engage:BDR Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	engage:BDR Limited
ABN:	621 160 585
Reporting period:	For the year ended 31 December 2020
Previous period:	For the year ended 31 December 2019

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2. Results for announcement to the market

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Revenues from ordinary activities	down	9.8%	to	15,398,413
EBITDA/Operating profit/(loss)	down	187.0%		(1,396,924)
Loss from ordinary activities after tax attributable to the owners of engage:BDR Limited	up	412.2%	to	(6,881,027)
Loss for the year attributable to the owners of engage:BDR Limited	up	412.2%	to	(6,881,027)

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 $6,881,027 (31 December 2019: $1,343,429).

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.14	(0.21)

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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 have been audited and an unmodified opinion has been issued.

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11. Attachments

Details of attachments (if any):

The Annual Report of engage:BDR Limited for the year ended 31 December 2020 is attached.

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12. Signed

Signed ______________________________ Date: 26 February 2021

Ted Dhanik
Executive Chairman

engage:BDR Limited

ABN 621 160 585

Annual Report - 31 December 2020

engage:BDR Limited
Contents
31 December 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 Telephone: +61 3 9692 7222
Principal place of business	8581 Santa Monica Boulevard #12 West Hollywood California 90069 USA Telephone +1 310 954 0751
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	engagebdr.com

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 year ended 31 December 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 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 year.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $6,881,027 (31 December 2019: loss of $1,343,429).

The Group's operating result this year was adversely affected by the Covid 19-related global reduction in advertising spend, which resulted in a fall in revenues, while additional underlying delivery and administrative costs were incurred to support the Group's repositioning process.

The Group's loss was also affected by increases in non-recurrent, non-cash expenses, including losses on impairment of shares held in trust and costs of share-based payments.

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 behavioural 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. The group paused IconicReach efforts in March 2020, in light of the COVID-19 pandemic and reallocated those resources to its programmatic advertising exchange. The Group anticipates IconicReach to continue to be paused for 2021 and plans to reallocate resources to IconicReach in 2022

Mobile and Connected Television (CTV) App Ads

The Group expects continued growth in supply and demand integration onboarding specifically within AdCel for 2021, as AdCel's technology has matured to a stage in which it is capable of monetizing inventory across ConnectedTV Apps. In addition to its core competency of App monetization across mobile devices. AdCel is one of the first demand agnostic mediation technologies available for ConnectedTV publishers in the market, solving an inherent problem in the ConnectedTV ecosystem. AdCel enables publishers the unique ability to mediate multiple sources of demand in one platform, utilizing intelligent personalization powered by the AdCel machine learning algorithm to maximize yield and minimize human error and time spent performing manual optimization. As supply and demand partnerships are established and integrated by sales and engineering, revenue is expected to steadily ramp throughout the course of the year. AdCel will continue to focus onboarding significant volumes of new ConnectedTV and mobile App publishers through the group's NetZero payment product, enabling 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 was 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.

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.

On 17 July 2020, the Company issued 52,730,441 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).

On 17 July 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.

On 11 September 2020, the Company issued 85,254,184 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.

On 1 December 2020, the Company has issued 430,888,917 fully paid ordinary shares at an issue price of $0.0055 (0.55 cents) per share to professional and sophisticated investors in relation to Placement announced on 25 November 2020.

On 16 December 2020, the Company issued 216,299,959 SPP shares under the Share Purchase Plan which was announced on 25 November 2020. The Company issued the SPP shares at $0.0055 (0.55 cents) raising $1,189,650.

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 31 December 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.

Likely developments and expected results of operations
Growth of programmatic and mobile app (AdCel) ad revenues the proprietary platforms

With AdCel being one of the first platforms to offer a solution focused for ConnectedTV app mediation and with a number of partnerships both established and in the queue. The Group expects to grow programmatic ConnectedTV and mobile app ad revenues steadily and significantly throughout 2021. These revenues are no longer dependent on third party technologies as they were previously. As a result of our ability to directly represent a publisher's supply through AdCel's mediation, the Group will have the most optimized supply path to a publisher's inventory; creating cost efficiency, and the ability to generate greater scale for the Group's clients. Lastly, this optimized supply path will be key in attracting new demand partnership integrations for AdCel and will provide differentiation in the market stemming from buyers interested in cost efficiency, scale, and unduplicated supply opportunities. As these supply and demand partnerships are integrated by the engineering teams, the revenue is expected to grow steadily throughout the year.

Continued growth of programmatic display, native and video revenue

The Group also expects to see continued growth of its programmatic display, native and video businesses. Through monetisation of existing partnerships and creation of new ones, the Group expects to be able to significantly scale revenue while maintaining its lower cost operations. This enables optimisation of the Group’s existing relationships and the ability to attract new buyers and sellers.

Growth of influencer marketing revenue

The Group brought in incremental revenue through this platform. The Group paused Iconic Reach efforts in March 2020, in light of the COVID-19 pandemic and reallocated resources. The Group anticipates continuing to be paused for the year 2021 and plans to revisit in 2022.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Mr Ted Dhanik
Title:	Co-Founder, Executive Chairman and Chief Executive Officer (appointed 14 December 2017)
Experience and expertise:	Ted Dhanik is one of the co-founders of engage:BDR LLC. He serves as Chief Executive Officer overseeing corporate development, strategic marketing, sales and business development, and product strategy. From 2003 to 2008, Ted worked with MySpace.com developing strategic marketing initiatives. He worked very closely with founders Chris DeWolfe and Tom Anderson and was responsible for launching the brand in its early days through a combination of on and offline campaigns. Ted also worked in business development at LowerMyBills.com until its acquisition by Experian. Ted was also an integral part of the development and launch of the consumer lending program at NexTag Corporation. He has worked for, or been a partner at, several other companies in business development, sales, and managerial positions, including Xoriant Corporation, Atesto Technologies, Brigade Solutions, Beyond.com/Cybersource Corporation and Merrill Corporation. Ted also advises a number of technology startups including Fighter, LottoGopher and Schizo Pictures and is an active mentor at Los Angeles-based startup accelerator Start Engine. He is passionate about being a thought leader in the industry and he is regularly published in leading publications. He regularly contributes to discussions about industry standards and achieving positive change, sitting on IAB committees including the Anti-fraud Workgroup, Anti-malware Workgroup, Traffic of Good intent Task Force, Programmatic Counsel, Digital Video Committee, Mobile Advertising Committee and Performance Marketing Committee.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	97,681,498 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	10,000,000

Name:	Mr Kurtis Rintala
Title:	Co-Founder, Executive Director and Chief Operating Officer
Experience and expertise:	Kurtis Rintala was one of the co-founders of engage:BDR LLC. and serves as the Chief Operating Officer for the Group overseeing day-to-day operations and leading the execution of the strategic direction of the Group. Kurtis is responsible for establishing policies that promote the Group culture and vision. He sets comprehensive goals for performance and growth and encourages optimum performance and dedication. He evaluates performance by analysing and interpreting data and metrics. Kurtis began his career in the technology industry in 2003 as an early member of the successful internet startup, LowerMyBills.com.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	47,717,391 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	4,000,000

Name:	Mr Tom Anderson
Title:	Non-Executive Director
Experience and expertise:	Tom Anderson was appointed to the Board of the Group as a Non-Executive Director to provide the Group with the benefit of his wide ranging expertise in social media and innovative product design and to assist to steer the Group's future growth strategy. Prior to joining the engage:BDR, Tom founded and served as President of MySpace, simultaneously inventing "social media" while revolutionizing the music industry. After its launch in 2003, MySpace became the #1 most visited site on the web quickly, surpassing companies such as Google, Yahoo and Amazon. At its peak, Nielsen Net Ratings reported that MySpace captured more than 10% of all minutes spent online. By the time Anderson left the company in 2009, he had amassed more than 350 million friends on MySpace, making him the first and still ultimately the biggest "influencer" of all time. His MySpace profile photo, which he never changed and still uses to this day is estimated to have been viewed more times than any single photograph in history. Before retiring in 2009, TIME Magazine included Tom among its list of the 100 most influential people in the world, and Barbara Walters named him one of her 10 Most Fascinating People. Since retiring, Tom has become an internationally recognised photographer, traveling to more than 40 countries in pursuit of his passion. Tom's photos have appeared in countless magazines, newspapers, and websites. He now also has a keen interest in architecture and has designed a number of homes. He splits his time between his homes in Las Vegas, Hawaii and Los Angeles. Prior to his entrepreneurial and creative pursuits, Tom graduated with the Departmental Citation in English and Rhetoric at the University of California at Berkeley and later completed a Masters in Film & Critical Studies at UCLA.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities	Member of Nomination & Remuneration Committee
Interests in shares:	1,500,000 fully paid ordinary shares
Interests in options:	5,700,000
Interests in rights:	Nil

Name:	Mr Darian Pizem
Title:	Non-Executive Director
Experience and expertise:	Darian Pizem is the Co-Founder and current CEO of Blockbuster Ventures based in Sydney. Blockbuster is a blockchain development company that assists companies in the development of blockchain technology, real-time deployment, commercialisation, and other cost-saving measures. In addition, Mr. Pizem is the founder of Australian based company, Lunnna Ventures. Lunnna Ventures assists in the launching of start-up businesses in a variety of industries, ranging from healthcare to finance. Lunnna assists companies through all stages of the businesses development, cycle from the initial idea phase through to branding, partnerships and funding. Prior to founding his two businesses, Mr. Pizem worked as a Channel Partner for Australia's DX Solutions, an ICT solutions and delivery service provider. DX specialties in automation, performance equipment, security and penetration testing, DevOps and Cloud solutions, BI and Analysis and Network E2E and B2B capabilities. Mr. Pizem has over 15 years of experience in the tech industry, working to promote company growth, innovation, and driving new ideas and concepts. He has a strong background in software ventures, with a focus on marketing, operations and management.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities	Member of Nomination & Remuneration Committee
Interests in shares:	Nil
Interests in options:	5,700,000
Interests in rights:	Nil

Name:	Mr Robert Antulov
Title:	Non-Executive Director
Experience and expertise:	Robert (Rob) Antulov is a Partner at boutique Australian corporate advisory firm Jacanda Capital, where he provides advice to clients in the technology and media sectors on trade sales, acquisitions and equity growth capital raisings. Based in Sydney, Rob is a highly accomplished Director with experience in public, private and not for profit enterprises, primarily in the tech and media sectors. He has extensive digital media expertise with strong capabilities in the implementation of technology-oriented growth strategies, most recently in digital media, programmatic advertising and online marketplaces. Rob also brings to engage:BDR specific M&A skills, having participated in over forty corporate transactions as either principal or advisor. Previous corporate experience has included senior executive roles with Fairfax, Coca-Cola and Booz & Co (now PwC Strategy&). His entrepreneurial activity includes co-founding a sports digital media business, co-founding a number of ecommerce and SaaS businesses and providing mentoring and Advisory Board guidance to numerous entrepreneurs and their ventures. Rob has a Bachelor of Engineering Degree (Elect) from the University of Western Australia, an MBA from the Australian Graduate School of Management at UNSW and has completed additional postgraduate studies in the USA at the Kellogg School of Management, North Western University.
Other current directorships:	Nil
Former directorships (last 3 years):	Director, Snakk Limited (NXT: SNK) - January 2016 to October 2018
Special responsibilities	Chairman of Nomination & Remuneration Committee
Interests in shares:	665,500 fully paid ordinary shares
Interests in options:	5,700,000
Interests in rights:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Ms. Melanie Leydin

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. Ms Leydin is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. Ms Leydin graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the resources, technology, bioscience, biotechnology, and health sectors.

Ms Leydin has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. Ms Leydin has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2020, and the number of meetings attended by each director were:

	Full Board		Nomination and remuneration	
	Held	Attended	Held	Attended
Ted Dhanik	10	10	-	-
Kurtis Rintala	10	10	-	-
Tom Anderson	10	5	2	1
Darian Pizem	10	10	2	2
Robert Antulov	10	10	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having net profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary and non-monetary benefits, is reviewed annually by the Board based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

Details of remuneration

The key management personnel of the Group consisted of the following directors and key management personnel:

- Ted Dhanik (Executive Chairman and Chief Executive Officer)
- Kurtis Rintala (Executive Director and Chief Operating Officer)
- Tom Anderson (Non-Executive Director)
- Darian Pizem (Non-Executive Director)
- Robert Antulov (Non-Executive Director)
- Youqi Li (Chief Technology Officer)
- Andy Dhanik (Chief Revenue Officer)
- Denys Kravchenko (Chief Technology Officer - AdCel)

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits				Post-employment benefits	Share-based payments	
2020	Cash salary and fees $	Commission /bonus - cash $	Bonus - non-cash (a) $	Health benefits $	Defined-contribution plan $	Equity-settled $	Total $
Non-Executive Directors:							
Tom Anderson	61,998	-	-	-	-	32,920	94,918
Robert Antulov	40,000	-	-	-	-	32,920	72,920
Darian Pizem	40,767	-	-	-	-	32,920	73,687
Executive Directors:							
Ted Dhanik (a) (c)	477,188	-	400,000	93,041	-	754,000	1,724,229
Kurtis Rintala (c)	339,815	-	-	1,070	-	221,640	562,525
Other Key Management Personnel:							
Youqi Li (c)	253,054	-	-	535	-	104,000	357,589
Andy Dhanik (b)	274,494	98,545	-	-	-	160,000	533,039
Denys Kravchenko (c)	260,284	-	-	-	-	184,000	444,284
	1,747,600	98,545	400,000	94,646	-	1,522,400	3,863,191

(a) Bonus award of $400,000 to Mr. Ted Dhanik was made for 2020. This bonus was an offset against part of loan accounts. Loan items were special exertions from the board to compensate the Executives for significantly reduced payroll in 2011 and 2013 and applied to outstanding loan balances with no cash paid.

(b) Commissions are earned by Mr. Andy Dhanik based on performance to goal. Generally, these performance goals are driven by sales targets and gross profit maximization. Sales and gross margin targets are based on forecasts. Actual performance to goal is compared to arrive at an “Achieved” percentage which is used to determine which Tier of payout they will receive. < 50% is given a 0% payout tier, 51-69% is given a 50% payout tier, 70-79% is given a 70% payout tier, 80-89% is given a 80% payout tier, 90-99% is given a 90% payout tier, and 100% is given a 100% payout tier. The payout tier is then multiplied by the result of dividing the maximum payout amount by the target to arrive at a “Payout Percentage”. The payout percentage is then multiplied by the actual achieved result to arrive at the dollar amount of the payout. During the period, commissions of $98,545 were earned by A. Dhanik.

(c) During the year 2020 payroll expenses were recognised as software capitalisation. These costs were related to the developmental costs to projects to deliver future economic benefit to the Group. For T. Dhanik and K. Rintala costs of US$172,735 (AU$224,273) each were capitalised. For Y.Li US$147,116 (AU$191,010) was capitalised. For D.Kravchenko a total of US$143,814 (AU$186,723) was capitalised.

2019	Short-term benefits: Cash salary and fees $	Short-term benefits: Commission /bonus - cash $	Short-term benefits: Bonus - non-cash (a) $	Short-term benefits: Other allowances $	Post-employment benefits: Defined-contribution plan $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
Tom Anderson	64,015	-	-	-	-	-	64,015
Robert Antulov	40,000	-	-	-	-	-	40,000
Darian Pizem	58,599	-	-	-	-	-	58,599
Executive Directors:							
Ted Dhanik (a) (b)	337,789	-	340,664	-	-	-	678,453
Kurtis Rintala (b)	337,789	-	-	-	-	-	337,789
Other Key Management Personnel:							
Youqi Li (b)	241,483	-	-	-	-	87,228	328,711
Andy Dhanik	251,545	-	-	-	-	150,243	401,788
Denys Kravchenko (b)	264,775	-	-	-	-	43,614	308,389
	1,595,995	-	340,664	-	-	281,085	2,217,744

(a) Bonus award of $340,664 to Mr. Ted Dhanik was made for 2019. This bonus was an offset against part of loan accounts. Loan items were special exertions from the board to compensate the Executives for significantly reduced payroll in 2011 and 2013 and applied to outstanding loan balances with no cash paid.
(b) During the year 2019 payroll expenses were recognised as software capitalisation. These costs were related to the developmental costs to projects to deliver future economic benefit to the Group. For T. Dhanik and K. Rintala costs of US$84,753 (AU$120,972) each were capitalised. For Y.Li US$134,247 (AU$191,617) was capitalised. For D.Kravchenko a total of US$185,239 (AU$264,401) was capitalised.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2020	Fixed remuneration 2019	STI - sales commission/bonus 2020	STI - sales commission/bonus 2019	Share based payments 2020	Share based payments 2019
Non-Executive Directors:						
Tom Anderson	65%	100%	-	-	35%	-
Robert Antulov	55%	100%	-	-	45%	-
Darian Pizem	55%	100%	-	-	45%	-
Executive Directors:						
Ted Dhanik	33%	100%	23%	-	44%	-
Kurtis Rintala	61%	100%	-	-	39%	-
Other Key Management Personnel:						
Youqi Li*	71%	73%	-	-	29%	27%
Andy Dhanik	52%	63%	18%	37%	30%	-
Denys Kravchenko*	59%	86%	-	-	41%	14%

* These employees are considered as key management personnel for 2020 financial year in accordance with AASB 124.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Ted Dhanik
Title:	Executive Chairman and Chief Executive Officer
Agreement commenced:	14 December 2017
Term of agreement:	3 years subject to re-election at any relevant Company Annual General Meeting.
Details:	The fee payable to Director is to be USD$330,000 per annum. Such fees to be reviewed on each anniversary of the agreement or whenever determined by the Board. Where for any reason the fees owing to the Director for the services of the Director are not paid for any period of the engagement, or where there are any fees or monies outstanding to Director, the Company will accrue those fees and Director may at its sole option agree for those fees to be paid in the form of fully paid ordinary shares in the Company, subject at all times to the Company obtaining all necessary regulatory and shareholder approvals. The Director may resign at any time by given written notice to the Company.
Name:	Kurtis Rintala
Title:	Executive Director and Chief Operating Officer
Agreement commenced:	14 December 2017
Term of agreement:	3 years subject to re-election at any relevant Company Annual General Meeting.
Details:	The fee payable to Director is to be USD$235,000 per annum from the commencement date. Such fees to be reviewed on each anniversary of the agreement or whenever determined by the Board. Where for any reason the fees owing to the Director for the services of the Director are not paid for any period of the engagement, or where there are any fees or monies outstanding to Director, the Company will accrue those fees and Director may at its sole option agree for those fees to be paid in the form of fully paid ordinary shares in the Company, subject at all times to the Company obtaining all necessary regulatory and shareholder approvals. The Director may resign at any time by given written notice to the Company.
Name:	Darian Pizem
Title:	Non-Executive Director
Agreement commenced:	30 October 2018
Term of agreement:	3 years subject to re-election at any relevant Company Annual General Meeting.
Details:	The fee payable to Director is to be AUD$40,000 per annum including applicable statutory superannuation entitlements from the commencement date. Such fees to be reviewed on each anniversary of the agreement or whenever determined by the Board. Where for any reason the fees owing to the Director for the services of the Director are not paid for any period of the engagement, or where there are any fees or monies outstanding to Director, the Company will accrue those fees and Director may at its sole option agree for those fees to be paid in the form of fully paid ordinary shares in the Company, subject at all times to the Company obtaining all necessary regulatory and shareholder approvals. The Director may resign at any time by given written notice to the Company.

Name:	Robert Antulov
Title:	Non-Executive Director
Agreement commenced:	23 November 2018
Term of agreement:	3 years subject to re-election at any relevant Company Annual General Meeting.
Details:	The fee payable to Director is to be AUD$40,000 including applicable statutory superannuation entitlements per annum from the commencement date. Such fees to be reviewed on each anniversary of the agreement or whenever determined by the Board. Where for any reason the fees owing to the Director for the services of the Director are not paid for any period of the engagement, or where there are any fees or monies outstanding to Director, the Company will accrue those fees and Director may at its sole option agree for those fees to be paid in the form of fully paid ordinary shares in the Company, subject at all times to the Company obtaining all necessary regulatory and shareholder approvals. The Director may resign at any time by given written notice to the Company.

Name:	Youqi Li
Title:	Chief Technology Officer
Agreement commenced:	27 August 2015
Term of agreement:	Ongoing
Details:	Mr Li receives an remuneration package including salary and pension of AUD$249,785 (USD$175,000) per annum. Payment of a benefit on early termination by the Group without cause is equal to 2 months' base salary. Notice period - 6 months

Name:	Andy Dhanik
Title:	Chief Revenue Officer
Agreement commenced:	1 March 2014
Term of agreement:	Ongoing
Details:	Mr Dhanik receives an remuneration package including salary and pension of AUD$249,785 (USD$175,000) per annum. Payment of a benefit on early termination by the Group without cause is equal to 2 months' base salary. Notice period - 6 months

Name:	Denys Kravchenko
Title:	Chief Technology Officer (AdCel)
Agreement commenced:	27 July 2018
Term of agreement:	Ongoing
Details:	Mr Kravchenko receives an remuneration package including salary and pension of AUD$256,922 (USD$180,000) per annum. Payment of a benefit on early termination by the Group without cause is equal to 2 months' base salary. Notice period - 6 months

Name:	Tom Anderson
Title:	Non-Executive Director
Agreement commenced:	17 August 2017
Term of agreement:	3 years subject to re-election at any relevant Company Annual General Meeting.
Details:	The fee payable to Director is USD$45,000 per annum from the commencement date. Such fees to be reviewed on each anniversary of the agreement or whenever determined by the Board. Where for any reason the fees owing to the Director for the services of the Director are not paid for any period of the engagement, or where there are any fees or monies outstanding to Director, the Company will accrue those fees and Director may at its sole option agree for those fees to be paid in the form of fully paid ordinary shares in the Company, subject at all times to the Company obtaining all necessary regulatory and shareholder approvals. The Director may resign at any time by given written notice to the Company.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2020 are set out below. These shares were issued upon the conversion of performance rights:

Name	Date	Shares	Deemed Issue price	$AUD
Ted Dhanik	27-Apr-20	40,000,000	$0.0160	640,000
Kurtis Rintala	27-Apr-20	11,000,000	$0.0160	176,000
Youqi Li	27-Apr-20	6,500,000	$0.0160	104,000
Andy Dhanik	27-Apr-20	10,000,000	$0.0160	160,000

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Tom Anderson	1,900,000	18-Mar-20	18-Mar-20	01-Apr-23	$0.0201	$0.0077
Tom Anderson	1,900,000	18-Mar-20	18-Mar-21	01-Apr-23	$0.0217	$0.0080
Tom Anderson	1,900,000	18-Mar-20	18-Mar-22	01-Apr-23	$0.0233	$0.0084
Robert Antulov	1,900,000	18-Mar-20	18-Mar-20	01-Apr-23	$0.0201	$0.0077
Robert Antulov	1,900,000	18-Mar-20	18-Mar-21	01-Apr-23	$0.0217	$0.0080
Robert Antulov	1,900,000	18-Mar-20	18-Mar-22	01-Apr-23	$0.0233	$0.0084
Darian Pizem	1,900,000	18-Mar-20	18-Mar-20	01-Apr-23	$0.0201	$0.0077
Darian Pizem	1,900,000	18-Mar-20	18-Mar-21	01-Apr-23	$0.0217	$0.0080
Darian Pizem	1,900,000	18-Mar-20	18-Mar-22	01-Apr-23	$0.0233	$0.0084

The options listed above with the vesting date of 18 March 2020 vested immediately upon issue.

The options listed above with vesting dates of 18 March 2021 and 18 March 2022 remain unvested at the date of this report and will vest provided that the respective option holders meet service conditions.

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2020 are set out below:

Name	Number of options granted during the year 2020	Number of options granted during the year 2019	Number of options vested during the year 2020	Number of options vested during the year 2019
Tom Anderson	5,700,000	-	1,900,000	-
Robert Antulov	5,700,000	-	1,900,000	-
Darian Pizem	5,700,000	-	1,900,000	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 31 December 2020 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Tom Anderson	45,790	-	-	35%
Robert Antulov	45,790	-	-	45%
Darian Pizem	45,790	-	-	45%

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 31 December 2020 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted $	Value of options vested $	Number of options lapsed	Value of options lapsed $
Tom Anderson	18-Mar-20	Various	5,700,000	45,790	32,920	-	-
Robert Antulov	18-Mar-20	Various	5,700,000	45,790	32,920	-	-
Darian Pizem	18-Mar-20	Various	5,700,000	45,790	32,920	-	-

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows. The performance rights issued during the year ended 31 December 2020 in eight vesting milestones with an expiry date of 1 April 2023.

The vesting milestones were 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, 67,500,000 fully paid ordinary shares were issued on conversion of the performance rights by relevant directors and other key management personnel.

Name	Number of rights granted	Grant date	Applicable Vesting milestone(s)	Expiry date	Conversion price	Fair value per right at grant date
Ted Dhanik	10,000,000	18-Mar-20	5	01-Apr-23	$0.0000	$0.0141
Ted Dhanik	40,000,000	18-Mar-20	1, 2, 3, 4	01-Apr-23	$0.0000	$0.0160
Kurtis Rintala	4,000,000	18-Mar-20	5	01-Apr-23	$0.0000	$0.0141
Kurtis Rintala	11,000,000	18-Mar-20	1, 2, 3, 4	01-Apr-23	$0.0000	$0.0160
Youqi Li	6,500,000	18-Mar-20	1, 2, 3	01-Apr-23	$0.0000	$0.0160
Andy Dhanik	10,000,000	18-Mar-20	1, 2, 3	01-Apr-23	$0.0000	$0.0160
Denys Kravchenko	11,500,000	18-Mar-20	6, 7, 8	01-Apr-23	$0.0000	$0.0160

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2020 are set out below:

Name	Number of rights granted during the year 2020	Number of rights granted during the year 2019	Number of rights vested during the year 2020	Number of rights vested during the year 2019
Ted Dhanik	50,000,000	-	40,000,000	-
Kurtis Rintala	15,000,000	-	11,000,000	-
Youqi Li	6,500,000	-	6,500,000	-
Andy Dhanik	10,000,000	-	10,000,000	-
Denys Kravchenko	11,500,000	-	-	-

Values of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 31 December 2020 are set out below:

Name	Value of rights granted during the year $	Value of rights vested during the year $	Value of rights lapsed during the year $	Remuneration consisting of rights for the year %
Ted Dhanik	754,100	640,000	-	44%
Kurtis Rintala	221,640	176,000	-	39%
Youqi Li	104,000	104,000	-	29%
Andy Dhanik	160,000	160,000	-	30%
Denys Kravchenko	184,000	-	-	41%

Additional information
The earnings of the consolidated entity for the five years to 31 December 2020 are summarised below:

	2020 $	2019 $	2018 $	2017 $	2016* $
Sales revenue	15,398,413	17,079,118	11,443,935	13,135,970	21,845,216
Operating profit/(loss)	(1,396,924)	1,604,732	(6,286,229)	(7,098,066)	(1,455,961)
Loss before income tax expense	(6,881,027)	(1,343,429)	(10,839,127)	(9,583,419)	(2,927,728)
Loss after income tax expense	(6,881,027)	(1,343,429)	(10,840,198)	(10,566,001)	(3,671,811)

* The financial result represents engage:BDR LLC’s operating result for the year.

Additional disclosures relating to key management personnel
Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration*	Additions	Disposals**	Balance at the end of the year
Ordinary shares					
Ted Dhanik	57,681,498	40,000,000	-	-	97,681,498
Kurtis Rintala	36,717,391	11,000,000	-	-	47,717,391
Tom Anderson	1,500,000	-	-	-	1,500,000
Robert Antulov	665,500	-	-	-	665,500
Youqi Li	4,371,454	6,500,000	-	-	10,871,454
Andy Dhanik	3,196,211	10,000,000	-	-	13,196,211
Denys Kravchenko	1,435,727	-	-	-	1,435,727
	105,567,781	67,500,000	-	-	173,067,781

* Shares issued upon conversion of vested performance rights
** Includes movements representing person's holding when they ceased to be a member of key management personnel

Option holding
The number of options over ordinary shares in the Group held during the financial year by each director and other members of key management personnel of the Group, including their closely related entities, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year
Options over ordinary shares					
Tom Anderson	-	5,700,000	-	-	5,700,000
Robert Antulov	-	5,700,000	-	-	5,700,000
Darian Pizem	-	5,700,000	-	-	5,700,000
	-	17,100,000	-	-	17,100,000

* Movements represent person's holding when they ceased to be a member of key management personnel

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Tom Anderson	1,900,000	-	1,900,000
Robert Antulov	1,900,000	-	1,900,000
Darian Pizem	1,900,000	-	1,900,000
	5,700,000	-	5,700,000

Performance rights holding
The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested and converted	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Ted Dhanik	-	50,000,000	(40,000,000)	-	10,000,000
Kurtis Rintala	-	15,000,000	(11,000,000)	-	4,000,000
Youqi Li	-	6,500,000	(6,500,000)	-	-
Andy Dhanik	-	10,000,000	(10,000,000)	-	-
Denys Kravchenko	-	11,500,000	-	-	11,500,000
	-	93,000,000	(67,500,000)	-	25,500,000

Loans to key management personnel and their related parties

As at 31 December 2020 the Group recognised a loan receivable for funds payable by Mr Ted Dhanik (USD$1,035,277; AUD$1,344,166) (2019: USD$1,191,163; AUD$1,700,204) and Mr Andy Dhanik (USD$65,277; AUD$93,173) (2019: USD$65,277; AUD$93,173).

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. For the year ended 31 December 2020, loans given to Mr Ted Dhanik and Mr Andy Dhanik accrued an interest of AUD$89,666 and AUD$4,720 respectively. The loans made to both directors and key management personnel are repayable by 31 August 2021. These have been disclosed as current receivables. $1,984,869 outstanding loans are secured against each individuals' shareholding and will be settled in cash. All loans were approved by the Board of Directors of the Group.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of the Company under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
29-Jan-19	26-Jan-22	$0.0520	8,676,093
25-Sep-19	30-Sep-22	$0.0260	13,750,000
18-Mar-20	01-Apr-23	$0.0201	5,700,000
18-Mar-20	01-Apr-23	$0.0217	5,700,000
18-Mar-20	01-Apr-23	$0.0233	5,700,000
			39,526,093

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under performance rights
Unissued ordinary shares of engage:BDR Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Conversion price	Number under rights
18-Mar-20	01-Apr-23	$0.0000	25,500,000

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of engage:BDR Limited issued on the exercise of options during the year ended 31 December 2020 and up to the date of this report.

Shares issued on the exercise of performance rights
The following ordinary shares of engage:BDR Limited were issued during the year ended 31 December 2020 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Conversion price	Number of shares issued
18-Mar-20	$0.0000	82,000,000

Indemnity and insurance of officers
During the financial year, the Group maintained an insurance policy which indemnifies the directors and officers of the Group in respect of any liability incurred in connection with the performance of their duties as directors or officers of the Group to the extent permitted by the Corporations Act 2001. The Group’s insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

The Group has not paid any insurance premiums in respect of any past or present directors or auditors, other than as required by law.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the Group
As at the date of this report, there are no leave applications or proceedings brought on behalf of the Group under section 237 of the Corporations Act 2001.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 19 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 19 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of William Buck Audit (Vic) Pty Ltd
There are no officers of the Company who are former partners of William Buck Audit (Vic) Pty Ltd.

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.

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.

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

Ted Dhanik
Co-Founder and Executive Chairman

26 February 2021

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 year ended 31 December 2020 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N.S. Benbow
Director

Melbourne, 26th February 2021

ACCOUNTANTS & ADVISORS

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(WB015_2007)

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engage:BDR Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Revenue from contracts with customers	5	15,398,413	17,079,118
Cost of sales		(9,420,757)	(7,794,937)
		5,977,656	9,284,181
Other income	5	740,865	89,441
Expenses			
Employee and contractor costs	6	(2,829,407)	(2,684,608)
Operations and administration expense	7	(5,147,054)	(4,974,981)
Advertising and marketing expense		(138,984)	(109,301)
EBITDA Operating profit/(loss)		(1,396,924)	1,604,732
Depreciation and amortisation expense		(861,467)	(882,335)
Impairment losses	10	(856,342)	(140,004)
Share based payment expense		(1,719,444)	(327,536)
Finance costs		(2,046,850)	(1,598,286)
Loss before income tax expense		(6,881,027)	(1,343,429)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of engage:BDR Limited		(6,881,027)	(1,343,429)
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss			
Loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		-	(77,977)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(975,579)	(688,546)
Other comprehensive loss for the year, net of tax		(975,579)	(766,523)
Total comprehensive loss for the year attributable to the owners of engage:BDR Limited		(7,856,606)	(2,109,952)
		Cents	**Cents**
Basic earnings per share	24	(0.55)	(0.26)
Diluted earnings per share	24	(0.55)	(0.26)

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 31 December 2020

	Note	Consolidated 2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	8	2,986,745	1,831,673
Trade and other receivables	9	3,243,521	5,786,531
Investments in equity instruments		47,179	51,692
Prepaid expenses		579,982	392,622
Related party receivables	20	1,984,869	2,311,510
Other assets	10	332,459	1,383,616
Total current assets		9,174,755	11,757,644
Non-current assets			
Property, plant and equipment		157,617	268,811
Right-of-use assets		305,504	401,619
Capitalised software costs	11	3,920,558	3,032,083
Goodwill	12	1,340,390	1,468,517
Total non-current assets		5,724,069	5,171,030
Total assets		14,898,824	16,928,674
Liabilities			
Current liabilities			
Trade and other payables	13	3,650,587	5,896,438
Borrowings	14	2,316,896	6,791,258
Lease liabilities		157,854	222,218
Contract liabilities		19,475	81,518
Total current liabilities		6,144,812	12,991,432
Non-current liabilities			
Lease liabilities		87,345	29,572
Total non-current liabilities		87,345	29,572
Total liabilities		6,232,157	13,021,004
Net assets		8,666,667	3,907,670
Equity			
Issued capital	15	47,790,463	35,582,304
Share based payment reserve		732,254	603,739
Equity investment reserve		(2,441,343)	(2,441,343)
Foreign currency translation reserve		(1,762,886)	(787,307)
Accumulated losses		(35,651,821)	(29,049,723)
Total equity		8,666,667	3,907,670

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 year ended 31 December 2020

Consolidated	Issued capital $	Share based payment reserve $	Equity investment reserve $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
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 year	-	-	-	-	(1,343,429)	(1,343,429)
Other comprehensive income for the year, net of tax	-	-	(77,977)	(688,546)	-	(766,523)
Total comprehensive income for the year	-	-	(77,977)	(688,546)	(1,343,429)	(2,109,952)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 15)	12,334,314	-	-	-	-	12,334,314
Share-based payments (note 25)	-	292,155	-	-	-	292,155
Transfer of legacy investor options to issued capital	3,222,334	(3,222,334)	-	-	-	-
Balance at 31 December 2019	35,582,304	603,739	(2,441,343)	(787,307)	(29,049,723)	3,907,670

Consolidated	Issued capital $	Share based payment reserve $	Equity investment reserve $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
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 year	-	-	-	-	(6,881,027)	(6,881,027)
Other comprehensive income for the year, net of tax	-	-	-	(975,579)	-	(975,579)
Total comprehensive income for the year	-	-	-	(975,579)	(6,881,027)	(7,856,606)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 15)	10,896,159	-	-	-	-	10,896,159
Share-based payments (note 25)	-	1,719,444	-	-	-	1,719,444
Shares issued on exercise of performance rights	1,312,000	(1,312,000)	-	-	-	-
Transfers to accumulated losses for expired or lapsed share-based payments	-	(278,929)	-	-	278,929	-
Balance at 31 December 2020	47,790,463	732,254	(2,441,343)	(1,762,886)	(35,651,821)	8,666,667

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 year ended 31 December 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Cash flows from operating activities			
Loss before income tax expense for the year		(6,881,027)	(1,343,429)
Adjustments for:			
Depreciation and amortisation		861,467	882,335
Share-based payments		1,719,444	327,536
Impairment losses		856,342	140,004
Accrued finance charges		2,059,919	1,598,286
Executive bonuses used to offset related party debt		400,000	337,127
Interest income from related party debt		(69,224)	(78,285)
		(1,053,079)	1,863,574
Change in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables		2,543,010	(3,760,393)
(Increase)/decrease in prepayments		(187,360)	(174,922)
Decrease in trade and other payables		(1,098,390)	(1,045,034)
Increase in contract liabilities		(62,043)	81,518
		142,138	(3,035,257)
Finance charges paid		(606,280)	(754,997)
Net cash used in operating activities		(464,142)	(3,790,254)
Cash flows from investing activities			
Proceeds from release of security deposits		-	28,567
Capitalised software development		(1,577,376)	(1,471,447)
Loans to related parties (shareholders)		-	(337,503)
Net cash used in investing activities		(1,577,376)	(1,780,383)
Cash flows from financing activities			
Proceeds from capital raises	15	5,705,164	702,784
Cost of capital raise		(434,535)	(8,222)
Proceeds from borrowings		1,241,802	8,092,379
Repayment of borrowings		(2,786,629)	(1,336,444)
Repayment of lease liabilities		(230,371)	(357,165)
Net cash from financing activities		3,495,431	7,093,332
Net increase in cash and cash equivalents		1,453,913	1,522,695
Cash and cash equivalents at the beginning of the financial year		1,831,673	320,276
Effects of exchange rate changes on cash and cash equivalents		(298,841)	(11,298)
Cash and cash equivalents at the end of the financial year	8	2,986,745	1,831,673

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 year ended 31 December 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:

Registered office	Principal place of business
Scottish House Level 4 90 William Street Melbourne Victoria 3000 Australia	8581 Santa Monica Boulevard #12 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 26 February 2021. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and derivative financial liabilities at fair value through profit or loss.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 21.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of engage:BDR Limited ('company' or 'parent entity') as at 31 December 2020 and the results of all subsidiaries for the year then ended. engage:BDR Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Going concern

The financial report has been prepared on a going concern basis, which takes into account the loss after income tax of $6,881,027 (2019: $1,343,429) and negative operating cash flows of $464,142 for the year ended 31 December 2020 (2019: $3,790,254).

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

During the year ended 31 December 2020, the Group improved its net asset position by settling legacy creditors by a way of share issues. The Group also raised additional capital through a share purchase plan from existing professional and sophisticated investors and zero coupon convertible amortising securities ("ZCSs") (Refer to note 14). As at the date of this report the directors have assessed that the Group continues to comply with the covenants set under its financing arrangements with its debtor factoring facility and those set by Alto Capital.

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

- Confidence in raising capital as needed;
- Confidence in achieving the group's forecast revenues and positive operating cash flow in 2021 through continued completion of planned integrations onto the group's programmatic advertising platform;
- The ability of the Group to settle ZCS note and outstanding creditors via share issue, instead of cash payments;
- Repayment of some or all of secured related party loan receivables;
- The Group's ability, if required, to seek the support from its founders and major shareholders for the further injection of capital; and
- Its ability to exercise control over discretionary operational cash outflows.

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

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in ordinary course of business, and at amounts that differ from those stated in the Financial Statements. The financial statements do not include any adjustments related to the recoverability and classification of recorded assets amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

Note 2. Significant accounting policies (continued)

Foreign currency translation
The functional currency of each of the entities in the Group is the currency of the primary economic environment in which each of the entities operate, which is US Dollars ('USD') for engage:BDR LLC and AdCel LLC. The financial report is presented in Australian Dollars ('AUD') which is the functional currency of the Parent, engage:BDR Limited and presentation currency of the Group.

Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Translation
The assets and liabilities of subsidiaries with a functional currency other than AUD (being the presentation currency of the Group) are translated into AUD at the exchange rate at the reporting date and the statement of comprehensive income is translated at the average exchange rate for the period. On consolidation, exchange differences arising from the translation of these subsidiaries are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Capitalisation of software costs
Distinguishing the research and development phases of software projects and determining whether the recognition requirements for the capitalisation of development costs are met, requires judgement. Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. Determining the feasibility of the project and the likelihood of the project delivering future economic benefits, which can be measured reliably, is a significant management estimate and judgement.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project, typically between 3 and 10 years, and are considered for impairment, based on the presence of indicators, at each reporting date.

After capitalisation, the Group assesses, on an annual basis, whether there is an indication that capitalised costs may be impaired. If any indication exists, the Group estimates the asset's recoverable amount, which is the higher of the asset's or cash generating unit ('CGU')'s fair value less cost of disposal and its value in use. The Group assesses that each capitalised intangible asset, representing each software project, does not generate cash inflows that are largely independent of those from other assets so has determined the recoverable amount at CGU level. The CGU to which the intangible assets are allocated has been identified as the Group as a whole.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates. The recoverability of related party loans are also assessed. The balances are being paid down in accordance with the terms and conditions. The loans are secured against each individuals' shareholding.

Goodwill
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 12. The test will be on a multiple of income approach and market cap approach. The recoverable amounts of cash-generating units have been determined based on fair value less costs approach, by comparing of the market capitalisation of the Group to its net assets, adjusted for control premium.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The directors have determined that the losses to date do not validate the requirement to book any DTA for carry forward losses and will consider the recognition of DTAs in future periods.

Valuation of embedded derivatives on convertible notes
The Group entered into an agreement with Alto Opportunity Master Fund SPC - Segregated Master Portfolio B ("Alto") for the issue of zero coupon convertible amortising securities ("ZCSs"). The fair value of the embedded derivative was determined in line with AASB 132 and AASB 9. The future share price of the Group was projected using a Geometric Brownian Motion model for each possible trading day of the amortisation period, with the volatility of each step representing the daily volatility of the Group's share price over the last year from the valuation date.

A Monte Carlo simulation of 40,000 simulations was conducted for the Geometric Brownian Motion model to obtain theoretical share prices for each amortisation period. This was used to determine the Conversion Discount between the closing share price and the conversion price. The average Conversion Discount represents the fair value of the embedded derivative.

Note 4. Operating segments

The Group has assessed that its operations comprise of one reportable segment, being programmatic and collaborative marketing trading.

Geographic information

	Consolidated	
	2020 $	2019 $
Australia	-	438
United State of America	13,844,107	15,994,144
Other*	1,554,306	1,084,536
Total revenue from contract with customers	15,398,413	17,079,118

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

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

	Consolidated	
	2020 $	2019 $
Customer and segment		
Customer A - Programmatic [1]	10,705,921	14,349,414

[1] This party is actually a clearing house/platform which processes the Group's transactions with thousands of underlying end customers of the Group's services. It is not, in substance, an end user nor service provision-related customer of the Group and the Group is not dependent upon this party for generation the Group's revenues.

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

Note 5. Revenue from contracts with customers and Other income

(a) Revenue from contracts with customers

	Consolidated	
	2020	2019
Revenue from contracts with customers - Rendering of services	15,398,413	17,079,118

Note 5. Revenue from contracts with customers (continued)

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

	Consolidated 2020 $	Consolidated 2019 $
Programmatic	15,307,615	16,429,753
Collaborative Marketing	90,798	649,365
	15,398,413	17,079,118
Geographical regions		
Australia	-	438
United States of America	13,844,107	15,994,144
Other*	1,554,306	1,084,536
	15,398,413	17,079,118
Timing of revenue recognition		
Services rendered at a point in time	15,398,413	17,079,118

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

Accounting policy for revenue from contracts with customers

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.

Rendering of services
The Group is an internet-based marketplace platform and associated technology solution provider. The Group’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 Group’s OutStream advertising unit, which allows publishers to sell space for video advertising on webpages that do not have video content.

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group:

- Identifies the contract with a customer
- Identifies the performance obligations in the contract
- Determines the transaction price
- Allocates the transaction price to the separate performance obligations
- Recognises revenue when the performance obligation is satisfied in a manner that depicts the transfer to the customer of the services provided.

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

Note 5. Revenue from contracts with customers (continued)

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 provides advertisers and their agents to purchase and place advertising inventory on publishers' sites. The Group's performance obligation is facilitating the sale of advertising space and ensuring its placement on the website. The proprietary technology developed and used by the Group counts all bid attempts, tracks the winning bids, and ensures the delivery of the advertisement. All of these data points are used to ensure proper satisfaction of performance obligations. The Group reports the sales of advertising revenues for advertising inventory on a gross basis, that is, the amounts they expect to be entitled to. Amounts paid to suppliers are recorded as cost of sales. Where we are the principal, the Group controls the advertising inventory before it is transferred to its customers. Control is evidenced by the Group's sole ability to monetise the advertising inventory before it is transferred to its customers, and is further supported by the Group being primarily responsible to its customers and having a level of discretion in establishing pricing.

The Group recognises contract liabilities for consideration received in advance of services provided. Where a customer prepays any portion of a contract, the Group records such prepayments as trade and other payables in the statement of financial position. 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. Revenue for prepayments is recognised only after all performance obligations related to the contract with customers is satisfied.

(b) Other income

Other income comprises the following:

	Consolidated 2020 $	Consolidated 2019 $
Government grant income	631,182	-
Other	109,683	89,441
	740,865	89,441

The Government grant income included in Other income was in respect of a loan forgiven by the government to provide support for payroll expenditure during the COVID-19 pandemic. The loan was to be forgiven when certain expenditure levels had been reached for payroll and other operating expenditure. There was no additional government grants or assistance from which the entity benefitted during the period, and there are no further conditions attached to the grant.

Accounting policy for government grants income

A forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms of forgiveness for the loan. The grant is recognised as income on a systematic and rational basis over the periods necessary to match them with the related costs.

Note 6. Employee and contractor costs

	Consolidated 2020 $	Consolidated 2019 $
Salary costs	2,480,347	2,747,590
Defined contribution plan (401(k))	3,037	2,336
Other payroll-related expenses	346,023	(65,318)
Total employee and contractor costs	2,829,407	2,684,608

Note 6. Employee and contractor costs (continued)

Accounting policy for employee benefits

Wages and salaries, vested sick leave and short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Wages, salaries, annual and long service leave
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Changes in the measurement of the liability are recognised in profit or loss in the Statement of Comprehensive Income. Employee benefits are presented as current liabilities in the Statement of Financial Position if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Defined contribution schemes
The Group has a defined contribution savings plan as defined in subsection 401(k) of the United States Internal Revenue Code. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation. Group contributions to the plan may be made at the discretion of the Board of Directors.

Note 7. Operations and administration expense

	Consolidated	
	2020	**2019**
	$	**$**
Technology infrastructure and software costs	1,811,486	1,464,075
Legal and accounting expense	1,467,910	1,201,274
Technical and corporate development expense	654,434	593,797
Bad debt expense	320,735	296,404
Travel expenses	238,698	396,086
Office maintenance and associated expenses	236,885	339,433
Municipal and other taxes	-	65,067
Insurance expense	313,441	487,208
Other operations and administration expenses	103,465	131,637
	5,147,054	4,974,981

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2020	**2019**
	$	**$**
Cash at bank	2,986,745	1,831,673

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Current assets - trade and other receivables

	Consolidated 2020 $	2019 $
Trade receivables [1]	3,897,416	6,230,040
Less: Allowance for expected credit losses	(709,434)	(459,615)
	3,187,982	5,770,425
Other receivables	55,539	16,106
	3,243,521	5,786,531

[1] In the prior period, the Group entered into an arrangement with a third party to provide an asset backed credit line against trade receivables which are up to 180 days old (refer note 14). Under this arrangement, advances are recorded against certain receivables balances which are factored under the facility. All amounts invoiced are in US Dollars. In accordance with AASB 9 Financial Instruments: Recognition and Measurement, an evaluation is performed to establish whether, substantially, all the risks and rewards have been transferred to the factoring provider. Where the Group concludes this is not the case, the portion of the financial assets corresponding to the Group's continuous involvement continues to be recognised. When all the risk and rewards are not considered to be transferred, the amount is kept on the balance sheet. Based upon management's assessment, the Group believes that it has retained risk and rewards, and therefore has not derecognized any financial assets.

Transfer of trade receivables
The Group has retained the credit risk associated with the trade receivables, due to the obligation to repurchase from the factoring company any receivables that are deemed uncollectible, and therefore the risks and rewards of the asset reside with the Group. The total carrying amount (which is approximate to fair value) of the trade receivables transferred subject to factoring arrangement is $1,904,104 (December 2019: $4,213,186). This arrangement has no expiration date with an interest rate of 8.00%.

Allowance for expected credit losses
The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2020 %	2019 %	Carrying amount 2020 $	2019 $	Allowance for expected credit losses 2020 $	2019 $
Not overdue	1%	1%	1,918,797	4,018,586	19,696	40,186
0 to 30 days	5%	5%	955,803	1,690,047	48,325	84,502
31 to 60 days	16%	15%	138,922	10,231	22,302	1,535
61 to 90 days	35%	30%	39,605	34,433	14,047	10,330
Over 91 days	72%	68%	844,289	476,743	605,064	323,062
			3,897,416	6,230,040	709,434	459,615

The average age of the Group's trade receivables is 133 days (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 9. Current assets - trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2020	2019
	$	$
Opening balance	(459,615)	(489,173)
Impairment recognised during the year	(289,947)	(321,205)
Amounts written off as uncollectible	-	364,392
Exchange difference	40,128	(13,629)
Closing balance	(709,434)	(459,615)

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

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 10. Current assets - other assets

	Consolidated	
	2020	2019
	$	$
Security deposits	32,459	35,564
Shares held in trust*	300,000	1,348,052
	332,459	1,383,616

*Shares held in trust refers to fully paid ordinary shares issued to a third party which is to be used for settlement of creditor obligations of the Group. The fair value of shares held in trust is determined with reference to the number of outstanding shares multiplied by the spot price at report date. During the period, management recognised an impairment charge of $856,342 to reflect the fair value of the outstanding shares at 31 December 2020.

Note 11. Non-current assets - capitalised software costs

	Consolidated	
	2020	2019
	$	$
Capitalised software costs	8,540,044	7,628,752
Less: Accumulated amortisation	(4,619,486)	(4,596,669)
	3,920,558	3,032,083

Note 11. Non-current assets - capitalised software costs (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Capitalised software costs $	Total $
Balance at 1 January 2019	2,519,265	2,519,265
Additions	1,461,157	1,461,157
Exchange differences	4,124	4,124
Amortisation expense	(952,463)	(952,463)
Balance at 31 December 2019	3,032,083	3,032,083
Additions	1,577,376	1,577,376
Exchange differences	(264,738)	(264,738)
Amortisation expense	(424,163)	(424,163)
Balance at 31 December 2020	3,920,558	3,920,558

Software costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefit and these benefits can be measured reliably. The development costs have finite useful lives typically between 3 and 10 years, with a weighted average of 3 years (2019: 3 years). Impairment of capitalised software costs is considered at each reporting period.

The review of the business did not identify any impairment of any intangible assets following consideration of indicators of impairment under AASB 136. As at the year ended 31 December 2020, the remaining intangible assets were determined to be deriving positive cash flows related to the identifiable intangible assets and will continue to be amortised in accordance with the Group accounting policy.

Accounting policy for capitalised software costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised *software* costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3- 10 years.

Note 12. Non-current assets - goodwill

	Consolidated	
	2020 $	**2019 $**
Goodwill	1,340,390	1,468,517

Note 12. Non-current assets - goodwill (continued)

In assessing for impairment, the Directors considered goodwill in the context of the Group having one cash-generating unit, being Ad media. On that basis, they have assessed impairment applying the fair value less costs to sell method, using a revenue multiples approach, coupled with a market capitalisation approach. In making this assessment, the Directors note the following:

On a revenue multiples approach, the Directors sought to determine the enterprise value of the Group, utilising revenue multiples provided by an independent expert.

A revenue multiple of 2.1x as determined by the independent expert was applied to the Group's revenue to derive an enterprise valuation of $37,110,175. This was then compared to the goodwill balance of the group of $1,340,390

Using a market capitalisation approach, the following was noted:

- Market capitalisation of the group as at 31 December 2020 was $14,224,467.
- 20% control premium was factored into the analysis, then compared with net assets of $8,666,667.

It was concluded that the fair value less cost to sell was greater than the net assets in the cash generating unit, thus no impairment was recognised for the year ending 31 December 2020. No reasonable or likely change in any of the assumptions applied in examining the recoverable value of the Group as at report date would result in any impairment.

Accounting policy for goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Note 13. Current liabilities - trade and other payables

	Consolidated	
	2020	2019
	$	$
Trade payables	2,969,577	4,949,747
Credit card liabilities	2,906	13,852
Accrued expenses	371,532	705,517
Accrued payroll liabilities	-	19,527
Bonus and commissions payable	221,468	112,255
Accrued municipal tax	85,104	95,540
	3,650,587	5,896,438

Refer to note 16 for further information on financial instruments.

Accounting policy for trade and other payables
Trade accounts payable and other creditors represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are measured subsequently at amortised cost using the EIR method. Payment terms vary by creditor but are typically 60 days.

Note 14. Current liabilities - borrowings

	Consolidated 2020 $	2019 $
Debtor factoring borrowings	1,904,104	4,213,186
Convertible notes payable	214,050	1,516,403
Embedded derivative on convertible notes	47,303	857,808
Other borrowings	151,439	203,861
	2,316,896	6,791,258

Refer to note 16 for further information on financial instruments.

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. As at 31 December 2020, this initial drawdown has been repaid in full by the Company, via a cash payment of US$50,000 (A$70,343) and also via the exercise of 225,461,241 collateral shares with a total value of US$1,632,334 (A$2,445,965), based on a share allocation price equal to 85% of the average of the 2 lowest daily VWAPs for the preceding 20 trading days

During the year, the Company undertook a further drawdown of 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. Repayments totalling $302,500 have been made during the period, via cash payments of US$262,500 (A$367,748) and also via the exercise of 13,738,151 shares with a total value of US$40,000 (A$54,953), based on the share allocation price described above.

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Accounting policy for convertible notes
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 15. Equity - issued capital

	Consolidated 2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	2,370,744,548	712,394,973	47,790,463	35,582,304

Note 15. Equity - issued capital (continued)

Movements in ordinary share capital

Details		No. of Shares	$
Balance	1 January 2019	288,604,744	20,025,656
Share issued for purchase plan		25,099,423	702,784
Shares issued as collateral for loan note		30,400,000	-
Shares issued to convertible note holders		120,825,721	2,825,962
Shares issued for consulting fees		2,589,300	74,054
Shares issued for outstanding creditors		225,233,705	6,922,317
Shares issued for AdCel acquisition		10,657,140	1,055,057
Shares issued for settlement of employee bonuses		8,984,940	234,135
Collateral shares exercised		-	528,227
Transfer from share based payment reserve		-	3,222,334
Cost of capital raising		-	(8,222)
Balance	31 December 2019	712,394,973	35,582,304
Shares issued under placement		724,810,163	4,515,514
Shares issued under Share Purchase Plan		216,299,959	1,189,650
Shares issued as collateral for loan note		449,151,484	-
Collateral shares exercised - ZCS		-	3,729,174
Shares issued for outstanding creditors		186,087,969	1,896,356
Shares issued on exercise of performance rights		82,000,000	1,312,000
Costs of capital		-	(434,535)
Balance	31 December 2020	2,370,744,548	47,790,463

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 16. Financial instruments

Financial risk management objectives
This note explains the Group's financial risk management and how the exposure to these risks affects the Group's future financial performance.

The Group's risk management is carried out by the senior management through delegation from the Board of Directors. Risk management programmes and practices are employed to mitigate the potential adverse effects of these exposures on the results of the Group.

The Group holds the following financial instruments:

Note 16. Financial instruments (continued)

	Consolidated	
	2020	2019
	$	$
Financial assets		
Cash and cash equivalents	2,986,745	1,831,673
Trade and other receivables	3,243,521	5,786,531
Related party receivables	1,984,869	2,311,518
Investments in equity instruments	47,179	51,692
Total	8,262,314	9,981,414
Financial liabilities		
Trade and other payables - current	3,647,691	5,882,586
Credit card liabilities	2,906	13,852
Current portion of lease liability	157,854	222,218
Non-current portion of lease liability	87,345	29,572
Borrowings - due to factor - current	1,904,104	4,213,186
Borrowings - current	151,439	203,861
Convertible notes payable	214,050	1,516,403
Embedded derivative on convertible notes	47,303	857,808
Total	6,212,692	12,939,486

Market risk

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to changes in foreign exchange rates is due to the functional currency of the Group being USD and the presentation currency being AUD.

With the exception of financial assets worth A$152,521 and financial liabilities worth A$673,224 denominated in AUD, all other financial assets and liabilities of the Group were denominated in USD.

There is no material sensitivity to the profit and loss arising from changes in foreign exchange rates, given translation differences are accounted for in the foreign currency reserves.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has deemed that interest rate risk is not significant for the Group due to the majority of the Group's financial assets and liabilities being fixed rate and due to the short maturities on all of the individual tranches comprising the debtor factoring facility, which at 31 December had a fixed interest rate of 8%, did not represent a material interest rate exposure.

Credit risk
Credit risk is a risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group faces primary credit risk from potential default on receivables by payment from customers. The credit risk on financial assets of the Group which have been recognised in the Statement of Financial Position is the carrying amount net of any provision for doubtful debts.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount as presented in the Statement of Financial Position.

The credit risk from related parties is the same as external parties (refer note 20).

Generally, trade receivables are written off where there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, failure to communicate with the Group, and no meaningful negotiations as a result of legal action.

Note 16. Financial instruments (continued)

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and ensuring that all term deposits can be converted to funds in accordance with forecast cash usage. Due to the dynamic nature of the underlying business, flexibility in funding is maintained by ensuring ready access to the cash reserves of the business.

The ongoing maintenance of the Group's policy is characterized by ongoing cash flow forecast analysis and detailed budgeting processes which, is directed at providing a sound financial positioning for the Group's operations and financial management activities. In addition, the Group monitors both the debt and equity markets for additional funding opportunities.

(i) Financial arrangements

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

2020	Drawn $	Undrawn $	Total $
Fixed rate			
Debtor factoring borrowings (a)	1,904,104	-	1,904,104
Convertible notes (b)	271,814	37,173,006	37,444,820
	2,175,918	37,173,006	39,348,924

(a) The Group has an arrangement with a third party to provide an asset backed credit line against trade receivables which are up to 180 days old. Under this arrangement, advances are recorded against certain receivables balances which are factored under the facility. All amounts invoiced are in US Dollars. This arrangement has no expiration date with an interest rate of 8.00%.
(b) Convertible notes were issued on 13 March 2020. Face value of drawn portion is US$450,000 (AU$584,264). The face value of total undrawn is US$28,840,000 (AU$37,444,820). The convertible notes expire on 31 May 2021.

2019	Drawn $	Undrawn $	Total $
Fixed rate			
Debtor factoring borrowings (a)	4,213,186	-	4,213,186
Convertible notes (b)	2,497,859	34,970,026	37,467,885
Total	6,711,045	34,970,026	41,681,071

(a) During the period, the Group entered into an arrangement with a third party to provide an asset backed credit line against trade receivables which are up to 180 days old. Under this arrangement, advances are recorded against certain receivables balances which are factored under the facility. All amounts invoiced are in US Dollars. This arrangement has no expiration date with an interest rate of 8.00%.
(b) Convertible notes were issued on 19 September 2019. Face value of drawn portion is US$2,060,000 (AU$2,940,336). The face value of total undrawn is US$28,840,000 (AU$41,164,716). The convertible notes expire on 30 November 2020.

Note 16. Financial instruments (continued)

(ii) Maturities of financial liabilities
The following table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Consolidated - 2020	Less than 6 months $	Between 6 to 12 months $	Between 1 and 2 years $	Between 2 and 3 years $	Remaining contractual maturities $
Trade and other payables	3,647,691	-	-	-	3,647,691
Credit card liabilities	2,906	-	-	-	2,906
Borrowings - Due to factor*	1,904,104	-	-	-	1,904,104
Convertible notes payable**	214,050	-	-	-	214,050
Borrowings (principal) - Promissory notes	15,893	-	-	-	15,893
Borrowings - Other	135,546	-	-	-	135,546
Current portion of lease liability	78,927	78,927	-	-	157,854
Non-current portion of lease liability	-	-	87,345	-	87,345
Total non-derivatives	5,999,117	78,927	87,345	-	6,165,389

* Borrowings represent the advances recorded against certain receivables balances which are factored under the facility.
** Convertible notes were issued on 13 March 2020. Face value of drawn portion is US$450,000 (AU$584,264). The face value of total undrawn is US$28,840,000 (AU$37,444,820). The convertible notes expire on 31 May 2021.

Consolidated - 2019	Less than 6 months $	Between 6 to 12 months $	Between 1 and 2 years $	Between 2 and 3 years $	Remaining contractual maturities $
Trade and other payables	5,882,586	-	-	-	5,882,586
Credit card liabilities	13,852	-	-	-	13,852
Borrowings - Due to factor*	4,216,126	-	-	-	4,216,126
Convertible notes payable**	1,424,527	949,684	-	-	2,374,211
Borrowings (principal) - Promissory notes	55,349	-	-	-	55,349
Borrowings - Other	148,512	-	-	-	148,512
Current portion of lease liability	111,109	111,109	29,572	-	251,790
Total non-derivatives	11,852,061	1,060,793	29,572	-	12,942,426

* Borrowings represent the advances recorded against certain receivables balances which are factored under the facility.
** Convertible note balance comprised of the principal and interest payable the Group entered in on 19 September 2019. The convertible note expires on 18 November 2020.

(iii) Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Capital management strategy
The Group's policy is to maintain a capital structure for the business which ensures sufficient liquidity, provides support for business operations, maintains shareholder confidence and positions the business for future growth. The Group manages its capital structure and makes adjustments in light of changes in economic conditions.

The ongoing maintenance of the Group's policy is characterised by ongoing cash flow forecast analysis and detailed budgeting processes which, combined with continual development of banking relationships, is directed at providing a sound financial positioning for the Group's operations and financial management activities.

The Group has an ASX-imposed restriction of 15% of total share capital per annum on the amount of share capital it can issue under a placement, which may be increased by a further 10% under a special resolution put to shareholders at its general meetings.

Note 17. Fair value measurement

The Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

With the exception of embedded derivatives which is measured using level 2 inputs (refer note 3), all other major financial assets and liabilities are measured using level 1 inputs.

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 18. Key management personnel disclosures

Directors
The following persons were directors of engage:BDR Limited during the financial year:

Mr Ted Dhanik (Executive Chairman and Chief Executive Officer)
Mr Kurtis Rintala (Executive Director and Chief Operating Officer)
Mr Tom Anderson (Non-Executive Director)
Mr Darian Pizem (Non-Executive Director)
Mr Robert Antulov (Non-Executive Director)

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr Youqi Li (Chief Technology Officer)
Mr Andy Dhanik (Chief Revenue Officer)
Mr Denys Kravchenko (Chief Technology Officer - AdCel)

Note 18. Key management personnel disclosures (continued)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2020	**2019**
	$	**$**
Short-term employee benefits	2,340,791	1,936,659
Share-based payments	1,522,400	281,085
	3,863,191	2,217,744

Note 19. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit (Vic) Pty Ltd, the auditor of the company:

	Consolidated	
	2020	**2019**
	$	**$**
Audit services - William Buck Audit (Vic) Pty Ltd		
Audit or review of the financial statements	69,650	50,000
Other services - William Buck Audit (Vic) Pty Ltd		
Preparation of the tax return and other services	22,209	-
	91,859	50,000

Note 20. Related party transactions

Parent entity
engage:BDR Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 22.

Key management personnel
Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

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

Note 20. Related party transactions (continued)

	Consolidated 2020 $	Consolidated 2019 $
Beginning of the year	2,311,510	2,229,032
Loans advanced	197,603	337,503
Bonus awarded to key management personnel offset against loan balances	(400,000)	(337,127)
Interest charged	101,200	78,285
Exchange difference	(225,444)	3,817
	1,984,869	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 are repayable by 31 August 2021. These have been disclosed as current receivables. $1,984,869 outstanding loans are secured against each individuals' shareholding and will be settled in cash. All loans were approved by the Board of Directors of the Group .

Note 21. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2020 $	Parent 2019 $
Loss after income tax	(3,908,562)	(2,112,289)
Total comprehensive income	(3,908,562)	(2,112,289)

Statement of financial position

	Parent 2020 $	Parent 2019 $
Total current assets	159,573	48,244
Total assets	159,573	4,353,895
Total current liabilities	662,763	2,887,568
Total liabilities	662,763	2,887,568
Equity		
Issued capital	47,790,463	35,582,304
Share based payment reserve	732,254	603,739
Equity investment reserve	(2,441,343)	(2,441,343)
Accumulated losses	(46,584,564)	(32,278,373)
Total equity/(deficiency)	(503,190)	1,466,327

Note 21. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2020 (2019: None).

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2020 (2019: None).

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2020 (2019: None).

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	2019 %
engage:BDR LLC	United States of America	100%	100%
Tiveo LLC*	United States of America	100%	100%
AdCel LLC	United States of America	100%	100%

* Tiveo LLC is a wholly owned subsidiary of engage:BDR LLC.

Note 23. Events after the reporting period

No matter or circumstance has arisen since 31 December 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 24. Earnings per share

	Consolidated 2020 $	2019 $
Loss after income tax attributable to the owners of engage:BDR Limited	(6,881,027)	(1,343,429)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,244,831,077	515,130,862
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,244,831,077	515,130,862

Note 24. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.55)	(0.26)
Diluted earnings per share	(0.55)	(0.26)

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of engage:BDR Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

As the Group incurred a loss for the period under review and in the prior year, potential ordinary shares, being options to acquire ordinary shares, are considered non-dilutive and therefore not included in the diluted earnings per share calculation.

Note 25. Share-based payments

Options

During the 2020 financial year the Group issued 17,100,000 unlisted options to non-executive directors pursuant to the Company's Options and Performance Rights Plan ("Plan"). The options were issued in three tranches with an expiry date of 1 April 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.

Set out below are summaries of outstanding options, including options granted under the Plan:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
14/12/2017	14/12/2020	$0.2500	29,999,993	-	-	(29,999,993)	-
29/01/2019	26/01/2022	$0.0520	8,676,093	-	-	-	8,676,093
08/03/2019	22/12/2020	$0.2500	4,000,000	-	-	(4,000,000)	-
25/09/2019	30/09/2022	$0.0260	13,750,000	-	-	-	13,750,000
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
			56,426,086	17,100,000	-	(33,999,993)	39,526,093
Weighted average exercise price			$0.1650	$0.0220	$0.0000	$0.2500	$0.0298

Note 25. Share-based payments (continued)

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
14/12/2017	14/12/2020	$0.2500	29,999,993	-	-	-	29,999,993
29/01/2019	26/01/2022	$0.0520	-	8,676,093	-	-	8,676,093
08/03/2019	22/12/2020	$0.2500	-	4,000,000	-	-	4,000,000
25/09/2019	30/09/2022	$0.0260	-	13,750,000	-	-	13,750,000
			29,999,993	26,426,093	-	-	56,426,086
Weighted average exercise price			$0.2500	$0.0680	$0.0000	$0.0000	$0.1650

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2020 Number	2019 Number
14/12/2017	14/12/2020	-	29,999,993
29/01/2019	26/01/2022	8,676,093	8,676,093
08/03/2019	22/12/2020	-	4,000,000
25/09/2019	30/09/2022	13,750,000	13,750,000
18/03/2020	01/04/2023	17,100,000	-
		39,526,093	56,426,086

Performance rights

During the 2020 financial year, Company issued 107,500,000 performance rights to key management personnel and employees pursuant to the Company's Options and Performance Rights Plan. The performance rights were issued in eight tranches, each with different vesting milestones, all with an expiry date of 1 April 2023 and will a $Nil exercise/conversion price:

Tranche number:	Grant date	Expiry date	Exercise price	Balance at the start of the year	Rights granted	Converted to shares	Expired/ forfeited/ other	Balance at the end of the year
(1)	18/03/2020	01/04/2023	$0.00	-	34,500,000	(34,500,000)	-	-
(2)	18/03/2020	01/04/2023	$0.00	-	15,500,000	(15,500,000)	-	-
(3)	18/03/2020	01/04/2023	$0.00	-	20,000,000	(20,000,000)	-	-
(4)	18/03/2020	01/04/2023	$0.00	-	12,000,000	(12,000,000)	-	-
(5)	18/03/2020	01/04/2023	$0.00	-	14,000,000	-	-	14,000,000
(6)	18/03/2020	01/04/2023	$0.00	-	5,000,000	-	-	5,000,000
(7)	18/03/2020	01/04/2023	$0.00	-	5,500,000	-	-	5,500,000
(8)	18/03/2020	01/04/2023	$0.00	-	1,000,000	-	-	1,000,000
				-	107,500,000	(82,000,000)	-	25,500,000

The vesting milestones for each Tranche were as follows:

Note 25. Share-based payments (continued)

(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.

There were no performance rights granted or outstanding in the prior period.

For the options granted during the current financial 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

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows. Note - in the following table:

- the inputs in the first row were used to determine the fair value of the 93,500,000 performance rights to which vesting milestones 1, 2, 3, 4, 6, 7, and 8 applied; and

- the inputs in the second row were used to determine the fair value of the 14,000,000 performance rights to which vesting milestone 5 applied.

The fair value of the 14,000,000 performance rights to which vesting milestone 5 applies (Milestone 5 Rights) is different to the fair value of the other 93,500,000 performance rights valued, despite both sets of rights having the same valuation model inputs, as the Milestone 5 Rights have a market vesting condition, whereas the other rights do not have a market vesting condition.

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	$0.0000	100.00%	-	0.50%	$0.0160
18/03/2020	01/04/2023	$0.0160	$0.0000	100.00%	-	0.50%	$0.0141

Note 26. Contingent assets and liabilities

The Directors are not aware of any contingent assets or contingent liabilities as at 31 December 2020 (2019: Nil)

engage:BDR Limited
Directors' declaration
31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Ted Dhanik
Co-Founder and Executive Chairman

26 February 2021

William Buck

engage:BDR Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of engage:BDR Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Material Uncertainty Relating to Going Concern

We draw attention to Note 2 to the financial report, which describes that as at 31 December 2020 the Group incurred a net loss of $6,881,027, and for the year then ended incurred net cash outflows from operations of $464,142. These conditions, along with any other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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(WB015_2007)

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

DERECOGNITION OF AMOUNTS PAYABLE TO SUPPLIERS	
Area of focus	**How our audit addressed it**
During the reporting period, the Group extinguised a significant portion of amounts payable to its suppliers. These legacy amounts payable related to invoices that the Group had received from those suppliers, dating back to 2011. Although the Group had fully provided for those invoices in previous financial reports, it had withheld payments set out as owing and payable on those invoices due to disputes with those suppliers relating to a) inaccurate or invalid claims by those suppliers for website traffic (*traffic* being a key input driving the quantum of the total invoice); and disputed claims with suppliers for other reasons, whereby that supplier had either restructured or re-administered itself so that the supplier, under California State Law no longer has the appropriate corporate authority to transact with and claim amounts that previously it claimed it was owing. During the financial reporting period, management has proactively deleveraged its working capital position over the reporting period by negotiating settlements with its suppliers for some of those outstanding invoices. With reference to Californian Law, it was determined payables totalling $632,627 had exceeded the statute of limitations and were held to be no longer payable by the Group.	Our procedures involved the following: — Understanding, through consultation with our own internal specialists and with the Group's external legal counsel, how California State Law and US Federal Law applies where claims for payment by suppliers of technology services are under dispute for long periods of time; — Confirming major creditor balances and their rolled positions from 31 December 2019 to 31 December 2020; — Discussing with the Group's external legal counsel the existence of any further disputed claims and cross-checking those claims with the amounts provided for in amounts payable to suppliers in the statement of financial position; and finally — Recalculating from a sample of settled positions from major creditors any gain on settlement to the statement of profit or loss. We also ensured that these matters were completely and accurately disclosed in the financial statements.

LOANS TO RELATED PARTIES, SHAREHOLDERS AND KEY EMPLOYEES	
Area of focus	**How our audit addressed it**
The Group has a long-established practice of making cash loans to its related parties, shareholders and key employees. The loans were made principally to the Group's related parties and key employees in the 2016 and 2017 financial years. Since this date however further additional amounts have been loaned after this date with surplus cash flows as set out in note 20 to the financial statements As set out in the Replacement Prospectus upon its IPO, the loans were originally expected to mature in June 2018, however this was extended to June 2019, and then, by Directors' consecutuive resolution to August 2020 and finally until August 2021. The loans are secured against the personal shareholding interests of each loan recipient. Interest is charged on these loans at 5.00% per annum, which is consistent with US market interest rates for similar loans, and is capitalised into the debt. Any bonuses awarded to executive directors are applied against the outstanding loan receivable. The nature and content of these loans have been disclosed both in the financial statements and the accompanying Remuneration Report set out in the Directors' Report, specifically addressing the following matters: • The terms and conditions of the loans, including their security, interest rate and maturity features; and • Roll-forward analyses of the loans from the commencement to the end of the year.	Our procedures included: — Confirming loan balances outstanding to counterparties and substantiating those loans to loan documentation; and — Tracing loan share collateral to the Company's share register and to the Directors' minute collateralising the loan. We also ensured that these matters were completely and accurately disclosed in the financial statements, including, where relevant, the related party disclosures.

<table>
<tr><th colspan="2">ASSESSMENT OF IMPAIRMENT OF INTANGIBLE ASSETS</th></tr>
<tr><th>Area of focus</th><th>How our audit addressed it</th></tr>
<tr><td>
The Group holds a total of $5,260,948 in intangible assets relating to a) its capitalized development projects; and b) goodwill acquired from past acquisitions.
Given that the Group holds indefinite-life intangible assets, it is required to test annually for impairment.
Since its determination as at 30 June 2019, the Directors and management of the Company now internally evaluate the Group under one reporting segment and one cash-generating unit, the programmatic segment.
Consequently, the impairment assessment conducted at 31 December 2020 evaluates the Group as one single cash generating unit.
In assessing for impairment, the Directors evaluated the carrying value of intangible assets firstly by identifying any indicators of impairment against specific assets (i.e.: software development projects abandoned) and then as a whole against the Group by evaluating its fair value less costs to sell. In applying this methodology, the Directors considered the enterprise value of the Group through a revenue multiples approach using specialist SVM. This was coupled with an assessment using market capitalisation, adjusted for net debt, an estimated control premium and costs for sale.
In applying this methodology, the Directors considered the enterprise value of the Group, being its market capitalisation, adjusted for net debt, an estimated control premium and costs for sale.
The results of this impairment assessment are disclosed in Note 12 to the financial statements.
</td><td>
Our procedures involved:

Consulting internally to assess the reasonableness of the determination that the business has only a single segment and is a single cash-generating unit;
Consulting internally to determine the appropriateness of the impairment test methodology used, being on a fair value less costs to sell approach by examining the Company’s enterprise value;
Corroborating and substantiating the Company’s enterprise value calculations, compared with net assets of the Company; and
Appraising the independence and competence of the third party specialist employed to derive the revenue multiples used in the impairment assessment.

We also ensured that these matters were completely and accurately disclosed in the financial statements.
</td></tr>
</table>

<table>
<tr><th colspan="2">ACCOUNTING FOR THE ISSUE OF THE ZCS NOTE</th></tr>
<tr><th>Area of focus</th><th>How our audit addressed it</th></tr>
<tr><td>In September 2019 the Group achieved a new source of financing from a counterparty, Alto Capital. During the year, the first tranche of the Note was repaid, with a second tranche drawn down with a face value of US$450,000.

The Note has the following features which have impacted the accounting treatment derived for these financial statements:

— A discount to face value upon issue;
— A variable equity conversion feature (featuring a VWAP discount but with a fixed ceiling of AUD 35 cents per share), convertible in the hands of the investor;
— The requirement to issue collateral shares with an anti-dilution protection (collateral to be held no less than 2.50% of the Company's shares and up to 4.90%);
— A further 3.50% loading to face value in the event that the Note is redeemed for cash;
— A participating right conferred to Alto Capital to participate in future financing opportunities of the Company (up to 50%) on terms not disadvantageous to those for the issue of the ZCS Note; and
— Extensive and specific default clauses, including those mandating set cash burn rates and liquidity thresholds.

The Group has accounted for the conversion clause in the arrangement as an embedded derivative, for which it has sought external specialist expertise to fair value on its statement of financial position with movements in the fair value of those derivative contracts taken to the profit or loss.

The Company's directors have accounted for the principal value of the Note by applying the face value plus the cash redemption loading feature.</td><td>Our procedures involved:

— Confirming the terms of the Note to Alto Capital and vouching those terms to the Note's documentation;
— Consulting internally to determine the appropriateness of the assessment of the Note as having a variable conversion clause that would require a separate measurement of an embedded derivative liability;
— Appraising the independence and competence of the external specialist employed to fair value the embedded derivative liability;
— Recalculating the discount to the face value (plus cash redemption loading feature) of the principal value of the Note as at initial recognition and at 31 December 2020; and
— Ensuring any potential dilutive impacts associated with the collateral shares has been factored into the value of the note

We also ensured that these matters were completely and accurately disclosed in the financial statements.</td></tr>
</table>

SHARE BASED PAYMENTS	
Area of focus	**How our audit addressed it**
The Group has equity incentive plans for its key management personnel and staff and, during the period, issued performance rights and options. Some of these issuances were attached to market and non-market performance conditions, as well as service conditions. At 31 December 2020, there are some performance conditions fulfilled and unfulfilled with respect to the performance rights issued during the period. Each of the arrangements which form part of the plan required significant judgements and estimations by management, including the following: — Determination of the grant date of each arrangement, and the evaluation of the fair value of the underlying share price of the company as at that grant date; — The evaluation of the vesting charge taken to the profit and loss in-respect of the accrual of service conditions attached to those share-based payment arrangements; and — The evaluation of key inputs into the pricing model, including the significant judgement of the forecast volatility of the share option over its exercise period. Upon issue, management sought external specialist expertise to fair value these arrangements. The results of these share-based payment arrangements materially affect the disclosures of these financial statements, including the vesting charge that affects disclosures of key management personnel remuneration.	Our audit procedures included: — Determining the grant dates and evaluating what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements; — Evaluating the fair values of share-based payment arrangements by agreeing assumptions to third party evidence; — Evaluating the progress of the vesting of share-based payments within the service period; and — For the specific application of the option pricing models used, we assessed the experience and independence of the expert used to advise the value of the arrangements. We also assessed the reasonableness of the assumptions detailed in their report. We have also assessed the adequacy of disclosures in the notes to the financial statements.

<table>
<tr><th colspan="2">REVENUE RECOGNITION</th></tr>
<tr><th>Area of focus</th><th>How our audit addressed it</th></tr>
<tr><td>We refer you to Note 5 to the financial statements, which sets out the Group’s accounting policies for recognising revenues, which require the identification of discrete performance obligations within a contract and, when performed over time, the amortisation used for recognising revenue as it is performed against those performance obligations.

These matters require judgment and estimation in order to determine a) what those performance obligations are; and b) over what period over time they are achieved under a contract.

Due to the fact that the Group’s invoicing policies do not always marry up with its revenue recognition for all of its service product streams, an amount of $19,475 is represented in the statement of financial position as a contract liability.</td><td>Our procedures involved:
— Assessing the Group’s revenue accounting policies to ensure that they meet the requirements of AASB 15 Revenue;
— Agreeing revenue recognised in the financial statements to contracts and insertion orders, ensuring consistency with the Group’s revenue accounting policies; and
— Performing other substantive procedures over revenue, include substantive analytical review procedures.

We also ensured that these matters were completely and accurately disclosed in the financial statements.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 31 December 2020, but does not include the financial report and the auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of engage:BDR Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

N. S. Benbow
Director

Melbourne, 26th February 2021

engage:BDR Limited
Shareholder information
31 December 2020

The shareholder information set out below was applicable as at 24 February 2021.

Distribution of equity securities
Analysis of number of equity security holders by size of holding:

	Number of holders of ordinary shares	% units	Number of holders of unlisted options expiring 26 January 2022, exercisable at $0.052	% units	Number of holders of unlisted options expiring 30 September 2022, exercisable at $0.026	% units
1 to 1,000	53	-	-	-	-	-
1,001 to 5,000	47	0.01	-	-	-	-
5,001 to 10,000	175	0.07	-	-	-	-
10,001 to 100,000	1,022	2.14	-	-	-	-
100,001 and over	1,515	97.78	1	100.00	1	100.00
	2,812	100.00	1	100.00	1	100.00
Holding less than a marketable parcel	1,120		-		-	

	Number of holders of unlisted options expiring 1 April 2023	% units	Number of holders of Performance Rights	% units	Number of holders of unlisted zero coupon convertible amortising securities issued at USD$382,500 and with a current face value of USD$72,500	% units
1 to 1,000	-	-	-	-	1	100.00
1,001 to 5,000	-	-	-	-	-	-
5,001 to 10,000	-	-	-	-	-	-
10,001 to 100,000	-	-	-	-	-	-
100,001 and over	3	100.00	3	100.00	-	-
	3	100.00	3	100.00	1	100.00
Holding less than a marketable parcel	-		-		-	

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	**% of total shares issued**
FIRST ROUND CAPITAL LLC	97,681,498	4.12
WINS ASSET MANAGEMENT PTY LTD (WINS A/C)	73,500,000	3.10
SAMUEL BAILLIEU HORDERN	54,000,000	2.28
MR KENNETH KWAN	52,529,242	2.22
VIRIATHUS CAPITAL PTY LTD (VIRIATHUS LLC NOMINEE A/C)	50,000,000	2.11
MR KURTIS RINTALA	47,717,391	2.01
MRS ELIZABETH ANNE MACRAE	41,831,827	1.76
ANTHONY PHILLIP HORDERN	36,000,000	1.52
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	35,619,398	1.50
YUCAJA PTY LTD (THE YOEGIAR FAMILY A/C)	35,030,427	1.48
GHJC PTY LIMITED	32,090,156	1.35
CITICORP NOMINEES PTY LIMITED	30,719,759	1.30
MR SHAO-LI HUANG	30,000,000	1.27
MR PETER KARAS	29,000,000	1.22
GHC NOMINEES PTY LTD (JEFFCO A/C)	24,363,951	1.03
ALTO OPPORTUNITY MASTER FUND + SPC (SEGREGATED MASTER PORT B A/C)	22,919,703	0.97
JOY ELAINE HORDERN	20,739,726	0.87
MR GARY WAYNE BRADY + MRS VIKASHNI LATA BRADY	20,000,000	0.84
MR TRISTAN ALEXANDER	16,116,213	0.68
MR GEOFFREY MARK COTTLE	15,500,000	0.65
	765,359,291	32.28

Unquoted equity securities

	Number on issue	**Number of holders**
Unlisted listed options expiring 30 January 2022, exercisable at $0.052	8,676,093	1
Unlisted listed options expiring 30 September 2022, exercisable at $0.026	13,750,000	1
Unlisted listed options expiring 1 April 2023, exercisable at $0.0201	5,700,000	3
Unlisted listed options expiring 1 April 2023, exercisable at $0.0217	5,700,000	3
Unlisted listed options expiring 1 April 2023, exercisable at $0.0223	5,700,000	3
Unlisted zero coupon convertible amortising securities (Series B) issued at USD$382,500 and with a current face value of US$72,500	1	1

The following persons hold 20% or more of unquoted equity securities:

Name	**Class**	**Number held**
CST Capital Pty Ltd (CST Investments Fund A/C)	Unlisted options expiring 30 January 2022, exercisable at $0.052	8,676,093
Alto Opportunity Master Fund + SPC (Segregated Master Port B A/C)	Unlisted options expiring 30 September 2022, exercisable at $0.026	13,750,000
Alto Opportunity Master Fund + SPC (Segregated Master Port B A/C)	Unlisted zero coupon convertible amortising securities (Series B) issued at USD$382,500 and with a current face value of US$72,500	1

Substantial holders
There are no substantial holders in the company.

Voting rights

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Other securities
Other classes of securities issued by the Company do not carry voting rights.

Annual General Meeting

Engage:BDR Limited advises that its Annual General Meeting will be held on or about Tuesday, 25 May 2021. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon despatch.

The Closing date for receipt of nomination for the position of Director is Tuesday, 6 April 2021. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Tuesday, 6 April 2021 at the Company's Registered Office.

The Company notes that the deadline for nominations for the position of Director is separate to voting on Director elections. Details of the Directors to be elected will be provided in the Company's Notice of Annual General Meeting in due course.

Corporate Governance Statement

The Company's 2020 Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at: https://engagebdr.com/board-management-and-corporate-governance/

On-market buy-back

There is no current on-market buy-back.