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10 November 2021

Ms. Laura Gomme
Adviser, ASX Listings Compliance
ASX Compliance Pty. Ltd.
Level 40, Central Park
152-158 St. Georges Terrace
Perth, WA 6000

Buddy Technologies Limited – Aware Query Letter

Dear Ms. Gomme,

Buddy Technologies Limited ("BUD" or the "Company") refers to the letter from ASX dated 4 November 2021 ("Query Letter").

Detailed below are the Company's responses to the questions in the Query Letter. Unless otherwise defined, capitalised terms in this letter have the same meaning given to those terms in the Query Letter.

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1. BUD refers to the 2021 Annual Report and provides the following additional information and context in respect to the Information:
 - a) the capitalised interest and option based payments, which decreased other payables and total borrowings by A\$4,132,542, were a result of the debt restructure undertaken by BUD in late July / early August 2021 (refer to the ASX announcements dated 16 July 2021 and 20 July 2021 for further details);
 - b) the expensed share based payments, which increased the option reserve by A\$1,242,222, was a result of the recognition of an expense in respect to employee incentive performance rights / options that have been issued by BUD (this was calculated having regard to vesting periods for the various performance rights / options and the quantum of performance rights / options that, in the opinion of the directors of BUD, will ultimately vest); and
 - c) the goodwill impairment, which decreased intangible assets by A\$8,800,000, increased the net loss after tax by A\$5,987,694 and increased loss per share to A\$0.44, was determined as a result of the application of accounting standard AASB 136 "Impairment of Assets". The impairment exercise was undertaken following engagement with the auditors as part of the audit process, which exercise had regard to (amongst other things) the various trading difficulties encountered by BUD in the financial year ended 30 June 2021 (attributable to, amongst other matters, market and sector wide events that were previously disclosed to shareholders, including critical component shortages, manufacturing delays and the COVID-19 pandemic).

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

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2. No.

Question 2: If the answer to question 1 is "no", please advise the basis for that view.

3. BUD does not consider the Information (individually or collectively) to be information that a reasonable person would expect to have a material effect on the price or value of its securities on the basis that:
- a) BUD considers:
 - (i) the capitalised interest and option based payments and goodwill impairment to be "one-off" / non-recurring non-cash items; and
 - (ii) the share based payments to be a non-cash item,that do not impact BUD's underlying cash earnings or the cash position of BUD;
 - b) the market has been kept fully informed of the underlying matters and issues that ultimately resulted in the capitalised interest and option based payments and goodwill impairment including:
 - (i) the status of BUD's financial condition (including the need for additional capital and the associated debt restructure);
 - (ii) the impact of market and sector wide events that impacted the business of BUD, (including the critical component shortages) and trading difficulties experienced in the financial year ending 30 June 2021; and
 - c) in respect to the share based payments, this exercise is undertaken on a six- month basis and BUD considers that the market to be fully informed of the securities on issue including, the vesting of the performance rights, exercise of the options and the issue of shares pursuant to the vesting of the performance rights and exercise of the options.

BUD refers to its previous ASX announcements (in particular, the announcements released on 16 July 2021 and 20 July 2021), responses to previous ASX queries released on 21 June 2021 and 16 July 2021 and its Prospectus dated 20 July 2021.

Question 3: when did BUD first become aware of the Information?

4. BUD first became aware of the Information as follows:
- a) the capitalised interest and option based payments at 8.58pm (US Pacific time) on 26 September 2021 (being 1.58pm (AEST) on 27 September 2021);
 - b) the share based payment expense at 9.53am (US Pacific time) on 30 September 2021 (being 2.53am (AEST) on 1 October 2021); and
 - c) the goodwill impairment at 4.19am (US Pacific time) on 29 September 2021 (being 9.19pm (AEST) on 29 September 2021).

Question 4: If the answer to question 1 is "yes" and BUD first became aware of the Information before the relevant date, did BUD make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released

to the market at an earlier time, commenting specifically on when you believe BUD was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps BUD took to ensure that the information was released promptly and without delay.

5. N/A.

Financial queries

Question 5: Does BUD consider that its financial condition is sufficient to warrant continued quotation of its securities and its continued listing on the Official List of ASX? Please explain the basis for your conclusion.

6. Yes, based on:

- a) the equity capital raising and debt restructure completed in late July / early August 2021 which resulted in BUD raising A\$6.5 million (before costs), the forgiveness of previous debt and a reduction of current liabilities (refer to the ASX announcements dated 16 July 2021 and 20 July 2021 for further details);
- b) BUD's accounts receivable of approximately A\$5.6 million as at 31 October 2021 (noting BUD's reputable customers, collection history and low risk of defaults);
- c) BUD's updated business plan, including implementing various measures to continue to reduce expenses whilst seeking to grow revenues through (amongst other matters) resolving inventory constraints and restructuring certain aspects of its businesses (refer to the ASX announcements dated 16 July 2021 and 20 July 2021 for further details); and
- d) BUD's cash at bank of approximately A\$2.1 million as at 30 September 2021 - noting that BUD was net cash positive and EBITDA positive for the month of September 2021 and, based on the net cash used in operating activities and available cash and funding for the quarter ended 30 September 2021, had approximately 23.7 quarters of funding available (refer to the Appendix 4C dated 1 November 2021 for further details),

BUD believes that its financial condition is sufficient to warrant continued quotation of its securities and its continued listing on the Official List of ASX.

Question 6: If the answer to question 5 is 'No', please explain what steps BUD has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.

7. N/A.

Listing Rule Queries

Question 7: Please confirm that BUD is complying with the Listing Rules and, in particular, Listing Rule 3.1.

8. The Company confirms that it is complying with the Listing Rules and, in particular, Listing Rule 3.1.

Question 8: Please confirm that BUD'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 office of BUD with delegated authority from the board to respond to ASX on disclosure matters.

9. Yes, confirmed.

For and on behalf of Buddy Technologies Limited,

Ms. Vicky Allison

Company Secretary

Buddy Technologies Limited



4 November 2021

Ms Vicky Allinson
Buddy Technologies Ltd
Level 3, 12 Pirie Street
Adelaide, South Australia 5000

By email: vicky@allinson.com.au

Dear Ms Allinson

Buddy Technologies Ltd ('BUD'): Aware Query

ASX refers to the following:

- A. BUD's announcement attaching BUD's annual report titled "Annual Report 2021" lodged on the ASX Market Announcements Platform on 1 October 2021 (the 'Announcement'), which included the following disclosure:

'The Group further wishes to highlight and clarify certain differences noted in the accompanying audited Financial Statements when compared to the unaudited Financial Statements for the year ended 30 June 2021 lodged with the ASX on 31 August 2021.

These differences relate to the refinancing of its debt, valuation of share based payments and the carrying value of goodwill.

At the time the preliminary Financial Statements were lodged the audit was ongoing. With the audit completed, the accounting for capitalising interest costs and the value of options, Employee Incentive Performance Rights and the goodwill impairment was finalised.

The Group has capitalised interest and option based payments by \$4,144,528, expensed share based payments of \$1,242,222 and recorded a goodwill impairment of \$8,800,000 which together has the following effects:

- *Increased the net loss after tax by \$5,897,694 from \$6,641,141 to \$12,538,835.*
- *Increased the loss per share from 0.24 cents to 0.44 cents*
- *Decreased other payables and total borrowings by \$4,132,542*
- *Decreased intangible assets by \$8,800,000*
- *Increased option reserve by 1,242,222'*

(the 'Information'), and

- B. The Independent Audit Report of RSM Australia Partners which was included in the Announcement, which included the following disclosure:

'We draw attention to Note 2 in the financial report, which indicates that the Group incurred a loss after tax of \$12,538,835 and had net cash outflows from operating activities of \$20,613,383 for the year ended 30 June 2021. As at that date the Group had net current liabilities of \$8,258,727. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.'

(the 'Material Uncertainty')

- C. Listing Rule 3.1, which requires a listed entity to immediately give ASX 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.

D. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:

“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity” and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information.”

E. 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.”

F. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

G. ASX Listing Rule 12.2 which provides that an entity’s financial condition (including operating results) must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

Request for information

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

Annual Report 2021

1. Does BUD consider the 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 1 is “no”, please advise the basis for that view.
3. When did BUD first become aware of the Information?

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- If the answer to question 1 is “yes” and BUD first became aware of the Information before the relevant date, did BUD make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe BUD was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps BUD took to ensure that the information was released promptly and without delay.

Financial queries

- Does BUD consider that its financial condition is sufficient to warrant continued quotation of its securities and its continued listing on the Official List of ASX? Please explain the basis for your conclusion.
- If the answer to question 5 is ‘No’, please explain what steps BUD has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.

Listing Rule queries

- Please confirm that BUD is complying with the Listing Rules and, in particular, Listing Rule 3.1.
- Please confirm that BUD’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 BUD 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 Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **12 PM AWST Tuesday, 9 November 2021**. You should note that 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, BUD’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require BUD to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. 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.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in BUD’s securities under Listing Rule 17.1. If you wish 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 require the request for a 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 are unable to respond to this letter by the time specified above, ASX will likely suspend trading in BUD's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to BUD'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 BUD's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Laura Gomme
Adviser, Listings Compliance (Perth)