18 to 24 months. Interest is calculated at a simple interest rate of 7% and 12% (depending on the note terms).

^[2] Convertible note borrowings were drawn down between June and August 2016 with a maturity of 18 to 24 months. Interest is calculated at a simple interest rate of 7% per annum payable at maturity date. Face value of drawn portion is US\$385,000 (AU\$492,696). Face value of drawn funds and accumulated interest payable was converted and issued shares on 27 February 2018.

^[3] Undrawn portion of these convertible notes are funded at the approval of the lender. Total undrawn amount is US\$3,750,000 (AU\$4,798,991). The convertible note expires 18 November 2019.

(b) Maturities of financial liabilities

The following table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Refer note 12 for details of finance lease liabilities and their maturity profile.

	Less than 6 months	Between 6 to 12 months	Between 1 and 2 years	Between 2 and 3 years	Total contractual cash flows
30 June 2018	AUD \$	AUD \$	AUD \$	AUD \$	AUD \$
Trade and other payables	9,640,091	3,052	-	-	9,643,143
Credit card liabilities	521,530	-	-	-	521,530
Borrowings – Due to factor	1,010,667	-	-	-	1,010,667
Borrowings (principal) – Promissory notes ^[1]	516,617	-	-	-	516,617
Total financial liabilities	11,425,373	3,052	-	-	11,428,425

	Less than 6 months	Between 6 to 12 months	Between 1 and 2 years	Between 2 and 3 years	Total contractual cash flows
31 December 2017	AUD \$	AUD \$	AUD \$	AUD \$	AUD \$
Trade and other payables	13,155,767	-	2,892	-	13,158,659
Credit card liability	1,001,556	-	-	-	1,001,556
Borrowings – Due to factor	1,164,340	-	-	-	1,164,340
Borrowings (principal) – Promissory notes ^[1]	88,771	956,945	-	-	1,045,716
Borrowings (principal) – Convertible notes ^[2]	543,051	-	-	-	543,051
Total financial liabilities	15,953,485	956,945	2,892	-	16,913,322

^[1] Promissory notes to suppliers total \$516,617 (2017: \$1,045,716) all with a simple interest rate of 7% per annum paid monthly.

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^[2] Convertible note borrowings start between June and August 2016 with a maturity of 18 to 24 months. Interest is calculated at a simple interest rate of 7% per annum payable at maturity date. Amounts shown in the table above for 2017 represents the convertible note borrowing, which for 2017, has been split from the related embedded derivative liability.

(c) Fair values

The carrying values of the Group's financial assets and financial liabilities approximately equate their fair values due to the short term nature of the financial assets and liabilities as well as time to maturity from balance sheet date.

The only items where the carrying value differs from the fair value relates to the promissory and convertible notes and lease liabilities – which are different due to the interest rate applied to the financial instruments being different to that of a deemed market interest rate. This difference is shown in the table below:

	30/06/2018		31/12/2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	AUD \$	AUD \$	AUD \$	AUD \$
Financial liabilities				
Promissory notes	516,617	518,846	1,045,716	992,049
Convertible Notes	-	-	543,051	451,011
Lease liability	476,706	444,960	717,558	671,020
Total	993,323	963,806	2,306,325	2,204,080

10. Trade and other receivables

	30/06/2018	31/12/2017
	AUD \$	AUD \$
Trade debtors	3,051,737	2,878,438

(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 \$1,010,667 (December 2017: \$1,164,340). This arrangement has no expiration date with an interest rate of 8.25%.

	30/06/2018	31/12/2017
	AUD \$	AUD \$
Carrying amount of trade receivables transferred	1,010,667	1,164,340

(b) Current receivables

	30/06/2018	31/12/2017
	AUD \$	AUD \$
Current:		
Trade debtors	3,494,282	3,151,117
Less: Allowance for impairment	(539,740)	(340,655)
Net trade debtors	2,954,542	2,810,462
Other receivables	97,195	67,976
Total current receivables	3,051,737	2,878,438

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(c) Ageing of past due but not impaired

	30/06/2018	31/12/2017
	AUD \$	AUD \$
0 – 30 days	99,910	319,122
31 – 60 days	46,813	236,108
61 – 90 days	66,763	27,401
Over 91 days	821,905	539,574
Total ageing of past due but not impaired	1,035,391	1,122,205

The average age of the Group's trade receivables is 77 days (June 2017: 64days).

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

	30/06/2018	31/12/2017
	AUD \$	AUD \$
Balance at beginning of year	(340,655)	(225,752)
Impairment recognized during the year	(239,085)	(387,061)
Amounts written off as uncollectible	47,171	251,849
Exchange difference	(7,171)	20,309
Balance at the end of the year	(539,740)	(340,655)

(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

	30/06/2018	31/12/2017
	AUD \$	AUD \$
At 01 January	15,665,594	1,178
Shares issued during the year	2,640,845	15,664,416
At period end	18,306,439	15,665,594

	# shares	# shares
<i>Issued shares</i>		
At 01 January	249,699,958	108,550,000
Acquisition	-	100
Shares issued to employees in engage:BDR LLC	-	24,583,239
Shares issued on completion of the IPO in engage:BDR Limited	-	50,000,000
Share conversion on acquisition of engage:BDR LLC	-	66,566,619
Shares issued to convertible note holders – principal and interest ^[1]	2,745,721	-
Shares issued to convertible note holders – additional ^[1]	484,539	-
Shares issued during capital raise ^[2]	14,750,000	-
Share issued during Share Purchase Plan ^[3]	1,294,375	-
At period end	268,974,593	249,699,958

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^[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.

^[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.

12. Commitments for expenditure

(a) Finance lease commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery. Finance lease commitments are contracted in US Dollars. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	30/06/2018	31/12/2017
	AUD \$	AUD \$
Gross finance lease liabilities – minimum lease payments:		
Within 1 year	320,546	438,608
Later than 1 year and no later than 5 years	156,160	278,950
Total minimum lease payments	476,706	717,558
Less amounts representing finance charges	(30,483)	(47,454)
Exchange difference	(1,263)	916
Present value of minimum lease payments	444,960	671,020
<i>Current</i>	285,921	391,231
<i>Non-current</i>	159,039	279,789
Total lease liability	444,960	671,020

(b) Operating lease commitments

	30/06/2018	31/12/2017
	AUD \$	AUD \$
Within one year	330,769	584,965
Later than one year but not later than five years	62,096	153,422
	392,865	738,387

The Group leases offices under non-cancellable operating leases for periods ranging within one to five years, with rent payable monthly in advance. The leases have varying terms, escalation clauses and renewal rights. Rental provisions within the lease agreement provide for increase in the minimum lease payments as contracted. Operating lease commitments are contracted in US Dollars.

13. Trade and other payables

Current

	30/06/2018	31/12/2017
	AUD \$	AUD \$
Trade payables ^[1]	8,066,439	9,404,319
Credit card liabilities ^[2]	521,530	1,001,556
Accrued expenses ^[1]	762,779	1,625,293
Deferred income	325,871	876,389
Accrued payroll liabilities ^[3]	37,162	74,755
Bonus and commissions payable ^[3]	369,780	980,076
Accrued municipal tax	27,797	40,545
Deferred service costs ^[4]	53,315	154,390
	10,164,673	14,157,323

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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.

14. Related party disclosures

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

The Group has unsecured loans due from key management personnel and employees.

As at 30 June 2018, the loan receivable of \$2,631,913 is classified as a current receivable. The original repayment date was 30 June 2018 and a revised repayment date of 30 June 2019 was approved by a Board resolution on 23 August 2018. There were no other changes to terms and conditions.

(a) Loans to/from related parties

(i) Loans to key management personnel and employees

	30/06/2018	31/12/2017
	AUD \$	AUD \$
Loans to key management personnel and employees	2,631,913	2,277,582

(b) Terms and conditions

Loans to key management personnel are charged interest at a simple interest rate of 2.78% per annum (2016: 2.78%), calculated monthly. Further loans were advanced during the period. The loans are unsecured and repayable within 12 months of the period end, being 30 June 2019. The loan amounts outstanding are unsecured and will be settled in cash. 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.

15. Investments in equity instruments

The Group previously held an equity investment of 23.3% in Galaxy Group LA LLC ('Galaxy') which was accounted for using the equity method due to the Group having significant influence over that entity.

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On 23 May 2017, Lottogopher Holdings Inc., ('Lottogopher') a related entity of Galaxy, successfully completed an Initial Public Offering on the Canadian Stock Exchange. Lottogopher subsequently completed a reverse acquisition of Galaxy with the Group also holding a promissory note in Galaxy which was also converted into equity upon the successful listing of Lottogopher as at 23 May 2017, which resulted in a fair value gain of \$2,475,318 being recognised in the profit or loss in the year ended 31 December 2017 upon remeasurement of the investment to fair value. The Group continues to hold 6% of the shareholding of Lottogopher Inc post IPO as at 31 December 2017 and 30 June 2018.

Prior to the adoption of AASB 9 on 1 January 2018, the equity shares held in Lottogopher Holdings Inc. were considered to be an available for sale financial instrument that was recognised at fair value through other comprehensive income ("OCI"). Upon adoption of AASB 9, from the initial application date of 1 January 2018, this investment was designated as an equity investment at fair value through OCI. The fair value of these equity instruments is determined based on market observable values at each reporting date with fair value gains or losses being recognised in OCI. Accordingly, the fair value has been classified as a Level 1 input under the fair value hierarchy of AASB 13 *Fair Value Measurement* at these equity instruments are quoted on an active market.

As at 30 June 2018, the fair value of the investment of equity instruments was \$285,212.

Due to an existing contractual obligation, 15% of the shares held in Lottogopher Holdings Inc. from the date of its listing have been released from escrow or will be released from escrow within 12 months from the year end date and remaining 85% released at intervals which are greater than twelve months from the period end date. Accordingly, \$42,782 of the shares are recognised as a current investment in equity instruments asset and \$242,430 as a non-current investment in equity instruments asset.

16. Convertible loan notes

Between 6 June 2016 and 30 August 2016, the Group entered into convertible note agreements in the aggregate principal amount of US\$385,000 (AU\$534,611). Each note has a maturity of between 18 to 24 months, bears simple interest at the rate of 7.0% per annum, is unsecured and ranks pari passu with other unsecured debt obligations of the Group.

If, prior to maturity, the Group completes a financing or related financing of equity securities with aggregate gross proceeds of at least USD\$1,000,000 - a "Qualified Financing" ('QF') - not including through the conversion of these notes or similar convertible promissory notes, then, effective automatically upon the QF Closing Date, the entire unpaid portion of the Outstanding Amount as of the QF Closing Date shall be mandatorily converted into that number of shares of capital stock issued by the Group in the Qualified Financing (the "Qualified Financing Stock"). Following completion of the Initial Public Offering on 14 December 2017, the Qualified Financing condition was achieved.

As at 31 December 2017, the conversion of the notes and issuing of securities to note holders remained outstanding. Due to the existence of the additional feature within the note agreements the outstanding value of the notes remained classified as a liability and were not converted into equity (despite the mandatory conversion clause), with a current liability inclusive of face value and accrued interest of \$543,051 recognised as at 31 December 2017.

On 27 February 2018, the Group completed the issuance of new shares to the convertible note holders, resulting in 2,745,721 new shares being issued. The shares converted at a notional value of \$0.20 which is an increase from the initial contractual arrangement price of \$0.16 with note holders. This change in price was agreed with the note holders in return for modifying the terms of the additional review feature contained in the note agreements which has been valued separately below, with the arrangement resulting in additional equity to be issued to reflect the change in the conversion price. Upon issuance of the new shares on 27 February 2018 the convertible notes liability converted into equity.

On 15 June 2018, the six month review period of the additional review feature ended which resulted in the issuance of an additional 484,539 shares at the daily average share price of \$0.167.

17. Events occurring after the balance sheet date

Acquisition of AdCel LLC

The Group completed the acquisition of AdCel LLC on 30 July 2018 in which the Group provided consideration of \$3.515 million USD (\$4.744 million AUD) in fully paid ordinary shares in Engage:BDR Limited at an equivalent of AUD \$0.22 cents per share. Under the terms of the revised agreement, AdCel will no longer receive the \$1 million USD in cash consideration as foreshadowed in the original

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ASX Announcement about the proposed acquisition at the date of acquisition, with the initial consideration of \$3.515 million USD (\$4.744 million AUD) being settled in equity.

Per the terms of the sale and purchase agreement, the arrangement includes future consideration payable in \$USD cash to the vendors of AdCel based on the AdCel achieving specific financial performance hurdles. The first contingent cash consideration amount payable of \$1 million USD exists under terms if AdCel achieve revenue of \$1.75 million USD in the 12 month period to December 2018, with two further contingent cash consideration amounts payable of \$750,000 USD based on achieving revenue and gross margin of 30% in each of the 12 month periods to 31 December 2019 and 31 December 2020 respectively. An analysis of actual results January 2018 to July 2018 and forecast results August 2018 to December 2018 indicate AdCel will be short of this target for the period to 31 December 2018.

Extension of Related Party Loans

On the 23 August 2018, the Directors agreed to an extension of the related party loans with repayment now due on 30 June 2019. 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.

Directors' Declaration for the period ended 30 June 2018

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 2018 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.
- (c) The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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

On behalf of the Board



T Dhanik
Director
Los Angeles
31 August 2018

Independent Auditor's Review Report to the Members of engage:BDR Limited

Report on the Half-Year Financial Report

Qualified Conclusion

We have reviewed the accompanying interim condensed financial report of engage:BDR Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Except for the effect, if any, on the financial report that may result from the qualification in the *Basis for Qualified Conclusion* paragraph, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Qualified Conclusion

Adoption of AASB 9 *Financial Instruments*

For the half year ended 30 June 2018, AASB 9 *Financial Instruments* is effective from 1 January 2018. The Group has not applied this accounting standard nor applied the appropriate disclosures in the condensed interim financial report. Accordingly we have been unable to obtain sufficient appropriate evidence as to whether the recognised provision for doubtful debts has been determined in accordance with the requirements of AASB 9.

Measurement and classification of related party loans receivable

As at 30 June 2018, unsecured related party loan receivables amount to \$2.6m which are classified as current. As disclosed in note 14, on 23 August 2018 the Board approved an extension to the maturity of these loans such that they are now scheduled to be repaid on 30 June 2019 (previously due 30 June 2018). We have been unable to obtain sufficient appropriate evidence to assess the terms of these loans, and therefore unable to assess the collectability, classification and valuation of these loans at 30 June 2018.

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without qualifying our conclusion we draw attention to Note 2(b) in the interim condensed financial report which describes matters relating to the Group's ability to continue as a going concern and in particular the dependence on successful completion of a fundraising in the near term. These matters indicate that a material uncertainty exists that may cast significant doubt on 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. The interim condensed financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

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.

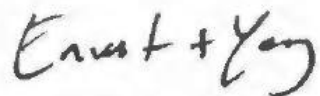
Auditor's Responsibility

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, anything has come to our attention that causes us to 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 consolidated financial position as at 30 June 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

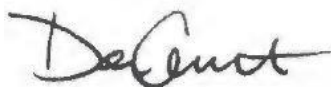
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Don Grant
Partner
Melbourne
31 August 2018