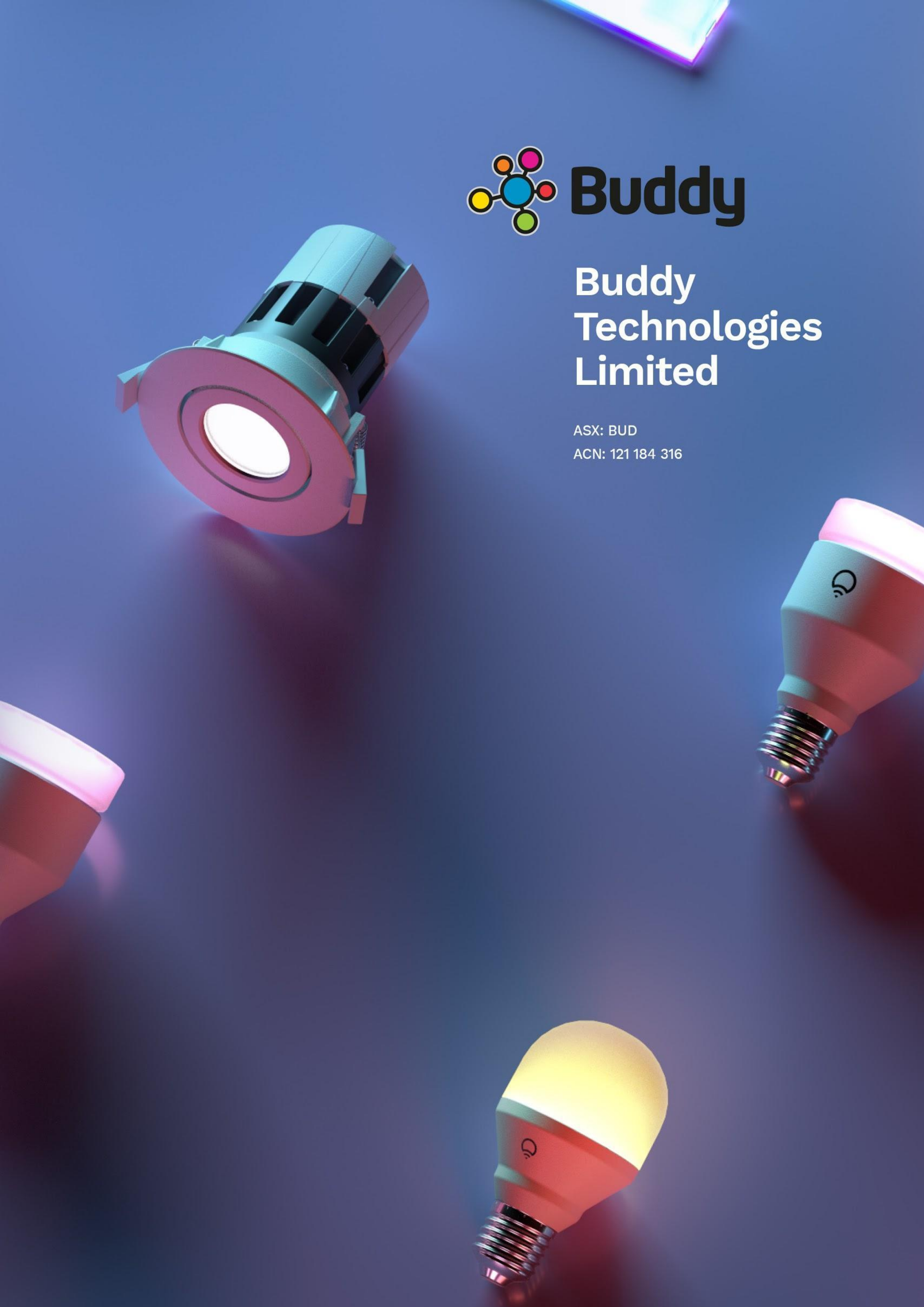

Buddy Technologies Limited

ASX: BUD
ACN: 121 184 316

Contents

This financial report covers the Buddy Technologies Limited Group, consisting of Buddy Technologies Limited and its subsidiaries. The financial report is presented in Australian dollars.

Corporate Information

Directors:
Richard Borenstein
Non-Executive Chairman

David McLauchlan
Group CEO & Executive Director

James Nelson
Executive Director

Paul Russell
Executive Director

Stephen Gates
Non-Executive Director

Company Secretary:
Vicky Allinson

Lawyers:
Thomson Geer
Level 27, Exchange Tower
2 The Esplanade
Perth, WA 6000, AUS

Auditors:
RSM Australia Partners
Level 21
55 Collins Street
Melbourne, VIC 3000, AUS

Home Stock Exchange:
Australian Securities Exchange Limited
Level 40, Central Park
152-168 St. George's Terrace
Perth, WA 6000, AUS

ASX Code:
BUD (Ordinary Shares)

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Telephone: +61 1800 831 317
Facsimile: + 61 8 8125 5931

Lifi Labs Management Pty Ltd:
105-115 Dover Street
Cremorne, VIC 3121, AUS
Telephone: (03) 9141 1155

Share Registry:
Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth, WA 6000, AUS

Bankers:
Westpac Banking Corporation
108 Stirling Highway
Nedlands, WA 6009, AUS

Commonwealth Bank
100 King William Street
Adelaide, SA 5000, AUS

Directors Report

The Directors have pleasure in submitting their report of Buddy Technologies Limited ("Company") and its controlled entities ("Group"), for the six months ended 31 December 2021.

DIRECTORS

The names and details of Directors in office at any time during the period were:

Richard Borenstein	Non-Executive Chairman
David McLauchlan	CEO & Executive Director
James Nelson	Executive Director
Paul Russell	Executive Director
Stephen Gates	Non-Executive Director (appointed 15 August, 2021)

PRINCIPAL ACTIVITIES

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

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 nearly one million homes, viewed as second only to lighting giant Philips Hue. 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 U.S. and Canada).

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.

RESULTS

As disclosed in the financial statements, the consolidated entity incurred a loss after tax of $48,725,070 (2020: $5,619,746), of which $44,791,669 was an impairment expense, had an adjusted EBITDA loss of $1.0 million (2020: $2.9 million loss) and had net cash outflows from operating activities of $1,098,632 (2020: $5,802,019) for the six-month period ended 31 December 2021. As at that date the consolidated entity had net current liabilities of $7,047,434 (June 2021: net current liabilities $8,258,727). Gross margins of 43.8% for the six-month period ended 31 December 2021 (2020: 30.7%)

During the financial period the Group went through a company restructure, with results of the restructure first becoming evident in Q2 of FY22.

OPERATING AND FINANCIAL REVIEW

For the six-months ending 31 December 2021, total revenues generated from customers were $13.7 million representing a 20.4% decrease from $17.3 million in the same period in the prior year. Despite the decrease in revenue, margins were up significantly, totaling 43.8% for the six-month period ended 31 December 2021 (2020: 30.7%). As a result, total gross profit for the period was $6.0million (2020: $5.3 million). In addition, the Company recognized $54,000 of finance income (2020: $108,000), no government grants and subsidies (2020: $1.1 million) and no government rebates (2020: 909,000).

The group's adjusted EBITDA (which excludes share-based payments, gain on debt forgiveness and refinancing costs) improved significantly during the period, with adjusted EBITDA for the 6-month period being a total deficit of $1.0 million (2020: $2.9 million loss).

Basic and diluted loss per share was $0.013 ($0.002 in the prior year).

For the half year ended 31 December 2021 the net cash used in operating activities (including interest paid) was $1.1 million (December 2020: $5.8 million). This includes cash receipts from customers of $14.3 million (December 2020: $13.9 million), with nil government subsidies and rebates (December 2020: $1.8 million).

During the six-months ending 31 December 2021, the company generated net proceeds from financing activities of $0.4 million (December 2020: $10.4 million). Net funds received from a capital raise (after capital raising costs) was $5.7 million (December 2020: $12.2 million). Total net borrowings paid (after any drawdowns) was $5.3 million (December 2020: $1.8 million), decreasing the company's debt position.

LIKELY DEVELOPMENTS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Group that were not finalised at the date of this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

No matters or circumstances have occurred subsequent to the period end that have significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the six months ended 31 December 2021 has been received and can be found on page 5.

Signed in accordance with a resolution of the Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.

David McLauchlan
CEO, Executive Director
Dated 28 February 2022
Adelaide

RSM Australia Partners

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F +61 (0) 3 9286 8199

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Buddy Technologies Limited and its controlled entities for the half year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

M PARAMESWARAN
Partner

Melbourne, VIC
28 February 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2021

	Note	Half year ended 31 December 2021 $	31 December 2020 $
Sale of goods revenue	3	13,602,162	16,686,034
Service revenue	3	141,689	571,750
Government grants & subsidies received		-	1,121,762
Government Rebate		-	909,185
Finance income		54,218	108,234
Cost of sales		(7,703,065)	(11,957,312)
Advertising, marketing & travel		(1,268,477)	(1,219,651)
Financial and administration costs		(1,300,854)	(1,157,079)
Depreciation		(294,991)	(196,283)
IT & web costs		(9,921)	(43,501)
Employee benefits expense		(3,898,343)	(4,960,368)
Share based payments	4	(1,058,267)	(656,021)
Amortization of borrowing costs		(3,679,279)	-
Research & development		(601,894)	(914,553)
Amortization of intangibles		(3,340,000)	(3,340,000)
Refinancing and acquisition costs		(636,049)	(403,536)
Gain on debt forgiveness		4,126,971	-
Interest costs		(1,909,579)	(3,786,990)
Impairment expense	7	(44,791,669)	-
Foreign exchange gains (losses)		(15,422)	2,917,183
Loss before income tax expense		(52,582,770)	(6,321,146)
Income tax benefit		3,857,700	701,400
Loss for the period		**(48,725,070)**	**(5,619,746)**
Other Comprehensive Income / (Loss):			
Items that *may be reclassified* subsequently to profit or loss:			
Foreign currency translation differences		(693,269)	704,203
Other comprehensive Income / (Loss) for the period, net of tax		(693,269)	704,203
Total Comprehensive (Loss) for the period		**(49,418,339)**	**(4,915,543)**
Total Comprehensive (Loss) attributable to:			
Owners of the parent		(49,418,339)	(4,915,543)
Non-controlling interest		-	-
Basic & Diluted (Loss) per share - cents	4	(0.014)	(0.002)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at 31 December 2021

	Note	31 December 2021 $	30 June 2021 $
ASSETS			
Current Assets			
Cash and cash equivalents		1,334,183	2,092,212
Trade and other receivables		4,515,464	4,975,830
Inventory		11,568,633	11,949,003
Other assets - prepayments		321,009	1,519,693
Total Current Assets		**17,739,289**	**20,536,738**
Non-Current Assets			
Property, plant & equipment		653,944	882,901
Right of use asset		79,940	146,785
Intangible assets	7	-	48,198,956
Total Non-Current Assets		**733,884**	**49,228,642**
TOTAL ASSETS		**18,473,174**	**69,765,380**
LIABILITIES			
Current Liabilities			
Trade and other payables		4,993,520	5,697,568
Lease liability		88,990	41,059
Provisions		415,333	578,748
Borrowings	6	16,511,969	22,478,090
Other Financial Liabilities	6	2,776,912	-
Total Current Liabilities		**24,786,724**	**28,795,465**
Non-Current Liabilities			
Lease liability		-	104,297
Employee benefit liability		83,475	157,314
Borrowings		-	4,906,851
Deferred taxation	7	-	3,857,700
Total Non-Current Liabilities		**83,475**	**9,026,162**
TOTAL LIABILITIES		**24,870,199**	**37,821,627**
NET ASSETS		**(6,397,025)**	**31,943,753**
EQUITY			
Share capital	4	152,015,364	141,813,696
Reserves		37,251,951	37,069,329
Accumulated losses		(195,664,341)	(146,939,272)
Equity attributable to owners of the parent		(6,397,025)	31,943,753
TOTAL EQUITY		**(6,397,025)**	**31,943,753**

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2021

Consolidated 2021	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Total equity at 30 June 2021	**141,813,696**	**37,857,873**	**(110,278)**	**(678,266)**	**(146,939,272)**	**31,943,753**
Total Comprehensive Profit / (Loss) for the period						
Total Loss for the half year to 31 December 2021	-	-	-	-	-	-
Other Comprehensive Income/(Loss)	-	-	(693,269)	-	(48,725,070)	(49,418,339)
Total Comprehensive Loss for the period	**-**	**-**	**(693,269)**	**-**	**(48,725,070)**	**(49,418,339)**
Transactions with equity holders:						
Shares issued during the period:	6,595,619	-	-	-	-	6,595,619
Shares issued pursuant to capital raising	-	-	-	-	-	-
Costs of capital raising	(613,051)	-	-	-	-	(613,051)
Share based payments	4,219,100	668,819,	-	-	-	4,887,919
Options issued and capitalised		207,073				207,073
Total equity at 31 December 2021	**152,015,364**	**38,733,765**	**(803,547)**	**(678,266)**	**(195,664,341)**	**(6,397,025)**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity (continued)

For the half year ended 31 December 2021

Consolidated 2020	Issued Capital	Share and Option Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Total equity at 30 June 2020	**126,207,566**	**35,737,293**	**64,916**	**(678,266)**	**(134,681,101)**	**26,650,408**
Total Comprehensive Profit / (Loss) for the period						
Total Loss for the half year to 31 December 2020	-	-	-	-	(5,619,746)	(5,619,746)
Other Comprehensive Income/(Loss)	-	-	704,203	-	-	704,203
Total Comprehensive Loss for the period	**-**	**-**	**704,203**	**-**	**(5,619,746)**	**(4,915,543)**
Other movements in equity						
Expiration of options	-	(280,664)	-	-	280,664	-
Transactions with equity holders:						
Shares issued during the period:						
Shares issued pursuant to capital raising	12,824,000	-	-	-	-	12,824,000
Costs of capital raising	(639,780)	-	-	-	-	(639,780)
Share based payments	-	656,021	-	-	-	656,021
Total equity at 31 December 2020	**138,391,786**	**36,112,650**	**769,119**	**(678,266)**	**(140,020,183)**	**34,575,106**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2021

	Half year ended	
	31 December 2021 $	31 December 2020 $
Cash flows from operating activities		
Cash received from customers	14,278,228	13,860,747
Interest received	38	108,234
Government grants and subsidies received	-	938,118
Government rebate	-	909,185
Payments for research & development	(447,159)	(914,553)
Payments to suppliers and employees	(13,594,819)	(16,513,226)
Debt raising and acquisition related costs	-	(403,536)
Interest paid	(1,334,920)	(3,786,990)
Net cash used in operating activities	**(1,098,632)**	**(5,802,019)**
Cash flows from investing activities		
Payments for plant & equipment	-	(600,573)
Payments received for notes receivable	-	-
Net cash used in investing activities	**-**	**(600,573)**
Cash flows from financing activities		
Proceeds from share issue	5,740,045	12,824,000
Proceeds from borrowings	409,880	2,996,998
Payments on borrowings	(5,662,677)	(4,763,500)
Lease payments	(37,905)	(1,451)
Capital raising costs	(73,412)	(639,780)
Net cash provided by financing activities	**375,931**	**10,416,267**
Net increase/(decrease) in cash and cash equivalents	(722,700)	4,013,675
Cash and cash equivalents opening balance	2,092,212	2,502,462
Effects of exchange rate changes on the balances of assets and liabilities held in foreign currencies	(35,329)	704,203
Cash and cash equivalents at the end of the period	**1,334,183**	**7,220,340**

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the half year ended 31 December 2021

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 34 *'Interim Financial Reporting'*. The interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in a full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

This consolidated interim financial report was approved by the Board of Directors on 28 February 2022.

BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with Corporations Act 2001 and Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board.

The Consolidated Financial Statements and Notes of the Group comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial statements are presented in Australian Dollars. The Group's functional currencies are US dollar, Euro and British pound.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss after tax of $48,725,070 (2020: $5,619,746) and had net cash outflows from operating activities of $1,098,632 (2020: $5,802,019) for the six-month period ended 31 December 2021. As at that date the consolidated entity had net current liabilities of $7,047,435 (December 2020: net current liabilities $22,265,970) and a net liability position of $6,397,025.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going Concern (Continued)

These factors indicate a material uncertainty which may cast significant doubt over the ability of the consolidated entity to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Despite this financial position, the Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The consolidated entity has prepared cashflow forecasts for the next 12 months from the date of signing this financial report. The forecast takes into account the continued application of the company's restructuring plan that maintains a substantially reduced cost structure and continuing support from its financiers. This plan includes the introduction of new products and customer channels, all of which are scheduled for H2 FY22;

- If needed, the consolidated entity will seek to raise additional funds which may be in the form of equity, debt or convertible debt. The consolidated entity has a proven record of being able to raise funds to support its business plan as demonstrated by receiving $6.6 million share capital (pre costs of capital raising) during the half-year ended 31 December 2021. Prior to this, Buddy has a history of being able to raise capital as required.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY ESTIMATES

Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities are:

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates (Continued)

Share based payments

The Group has provided payment to service providers and related parties in the form of share-based compensation whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate valuation model for services provided by employees or where the fair value of the goods or services received cannot be reliably estimated.

For goods and services received where the fair value can be determined reliably the goods and services and the corresponding increase in equity are measured at that fair value. The fair value of the options granted is adjusted to reflect market vesting conditions but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

Intangible assets and goodwill

The Group has intangible assets and goodwill with a total carrying amount of $nil arising through a business combination completed in April 2019.

Intangible assets and goodwill are regularly reviewed for impairment and whenever there is an indication that an impairment might exist. Goodwill is subject to impairment testing on, at least, an annual basis.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount the asset or cash generating unit (CGU) is considered impaired and is written down to its recoverable amount. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

To assess if there is any impairment, estimates are made of the future cash flows expected to result from the use of these assets and their eventual disposal. These estimated cash flows are then adjusted to the present value using an appropriate discount rate that reflects the risks and uncertainties associated with the forecasted cash flows. Actual outcomes could vary significantly from such estimates of discounted future cash flows.

New Accounting Standards

The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTE 2 – SUBSEQUENT POST BALANCE SHEET EVENT

No matters or circumstances have occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial periods.

NOTE 3 – DISAGGREGATION OF REVENUE

Half year ended:	**31 December 2021**	**31 December 2020**
	$	**$**
Major product lines		
Consumer products	13,602,162	16,551,597
Commercial products	141,689	706,187
Total Revenues	**13,743,851**	**17,257,784**
Geographic regions		
Americas	8,304,795	13,072,127
Europe, Middle East & Africa (EMEA)	1,927,048	2,560,193
Asia-Pacific (APAC)	3,512,008	1,625,464
Total Revenues	**13,743,851**	**17,257,784**

NOTE 4 - ISSUED CAPITAL & RESERVES

	#	**$**
CONSOLIDATED AND PARENT ENTITY 2020	**Ordinary Shares**	
Issued and Paid Up Capital		
Fully paid ordinary shares	**3,467,120,792**	**152,015,364**
Movements in fully paid shares on issue		
Opening balance as at 1 July 2021	**3,000,332,100**	**141,813,696**
Capital raising	263,824,769	6,595,619
Other capital raising costs	-	(613,051)
Share Based Payments and EIPR Converted	202,963,923	4,219,100
Balance as at 31 December 2021	**3,467,120,792**	**152,015,364**
Weighted average number of ordinary shares used in calculating diluted earnings per share	**3,467,120,792**	
Earnings used in calculating basic and dilutes earnings per share	(45,956,510)	
Basic & Diluted (Loss) per share – cents	(0.014)	

NOTE 4 - ISSUED CAPITAL & RESERVES (Continued)

	$
Movement in option reserve	
Balance at 1 July 2021	**37,857,873**
Share based payments for the period	668,819
Options issued in the period	207,073
Closing Balance at 31 December 2021	**38,733,765**

The share based payment expense for the period to 31 December 2021 consist of the following:

	$
Share based payments for equity instruments issued in prior to 1 July 2021	476,672
Share Based Payments for EIPR's proposed during the period	192,147
Other Share based payments	3,642,376
Share based payments capitalised	(3,252,859)
Total	**1,058,236**

Movement in Number of Options and Performance Rights for the period 31 December 2021

Employee Incentive Performance Rights (EIPR)	**#**
Opening Balance 1 July 2021	**80,896,575**
EIPR forfeited/lapsed	(18,528,042)
EIPR converted to ordinary shares	4,554,514
EIPR issued	50,235,724
Closing balance at 31 December 2021	**117,156,771**

Share Options	**#**
Opening Balance 1 July 2021	**130,532,765**
Options granted	215,152,132
Options expired	-
Closing balance at 31 December 2021	**345,684,897**

NOTE 4 - ISSUED CAPITAL & RESERVES (Continued)

Performance Shares	**#**
Opening Balance 1 July 2021	**29,833,334**
Options granted	-
Options expired	-
Closing balance at 31 December 2021	**29,833,334**

Foreign Currency Translation Reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. All other reserves are as stated in the consolidated statement of changes in equity.

Fair Value Reserve
The fair value reserve comprises the cumulative difference between cost and fair value for financial instruments that were not held for trading. The Group sold all such financial instruments in June 2019.

NOTE 5 – RELATED PARTY TRANSACTIONS

Other related party transactions are in the form of short-term employee benefits, post-employment benefits, share based payments and loans to subsidiaries.

NOTE 6 - BORROWINGS AND DEFERRED ACQUISITION CONSIDERATION

Borrowings Half year ended:	**31 December 2021**	**30 June 2021**
	$	
PFG Term Loans	5,152,524	9,188,474
PFG Revolver	10,945,994	13,301,410
DM Capital Loan Facility	413,451	500,000
Eastfield Debt[1]	-	7,675,738
Capitalised Borrowing Costs[2]	-	(3,280,681)
Total Borrowings	**16,511,969**	**27,384,941**

[1] In August 2021 the consolidated entity restructured its borrowings which resulted in debt forgiveness by Eastfield Lighting Co Ltd. As part of the restructure, the consolidated entity issued US $4.25 million worth of Convertible Notes to PFG with a maturity of May 2024.

[2] Modifications to the PFG financing agreement resulted in an accelerated amortisation of capitalised debt costs.

NOTE 6 - BORROWINGS AND DEFERRED ACQUISITION CONSIDERATION (Continued)

Other Financial Liabilities Half year ended:	**31 December 2021**	**30 June 2021**
	$	**$**
Convertible Notes	5,857,222	-
Capitalised Borrowing Costs	(3,080,310)	-
Total Other Financial Liabilities	**2,776,912**	**-**

As of 30 June 2021, the Group's term loans with PFG were classified as a non-current liability due to the expiry of the term loan in May 2024. During the half year ended 31 December 2021, the Group failed to meet certain requirements under the PFG term loans' financial covenants (which PFG has subsequently waived), resulting in the term loan outstanding balance being classified as a current liability.

At 31 December 2021, the Group had the following borrowing facilities outstanding:

Loan facility: **PFG Line of Credit (revolver)**
Total drawn at 31 December 2021: US$7.9 million
Total Facility Amount: US$10 million
Use of funds: Working capital
Lender: Partners For Growth
Interest Rate: 12.5%.
Secured or unsecured: secured by receivables and inventory
Payment: Revolving LoC
Term: December 2023

Loan facility: **PFG Term Loans**
Total drawn at 31 December 2021: US$3.7 million
Loan: Term Loan
Total Facility Amount: US$3.7 million
Use of funds: refinancing previously existing debt
Lenders: Partners For Growth
Interest Rate: 12.5%
Secured or unsecured: secured by company assets
Term: May 2024

NOTE 6 - BORROWINGS AND DEFERRED ACQUISITION CONSIDERATION (Continued)

Loan facility: **PFG Convertible Promissory Notes**
Total drawn at 31 December 2021: US$4.25 million
Total Facility Amount: US$4.25 million
Use of funds: refinancing previously existing debt
Lenders: Partners For Growth
Interest Rate: 12.5% (see also payment below)
Secured or unsecured: secured by company assets
Payment: Interest due monthly until converted or paid. The Convertible Notes are convertible (all or some) into shares of the Company at a conversion price of A$0.025 per share. If not converted, on the maturity date, the Company would repay PFG the principal amount plus any accrued and unpaid interest.
Term: August 2021 to 4 May 2024

Loan facility: **Loan Facility 1**
Total drawn at 31 December 2021: AUD$0.4 million
Total Facility Amount: $1.5 million
Use of funds: Working capital
Lender: DM Capital Management Pty. Ltd.
Interest Rate: 10%.
Secured or unsecured: unsecured
Payment: upon maturity (26 November 2022)
Term: 26 May 2021 – 26 November 2022

Loan facility: **Loan Facility 2**
Total drawn at 31 December 2021: nil
Total Facility Amount: $1.5 million
Use of funds: Working capital
Lender: Anfield Group Pty. Ltd.
Interest Rate: 10%.
Secured or unsecured: unsecured
Payment: upon maturity (26 November 2022)
Term: 26 May 2021 – 26 November 2022

NOTE 7 – INTANGIBLES

Intangibles:	**31 December 2021**	**30 June 2021**
	$	
Opening Balance	48,198,956	63,678,956
Amortisation of Intangibles	(3,340,000)	(6,680,000)
Impairment Expense	(44,791,669)	(8,800,000)
FX gain/(loss)	(67,287)	-
Total Intangibles	**-**	**48,198,956**

Deferred Tax Labilities:	**31 December 2021**	**30 June 2021**
	$	
Opening Balance	3,857,700	5,260,500
Tax Benefit Recognised	(3,857,700)	(1,402,800)
Total Deferred Tax Liabilities	**-**	**3,857,700**

On 1 April 2019, the Group completed the acquisition of LIFX. For accounting purposes, the purchase price to be allocated to assets and liabilities (both tangible and intangible) totaled $71,881,806. This amount is made up of stock and options issued, cash paid, and the establishment of deferred consideration. In addition, LIFX's tangible net assets were negative $11,733,140 and deferred taxation totaled $7,014,000 which increased the amount of goodwill.

In accordance with accounting standard AASB 136 Impairment of assets, the Group reviews intangible assets for impairment twice a year (in conjunction with the Interim Financial report and the Annual Report). If an impairment change is warranted, it is measured as the amount by which the carrying amount of the asset group exceeds its recoverable amount based on a discounted cash flow analysis and appraisals.

In relation to the LIFX cash generating unit (CGU), given the Group's market capitalisation at 31 December 2021, the Group's expected revenue for FY2022 performing below expectations that may result in a further impairment charge as disclosed in the FY21 annual report, the Group performed an analysis to see if an impairment change was warranted. As a result of the value-in-use calculation using a discounted cash flow model, the Group recorded an impairment charge of $44,791,669 in the consolidated statement of profit or loss and other comprehensive income.

NOTE 7 – INTANGIBLES (Continued)

The key assumptions included in the preparation of the discounted cash flow model that was prepared using a 5-year forecast with a terminal value were:

Pretax discount rate of 27%
Revenue growth rate of 9.8% after calendar year 2022
Operating cost and overheads growth rate of 2.5% per year
Cash terminal value growth rate of 2.5%

The discount rate of 27% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements.

With the impairment charge in the current period, the CGU's goodwill and intangible assets have been reduced to $nil. The deferred tax liability relating to the intangible assets has been written back to $nil.

NOTE 8 – CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 31 December 2021.

NOTE 9 – SEGMENT REPORTING

The Group chief operating decision makers received operating results for the following three segments:

1.) **Commercial Business**. This segment includes all activities related to Buddy Ohm and Buddy Managed Services as well as any products or services sold where the customer is a commercial business other than a consumer retailer.

2.) **Consumer Business**. This segment includes all activities related to the sale of products or services where the customer is a consumer or the retail channels that sell to consumers.

3.) **Corporate**. This segment includes the costs and expenses for operating the corporate operating functions including the corporate-level officers and staff, insurance, ASX/ASIC fees, legal, audit and professional service fees, etc. It also includes all government rebate revenue, investment gains and losses, interest income and expense, share and option-based payments and any amortisation or impairment of intangibles.

NOTE 9 – SEGMENT REPORTING (Continued)

Half year ended 31 December 2021

	Commercial Business	Consumer Business	Corporate	Total
	$	$	$	$
Customer revenues	141,689	13,602,162	-	13,743,851
Inter-segment revenue	-	-	-	-
Total segment revenue	141,689	13,602,162	-	13,743,851
Result from operating activities	(1,394,710)	(240,940)	(50,947,120)	(52,582,770)
Loss before income tax	(1,394,710)	(240,940)	(50,947,120)	(52,582,770)
Income tax benefit (expense)			3,857,700	3,857,700
Loss after income tax	(1,394,710)	(240,940)	(47,089,420)	(48,725,070)
Interest & other income			54,218	54,218
Interest expense			(1,710,454)	(1,710,454)
Segment assets	612,144	17,861,030	-	18,473,174
Capital expenditures	-	-	-	-
Segment liabilities	82,584	18,625,840	6,161,775	24,870,199
Material non-cash items				
Depreciation and amortisation	(12,529)	(282,462)	(3,340,000)	(3,634,991)
Impairment expense	-	-	(44,791,669)	(44,791,669)
Share based payments	-	-	(1,058,267)	(1,058,267)
Option based payments	-	-	-	-

NOTE 9 – SEGMENT REPORTING (Continued)

Half year ended 31 December 2020

	Commercial Business	Consumer Business	Corporate	Total
	$	$	$	$
Customer revenues	571,750	16,686,034	-	17,257,784
Inter-segment revenue	134,436	(134,436)	-	-
Total segment revenue	706,186	16,551,597	-	17,257,784
Result from operating activities	(859,379)	(1,542,436)	(3,919,332)	(6,321,146)
Loss before income tax	(859,379)	(1,542,436)	(3,919,332)	(6,321,146)
Income tax benefit (expense)	-	-	701,400	701,400
Loss after income tax	(859,379)	(1,542,436)	(3,217,932)	(5,619,746)
Interest & other income	-	-	108,234	108,234
Interest expense	-	-	(3,786,990)	(3,786,990)
Segment assets	1,923,539	20,988,601	60,271,670	83,183,810
Capital expenditures	(13,733)	(586,840)	-	(600,573)
Segment liabilities	5,828,519	21,667,340	21,112,846	48,608,704
Material non-cash items				
Depreciation and amortisation	(26,828)	(169,456)	(3,340,000)	(3,536,283)
Impairment expense	-	-	-	-
Share based payments	-	-	(656,021)	(656,021)
Option based payments	-	-	-	-

Directors' Declaration

In the opinion of the directors of Buddy Technologies Limited ('the Company'):

1. The interim financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

   a. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the period 1 July 2021 to 31 December 2021.

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the board

David McLauchlan
CEO, Executive Director
Dated 28 February 2022
Adelaide

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INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of Buddy Technologies Limited

Conclusion

We have reviewed the accompanying half-year financial report of Buddy Technologies Limited (the Company) and its subsidiaries (the Group) which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Buddy Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty related to going concern

We draw attention to Note 1 in the half-year financial report, which indicates the Group incurred a net loss after tax of $48,725,070 and had net cash outflows from operating activities of $1,098,632 for the half-year ended 31 December 2021. As at that date the Group had net current liabilities of $7,047,435 and a net liability position of $6,397,025. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors' for the Financial Report

The directors of the Buddy Technologies Limited are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

RSM

RSM AUSTRALIA PARTNERS

M PARAMESWARAN
Partner

Dated: 28 February 2022
Melbourne, Victoria