



ASX MARKET RELEASE

Equity Capital Raisings, Debt Restructure and Company Updates

SUMMARY

- Equity capital raising bookbuild completed and firm commitments received from institutional, professional and sophisticated investors for a placement to raise A\$6.5 million (before costs)
- Buddy to undertake entitlement offer to existing shareholders to raise up to an additional A\$10 million (before costs)
- Buddy is undertaking a debt restructure whereby (amongst other matters):
 - it has agreed with its primary manufacturer, Eastfield, to pay US\$2.75 million in full and final settlement of amounts owing in respect to a line of credit facility and historical accounts payables (such amounts totalling ~US\$5.77 million, being US\$3.02 million of debt forgiveness) - payment will be funded via proceeds from the placement, entitlement offer and/or from PFG
 - PFG, Buddy's secured lender, has also agreed to (amongst other things) restructure its existing term debt facility and, if required, fund part of the payment to Eastfield (referred to above)

16 July 2021 - Adelaide, Australia

Buddy Technologies Limited ("**Company**" or "**Buddy**") (ASX:BUD), a leader in IoT and cloud-based solutions for making spaces smarter, advises that:

- it has successfully completed a bookbuild and received firm commitments for a placement to institutional, professional and sophisticated investors to raise A\$6.5 million (before costs) and will undertake a pro rata non-renounceable entitlement offer to existing shareholders to raise up to an additional A\$10 million (before costs) (together, the "**Capital Raising**");
- it has entered into formal binding arrangements with its primary manufacturer, Eastfield Lighting (Hong Kong) Limited ("**Eastfield**"), and secured lender, Partners for Growth ("**PFG**"), in respect to a debt restructure ("**Debt Restructure**") (refer below for further details); and
- the Company has commenced production of the Company's 2021 new LIFX products with a second manufacturer and has been allocated 1 million parts of the critical semiconductor component (of the 2.8 million ordered) (refer to the ASX announcements dated 27 April 2021 and 7 June 2021 for further details) (refer below for further details).

CAPITAL RAISING

Placement

Buddy has received firm commitments from institutional, professional and sophisticated investors to subscribe for 260,000,000 new fully ordinary shares in the Company ("**New Shares**") to raise A\$6.5 million (before costs) ("**Placement**").

All New Shares issued under the Placement will be issued at a price of A\$0.025 per New Share, which represents a:

- 41.9% discount to the last closing price of A\$0.043 on 23 April 2021; and
- 37.1% discount to the TERP of A\$0.040.¹

The discounts above are based on the last trading price of Buddy's securities prior to its suspension on 23 April 2021.

The New Shares under the Placement will be issued to sophisticated and professional investors identified by the Company and the lead manager, Bell Potter Securities Limited, ("**Lead Manager**"). None of the participants are related parties, key management personnel or an adviser of the Company (noting that FIL Limited is the only substantial shareholder of the Company that participated in the Placement). All of the participants were identified through a bookbuild process which involved the Company and the Lead Manager seeking expressions of interest from certain key stakeholders and other third party investors to participate in the Placement.

Participants in the Placement will also, subject to shareholder approval, be eligible to subscribe for one (1) free attaching option to acquire a fully paid ordinary share in the Company ("**Share**") for every two (2) New Shares issued under the Placement ("**Placement Option**"). Each Placement Option will have an exercise price of A\$0.05 and an expiry date of 30 July 2024. The Company will, subject to the satisfaction of the requirements in Listing Rule 2.5, seek quotation of the Placement Options on the ASX.

The New Shares under the Placement will be issued utilising the Company's existing placement capacity under Listing Rule 7.1 on or around 23 July 2021.

Entitlement Offer

Buddy will also undertake a one (1) for 7.5 pro rata non-renounceable entitlement offer of up to 400,000,000 New Shares at an issue price of A\$0.025 (being the same issue price as the Placement) to raise up to approximately A\$10 million (before costs) ("**Entitlement Offer**"). Participants in the Entitlement Offer will also be issued one (1) free attaching option for every two (2) New Shares issued under the Entitlement Offer ("**Entitlement Offer Option**"). Each

¹ The theoretical ex-rights price ("TERP") is the theoretical price at which Buddy shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Buddy's shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. The TERP also includes new shares to be issued under the Placement.

Entitlement Offer Option will have the same terms and conditions as the Placement Options (being an exercise price of A\$0.05 and an expiry date of 30 July 2024). The Company will, subject to the satisfaction of the requirements in Listing Rule 2.5, seek quotation of the Entitlement Offer Options on the ASX.

Each New Share issued under the Entitlement Offer will rank equally with existing Shares on issue. Buddy will, upon issue of the New Shares under the Capital Raising, seek quotation of the New Shares on the ASX. The Entitlement Offer is non-renounceable (ie. entitlements will not be tradeable or otherwise transferrable) and will not be underwritten. There will not be a minimum subscription amount under the Entitlement Offer.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for one (1) New Share for every 7.5 existing Shares held as at 5:00pm (WST) on 22 July 2021 ("**Record Date**"), together with one (1) free attaching Entitlement Offer Option for every two (2) New Shares issued. It is presently envisaged that the Entitlement Offer will open from 22 July 2021 to 20 August 2021 to eligible shareholders who are registered as a holder of Shares as at 5.00pm (WST) on the Record Date and have a registered address in Australia or New Zealand ("**Eligible Shareholders**").

The directors of the Company, in consultation with the Lead Manager, reserve the right to place any shortfall from the Entitlement Offer at their discretion within three months after the close of the Entitlement Offer. Eligible Shareholders may apply for shortfall securities and the shortfall allocation policy will be structured to allow each Eligible Shareholder to participate in priority to any other investors to try to reduce the number of shortfall securities that may be issued to third parties. Shortfall securities will not be offered or issued to any applicant if, in the view of the Directors, to do so would increase the applicant's voting power in the Company above 19.9% or otherwise result in a breach of the Listing Rules, the Corporations Act or other applicable law.

A prospectus in respect of (amongst other matters) the Entitlement Offer and the offer of the Placement Options to participants of the Placement is expected to be dispatched on 22 July 2021.

Bell Potter Securities Limited is acting as Lead Manager and will be issued 20,000,000 options, each with an exercise price of A\$0.05 and an expiry date of 30 July 2024 ("**Lead Manager Options**"). The Lead Manager Options will be issued under the Company's existing Listing Rule 7.1 capacity.

An Appendix 3B for the proposed issue of new securities in respect to the Placement and Entitlement Offer and the Lead Manger Options will follow this announcement.

DEBT RESTRUCTURE

The Company has entered into formal binding arrangements with Eastfield to settle all amounts owing in respect to a line of credit facility and historical accounts payables (which totalled ~US\$5.6 million) via the payment of US\$2.75 million to Eastfield (being, US\$3.02 million / A\$4.0 million equivalent of debt forgiveness) ("**Eastfield Payment**").

In addition, the Company has also restructured its existing US\$10m term debt facility with PFG ("**PFG Loan Facility**"), whereby (amongst other matters):

- Buddy has agreed to issue 23,993,224 Shares, at an issue price of A\$0.025 per Share, to PFG in respect to the T2 term loan facility (which if sold by PFG, the proceeds from which will be utilised to pay down the outstanding tranche 2 loan principal amount of US\$816,125) ("**T2 Shares**"). The T2 Shares will be issued utilising the Company's existing Listing Rule 7.1 capacity;
- Buddy has agreed to make a pre-payment of US\$2.5 million of amounts owing to PFG under the PFG Loan Facility ("**PFG Payment**"), which will reduce the Company's monthly principal payments; and
- PFG has agreed to fund the Eastfield Payment, if required (refer below for further details).

The Company's US\$10m working capital facility with PFG has not changed and Buddy intends to continue to utilise the working capital facility to fund manufacturing and other working capital requirements. Refer to the ASX announcement dated 5 January 2021 for further details in respect to the PFG Loan Facility and working capital facility.

The Company has agreed to utilise proceeds raised under the Capital Raising as follows:

- US\$1 million raised under the Placement will be utilised to pay a proportion of the Eastfield Payment;
- the first US\$1.75 million raised under the Entitlement Offer will be utilised to pay the remainder of the Eastfield Payment;
- the next US\$2.5 million raised under the Entitlement Offer will be utilised to make the PFG Payment; and
- any additional amounts raised (in excess of US\$4.25 million) will be utilised for working capital purposes.

If Buddy makes the PFG Payment in cash, via proceeds from the Entitlement Offer, it will have repaid nearly half of the PFG Loan Facility (~US\$4.8 million), with 34 months remaining on the 40-month PFG Loan Facility, and will have realised savings of over A\$600,000 in interest payments over the remaining term of the PFG Loan Facility.

If Buddy does not raise sufficient funds under the Entitlement Offer to pay the remainder of the Eastfield Payment (of up to an amount of US\$1.75 million) and/or make the PFG Payment (of up to an amount of US\$2.5 million), Buddy will either issue to PFG promissory notes with a face value of up to US\$4.25 million ("**Promissory Notes**") or convertible notes which are convertible into Shares, at a conversion price of A\$0.025 per Shares, at the election of PFG ("**Convertible Notes**") and proceeds from the Promissory Notes or the Convertible Notes will be utilised to pay the remainder of the Eastfield Payment and/or make the PFG Payment.

The terms of the Promissory Notes (being debt instruments) are as follows:

- Security: Senior secured, pro rata with existing PFG debt.
- Maturity: 4 May 2024.
- Interest Rate: 12.50% payable monthly.
- Buddy will be required to repay PFG an amount equivalent to 1.5 times of the principal amount and any accrued interest on the maturity date.

As an alternative to the issue of the Promissory Notes, Buddy will seek shareholder approval to approve the issue of the Convertible Notes. The terms of the Convertible Notes are as follows:

- Security: Senior secured, pro rata with existing PFG debt.
- Maturity: 4 May 2024.
- Interest Rate: 12.50% payable monthly.
- Conversion Price: A\$0.025 per Share
- Buddy will be required to repay PFG the principal amount and any accrued interest on the maturity date.

Shareholders are advised that BUD is not seeking shareholder approval for the conversion of the Promissory Notes, but rather, to issue Convertible Notes (subject to shareholder approval) – these are separate instruments. No Promissory Notes or Convertible Notes will be issued until after the close of the Entitlement Offer and after the general meeting of shareholders has occurred and if, shareholder approval is not obtained, Buddy will issue Promissory Notes (being a debt instrument) rather than the Convertible Notes.

Fees payable to PFG under the Debt Restructure include:

- a 3.5% back-end restructure fee based on the outstanding balance of the loan (being approximately US\$500,000) payable either in cash at maturity or Buddy can elect to pay 50% of this fee via the issue of Shares (subject to shareholder approval) ("**Restructure Fee Shares**");
- a 0.5% restructuring fee payable in cash following completion of the Entitlement Offer; and
- a commitment fee of US\$875,000 plus 50% of any amount over US\$1.75m of Promissory Notes or Convertible Notes issued, with such amount to be satisfied by the issue of Shares at A\$0.025 per Share to PFG plus options, each with an exercise price of A\$0.05 and an expiry date of 30 July 2024 (subject to shareholder approval) ("**Commitment Fee Securities**"). In the event that shareholder approval is not obtained, the Commitment Fee will be payable in cash in equal monthly instalments from 4 July 2022 and will have an interest rate of 12.5%.

An Appendix 3B for the proposed issue of the T2 Shares, Convertible Notes, Restructure Fee Shares and Commitment Fee Securities will follow this announcement. The Company will issue the Convertible Notes (if required) within three months from obtaining shareholder approval.

REQUISITE SHAREHOLDER APPROVALS

The Company will shortly dispatch a notice of meeting to convene a meeting of shareholders, to be held on or around 23 August 2021, to consider resolutions to (amongst other matters):

- approve the issue of the Placement Options;
- approve the issue of the Convertible Notes;
- approve the issue of the Restructure Fee Shares; and
- approve the issue of the Commitment Fee Securities.

USE OF FUNDS

Funds raised from the Capital Raising will be utilised as follows:

Uses of funds	Min (A\$m)	Max (A\$m)
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Working Capital ¹	4.8	8.4
Eastfield and PFG Debt Reduction ²	1.3 ³	7.0 ⁴
Costs of the Capital Raising	0.4	1.1
Total	6.5	16.5

Notes

1. Includes a 0.5% restructuring fee payment.
2. Assumes an AUD/USD exchange rate of 0.75.
3. Being US\$1 million payable to Eastfield under the Eastfield Payment.
4. Being US\$2.75 million payable to Eastfield under the Eastfield Payment and US\$2.5 million payable to PFG under the PFG Payment.

Shareholders are advised that:

- there will be no negative impact on Buddy's current financial position – noting that the directors of Buddy consider, after taking independent advice, that Buddy does not require any funds to be raised under the Entitlement Offer to satisfy Listing Rule 12.2 (ie. that the entity's financial condition is adequate to warrant the continued quotation of its securities and continued listing); and
- the Entitlement Offer is being undertaken to:
 - offer all Buddy shareholders an opportunity to subscribe for shares at the same price as the Placement; and
 - potentially further reduce Buddy's existing liabilities by funding the payment of the remaining US\$1.75 million to Eastfield and the accelerated pre-payment to PFG – noting that any funds raised under the Entitlement Offer in excess of US\$4.25 million, will effectively be excess cash (to be utilised to fund growth and for working capital purposes).

If Buddy is unable to raise any funds under the Entitlement Offer and Buddy issues the Promissory Notes (or Convertible Notes) to PFG, Buddy's current financial position will still improve via the reduction of approximately US\$429,000 in liabilities, on the basis that BUD will be swapping existing liabilities with Eastfield and PFG (of an aggregate amount of approximately US\$8.3 million) with a new liability, the Promissory Notes (or Convertible Notes) (the maximum possible payment, if Buddy issues Promissory Notes, will be US\$7.8 million, including principal and interest, at maturity). In addition, the maturity date is also significantly extended, via the issue of the Promissory Notes (or Convertible Notes), to May 2024.

Shareholders are advised that the Company going forward will lodge an Appendix 4C on a monthly basis (as opposed to a quarterly basis) until ASX determines otherwise.

INDICATIVE TIMETABLE

An indicative timetable of key dates in relation to the Capital Raising is detailed below.

Event	Date
Announcement Placement and Entitlement Offer	16 July 2021
Reinstatement to Official Quotation	16 July 2021
Lodge Prospectus with ASIC and ASX	19 July 2021
"Ex" Date	21 July 2021
Record Date	5.00pm (WST), 22 July 2021
Dispatch of Prospectus	22 July 2021
Entitlement Offer Opening Date	22 July 2021
Issue Placement Shares	23 July 2021
Last day to extend the Entitlement Offer Closing Date	17 August 2021
Entitlement Offer Closing Date	5.00pm (WST), 20 August 2021
Shareholder Meeting	23 August 2021
Announce results of Entitlement Offer	23 August 2021
Settlement of Entitlement Offer	23 August 2021
Issue new securities under Entitlement Offer	24 August 2021
ASX Quotation of New Shares and New Options	25 August 2021

Note: The timetable above is indicative only and may be subject to change. Buddy reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Buddy reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of securities. All dates and times are references to Perth, Australia time.

OTHER UPDATES

- **Operating Update**

Further to the Company's ASX announcement dated 7 June 2021, the Company advises that a second manufacturer, Nanchang Innotech Homesmart Co. Ltd ("**Innotech**"), has commenced production of LIFX Switches (both glass and North American models, with the first smart lights to be manufactured in September 2021 in time to contribute to 2021 holiday season supply (being Thanksgiving, Black Friday and Christmas). The key terms of the agreement with Innotech are as follows:

- agreement commences on 5 January 2021 for an initial term of 1 year, following which the agreement will be automatically renewed for additional periods of 1 year unless the agreement is terminated by either party giving notice in writing;
- Innotech agrees to manufacture and sell to LIFX quantities of LIFX products for which LIFX issues purchase orders for under the agreement (which will include, the quantity, delivery date, shipping instructions and shipping address); and
- purchase orders will be binding on the parties once accepted by Innotech.

Additionally, 1.0 million parts of the critical component (of 2.8 million ordered for balance of 2021 production) have been allocated for August 2021. As at the date of this announcement,

the Company has been advised that 600,000 pieces of the critical component will be delivered in early August 2021 with the balance of 400,000 pieces to be delivered by mid to late August 2021. Buddy will provide shareholders with an update in respect to the progress of the delivery of the critical components by way of further ASX announcements.

The Company has also been receiving approximately weekly shipments of inventory to warehouses in respect to manufacturing orders placed at end of 2020/early 2021 and, given the parts shortages, expects the last of this inventory to be delivered by the end of August 2021.

Buddy can confirm that it has also restocked its website, LIFX.com, and has added an in-app store on the LIFX mobile app, both of which are now contributing sales channels globally.

Further, a range of new/updated products is expected to be introduced by the Company, including:

- LIFX Clean – the Company's new germicidal, anti-bacterial smart light, is now available at Best Buy, Amazon, JB Hi-Fi and LIFX.com (available in both 1 and 2 packs, depending on the retailer);
- LIFX Lightstrip Gamer & TV – expected to be the first black Lightstrip for gaming and TV applications;
- LIFX Switch (North America) is now on sale and shipping to customers in North America;
- A new LIFX Downlight (worldwide) product is expected to ship later this year;
- 2-packs in most popular SKUs, 4-packs depending on region.

In addition, in conjunction with the Capital Raising and Debt Restructure, the Company has adopted an updated business plan, which includes implementing various measures to continue to reduce expenditures related to personnel, research and development and general and administrative costs, while seeking to grow revenues through (amongst other matters) continuing to resolve inventory constraints, bringing to market new, higher margin products and restructuring certain aspects of its businesses.

- **Unsecured Loan Facilities**

The Company has entered into two loan facilities with two non-related party unsecured lenders who are shareholders of the Company, being DM Capital Management Pty Ltd and Anfield Group Pty Ltd ("**Unsecured Loan Facilities**") for an amount of up to A\$1.5 million each (being an aggregate amount of A\$3 million). Under the terms of the Unsecured Loan Facilities, the Company can draw down on an amount of up to A\$3 million for up to 18 months at an interest rate of 10% with such funds to be utilised for general corporate expenses and working capital purposes. The Company has recently drawn down on an amount of A\$500,000 under the Unsecured Loan Facilities. As at the date of this announcement, the Company does not have any intention to draw down further funds under the Unsecured Loan Facilities.

- **Board of Directors**

Three of the Company's non-executive directors have recently resigned (refer to the ASX announcement dated 7 June 2021 for further details) and the Company is in the process of identifying board members with retail, manufacturing and technology experience to complement the Board. Having regard to (amongst other matters), the receipt of firm commitments under the Placement, the Company considers that it is now in a position to progress this further and will provide shareholders with an update on the progress of its search via ASX announcements.

- **CST Dispute**

The Company refers to its legal dispute with CST Capital Pty Ltd ATF the CST Investments Fund ("**CST**") (refer to the ASX announcements dated 6 November 2020 and 15 December 2020 for further details) ("**CST Dispute**").

The Company wishes to advise that CST has commenced legal proceedings in the Supreme Court of Western Australia covering the same claims made by CST in the proceedings in the District Court of Western Australia, in effect seeking to move the proceedings from the District Court to the Supreme Court. By the writ of summons issued out of the Supreme Court, CST is claiming payment of the sum of A\$300,000, plus damages which are presently unquantified (together with interest and costs). The Company is opposing the actions taken by CST.

The Company reiterates that it considers the claims of CST to be fundamentally misconceived and intends to continue to vigorously defend these legal proceedings. The Company will continue to provide shareholders with an update in respect to the progress of this matter by way of further ASX announcements.

For and on behalf of Buddy Technologies Limited,

David P. McLauchlan

Chief Executive Officer

Buddy Technologies Limited.

About Buddy

Buddy Technologies Limited (BUD.ASX) helps customers of any size “make every space smarter”. Buddy has two core businesses – its Commercial Business and Consumer Business.

Buddy Ohm and **Buddy Managed Services** are the company’s core Commercial offerings that empower its customers to fully leverage digital technologies and their impact in a strategic and sustainable way. Buddy Ohm is a resource monitoring and analytics solution that provides energy monitoring, reporting and auditing services for commercial and industrial customers. Buddy Managed Services licenses Buddy’s technology platforms to customers for integration into their own products.

Buddy’s Consumer Business trades under the **LIFX** brand and has established a leading market position as a provider of smart lighting solutions. The company’s suite of Wi-Fi enabled lights are currently used in well over a million homes and considered to be the #2 brand of smart lights globally. LIFX products are sold in over 100 countries worldwide, directly and via distribution and sales partnerships with leading retailers and ecommerce platforms including Amazon, Google, Apple, JB Hi-Fi, Bunnings, Officeworks, MediaMarkt, Saturn and Best Buy (in both the US and Canada).

Buddy is headquartered in Adelaide, Australia, with offices in Melbourne (AU), Seattle (US), Dublin (IE), Shenzhen (CN) and Silicon Valley (US).

For more information, visit www.buddy.com and www.lifx.com.

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