

31 October 2018

ASX ANNOUNCEMENT

Appendix 4C Commentary EN1 Achieves \$12.7M Reduction in Liabilities and 52% Year on Year Reduction in Operating Expenses

Highlights

- ❖ Total liabilities reduced by \$12.76m from IPO prospectus balance sheet
- ❖ Q4 2018 operating expenses expected to be \$1.4m or 52% lower than Q4 2017
- ❖ The Company is in the final stages of negotiating new financing
- ❖ Q3 net cash used in operating activities improved significantly over previous quarter by \$1m or 43%
- ❖ Q3 cash receipts increased 11% or \$300,000 over previous quarter

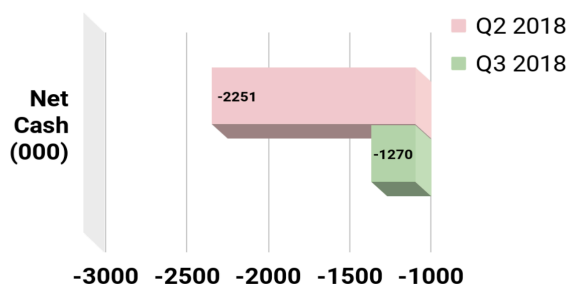
engage:BDR (“engage:BDR or Company”) (ASX:EN1 and EN10) is pleased to provide its Appendix 4C, Q3 Quarterly Cash Flow Report for the quarter ended 30 September 2018.

In addition to the Appendix 4C Quarterly Cash Flow Report, the Company is providing the following commentary on its Q3 2018 financial results to give investors a better understanding of the Company’s trading activities, its quarterly progress, and the nature of the Company’s advertising business. Additionally, the Company is pleased to briefly discuss imminent funding.

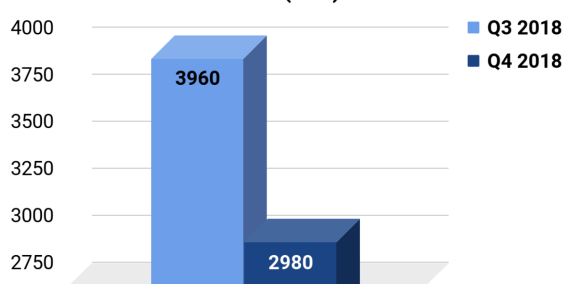
Cash Flow Improvement

Net cash used in operating activities was reduced by approx. \$1m or 43% in Q3 over that achieved in Q2 2018.

Net Cash



Estimated Cash Outflows (000)



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Consolidated statement of cash flows		Q2 2018 \$AUD	Q3 2018 \$AUD
1. Cash flows from operating activities			
1.1 Receipts from customers		2,619,158	2,913,924
1.2 Payments for			
(a) research and development		(155,394)	(154,210)
(b) product manufacturing and operating costs		(1,836,893)	(1,090,382)
(c) advertising and marketing		(46,363)	(12,707)
(d) leased assets		(192,826)	(124,697)
(e) staff costs		(1,499,138)	(1,410,888)
(f) administration and corporate costs		(1,079,238)	(1,326,711)
1.3 Dividends received (see note 3)			
1.4 Interest received			
1.5 Interest and other costs of finance paid		(60,595)	(64,431)
1.6 Income taxes paid			
1.7 Government grants and tax incentives			
1.8 Other (provide details if material)			
1.9 Net cash from / (used in) operating activities		(2,251,289)	(1,270,102)
9. Estimated cash outflows for next quarter		Q3 2018 \$AUD	Q4 2018 \$AUD
9.1 Research and development		160,000	150,000
9.2 Product manufacturing and operating costs		1,800,000	1,500,000
9.3 Advertising and marketing		50,000	15,000
9.4 Leased assets		100,000	90,000
9.5 Staff costs		1,100,000	575,000
9.6 Administration and corporate costs		750,000	650,000
9.7 Other (provide details if material)			
9.8 Total estimated cash outflows		3,960,000	2,980,000

The Company expects more reductions across all operating expense categories, to about 52% less, year over year, for Q4 2018.

Explanation of Cash Balance and Daily Fluctuation

The Company historically experiences the lowest cash balances on the last day of every calendar month. As the Appendix 4C states the cash balance on the last day of a month, it may not always accurately reflect the Company's true position, as collections and draws

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from the existing financing facilities are significantly stronger in the middle of the month. Invoice collections and factoring happen on a daily basis, and the Company only draws what it needs. In addition, the **Appendix 4C does not record anticipated revenue earned during the quarter.**

Q4 each year is usually the strongest quarter for the Company and the significantly greater revenues generally earned during that quarter will be used for pre-payments for advertising inventory to publishers to enable the Company to increase revenues during the quarter.

Financing

The Company continues to have in place its \$6,921,220 receivables facility as at 30 September this facility is drawn down to \$887,447.

The Company is in the final stages of negotiating additional financing on favorable terms. It expects to be in a position to draw down the first of these funds during November 2018.

8. Financing facilities available

Add notes as necessary for an understanding of the position

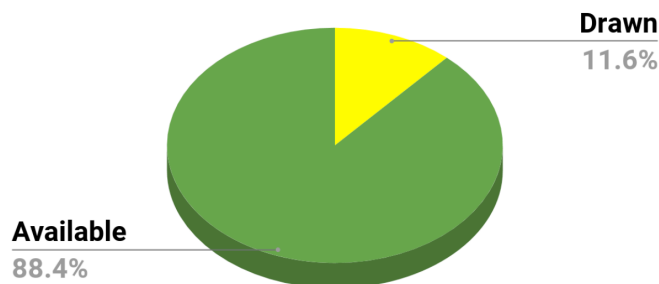
8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

Total facility amount at quarter end \$AUD	Amount drawn at quarter end \$AUD
6,921,220	887,447

Existing Facility



Significant Operating Expense Improvements

The Company has deployed its artificial intelligence and machine learning technologies to automate more of the business. In the corresponding period in Q4 2017, the Company had expenses of \$2.67m. In Q4 2018 this is forecasted to be reduced to approx. \$1.27m, a \$1.4m or approx. 52% reduction on the Q4 2017 result.

The Company's ongoing overall quarterly operating expenses have been reduced by approx. \$1.0m or 42% when compared with Q1 2018. The largest area of savings has been in

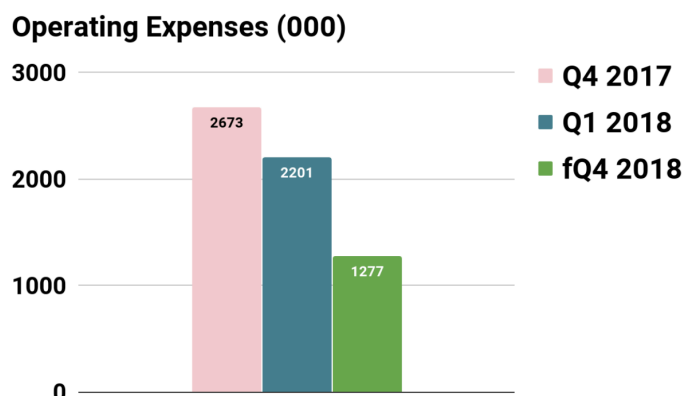
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employee and contractor costs, which have accounted for approx. \$0.9m or 68% of the savings. The automation and deployment of the Company's artificial intelligence and machine learning technologies now enables the Company to operate the business with significantly fewer people and more automation. Additionally, executive compensation, tech infrastructure and all other core expense categories have been reduced since July 2018.

Below is a detailed comparison of fQ4 2018 Operating Expenses vs. Q4 2017 & Q1 2018:

	Q4 2017	Q4 2018 (forecast)	Reduction %
Employee and contractor costs	1,318,188	416,079	-68.44%
Operations and administrative expense	1,221,286	809,622	-33.71%
Advertising and marketing expense	28,424	51,840	82.38%
Other (expenses) / income	105,703	0	-100.00%
Total OpEx	2,673,601	1,277,541	-52.22%
	Q1 2018	Q4 2018 (forecast)	
Employee and contractor costs	1,118,578	416,079	-62.80%
Operations and administrative expense	970,618	809,622	-16.59%
Advertising and marketing expense	112,645	51,840	-53.98%
Total OpEx	2,201,842	1,277,541	-41.98%



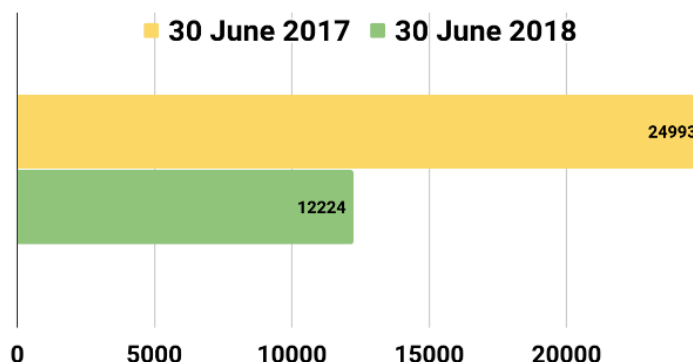
Total Liabilities Improvement

The Company's total liabilities recorded on its balance sheet as at 30 June 2018 compared to its IPO prospectus balance sheet shows that liabilities have been reduced by \$12.78m.

Below is a snapshot of the details in each liability category:

	30/06/2017	30/06/2018	Improvement	%
	AUD \$	AUD \$	AUD \$	
EQUITY & LIABILITIES				
Current liabilities				
Trade and other payables	12,974,227	10,164,673	2,809,554	22%
Employee liabilities	86,946	87,573	(627)	-1%
Lease liability	393,231	285,921	107,310	27%
Borrowings	2,722,153	1,527,284	1,194,869	44%
Embedded derivative	100,450	-	100,450	100%
Other Financial Liability	7,067,440	-	7,067,440	100%
	23,344,447	12,065,451	11,278,996	48%
Non-current liabilities				
Borrowings	1,150,885	-	1,150,885	100%
Trade and other payables	45,892	-	45,892	100%
Embedded derivative	34,926	-	34,926	100%
Lease liability	417,187	159,039	258,148	62%
	1,648,890	159,039	1,489,851	90%
Total liabilities	24,993,337	12,224,490	12,768,847	51%

Total Liabilities (000)



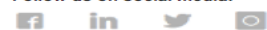
On behalf of the Board
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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

engage:BDR Limited

ABN

621 160 585

Quarter ended ("current quarter")

30/09/2018

Consolidated statement of cash flows	Q3 2018 \$AUD	Year to date (9 months) \$AUD
1. Cash flows from operating activities		
1.1 Receipts from customers	2,913,924	8,597,342
1.2 Payments for		
(a) research and development	(154,210)	(508,462)
(b) product manufacturing and operating costs	(1,090,382)	(7,046,601)
(c) advertising and marketing	(12,707)	(210,595)
(d) leased assets	(124,697)	(491,116)
(e) staff costs	(1,410,888)	(4,834,247)
(f) administration and corporate costs	(1,326,711)	(4,491,451)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(64,431)	(202,256)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,270,102)	(9,187,386)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Q3 2018 \$AUD	Year to date (9 months) \$AUD
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	0	0

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		2,204,350
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		143,000
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	2,061,350

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,562,087	7,443,436
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,270,102)	(9,187,386)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	0
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	2,061,350

Consolidated statement of cash flows		Q3 2018 \$AUD	Year to date (9 months) \$AUD
4.5	Effect of movement in exchange rates on cash held	31,386	5,971
4.6	Cash and cash equivalents at end of quarter	323,371	323,371

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$AUD	Previous quarter \$AUD
5.1	Bank balances	323,371	1,562,087
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	323,371	1,562,087

6.	Payments to directors of the entity and their associates	Current quarter \$AUD
6.1	Aggregate amount of payments to these parties included in item 1.2	(139,778)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7.	Payments to related entities of the entity and their associates	Current quarter \$AUD
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$AUD	Amount drawn at quarter end \$AUD
8.1 Loan facilities	6,921,220	887,447
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan facility is actually a cash enhancement activity known as factoring. Advances are recorded against certain receivables balances which are factored under this facility. The credit risk associated with the transfer of trade receivables are retained with the Company.

9. Estimated cash outflows for next quarter	\$AUD
9.1 Research and development	150,000
9.2 Product manufacturing and operating costs	1,500,000
9.3 Advertising and marketing	15,000
9.4 Leased assets	90,000
9.5 Staff costs	575,000
9.6 Administration and corporate costs	650,000
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	2,980,000

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

Compliance statement

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

Sign here:  Date: 30/10/18
(Director/Company secretary)

Print name: Ted Dhanik
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Notes

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