

**engage:BDR Limited**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:	engage:BDR Limited
ABN:	621 160 585
Reporting period:	For the half-year ended 30 June 2020
Previous period:	For the half-year ended 30 June 2019

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**2. Results for announcement to the market**

			\$
Revenues from ordinary activities	up	31.5% to	8,119,622
EBITDA Operating loss	up	127.3% to	(210,990)
Loss from ordinary activities after tax attributable to the owners of engage:BDR Limited	up	384.7% to	(4,296,276)
Loss for the half-year attributable to the owners of engage:BDR Limited	up	384.7% to	(4,296,276)

*Dividends*

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

*Comments*

The loss for the consolidated entity after providing for income tax amounted to \$4,296,276 (30 June 2019: \$886,315).

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**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(0.210)</u>	<u>(0.006)</u>

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**4. Control gained over entities**

Not applicable.

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**5. Loss of control over entities**

Not applicable.

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**6. Dividends**

*Current period*

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

*Previous period*

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

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## 7. Dividend reinvestment plans

Not applicable.

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## 8. Details of associates and joint venture entities

Not applicable.

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## 9. Foreign entities

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

engage:BDR LLC, Tiveo LLC and AdCel LLC are wholly owned subsidiaries of engage:BDR Limited. These entities are incorporated and domiciled in the US. Accounting standards have been consistently applied to these foreign entities.

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## 10. Audit qualification or review

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

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

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## 11. Attachments

*Details of attachments (if any):*

The Interim Report of engage:BDR Limited for the half-year ended 30 June 2020 is attached.

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## 12. Signed

Signed  \_\_\_\_\_

Ted Dhanik  
Executive Chairman

Date: 31 August 2020

**engage:BDR Limited**

**ABN 621 160 585**

**Interim Report - 30 June 2020**

**engage:BDR Limited**

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**30 June 2020**

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**engage:BDR Limited**  
**Corporate directory**  
**30 June 2020**

Directors	Mr Ted Dhanik Mr Kurtis Rintala Mr Tom Anderson Mr Darian Pizem Mr Robert Antulov
Company secretary	Ms Melanie Leydin
Registered office	Scottish House Level 4 90 William Street Melbourne Victoria 3000 Australia
Principal place of business	8439 W Sunset Boulevard Suite 302 West Hollywood California 90069 USA
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford, VIC 3067 Telephone: +61 3 9415 5000 Fax: +61 3 9473 2500
Auditor	William Buck Audit (Vic) Pty Ltd Level 20, 181 William Street Melbourne VIC 3000 Australia
Stock exchange listing	engage:BDR Limited securities are listed on the Australian Securities Exchange (ASX code: EN1 and EN1O).
Website	<a href="http://engagebdr.com">engagebdr.com</a>

**engage:BDR Limited**  
**Directors' report**  
**30 June 2020**

The Directors present their report, together with the 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 2020 (referred to hereafter as 'engage:BDR' or the 'Group').

**Directors**

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

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

**Principal activities**

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

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

**Dividends**

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

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$4,296,276 (30 June 2019: \$886,315).

**Programmatic display, native and video advertising sales**

The Group's Programmatic advertising sales includes selling display, native and video advertising inventory through the Group's digital auctioning technology to platforms and marketplaces. The adoption of programmatic display advertising sales has proven to be extremely successful in 2020 and opened additional revenue opportunities from the same 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 operating and gross profit margins.

The Group's proprietary programmatic technology 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 salespeople, individual RFP (request for proposal) and insertion orders. This behavioral change has made the marketplace much more efficient, significantly reducing the staff overhead required to sell advertising in the traditional way.

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 mobile or CTV app content 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 launched its social influencer marketing platform in 2017. It dedicated engineering and account management resources to further develop and refine its technology and client base in 2019. The Group brought in incremental revenue through this platform and further diversification of the Group's product and service offering. With Instagram influencers, TikTok, YouTube, Facebook and SnapChat becoming extremely popular, new marketing channels for advertisers and platform efficiencies are required to scale this new form of media. IconicReach, engage:BDR'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 macro influencers with large audiences. The Group has reallocated resources away from the IconicReach platform temporarily, due to COVID-19 and focus on higher revenue generating opportunities for 2020.

#### Mobile and Connected Television (CTV) App Ads

The Group expects to grow mobile and CTV app (AdCel) ad revenues significantly in 2020. This revenue is no longer dependent on third party technologies compared with prior mobile and CTV app advertising revenues because of the Group's acquisition of AdCel in 2018. As the supply and demand partnerships are integrated by the engineering teams, the revenue is expected to steadily grow throughout the year. AdCel is focused on boarding significant volumes of new app publishers, primarily through the Group's NetZero payments product, which enables publisher payments the same day the Group is invoiced.

#### Significant changes in the state of affairs

On 17 January 2020, the Company issued 26,975,464 fully paid ordinary shares at \$0.017 (1.7 cents) per share in accordance with the terms and conditions of the Convertible Securities Purchase Agreement (Agreement) with Alto Opportunity Master Fund SPC - Segregated Master Portfolio B (Alto).

The Company is required to issue replenishment Collateral Shares under the Agreement.

On 3 March 2020, the Company issued 30,420,738 replenishment fully paid ordinary shares at \$0.013 (1.3 cents) per share in accordance with the terms and conditions of the Agreement with Alto.

On 13 March 2020, the Company announced a further drawdown of a zero coupon convertible amortising security (ZCS) with a face value of US\$450,000 at an issue price of US\$382,500. The ZCS was issued to Alto pursuant to the Agreement. The ZCS is secured with a maturity of 31 May 2021.

The ZCS is convertible at the election of Alto at the rate of one fully paid ordinary share for every A\$0.35 (35 cents) of the face value converted, at the US\$/A\$ exchange rate published by the Reserve Bank of Australia on the day before the conversion.

On 1 April 2020, the Company issued 38,412,579 fully paid ordinary shares for settlement of outstanding creditor balances at a deemed issue price of \$0.017 (1.7 cents) per share.

On 1 April 2020, the Company issued 107,500,000 Performance Rights as approved in the General Meeting on 18 March 2020. The Performance Rights were issued in accordance with the Company's Options and Performance Rights Plan.

Furthermore, on 1 April 2020 the Company also issued 17,100,000 unlisted options as approved in the General Meeting on 18 March 2020. The options were split into three equal tranches with the following terms:

- Exercise price of \$0.0201, vesting upon issue, with an expiry of 3 years after date of issue;
- Exercise price of \$0.0217, vesting 12 months after issue, with an expiry of 3 years after date of issue; and
- Exercise price of \$0.0233, vesting 24 months after issue, with an expiry of 3 years after date of issue.

The options were issued in accordance with the Company's Options and Performance Rights Plan.

On 27 April 2020, the Company issued 82,000,000 ordinary shares with a nil issue price following achievement of performance hurdles and conversion of performance rights held by executive directors and employees of the Company.

On 7 May 2020, the Company issued 32,123,198 replenishment fully paid ordinary shares at \$0.01 (1 cent) per share in accordance with the terms and conditions of the Agreement with Alto.

**engage:BDR Limited**  
**Directors' report**  
**30 June 2020**

On 11 June 2020, the Company issued 40,423,775 replenishment fully paid ordinary shares at \$0.006 (0.6 cents) per share in accordance with the terms and conditions of the Agreement with Alto.

Furthermore, the Company also issued 30,000,000 fully paid ordinary shares for settlement of outstanding creditor balances at a deemed issue price of \$0.008 (0.8 cents) per share.

On 18 June 2020, the Company issued 38,259,130 replenishment fully paid ordinary shares at \$0.004 (0.4 cents) per share in accordance with the terms and conditions of the Agreement with Alto.

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

**Matters subsequent to the end of the financial half-year**

On 17 July 2020, the Company issued 57,730,441 fully paid ordinary shares at \$0.004 (0.4 cents) per share in accordance with the terms and conditions of the Convertible Securities Purchase Agreement (Agreement) with Alto Opportunity Master Fund SPC - Segregated Master Portfolio B (Alto).

The Company is required to issue replenishment Collateral Shares under the Agreement.

In addition, on 1 April 2020 the Company also issued 55,736,356 fully paid ordinary shares for settlement of outstanding creditor balances at a deemed issue price of \$0.008 (0.8 cents) per share.

On 28 July 2020, the Company issued 62,646,249 replenishment fully paid ordinary shares at \$0.004 (0.4 cents) per share in accordance with the terms and conditions of the Agreement with Alto.

In addition, on 28 July 2020 the Company also issued 61,939,034 fully paid ordinary shares for settlement of outstanding creditor balances at a deemed issue price of \$0.009 (0.9 cents) per share.

On 14 August 2020, the Company issued 293,921,246 fully paid ordinary shares at an issue price of \$0.0073 (0.73 cents) per share to professional and sophisticated investors in relation to the Placement as announced on 11 August 2020.

On 21 August 2020, the Company issued 80,318,305 replenishment fully paid ordinary shares at \$0.005 (0.5 cents) per share in accordance with the terms and conditions of the Agreement with Alto.

The impact of the COVID-19 pandemic is ongoing and, while the impact has not been financially negative for the consolidated entity up to 30 June 2020 and has created some potential growth opportunities, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the U.S. Government and other countries, such as maintaining social distancing, lockdowns, quarantine measures, travel restrictions and any economic stimulus that may be provided

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Auditor's independence declaration**

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

**Restatement of prior year comparative balances**

The settlement of amount owing to legacy creditors were previously disclosed as other income. This has been reclassified as an offset against cost of sales in 2020 financial half-year. As such, the settlement amount of \$941,590 were credited against cost of sales in the statement of profit or loss. The comparative numbers have been restated. \$1,213,615 was credited against cost of sales and a corresponding adjustment was made to other income.

**Rounding**

All values in the Directors' report have been rounded off the dollar (\$) in accordance with Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission.



**engage:BDR Limited**  
**Directors' report**  
**30 June 2020**

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



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Ted Dhanik  
Co-Founder and Executive Chairman

31 August 2020

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF ENGAGE:BDR LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2020 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

**William Buck Audit (Vic) Pty Ltd**

ABN: 59 116 151 136



**N. S. Benbow**

Director

Melbourne, 31 August 2020

**ACCOUNTANTS & ADVISORS**

Level 20, 181 William Street  
Melbourne VIC 3000

Telephone: +61 3 9824 8555

**williambuck.com**

**engage:BDR Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 30 June 2020**

	<b>Note</b>	<b>Consolidated</b> <b>30 June 2020</b> <b>\$</b>	<b>30 June 2019</b> <b>\$</b>
Revenue from contracts with customers	4	8,119,622	6,176,341
Cost of sales		(4,866,008)	(2,358,125)
		<u>3,253,614</u>	<u>3,818,216</u>
Other income		522,417	384,189
<b>Expenses</b>			
Employee and contractor costs		(1,375,610)	(1,352,044)
Operations and administration expense		(2,509,664)	(2,009,329)
Advertising and marketing expense		(91,299)	(31,038)
Other expenses		(10,448)	(38,156)
		<u>(210,990)</u>	<u>771,838</u>
<b>EBITDA Operating profit/(loss)</b>			
Depreciation and amortisation		(518,999)	(926,376)
Share based payment expense		(1,719,444)	(317,833)
Finance costs		(1,846,843)	(413,944)
		<u>(4,296,276)</u>	<u>(886,315)</u>
<b>Loss before income tax expense</b>			
Income tax expense		-	-
		<u>-</u>	<u>-</u>
<b>Loss after income tax expense for the half-year attributable to the owners of engage:BDR Limited</b>		(4,296,276)	(886,315)
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		-	(113,216)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		193,534	(115,136)
		<u>193,534</u>	<u>(228,352)</u>
Other comprehensive income for the half-year, net of tax			
		<u>193,534</u>	<u>(228,352)</u>
<b>Total comprehensive income for the half-year attributable to the owners of engage:BDR Limited</b>		<u>(4,102,742)</u>	<u>(1,114,667)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(0.500)	(0.009)
Diluted earnings per share		(0.500)	(0.009)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**engage:BDR Limited**  
**Statement of financial position**  
**As at 30 June 2020**

		<b>Consolidated</b>	<b>31 December</b>
	<b>Note</b>	<b>30 June 2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,707,576	1,831,673
Trade and other receivables	5	3,120,239	5,786,531
Investments in equity instruments		52,946	51,692
Prepaid expenses		615,413	392,622
Related party receivables	9	2,497,374	2,311,510
Other assets		220,428	1,383,616
Total current assets		<u>8,213,976</u>	<u>11,757,644</u>
<b>Non-current assets</b>			
Property, plant and equipment		277,691	268,811
Right-of-use assets		425,426	401,619
Capitalised software costs		3,703,774	3,032,083
Goodwill		1,563,787	1,468,517
Total non-current assets		<u>5,970,678</u>	<u>5,171,030</u>
<b>Total assets</b>		<u>14,184,654</u>	<u>16,928,674</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6	5,219,542	5,896,438
Borrowings	7	4,069,465	6,791,258
Lease liabilities		80,839	222,218
Contract liabilities		85,970	81,518
Total current liabilities		<u>9,455,816</u>	<u>12,991,432</u>
<b>Non-current liabilities</b>			
Lease liabilities		262,817	29,572
Total non-current liabilities		<u>262,817</u>	<u>29,572</u>
<b>Total liabilities</b>		<u>9,718,633</u>	<u>13,021,004</u>
<b>Net assets</b>		<u>4,466,021</u>	<u>3,907,670</u>
<b>Equity</b>			
Issued capital	8	39,835,953	35,582,304
Share based payment reserve		1,011,183	603,739
Equity investment reserve		(2,441,343)	(2,441,343)
Foreign currency translation reserve		(593,773)	(787,307)
Accumulated losses		<u>(33,345,999)</u>	<u>(29,049,723)</u>
<b>Total equity</b>		<u>4,466,021</u>	<u>3,907,670</u>

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

**engage:BDR Limited**  
**Statement of changes in equity**  
**For the half-year ended 30 June 2020**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share based payment reserve \$</b>	<b>Equity investment reserve \$</b>	<b>Foreign currency translation reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 January 2019	20,025,656	3,533,918	(2,363,366)	(98,761)	(27,706,294)	(6,608,847)
Loss after income tax expense for the half-year	-	-	-	-	(886,315)	(886,315)
Other comprehensive income for the half-year, net of tax	-	-	(113,216)	(115,136)	-	(228,352)
Total comprehensive income for the half-year	-	-	(113,216)	(115,136)	(886,315)	(1,114,667)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued in relation to Adcel Acquisition	1,055,057	-	-	-	-	1,055,057
Shares issued on conversion of notes	2,825,962	-	-	-	-	2,825,962
Shares issued to Viriathus	3,486,439	-	-	-	-	3,486,439
Options issued	-	145,612	-	-	-	145,612
Share based payment	365,557	-	-	-	-	365,557
Shares issued on capital raise	702,784	-	-	-	-	702,784
Balance at 30 June 2019	<u>28,461,455</u>	<u>3,679,530</u>	<u>(2,476,582)</u>	<u>(213,897)</u>	<u>(28,592,609)</u>	<u>857,897</u>

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share based payment reserve \$</b>	<b>Equity investment reserve \$</b>	<b>Foreign currency translation reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 January 2020	35,582,304	603,739	(2,441,343)	(787,307)	(29,049,723)	3,907,670
Loss after income tax expense for the half-year	-	-	-	-	(4,296,276)	(4,296,276)
Other comprehensive income for the half-year, net of tax	-	-	-	193,534	-	193,534
Total comprehensive income for the half-year	-	-	-	193,534	(4,296,276)	(4,102,742)
<i>Transactions with owners in their capacity as owners:</i>						
Collateral shares exercised - ZCS	2,088,580	-	-	-	-	2,088,580
Shares issued for outstanding creditors	893,014	-	-	-	-	893,014
Share-based payments	-	1,719,444	-	-	-	1,719,444
Shares issued on exercise of performance rights	1,312,000	(1,312,000)	-	-	-	-
Cost of capital raising	(39,945)	-	-	-	-	(39,945)
Balance at 30 June 2020	<u>39,835,953</u>	<u>1,011,183</u>	<u>(2,441,343)</u>	<u>(593,773)</u>	<u>(33,345,999)</u>	<u>4,466,021</u>

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

**engage:BDR Limited**  
**Statement of cash flows**  
**For the half-year ended 30 June 2020**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Loss before income tax expense for the half-year	(4,296,276)	(886,315)
Adjustments for:		
Depreciation and amortisation	518,999	926,376
Foreign exchange differences	-	270
Share-based payments	1,719,444	-
Interest income not received	(57,400)	(29,901)
Net proceeds/(payments) of debtor factoring borrowings	(2,046,909)	5,203,523
Non-cash interest and other finance costs	2,233,742	413,944
	<u>(1,928,400)</u>	<u>5,627,897</u>
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	2,666,292	(1,795,502)
Increase in prepayments	(222,791)	(100,353)
Decrease in trade and other payables	(635,798)	(1,061,920)
Increase in contract liabilities	4,452	-
	<u>(116,245)</u>	<u>2,670,122</u>
Interest and other finance costs paid	(6,989)	(413,944)
Net cash from/(used in) operating activities	<u>(123,234)</u>	<u>2,256,178</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	-	(7,775)
Capitalised software development	(888,030)	(706,193)
Loans to related parties (shareholders)	(128,464)	-
Net cash used in investing activities	<u>(1,016,494)</u>	<u>(713,968)</u>
<b>Cash flows from financing activities</b>		
Proceeds from capital raises	-	702,784
Repayment of borrowings	(18,205)	-
Proceeds from borrowings	1,167,508	-
Repayment of lease liabilities	(159,279)	(138,744)
Cost for issuing shares	(39,945)	-
Net cash from financing activities	<u>950,079</u>	<u>564,040</u>
Net increase/(decrease) in cash and cash equivalents	(189,649)	2,106,250
Cash and cash equivalents at the beginning of the financial half-year	1,831,673	320,276
Effects of exchange rate changes on cash and cash equivalents	65,552	267,805
Cash and cash equivalents at the end of the financial half-year	<u><u>1,707,576</u></u>	<u><u>2,694,331</u></u>

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

**Note 1. General information**

The financial report is a general purpose financial report which covers engage:BDR Limited, (the 'parent' or the 'Company') and its 100% owned subsidiaries, engage:BDR LLC, Tiveo LLC ('Tiveo'; a wholly-owned subsidiary of engage:BDR LLC) and AdCel LLC collectively referred to as 'the Group' or 'engage:BDR'. The financial report is for the half year ended 30 June 2020 and is 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.

engage:BDR Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

<b>Registered office</b>	<b>Principal place of business</b>
Scottish House Level 4 90 William Street Melbourne Victoria 3000 Australia	8439 W Sunset Boulevard Suite 302 West Hollywood California 90069 USA

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial report.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2020.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

The revised Conceptual Framework was adopted on 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity had relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity reviewed such policies under the revised framework. Management concluded that the application of the Conceptual Framework did not have a material impact on the consolidated entity's financial statements.

## **Note 2. Significant accounting policies (continued)**

### **Going concern**

The financial report has been prepared on a going concern basis, which takes into account the net loss of \$4,296,276 as of 30 June 2020.

The Directors acknowledge that there are indicators which give rise on the entity's ability to continue as a going concern including the net current assets deficiency and the net loss for the period.

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

- Confidence in raising capital as needed;
- The Group's ability, if required, to seek the support from its founders and major shareholders for the further injection of capital; and
- Its ability to exercise control over operational cash outflows.

A recent capital raise of \$2.14 million was performed which closed in a matter of hours with an over-subscribed amount of bids. Capacity was attained and are in the process of a refresh for additional capacity to be added.

Two separate issuances have been made for settlement of creditor balances. The issuance on the 11th of July for \$445,890 and 28 of July in the amount of \$557,451. The half year legacy creditor balance is \$1,536,823 and since the half year US\$483,979 has been paid towards creditor balances.

Issuance have been made for settlement of creditor balances as well as the amortisation payments for the convertible note. The issuances have been captured in the matters after the half-year and are released to the ASX in the Appendix 2A.

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.

## **Note 3. Operating segments**

In previous year the Group had assessed its operations to comprise of two reportable segments – being programmatic and collaborative marketing 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 they have been combined and shown together.

### **Geographic information**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Australia	-	431
United States of America	7,505,208	5,873,072
Other*	614,414	302,838
Total revenue from contract with customers	<u>8,119,622</u>	<u>6,176,341</u>

\* No other single country represents greater than 10% of the Group's total revenue.

### **Major Customers**

For the half-year ended 30 June 2020, the Group earned revenues from one customer, which represented 76% of its revenue from services for that period (2019: 86%).



**Note 4. Revenue from contracts with customers**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
Revenue from contracts with customers - Rendering of services	8,119,622	6,176,341

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
	<u>8,119,622</u>	<u>6,176,341</u>
<i>Geographical regions</i>		
Australia	-	431
United States of America	7,505,208	5,873,072
Other	<u>614,414</u>	<u>302,838</u>
	<u>8,119,622</u>	<u>6,176,341</u>
<i>Timing of revenue recognition</i>		
Services rendered at a point in time	<u>8,119,622</u>	<u>6,176,341</u>

\*No other single country represents greater than 10% of the Group's total revenue.

**Note 5. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	3,664,487	6,230,040
Less: Allowance for expected credit losses	<u>(564,800)</u>	<u>(459,615)</u>
	<u>3,099,687</u>	<u>5,770,425</u>
Other receivables	<u>20,552</u>	<u>16,106</u>
	<u>3,120,239</u>	<u>5,786,531</u>

The average age of the Group's trade receivables is 37 days (31 December 2019: 133 days).

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

**Note 6. Current liabilities - trade and other payables**

	<b>Consolidated</b>	<b>31 December</b>
	<b>30 June 2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Trade payables	4,395,438	4,949,747
Credit card liabilities	5,703	13,852
Accrued expenses	620,468	705,517
Accrued payroll liabilities	47	19,527
Bonus and commissions payable	108,607	112,255
Accrued municipal tax	89,279	95,540
	<u>5,219,542</u>	<u>5,896,438</u>

**Note 7. Current liabilities - borrowings**

	<b>Consolidated</b>	<b>31 December</b>
	<b>30 June 2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Debtor factoring borrowings	2,166,277	4,213,186
Convertible notes payable	1,113,835	1,516,403
Embedded derivative on convertible notes	433,313	857,808
Other borrowings	356,040	203,861
	<u>4,069,465</u>	<u>6,791,258</u>

On 23 September 2019, the Company entered into an agreement with Alto Opportunity Master Fund SPC – Segregated Master Portfolio B (“the Investor”) for the issue of zero coupon convertible amortising securities (“ZCSs”), under an initial drawdown and up to 7 further drawdowns.

On 25 September 2019 the Company undertook the initial drawdown of a ZCS with a face value of US\$2,060,000 (approximately A\$3,038,000 000 at the exchange rate at drawdown date) and an issue price of US\$1,750,000 (approximately A\$2,580,000 at the exchange rate at drawdown date). The ZCS has a maturity of one year after drawdown. On 25 September 2019, the Company issued 28.5 million new collateral shares to Alto as security for the ZCS.

During the current period, the Company undertook a further drawdown of a ZCS with a face value of US\$450,000 at an issue price of US\$382,500. The ZCS is secured with a maturity of 31 May 2021.

During the half year ended, the Company made US\$991,667 repayments of the ZCS.

During the period the Group issued convertible notes with conversion clauses that were variable. At initial recognition an embedded derivative is recognised on the statement of financial position at fair value and that embedded derivative is subsequently recorded at its fair value thereafter, with changes in fair value going through to the statement of profit or loss and other comprehensive income. The difference between the consideration received (net of costs) and the embedded derivative is reflected in the principal value of the convertible note liability. The underlying debt principal is amortised back to its face value at maturity, net of transaction costs, using the effective interest rate method.

**Note 8. Equity - issued capital**

	Consolidated		
	30 June 2020	31 December 2019	31 December 2019
	Shares	Shares	\$
Ordinary shares - fully paid	1,031,009,857	712,394,973	39,835,953

*Movements in ordinary share capital*

Details	Shares	\$
Balance	712,394,973	35,582,304
Shares issued as collateral for loan note	168,202,305	-
Collateral shares exercised - ZCS	-	2,088,580
Shares issued for outstanding creditors	68,412,579	893,014
Shares issued on exercise of performance rights	82,000,000	1,312,000
Cost of capital raising	-	(39,945)
Balance	1,031,009,857	39,835,953

**Note 9. Related party transactions**

*Parent entity*

engage:BDR Limited is the parent entity.

*Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	30 June 2020	31 December 2019
	\$	\$
Beginning of the year	2,311,510	2,229,032
Loans advanced	97,585	337,503
Bonus awarded to key management personnel offset against loan balances	-	(337,127)
Interest charged	55,016	78,285
Exchange difference	33,263	3,817
	2,497,374	2,311,510

*Terms and conditions*

From 1 July 2019, Loans to directors and key management personnel were charged interest at a simple interest rate of 5% per annum, calculated monthly. This interest rate is consistent with local interest rates charged for secured personal debt. The loans made to both directors and key management personnel were repayable by 31 August 2020. A revised repayment date for 31 August 2021 was approved by the Board on 31 August 2020. These have been disclosed as current receivables. All loans were approved by the Board of Directors of the Group.

**Note 10. Events after the reporting period**

On 17 July 2020, the Company issued 57,730,441 fully paid ordinary shares at \$0.004 (0.4 cents) per share in accordance with the terms and conditions of the Convertible Securities Purchase Agreement (Agreement) with Alto Opportunity Master Fund SPC - Segregated Master Portfolio B (Alto).

The Company is required to issue replenishment Collateral Shares under the Agreement.

**Note 10. Events after the reporting period (continued)**

In addition, on 1 April 2020 the Company also issued 55,736,356 fully paid ordinary shares for settlement of outstanding creditor balances at a deemed issue price of \$0.008 (0.8 cents) per share.

On 28 July 2020, the Company issued 62,646,249 replenishment fully paid ordinary shares at \$0.004 (0.4 cents) per share in accordance with the terms and conditions of the Agreement with Alto.

In addition, on 28 July 2020 the Company also issued 61,939,034 fully paid ordinary shares for settlement of outstanding creditor balances at a deemed issue price of \$0.009 (0.9 cents) per share.

On 14 August 2020, the Company issued 293,921,246 fully paid ordinary shares at an issue price of \$0.0073 (0.73 cents) per share to professional and sophisticated investors in relation to the Placement as announced on 11 August 2020.

On 21 August 2020, the Company issued 80,318,305 replenishment fully paid ordinary shares at \$0.005 (0.5 cents) per share in accordance with the terms and conditions of the Agreement with Alto.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 11. Share-based payments**

**Unlisted options issued under Options and Performance Rights Plan**

The Company granted 17,100,000 unlisted options to Directors as approved in the General Meeting on 18 March 2020, in accordance with the Company's Options and Performance Rights Plan. The options were issued in three tranches with an expiry date of 18 March 2023:

- Tranche 1 - 5,700,000 options vesting immediately on issue, exercisable at \$0.0201 (2.01 cents) per option;
- Tranche 2 - 5,700,000 options vesting on 18 March 2021, exercisable at \$0.0217 (2.17 cents) per option; and
- Tranche 3 - 5,700,000 options vesting on 18 March 2022, exercisable at \$0.0233 (2.33 cents) per option.

These options did not have any market vesting conditions and were valued using Binomial valuation model.

Set out below are summaries of unlisted options granted under the plan:

30 June 2020

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
18/03/2020	01/04/2023	\$0.0201	-	5,700,000	-	-	5,700,000
18/03/2020	01/04/2023	\$0.0217	-	5,700,000	-	-	5,700,000
18/03/2020	01/04/2023	\$0.0233	-	5,700,000	-	-	5,700,000
			-	17,100,000	-	-	17,100,000
Weighted average exercise price			-	\$0.0217	-	-	\$0.0217

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
18/03/2020	01/04/2023	\$0.0160	\$0.0201	100.00%	-	0.50%	\$0.0077
18/03/2020	01/04/2023	\$0.0160	\$0.0217	100.00%	-	0.50%	\$0.0080
18/03/2020	01/04/2023	\$0.0160	\$0.0233	100.00%	-	0.50%	\$0.0084

**Note 11. Share-based payments (continued)**

**Performance rights issued under Options and Performance Rights Plan**

The Company granted 107,500,000 performance rights to Directors and employees as approved in the General Meeting on 18 March 2020, in accordance with the Company's Options and Performance Rights Plan. The performance rights were issued in eight vesting milestones with an expiry date of 1 April 2023:

30 June 2020

Vesting Milestones	Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Grant	Converted to shares	Expired/ forfeited/ other	Balance at the end of the half-year
1	18/03/2020	01/04/2023	-	-	34,500,000	(34,500,000)	-	-
2	18/03/2020	01/04/2023	-	-	15,500,000	(15,500,000)	-	-
3	18/03/2020	01/04/2023	-	-	20,000,000	(20,000,000)	-	-
4	18/03/2020	01/04/2023	-	-	12,000,000	(12,000,000)	-	-
5	18/03/2020	01/04/2023	-	-	14,000,000	-	-	14,000,000
6	18/03/2020	01/04/2023	-	-	5,000,000	-	-	5,000,000
7	18/03/2020	01/04/2023	-	-	5,500,000	-	-	5,500,000
8	18/03/2020	01/04/2023	-	-	1,000,000	-	-	1,000,000
				-	107,500,000	(82,000,000)	-	25,500,000

The vesting milestones are as follows:

- (1) A 30% increase in audited operating revenue stated in an audited consolidated annual financial report of the Group (being the Company and its controlled entities) for a period up to and including the 2021 financial year (a "Future Report") over the audited revenue stated in the last audited consolidated annual financial report of the Company and its controlled entities (being the audited financial report for the year ended 31 December 2018) ("Base Report").
- (2) A 25% increase in audited gross profit (and/or reduction in gross loss) stated in a Future Report over the audited gross profit (loss) stated in the Base Report).
- (3) A 50% increase in audited earnings before interest, tax, depreciation and amortisation (EBITDA) (and/or reduction in a negative EBITDA) stated in a Future Report over the audited net profit (loss) before tax stated in the Base Report).
- (4) A 50% increase in audited net assets (and/or reduction in the net deficiency of assets if net assets are less than zero) stated in a Future Report over the audited net assets (deficiency) stated in the Base Report).
- (5) A 50% increase in the market capitalisation (number of ordinary shares on issue multiplied by the 20 day VWAP for days on which shares of the Company traded on ASX) up to and including the twentieth (20th) day on which shares of the Company traded on ASX after the release of the Future Report for the 2021 financial year, over the market capitalisation (calculated using the 20 day VWAP for days on which shares of the Company traded on ASX) on any prior day.
- (6) A 30% improvement in Adcel revenue
- (7) Adcel DSP^ annual revenue of at least \$2,000,000
- (8) A 15% improvement in gross profit

Vesting milestones 1 to 4 were achieved during the half year, as a result, 82,000,000 fully paid ordinary shares were issued on conversion of the performance rights.

Vesting milestones	Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
1	18/03/2020	01/04/2023	\$0.016	-	100.00%	-	0.50%	\$0.016
2	18/03/2020	01/04/2023	\$0.016	-	100.00%	-	0.50%	\$0.016
3	18/03/2020	01/04/2023	\$0.016	-	100.00%	-	0.50%	\$0.016
4	18/03/2020	01/04/2023	\$0.016	-	100.00%	-	0.50%	\$0.016
5	18/03/2020	01/04/2023	\$0.016	-	100.00%	-	0.50%	\$0.014
6	18/03/2020	01/04/2023	\$0.016	-	100.00%	-	0.50%	\$0.016
7	18/03/2020	01/04/2023	\$0.016	-	100.00%	-	0.50%	\$0.016
8	18/03/2020	01/04/2023	\$0.016	-	100.00%	-	0.50%	\$0.016

**engage:BDR Limited**  
**Directors' declaration**  
**30 June 2020**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Ted Dhanik  
Co-Founder and Executive Chairman

31 August 2020

## Independent auditor's review report

# Report on the Review of the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of engage:BDR Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that 30 June 2020, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half year ended on that 30 June 2020; and
- b) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Emphasis of Matter

We draw attention to Note 2 to the financial report, which describes that for the half year ended 30 June 2020 the Group incurred a loss of \$4,296,276. This condition, along with other matters set out in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### Other Matter

We were appointed as auditor to engage:BDR Limited at their last annual general meeting held on 16 January 2020. The comparative results set out in this report were reviewed by another auditor. That auditor expressed an unmodified conclusion on the financial report for the half year ended 30 June 2019.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### ACCOUNTANTS & ADVISORS

Level 20, 181 William Street  
Melbourne VIC 3000

Telephone: +61 3 9824 8555

[williambuck.com](http://williambuck.com)

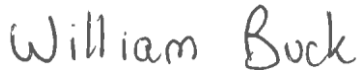
### **Responsibility of Management for the Financial Report**

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibilities for the Review of the Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the half-year ended on that 30 June 2020, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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.



**William Buck Audit (Vic) Pty Ltd**

ABN: 59 116 151 136



**N. S. Benbow**

Director

Melbourne, 31 August 2020

#### **ACCOUNTANTS & ADVISORS**

Level 20, 181 William Street  
Melbourne VIC 3000

Telephone: +61 3 9824 8555

**williambuck.com**