

BUDDY PLATFORM LIMITED
ACN: 121 184 316



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ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

BUDDY PLATFORM LIMITED
ACN: 121 184 316

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This annual report covers the Buddy Platform Limited Group, consisting of Buddy Platform Limited ("Buddy" or the "Company") and its subsidiaries. The financial report is presented in Australian dollars.

Corporate Information

Directors:

Richard Borenstein
Non-Executive Chairman

David McLauchlan
CEO & Executive Director

John van Ruth
Non-Executive Director

Alexander Gounares
Non-Executive Director

Company Secretary:

Stuart Usher

Chief Financial Officer:

Richard Jacroux

Auditors:

Nexia Perth Audit Services Pty Ltd
Level 3
88 William Street
Perth WA 6000

Bankers:

Westpac Banking Corporation
108 Stirling Highway
Nedlands WA 6009

Commonwealth Bank
100 King William Street
Adelaide SA 5000

Website:

www.buddy.com

Registered Office:

Level 2, 333 King William Street
Adelaide, SA 5000
Telephone: 1-800-831-317
Facsimile: + 61 8 8125 5931

Lawyers:

DLA Piper
Level 31, central Park
152-158 St Georges Terrace
Perth WA 6000

Seattle Office:

217 Pine Street
Seattle, Washington 98101
USA
Telephone: +1 206 899 2525

Adelaide Office:

Level 2, 333 King William Street
Adelaide, SA 5000

Home Stock Exchange:

Australian Securities Exchange Limited
Level 40
Central Park
152-158 St George's Terrace
PERTH WA 6000

ASX Code:

BUD (Ordinary Shares)

Share Registry:

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
PERTH WA 6000

CHAIRMAN'S REPORT

Dear Fellow Shareholders,

The Board of Buddy Platform Limited (Buddy) is pleased to present to our shareholders the Buddy Platform Annual Report for the year ended 30 June 2018 (FY18).

For Buddy, the past year was a period of building on its strong foundation and gaining market momentum. Underwriting our efforts this year was a successful capital raise of A\$23 million. We received overwhelming support from significant Australian and Asian institutional investors and are utilizing the funds to penetrate new regions and continue advancing our R&D.

From the time we received our first Ohm hardware in July, 2017, to the "Works With Ohm" program just recently initialized, we have strived to build the product and operational infrastructure, market and sales presence and technical superiority necessary to grow revenues in a competitive marketplace. In that regard, we've embarked on relationships across the globe with several new channel partners; we've solidified our cloud offering as the backbone to our vision of making every space smarter with our ongoing Thor/Airstream success; and we've proven our ability to deliver on our Buddy Ohm roadmap with the release of a whole host of new features and functions necessary to deliver the value our customers and partners demand.

Global focus with new and existing resellers and distributors

Over the past year, our global reach expanded into the Caribbean, Europe and Latin America, in addition to our existing coverage in the United States and Australia. As part of this market expansion we've brought on Digicel as a distributor in the Caribbean, the Rizon Group as a reseller, distributor and installer of Buddy Ohm in the UK and Dicker Data as a distributor of Buddy Ohm in Australia. We also signed a global Buddy Ohm distribution agreement with Ingram Micro that potentially opens opportunities in 160 countries around the world. Our relationship with Digicel, our first distributor, who was first focused on Jamaica, continued to expand over the year as we launched Buddy Ohm in Colombia, El Salvador, Curacao, Bonaire, Trinidad & Tobago, Barbados, Bermuda, Aruba, St Vincent and Panama.

Buddy Cloud success with a marquee brand

This August, Airstream - a wholly owned subsidiary of Thor Industries - started shipping their trailers with a new connected experience called Smart Control Technology that is built on the Buddy Cloud. This accomplishment is the result of a sharp focus on the owner experience and a tight technology partnership between Airstream and Buddy Platform which we look forward to continuing into the future. Airstream has a long, strong history of producing high quality recreational vehicles and has plans to expand their manufacturing capacity. We believe this business is solid and likely to grow in the future, possibly into other Thor brands.

Evolution of Buddy Ohm

Buddy Ohm continues to evolve as we release to the market key features and functions that were first announced at our March 2018 Connect event in Sydney. The Works with Ohm program has already certified leading brand-named meters and sensors enabling customers to visualize their data from third-party hardware in Buddy Ohm's portal, and giving us the ability to service larger footprint buildings. We've also launched our Carbon Offset as a Service as a simple and inexpensive way for our Buddy Ohm customers to shrink their carbon footprints. This feature underscores Buddy's overall commitment to following through with the evolution of its roadmap and also our commitment to supporting sustainability.

ASX inquiries

In the first half of this calendar year, the Australian Securities Exchange issued three “Aware Letters” in which Buddy Platform was asked several questions related to timing of key business disclosures as they related to ASX rules. While all of their inquiries were answered to the ASX’s satisfaction, the effort to respond to such examinations created a significant distraction for Buddy’s leadership. I’m pleased with the professional reaction of Buddy’s leadership in this regard and just as pleased to have this experience behind us. With the assistance of legal counsel, we have implemented certain controls that will help insure that these types of misunderstandings will not happen again.

Leadership Progression

Turnover in board membership is a natural and necessary part of every corporate board. Anada Kathiravelu resigned from the Buddy BoD in May, 2018. We thank Mr. Kathiravelu for his superb professional advice during the course of our initial floatation and his ongoing encyclopedic knowledge of all things ASX. We are using the Board opening to explore the possibility of adding a talented executive with relevant experience to our Board makeup. An announcement should be made shortly. We’re also delighted with the addition of Travis Gerber to Buddy’s Leadership Team in the role of VP of Customer Success working from our Seattle office. Travis has a long tenure with Microsoft where he held several relevant senior, worldwide roles including Professional Services, Business Development and Customer Success. We’re also pleased with the promotion to VP Engineering of Paul Russell located in Melbourne. Paul is a shining example of Buddy’s ability to develop great talent within the company and I couldn’t be happier about his step forward.

Building Towards the Future

Our momentum leading into FY19 is exciting. We’ve got a deep bench of senior leaders each with a commitment to growth, innovation and collaboration. We are fortunate to have an engaged board thinking about the long-term, charting smart investments that will keep our company relevant for decades to come. And, above all, we have the strength of our employees across the globe and their broad base of experience helping to drive results. We are committed to creating enduring equity and building shareholder value over time. We continue to apply an unwavering discipline in the short and medium terms to ensure the steadfastness of our focus.

I look forward to continuing this journey with you, our shareholders.

Sincerely,



Richard N. Borenstein
Chairman of the Board

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the financial statements of the Company and its subsidiaries it controlled during the period, for the year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The Directors in office at the date of this report and at any time during the year are as follows. Directors were in office for the entire period unless otherwise stated.

Current Directors

Mr David McLauchlan	- CEO & Executive Director
Mr Richard Borenstein	- Non-Executive Chairman
Mr Alexander Gounares	- Non-Executive Director
Mr John van Ruth	- Non-Executive Director

Directors who resigned during the year

Mr Ananda Kathiravelu	- Non-Executive Director	(Resigned 15 May 2018)
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Mr David McLauchlan – CEO & Executive Director

EXPERIENCE AND EXPERTISE

David spent nearly eleven years at Microsoft Corporation (Redmond, WA) before leaving in 2011 to co-found Buddy Platform, Inc. While at Microsoft, David led business development for Microsoft's Zune hardware business, spent many years in Microsoft's Windows division and prior to that served in the Server & Tools division working on the Visual C++ product. His international business development experience is considerable, having closed inbound and outbound licensing deals for Microsoft with global partners and customers in the consumer, enterprise, B2B and component industries. In addition to his work in various product groups at Microsoft, David represented the company in several international standards setting organizations, including the USB Implementers Forum, Consumer Electronics Association, Digital Living Network Alliance (DLNA), Bluetooth SIG and the IEEE Printer Work Group.

David is the co-founder of TVinteract, LLC which developed software for on-air TV talent to curate and display social media in real-time, which was acquired in 2014. David has served as a Technology Partner Network advisor for the Bill & Melinda Gates Foundation for over three years and currently serves as a mentor for the Australian incubator "Innovyz START" and is an advisor to Melbourne-based "Bluedot Innovation" and Washington DC-based "Manalto".

Prior to moving to the United States, David was a management consultant at PricewaterhouseCoopers in Melbourne, Australia, and prior to that was a professional pianist in Adelaide, Australia.

David holds a Master of Engineering: IT, Telecommunications & Business Management, and a Bachelor of Electronic Engineering (Hons.) – both from the University of South Australia.

SPECIAL RESPONSIBILITIES

Chief executive Officer

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

DIRECTORS' REPORT (CONTINUED)

Mr Richard Borenstein – Non-Executive Chairman

EXPERIENCE AND EXPERTISE

Rick Borenstein is a venture investor, advisor and board member with over 40 years of technology company experience. He currently advises 7 venture-financed companies and sits on several boards. Mr. Borenstein brings extensive business, finance, accounting and entrepreneurial skills to each company.

Rick co-founded Sequoia Partners in 1988 and currently serves as Chairman. Sequoia Partners is a "sell side" information technology mergers & acquisitions firm. Sequoia has a long history of executing premium transactions for venture capital companies and corporate technology investors.

Mr. Borenstein started his entrepreneurial career after Wells Fargo when he conceived, built and sold 3 companies over the course of 4 years. Mr. Borenstein became President of IMSI in 1986, a \$50M per year consumer software products company. During his tenure, he took the company public in 1987 and initiated their strategy of growth through acquisition. This exposure to software company deal making convinced him that a small, "virtual", I.T. focused M&A company could be built successfully.

Mr. Borenstein's finance training started at Harvard Business School (M.B.A. 1972) and continued through White, Weld & Co., Salomon Brothers and Wells Fargo and Co. His early investment banking training included mergers and acquisitions, leveraged buy-outs, IPOs and off balance sheet financings. At Wells Fargo, he perfected his accounting skills as Deputy Controller of the Bank; he learned lending and bank/brokerage company finance while serving as the Bank's senior brokerage industry banking officer; and he improved his deal making skills as President of Wells Fargo Investment Company, the Bank's venture capital subsidiary. Rick invested in a group of companies that have since gone on to become some of the best-known names in the Bay Area technology sector.

Mr. Borenstein grew up in New York City, and attended the University of Michigan before going to Harvard Business School. He has taught entrepreneurship at the Center for Entrepreneurship at the U of M and at San Quentin Prison (SF Bay Area) as part of The Last Mile program there.

SPECIAL RESPONSIBILITIES

Chairman of the Board

Member of the audit and risk committee

Member of the remuneration and nomination committee

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

Mr Alexander Gounares– Non-Executive Director

EXPERIENCE AND EXPERTISE

Alex Gounares is the founder and CEO of Polyverse Corporation, the leading provider of moving target defense based cybersecurity solutions. Previously, Alex led Concurix Corporation, a maker of Node.js profiling tools. These tools were acquired by Strongloop Inc and integrated into the Strongloop Arc platform.

Prior to Concurix, Alex served as AOL's Chief Technology Officer. In this role, he led all aspects of AOL's technology strategy, platform development and external technology partnerships. He was responsible for all of AOL's global engineering, IT, and operations functions.

DIRECTORS' REPORT (CONTINUED)

In addition, he served as a member of the company's Global Executive Operating Committee.

Alex joined AOL from Microsoft, where he was Corporate Vice President and Chief Technology Officer for the company's Online Services Division. During his tenure at Microsoft, Gounares led significant strategic and technical operations for some of the company's most important projects including Microsoft's global advertising platform, Bing search, MSN and Microsoft Virtual Earth. Alex also served for three years as Technology Advisor to Microsoft Chairman and founder Bill Gates, as well as Corporate Vice President of Corporate Strategy in Microsoft's Finance Department.

Prior to joining Microsoft in 1993, Alex worked at Los Alamos National Laboratory. He has founded four start-ups and is also an inventor on more than 150 U.S. patents filed and pending. Alex holds a bachelor's degree cum laude in Computer Science from Princeton University.

SPECIAL RESPONSIBILITIES

Chairman of the remuneration and nomination committee

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

Mr John van Ruth – Non-Executive Director

EXPERIENCE AND EXPERTISE

Mr. van Ruth is currently Chief Executive Officer of Operation Finders Foundation, and holds a number of non-executive directorships. Prior to his work in the not for profit sector, he spent four years as Chief Financial Officer for Coopers Brewery, the largest Australian owned Brewery. Before Coopers Brewery, Mr. van Ruth held a number of senior executive roles with other iconic South Australian companies including the RAA of SA, Inc., Adelaide Bank and Faulding. His early career was with professional services firms EY, KPMG and Arthur Andersen with particular focus on strategic advisory services in emerging technologies in Australia, Netherlands and Canada.

Mr. van Ruth's other non-executive directorships include representing South Australia as a councillor on the Chartered Accountants ANZ governing council. He is a director on the Australian Institute of Company Directors (AICD) SA Regional Council, governor of Wyatt Benevolent Institution Inc., member of the Advisory Board of Leepsheep startup accelerator, and member of Flinders University Finance and Investment Committee.

SPECIAL RESPONSIBILITIES

Chairman of the audit and risk committee

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

DIRECTORS' REPORT (CONTINUED)

Mr Ananda Kathiravelu – Non-Executive Director (Resigned 15 May 2018)

EXPERIENCE AND EXPERTISE

Ananda Kathiravelu has been in the financial services funds management and stock broking industries for over 20 years. He holds a Bachelor of Business and a Graduate Diploma of Applied Finance and Investment. Mr Kathiravelu is the Managing Director of Armada Capital Ltd, a corporate advisory company that has been involved in providing strategic corporate advice and services to listed and unlisted public companies including, Pryme Oil and Gas Ltd, CuDeco Ltd (formally known as Australian Mining Investments Ltd), Meridian Minerals Ltd (formally Bellevue Resources Ltd), Promesa Ltd, Mineq Ltd, Coronado Ltd and Intium Energy Ltd. His areas of expertise include corporate advice, capital raising, mergers and acquisitions. His focus is on the small cap resources and emerging business sectors.

SPECIAL RESPONSIBILITIES

Member of the remuneration and nomination committee

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Promesa Limited (Executive Director)

Weebit Nano Ltd previously named Radar Iron Ltd (Non-Executive Director)

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

COMPANY SECRETARY

Mr Stuart Usher

Mr Usher is a CPA and Chartered Company Secretary with 20 year's extensive experience in the management and corporate affairs of public listed companies. He holds a Bachelor of Business degree and an MBA from the University of Western Australia and has extensive experience across many industries focusing on Corporate & Financial Management, Strategy & Planning, Mergers & Acquisitions, and Investor Relations & Corporate Governance.

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL ACTIVITIES

Buddy Platform Limited (BUD.ASX) provides highly scalable Internet of Things data aggregation and management infrastructure by way of three unique offerings – Buddy Cloud, Buddy Ohm and Parse on Buddy. The Buddy Cloud offers smart city providers a globally scalable data investment and management platform. Buddy Ohm, a complete and lowcost solution for facility resource monitoring and verification, connects systems that were never designed to work together, while turning energy savings into a strategic asset. Parse on Buddy is a mobile backend as a service (mBaaS) built on the world's most popular BaaS technology. Buddy Platform is headquartered in Seattle, Washington, with offices in Adelaide, Australia.

RESULTS

The net loss after tax for the year ended 30 June 2018 amounted to \$13,877,497 (2017: \$16,946,495). The primary costs for the business are salaries and research & development expenditure, which is very much in line with the costs expected for a technology company supporting a product of the Buddy Platform's technical complexity.

DIVIDENDS

There were no dividends paid or declared during the year.

OPERATING AND FINANCIAL REVIEW

The board of Buddy Platform Limited ("Buddy" or "the Company") is pleased to present its activities report for the year ending 30 June 2018.

It is with pleasure that I welcome you to this year's annual report. This has been a very strong year for the Company and on behalf of our global team, I'm delighted to be able to share a summary of our progress to date.

Our Buddy Ohm product is soon to celebrate a year from first revenues, and in that time we've made tremendous strides. While I can share that I'm pleased with our traction, it won't come as a surprise that I continue to push our team to deliver an increased rate of growth and deployments. Enterprise sales cycles are well known as being longer and more complex than nearly any other, and by all reports we continue to sit well ahead of the curve relative to the norm, but be assured that we will not rest and continue to drive our direct sales staff, our resellers and our distributors as hard as we possibly can.

We should reflect positively on the fact that over the past year we've established an extensive sales infrastructure for our Buddy Ohm product and continued to improve the product offering with the launch of enhanced software, new functionality and features. This is all a reflection of the hard work our US and Australian based engineering and product team has invested, along with the input provided by our global sales team. We have made significant progress growing our Buddy Cloud business, despite the clear focus of the majority of our people on Buddy Ohm. As longer term investors will know, Buddy Cloud underpins everything that our Company does, and so its importance cannot be overstated. Achieving the monetisation of this product at the rate and growth that we have reflects positively not just on our ability to sell this product, but on the value that it offers in the broader marketplace. I remain confident of our ability to continue to innovate and develop this product in the coming year. As global investment in smart city technology is expected to approach US\$2.6 trillion by 2025, we've positioned

DIRECTORS' REPORT (CONTINUED)

Buddy Platform as an innovative leader in the smart spaces market (including city infrastructure, but also buildings, homes, even smaller spaces such as recreational vehicles), which continues to gain pace and recognition at an unprecedented rate.

This year, I was delighted to welcome new shareholders to the register following our capital raise in October 2017. Under the placement, Buddy raised an over-subscribed total of A\$23 million to fund the expansion of our sales and distribution channels for Buddy Ohm. The support received from some of Australia and Asia's leading institutional investors was exceptional and the Board and I were delighted to welcome all participants in the placement to our register. In fact, as of the writing of this letter, our Company has a wider spread (more shareholders) than at any time in our history.

Overview of FY18

Buddy Ohm is a simple, low cost solution to monitor consumption of all key building resources. We believe that by providing real-time insights into how a building uses its resources, building managers and tenants alike are better able to understand their consumption and implement initiatives that can help to greatly reduce spend on these resources.

Financial year 2018 was a year of product development that culminated in the launch of our innovative resource monitoring solution, Buddy Ohm. This financial year has seen us build out our sales infrastructure to enable us to begin selling and monetising Buddy Ohm at a global level. We're pleased at our rate of growth of Buddy Ohm sales (for example, this Q1FY19 we sold Buddy Ohm into more sites than we had in total prior to Q1, and all indications are that this will be true in Q2FY19 as well), as we recognised sales in all regions that we indicated we'd launch into when we completed our capital raising in October 2017. This is notable because (as we've disclosed in 4C commentary reports) not all distribution channels are fully scaled or operational at this juncture.

Our suite of Buddy Ohm products are now available in a number of major markets globally, through our extensive channel and distribution partner network, that we continue to build upon. We've seen our first commercial sales in the Dominican Republic and Colombia, while the Caribbean remains a strong market for us. Despite delays in Ingram Micro rolling out globally and in the United States, our most recent quarter had the US market delivering ahead of plan. Australia too is showing early indicators of strength, despite some challenges in the year with Telstra resulting in delays getting Dicker Data up to speed. In both cases, the business has either resolved those delays (ie: Australia) or has line of sight to fully resolving those delays (US) and our management team is looking forward to continued growth in those markets in 2019.

Recently, the Buddy Ohm business recorded its first New Zealand customer (in the food/retail sector), Nestle in the Caribbean has continued to order additional product, and our rate of customers buying additional product (upsells) has grown (both number of repeat customers and amount additional that they buy). These are all very strong indicators, even while our efforts remain focused on driving up initial base pack sales. We're selling into verticals as varied as retail, hospitality, manufacturing, high-tech, not-for-profit, entertainment, education, office/commercial and more.

DIRECTORS' REPORT (CONTINUED)

Importantly, this year we launched our new Works with Ohm program. Works with Ohm increases the interoperability of our Buddy Ohm suite of products by enabling seamless connectivity to third party hardware offerings, allowing us to connect into a vastly greater network of sites and customer needs than we could otherwise independently support. As we announced at Buddy Connect 2018 in March 2018, we continue to expand this program with the addition of further sensor manufacturers – and most recently announced our integration with LIFX connected/smart lighting. Smart lighting is projected to be the foundational sensor platform for commercial and residential environment and energy monitoring in the future, so this may yet prove to be our most impactful Works with Ohm relationship.

Additionally, this past year we have made it easier for our customers to install Buddy Ohm with a mobile application that simplifies and streamlines the install process. The mobile app has received excellent feedback from customers and professional installers so far, validating the product's ease of use and user-friendly interface.

Technology will always be at the core of what we do. It is our innovative approach and commitment to providing real value add features that makes our products not only cutting-edge but also user-friendly. We consider this a core tenet of Buddy's value proposition to customers and partners.

On the Buddy Cloud side, we were thrilled to be able to finally share with the market our relationship with Airstream – likely the world's most recognised caravan/recreational vehicle product. Airstream has launched their smart connected trailer products powered by the Buddy Cloud, and shareholders should expect that our relationship with Airstream will continue into the future.

Financial Overview

This year we reported a revenue increase of over 230% for the year, bringing our total revenue to A\$3.9 million. Excluding government rebates and tax incentives revenue totalled A\$2.1 million, which was a 92% increase on the prior financial year.

The growth in revenue is attributable to growing deployments of the Buddy Ohm suite of products and the continuing growth in Buddy Cloud customers. This growth has more than offset the shedding of unprofitable cloud customers at the beginning of the financial year and whilst Buddy Cloud still contributes a significant portion of the total revenue, this is decreasing as the sales of Ohm ramp up and over the past two quarters the percentage of revenue from Buddy Ohm has been steadily growing.

As at 30 June 2018, we had ample cash reserves of A\$22.4 million, providing us with the necessary capital to continue to drive our sales and marketing initiatives.

DIRECTORS' REPORT (CONTINUED)

A Large and Growing Market Opportunity

Buildings use 40% of the world's energy and consume 20% of the world's water, creating a huge addressable market for our products, and through our extensive sales infrastructure we have established a global footprint for Buddy Ohm to take advantage of this opportunity.

All buildings, no matter how large or small, can derive significant benefits from the Buddy Ohm product and as governments and cities alike continue to seek new and innovative technology to improve how they operate and manage their resources, the gap in the market for our products and services grows.

Furthermore, the rise of the concept of smart spaces (including smart cities) and increasing number of pilot projects is creating a bigger opportunity for Buddy Cloud. Our IoT platform has the ability to provide the infrastructure necessary for devices and sensors to connect and operate together. Without a platform providing access to the data collected from deployed devices and sensors it becomes worthless. Buddy Cloud's open platform therefore has a key role to play in making this data accessible and useful and coupled with Ohm we're well positioned to provide a holistic smart space solution.

Looking ahead

I am optimistic for the outlook over the coming 12 months. Our sales infrastructure in place provides us with a global footprint and access to a growing smart spaces market. We are well funded to continue to drive our sales and marketing efforts and continue to work closely with our sales partners to ensure they have the necessary support and material from us to push leads through their sales funnels.

While I absolutely recognise the desire of the market to see rapid growth and exponential deployments, I continue to impress upon shareholders the need for a reserved by highly optimistic outlook. Growing sales of a new enterprise/commercial product in a global market takes time and there should be no doubt that our team is utterly and completely committed to this goal. We have an extraordinary team of incredibly talented people, and on a daily basis, they give me confidence in our ability to play a meaningful role in the smart space evolution.

I'd like to take a moment to thank our existing shareholders for their continued support and to welcome new shareholders to the Company. I would also like to extend thanks to all our partners, customers and staff who have made Buddy Platform what it is today – here's to an exciting 2019



David McLauchlan
CEO, Buddy Platform Limited.

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not been any matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of the operations, or the state of the affairs of the Consolidated Group in future financial years.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group that occurred during the financial period not otherwise disclosed in this report or the financial statements.

ENVIRONMENTAL REGULATION

The Directors believe that the Group has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

The Group's past operations were subject to various environmental regulations under the Federal and State Laws of Australia and the USA.

The majority of the Group's past activities involved low level disturbance associated with exploration drilling programs.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium of \$11,400 excluding GST (2017: \$30,000) to insure the Directors and Company Secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in ordinary shares, listed and unlisted options of the Company were:

Director	Shares		Performance Shares		Performance Rights		Options	
	Held Directly	Held Indirectly	Held Directly	Held Indirectly	Held Directly	Held Indirectly	Held Directly	Held Indirectly
David McLauchlan	129,976,820	-	22,166,667	-	-	-	-	-
Richard Borenstein	5,011,121	14,522,547	3,333,333	-	-	-	854	-
Alexander Gounares	1,579,242	-	2,500,000	-	364,441	-	401,625	-
John van Ruth	1,466,667	11,479	833,333	-	-	-	-	-
TOTAL	138,033,850	14,534,026	28,833,333	-	364,441	-	402,479	-

BUDDY PLATFORM LIMITED
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DIRECTORS' REPORT (CONTINUED)

MEETINGS OF DIRECTORS

During the financial year, meetings of Directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Directors	Directors meetings		Audit committee meetings		Remuneration and nomination committee meetings	
	Meetings Eligible to Attend	Meetings Attended	Meetings Attended	Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend
David McLauchlan	6	6	-	-	-	-
Richard Borenstein	6	6	5	5	2	2
Alexander Gounares	6	6	-	-	2	2
Ananda Kathiravelu (Resigned 15-May 2018)	5	5	-	-	1	2
John van Ruth	6	6	5	5	-	-

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company for the year ended 30 June 2018. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the financial report.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

This remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes those executives in the Parent and the Group receiving the highest remuneration.

Key Management Personnel

Mr David McLauchlan	(Executive Director & CEO)
Mr Richard Borenstein	(Non-executive Chairman)
Mr Alexander Gounares	(Non-executive Director)
Mr Ananda Kathiravelu	(Non-executive Director) (Resigned 15-May 2018)
Mr John van Ruth	(Non-executive Director)
Mr. Richard Jacroux	(Chief Financial Officer / Chief Operating Officer)

Remuneration Policy

Remuneration of Directors and Key Management Personnel is determined with regard to the performance of the Company, the performance and skills and experience of the particular person and prevailing remuneration expectations in the market. The Board will devote time on an annual basis to discuss the level and composition of remuneration for the Directors and Key Management Personnel and will ensure such remuneration is appropriate and not excessive. Details of remuneration of Directors and Key Management Personnel are disclosed in the Remuneration Report in the Annual Report. The full Board determines all compensation arrangements for Directors and has a Remuneration Committee to assist the Board in monitoring and reviewing any matters of significance affecting the remuneration of the Board and employees of the Company. It is also responsible for setting performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

The Remuneration Committee charter is available on the Company's website at www.buddy.com.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting (currently \$300,000). It is the policy of the Company to compensate Directors in share based payments only through the issue of Performance Shares (subject to any necessary Shareholder and regulatory approvals).

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Fees for non-executive Directors are linked to the performance of the Group through the issue of Performance Shares and Performance Rights. This aligns Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in employee option plans that may exist from time to time.

Executive Remuneration

Executive Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes). The remuneration of any executive director that may be appointed to the Board will be fixed by the Board and the remuneration and nomination committee. Executive Directors are engaged under the terms of individual employment contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any director's fees in addition to their remuneration arrangements.

Fixed Remuneration

All KMP's are remunerated based on services provided by each person. The Board will review KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

Variable Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and key management personnel. Currently, this is facilitated through the issue of Performance Rights and Incentive Rights to key management personnel to encourage the alignment of personal and shareholder interests. The issue of these securities formed part of the Consideration Securities as a result of the acquisition of Buddy Inc. The Company believes this policy will be effective in increasing shareholder wealth.

Principles used to determine the nature and amount of variable remuneration: relationship between remuneration and company performance

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and future years. Due to the nature of the Group's principal activities the Directors assess the performance of the Group with regard to the price of the Company's ordinary shares listed on the ASX, and the market capitalisation of the Group.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Service Contracts

Non-Executive Directors

The key terms of the Non-Executive Director letters of appointment are as follows:

- Terms of agreement – ongoing subject to annual review.
- Directors' Fees – the issue of Performance Shares on initial appointment.
- There is no notice period stipulated to terminate the contract by either party.

Apart from their duties as Directors, some Non-Executive Directors may undertake work for the Company over and above the specific duties of a Non-Executive Director.

Executives

Remuneration and other terms of employment for the Executive Director and Chief Executive Officer and the Chief Financial Officer are formalised in service agreements. Other major provisions of these agreements are set out below:

Executive Services Agreement - David McLauchlan

The Company and David McLauchlan entered into an Executive Services Agreement for his role as Chief Executive Officer commencing on the date of settlement of the Company's acquisition of Buddy Platform, Inc. being 17th December 2015.

The material terms of the Executive Services Agreement (ESA) are as follows:

- (a) **Salary:** Under the ESA, Mr McLauchlan receives an annual salary of US\$250,000
- (b) **Performance Bonus:** The Company may, at any time, pay Mr McLauchlan, a performance-based bonus over and above the Salary.
- (c) **Restraint of Trade:** Upon termination of the ESA, Mr McLauchlan will be subject to a restraint of trade period of up to 6 months.
- (d) Mr McLauchlan is employed on an at-will employment relationship with the Company which may be terminated at any time by either Mr McLauchlan or the Company upon notice to the other, for any or no reason, with or without prior notice or cause. Further, the Company can demote, transfer, suspend or otherwise discipline him in its sole discretion.

Executive Services Agreement – Richard Jacroux

The Company and Richard Jacroux entered into a Services Agreement (SA) for his role as Chief Financial Officer and Chief Operating Officer commencing on his date of employment being 3rd October 2016.

The material terms of the SA are as follows:

- (a) **Salary:** Mr. Jacroux receives an annual salary of US\$210,000

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

- (b) Employee Incentive Performance Rights (EIPR): Mr Jacroux received a grant of 8,000,000 EIPR with standard vesting over four years.
- (c) Mr Jacroux is employed on an at-will employment relationship with the Company which may be terminated at any time by either Mr Jacroux or the Company upon notice to the other, for any or no reason, with or without prior notice or cause. Further, the Company can demote, transfer, suspend or otherwise discipline him in its sole discretion.

Remuneration of Directors and Executives

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Buddy Platform Limited are set out in the following table:

Key Management Personnel of Buddy Platform Limited

2018		Short Term Benefits		Post-Employment Benefits	Share Based Payments		
Key Management Personnel	Salary and Fees \$	Bonus	Non-Monetary \$	Super-annuation \$	Performance Shares & Rights \$	Total \$	% Performance Related
David McLauchlan ⁽²⁾	322,437	-	-	-	(405,134)	(82,697)	490%
Richard Borenstein ⁽²⁾	-	-	-	-	(60,922)	(60,922)	100%
Alexander Gounares ⁽²⁾	-	-	-	-	(12,515)	(12,515)	100%
John van Ruth ⁽²⁾	-	-	-	-	(15,231)	(15,231)	100%
Ananda Kathiravelu ⁽¹⁾	-	-	-	-	-	-	-
Richard Jacroux	270,847	-	-	-	159,984	430,831	37%
Total	593,284	-	-	-	(333,818)	259,466	89%

⁽¹⁾ Resigned 15 May 2018

⁽²⁾ Reflects the reversal of the cumulative expense recognised in the prior period in respect of the Tranche 3 performance shares as the vesting conditions for these instruments are not expected to be met.

⁽³⁾ Salaries and Fees were converted to Australian Dollars at the average rate

2017		Short Term Benefits		Post-Employment Benefits	Share Based Payments		
Key Management Personnel	Salary and Fees \$	Bonus	Non-Monetary \$	Super-annuation \$	Performance Shares & Rights \$	Total \$	% Performance Related
David McLauchlan	331,345 ⁽¹⁾	-	-	-	2,966,871	3,298,216	90%
Richard Borenstein	-	-	-	-	484,836	484,836	100%
Alexander Gounares	-	-	-	-	497,158	497,158	100%
John van Ruth	-	-	-	-	111,547	111,547	100%
Ananda Kathiravelu	-	-	-	-	-	-	-
Richard Jacroux*	205,888 ⁽¹⁾	-	-	-	187,488	393,376	48%
Total	537,233	-	-	-	4,247,900	4,785,133	89%

*Commenced on 3 October 2016

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Shareholdings of Key Management Personnel

The number of ordinary shares of Buddy Platform Limited held, directly, indirectly or beneficially, by each Director, including their personally-related entities for the year ended 30 June 2018 is as follows:

Directors	Held at 1 July 2017	Movement During Year	Purchase/ (Sales)	Change due to appointment/ (resignation)	Held at 30 June 2018
David McLauchlan	137,810,154	22,166,666 ⁽¹⁾	(30,000,000)	-	129,976,820
Richard Borenstein	20,200,334	3,333,334 ⁽¹⁾	(4,000,000)	-	19,533,668
Alexander Gounares	3,593,322	2,985,920 ⁽¹⁾	(5,000,000)	-	1,579,242
John van Ruth	844,812	833,334 ⁽¹⁾	(200,000)	-	1,478,146
Ananda Kathiravelu	106,666	-	-	(106,666)	-
Richard Jacroux		3,000,000 ⁽¹⁾			3,000,000
Total	162,555,288	32,319,254	(39,200,000)	(106,666)	155,567,876

(1) Conversion of Performance Shares 2nd Milestone & Performance Rights

Directors	Held at 1 July 2016	Movement During Year	Change due to appointment/ (resignation)	Held at 30 June 2017
David McLauchlan	115,643,487	22,166,667 ⁽¹⁾	-	137,810,154
Richard Borenstein	14,522,547	5,677,787 ⁽¹⁾	-	20,200,334
Alexander Gounares	-	3,593,322 ⁽¹⁾	-	3,593,322
John van Ruth	11,479	833,333 ⁽¹⁾	-	844,812
Ananda Kathiravelu	106,666	-	-	106,666
Total	130,284,179	32,271,109	-	162,555,288

(1) Conversion of Performance Shares 1st Milestone & Replacement Performance Rights

Option Holdings of Key Management Personnel

The number of options over ordinary shares in Buddy Platform Limited held, directly, indirectly or beneficially, by each specified Director and specified executive, including their personally-related entities for the year ended 30 June 2018 is as follows:

Directors	Held at 1 July 2017	Conversion	Expiry of Options	Change due to appointment/ (resignation)	Held at 30 June 2018	Vested and exercisable at 30 June 2018
Richard Borenstein	854	-	-	-	854	854
Alexander Gounares	401,625	-	-	-	401,625	326,320
Total	402,479	-	-	-	402,479	327,174

Directors	Held at 1 July 2016	Conversion	Expiry of Options	Change due to appointment/ (resignation)	Held at 30 June 2017	Vested and exercisable at 30 June 2017
Richard Borenstein	854	-	-	-	854	854
Alexander Gounares	401,625	-	-	-	401,625	225,914
Total	402,479	-	-	-	402,479	226,768

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance Shares of Key Management Personnel

The number of Performance Shares in Buddy Platform Limited held, directly, indirectly or beneficially, by each specified Director and specified executive, including their personally-related entities for the year ended 30 June 2018 is as follows:

Directors	Held at 1 July 2017	Conversion	Change due to appointment/ (resignation)	Held at 30 June 2018	Vested and exercisable at 30 June 2018 (1)
David McLauchlan	44,333,333	(22,166,667)	-	22,166,666	-
Richard Borenstein	6,666,667	(3,333,333)	-	3,333,334	-
Alexander Gounares	5,000,000	(2,499,999)	-	2,500,001	-
John van Ruth (Appointed)	1,666,667	(833,334)	-	833,333	-
Total	57,666,667	(28,833,333)	-	28,833,334	-

(1) The vesting conditions president to these performance shares are not expected to be met, therefore the expenses previously recognised in respect of these instruments have been reversed. The expiry date for meeting the vesting conditions is 17 December 2018.

Directors	Held at 1 July 2016	Conversion	Change due to appointment/ (resignation)	Held at 30 June 2017	Vested and exercisable at 30 June 2017
David McLauchlan	66,500,000	(22,166,667)	-	44,333,333	22,166,667
Richard Borenstein	10,000,000	(3,333,333)	-	6,666,667	3,333,333
Alexander Gounares	7,500,000	(2,500,000)	-	5,000,000	2,500,000
John van Ruth (Appointed)	2,500,000	(833,333)	-	1,666,667	833,333
Total	86,500,000	(28,833,333)	-	57,666,667	28,833,333

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Employee Incentive Performance Rights & Replacement Rights of Key Management Personnel

The number of Performance Rights in Buddy Platform Limited held, directly, indirectly or beneficially, by each specified Director and specified executive, including their personally-related entities for the year ended 30 June 2018 is as follows:

Directors	Held at 1 July 2017	Conversion	Change due to appointment/ (resignation)	Held at 30 June 2018	Vested and exercisable at 30 June 2018
Alexander Gounares	850,361	(485,920)	-	364,441	-
Richard Jacroux	8,000,000	(3,000,000)	-	5,000,000	-
Total	8,850,361	(3,485,920)	-	5,364,441	-

Directors	Held at 1 July 2016	Conversion	Change due to appointment/ (resignation)	Held at 30 June 2017	Vested and exercisable at 30 June 2017
Richard Borenstein (Appointed 17 Dec-15)	2,344,454	(2,344,454)	-	-	-
Alexander Gounares (Appointed 17 Dec-15)	1,943,683	(1,093,322)	-	850,361	-
Richard Jacroux (Appointed 6 October 2016)*	-	-	8,000,000	8,000,000	-
Total	4,288,137	(3,437,776)	8,000,000	8,850,361	-

*Granted as compensation during the year.

Share-based Compensation

Share-based compensation for the Directors in the current year were issued as Performance Shares, Performance Rights and Replacement options.

Other Related Party Transactions

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Armada Capital Limited, a company of which Mr Ananda Kathiravelu is Managing Director, was paid for investor relations and marketing support to the Company on normal commercial terms during the year for which it received a monthly fee of \$4,000 under a marketing and investor relations agreement with the Company.

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

A summary of the total fees paid and payable to Armada Capital Limited for the year ended 30 June 2018 were as follows:

	Consolidated	
	2018	2017
	\$	\$
Brokerage on capital raising ⁽¹⁾	-	205,000
Investor relations and marketing support	48,000	48,000
Total	48,000	253,000

⁽¹⁾ Includes brokerage fees paid to sub-underwriters

Loans to Key Management Personnel

	Balance at 1 July 2017	Balance at 30 June 2018	Highest balance during period
David McLauchlan (Appointed 17 Dec-15)	\$13,734	\$-	\$13,734
Richard Jacroux*	\$-	\$67,650	\$67,650

*Relates to an advance made by the Company, the advance is repayable by 31 December 2018.

*******END OF AUDITED REMUNERATION REPORT*******

DIRECTORS' REPORT (CONTINUED)

LIKELY DEVELOPMENTS

Likely developments in the operations of the Group have been disclosed in the Operating and Financial Review section of the Directors' Report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Buddy Platform Ltd support and have substantially adhered to the best practice recommendations set by the ASX Corporate Governance Council. For a detailed analysis of the Company's Corporate Governance Policies, visit the corporate governance section of our website at www.buddy.com.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2018 has been received and can be found on page 24.

AUDITOR

Nexia Perth Audit Services Pty Ltd continues in office in accordance with Section 327 of the Corporation Act 2001.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

SHARE OPTIONS

Shares under Option

As at 30 June 2018, there existed the following unlisted options.

Date Granted	Expiry Date	Exercise Price	Number Shares Under Option	Vested & Exercisable
17-Dec 2015	17-Dec 2020	10.0c	2,806,647	2,600,245

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

During the year and up to the report date, 52,500,000 options (40,000,000 exercisable at 12.5c and 12,500,000 exercisable at 3c) were exercised and converted to ordinary shares.

DIRECTORS' REPORT (CONTINUED)

Performance Shares

As at 30 June 2018, the following unlisted Performance Shares were on issue:

Date Granted	Expiry Date	Exercise Price	Number	Vested & Exercisable
17-Dec 2015	17-Dec 2020	Nil	31,833,333	-

The Performance Shares were to convert upon satisfaction of any one of the following milestones:

(i) One third (1/3) of all Performance Shares held by the Holder as at the date of issue of the Performance Shares (Issue Date) shall convert upon Buddy (or its subsidiaries) logging 20,000,000 total discrete connections to any Buddy server or service (Interactions) by any approved network connected hardware or software application (Device) per day for no less than 3 consecutive weeks within a period of 24 months from the date of completion of the Capital Raising;

(ii) One third (1/3) of all Performance Shares held by the Holder as at the Issue Date shall convert upon the total number of devices creating an Interaction with a Buddy application that it has not previously interacted with (New Connection) exceeding 500,000 per week for no less than three (3) consecutive weeks within a period of 24 months from the date of completion of the Capital Raising;

(iii) One third (1/3) of all Performance Shares held by the Holder as at the Issue Date shall convert upon Buddy (or its subsidiaries) satisfying the following milestones within a period of 36 months from the date of completion of the Capital Raising:

(A) total daily device interactions with the Buddy Platform exceed 50,000,000 per day for no less than 3 consecutive weeks; and

(B) total number of devices creating new connections to Buddy exceeding 1,000,000 per week for no less than 3 consecutive weeks.

As at the date of this report Milestone 1 and Milestone 2 have been achieved with vesting conditions satisfied. 31,833,333 shares were converted in relation to Milestone 2 during the year. Milestone 3 is not expected to be met. The shares are not expected to be converted and the expense recognised to date has been reversed. Refer to the remuneration report for further details of the performance shares of Key Management Personnel.

Performance Rights

As at 30 June 2018, there existed the following unlisted Performance Rights

Date Granted	Expiry Date	Exercise Price	Number	Vested
17-Dec 2015	17-Dec 2020	Nil	5,846,670	-

The replacement performance rights shall vest and become exercisable on a quarterly basis in equal tranches over 4 years from the employee's commencement date. During the year ended 30 June 2018 1,541,592 (2017: 24,528,888) of the Performance rights converted into ordinary shares.

DIRECTORS' REPORT (CONTINUED)

Employee Incentive Performance Rights

As at 30 June 2018, there existed the following unlisted Employee Incentive Rights.

Date Granted	Number at 30 June 2018
12 April 2017	2,262,305
19 December 2016	10,359,120
17-June 2016	5,751,042
15 August 2017	8,550,000
29 September 2017	7,580,250
7 December 2017	2,800,000
27 March 2018	6,440,000
30 June 2018	12,100,000
Total	55,842,717

The Vesting conditions of the EIPR's are 25% vests on the first anniversary from the employee's commencement date with the remainder vesting on a quarterly basis in equal tranches over 4 years from the employee's commencement date. Employee Rights will lapse on termination of employment. During the year ended 16,908,835 (30 June 2017: 11,843,845) of the Employee Incentive Performance Rights converted into ordinary shares.

AUDIT SERVICES

During the year the following fees were paid or payable for services provided by the auditor.

	Consolidated	
	2018	2017
	\$	\$
<i>Audit Services</i>		
Amounts payable to auditor of parent entity	73,610	57,950
	73,610	57,950

There were no non-audit services performed by the auditor during the year (2017: Nil).

Signed in accordance with a resolution of the Directors.



David McLauchlan
CEO & Executive Director

Date: 28 September 2018

Auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Buddy Platform Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2018 there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani

Director

28 September 2018

Perth

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

		Consolidated	
		Buddy Platform Limited	Buddy Platform Limited
		30 June 2018	30 June 2017
	Note	\$	\$
Service revenue	4	2,083,941	1,048,715
Government rebates received	4	1,563,926	-
Other income	4	17,225	46,740
Finance income	4	190,411	73,117
Gain on asset sales		-	960
Cost of sales		(1,450,330)	(580,446)
Advertising & marketing expenses		(2,016,669)	(1,418,787)
Financial, administration, insurance and compliance costs		(2,207,769)	(1,735,459)
Depreciation		(145,649)	(102,039)
IT & web costs		(654,699)	(829,785)
Impairment of investment	10	-	(658,250)
Employee benefits expense		(6,443,788)	(4,362,627)
Share based payments	12	(3,460,854)	(7,448,214)
Research & development		(1,353,242)	(980,420)
		<hr/>	<hr/>
Profit / (Loss) before income tax expense		(13,877,497)	(16,946,495)
Income tax benefit	6	-	-
		<hr/>	<hr/>
Loss for the year		(13,877,497)	(16,946,495)
		<hr/>	<hr/>
<i>Other Comprehensive Income / (Loss):</i>			
Items that may be reclassified subsequently to profit or loss:			
Revaluation of investments		1,066,680	(45,603)
Foreign currency translation differences for foreign operations		13,983	6,738
Gain on asset sales		-	-
		<hr/>	<hr/>
Other comprehensive income / (loss) for the year, net of tax		1,080,663	(38,865)
		<hr/>	<hr/>
Total Comprehensive Loss for the year		(12,796,834)	(16,985,360)
		<hr/>	<hr/>
Basic & Diluted Profit / (Loss) per share - cents per share	5	(0.01)	(0.02)

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

BUDDY PLATFORM LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		Consolidated	
		Buddy Platform Limited	Buddy Platform Limited
		30 June 2018	30 June 2017
	Note	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	7	22,377,919	6,121,603
Trade and other receivables	8	1,088,414	531,943
Inventory		662,230	106,643
Total current assets		24,128,563	6,760,189
Non-current assets			
Property, plant & equipment	9	321,978	314,380
Investments	10	1,497,580	430,900
Total Non-Current Assets		1,819,558	745,280
TOTAL ASSETS		25,948,121	7,505,469
LIABILITIES			
Current Liabilities			
Trade and other payables	11	1,667,997	792,387
Provisions	17	119,329	73,307
Total Current Liabilities		1,787,326	865,694
TOTAL LIABILITIES		1,787,326	865,694
NET ASSETS		24,160,795	6,639,775
EQUITY			
Share capital	12	58,947,674	32,090,674
Reserves		27,907,462	23,365,945
Accumulated losses		(62,694,341)	(48,816,844)
Equity attributable to owners of the parent		24,160,795	6,639,775
TOTAL EQUITY		24,160,795	6,639,775

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

Consolidated 2018	Issued Capital \$	Option Reserve \$	Foreign Currency Translation Reserve \$	Assets held for Sale Reserve \$	Accumulated Losses \$	Total Equity \$
Total equity at 1 July 2017	32,090,674	23,484,528	(118,583)	-	(48,816,844)	6,639,775
Total Profit / (Loss) for the year	-	-	-	-	(13,877,497)	(13,877,497)
Other Comprehensive Income	-	-	13,983	1,066,680	-	1,080,663
Total Comprehensive Income / (Loss) for the year	-	-	13,983	1,066,680	(13,877,497)	(12,796,834)
Transactions with equity holders:						
Shares issued during the year:						
Options converted during the year	5,375,000	-	-	-	-	5,375,000
Shares issued pursuant to capital raising	23,000,000	-	-	-	-	23,000,000
Costs of capital raising	(1,518,000)	-	-	-	-	(1,518,000)
Share based payments	-	3,460,854	-	-	-	3,460,854
Total equity at 30 June 2018	58,947,674	26,945,382	(104,600)	1,066,680	(62,694,341)	24,160,795

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 30 June 2017

Consolidated 2017	Issued Capital \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Available for Sale Reserve \$	Accumulated Losses \$	Total Equity \$
Total equity at 1 July 2016	27,994,674	16,036,314	(125,321)	45,603	(31,870,349)	12,080,921
Total Profit / (Loss) for the year	-	-	-	-	(16,946,495)	(16,946,495)
Unrealized foreign exchange gain	-	-	6,738	-	-	6,738
Revaluation of investment	-	-	-	(45,603)	-	(45,603)
Total Comprehensive Income / (Loss) for the year	-	-	6,738	(45,603)	(16,946,495)	(16,985,360)
Transactions with equity holders:						
Shares issued during the year:						
Shares issued pursuant to capital raising (Note 12)	4,500,000	-	-	-	-	4,500,000
Costs of capital raising (Note 12)	(404,000)	-	-	-	-	(404,000)
Share based payments (Note 12 c)	-	7,448,214	-	-	-	7,448,214
Total equity at 30 June 2017	32,090,674	23,484,528	(118,583)	-	(48,816,844)	6,639,775

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

		Consolidated	
		Buddy Platform Limited	Buddy Platform Limited
	Note	30 June 2018	30 June 2017
		\$	\$
Cash flows from operating activities			
Interest received	4	190,411	73,117
Receipts from customers & other income		1,679,996	1,053,129
Receipts of Government rebates		1,563,926	-
Payments for research & development		(2,007,941)	(980,420)
Payments to suppliers and employees		(11,752,511)	(8,714,983)
Net cash flows used in operating activities	13	<u>(10,326,119)</u>	<u>(8,569,157)</u>
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	960
Payments for plant and equipment		(153,248)	(248,677)
Payments for notes receivable		(135,300)	-
Net cash flows used in investing activities		<u>(288,548)</u>	<u>(247,717)</u>
Cash flows from financing activities			
Proceeds from share issue		23,000,000	4,500,000
Proceeds from conversion of options		5,375,000	-
Capital Raising Costs		(1,518,000)	(404,000)
Net cash flows provided by financing activities		<u>26,857,000</u>	<u>4,096,000</u>
Net increase/(decrease) in cash and cash equivalents held		16,242,333	(4,720,874)
Effect of FX rate changes		13,983	6,738
Cash and cash equivalents at the beginning of the period		6,121,603	10,835,739
Cash and cash equivalents at the end of the period	7	<u>22,377,919</u>	<u>6,121,603</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 1: REPORTING ENTITY

Buddy Platform Limited (the "Company") is a company domiciled in Australia and whose shares are publicly traded on the Australian Securities Exchange (ASX:BUD). The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprises the Company and its subsidiaries (collectively referred to as the "Group").

A description of the nature of the Group's operations and its principal activities is included in the review of operations and activities in the Directors' Report, which does not form part of this financial report.

NOTE 2: BASIS OF PREPARATION

This general purpose financial report for the year ended 30 June 2018 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.

This Consolidated Financial Report was approved by the Board of Directors on 28 September 2018.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention, except for available for sale financial assets which are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

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.

A. Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise the assets and liabilities of Buddy Platform Limited and its subsidiaries at 30 June 2018 and the results of all subsidiaries for the year then ended. A subsidiary is any entity controlled by Buddy Platform Limited. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of subsidiaries are prepared from the same reporting period as the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-entity transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Investments in subsidiaries are accounted for at cost in the individual financial statements of Buddy Platform Limited.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period which Buddy Platform has control.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 3(G)).

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

C. Income Tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Income Tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and its wholly-owned Australian resident subsidiaries have not formed a tax-consolidated Group as at balance sheet date.

D. Goods and Services Tax and Similar Taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except; where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable and receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position. Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

E. Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivables. They are included in current assets, except for those with maturities greater than 12 months after the balance date which were classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less any impairment losses.

F. Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the items. Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property, Plant and Equipment (continued)

Depreciation is calculated using the straight-line method to allocate asset costs over their estimated useful lives, as follows:

- Computer Equipment 4 years
- Software 3 years
- Office Equipment 5 years

Immaterial items are depreciated in full in the year of acquisition.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

G. Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Investment in Associated Entities

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost.

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the Consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. Goodwill included in the carrying amount of the investment in an associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income reflects the Group's share of the results of operations of the associate, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The balance dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

I. Impairment

Impairment of Non-Financial Assets

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 is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit (group of assets) to which the asset belongs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impairment (continued)

Impairment of Non-Financial Assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment of Financial Assets

For available for sale (AFS) financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income (OCI) and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

J. 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.

At each balance date, the entity revises its estimates of the number of options with non-market vesting conditions that are expected to become exercisable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant parties become fully entitled to the award ('vesting date').

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Share-Based Payments (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

K. Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

L. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Buddy Cloud

Revenue is recognised each month by reference to the stage of completion over the term of the customer service agreement. Stage of completion is measured by reference to time incurred to date as a percentage of total time for each service delivery contract.

Revenue from the sale of services is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and volume rebates. The Group does not provide any extended warranties or maintenance contracts to its customers.

Buddy OHM

The revenue for Buddy OHM is recognized on a monthly basis based on the number of end users using the Ohm (data monitoring services)

Research and Development Grants

The Group recognises revenue from research and development grants (R&D) on receipt of the funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Revenue recognition (continued)

Finance Income

Finance income comprises interest income on funds invested, gains on disposal of financial assets and changes in fair value of financial assets held at fair value through profit or loss. Finance expenses comprise changes in the fair value of financial assets held at fair value through profit or loss and impairment losses on financial assets.

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

M. Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

N. Earnings per Share

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

O. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are stated at amortised cost, using the effective interest method.

P. Foreign Currency Translation

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. As at the balance date the assets and liabilities of this subsidiary is translated into the presentation currency of Buddy Platform Limited at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

Buddy Platform Limited has a functional currency of Australian Dollars, Buddy Platform Inc has a functional currency of USD and Buddy Platform Europe has a functional currency of Euro dollars. The Group has chosen Australian dollars (AUD) as the presentation currency. The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Employee benefits

Short-term Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at amounts expected to be paid when liabilities are settled.

Defined Contribution Superannuation Expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

R. Significant Accounting Estimates and Assumptions

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 within the next annual reporting period are:

Share based payments

The Group measures the cost of equity-settled transactions with management and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Board of Directors using either the Binomial or the Black-Scholes valuation methods, taking into account the terms and conditions upon which the equity instruments were granted. For instruments with non-market vesting conditions the probability that the instruments will vest has to be assessed. The assumptions in relation to the valuation of the equity instruments are detailed in Note 16. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next reporting period, but may impact expenses and equity.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Significant Accounting Estimates and Assumptions (Continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

S. Comparative Information

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

T. Inventory

Inventory is measured at the lower of cost and net reliable value. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition.

U. Application of New and Revised Accounting Standards

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Company have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Group does not plan to adopt these standards early.

The following AASBs are most relevant to the Group:

AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

The Group is currently assessing the impact of this standard.

AASB 9: Financial Instruments (applicable to annual reporting periods commencing on or after 1 January 2018)

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (**OCI**).

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Application of New and Revised Accounting Standards (Continued)

Further new impairment requirements will use an 'expected credit loss' (**ECL**) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

The Group's financial instruments consist of cash, debtors, and investment at fair value other debtors and payable as disclosed in Note 19. (Financial Instruments) The Group is considering whether to fair value its equity instrument through OCI or profit and loss and will determine where to present gains and losses on equity instruments. In relation to trade debtors, the Group does not expect any material impact on the Buddy Cloud customers based on the historical payment data. For Buddy OHM customers the group will make an assessment on the impact of 'expected credit loss' each reporting period based on the payment history of the customer base.

AASB 15: Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018)

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.

For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Group has assessed the impact of this standard and it is not expected to result in a material change to the revenue recognised from its current contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 4: REVENUE

	Consolidated	
	2018	2017
	\$	\$
Service revenues	2,083,941	1,048,715
Government rebate received	1,563,926	-
Interest Income	190,411	73,117
Other income	17,225	46,740
Gain on asset sales	-	960
Total Revenue	3,855,503	1,169,532

NOTE 5: LOSS PER SHARE

	Consolidated	
	2018	2017
	\$	\$
Basic and diluted profit & (loss) per share - cents	(0.01)	(0.02)
Profit/(Loss) used in the calculation of basic and diluted loss per share	(13,877,497)	(16,946,495)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	1,026,016,554	803,172,929
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss per share	1,026,016,554	803,172,929

Options are considered anti-dilutive in the current year due to loss position of the Company and are not included in the calculation of diluted earnings per share.

NOTE 6: INCOME TAX

Numerical reconciliation between aggregate tax expense recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and tax expense calculated per the statutory income tax rate.

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 6: INCOME TAX (CONTINUED)

	Consolidated	
	2018	2017
	\$	\$
	(13,877,497)	(16,946,495)
Income tax using the domestic corporation tax rate of (30%)	(4,163,249)	(4,660,286)
<i>Expenditure not allowable for tax purposes</i>		
Share based payments	1,038,256	2,048,259
Non-Deductible Expenditure	1,710,284	38,770
Research & Development		323,151
<i>Non-Assessable Income</i>		
Research and Development Rebate	(469,177)	
Temporary differences		
Unrecognised Temporary Differences	53,712	201,982
Capital raising costs deductible	(180,350)	(96,018)
Unrecognised tax losses	2,010,524	2,144,142
	-	-
Income tax expense/(benefit)	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated	
	2018	2017
	\$	\$
Deductible temporary differences	610,659	792,111
Tax losses	2,727,189	1,282,132
Total	3,337,848	2,074,243

Future availability of the deductible temporary differences and tax losses is dependent on the Group complying with the relevant legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the entity can utilise the benefits therefrom.

NOTE 7: CASH AND CASH EQUIVALENTS

	Consolidated	
	2018	2017
	\$	\$
Reconciliation to Statement of Financial Position		
Cash at bank	22,377,919	6,121,603
Total Cash and Cash Equivalents	22,377,919	6,121,603

Cash at bank earns interest at floating rates based on daily bank deposit rates.

- (1) Cash at bank is subject to floating interest rates at an effective interest rate of approximately 2%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

(2017: 2%)

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2018	2017
	\$	\$
<i>Current</i>		
Trade receivables	533,925	13,417
Receivables from a related party (Note 15)	-	13,734
Other Receivables ⁽¹⁾	247,865	64,984
Prepayments & Deposits	306,624	439,808
Total Current Trade and Other Receivables	1,088,114	531,943

⁽¹⁾ Other receivables are non-trade receivables, are non-interest bearing and have an average term of 3 months and generally receivable from the ATO for GST.

NOTE 9: PROPERTY, PLANT & EQUIPMENT

	2018	2017
	\$	\$
<i>Computer equipment</i>		
Opening balance	106,530	133,178
Additions	17,531	35,207
Disposals	-	-
Depreciation	(54,534)	(61,855)
Total office equipment	69,527	106,530

	2018	2017
	\$	\$
<i>Furniture & Fittings</i>		
Opening balance	7,689	7,155
Additions	10,234	2,707
Disposals	-	-
Depreciation	(2,698)	(2,173)
Total office equipment	15,225	7,689

	2018	2017
	\$	\$
<i>Office Equipment</i>		
Opening balance	200,161	27,410
Additions	125,482	208,942
Disposals	-	-
Depreciation	(88,417)	(36,191)
Total office equipment	237,226	200,161
Net Book Value for Property, Plant and Equipment	321,978	314,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 10: OTHER FINANCIAL ASSETS

	Consolidated	
	2018	2017
	\$	\$
Available-for-sale financial assets carried at fair value ⁽¹⁾		
- Listed shares	1,497,580	430,900
Total Other Financial Assets	1,497,580	430,900
Opening balance	430,900	1,134,753
Revaluation of Weebit Nano Limited		-
Change in fair value through Other Comprehensive Income	1,066,680	(45,603)
Change in fair value through profit or loss ⁽²⁾	-	(658,250)
Closing balance of available-for-sale financial asset	1,497,580	430,900

⁽¹⁾ Available-for-sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

⁽²⁾ Due to a significant drop in the value of the Company's investment in Weebit Nano Limited, the movement in the fair value was impaired in accordance with AASB 139 Financial Instruments: Recognition and Measurement in the previous reporting period.

NOTE 11: TRADE AND OTHER PAYABLES

	Consolidated	
	2018	2017
	\$	\$
Trade payables ⁽¹⁾	1,465,112	425,837
Sundry payables and accrued expenses ⁽²⁾	202,885	366,550
Total Trade and Other Payables	1,667,997	792,387

⁽¹⁾ Trade payables are non-interest bearing and are normally settled on 30-day terms

⁽²⁾ Other payables are non-trade payables, are non-interest bearing and have an average term of 1 month.

NOTE 12: SHARE CAPITAL & RESERVES

CONSOLIDATED AND PARENT ENTITY 2018

(a) Issued and Paid Up Capital

Fully paid ordinary shares

	#	\$
Ordinary Shares		
	1,091,410,055	58,947,674

(b) Movements in fully paid shares on issue

	872,739,954	32,090,674
Opening balance	115,000,000	23,000,000
Capital raising	-	(1,518,000)
Other Capital Raising Cost	52,500,000	5,375,000
Options exercised (Note 16)	2,427,933	-
Replacement Performance Rights Converted (Note 16)	16,908,835	-
Employee Incentive Performance Rights Converted (Note 16)	31,833,333	-
Performance Shares Converted (Note 16)		
Balance as at 30 June 2018	1,091,410,055	58,947,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 12: SHARE CAPITAL & RESERVES (CONTINUED)

Opening balance 1 July 2016	759,532,819	27,994,674
Capital raising	45,000,000	4,500,000
Other Capital Raising Cost	-	(404,000)
Options exercised (Note 16)	1,068	-
Replacement Performance Rights Converted (Note 16)	24,528,888	-
Employee Incentive Performance Rights Converted (Note 16)	11,843,845	-
Performance Shares Converted (Note 16)	31,833,334	-
Balance as at 30 June 2017	872,739,954	32,090,674

(c) Movements in share based payments reserve:

	2018	2017
	\$	\$
Opening Balance at the start of the period:	23,484,528	16,036,314
*Expense recognised in relation to Performance Shares.	(581,809)	4,260,695
*Expense recognised in respect of Replacement Options –issued under the prospectus	12,180	70,652
*Expense recognised in respect of Performance Rights -issued under prospectus	100,819	753,082
*Expense recognised in respect of Employee Incentive Performance Rights (EIPR)	3,929,664	2,363,785
Balance at the end of the reporting period:	26,945,382	23,484,528

*The expense recognised over the vesting period is in accordance with the terms and conditions of the options. The total expense for the year ended 30 June 2018 \$3,460,854 (2017: \$7,448,214). Refer to note 16 Share Based Payments for further disclosure. \$581,809 of the share based payments expense previously recognised was reversed in this reporting period as the vesting conditions for Tranche 3 performance shares are not expected to be met.

Nature and Purpose of Reserves

1) Share Based Payments Reserve

The options reserve is used to recognise the fair value of all options on issue but not yet exercised. This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Includes share-based payments used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 16 for further details of these plans

2) 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.

BUDDY PLATFORM LIMITED
ACN: 121 184 316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 13: OPERATING CASH FLOW INFORMATION

	Consolidated	
	2018	2017
	\$	\$
Reconciliation of cash flow from operations with profit/(loss) after income tax:		
Loss for the year	(13,877,497)	(16,946,495)
Add - Noncash items:		
Share based payments	3,460,854	7,448,214
Impairment of financial asset	-	658,250
Depreciation	145,649	102,039
Gain on sale of assets	-	(960)
<i>Changes in assets and liabilities</i>		
Movement in inventory	(555,587)	(106,643)
Movement in trade creditors and employee provisions	921,632	618,277
Movement in other debtors and receivables	(421,170)	(341,839)
Cash flows used in operations	(10,326,119)	(8,569,157)

NOTE 14: INTERESTS IN CONTROLLED ENTITIES

The Company has the following subsidiaries:

Name of Subsidiary	Country of Incorporation	Class of Shares	Percentage held	
			2018	2017
Buddy Platform Inc	USA	Ordinary	100%	100%
Citadel Potash Pty Ltd	Australia	Ordinary	100%	100%
Citadel Capital Holdings Inc	USA	Ordinary	100%	100%
K2O Utah LLC	USA	Membership interests	100%	100%
Buddy Europe	Europe	Ordinary	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 15: RELATED PARTY TRANSACTIONS

a) *Parent and Ultimate Controlling Party*

The parent entity and ultimate controlling party is Buddy Platform Limited.

b) *Related Party Compensation*

Compensation of key management personnel of the Group

	2018	2017
	\$	\$
Short-term employee benefits	593,284	537,233
Post-employment benefits	-	-
Share-based payments	(333,818)	4,247,900
Total compensation paid to key management personnel	259,466	4,785,133

The amounts disclosed in the table are the amounts recognised as an expense during the period related to key management personnel.

c) *Shares and Options held by Directors and Key Management Personnel*

Information on remuneration and shares and options held by Directors and Key Management Personnel is contained in the Remuneration Report within the Directors' Report.

d) *Loans To and From Related Parties*

Key management personnel of the Group:

	Consolidated	
	2018	2017
	\$	\$
Key management personnel loans *	67,650	13,734
	67,650	13,734

* The amount is classified as other receivable and the loan is expected to be repaid by 31 December 2018

Terms and Conditions of Loans

The ultimate parent

The ultimate parent of the Group is Buddy Platform Limited and is based and listed on ASX in Australia. There were no transactions other than inter-company fund transfers to its wholly owned subsidiary Buddy Platform Inc. based in USA,

Loans between entities in the wholly owned Group are not interest bearing, unsecured and are payable upon reasonable notice having regard to the financial stability of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 15: RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with key management personnel

Information on remuneration and shares and options, performance shares, performance rights held by Directors and Key Management Personnel is contained in the Remuneration Report within the Directors' Report.

e) Other Related Party Transactions

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Armada Capital Limited, a company of which Mr Ananda Kathiravelu is Managing Director, was paid brokerage fees in relation to the capital raisings of Buddy Platform on normal commercial terms and also provided investor relations and marketing support to the Company on normal commercial terms during the year.

A summary of the total fees paid and payable to Armada Capital Limited for the year ended 30 June 2018 were as follows:

	Consolidated	
	2018	2017
	\$	\$
Brokerage on capital raising	-	205,000
Investor relations and marketing support	48,000	48,000
Total	48,000	253,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 16: SHARE BASED PAYMENTS

The Company completed the following share-based payment arrangements for the year ended 30 June 2018:

(a) Performance Shares

	2018	2017
Outstanding at the beginning of the year	63,666,667	95,500,000
Granted	-	-
Converted to ordinary shares	(31,833,333)	(31,833,333)
Expired	-	-
Forfeited	(2,000,000)	-
Outstanding at year-end	29,833,334	63,666,667
Total Vested	-	31,833,333

The Performance Shares were issued on 17 December 2015 when the Company completed its 100% acquisition of the issued capital of Buddy Platform Inc. and was completed in accordance with a Prospectus dated 3 November 2015. Shareholder approval on 9 November 2015. The performance shares were valued using the following assumptions:

Performance Shares were deemed to be valued at \$0.14 based on the following inputs:

Underlying share price	\$0.139 per share
Share exercise price	Nil
Effective date	17 December 2015
Share expiry date	17 December 2020

The issue was made to key management and employees who have an impact on the group's performance, and will vest over a period of 5 years subject to meeting performance milestones as listed below.

(Milestones): The Performance Shares will convert upon satisfaction of any one of the following milestones:

(i) One third (1/3) of all Performance Shares held by the Holder as at the date of issue of the Performance Shares shall convert upon Buddy (or its subsidiaries) logging 20,000,000 total discrete connections to any Buddy server or service (Interactions) by any approved network connected hardware or software application (Device) per day for no less than 3 consecutive weeks within a period of 24 months from the date of completion of the Capital Raising;

(ii) One third (1/3) of all Performance Shares held by the Holder as at the Issue Date shall convert upon the total number of devices creating an Interaction with a Buddy application that it has not previously

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)

interacted with (New Connection) exceeding 500,000 per week for no less than three (3) consecutive weeks within a period of 24 months from the date of completion of the Capital Raising;

(iii) One third (1/3) of all Performance Shares held by the Holder as at the Issue Date shall convert upon Buddy (or its subsidiaries) satisfying the following milestones within a period of 36 months from the date of completion of the Capital Raising:

- total daily device interactions with the Buddy Platform exceed 50,000,000 per day for no less than 3 consecutive weeks; and
- total number of devices creating new connections to Buddy exceeding 1,000,000 per week for no less than 3 consecutive weeks.

On July 17 2016, the first milestone was achieved of 20 million discrete connections per day for 3 consecutive weeks. Accordingly the full cost of the share based payment of the first milestone was recognised in 30 June 2016.

During the year ended 30 June 2017, the company successfully completed the Second Performance Milestone of more than 500,000 New Connections per week for no less than three (3) consecutive weeks. These shares were converted in October 2017.

The requirements of Milestone 3 have are not expected to be met. Therefore the final tranche of shares are not expected to be converted. No expense has been recognised and the cumulative expense from prior years has been reversed in the year ending 30 June 2018.

(b) Share Options

	2018	Weighted Average Price \$	2017	Weighted Average Price \$
Outstanding at the beginning of the year	55,306,647	0.10	55,307,715	0.10
Granted	-	-	-	-
Exercised	(52,500,000)	0.10	(1,068)	0.10
Expired	-	-	-	-
*Outstanding at year-end	2,806,647	0.10	55,306,647	0.10
Total Vested	2,600,245	0.10	54,050,217	0.10

*Included in the above share options is 2,806,647 of replacement options granted on 17 December 2015. The replacement options shall vest and become exercisable on a quarterly basis in equal tranches over 4 years from the employee's commencement date.

The weighted average contractual life of the outstanding options is 2.4 years. (2017: 0.5 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)

(c) Employee Incentive Performance Rights

The objective of the Employee Incentive Performance Rights Plan (EIPR) is to attract, motivate and retain key employees and it is considered by the Company that future issues under the plan will provide selected Directors, and permitted employees and contractors of the Company with the opportunity to participate in the future growth of the Company. Employee rights granted under the plan will be issued for nil consideration. The summary of the movements in employee incentive rights is as per the table below.

	2018	2017
Outstanding at the beginning of the year	34,062,917	32,095,620
Granted	44,496,000	17,978,125
Converted to ordinary shares	(16,908,835)	(11,843,845)
Forfeited	(5,807,366)	(4,166,983)
Outstanding at year-end	55,842,716	34,062,917
Vested and Exercisable*	-	751,767

The Employee Incentive Performance Rights have a nil exercises price.

The following Employee Incentive Performance Rights were granted during the year:

- The employee incentive performance rights issued on 15 August 2017 were valued based on the following assumptions:

Total Number Granted	11,400,000
Underlying share price	\$0.23 per share
Share exercise price	Nil
Grant date	15 August 2017

- The employee incentive performance rights issued on 29 September 2017 were valued based on the following assumptions:

Total Number Granted	9,106,000
Underlying share price	\$0.25 per share
Share exercise price	Nil
Grant date	29 September 2017

- The employee incentive performance rights issued on 7 December 2017 were valued based on the following assumptions:

Total Number Granted	4,700,000
Underlying share price	\$0.34 per share
Share exercise price	Nil
Grant date	7 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

- The employee incentive performance rights issued on 27 March 2018 were valued based on the following assumptions:

Total Number Granted	7,190,000
Underlying share price	\$0.165 per share
Share exercise price	Nil
Grant date	27 March 2018

- The employee incentive performance rights issued on 30 June 2018 were valued based on the following assumptions:

Total Number Granted	12,100,000
Underlying share price	\$0.125 per share
Share exercise price	Nil
Grant date	30 June 2018

*The Vesting conditions of the EIPR's are 25% vests on the first anniversary from the employee's commencement date with the remainder vesting on a quarterly basis in equal tranches over 4 years from the employee's commencement date. Employee Rights will lapse on termination of employment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)

Replacement Performance Rights

	2018	2017
Outstanding at the beginning of the year	8,274,603	32,803,491
Granted	-	-
Converted to ordinary shares	(2,427,933)	(24,528,888)
Forfeited	-	-
Outstanding at year-end	5,846,670	8,274,603
Vested and Exercisable*	-	-

*The replacement rights were issued on 17 December 2015 and shall vest and become exercisable on a quarterly basis in equal tranches over 4 years from the employee's commencement date.

*Replacement rights have a nil exercise price. At 30 June 2018 the weighted average contractual life of the EIPR's was 2.47 years (2017: 3.45 years)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 17: EMPLOYEE BENEFIT LIABILITY

Annual leave

	Consolidated	
	2018	2017
	\$	\$
Current		
Annual leave	119,329	73,307
	119,329	73,307

NOTE 18: AUDITORS' REMUNERATION

Audit Services

Amounts payable to auditor of parent entity

73,610	57,950
73,610	57,950

NOTE 19: FINANCIAL RISK MANAGEMENT

The summary of the Group's financial instruments are disclosed in the table below:

2018	Non-Interest Bearing \$	Floating Interest Rate \$	Total \$
<i>Financial assets:</i>			
Investments	1,497,580	-	1,497,580
Cash and cash equivalents	-	22,377,919	22,377,919
Trade and other receivables	781,790	-	781,790
	<u>2,279,370</u>	<u>22,377,919</u>	<u>24,657,289</u>
<i>Financial liabilities:</i>			
Trade and other payables	(1,667,997)	-	(1,667,997)
	<u>(1,667,997)</u>	<u>-</u>	<u>(1,667,997)</u>
Net financial instruments	<u>611,373</u>	<u>22,377,919</u>	<u>22,989,292</u>

2017	Non-Interest Bearing \$	Floating Interest Rate \$	Total \$
<i>Financial assets:</i>			
Investments	430,900	-	430,900
Cash and cash equivalents	-	6,121,603	6,121,603
Trade and other receivables	92,135	-	92,135
	<u>523,035</u>	<u>6,121,603</u>	<u>6,644,638</u>
<i>Financial liabilities:</i>			
Trade and other payables	(792,387)	-	(792,387)
	<u>(792,387)</u>	<u>-</u>	<u>(792,387)</u>
Net financial instruments	<u>(269,352)</u>	<u>6,121,603</u>	<u>5,852,251</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as other receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Group's interest bearing financial instruments is cashflow interest rate risk. The Board review and agrees policies for managing each of these risks. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as mitigating foreign exchange and interest rate and credit risks.

a) Market Risk

Foreign Currency Risk

As a result of significant operations in the United States, the Group's statement of financial position can be affected significantly by movements in the USD\$/AUD\$ exchange rates. The parent Company Buddy Platform Limited lends money to its US subsidiary Buddy Platform Inc. The Company will be exposed to any material changes in the value of the AUD compared to the USD. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

Price Risk

The Company is exposed to price risk through its listed investment in Weebit Nano Limited. The carrying value at 30 June 2018 of the financial instrument \$1,497,580 (2017: \$430,900). A 5% movement in the price would have \$74,879 impact on the Company's equity and other comprehensive income.

Interest Rate Risk

The Group is exposed to the risks of changes in market interest rates primarily on the Company's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Company to cashflow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

b) Credit Risk

The Group has no significant concentrations of credit risk other than its cash balances with various banks.

c) Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained for the coming months. Upcoming capital needs and the timing of raisings are assessed by the Board at each Meeting of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

The maturity of the Group's payables is disclosed in Note 11 are due within 11 months from the reporting date.

d) Cash Flow and Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result in changes in market interest rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities is disclosed in Note 7. Cash is the only financial asset effected by any movements in the interest rate.

In accordance with AASB 7 the following sensitivity analysis has been performed for the Company's Interest Rate risk:

Consolidated Risk Variable	Sensitivity*	Effect On:		Effect On:	
		Loss 2018 \$	Loss 2017 \$	Equity 2018 \$	Equity 2017 \$
Interest Rate	+ 1.00%	223,779	63,216	223,779	63,216
	- 1.00%	(223,779)	(63,216)	(223,779)	(63,216)

* It is considered that 100 basis points is a 'reasonably possible' estimate of the sensitivity in the interest rate.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances are impacted resulting in a decrease or increase in overall income.

(e) Fair values of financial assets

The fair values of all financial assets and liabilities of the Group approximate their carrying values.

The methods and valuation techniques used for the purpose of measuring fair value of the company's financial assets are unchanged compared to the previous reporting period.

The levels of the hierarchy are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This applies to the financial assets described in below.

	2018 \$	2017 \$
Investment in Weebit Nano Limited	1,497,580	430,900

The Group's investment in Weebit Nano Limited has been classified as a Level 1 financial asset as the investment has been valued based on a quoted price in an active market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's capital includes ordinary share capital supported by financial assets.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor the Group are subject to externally imposed capital requirements.

NOTE 20: SEGMENT REPORTING

The chief operating decision makers being the executive management team & the board receive operating results for the Group as a whole, therefore the Group is deemed to be one operating segment.

NOTE 21: PARENT ENTITY DISCLOSURES

As at and throughout the financial year ending 30 June 2018 the legal parent company of the Group was Buddy Platform Limited.

	2018	2017
	\$	\$
Results of the Parent Entity		
Loss for the year	(21,556,164)	(18,120,492)
Other comprehensive income	-	(45,603)
Total Comprehensive Loss for the year	<u>(21,556,164)</u>	<u>(18,166,095)</u>
Financial Position of the Parent Entity at Year End		
Current Assets	22,553,488	6,339,774
Non-Current Assets	<u>1,644,660</u>	<u>819,293</u>
Total Assets	<u>24,198,148</u>	<u>7,159,067</u>
Current Liabilities	<u>853,140</u>	<u>519,292</u>
Total Liabilities	<u>853,140</u>	<u>519,292</u>
Total Equity of the Parent Entity comprising of:		
Share Capital	58,947,674	32,090,674
Reserves	27,907,462	23,195,197
Retained Losses	<u>(63,510,128)</u>	<u>(48,646,096)</u>
Total Equity	<u>23,345,008</u>	<u>6,639,775</u>

Parent Entity Contingencies

The Directors are not aware of any contingent liabilities that may arise from the Company's operations as at 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 22: SUBSEQUENT EVENTS:

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly operations of the company, the results of those operations or the state of affairs of the company in future financial years.

NOTE 23: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 30 June 2018.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Buddy Platform Limited, I state that:

a) the financial statements and notes of Buddy Platform Limited for the financial year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;

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

c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards as disclosed in Note 2.

This declaration is made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2018.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board



David McLauchlan
CEO & Executive Director

28 September 2018

Independent Audit Report to the Members of Buddy Platform Limited

Report on the financial report

Opinion

We have audited the financial report of Buddy Platform Limited ("the Company"), including its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the entity in accordance with 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* (the Code) that are relevant to our audit of the 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Funding and Liquidity</p> <p>The Group incurred a loss after tax for the year ended 30 June 2018 of \$13,877,497 (2017: \$16,946,495), and experienced net cash outflows from operating activities for the year of \$10,326,119 (2017: \$8,569,157) and reported a working capital surplus of \$22,341,237. We focussed on whether the Group had sufficient cash resources to fund its operations for a period of 12 months from the date of this report.</p> <p>The adequacy of funding and liquidity as well as the relevant impact on the going concern assessment is a key audit matter as the Group's reported expenditures exceeded the revenue reported for the year ended 30 June 2018.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining the cash flow forecast prepared by management, checking the mathematical accuracy of the forecast and agreeing the opening cash balance to external confirmations; • We evaluated the reliability and accuracy of the data and assumptions used to prepare management's forecasts by comparing the forecast to historical results as well as to our understanding of the Group's operating conditions and future plans; • We examined minutes of board meetings and ASX announcements subsequent to year end to ascertain whether any additional facts or information had become available since the date on which management made its assessment; and • We performed a sensitivity analysis on forecast revenue & estimated operating costs.

Other information

The directors are responsible for the other information. The other information comprises the information in Buddy Platform Limited annual report for the year ended 30 June 2018, but does not include the consolidated financial report and the auditor's report thereon.

Our opinion on the consolidated financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the consolidated 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that include our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 13 to 21 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Buddy Platform Limited for the year ended 30 June 2018, complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

Perth
28 September 2018

BUDDY PLATFORM LIMITED
ACN: 121 184 316

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

SHAREHOLDINGS

The issued capital of the Company at 18 September 2018 is ordinary fully paid shares. All ordinary shares carry one vote per share.

QUOTED SECURITIES

ORDINARY FULLY PAID SHARES AS AT 18 SEPTEMBER 2018

TOP 20 SHAREHOLDERS

		No. of Shares Held	% Held
1	MR DAVID PETER MCLAUCHLAN	129,976,820	11.88
2	MR JEFFREY MACDUFF	77,095,658	7.05
3	DM CAPITAL MANAGEMENT PTY LTD	35,270,000	3.22
4	CITICORP NOMINEES PTY LIMITED	34,700,310	3.17
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	24,615,782	2.25
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,515,117	1.51
7	BRISQOT NOMINEES PTY LTD	15,553,760	1.42
8	UBS NOMINEES PTY LTD	15,537,007	1.42
9	LSAF HOLDINGS PTY LTD	15,161,954	1.39
10	EDGEWOOD PARTNERS LLC	12,892,784	1.18
11	MR BRADLEY SERBUS	12,033,312	1.10
12	MR JEFFREY MATTOX & MS HELEN MATTOX	11,332,560	1.04
13	ACEQUIA CAPITAL LLC	11,235,689	1.03
14	MR JAMES MATTOX	11,196,293	1.02
15	EQUITY CAPITAL AUST PTY LTD	9,919,683	0.91
16	DM CAPITAL MANAGEMENT PTY LTD	9,680,724	0.89
17	A2 PARTNERS PTE	9,555,052	0.87
18	MR JOHN FARMER	9,525,052	0.87
19	MR SHAWN BURKE	8,366,458	0.77
20	MR CHARLES E KINDEL	8,359,804	0.76
		478,523,819	43.75

DISTRIBUTION OF SHAREHOLDINGS

	No. of Holders	No. of Shares
1 – 1,000	358	177,509
1,001 – 5,000	1,178	3,782,440
5,001 – 10,000	833	6,841,930
10,001 – 100,000	2,533	100,337,639
100,001 and over	957	982,504,691
	5,859	1,093,644,209

1,208 shareholders holding less than a marketable parcel

Shareholders by Location

	No. of Holders	No. of Shares
Australian holders	5,630	802,179,781
Overseas holders	229	291,464,428
	5,859	1,093,644,209

ASX ADDITIONAL INFORMATION (CONTINUED)

ESCROW SHARES

There are no shares as at the date of this report held in escrow in accordance with ASX requirements of Reinstatement on the ASX on 30 December 2015.

VOTING RIGHTS

In accordance with the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and on a poll every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for every share held. No class of option holder has a right to vote, however the shares issued upon exercise of options will rank pari passu with the then existing issued fully paid ordinary shares.

SUBSTANTIAL SHAREHOLDERS AS AT 18 SEPTEMBER 2018

		No. of Shares Held	% Held
1	David McLauchlan	129,976,820	11.88
2	Jeffrey MacDuff	77,095,658	7.05

UNQUOTED SECURITIES

OPTIONS

The Company has the following classes of options on issue at 18 September 2018 as detailed below. Options do not carry any rights to vote.

Class		Terms	No. of Options
1. Unquoted	(Replacement Options)	Exercisable at 10c expiring 17-Dec 2020	2,806,647
	Name	Options	%
	Shawn Burke	1,461,801	52.06
	Christian Csar	739,143	26.33

PERFORMANCE RIGHTS

As at 18 September 2018 the Company had 6,733,011 Performance Rights which do not carry any voting rights.

Name	Options	%
Shawn Burke	4,842,606	72

BUDDY PLATFORM LIMITED
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PERFORMANCE SHARES

As at 18 September 2018 the Company had 31,833,333 Performance Shares which do not carry any voting rights.

Name	Options	%
David McLauchlan	22,166,667	69.6

EMPLOYEE INCENTIVE PERFORMANCE RIGHTS

As at 18 September 2018 the Company had 55,842,716 Employee Incentive Performance Rights which do not carry any voting rights.

Name	Options	%
Richard Jacroux	5,000,000	8.9%
Travis Gerber	7,500,000	13.4%
Charles Eliot	6,000,000	10.7
Robin Giese	7,500,000	13.4%

Buddy has used the cash and assets in a form readily converted to cash that it had at the time of admission in a way consistent with its objectives. ASXLR4.10.19