

28 October 2020

ASX ANNOUNCEMENT

Q3 2020 Appendix 4C & Commentary

Highlights

- ▶ Cash balance grew \$1M to \$2.7M
- ▶ Staff costs reduced \$330K or 45% and 61% year to date
- ▶ Alto ZCS facility notes balance is US\$144K net of all shares already issued

engage:BDR ("EN1 or Company") (ASX:EN1 and EN1O) is pleased to present shareholders with a commentary for Q3 2020 Appendix 4C cashflows with a comparative analysis of prior quarters. Management notes all figures are unaudited, as all financials are pending audit. All figures are in AUD.

Cash Balance EN1's cash ending cash balance for Q3 was \$2.7M, which was \$1M or a 60% improvement over the ending cash balance of Q2 2020 and 193% of the average cash balance of 2019. Additionally, \$420K in item 1.8 (a) prepaid ad inventory would be available to recover for cash until expended.

Period	Ending Cash Balance
2019 Average Cash Balance	\$1.4M
Q1 2020	\$1.38M
Q2 2020	\$1.7M
Q3 2020	\$2.7M

Staff Expenses Management deployed proactive measures in early March to considerably reduce all operating expense categories to prepare for potential Covid-19 revenue impact, specifically staff expenses (including executive. Categories which benefited the most are highlighted in the table below.

Period	Staff Costs 1.2e	% Reduction
Q1	\$1.1M	
Q2	\$760K	31%
Q3	\$432K	45%
Year to Date	\$668K Total Quarterly Reduction	61%

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Administrative & Corporate Costs

During Q3 2020, the Company incurred a \$458K increase in admin and corporate costs due to Management establishing an accelerated payback plan to the Company's outside vendors and resource providers (to reduce payables). In March 2020, Management deferred many large vendor payments to conserve cash; in July, the Company started an accelerated repayment of all outstanding balances.

Normalised net cashflow used in operating activities was (\$320K) [add back of prepaid ad inventory line 1.8 (a)].

Financing Facilities

At the end of Q3, the Company had a total outstanding balance of \$2.8M, which was comprised of a receivables (factoring) facility balance of \$2.5M and a ZCS notes balance with Alto of \$313K.

As at today, the current notes net balance (including all collateral shares already issued to Alto) is US\$144K.

During the quarter there were payments of \$204,394 associated with executive and non-executive fees paid to Directors fees for the September 2020 quarter. This is outlined in section 6.1 of the Appendix 4C.

For questions or feedback, please email info@EN1.com.



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

Forward Looking Statements

Preliminary financial results published above are subject to audit, adjustment and closing, as they are estimates and figures may be rounded. Figures have not been audited, adjusted and are preliminary estimates. Statements made in this release which are forward-looking statements and are based on the Company's expectations, estimates and projections. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "guidance," "~" and similar expressions are intended to identify forward-looking statements. These words are not the exclusive means of identifying such statements. Any forward-looking statement made by the Company in this announcement is based only on information currently available to the Company and its current intentions (which may change) and speaks only as of the date on which it is made. Forward-looking statements are subject to a range of risks and uncertainties, some of which are beyond the Company's control. Risks and uncertainties can include matters inherent in the business of the Company, its management, its activities generally, and the market in which it operates. As a result, actual results could materially differ from those in the forward-looking statements. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company does not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring, or as a result of new information, future developments or otherwise after the date of this release except as required by the listing rules of ASX, by law or by appropriate regulatory authorities.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

engage:BDR Limited

ABN

621 160 585

Quarter ended ("current quarter")

30/09/2020

Consolidated statement of cash flows	Current quarter \$AUD	Year to date (9 months) \$AUD
1. Cash flows from operating activities		
1.1 Receipts from customers	3,199,857	11,853,293
1.2 Payments for		
(a) engineering / research & development	(456,557)	(1,085,515)
(b) ad inventory costs of goods sold	(1,690,191)	(5,954,355)
(c) advertising and marketing	(211)	(4,246)
(d) leased assets	-	(71,449)
(e) staff costs	(431,541)	(2,262,236)
(f) administration and corporate costs	(1,028,275)	(2,744,008)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(303)	(8,208)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	179,674	624,343
1.8 Other (provide details if material)		
(a) prepaid ad inventory	(420,264)	(1,476,024)
(b) legal & settlements	(92,729)	(769,547)
1.9 Net cash from / (used in) operating activities	(740,540)	(1,897,952)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-

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

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,892,295	1,892,295
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(180,713)	(180,713)
3.5	Proceeds from borrowings	-	803,164
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	(a) finance lease obligations	(13,554)	(135,036)
3.10	Net cash from / (used in) financing activities	1,698,028	2,379,710

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,691,242	1,790,717
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(740,540)	(1,897,952)

Consolidated statement of cash flows		Current quarter \$AUD	Year to date (9 months) \$AUD
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,698,028	2,379,710
4.5	Effect of movement in exchange rates on cash held	-	376,255
4.6	Cash and cash equivalents at end of period	2,648,730	2,648,730

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$AUD	Previous quarter \$AUD
5.1	Bank balances	2,648,730	1,691,242
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,648,730	1,691,242

6.	Payments to directors of the entity and their associates	Current quarter \$AUD
6.1	Aggregate amount of payments to these parties included in item 1.2	(204,394)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$AUD	Amount drawn at quarter end \$AUD
7.1 Loan facilities	41,150,816	2,815,496
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	41,150,816	2,815,496

7.5 **Unused financing facilities available at quarter end** 38,335,320

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

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

In accordance with the terms noted in the Company's ASX announcement dated 25 September 2019, the Company entered into a Convertible Securities Agreement with Alto Opportunity Master for the funding of up to approximately AU\$38 million.

8. Estimated cash available for future operating activities	\$AUD
8.1 Net cash from / (used in) operating activities (Item 1.9)	(740,540)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,648,730
8.3 Unused finance facilities available at quarter end (Item 7.5)	38,335,320
8.4 Total available funding (Item 8.2 + Item 8.3)	40,984,050
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	55

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

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

Date:28/10/2020.....

Authorised by: 
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.