

7 September 2018

Response to the ASX regarding Aware Query

engage:BDR Limited (“**engage:BDR or Company**”) (**ASX:EN1 and EN10**) hereby provides the following responses regarding ASX’s Aware Query received on 5 September 2018.

1. Does EN1 consider the Relevant Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No engage:BDR does not consider that the relevant information is information that a reasonable person would expect to have a material effect on the price of its securities.

2. The basis for our view is as follows:
 - a. the revenue targets forming the basis for the potential incentive payments were and are in the Company’s opinion not realistically achievable by AdCel therefore, the payout is extremely unlikely to ever be required to be payable
 - b. the potential incentive payout, even in the unlikely event it was achieved, would not be material to the Company in relation to the Company’s total market capitalisation and if that target was achieved the Company would have adequate resources available to it to make any required payout
3. The omission was an inadvertent oversight that occurred during the editing and review process for the relevant announcement and was only discovered by the Company’s auditors, Ernst & Young during the audit review process at the time of final sign off of the Half Year Audit Review. The Company released the additional information as soon as practicable after the oversight was discovered on 31 August 2018, with its Appendix 4D covering announcement. In addition, the Company provided a comprehensive,

engage:BDR Limited (ASX:EN1 and ENO)
ACN 621 160 585

U.S.A Office
engage:BDR
Suite 100, 9220 Sunset Blvd
West Hollywood, CA 90069
USA
t: +1 310 954 0751
e: info@engagebdr.com

Australian Office
Scottish House
Level 4, 90 William Street
Melbourne Victoria 3000
AUSTRALIA
+61 412 111 821
info@engagebdr.com.au

explanation to the market on 5 September 2018, explaining that the omission was an inadvertent oversight in the preparation of the original announcement and an explanation as to why it did not consider the omission of the information in the original announcement to be price-sensitive and why the Company believed that no payout would be likely to be required to be made by the Company.

4. The actual revenues of AdCel to date from January 2018 to July 2018 and forecasts revenues of AdCel from August 2018 to December 2018 are set out below to demonstrate the extremely unlikely nature of the incentive component of the deal being required to be paid :

AdCel	Actuals							Total
	18-Jan	18-Feb	18-Mar	18-Apr	18-May	18-Jun	18-Jul	
Revenue	142,833	107,961	108,079	79,724	81,760	80,434	84,741	685,532

AdCel	Forecasted					Total
	18-Aug	18-Sep	18-Oct	18-Nov	18-Dec	
Conservative	74,751	61,947	49,650	46,265	86,541	1,004,686
3 mo. Avg	82,312	82,312	82,312	82,312	82,312	1,097,092
Best Case	120,000	120,000	120,000	120,000	120,000	1,285,532

5. In response to the Auditors Review Report in the engage:BDR half year accounts under the Emphasis of Matter the Company makes the following comments:
- a). The liability of the Company to pay the USD \$1 million incentive payment will occur only if AdCel achieves revenue of USD \$1.75 million in the year to 31 December 2018.
 - b). An analysis of the actual results achieved by AdCel between January 2018 and July 2018 and forecasts for the period from August 2018 to December 2018 indicate that AdCel is likely to fall significantly short of the target at which the incentive payment would be payable (refer to analysis above).
 - c). In view of the above, the Company is of the opinion, that no current contingency liability exists in respect of AdCel potential incentive payment for the 2018 year.

engage:BDR Limited (ASX:EN1 and ENO)
ACN 621 160 585

U.S.A Office
engage:BDR
Suite 100, 9220 Sunset Blvd
West Hollywood, CA 90069
USA
t: +1 310 954 0751
e: info@engagebdr.com

Australian Office
Scottish House
Level 4, 90 William Street
Melbourne Victoria 3000
AUSTRALIA
+61 412 111 821
info@engagebdr.com.au

- 5.1/5.2 engage:BDR, intends to take the following steps to ensure that, in the unlikely event that the USD \$1m payout to the AdCel vendors becomes payable, it will have undertaken the following steps. Additionally, the Company intends, quite separately from the matters referred to above, to take the following steps set out below, to fund its ongoing operations and to meet its previously stated business objectives.
- (a) Aim to achieve its forecast revenues and positive operating cash flows in H2 2018 through the continued completion of its planned integrations onto the group's programmatic advertising platform and growth of the IconicReach business;
 - (b) Undertake an additional equity capital raising when needed (the company has a proven track record having completed three equity raisings in the past 12 months and has a signed mandate to undertake such a capital raising in the future);
 - (c) To enter into, if required, a variety of debt and equity arrangements available to it;
 - (d) Seek the support from its founders and major shareholders, if required, for the further injection of equity capital
 - (e) Exercise control over discretionary operational cash outflows;
 - (f) Realise some of its of Available for Sale investments
6. The Company considers it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
7. The Company's responses has been authorised and approved in accordance with its published continuous disclosure policies and provided by an officer with delegated authority from the board to respond to ASX on disclosure matters.

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

engage:BDR Limited (ASX:EN1 and ENO)
ACN 621 160 585

U.S.A Office
engage:BDR
Suite 100, 9220 Sunset Blvd
West Hollywood, CA 90069
USA
t: +1 310 954 0751
e: info@engagebdr.com

Australian Office
Scottish House
Level 4, 90 William Street
Melbourne Victoria 3000
AUSTRALIA
+61 412 111 821
info@engagebdr.com.au



4 September 2018

Mr Ted Dhanik

CEO
Engage:BDR Limited
Scottish House
Level 4, 90 William Street
Melbourne VIC 3000

By email: ted@engage-bdr.com

Dear Ted

Engage:BDR Limited (“EN1”): aware query

ASX Limited (“ASX”) refers to the following:

- A. EN1’s announcement entitled “EN1 Completes AdCel Acquisition” (“AdCel Acquisition”) lodged on the ASX Market Announcements Platform and released at 09:36 am on 30 July 2018, disclosing that EN1 has finalised its acquisition of AdCel LLC on revised terms as below:
- i. AdCel vendors (the “AdCel Vendors”) will receive the entire sale consideration of USD \$3.515 million in fully paid ordinary shares in EN1 to be issued at the equivalent of AUD \$0.22 cents per share (totalling 21,591,686 ordinary fully paid shares);
 - ii. AdCel will no longer receive USD \$1 million in cash consideration as foreshadowed in the original acquisition terms; and
- the announcement further disclosing that AdCel’s 2018 calendar year revenues are likely to be closer to AUD \$1.65 million, rather than the original expected revenues of AUD \$2 million, and that this revised projection was the basis for the revised terms.
- B. EN1’s half year accounts for the period ended 30 June 2018 entitled “EN1 2018 Half Year Accounts” lodged on the ASX Market Announcements Platform and released at 08:19 am on 3 September 2018 (“Relevant Date”), disclosing on page 5 future incentive components of the AdCel Acquisition omitted from the 30 July announcement, comprising the following (“Relevant Information”):
- i. Additional purchase consideration of USD \$1,000,000 in cash to AdCel vendors if AdCel achieves gross revenues of USD \$1,750,000 in the 2018 financial year being to 31 December 2018;
 - ii. Additional purchase consideration of USD \$750,000 in cash to AdCel vendors if AdCel achieves gross revenues of USD \$3,000,000 with at least a 30% gross operating profit in the 2019 financial year; and
 - iii. Additional purchase consideration of USD \$750,000 in cash to AdCel Vendor if AdCel achieves gross revenues of USD \$5,000,000 with at least a 30% gross operating profit in the 2020 financial year.
- C. Note 17 to EN1’s half year accounts advises in relation to AdCel that “An analysis of actual results January 2018 to July 2018 and forecast results August 2018 to December 2018 indicate AdCel will be short of this target for the period to 31 December 2018.
- D. The Auditor’s Review Report on EN1’s half year accounts under the Emphasis of Matter (“EoM”) noted matters relating to the Group’s ability to continue as a going concern and in particular the dependence on successful completion of a fundraising in the near term. These matters indicate that a material uncertainty exists that may

20 Bridge Street
Sydney NSW 2000

PO Box H224
Australia Square NSW 1215

Customer service 13 12 79
asx.com.au

cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The interim condensed financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

- E. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- F. Section 4.15 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "Guidelines on the contents of announcements under Listing Rule 3.1"* which states that wherever possible, an announcement under Listing Rule 3.1 should contain sufficient detail for investors or their professional advisers to understand its ramifications and to assess its impact on the price or value of the entity's securities.
- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

Having regard to the above, ASX asks EN1 to respond separately to each of the following questions and requests for information:

1. Does EN1 consider the Relevant Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 2 is "no", please advise the basis for that view.
3. If the answer to question 2 is "yes", did EN1 make any announcement prior to the Relevant Date which disclosed the Relevant Information? If so, please provide details. If not, please explain why the Relevant Information was not released to the market at an earlier time, commenting specifically on when you believe EN1 was obliged to release the Relevant Information under Listing Rules 3.1 and 3.1A and what steps EN1 took to ensure that the Relevant Information was released promptly and without delay.
4. Please advise actual revenue results for AdCel from January 2018 to July 2018 and forecast revenue for the remainder of 2018.
5. Having regard to EN1's current financial position as highlighted in the EoM, please advise the following.
 - 5.1 What steps EN1 has taken, or intends to take, to ensure it can pay the AdCel Vendors US \$1m in early 2019 should the first revenue milestone be met.

-
- 5.2 More generally, what steps EN1 has taken, or intends to take, to raise further cash to fund its operations and to meet its business objectives?
6. Please confirm that EN1 is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
7. Please confirm that EN1's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of EN1 with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 9.30am AEST on Friday, 7 September 2018**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to EN1's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that EN1's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, providing the information requested in this letter.

Further, if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, EN1's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in this letter and may require EN1 to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.


We will require the request for the trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you do not respond to this letter by the deadline set out above or if ASX does not consider your response to be satisfactory, ASX is likely to suspend trading in EN1's securities under Listing Rule 17.3.

If you have any queries or concerns about any of the above, please contact me immediately.



Yours sincerely

[Sent electronically without signature]

Jon Chow

Adviser, Listings Compliance (Melbourne)