engage:BDR Limited ACN 621 160 585

PUBLICLY TRADED ON THE ASX: EN1

28 February 2019

ASX ANNOUNCEMENT

EN1 Programmatic Revenue Increased 13% in 2018
Appendix 4E and Commentary

Highlights

- Revenue for 2018 was AUD$11.44m
- nEBITDA for 2018 was (AUD$726k)
- Programmatic ad revenue grew 13% in 2018 from 2017
- Operating loss after deduction of non-cash items was (AUD$4.75m)
- Total staff costs reduced 33% between 2018 & 2017
- Operating expenses decreased by about 10% from 2017 to 2018
- EN1 has integrated over 10 new programmatic customers in 2019
- Net liabilities improved by over AUD$4M between 2018 and 2017

engage:BDR ("EN1 or Company") (ASX:EN1 and EN1O) is pleased to present its financial information for the 2018 calendar year.

The table below highlights loss before taxes, EBITDA and normalised EBITDA with their respective items; detailed explanations are below.

Loss Before Taxes	-$8,926,098	Asset Impairment	$1,802,212
Depreciation & Amortisation	$2,373,303	Professional & Legal Costs	$1,173,069
Finance Costs	$362,681	Operations, Admin & Payroll	$2,489,247
EBITDA	-$6,190,114	**normalised EBITDA**	**-$725,586**

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Non-cash Items

Depreciation and Amortisation

Depreciation and amortisation are typically higher for software businesses like EN1, as it depreciates its intangible and tangible assets over time (software and servers). In 2018, EN1 **depreciated intangible assets, tangible assets and amortisation AUD$2.37m**.

There is significant benefit for EN1 to have its own servers vs. using cloud-based computing. Management's analysis determined that the Company would pay nearly 10x its infrastructure costs if it moved to the cloud. EN1 benefitted from management's experience at MySpace, when it was the largest site on the Internet; MySpace was forced to build its own server infrastructure and EN1 replicated this concept in 2009 at its launch and has saved millions of dollars every year, since.

The servers are being depreciated based on their lease terms (3-5 years), not their useful life. Once fully depreciated, the servers have an additional 3-5 years of useful life, without incurring additional amortisation costs.

Asset Impairment

EN1 experienced **intangible asset impairment of AUD$1.29m in 2018**. This impairment was related to previously capitalised technology and was a non-cash item. Additionally, EN1 experienced further asset impairment related to an equity investment it holds of another public company of AUD$511k.

Total non-cash items in 2018 for EN1 were AUD$4.17m

EBITDA vs Loss Before Tax

EN1's EBITDA in 2018 was (AUD$6.1m). The key differences between EN1's EBITDA and loss before tax figures are directly related to interest expenses, depreciation and amortisation, which was AUD$2.74m for 2018. The interest expense portion for 2018 was AUD$362k, and related to the Company's factoring facility, which it currently has a capacity of USD$5m, but average monthly usage has been about USD$1m.

nEBITDA vs. EBITDA

EN1's normalised EBITDA for 2018 was (AUD$726k). The key differences between the two figures is the removal of extraordinary and one-time, non-recurring items. The items were asset impairment (non-cash) of AUD$1.8m, extraordinary professional services and legal costs AUD$1.17m, and non-recurring administrative and payroll costs AUD$2.49m.

Cash Balance

As announced on 31 January 2019 (4C), the Company usually experiences its lowest cash balance at the end of each month, due to collections and factoring, and as a result, the balance was AUD$320k. Since then, EN1 is off to a promising start in 2019. In January, the Company concluded capital raises of approximately $1.8M AUD, which will be used to activate more publishers and increase revenue for Q1 2018 and beyond. In addition, the integrations that continue to enter the Company's platform contribute to revenue growth and increased margins, which contribute to the Company's profitability. Additionally, EN1 has about USD$5.8m available in its debt facility, and about USD$4m on its factoring facility.

Significant Cost Reductions

The Company successfully implemented several cost-saving measures to reduce operating expenses. EN1 was able to achieve the following:

- Total staff costs decreased 33% in 2018 from 2017, and are expected to be 25% less in 2019

- Operating and administrative expenses (including tech infrastructure) reduced about 10% from 2018 and 2017 and are expected to reduce another 25% in 2019

2019 Accomplishments to Goals

On 11 February 2019, EN1 announced the Strategic Plan and Key Milestones for 2019. Within this plan, EN1 committed to achieve specific milestones within certain timeframes. Below are goals committed for Q1 and Q2:

- Target: 6-8 programmatic integrations per quarter
- EN1 has achieved over 10 integrations so far in Q1, to date

- Target: Reduce office lease expense by 70% by Q2
- EN1 has moved to a new office as of last week, reducing lease by 70%

- Target: Reduce tech infrastructure and other operating expenses by a further 25% by the end of 2019
- EN1 is tracking ahead of schedule with regards to these reductions and will update the market shortly about exciting news in this category

- Target: IconicReach to sign 3-4 new brand deals per quarter & approx. 2500 new influencers
- EN1 is tracking to achieve these goals on time and will update the market with these developments shortly

- Targets: AdCel has goaled to board 25 new publishers per quarter, release automated monetisation tools for publishers, deploy the engage:BDR exchange integration into their SDK and integrate VR ads into their SDK by Q2
- AdCel is tracking ahead of schedule on all of these fronts; EN1 will update the market shortly on the status of these goals

Integrations

Integrations are strong key performance indicators (KPIs) to forecast the Company's future profitability. To date, the Company has boarded over 175 integrations, including ***ten new programmatic integrations in the first two months of 2019***. The revenue potential for some of these integrations alone is approximately USD $100,000 per day, as announced previously.

Key integrations in 2019 thus far include; Acuity, ThirdPresence, Unity, BidSwitch, Appodeal, Mobikok, Showcase Ads, FreeWheel, MobFox and Chalk Digital.

When AdCel was acquired by the Company in 2018, it brought 40+ buyer integrations which are making their way onto the engage:BDR exchange. Over 2019, the market can expect to see more AdCel customers joining the platform and contributing to revenue growth every month.

Significant New Growth Prospects

EN1 is currently evaluating advertising opportunities with the programmatic and influencer marketing ecosystems for the cannabis industries. The Company will make further announcements to the market when the development resources for this project are deployed.

As cannabis-based products begin to trend around the world, business and marketing efforts for cannabis, cannabidiol (CBD) and cannabis food products are rapidly growing. Recently, cannabis and CBD have also made their way into beauty and skin care products, expanding the traditional portfolio of marketable customers to include women.

Traditional online banner advertising on Google is not a viable option for the cannabis industry, since the product is not yet legalised at the national level. This, however, enables a thriving cannabis advertising community to take root on other channels, like Facebook, Twitter, Pinterest, Instagram and among social media influencers and select app and web publishers.

The cannabis industry is an emerging area of interest for markets and advertisers with significant potential. EN1 sees an immediate, large-scale opportunity which would substantially increase revenue and expands advertising reach, leveraging technology and expertise it already has.

Thank you; for questions, please email info@EN1.com

On behalf of the Board
Ted Dhanik
Co-Founder and Executive Chairman

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ENGAGE BDR LIMITED (ABN 621 160 585)
RESULTS FOR ANNOUNCEMENT TO THE MARKET

Appendix 4E – Preliminary final report

Details of the reporting period and the previous corresponding period.

Reporting period	Financial year ended	**31 December 2018**
Previous corresponding period	Financial year ended	**31 December 2017**

The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities (Appendix 4E item 2.1)

Revenue from ordinary activities	$	**11,443,935**
Previous corresponding period	$	**13,135,970**
Percentage change up or down from the previous corresponding period of revenue from ordinary activities	%	**(13%)**

The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members (Appendix 4E item 2.2)

Loss from ordinary activities after tax	$	**(8,927,169)**
Previous corresponding period	$	**(10,566,001)**
Percentage change up or down from the previous corresponding period of loss from ordinary activities after tax attributable to members	%	**16%**

The amount and percentage change up or down from the previous corresponding perod of net profit (loss) for the period attributable to members (Appendix 4E item 2.3)

Loss attributable to members	$	**(9,402,970)**
Previous corresponding period	$	**(9,877,691)**
Percentage change up or down from the previous corresponding period of net loss for the period attributable to members	%	**5%**

The amount per security and franked amount per security of final and interim dividends or a statement that is not proposed to pay dividends (Appendix 4E items 2.4 and 2.5)

No dividends proposed relating to the reporting period

Net tangible assets per security with the comparative figure for the previous corresponding period

Report period	cents	**(0.029)**
Previous corresponding period	cents	**(0.013)**

Explanation of income (Appendix 4E item 2.6)

Revenue by principal activity

Engage BDR Limited derives revenue from two principal activities:

1. Programmatic sales – comprised of proprietary technologies which allow for dynamic purchase and sale of digital advertising space while able to execute in real-time and automate traditionally labor intensive tasks.

2. Non-programmatic sales – comprised of advertising services utilizing non-programmatic methods of buying and selling digital advertising space through a more traditional approach of insertion orders.

The strategic importance, growth potential, and growth trajectory of the Group's two principal revenue activities caries, with the contribution of Programmatic sales continuing to grow both in real terms and as a percentage of total revenue.

Principal Activity	Profile	FY18 Revenue	FY17 Revenue	YOY Growth Rate
Programmatic Sales	Dynamic, automated technologies, highly strategic, and key growth driver	9,899,459	8,793,033	13%
Non-Programmatic Sales	Complimentary to Programmatic sales, stand-alone	1,544,476	4,342,937	(64%)

Explanation of profit/(loss) from ordinary activities and net profit/(loss) after tax attributable to members (Appendix 4E item 2.6)

The current reporting period loss after tax of ($8,927,169) is a decrease to the loss of ($10,566,001) from the previous corresponding period.

Audited results

This report is based on the following financial statements that are subject to an ongoing independent audit as of the date of this report.

Signed:

Ted Dhanik
Executive Chairman

28 February 2019

2018 Unaudited Financial Statements

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	Notes	2018	2017
		AUD $	AUD $
Revenue	3	11,443,935	13,135,970
Cost of sales	4	(7,117,937)	(6,965,841)
Gross profit		4,325,998	6,170,129
Other income	5	2,888,028	258,678
Gain on de-recognition of investment in associate		-	2,475,318
Impairment loss on equity investment		(511,767)	(1,851,599)
Employee and contractor costs	6	(5,717,509)	(4,989,741)
Operations and administrative expense		(5,061,262)	(5,508,950)
Advertising and marketing expense		(269,667)	(214,831)
Finance costs		(362,681)	(981,538)
Other expenses		(553,490)	-
Share based payment expense (non-cash)	6	-	(3,437,070)
Impairment loss		(1,290,445)	-
Depreciation and amortisation		(2,373,303)	(2,485,353)
(Loss) before income tax		**(8,926,098)**	**(10,564,957)**
Income tax (expense)		(1,071)	(1,044)
(Loss) after tax from continuing operations		**(8,927,169)**	**(10,566,001)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(475,801)	688,310
Total Comprehensive (loss) for the year attributable to the owners		**(9,402,970)**	**(9,877,691)**

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:	**2018**	**2017**
	AUD $	AUD $
Continuing operations:		
Basic earnings (loss) per share	**(0.03)**	(0.07)
Diluted earnings (loss) per share	**(0.03)**	(0.07)

2018 Unaudited Financial Statements

Consolidated Statement of Financial Position at 31 December 2018

	Notes	2018 AUD $	2017 AUD $
ASSETS			
Current assets			
Cash and cash equivalents		320,276	7,274,894
Trade and other receivables		2,026,138	2,878,438
Prepaid expenses		213,907	558,789
Related party receivables		2,229,032	2,277,582
Investments in equity instruments		114,314	366,838
		4,903,667	13,356,541
Non-current assets			
Property, plant & equipment		219,298	735,405
Intangible assets		3,291,978	3,973,760
Goodwill		1,066,937	-
Investments in equity instruments		50,640	300,140
		4,628,853	5,009,305
Total assets		**9,532,520**	**18,365,846**
EQUITY & LIABILITIES			
Current liabilities			
Lease liability		292,285	391,231
Trade and other payables		10,574,503	14,157,323
Employee liabilities		52,410	85,409
Borrowings		2,598,440	2,753,107
		13,517,638	17,387,070
Non-current liabilities			
Trade and other payables		-	2,892
Lease liability		105,760	279,789
		105,760	282,681
Total liabilities		**13,623,398**	**17,669,751**
Net assets / (liabilities)		**(4,090,878)**	**696,095**
Equity			
Share capital	7	20,281,591	15,665,594
Accumulated losses		(27,644,864)	(18,717,695)
Share based reserve		3,533,918	3,533,918
Foreign currency translation reserve		(261,523)	214,278
Total equity/deficiency		**(4,090,878)**	**696,095**

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

2018 Unaudited Financial Statements

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

	Share based payment reserve AUD $	Share Capital AUD $	Accumulated Losses AUD $	Foreign Currency Translation Reserve AUD $	Total AUD $
At 01 January 2017	**-**	**1,178**	**(8,151,694)**	**(474,032)**	**(8,624,548)**
Comprehensive loss for the year	-	-	(10,566,001)	-	(10,566,001)
Movement in foreign currency translation reserve	-	-	-	688,310	688,310
Shares issued on completion of capital raise	-	10,000,000	-	-	10,000,000
Transaction costs	-	(1,274,159)	-	-	(1,274,159)
Reclass of Tiveo shares on IPO to equity	-	6,938,575	-	-	6,938,575
Share based payment reserves	3,533,918	-	-	-	3,533,918
At 31 December 2017	**3,533,918**	**15,665,594**	**(18,717,695)**	**214,278**	**696,095**
Comprehensive loss for the year	-	-	(8,927,169)	-	(8,927,169)
Movement in foreign currency translation reserve	-	-	-	(475,801)	(475,801)
Exercise of options	-	7,350	-	-	7,350
Shares issued conversion of notes	-	549,144	-	-	549,144
Shares issued on completion of capital raise	-	2,000,000	-	-	2,000,000
Transaction costs	-	(120,000)	-	-	(120,000)
Share issued on completion of Share Purchase Plan	-	204,350	-	-	204,350
Acquisition of AdCel LLC	-	1,975,153	-	-	1,975,153
At 31 December 2018	**3,533,918**	**20,281,591**	**(27,644,864)**	**(261,523)**	**(4,090,878)**

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

2018 Unaudited Financial Statements

Consolidated Statement of Cash Flows for the year ended 31 December 2018

	Notes	2018	2017
		AUD $	AUD $
Cash flows from operating activities			
Total comprehensive profit/(loss) for the year		(8,927,169)	(10,566,001)
- Finance costs		362,681	981,538
Adjustments for non-cash income and expenses:			
- Depreciation		527,385	523,508
- Amortisation		1,845,918	1,961,847
- Gain on de-recognition of investment in associate		-	(2,475,318)
- Impairment of MyDiveo Technology and Non-compete assets		1,290,445	-
- Impairment expense of investment		511,767	1,851,599
- Share based compensation		-	3,437,070
- Re-measurement of payables		(2,155,231)	-
- Forfeited client prepayments		(619,032)	(105,405)
- Interest income not received		(64,764)	(68,642)
Changes in operating assets and liabilities:			
- (Increase) / Decrease in trade and other receivables		788,169	3,818,666
- Decrease / (Increase) in factoring liability		115,609	(2,465,490)
- Increase / (Decrease) in prepayments		409,014	(115,845)
- Increase / (Decrease) in trade and other payables		(2,134,470)	2,397,260
Cash (used in) operations		**(8,049,678)**	**(825,213)**
Interest paid		(245,723)	(673,158)
Net cash from / (used in) operating activities		**(8,295,401)**	**(1,498,371)**
Cash flows from investing activities			
Purchases of property, plant & equipment		(42,910)	(872)
Capitalized software development		(585,277)	(909,664)
Loans to shareholders		(325,852)	(419,584)
Shareholder loan repayments received		-	654,552
Acquisition of subsidiary – cash acquired		62,544	-
Net cash from/(used) in investing activities		**(891,495)**	**(675,568)**
Cash flows from financing activities			
Proceeds from capital raise		2,211,700	10,000,000
Costs incurred in capital raise		(120,000)	(652,000)
Proceeds from loans		1,035,374	-
Repayment of loans		(87,138)	-
Repayment of finance leases		(693,846)	(814,974)
Net cash from financing activities		**2,346,090**	**8,533,026**
Net increase / (decrease) in cash and cash equivalents		(6,840,806)	6,359,087
Cash and cash equivalents at beginning of year		7,274,894	986,603
Effects of currency translation		(113,812)	(70,796)
Cash and cash equivalents at end of year		**320,276**	**7,274,894**

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

Notes to the Financial Statements
For the year ended 31 December 2018

1. Corporate information

The unaudited preliminary final report covers Engage BDR Limited, the parent, and its subsidiary Engage BDR LLC (collectively referred to as 'the Group' or 'Engage BDR'). Engage BDR Limited is incorporated in Australia and publicly traded on the Australian Securities Exchange (ASX) under stock ticker EN1. The financial statements are for the year ended 31 December 2018 and are presented in Australian Dollars (AUD).

(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 via a share exchange, which resulted in Engage BDR Limited becoming the ultimate parent of Engage BDR LLC. Engage BDR Limited was incorporated to acquire 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 reorganisation with the establishment of the new parent entity, Engage BDR Limited. Therefore the principles of business combination accounting and reverse accounting have not been applied, with the principle applied being that the Group is considered to be a continuation of Engage BDR LLC.

Engage BDR Limited's consolidated financial statements for the period ended 31 December 2018 and 31 December 2017 are presented as the continuation of Engage BDR LLC operations and business.

Engage BDR Limited is incorporated in Australia its registered office is:

Engage BDR Limited
Scottish House
Level 4, 90 William Street
Melbourne Victoria 3000
Australia

2. Summary of significant accounting policies

Except as described below, the principal accounting policies adopted in the preparation of these financial statements are the same as set out in the issued Prospectus for the year ended 31 December 2016. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) Statement of Compliance
The unaudited preliminary final report of Engage BDR Limited as at and for the year ended 31 December 2018 comprises the Company and its controlled entities (together referred to as the 'Group'). The unaudited preliminary final report does not include all the information presented within the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance and financial position of the Group. The unaudited preliminary final report has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards ('AASB's) adopted by the Australian Accounting Standards Board.

This unaudited preliminary final report is presented in Australian dollars and is prepared on a historical cost basis except for loans and receivables that are measured at amortised cost that are stated at fair value.

(ii) Historical cost convention
This unaudited preliminary final report is presented in Australian dollars and is prepared on a historical cost basis.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date it ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(c) Going concern

The annual report has been prepared on a going concern basis which takes into account the net current liabilities of $8,613,971 and net liability of $4,090,878 at 31 December 2018 and a cash position of $320,276.

During the period ended 31 December 2018, the company successfully raised $3,247,074 excluding costs through share issuances and loan facilities. The funds received will be used to provide working capital funds and allow investment in developing technologies including the integration of the programmatic business.

The Directors' consider the going concern basis to be appropriate giving consideration to:

- Forecast operating cash flows anticipated to be generated, including the ability to exercise control over discretionary operational outflows;
- Achieving the group's forecast revenue through delivery of integrations customers to the Group's platforms;
- Active management of existing customers to maintain existing cash flows; and
- Repayment of outstanding related party loans due fully secured and collateralized .

The company is forecasting to be cash generative within the future 12 month period.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of any allowances, duties and taxes paid.

Revenue is recognised for the major business activities as follows:

(i) Rendering of services

Engage BDR is an internet-based marketplace platform and associated technology solution provider. Engage BDR's proprietary technology is used to facilitate the sale of advertising inventory from digital publishers (websites and apps) to advertisers and their agents (brands, agencies and advertising platforms). The Group allows digital publishers to monetise their available advertising space by making the inventory available to multiple advertisers, as well as providing various technologies designed to help publishers create incremental streams of revenue. An example of this technology would be the Engage BDR's OutStream advertising unit, which allows publishers to sell space for video advertising on webpages that do not have video content.

Revenue is recognised on an accruals basis as and when the service has been provided to the customer. Revenue from the rendering of services can be recognized by reference to the stage of completion if the final outcome can be reliably estimated. This would be the case if:

(a) The amount of revenue can be measured reliably.
(b) It is probable that economic benefits associated with the transaction will flow to the seller.
(c) The stage of completion can be measured reliably.
(d) The costs incurred and the cost to complete can be measured reliably.

In recording revenue, the Group evaluates whether they are the principal (i.e., report revenues on a gross basis) or agent (i.e., report revenues on a net basis). The Group report the sales of advertising revenues for advertising inventory on a gross basis, that is, the amounts billed to our customers are recorded as revenues, and amounts paid to suppliers are recorded as cost of sales. Where we are the principal, we control the advertising inventory before it is transferred to our customers. Our control is evidenced by our sole ability to monetise the advertising inventory before it is transferred to our customers, and is further supported by us being primarily responsible to our customers and having a level of discretion in establishing pricing.

Where the Group receives payment for advertising campaigns up front and, at the reporting date, the underlying campaign is either ongoing or has not commenced, the portion that extends beyond the reporting period is not taken up as revenue, but rather recognised as unearned revenue in the Statement of Financial Position.

(ii) Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably. Interest revenue is measured using the effective interest method ("EIR"). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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 period ended 31 December 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 contacts 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 period ended 31 December 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 contacts 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.

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.

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. Revenue

	2018 AUD $	2017 AUD $
Rendering of services	11,443,935	13,135,970

4. Cost of sales

	2018 AUD $	2017 AUD $
Online media costs	7,115,049	6,916,723
Platform service fees[1]	-	46,785
Merchant banking fees	2,888	2,333
Total cost of sales	7,117,937	6,965,841

[1]Platform service fees are charged by third-party platforms used for programmatic purchase, sale, and delivery of digital media. Typically, the purchase and sale of media is charged as a percentage of the gross volume; the delivery of media is charged at a fixed rate.

5. Other income

	2018 AUD $	2017 AUD $
Finance income	66,604	68,667
Remeasurement of payables [1]	2,155,231	-
Release of deferred income on forfeiture [2]	619,032	-
Embedded derivative fair value movement	-	140,808
Other income	47,161	49,203
Total other income	**2,888,028**	**258,678**

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

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

6. Employee, contractor costs and share based payments

	2018 AUD $	2017 AUD $
Salary costs	5,429,687	4,701,903
Defined contribution plan (401(k))	39,054	46,195
Insurance costs (medical and worker's compensation)	248,768	241,643
	5,717,509	4,989,741
Share based compensation (non-cash) [1]	-	3,437,070
Total employee and contractor costs	5,717,509	8,426,811

[1] 24,583,239 shares at $0.13 were issued to employees on 26 August 2017 (AUD to USD exchange rate of 0.7943 at 26 August 2017). However, due to exchange rate differences, the amount presented above is higher (AUD to USD exchange rate was 0.7814 at 31 December 2017). This transaction was non-cash based.

7. Share capital

	2018 AUD $	2017 AUD $
At 01 January	15,620,190	1,178
Shares issued during the year	4,661,401	15,664,416
At 31 December	20,281,591	15,665,594
	# shares	**# shares**
Issued shares		
At 01 January	249,699,858	108,550,000
Acquisition [1] [2]	16,530,151	100
Shares issued to employees in engage:BDR LLC	-	24,583,239
Shares issued on completion of Initial Public Offering ('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 [3]	3,230,260	-
Shares issued during capital raise [4]	12,500,000	-

Shares issued for services related to capital raise in lieu of cash [5]	2,250,000	-
Shares issued during Share Purchase Plan [6]	1,294,375	-
Share issued as collateral for loan note [7]	3,100,000	
At 31 December	288,604,644	249,699,958

[1]The 100 shares were new shares issued following the incorporation of Engage BDR Limited in August 2017.

[2]The acquisition in 2018 are shares issued for AdCel LLC.

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

[4] A capital raise of $2,000,000 was completed on 11 May 2018 with 12,500,000 shares issued.

[5] Shares were issued for professional services in relation to the capital raise on 11 May 2018.

[6] A Share Purchase Plan to existing shareholders was closed on 06 June 2018 raising $204,350 with the issuance of 1,294,375 shares.

[7] Collateral was issued for a loan note that was replaced with convertible securities on 29 January 2019. See Note 8 for further detail.

8. 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 two-year term, bears nominal 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 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.

On 27 February 2018, the Company completed the issuance of new shares to the convertible note holders, resulting in 2,745,721 new shares being issued. The shares were issued at $0.20 which is an increase from the initial contractual arrangement price of $0.16 with note holders.

9. Business combinations

On 30 July 2018, the Group acquired 100% of the shares of AdCel LLC (‘AdCel’), a private company based in the United States of America, by issuing 16,530,151 shares of engage:BDR Limited common shares. AdCel operates partnerships with over 6,000 mobile applications enabling the Group greater access to advertising inventory. In addition to these partnerships, AdCel’s technology streamlines the process of showing advertisements in applications that are customized to fit the users’ personal interests while providing sophisticated data tracking.

Original consideration for the acquisition of AdCel was $1 million USD with the expectation that AdCel would reach $1.75 million USD in revenue (A$2.4 million). By late-July, the Group recognised that AdCel’s revenue would not reach original projections and decided to remove the cash consideration and subsequent negotiation with AdCel resulted in a $1 million USD earn-out provision instead which would be in the case of reaching the $1.75 million USD revenue goal.

AdCel did not achieve the goal of $1.75 million USD revenue.

10. Events after the balance sheet date

On 23 January 2019, the Company announced that it had received commitments from professional and sophisticated investors to raise $702,784 through the issue of 25,099,423 new full paid ordinary shares, with an issue price of $0.028 (2.8 cents) per share. The shares were issued on 25 January 2019.

On 29 January 2019, the Company held a General Meeting that approved the replacement of 750,000 loan notes for up to 750,000 convertible securities. This was required per the original convertible securities agreement that was able to fund the Group with $750,000 USD working capital on 20 November 2018 with an additional $750,000 USD at 20 May 2019. As at the date of the Company receiving shareholder approval, a total of US$125,000 of loan notes were repaid in cash. Collateral shares were also issued per the agreement.

On 30 January 2019 the Company issued 625,000 unlisted convertible notes, 1,900,000 fully paid ordinary shares and 8,676,093 unlisted options exercisable at $0.052 (5.2 cents) per option on or before 29 January 2022, in accordance with the Convertible Securities Agreement.

On 30 January 2019, the Company announced that it has agreed to an amendment to the previously executed Convertible Securities Agreement with an increase in the total potential amount to be raised being USD $5.875 million (approximately $8.2 million AUD) and the Company received a further $800,000 USD.

Subsequent to the issue of Convertible Notes, the Company has received conversion notices for 283,740 convertible notes and a total of 29,998,229 fully paid ordinary shares have been issued.