

# Buddy

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**BUDDY PLATFORM LIMITED**  
**ACN 121 184 316**

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## **NOTICE OF GENERAL MEETING**

**For a general meeting of the Company to be held at Level 2, 333 King William Street, Adelaide, South Australia on 25 March 2019 at 11.00am (ACDT)**

*The Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61-499-900-044.***

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## **NOTICE OF GENERAL MEETING**

Notice is hereby given that a general meeting of shareholders of Buddy Platform Limited (**Company**) will be held at Level 2, 333 King William Street, Adelaide, South Australia on 25 March 2019 at 11.00am (ACDT) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 23 March 2019 at 11.00am (ACDT).

Terms and abbreviations used in this Notice (including the Explanatory Memorandum) will, unless the context requires otherwise, have the meaning given to them in Schedule 1.

## **AGENDA**

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### **1. Resolution 1 - Issue of the Minority Vendor Shares**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of such number of Shares to the Minority Vendors (and/or their nominees) as is calculated in accordance with the formula detailed in the Explanatory Memorandum, and otherwise on the terms and conditions in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Minority Vendors or any person who will obtain a material benefit as a result of the proposed issue, except a benefit solely in the capacity as a Shareholder, or an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 2. Resolution 2 - Issue of the Eastfield Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of such number of Shares to Eastfield Lighting (Hong Kong) Co. Limited (and/or its nominee) as is calculated in accordance with the formula detailed in the Explanatory Memorandum, and otherwise on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Eastfield Lighting (Hong Kong) Co. Limited or any person who will obtain a material benefit as a result of the proposed issue, except a benefit solely in the capacity as a Shareholder, or an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 3. Resolution 3 - Issue of the Placement Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 226,250,000 Shares to sophisticated and professional investors (and/or their nominees) on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the sophisticated and professional investors or any person who will obtain a material benefit as a result of the proposed issue, except a benefit solely in the capacity as a Shareholder, or an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### **4. Resolution 4 - Director Participation in Placement - Mr David McLauchlan**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the Acquisition Resolutions being passed, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 1,875,000 Shares to Mr David McLauchlan (and/or his nominee), as part of the Placement on the terms and conditions in the Explanatory Memorandum."*

##### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr David McLauchlan or any of his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### **5. Resolution 5 - Director Participation in Placement - Mr Richard Borenstein**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the Acquisition Resolutions being passed, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 1,875,000 Shares to Mr Richard Borenstein (and/or his nominee), as part of the Placement on the terms and conditions in the Explanatory Memorandum."*

##### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Richard Borenstein or any of his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

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## 6. Resolution 6 – Creation of a New Class of Securities – Performance Shares

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That, subject to each of the Acquisition Resolutions being passed and Completion occurring, pursuant to and in accordance with sections 246B(1) and 246C(5) of the Corporations Act, article 2.4 of the Constitution and for all other purposes, the Company be authorised to create a new class of securities on the terms and conditions in Schedule 6 and in the Explanatory Memorandum."*

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## 7. Resolution 7 - Issue of Securities to Marc Alexander

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the Acquisition Resolutions being passed and Completion occurring, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of:*

- (a) 2,222,222 Shares;
- (b) 12,000,000 New Performance Rights; and
- (c) 12,000,000 New Performance Shares;

*to Mr Marc Alexander (and/or his nominee) on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Marc Alexander or any person who will obtain a material benefit as a result of the proposed issue, except a benefit solely in the capacity as a Shareholder, or an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (a) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 8. Resolution 8 – Issue of Securities to Tim Peters

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the Acquisition Resolutions being passed and Completion occurring, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of:*

- (a) 2,222,222 Shares;
- (b) 12,000,000 New Performance Rights; and
- (c) 12,000,000 New Performance Shares,

*to Mr Tim Peters (and/or his nominee) on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Tim Peters or any person who will obtain a material benefit as a result of the proposed issue, except a benefit solely in the capacity as a Shareholder, or an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- (d) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (e) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **9. Resolution 9 - Election of Director – Marc Alexander**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to each of the Acquisition Resolutions being passed and Completion occurring, pursuant to and in accordance article 14.3 of the Constitution and for all other purposes, Mr Marc Alexander is elected as a Director on the terms and conditions in the Explanatory Statement."*

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## **10. Resolution 10 – Change of Company Name**

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That pursuant to and in accordance with section 157(1)(a) of the Corporations Act and for all other purposes, Shareholders approve the change of the Company's name to "Buddy Technologies Ltd" with effect from the date that ASIC alters the details of the Company's registration."*

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## **11. Resolution 11 - Adoption of Employee Incentive Plan**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, pursuant to and in accordance with Listing Rule 7.2, exception 9 and for all other purposes, Shareholders approve the Plan and the grant of Shares, Performance Rights and Options and the issue of the underlying Shares of such Performance Rights and Options on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in the Plan) or any of their associates.

The Company need not disregard a vote if:


- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairman and the appointment does not specify how the Chairman is to vote but expressly authorises the Chairman to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

### **BY ORDER OF THE BOARD**



**Mr Stuart Usher**  
**Company Secretary**  
**Dated: 22 February 2019**

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# BUDDY PLATFORM LIMITED

ACN 121 184 316

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting.

This Explanatory Memorandum should be read in conjunction with and forms part of the Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders.
Section 3:	Inter-Conditional Resolutions.
Section 4:	Acquisition of LIFX.
Section 5:	Resolution 1 – Issue of the Minority Vendor Shares.
Section 6:	Resolution 2 – Issue of the Eastfield Shares.
Section 7:	Resolution 3 – Issue of the Placement Shares.
Section 8:	Resolutions 4 and 5 - Director Participation in Placement
Section 9:	Resolution 6 – Creation of a New Class of Securities – Performance Shares
Section 10:	Resolution 7 - Issue of Securities to Marc Alexander
Section 11:	Resolution 8 – Issue of Securities to Tim Peters
Section 12:	Resolution 9 - Election of Director - Marc Alexander
Section 13:	Resolution 10 – Change of Company Name
Section 14:	Resolution 11 – Adoption of Employee Incentive Plan
Schedule 1	Definitions and Interpretation.
Schedule 2	Information on LIFX.
Schedule 3	LIFX Financial Statements.
Schedule 4	Terms and Conditions of the Plan.
Schedule 5	Terms and Conditions of the New Performance Rights.
Schedule 6	Terms and Conditions of the New Performance Shares.
Schedule 7	Notice of Consent to Nomination as Director

A Proxy Form is located at the end of this Explanatory Memorandum.



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## **2. Action to be taken by Shareholders**

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

### **2.1 Proxies**

A Proxy Form is enclosed with the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions detailed in the Proxy Form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a proxy need not be a Shareholder;
- (b) a Shareholder may appoint a body corporate or an individual as its proxy;
- (c) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body corporate may exercise as the Shareholder's proxy; and
- (d) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 11.00am (ACDT) on 23 March 2019, being at least 48 hours before the Meeting.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

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## **3. Inter-Conditional Resolutions**

The Acquisition Resolutions (being Resolutions 1 to 3 (inclusive)) are inter-conditional, meaning that each of them will only take effect if the requisite majority of Shareholders' votes at the Meeting approve all of them. If any of the Acquisition Resolutions are not approved at the Meeting, none of the Acquisition Resolutions will take effect and the Acquisition and other matters contemplated by the Acquisition Resolutions will not be completed.

Resolutions 4 to 9 (inclusive) are conditional on the requisite majority of Shareholders approving the Acquisition Resolutions. If the Acquisition Resolutions are not approved at the Meeting, none of Resolutions 4 to 9 (inclusive) will take effect and the matters contemplated by each of Resolutions 4 to 9 (inclusive) will not be completed. Refer to Section 4.9 for further details.

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## **4. Acquisition of LIFX**

### **4.1 Background**

The Company is an Australian public company which has been listed on the Official List (current ASX code: BUD) since 18 December 2006.

As announced on 13 September 2018, the Company and Lifi Labs, Inc (**LIFX**) entered into a commercial arrangement whereby LIFX's smart lighting products will be added to the Company's 'Works with Ohm' program and LIFX's connected lighting products will integrate as sensors for Buddy Ohm installations in their existing environments.

On 5 February 2019, the Company entered into a merger agreement with, amongst others, LIFX and a newly incorporated wholly owned subsidiary of the Company, Buddy Apollo, Inc. (**Buddy Apollo**), (**Merger Agreement**) in respect to the acquisition of the entire issued share capital of LIFX (**Acquisition**).

The Acquisition will be effected by way of a merger under Delaware law, whereby Buddy Apollo will merge with LIFX, following which LIFX will be the surviving corporation and shall be a wholly owned subsidiary of the Company.

The total consideration for the Acquisition is as follows:

- (a) US\$26.5 million to be paid in cash to Luminous Wide Limited, LIFX's 51% shareholder (**Majority Vendor**);
- (b) up to US\$24.5 million worth of Shares to be issued to the remaining 49% minority LIFX shareholders (**Minority Vendors**) (in their respective shareholding proportions) with such number of Shares to be based on the 5-trading day VWAP of Shares on the ASX prior to the date of the Meeting (save that certain Minority Vendors will be paid a cash equivalent in lieu of Shares to be issued - refer to Section 4.3(a) for further details); and
- (c) subject to the LIFX Group (as defined below) achieving US\$70 million Gross Revenues during the period from 1 January 2019 until 31 December 2019, an additional US\$1 million (**Earn-Out**) comprising US\$0.51 million to be paid in cash to the Majority Vendor and up to US\$0.49 million worth of Shares to be issued to the Minority Vendors (save that certain Minority Vendors will be paid a cash equivalent in lieu of Shares to be issued - refer to Section 4.3(a) for further details),

(together the **LIFX Consideration**).

Under the Merger Agreement, the Acquisition is conditional on, amongst other things, the Company obtaining the requisite Shareholder approvals (being Resolution 1) and the Company having raised sufficient funds to satisfy the Majority Vendor Consideration and Minority Vendor Cash Consideration (detailed below).

Refer to Section 4.3 for further details in respect to the terms and conditions of the Acquisition.

## 4.2 Overview of LIFX

LIFX, a Delaware incorporated entity founded in 2012, manufactures and sells Wi-Fi enabled LED lighting products in the United States and internationally. LIFX is headquartered in California with offices in the San Francisco Bay Area and in Melbourne, Australia.

LIFX has two wholly owned subsidiaries:

- (a) Lifi Labs Management Pty Ltd, a company incorporated in Australia; and
- (b) LIFX UK Ltd, a company incorporated in the UK,

(together, the **LIFX Group**).

LIFX's lighting products offer smart lighting that allows a customer to create unique experiences in their homes wirelessly. Each LIFX light can be controlled and automated utilising the LIFX app, voice assistants (such as Google Assistant, Amazon Alexa, Apple Siri and Microsoft Cortana) and other leading smart home technologies. LIFX ships to over 100 countries globally through major retail sales channels, direct, and partnered. Refer to Schedule 2 and LIFX's website <https://www.lifx.com/> for further details on the business of LIFX.

The "headline" consideration value of approximately US\$51 million is based on the valuation of the LIFX business at approximately 1.8 times the calendar year 2018 revenues. Noting that since 2015, LIFX's revenues have consistently increased between 70% and 100% each year. LIFX is targeting achieving profitability in CY2019, with unaudited revenues and EBITDA in Q2 of FY19 being A\$17 million and A\$284,000 respectively.

Refer to Section 4.10 and Schedule 3 for further details in respect to the unaudited statements of financial position, profit and loss and cash flows of the LIFX Group.

### 4.3 LIFX Acquisition Terms

The Merger Agreement provides for the following terms and conditions for the Acquisition:

#### (a) Consideration

The total consideration payable by the Company for the Acquisition is as follows:

- (i) US\$26.5 million payable to the Majority Vendor, as follows:
  - (A) a \$500,000 deposit upon the execution of the Merger Agreement (**Majority Vendor Deposit**); and
  - (B) US\$26 million in cash on Completion,
 (together, the **Majority Vendor Consideration**);
- (ii) an issue of such number of Shares equivalent to up to US\$24.5 million to the Minority Vendors (in their respective proportions) based on the 5-trading day volume weighted average price (**VWAP**) of Shares on the ASX prior to the date of the Meeting (**Minority Vendor Shares**); and
- (iii) subject to LIFX achieving US\$70 million Gross Revenues in the calendar year of 2019, the Earn-Out, will be payable as follows:
  - (A) US\$0.51 million in cash to the Majority Vendor; and
  - (B) an issue of such number of Shares equivalent to up to US\$0.49 million to the Minority Vendors (in their respective proportions) based on the greater of:
    - (1) the 5-trading day VWAP of Shares on the ASX following 31 December 2019; or
    - (2) US\$0.07,
 (the **Earn-Out Shares**).

Certain Minority Vendors resident in the United States who are determined to be Non-Accredited Persons will be paid a cash equivalent in lieu of Minority Vendor

Shares and Earn-Out Shares to be issued. As at the date of this Notice, the Company does not anticipate that the cash amount payable to Non-Accredited Persons will exceed approximately US\$40,000 (**Minority Vendor Cash Consideration**).

The LIFX Consideration will not be subject to any post-completion financial adjustment.

As at the date of this Notice, the Company has paid the Majority Vendor Deposit. Shareholders should note that the Majority Vendor Deposit is only refundable to the Company in circumstances where the Merger Agreement is terminated due to the action or inaction of the Majority Vendor or LIFX and such action or inaction either:

- (i) constitutes a breach of the Merger Agreement; or
- (ii) is the principal cause of certain conditions precedent under the Merger Agreement not being satisfied or becoming incapable of satisfaction.

(b) **Conditions Precedent**

Completion of the Acquisition is subject to and conditional upon the satisfaction (or waiver) of, amongst other things:

- (i) **Existing Manufacturing Agreement:** the Company, Eastfield and LIFX agreeing to revise the current manufacturing arrangements for a period of 3 years following Completion (refer to Section 4.5 for further details);
- (ii) **LoC:** the Company and Eastfield having entered into the Loan Agreement pursuant to which the LoC (as defined below) will be terminated and repaid (refer to Section 4.6 for further details);
- (iii) **Acquisition Financing:** the Company having raised sufficient funds to be able to satisfy the Majority Vendor Consideration and the Minority Vendor Cash Consideration (refer to Section 4.4 for further details);
- (iv) **LIFX Group Material Adverse Effect:** no material adverse change in respect to the LIFX Group occurring prior to Completion;
- (v) **Company Material Adverse Effect:** no material adverse change in respect to the Company occurring prior to Completion;
- (vi) **Buyer Shareholder Approvals:** the shareholders of the Company passing Resolution 1 contained in this Notice;
- (vii) **Escrow:** holders of at least 90% of the LIFX capital stock and the Majority Vendor entering into voluntary escrow arrangements (refer to Section 4.3(e) for further details);
- (viii) **LIFX Options:** LIFX having taken all action that may be necessary to effectuate the amendment to the terms of the outstanding LIFX Options to permit cashless exercise;
- (ix) **LIFX Warranties:** the warranties of LIFX being true and correct in all material respects at Completion; and

- (x) **Company Warranties:** the warranties of the Company being true and correct in all material respects at Completion,

(together, the **Remaining Conditions Precedents**).

In addition to the Remaining Conditions Precedents, the Merger Agreement provides for additional conditions precedent, some of which, as at the date of this Notice, have been satisfied.

(c) **Termination Rights**

The Merger Agreement contains customary termination rights including following a material adverse change, material breach of warranty or Completion having not occurred by 29 March 2019.

(d) **Warranty and Indemnity Insurance**

In connection with the Acquisition, the Company has agreed to arrange warranty and indemnity insurance pursuant to the terms of an insurance policy (**W&I Policy**). The W&I Policy has been issued to the Company by AIG Australia Limited (**W&I Insurer**) to insure against losses in respect to claims made by the Company for breach of warranties contained in the Merger Agreement or the indemnities provided by the Sellers in the Merger Agreement.

The W&I Policy provides that in the event of a breach of an insured LIFX warranty or indemnity, the Company may bring a claim directly against the W&I Policy up to an aggregate amount of US\$17.5 million. The W&I Insurer has a limited right to subrogate and the W&I Policy provides that there is only recourse by the W&I Insurer back to the Sellers and LIFX in the case of fraud on the part of the Sellers or LIFX.

The W&I Policy does not include a deductible, which means that, save in the case of fraud on the part of the Sellers or LIFX, the W&I Insurer will be liable for the full amount of any claim made by the Company.

The fees in respect of the W&I Policy will be deducted from the Majority Vendor Consideration.

(e) **Minority Vendors Escrow Arrangements**

Each Minority Vendor receiving Minority Vendor Shares will enter into an escrow agreement with the Company pursuant to which:

- (i) 10% of the Minority Vendor Shares to be allotted to that Minority Vendor will be escrowed until three months after Completion; and
- (ii) 90% of the Minority Vendor Shares to be issued to that Minority Vendor will be escrowed until 12 months after Completion.

(f) **Majority Vendor Escrow Arrangements**

Eastfield and the Company have entered into an escrow agreement pursuant to which the Eastfield Shares, which are being issued as part repayment of the Drawn Down Amount under the LoC (refer to Section 4.6 for further details), will be escrowed until three months after Completion.

The Merger Agreement also contains other standard clauses customary to an agreement of this nature, including representations, warranties, covenants and indemnities given by each party.

#### 4.4 Acquisition Financing

The Company intends to fund the Majority Vendor Consideration, Minority Vendor Cash Consideration and payment of the Accounts Receivable Amount (totalling approximately US\$31.84 million) via a combination of a placement and debt financing (**Acquisition Financing**). As at the date of this Notice, the Company has received firm commitments to raise A\$18.1 million (circa US\$13.03 million<sup>1</sup>) pursuant to a placement to sophisticated and professional investors of 226,250,000 Shares at an issue price of A\$0.08 (**Placement**) and intends to raise the balance of the funds required for the Majority Vendor Consideration, Minority Vendor Cash Consideration and the Accounts Receivable Amount via debt financing arrangement(s).

Shareholders should note that the Company's A\$15.1 million in cash (as of 31 December 2018) will not be utilised to fund the Majority Vendor Consideration, Minority Vendor Cash Consideration or payment of the Accounts Receivable Amount.

##### (a) Placement

Completion of the Placement is conditional upon the Acquisition Resolutions being approved by Shareholders at the Meeting and the Company procuring the remaining funds for the Majority Vendor Consideration and the Minority Vendor Cash Consideration via the Debt Financing (refer below). The Placement funds will be utilised to fund part of the Majority Vendor Consideration, Minority Vendor Cash Consideration and Accounts Receivable Amount.

Subject to Shareholders passing of the Acquisition Resolutions and Resolutions 4 and 5, Mr David McLauchlan (CEO) and Mr Richard Borenstein (Chairman) will each participate in the Placement. If Resolutions 4 and/or 5 are not approved by Shareholders, the Company will either place the amount allocated to Mr David McLauchlan and/or Mr Richard Borenstein to unrelated sophisticated and professional investors or, if required, increase the amount to be raised under the Debt Financing (refer below).

##### (b) Debt Financing

As at the date of this Notice, the Company is in discussions with several debt financiers to fund the balance of the Majority Vendor Consideration, Minority Vendor Cash Consideration and the Accounts Receivable Amount, following funds raised under the Placement (**Debt Financing**). The Company expects the Debt Financing will be on terms similar to the following indicative terms:

- (i) **(Facility Amount):** A\$40 million to be split into two tranches as follows:
  - (A) Tranche A: A\$20 million to be used to fund the balance of the Majority Vendor Consideration, the Minority Vendor Cash Consideration and for paying costs and expenses related to the Acquisition; and
  - (B) Tranche B: A\$20 million to be used to fund the Accounts Receivable Amount and for ongoing trade finance and

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<sup>1</sup> Based on an AUD / USD exchange rate of 0.72.

working capital purposes of the Company and its subsidiaries.

- (ii) **(Term)**: Three years from Completion.
- (iii) **(Repayment)**: To be repaid in full in a single bullet repayment at maturity.
- (iv) **(Options)**: The Company may grant up to approximately 120 million Options on terms to be negotiated between the financier(s) and the Company. The Options will be issued under the Company's existing Listing Rule 7.1 capacity.
- (v) **(Interest)**: Interest on the Debt Financing will be customary for facilities of this nature, expected to be around 10% per annum.
- (vi) **(Security)** The loans will be secured by security over the assets of the Company and all or some of its subsidiaries.

Establishment fees, commitment fees and other fees customary for facilities of this nature will be payable by the Company.

Shareholders should note that the above terms are indicative only and the actual terms of the Debt Financing remain subject to negotiations and the execution of formal binding documents. The Company will provide Shareholders with an update on the Debt Financing by way of ASX announcement(s).

## 4.5 Amending Deed - Manufacturing Agreement

The Majority Vendor Group currently manufactures 100% of the LIFX Products pursuant to a manufacturing agreement (**Existing Manufacturing Agreement**).

It is a condition precedent of the Merger Agreement that Eastfield and the Company enter into a deed of amendment in respect to the Existing Manufacturing Agreement (**Amending Deed**) such that after Completion, the Majority Vendor Group will continue to manufacture 100% of all lighting products for the Buddy Group (including the LIFX Products) until the Loan Agreement is repaid. Effective from Completion, pursuant to the Amending Deed, following repayment of the Loan Agreement, the Majority Vendor will continue to manufacture at least 80% of the LIFX Products and at least 50% of any New LIFX Products for the remainder of the 3 year period from Completion.

## 4.6 Loan Agreement

In connection with the Existing Manufacturing Agreement, Eastfield presently provides a rotating line of credit to LIFX (**LoC**) which, as at the date of this Notice, is drawn down to approximately US\$16 million (**Drawn Down Amount**).

It is a condition precedent of the Merger Agreement that Eastfield, the Company and LIFX enter into a loan agreement (**Loan Agreement**), pursuant to which the LoC will be terminated, and the Company and LIFX will, effective from Completion, in accordance with the Loan Agreement, repay the Drawn Down Amount (as it stands at Completion) as follows:

- (a) an issue of such number of Shares equivalent to US\$5 million to Eastfield based on the 5-trading day VWAP of Shares on the ASX prior to the Meeting (**Eastfield Shares**) at Completion; and
- (b) a lump sum cash instalment equal to 100% of the balance of LIFX's accounts receivable due from LIFX's retail partners at Completion (**Accounts Receivable Amount**); and
- (c) a lump sum cash instalment equal to the remaining balance on or before 31 December 2019 (**Final Instalment Amount**).

At Completion, LIFX and the Company anticipates that the Accounts Receivable Amount will be approximately US\$5.3 million and the Final Instalment Amount will be approximately US\$4 million.

The Company intends to raise the funds required to pay the Accounts Receivable Amount via the Debt Financing (refer to Section 4.4 for further details).

It is proposed that the Final Instalment Amount will be paid via LIFX's ongoing operating cash (refer to Schedule 3 for further details).

The Company will guarantee LIFX's obligations under the Loan Agreement.

## 4.7 Marc Alexander and Tim Peters Employment Arrangements

Following Completion, Mr Marc Alexander, LIFX's co-founder and Chief Technology Officer and Mr Tim Peters, LIFX's CEO, will continue to lead and operate the LIFX Group. Mr Alexander will also be appointed to the Board following Completion.

### (a) Terms of Employment

Mr Marc Alexander, the Chief Technology Officer of LIFX has entered into an employment agreement with the Company (**Employment Agreement**). It is proposed that, at Completion, Mr Tim Peters, the Chief Executive Officer of LIFX will enter into an offer letter with LIFX (**Offer Letter**). Both the Employment Agreement and the Offer Letter are conditional upon Completion.

Pursuant to the Employment Agreement and Offer Letter, each of Mr Marc Alexander and Mr Tim Peters will receive:

- (i) a sign-on bonus of 2,222,222 Shares;
- (ii) 12,000,000 New Performance Rights that will vest over a four year period as follows:
  - (A) one-quarter (being, 3,000,000 New Performance Rights) one year following Completion; and
  - (B) one-sixteenth (being, 750,000 New Performance Rights) each quarter thereafter;
- (iii) 4,000,000 New Performance Shares that will vest upon LIFX business contributing a cumulative A\$100 million to the Buddy Group in revenues within 18 months from Completion;
- (iv) 4,000,000 New Performance Shares that will vest upon LIFX business contributing a cumulative A\$200 million in revenues to the Buddy Group within 30 months from Completion; and



- (v) 4,000,000 New Performance Shares that will vest upon LIFX business contributing a cumulative A\$250 million in revenues to the Buddy Group within 36 months from Completion,

(together, the **Executive Performance Shares**).

(b) **Appointment of Marc Alexander to Board**

Subject to Completion, it is proposed that Mr Marc Alexander will be appointed as a Director.

Mr Alexander:

- (i) is the Chief Technology Officer and co-founder of LIFX and has spent the last 6 years leading the development of LIFX's products, team, technology and global business growth. He has extensive experience in consumer, commercial and automotive product enterprises, having both served or founded businesses creating new products and services, bringing them to market and production;
- (ii) has extensive experience in product design and development, firmware and software engineering, applications, customer centric design, systems architecture, IoT services, financial models, business development, go-to-market strategies and IP; and
- (iii) is the co-founder of Advanced Engine Management, a consumer and commercial automotive product company, which was acquired in 2007. He currently serves as an investor and advisor for the Australian based Nura, XY Sense, Creator and Savic Motorcycles.

Prior to working at LIFX, Mr Alexander was VP Engineer at Techlynx consumer and Techlynx Corp automotive division, Lead Product Engineer at ACP for General Magic and Apple Computer projects in the Bay Area, California and Australia. Prior to that he was Technical Officer at the University of Melbourne Electrical and Electronic Engineering Department on funded R&D and teaching projects.

Mr Alexander has founded 5 start-ups and is the inventor of a number of granted and pending patents in the lighting, automotive and smart spaces field. Mr Alexander has a Certificate of Technology in Electronics from Box Hill Institute, Melbourne, Australia.

## 4.8 **Earn-Out Shares**

As detailed in Section 4.3(a)(iii), subject to LIFX achieving US\$70 million Gross Revenues in the calendar year of 2019, the Company will issue the Earn-Out Shares. The number of Earn-Out Shares to be issued will be calculated in accordance with the following formula:

$$\text{Earn Out Shares} = \frac{490,000}{\text{Earnout Deemed Issue Price}}$$

**Earnout Deemed Issue Price** means the greater of (i) the US Dollar Equivalent of the 5-trading day VWAP of Shares on the ASX immediately following 31 December 2019 or (ii) US\$0.07.

**US Dollar Equivalent** means the amount determined by converting the Australian dollars number into US dollars at the Exchange Rate.

**Exchange Rate** means the average of the buy and sell rates for Australian dollars in US dollars, as quoted in the Wall Street Journal for the five trading days immediately following 31 December 2019.

Accordingly, the maximum number of Earn-Out Shares to be issued, based on the Earn-Out, is 7 million Earn-Out Shares. Noting that certain Minority Vendors will be paid a cash equivalent in lieu of Earn-Out Shares to be issued and, accordingly, the number of Earn-Out Shares will be less than 7 million (refer to Section 4.3(a)).

The Earn-Out Shares will be issued within the Company's existing 15% capacity under Listing Rule 7.1 and Shareholder approval will not be required for the issue of the Earn-Out Shares (refer to the Company's announcement dated 14 February 2019).

#### **4.9 ASX Confirmation and Shareholder Approval Requirements**

ASX has confirmed that it does not require the Acquisition to be approved by Shareholders pursuant to Listing Rules 11.1.2 and 11.1.3 and the Company is not required to re-comply with Chapters 1 and 2 of the Listing Rules.

Shareholders should note that:

- (a) completion of the Acquisition is subject to and condition upon the satisfaction of certain conditions precedent, including the Remaining Conditions Precedents (refer to Section 4.3(b));
- (b) the Acquisition Resolutions are inter-conditional, meaning that each of them will only take effect if the requisite majority of Shareholders' votes at the Meeting approve all of the Acquisition Resolutions (refer to Section 3);
- (c) Resolutions 4 and 5 (inclusive) (Director Participation in Placement) are conditional on the approval of the Acquisition Resolutions, meaning that each of them will only take effect if all of the Acquisition Resolutions are approved by the requisite majority of Shareholder votes at the Meeting; and
- (d) Resolutions 6 to 9 (inclusive) are conditional on the approval of the Acquisition Resolutions and Completion occurring, meaning each of them will only take effect if all of the Acquisition Resolutions are approved by the requisite majority of Shareholders votes at the Meeting and at or following Completion.

#### **4.10 Financial Statements**

The unaudited statements of financial position, profit and loss and cash flows of the LIFX Group for the previous three financial years are detailed in Schedule 3.

#### 4.11 Pro forma capital structure

The pro forma capital structure of the Company if all of the Acquisition Resolutions are passed and following completion of the Acquisition, Earn-Out and Placement will be as follows:

	Shares	%	Options	Performance Rights	Performance Shares
Existing Securities (1)	1,100,593,422	59.59%	2,806,647	21,976,771	31,833,333
Shares to be issued Minority Vendors (Resolution 1)	422,413,793 (2)(3)	22.87%	-	-	-
Shares to be issued to Eastfield (Resolution 2)	86,206,897 (2)	4.67%	-	-	-
Shares to be issued pursuant to the Placement (Resolution 3)	226,250,000	12.23%	-	-	-
Securities to be issued to Marc Alexander (Resolution 7)	2,222,222	0.12%	-	12,000,000	12,000,000
Securities to be issued to Timothy Peters (Resolution 8)	2,222,222	0.12%	-	12,000,000	12,000,000
Earn-Out Shares to be issued Minority Vendors	7,000,000	0.38%	-	-	-
Indicative number of Options to be issued in connection with the Debt Financing (Section 4.4(b))	-	-	120,000,000	-	-
<b>Total</b>	<b>1,846,908,556</b>	<b>100%</b>	<b>122,806,647</b>	<b>45,976,771</b>	<b>55,833,333</b>

**Notes:**

1. Assumes no further Securities are issued prior to completion of the Acquisition, other than as detailed in the table.
2. Assuming an AUD/USD exchange rate of 0.72 and that Shares are issued at \$0.08 per Share.
3. Assuming that all of the Minority Vendor Shares are issued and none of the Minority Vendors will be paid a cash equivalent in lieu of Minority Vendor Shares to be issued.
4. Assuming that all of the Earn-Out Shares are issued at an issue price of US\$0.07 and none of the Minority Vendors will be paid a cash equivalent in lieu of Earn-Out Shares to be issued.

#### 4.12 Indicative Timetable

The following is an indicative timetable for, amongst other things, completion of the Acquisition:

Event	Indicative Date
Despatch of Notice	22 February 2019

Event	Indicative Date
Last day for lodgement of Proxy Form	23 March 2019 at 11.00am (ACDT)
Meeting	25 March 2019
Completion of the Acquisition	29 March 2019

#### 4.13 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Acquisition Resolutions:

- (a) **Incorporation of established and growing businesses operating in the technology sector:** The Acquisition will provide Shareholders with exposure to an existing, well-managed and expanding complementary business. LIFX will place the Company in a strong competitive position and offer the Company an opportunity to:
  - (i) grow existing key contracts and significant revenue pipelines;
  - (ii) expand product offering to existing customers by building on their relationships/partnerships and cross selling solutions;
  - (iii) increase both LIFX and the Company's position in key geographic markets world-wide;
- (b) **Complementary to the existing business of the Company:** The business of LIFX has the potential to complement the Company's growth strategies and business as a software platform company for managing and accessing data generated by connected devices. The Directors have identified a number of synergies between the existing businesses of the Company, initiatives to capitalize on these synergies may include:
  - (i) an existing LIFX customer base;
  - (ii) the LIFX team with experience in working within the technology sector and commercial organizations worldwide;
  - (iii) LIFX's extensive technology patent portfolio;
  - (iv) complementary LIFX and Company services; and
  - (v) expanded geographical footprint with offices in California, Melbourne and China.
- (c) **Potential to enhance Shareholder value:** The Directors consider that there is a greater likelihood of increasing Shareholder value by proceeding with the Acquisition and expanding the Company's footprint and business presence. The Company expects to realize value and revenue opportunities, through LIFX's diverse customer pipeline including Amazon, Best Buy and Apple (refer to Schedule 2 for further details).
- (d) **Increased investor interest and Share trading volume:** The potential increase in market capitalisation of the Company following completion of the

Acquisition may lead to increased access to equity capital market opportunities and increased liquidity.

#### **4.14 Disadvantages of the Acquisition**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Acquisition Resolutions:

- (a) **Dilutionary Effect:** the Acquisition, Earn-Out and Placement will result in the issue of Securities to new investors, the Majority Vendor and Minority Vendors, which will have a dilutionary effect on the holdings of existing Shareholders;
- (b) **Commercial Viability:** the Acquisition may not turn out to be commercially viable and thus losses may be incurred;
- (c) **Integration Risk:** The operating results of the Company will depend on the success of management in integrating the LIFX business with that of the Company's. There is no guarantee that the Company will be able to integrate this proposed acquisition into the Company successfully, or that any economic benefits will be able to be realised. There is a risk that the Company's future profitability and prospects could be adversely impacted if successful integration is not achieved in an orderly and timely fashion; and
- (d) **Failure to Manage Growth:** LIFX's business has the potential to grow rapidly. If that occurs and the Company fails to properly manage that growth, then that failure could harm its business. Any failure to meet customer demand properly could adversely affect the business, including demand for LIFX's products, services, revenue and public perception.

#### **4.15 Plans for the Company if the Acquisition Resolutions are not passed**

If the Company does not complete the Acquisition, it will continue with its current business activities and will investigate, and as required, undertake due diligence on, new opportunities to complement its existing business.

#### **4.16 Forward looking statements**

The forward looking statements in this Explanatory Memorandum are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Explanatory Memorandum. Forward looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

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## **5. Resolution 1 – Issue of the Minority Vendor Shares**

### **5.1 General**

Resolution 1 seeks Shareholder approval for the issue of the Minority Vendor Shares.

The Board believes that Resolution 1 is in the best interests of the Company and its Shareholders and unanimously recommends that Shareholders vote in favour of this Resolution.

Resolution 1 is an ordinary resolution.

Resolution 1 is subject to the approval of the other Acquisition Resolutions.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

## 5.2 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Directors to issue the Minority Vendor Shares during the period of 3 months after the Meeting (or such longer period of time as ASX may in its discretion allow), without using the Company's 15% annual placement capacity.

## 5.3 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner detailed in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception detailed in sections 210 to 216 of the Corporations Act.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Minority Vendor Shares to M&M Alexander Family Trust (and/or its nominee), of which Mr Marc Alexander, who is a proposed Director, is a beneficiary, because the agreement to grant the Minority Vendor Shares reached as part of the Merger Agreement is considered reasonable consideration for the Acquisition and was negotiated on an arm's length basis.

## 5.4 Specific information required by Listing Rule 7.3

In accordance with Listing Rule 7.3, information is provided in relation to the Minority Vendor Shares as follows:

- (a) The maximum number of Minority Vendor Shares to be issued will be calculated in accordance with the following formula:

$$\text{Minority Vendor Shares} = \frac{24,500,000}{\text{Deemed Issue Price}}$$

Based on the following indicative Deemed Issue Prices, the maximum number of Minority Vendor Shares will be as follows:

Deemed Issue Price	Maximum number of Minority Vendor Shares
US\$0.043 <sup>1</sup>	569,767,442
US\$0.058 <sup>2</sup>	422,413,793
US\$0.072 <sup>3</sup>	340,277,778

Notes

<sup>1</sup> Based on a price of A\$0.06 per Share and an AUD/USD exchange rate of 0.72.

<sup>2</sup> Based on a price of A\$0.08 per Share and an AUD/USD exchange rate of 0.72.

<sup>3</sup> Based on a price of A\$0.10 per Share and an AUD/USD exchange rate of 0.72.

The Company will provide Shareholders with the Deemed Issue Price and the maximum number of Minority Vendor Shares to be issued by way of ASX announcement prior to the Meeting.

- (b) The Deemed Issue Price is equal to the US Dollar Equivalent of the 5-trading day VWAP of Shares on the ASX prior to the date of the Meeting.
- (c) The Minority Vendor Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (d) The Minority Vendor Shares will be issued to the Minority Vendors (and/or their nominees), in proportion to their respective holdings, none of whom are a related parties or associates of related parties of the Company, save for M&M Alexander Family Trust, of which Mr Marc Alexander, who is a proposed Director, is a beneficiary and who is a related party to the Company by reason of the Acquisition and accordingly, the exception under Listing Rule 10.12 Exception 6 will apply;
- (e) The Minority Vendor Shares will be fully paid ordinary shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) No funds will be raised from the issue of the Minority Vendor Shares as they are being issued for nil cash consideration but as part of the LIFX Consideration.
- (g) The issue of all of the Minority Vendor Shares will occur on Completion.
- (h) A voting exclusion statement is included in the Notice for Resolution 1.

## **5.5 Directors' Recommendation**

The Directors recommend that Shareholders approve Resolution 1.

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## **6. Resolution 2 – Issue of the Eastfield Shares**

### **6.1 General**

Resolution 2 seeks Shareholder approval for the issue of the Eastfield Shares.

The Board believes that Resolution 2 is in the best interests of the Company and its Shareholders and unanimously recommends that Shareholders vote in favour of this Resolution.

Resolution 2 is an ordinary resolution.

Resolution 2 is subject to the approval of the other Acquisition Resolutions.

The Chairperson intends to exercise all available proxies in favour of Resolution 2.

## 6.2 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 2 will be to allow the Directors to issue the Eastfield Shares during the period of 3 months after the Meeting (or such longer period of time as ASX may in its discretion allow), without using the Company's 15% annual placement capacity.

## 6.3 Specific information required by Listing Rule 7.3

In accordance with Listing Rule 7.3, information is provided in relation to the Eastfield Shares as follows:

- (a) The maximum number of Eastfield Shares to be issued will be calculated in accordance with the following formula:

$$\text{Eastfield Shares} = \frac{5,000,000}{\text{Deemed Issue Price}}$$

Based on the following indicative Deemed Issue Prices, the maximum number of Eastfield Shares will be as follows:

Deemed Issue Price	Maximum number of Eastfield Shares
US\$0.043 <sup>1</sup>	116,279,070
US\$0.058 <sup>2</sup>	86,206,897
US\$0.072 <sup>3</sup>	69,444,444

Notes

<sup>1</sup> Based on a price of A\$0.06 per Share and an AUD/USD exchange rate of 0.72.

<sup>2</sup> Based on a price of A\$0.08 per Share and an AUD/USD exchange rate of 0.72.

<sup>3</sup> Based on a price of A\$0.10 per Share and an AUD/USD exchange rate of 0.72.

The Company will provide Shareholders with the Deemed Issue Price and the maximum number of Eastfield Shares to be issued by way of ASX announcement prior to the Meeting.

- (b) The Deemed Issue Price is equal to the US Dollar Equivalent of the 5-trading day VWAP of Shares on the ASX prior to the date of the Meeting.
- (c) The Eastfield Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (d) The Eastfield Shares will be issued to Eastfield (and/or its nominee), who is not a related party of the Company.
- (e) The Eastfield Shares will be fully paid ordinary shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) No funds will be raised from the issue of the Eastfield Shares as they are being issued for nil cash consideration as part payment of the Loan Agreement.
- (g) The issue of all of the Eastfield Shares will occur on Completion.



- (h) A voting exclusion statement is included in the Notice for Resolution 2.

## **6.4 Directors' Recommendation**

The Directors recommend that Shareholders approve Resolution 2.

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# **7. Resolution 3 – Issue of the Placement Shares**

## **7.1 General**

Resolution 3 seeks Shareholder approval for the issue of up to 226,250,000 Shares in connection with the Placement (**Placement Shares**).

The Board believes that Resolution 3 is in the best interests of the Company and its Shareholders and unanimously recommends that Shareholders vote in favour of this Resolution.

Resolution 3 is an ordinary resolution.

Resolution 3 is subject to the approval of the other Acquisition Resolutions.

The Chairperson intends to exercise all available proxies in favour of Resolution 3.

## **7.2 Listing Rule 7.1**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Directors to issue the Placement Shares during the period of 3 months after the Meeting (or such longer period of time as ASX may in its discretion allow), without using the Company's 15% annual placement capacity.

## **7.3 Specific information required by Listing Rule 7.3**

In accordance with Listing Rule 7.3, information is provided in relation to the Placement as follows:

- (a) The maximum number of Placement Shares to be issued will be 226,250,000.
- (b) The Placement Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (c) The issue price of the Placement Shares will be A\$0.08.
- (d) The Placement Shares will be issued to sophisticated and professional investors (and/or their nominees) identified by Bell Potter Securities Limited, the Company's lead manager in respect to the Placement.
- (e) The Placement Shares will be fully paid ordinary shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares on issue.

- (f) The Company intends to use the funds raised from the issue of the Placement Shares to part pay the Majority Vendor Consideration, the Minority Vendor Cash Consideration and the Accounts Receivable Amount.
- (g) The issue of all of the Placement Shares will occur on or around Completion.
- (h) A voting exclusion statement is included in the Notice for Resolution 3.

#### **7.4 Directors' Recommendation**

The Directors recommend that Shareholders approve Resolution 3.

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## **8. Resolutions 4 and 5 - Director Participation in Placement**

### **8.1 General**

Resolutions 4 and 5 seek Shareholder approval in accordance with Listing Rule 10.11 for the issue of:

- (a) up to 1,875,000 Placement Shares to Mr David McLauchlan (and/or his nominee); and
- (b) up to 1,875,000 Placement Shares to Mr Richard Borenstein (and/or his nominee),

(together, the **Director Placement Shares**).

If Shareholders do not approve Resolution 4, the Company will not issue the Placement Shares to Mr David McLauchlan (and/or his nominee).

If Shareholders do not approve Resolution 5, the Company will not issue the Placement Shares to Mr Richard Borenstein (and/or his nominee).

Resolutions 4 and 5 are ordinary resolutions.

Resolutions 4 and 5 are subject to the approval of the Acquisition Resolutions.

The Chairperson intends to exercise all available proxies in favour of Resolutions 4 and 5.

### **8.2 Section 208 of Corporations Act**

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

The Board (excluding Messrs McLauchlan and Borenstein) considers that Shareholder approval under section 208 of the Corporations Act is not required as the exception in section 210 of the Corporations Act applies. The Director Placement Shares will be issued to Messrs McLauchlan and Borenstein on the same terms as non-related party participants in the Placement and as such the giving of the financial benefit to Messrs McLauchlan and Borenstein will be on arm's length terms.

### **8.3 Listing Rule 10.11**

In accordance with Listing Rule 10.11, the Company must not issue securities to a related party of the Company unless it obtains Shareholder approval.

Messrs McLauchlan and Borenstein are a related parties of the Company as they are Directors.

The Directors are of the view that none of the exceptions detailed in Listing Rule 10.12 apply to the current circumstances. Accordingly, Shareholder approval is sought for the allotment and issue of the Director Placement Shares to Messrs McLauchlan and Borenstein (and/or their nominees).

Pursuant to Listing Rule 7.2 exception 14, the effect of passing Resolutions 4 and/or 5 will be to allow the Company to issue up to 3,750,000 Shares to Messrs McLauchlan and/or Borenstein (and/or their nominees) without using up the Company's 15% placement capacity under Listing Rule 7.1.

#### **8.4 Specific information required by Listing Rule 10.13**

In accordance with Listing Rule 10.13, information regarding the issue of the Placement Shares to the Directors is provided as follows:

- (a) The maximum number of Placement Shares to be issued is as follows:
  - (i) 1,875,000 Placement Shares to Mr David McLauchlan (and/or his nominee); and
  - (ii) 1,875,000 Placement Shares to Mr Richard Borenstein (and/or his nominee).
- (b) Subject to receiving Shareholder approval, the Company will issue the Placement Shares no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The issue price of the Placement Shares will be A\$0.08.
- (d) The Placement Shares will be fully paid ordinary shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares on issue.
- (e) The Company intends to use the funds raised from the issue of the Placement Shares to part pay the Majority Vendor Consideration, the Minority Vendor Cash Consideration and the Accounts Receivable Amount.
- (f) A voting exclusion statement is included in the Notice for Resolutions 4 and 5.

#### **8.5 Director Recommendation**

The Directors (other than Messrs McLauchlan and Borenstein) recommend that Shareholders vote in favour of Resolution 4.

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## **9. Resolution 6 – Creation of a New Class of Securities – Performance Shares**

### **9.1 General**

Resolution 6 seeks Shareholder approval for the Company to be authorised to issue the Executive Performance Shares as a new class of securities (refer to Section 4.7 for further details).

A company which proposes to issue new shares not having the same rights as its existing shares, is taken to vary the rights of existing shareholders unless the constitution already provides for such an issue.

Section 246C(5) of the Corporations Act provides that if a company has one class of share and seeks to issue a new class of share, such issue is taken to vary the rights attached to shares already issued.

Section 246B of the Corporations Act and article 2.4 of the Constitution provide that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at a meeting of the members holding shares in that class; or
- (b) with the written consent of members who are entitled to at least 75% of the votes in that class.

Accordingly, the Company seeks approval from Shareholders for the issue of the New Performance Shares as a new class of securities on the terms in Schedule 6.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Resolution 6 is subject to the approval of the Acquisition Resolutions and Completion occurring.

The Chairperson intends to exercise all available proxies in favour of Resolution 6.

## 9.2 Board recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 6.

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# 10. Resolution 7 - Issue of Securities to Marc Alexander

## 10.1 General

Resolution 7 seeks Shareholder approval for the issue of:

- (a) 2,222,222 Shares;
- (b) 12,000,000 New Performance Rights; and
- (c) 12,000,000 New Performance Shares,

to Mr Marc Alexander (and/or his nominee), a proposed Director, pursuant to his Employment Agreement (**Alexander Securities**).

The Alexander Securities will be:

- (a) **Shares:** fully paid ordinary shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares on issue;
- (b) **New Performance Rights:** issued on the terms and conditions contained in Schedule 5; and

- (c) **New Performance Shares:** issued on the terms and conditions contained in Schedule 6.

The Board believes that Resolution 7 is in the best interests of the Company and its Shareholders and unanimously recommend that Shareholders vote in favour of this Resolution.

Resolution 7 is an ordinary resolution.

Resolution 7 is subject to the approval of the Acquisition Resolutions and Completion occurring.

The Chairperson intends to exercise all available proxies in favour of Resolution 7.

## **10.2 Listing Rule 7.1**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 7 will be to allow the Directors to issue the Alexander Securities during the period of 3 months after the Meeting (or such longer period of time as ASX may in its discretion allow), without using the Company's 15% annual placement capacity.

## **10.3 Section 208 of Corporations Act**

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Alexander Securities to Mr Marc Alexander (and/or his nominee) as the exception in section 211 of the Corporations Act applies. The Alexander Securities are considered to be reasonable remuneration for the purposes of section 211 of the Corporations Act.

## **10.4 Specific information required by Listing Rule 7.3**

In accordance with Listing Rule 7.3, information is provided in relation to the Alexander Securities as follows:

- (a) The maximum number of Alexander Securities to be issued will be:
  - (i) 2,222,222 Shares;
  - (ii) 12,000,000 New Performance Rights; and
  - (iii) 12,000,000 New Performance Shares.
- (b) The Alexander Securities will be issued no later than 3 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (c) The Alexander Securities will be issued for nil consideration.
- (d) The Alexander Securities will be issued to Mr Marc Alexander (and/or his nominee), a proposed Director, who is a related party of the Company by reason

of the Acquisition and accordingly the exception under Listing Rule 10.12 Exception 6 will apply.

- (e) The Alexander Securities will be:
  - (i) **Shares:** fully paid ordinary shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares on issue;
  - (ii) **New Performance Rights:** issued on the terms and conditions contained in Schedule 5; and
  - (iii) **New Performance Shares:** issued on the terms and conditions contained in Schedule 6.
- (f) No funds will be raised from the issue of the Alexander Securities as they are being issued for nil cash consideration pursuant to the Employment Agreement.
- (g) The issue of all of the Alexander Securities will occur following Completion.
- (h) A voting exclusion statement is included in the Notice for Resolution 7.

## 10.5 Directors' Recommendation

The Directors recommend that Shareholders approve Resolution 7.

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# 11. Resolution 8 – Issue of Securities to Tim Peters

## 11.1 General

Resolution 8 seeks Shareholder approval for the issue of:

- (a) 2,222,222 Shares;
- (b) 12,000,000 New Performance Rights; and
- (c) 12,000,000 New Performance Shares,

to Mr Tim Peters (and/or his nominee) pursuant to his Offer Letter (**Peters Securities**).

The Peters Securities will be:

- (a) **Shares:** fully paid ordinary shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares on issue;
- (b) **New Performance Rights:** issued on the terms and conditions contained in Schedule 5; and
- (c) **New Performance Shares:** issued on the terms and conditions contained in Schedule 6.

The Board believes that Resolution 8 is in the best interests of the Company and its Shareholders and unanimously recommend that Shareholders vote in favour of this Resolution.

Resolution 8 is an ordinary resolution.

Resolution 8 is subject to the approval of the Acquisition Resolutions and Completion occurring.

The Chairperson intends to exercise all available proxies in favour of Resolution 8.

## 11.2 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 8 will be to allow the Directors to issue the Peters Securities during the period of 3 months after the Meeting (or such longer period of time as ASX may in its discretion allow), without using the Company's 15% annual placement capacity.

## 11.3 Specific information required by Listing Rule 7.3

In accordance with Listing Rule 7.3, information is provided in relation to the Peters Securities as follows:

- (a) The maximum number of Peters Securities to be issued will be:
  - (i) 2,222,222 Shares;
  - (ii) 12,000,000 New Performance Rights; and
  - (iii) 12,000,000 New Performance Shares.
- (b) The Peters Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (c) The Peters Securities will be issued for nil consideration.
- (d) The Peters Securities will be issued to Mr Tim Peters (and/or his nominee).
- (e) The Peters Securities will be:
  - (i) **Shares:** fully paid ordinary shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the Company's existing Shares on issue;
  - (ii) **New Performance Rights:** issued on the terms and conditions contained in Schedule 5; and
  - (iii) **New Performance Shares:** issued on the terms and conditions contained in Schedule 6.
- (f) No funds will be raised from the issue of the Peters Securities as they are being issued for nil cash consideration pursuant to the Offer Letter.
- (g) The issue of all of the Peters Securities will occur following Completion.
- (h) A voting exclusion statement is included in the Notice for Resolution 8.

## **11.4 Directors' Recommendation**

The Directors recommend that Shareholders approve Resolution 8.

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## **12. Resolution 9 - Election of Director - Marc Alexander**

Article 14.3 of the Constitution provides that:

- (a) the Company may elect a person as a Director by resolution passed in general meeting;
- (b) a Director elected at a general meeting is taken to have been elected with effect immediately after the end of that general meeting unless the resolution by which the Director was appointed or elected specifies a different time;
- (c) no person shall be eligible for election at a general meeting, unless the person intending to propose his or her nomination has at least 30 Business Days before the Meeting, left at the registered office a notice in writing duly signed by the nominee giving his or her consent to the nomination and signifying his or her candidature for the office; and
- (d) notice of every candidature for election as a Director shall be given to each Shareholder with or as part of the notice of meeting at which the election is to take place.

Pursuant to Resolution 9, Mr Marc Alexander, having consented to act, seeks election from Shareholders to be appointed as a Director with effect from the Completion. Refer to Schedule 7 for Mr Alexander's notice and consent to act as a Director.

Refer to Section 4.7(b) for Mr Alexander's background and experience.

Resolution 9 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 9.

Resolution 9 is subject to the approval of the Acquisition Resolutions and Completion occurring.

The Board unanimously supports the election of Mr Marc Alexander and recommends that Shareholders vote in favour of Resolution 9.

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## **13. Resolution 10 – Change of Company Name**

### **13.1 General**

Section 157(1) of the Corporations Act provides that if a company wants to change its name it must pass a special resolution adopting a new name.

Resolution 10 seeks Shareholder approval for the change of the Company's name to "Buddy Technologies Ltd".

The change of name will take effect from when ASIC alters the details of the Company's registration.



The proposed name has been reserved by the Company and if Resolution 10 is passed, the Company will lodge a copy of the special resolution with ASIC following the Meeting in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

Resolution 10 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairperson intends to exercise all available proxies in favour of Resolution 10.

### **13.2 Board recommendation**

The Board unanimously recommends that Shareholders vote in favour of Resolution 10.

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## **14. Resolution 11 – Adoption of Employee Incentive Plan**

### **14.1 General**

Resolution 11 seeks Shareholder approval for the adoption of the employee incentive scheme titled 'Buddy Platform Limited Employee Incentive Plan' (**Plan**) in accordance with Listing Rule 7.2, exception 9(b).

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of Shares, Performance Rights and Options under the Plan will provide selected directors (executive or non-executive) and employees of the Buddy Group with the opportunity to participate in the future growth of the Company.

The material terms of the Plan are summarised in Schedule 4

Resolution 11 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 11.

### **14.2 Listing Rule 7.1 and Listing Rule 7.2, Exception 9**

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to convert to equity (such as a Performance Right), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.2, Exception 9 provides an exception to Listing Rule 7.1. The effect of Shareholder approval under Listing Rule 7.2, Exception 9 is that any issues of securities under the Plan are treated as having been made with the approval of shareholders for the purposes of Listing Rule 7.1. Approval under Listing Rule 7.2, Exception 9 lasts for a period of three years.

In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

### **14.3 Specific information required by Listing Rule 7.2**

In accordance with Listing Rule 7.2, Exception 9, information is provided as follows:

- (a) The material terms of the Plan are summarised in Schedule 4.
- (b) This is the first approval sought under Listing Rule 7.2, Exception 9 with respect to the Plan.
- (c) No securities have been issued under Plan.
- (d) A voting exclusion statement is included in the Notice for Resolution 11.

## Schedule 1 – Definitions and Interpretation

### 1. Definitions

In the Notice and this Explanatory Memorandum, unless the context otherwise requires:

**A\$** means Australian dollar.

**Accounts Receivable Amount** has the meaning given in Section 4.6.

**ACDT** means Australian Central Daylight Time, being the time in Adelaide, South Australia.

**Acquisition** has the meaning given in Section 4.1.

**Acquisition Financing** has the meaning given in Section 4.4.

**Acquisition Resolutions** means Resolutions 1 to 3 (inclusive).

**Alexander Securities** has the meaning given in Section 10.1.

**Amending Deed** has the meaning given in Section 4.5.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Limited.

**Board** means the board of Directors from time to time.

**Buddy Apollo** has the meaning given in Section 4.1.

**Buddy Group** means the Company and its subsidiaries.

**Chairperson** means the person appointed to chair the Meeting convened by the Notice.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Buddy Platform Limited ACN 121 184 316.

**Completion** means completion of the merger in accordance with the Merger Agreement.

**Constitution** means the constitution of the Company.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Debt Financing** has the meaning given in Section 4.4(b).

**Director** means any director of the Company and **Directors** means all of them.

**Director Placement Shares** has the meaning given in Section 8.1.

**Drawn Down Amount** has the meaning given in Section 4.6.

**Earn-Out** has the meaning given in Section 4.1.

**Earn-Out Shares** has the meaning given in Section 4.3.

**Eastfield** means Eastfield Lighting (Hong Kong) Co., Ltd, a related body corporate of the Majority Vendor.

**Eastfield Shares** has the meaning given in Section 4.6.

**Employment Agreement** has the meaning given in Section 4.7.

**Exchange Rate** means the average of the buy and sell rates for Australian dollars in US dollars, as quoted in the Wall Street Journal for the five trading days before the Meeting.

**Executive Performance Shares** has the meaning given in Section 4.7(a).

**Existing Manufacturing Agreement** has the meaning given in Section 4.5.

**Explanatory Memorandum** means this explanatory memorandum.

**Final Instalment Amount** has the meaning given in Section 4.6.

**Gross Revenues** means the total value of product delivered before discounts and other deductions, being a figure utilised by management to understand and communicate the total value of product sold and not a defined term from the Australian Accounting Standards Board.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

**LIFX Consideration** has the meaning given in Section 4.1.

**LIFX Group** has the meaning given in Section 4.2.

**LIFX Option** means an option to purchase or otherwise acquire a share in LIFX.

**LIFX Optionholder** means a holder of all issued and outstanding LIFX Options.

**LIFX Products** has the meaning given in Schedule 2.

**LIFX** has the meaning given in Section 4.1.

**Loan Agreement** has the meaning given in Section 4.6.

**LoC** has the meaning given in Section 4.6.

**Listing Rules** means the official listing rules of the ASX (as amended from time to time).

**Majority Vendor** has the meaning given in Section 4.1.

**Majority Vendor Consideration** has the meaning given in Section 4.3.

**Majority Vendor Deposit** has the meaning given in Section 4.3(a).

**Majority Vendor Group** means the Majority Vendor and its related bodies corporate, including Eastfield.

**Meeting** has the meaning given in the introductory paragraph of the Notice.

**Merger Agreement** has the meaning given in Section 4.1.

**Minority Vendor Shares** has the meaning given in Section 4.3.

**Minority Vendors** has the meaning given in Section 4.1.

**Minority Vendor Cash Consideration** has the meaning given in Section 4.3(a).

**New LIFX Products** means any LIFX lighting product excluding the LIFX Products.

**New Performance Right** means a performance right convertible into a Share having the terms and conditions detailed in Schedule 5.

**New Performance Share** means a performance share convertible into a Share having the terms and conditions detailed in Schedule 6.

**Non-Accredited Person** means a Minority Vendor who is not an accredited person in the United States under Rule 501 of Regulation D.

**Notice** means the notice convening the Meeting and includes the agenda, Explanatory Memorandum and the Proxy Form.

**Offer Letter** has the meaning given in Section 4.7.

**Official List** means the official list of the ASX.

**Option** means an option to acquire a Share.

**Performance Right** means a performance right convertible into a Share.

**Peters Securities** has the meaning given in Section 11.1.

**Placement** has the meaning given in Section 4.4.

**Placement Shares** has the meaning given in Section 7.1.

**Plan** has the meaning given in Section 14.1.

**Proxy Form** means the proxy form attached to the Notice.

**Remaining Conditions Precedent** has the meaning given in Section 4.3.

**Resolution** means any resolution detailed in the Notice as the context requires.

**Schedule** means a schedule to this Explanatory Memorandum.

**Section** means a section of this Explanatory Memorandum.

**Securities** means any Shares, Options or Performance Shares issued by the Company.

**Seller** means:

- (a) the holders of all of the issued and outstanding shares of LIFX immediately prior to completion; or

- (b) LIFX Optionholders who become holders of LIFX shares before the day that is 5 days before Completion.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**US\$** means United States dollar.

**US Dollar Equivalent** means the amount determined by converting the Australian dollars number into US dollars at the Exchange Rate.

**VWAP** means volume weighted average price.

**W&I Insurer** has the meaning given in Section 4.3.

**W&I Policy** has the meaning given in Section 4.3.

## 2. Interpretation

In the Notice and this Explanatory Memorandum, headings and words in bold are for convenience only and do not affect the interpretation of the Notice and this Explanatory Memorandum and, unless the context otherwise requires:

- (c) words importing the singular include the plural and vice versa;
- (d) words importing a gender include any gender;
- (e) other parts of speech and grammatical forms of a word or phrase defined in the Notice or this Explanatory Memorandum have a corresponding meaning;
- (f) a term not specifically defined has the meaning given to it (if any) in the Corporations Act;
- (g) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (h) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to a body (including, without limitation, an institute, association or authority), whether statutory or not:
  - (i) which ceases to exist; or
  - (ii) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (j) “**include**” and “**including**” are not words of limitation; and
- (k) “**A\$**” or “**AU\$**” is a reference to Australian currency.

## Schedule 2 – Information on LIFX

### 1. About LIFX

LIFX (*pronounced “LIFE-X”*) pioneered the smart light in 2012 with the first WiFi-enabled, multi-coloured LED light controllable via a smart device. Designed to last over 22 years, LIFX offers the brightest, most flexible smart lighting solutions for home and office. Continuously developing their own technology and IP portfolio, LIFX has secured a strong position in the smart lighting, energy saving and smart spaces market.

LIFX works with Google Assistant, Amazon Alexa, Apple Siri, Microsoft Cortana, Nest, Arlo, Ring, and other smart home devices to give consumers an easy way to experience the connected home and office, without needing additional hardware.

### 2. Business Model

LIFX designs, develops and sells a wide range of smart lighting products. These products include hardware, firmware, software and cloud technology. The business model includes B2B global consumer retail channels, B2C direct website sales and extensive ecosystem partnerships. Products are stocked internationally in 3PL warehouses and Distribution Centres and fulfilled, primarily, to the consumer market.

### 3. LIFX Products

LIFX currently manufactures and sells the following products:

#### (a) LIFX Mini Colour

LIFX Mini Colour is an 800 lumen Colours & Whites WiFi-enabled smart light capable of producing 16 million colours and variable shades of white. It works with Amazon Alexa, Google Assistant, Apple HomeKit, Microsoft Cortana and LIFX applications including remote operation and experience features.

#### (b) LIFX Mini White:

LIFX Mini White is 650-800 lumen WiFi-enabled smart light capable of producing warm white light at 2700K. It works with Amazon Alexa, Google Assistant, Apple HomeKit, Microsoft Cortana and LIFX applications including remote operation and experience features.

#### (c) LIFX Z:

LIFX Z is a flexible, multi-zone light strip in lengths of 2 and 3 metres, and extendable up to 10 metres and 2800 lumens of brightness. It can be placed in any visible or hidden location and provides direct and ambient lighting with an additional theme and paint-with-light functionality. It connects directly on WiFi and works with Amazon Alexa, Google Assistant, Apple HomeKit, Microsoft Cortana and LIFX applications including remote operation and experience features.

#### (d) LIFX A19:

LIFX A19 is the fourth generation of LIFX’s premium lighting range, with industry leading brightness (1100 lumens) for whole room and area illumination, deep and rich colours, class leading energy efficiency, and globally compatible socket types as used in the entire LIFX product range. It connects directly on WiFi and works with Amazon Alexa, Google Assistant, Apple HomeKit, Microsoft Cortana and LIFX applications including remote operation and experience features.

(e) **LIFX BR30:**

LIFX BR30 is the fourth generation of LIFX's premium lighting range in a sealed indoor/outdoor waterproof housing, with industry leading brightness (1100 lumens) for whole room and area illumination, deep and rich colours, class leading energy efficiency, and globally compatible socket types as used in the entire LIFX product range. It connects directly on WiFi and works with Amazon Alexa, Google Assistant, Apple HomeKit, Microsoft Cortana and LIFX applications including remote operation and experience features.

(f) **LIFX+ BR30:**

LIFX+ BR30 is the fourth generation of LIFX's premium lighting range in a sealed indoor/outdoor waterproof housing, with industry leading brightness (1100 lumens) for whole room and area illumination, deep and rich colours, class leading energy efficiency, and globally compatible socket types as used in the entire LIFX product range. It connects directly on WiFi and works with Amazon Alexa, Google Assistant, Apple HomeKit, Microsoft Cortana and LIFX applications including remote operation and experience features. The LIFX+ model adds seamless night vision extension to home monitoring and security cameras, adding value to detection sensitivity, accuracy and notifications.

(g) **LIFX Mini Mini Day & Dusk:**

LIFX Mini Day & Dusk is an 800 lumen tuneable white WiFi-enabled smart light capable of producing thousands of shades of white and warm white from a rich incandescent evening glow to a crisp daylight white. It works with Amazon Alexa, Google Assistant, Apple HomeKit, Microsoft Cortana and LIFX applications including remote operation and experience features.

(h) **LIFX GU10 Downlight:**

LIFX GU10 Downlight is a compact 400 lumen Colours & Whites WiFi-enabled smart light capable of producing 16 million colours and variable shades of white. It works with Amazon Alexa, Google Assistant, Apple HomeKit, Microsoft Cortana and LIFX applications including remote operation and experience features.

(i) **LIFX 100mm Downlight:**

LIFX 100mm Downlight is an integrated ceiling downlight with 800 lumens of Colours & Whites - a WiFi-enabled smart light capable of producing 16 million colours and variable shades of white. It works with Amazon Alexa, Google Assistant, Apple HomeKit, Microsoft Cortana and LIFX applications including remote operation and experience features.

(j) **LIFX LED Beam Kit:**

LIFX LED Beam Kit is a set of 6 linear multi-zone light panels and a corner piece that magnetically connect to a power supply. The panels are then mounted on the wall. They can be placed in any visible location and provide direct and ambient lighting with an additional theme and paint-with-light functionality. They connect directly on WiFi and works with Amazon Alexa, Google Assistant, Apple HomeKit and Microsoft Cortana.

(k) **LIFX LED Tile Kit:**

LIFX LED Tile Kit is a set of 5 square multi-zone light panels that connect to a power supply. The panels are then mounted on the wall. They can be placed in



any visible location and provide direct and ambient lighting with an additional theme and paint-with-light functionality. They connect directly on WiFi and works with Amazon Alexa, Google Assistant, Apple HomeKit and Microsoft Cortana.

(l) **LIFX Z 1M Strip Extension;**

LIFX Z 1M Strip Extension is a flexible, multi-zone light strip in length of 1 metre. It is used to extend the length of the LIFX Z and requires a connection to the LIFX Z Controller. It can be placed in any visible or hidden location and provides direct and ambient lighting with an additional theme and paint-with-light functionality. When attached to the LIFX Z Controller, it connects directly on WiFi and works with Amazon Alexa, Google Assistant, Apple HomeKit and Microsoft Cortana.

(m) **LIFX + A19;**

LIFX+ A19 is the fourth generation of LIFX's premium lighting range, with industry leading brightness (1100 lumens) for whole room and area illumination, deep and rich colours, class leading energy efficiency, and globally compatible socket types as used in the entire LIFX product range. It connects directly on WiFi and works with Amazon Alexa, Google Assistant, Apple HomeKit, Microsoft Cortana and LIFX applications including remote operation and experience features. The LIFX+ model adds seamless night vision extension to home monitoring and security cameras, adding value to detection sensitivity, accuracy and notifications.

(n) **LIFX Z Controller Pack; and**

LIFX Z Controller Pack is a wireless controller pack that can be connected to a LIFX Z Strip Extension. This enables a customer to reuse their LIFX Z Strip Extensions in a separate location.

(o) **LIFX Z Accessory LED Strip Connector.**

LIFX Z Accessory LED Strip Connector is a flexible cable that enables multiple LIFX Z Strip Extensions to be connected, extending the length of the LIFX Z.

(together the **LIFX Products**).

#### **4. LIFX customers**

At present, LIFX's notable customers include:

- (a) Amazon (worldwide);
- (b) Best Buy (USA and Canada);
- (c) Apple;
- (d) The Home Depot;
- (e) JB HiFi;
- (f) Bunnings; and
- (g) direct customers.

## **5. Key strengths**

LIFX is in a unique position in the smart home illumination and smart spaces market, with 7 years of development experience and close partnerships with the largest global tech companies in the market. LIFX products are directly Wi-Fi connected and require no hub for installation or control. The product range holds some of the brightest products available and includes delivering the richest and deepest colours, and highest quality whites, which are often noted in product reviews. The entire product family is directly compatible with all smart home voice platforms. LIFX has developed its own in-house IP, designs and code since inception, and is in a strong position to scale with high operational efficiency. LIFX currently ships to over 100 countries globally through major retail sales channels, direct, and partnered.

### Schedule 3 – LIFX Financial Statements

#### Unaudited Statement of Financial Position

LIFI Labs, Inc.

As at:

	(AU\$) <sup>1</sup>	(AU\$) <sup>1</sup>	(AU\$) <sup>1</sup>
	31-Dec-2016	31-Dec-2017	31-Dec-2018
<b>Assets</b>			
<b>Current Assets</b>			
Cash and equivalents	1,745,099	1,082,756	1,810,103
Accounts receivable	1,874,077	5,744,592	9,449,556
Inventory	2,447,313	5,089,316	8,276,818
Prepays and other	1,904,175	3,232,601	753,567
<b>Total Current Assets</b>	<b>7,970,664</b>	<b>15,149,264</b>	<b>20,290,043</b>
<b>Total Fixed Assets</b>	<b>473,608</b>	<b>430,832</b>	<b>1,243,108</b>
<b>Total Assets</b>	<b>8,444,273</b>	<b>15,580,096</b>	<b>21,533,151</b>
<b>Liabilities &amp; Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	4,525,806	4,780,821	2,023,960
Eastfield debt	1,056,810	8,787,828	23,275,538
Other accrued expenses	941,756	1,546,459	755,161
<b>Total Current Liabilities</b>	<b>6,524,372</b>	<b>15,115,107</b>	<b>26,054,658</b>
<b>Total Non-Current Liabilities</b>	<b>83,642</b>	<b>466,956</b>	<b>92,410</b>
<b>Total Liabilities</b>	<b>6,608,014</b>	<b>15,582,064</b>	<b>26,147,068</b>
Share Capital	32,111,569	32,111,569	32,111,569
Reserves	(1,277,824)	204,241	248,834
Accumulated Losses	(28,997,487)	(32,317,778)	(36,974,320)
<b>Total Equity</b>	<b>1,836,259</b>	<b>(1,968)</b>	<b>(4,613,917)</b>
<b>Total Liabilities and Equity</b>	<b>8,444,273</b>	<b>15,580,096</b>	<b>21,533,151</b>

1. Note: all actual figures are in US\$. For the purposes of this Schedule the figures have been converted into AU\$ at an exchange rate of 0.72.

**Unaudited Statement of Profit or Loss**  
**LIFI Labs, Inc.**

**For the year ended:**

	(AU\$) <sup>1</sup>	(AU\$) <sup>1</sup>	(AU\$) <sup>1</sup>
	31-Dec-2016	31-Dec-2017	31-Dec-2018
<b>Net Revenue*</b>	<b>11,333,587</b>	<b>22,657,279</b>	<b>38,480,509</b>
<b>Cost of Revenue</b>	<b>7,905,821</b>	<b>14,706,669</b>	<b>27,401,365</b>
<b>Gross Margin</b>	<b>3,427,766</b>	<b>7,950,609</b>	<b>11,079,144</b>
<b>Expenses</b>			
Staff Costs	3,955,262	5,194,726	6,780,865
Advertising & Marketing	1,019,835	1,425,610	4,661,534
Research & Development	1,174,234	2,038,404	1,225,384
General & Administrative	875,733	1,550,580	1,802,696
Depreciation	318,416	293,382	360,929
<b>Total Expenses</b>	<b>7,343,479</b>	<b>10,502,702</b>	<b>14,831,408</b>
<b>Operating income (loss)</b>	<b>(3,915,713)</b>	<b>(2,552,093)</b>	<b>(3,752,264)</b>
Interest & Other	(55,943)	(768,199)	(904,278)
<b>Net profit after tax</b>	<b>(3,971,657)</b>	<b>(3,320,292)</b>	<b>(4,656,542)</b>
FX gain (loss)	164,315	1,482,065	44,593
<b>Comprehensive income</b>	<b>(3,807,341)</b>	<b>(1,838,226)</b>	<b>(4,611,949)</b>
<b>EBITDA</b>	<b>(3,597,297)</b>	<b>(2,258,711)</b>	<b>(3,391,335)</b>

*\* includes government rebates and incentives*

- Note: all actual figures are in US\$. For the purposes of this Schedule the figures have been converted into AU\$ at an exchange rate of 0.72.

**Cash Flow Statement**  
**LIFI Labs, Inc.**  
**For the year ended**

	(AU\$) <sup>1</sup>	(AU\$) <sup>1</sup>	(AU\$) <sup>1</sup>
	31-Dec-2016	31-Dec-2017	31-Dec-2018
Government rebate receipts	1,995,296	1,752,677	2,731,908
<b>Cash received from customers</b>	<b>10,477,073</b>	<b>16,000,827</b>	<b>34,775,545</b>
<b>Payments for</b>			
Suppliers	(10,357,421)	(22,803,405)	(41,169,436)
Staff	(3,637,970)	(4,223,388)	(7,648,823)
Interest & other paid	(55,943)	(768,199)	(904,278)
<b>Net Operating Cash Flows</b>	<b>(1,578,965)</b>	<b>(10,041,488)</b>	<b>(12,215,084)</b>
Capital Expenditures	(348,490)	(250,606)	(1,173,205)
<b>Net Investing Cash Flows</b>	<b>(348,490)</b>	<b>(250,606)</b>	<b>(1,173,205)</b>
Net draws (payments) of Luminous debt	149,233	8,147,685	14,071,043
<b>Net Financing Cash Flows</b>	<b>149,233</b>	<b>8,147,685</b>	<b>14,071,043</b>
<b>Net Change in cash</b>	<b>(1,778,221)</b>	<b>(2,144,409)</b>	<b>682,754</b>
<b>Cash at beginning of period</b>	<b>3,359,006</b>	<b>1,745,099</b>	<b>1,082,756</b>
Effect of FX rate changes	164,315	1,482,065	44,593
<b>Cash at end of period</b>	<b>1,745,099</b>	<b>1,082,756</b>	<b>1,810,103</b>

1. Note: all actual figures are in US\$. For the purposes of this Schedule the figures have been converted into AU\$ at an exchange rate of 0.72.

## Schedule 4 - Terms and Conditions of the Plan

The terms of the Employee Incentive Plan (**Plan**) are summarised below. A copy of the Plan can be obtained by contacting the Company. Terms not defined in the Notice have the meaning given in the Plan.

### Eligible Employees

- 1 The eligible participants under the Plan are directors and employees who are declared by the Board in its sole and absolute discretion to be eligible to receive grants of Shares, Options or Performance Rights under the Plan; or any other person who is declared by the Board in its sole and absolute discretion to be eligible to receive grants of Shares, Options or Performance Rights under the Plan. For the purposes of the Plan, "Eligible Employee" means an employee, director or other consultant or contractor of the Company or any of its subsidiaries. In accordance with the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Plan and be granted Shares, Options or Performance Rights.

### Limits on Entitlement

- 2 The Company must not make an Offer for Shares, Options or Performance Rights under the Plan if, immediately afterwards, the sum of:
  - 2.1 the total number of unissued Shares which may be acquired pursuant to the Offer (for avoidance of doubt, including pursuant to Options or Performance Rights which may be applied for as part of the Offer);
  - 2.2 the total number of unissued Shares over which Options have been granted or Performance Rights issued during the preceding three years under this Plan and any other Group employee incentive scheme; and
  - 2.3 the total number of Shares (not being Shares under the Plan) issued during the preceding three years under this Plan and any other Group employee incentive scheme,would exceed 10% of the total number of Shares on issue at the time of the proposed issue.
- 3 The maximum allocation and allocated pool may be increased by Board resolution, provided such an increase complies with the Listing Rules.

### Individual Limits

- 4 The Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.

### Offer and Conditions

- 5 An offer to an Eligible Employee to apply for the grant of Shares, Options or Performance Rights under the Plan (**Offer**) must be set out in an Offer Letter delivered to the Eligible Employee and specify:
  - 5.1 the number of Shares, Options or Performance Rights;
  - 5.2 the conditions on the Offer (**Offer Conditions**);
  - 5.3 the grant date;

- 5.4 the fee (if any);
- 5.5 the performance criteria (if any);
- 5.6 the vesting conditions (if any);
- 5.7 the exercise price (if any);
- 5.8 the exercise period (if applicable);
- 5.9 the performance period (if applicable);
- 5.10 the expiry date and term (if applicable);
- 5.11 the forfeiture conditions (if any);
- 5.12 any restrictions attaching to the Shares or Shares issued following the exercise of an Option or the satisfaction of performance criteria of a Performance Right together with the restriction period; and
- 5.13 the terms of any employee loan to be made by the Company to the employee in accordance with this Plan to fund the purchase of Shares offered (if applicable).

#### **Consideration Payable**

- 6 Shares, Options and Performance Rights will be issued for nil consideration. The exercise price (if any) and expiry date for an Option will be specified in the Offer.
- 7 Under the Plan, the Board has the discretion to allow an Option holder to set-off the exercise price of Options against the number of Shares that the Option holder is entitled to receive upon exercise of the Options, allowing the Option holder to receive Shares equal in value to the difference between the exercise price of the options and the market value of the Shares (**Cashless Exercise**).

#### **Option Terms:**

- 8 The Board will determine any performance criteria or vesting conditions attaching to an Option.
- 9 Each vested Option will entitle the holder to one Share on payment of the exercise price (if any).
- 10 A Participant who holds Options is not entitled to notice of, or to vote or attend at a meeting of Shareholders, receive any dividends declared by the Company, or participate in any new issue of securities offered to Shareholders during the term of the Options, unless and until the Options are exercised and the Participant holds Shares under the Plan.
- 11 Options will only vest and be exercisable if any applicable performance criteria or vesting conditions have been satisfied, are deemed satisfied under the Plan rules, or are waived by the Board.
- 12 Options granted under the Plan may not be assigned, transferred or encumbered, or otherwise disposed of by a participant, unless the prior consent of the Board is obtained (and the Board may impose such conditions as it sees fit) or the assignment or transfer occurs by force of law upon the death of a participant to their legal personal representative.

- 13 If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of satisfaction of dividends or by way of dividend reinvestment), the exercise price of the Option will be reduced according to the formula in Listing Rule 6.22.2.
- 14 If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment), the number of securities over which the Option is exercisable will be adjusted in accordance with Listing Rule 6.22.3.
- 15 If there is any reorganisation of the issued share capital of the Company, the rights of the Participant who holds Options will be varied to comply with the Listing Rules that apply to the reorganisation at the time.
- 16 The Board will not seek official quotation of Options, but must use all reasonable endeavours to obtain the grant of quotation of Shares issued on exercise of Options.

**Performance Right Terms:**

- 17 The Board may offer Performance Rights to an Eligible Employee at its sole discretion.
- 18 A Performance Right confers an entitlement to be provided with one Share upon satisfaction of specified performance criteria.
- 19 A participant who holds Performance Rights is not entitled to notice of, or to vote or attend at a meeting of Shareholders, or receive any dividends declared by the Company, unless and until the Performance Rights are satisfied and the participants holds Shares under the Plan.
- 20 Unless otherwise determined by the Board, Performance Rights cannot be transferred to or vest in any person other than the participant.
- 21 If there is any reorganisation of the issued share capital of the Company, the rights of the Participant who holds Performance Rights will be varied to comply with the Listing Rules that apply to the reorganisation at the time.
- 22 The Board will not seek official quotation of Performance Rights, but must use all reasonable endeavours to obtain the grant of quotation of Shares issued on exercise of Performance Rights.

**Lapse of Options and Performance Rights**

- 23 Subject to the Board's discretion, Options and Performance Rights shall automatically be cancelled for no consideration where:
  - 23.1 the Participant ceases to hold employment or office (except where provided for under the Good Leaver and Bad Leaver provisions, as described in section entitled "Good Leaver" below);
  - 23.2 the Options or Performance Rights are forfeited under the terms of the Offer or, in the reasonable opinion of the Board, the participant acts fraudulently or dishonestly, or wilfully breaches his or her duties to the Company;
  - 23.3 the applicable performance criteria or vesting conditions are not achieved by the relevant time;
  - 23.4 the Board determines, in its reasonable opinion, that the applicable performance criteria or vesting conditions have not been met and cannot be met within the relevant time;



- 23.5 in the case of Options, the expiry date has passed;
- 23.6 in the case of Performance Rights, the Board determines that the participant has not satisfied the performance criteria;
- 23.7 the Board determines that the participant has brought the company into disrepute;
- 23.8 the participant surrenders the Performance Rights or Options; and
- 23.9 the Offer letter provides for the cancellation of the Performance Rights or Options in any other circumstances.

### **Share Terms**

- 24 Shares issued under the Plan will be subject to Offer Conditions and will remain restricted securities until the Offer Conditions have been satisfied. If the participant ceases to be an Eligible Employee prior to satisfaction of the Offer Conditions, the Company has the right to buy-back the Shares. The Company may also buy-back the Shares where the participant has acted fraudulently or dishonestly or the Board determines that any Offer Conditions have not been met by the Expiry Date.

### **Employee Loan**

- 25 the Board may, in its absolute discretion, offer to a participant a limited recourse, interest free loan to be made by the Company to the participant for an amount equal to the Issue Price for the Shares offered to the participant pursuant to the relevant Offer.

### **Good Leaver**

- 26 Where a participant who holds employee incentives becomes a Good Leaver all vested employee incentives which have not been exercised will continue in force and remain exercisable for 90 days after the date the participant becomes a Good Leaver, unless the Board determines otherwise in its sole and absolute discretion, after which the employee incentives will lapse. A Good Leaver is a person who is not a Bad Leaver. A Bad Leaver includes a person who is dismissed from office for serious or persistent breach of their terms of employment, a director who has become disqualified, or a person who has committed some other fraudulent, dishonest or negligent act.

### **Assignment**

- 27 Employee incentives may not be sold, transferred, assigned or novated except with the prior approval of the Board. Upon death or total and permanent disablement of the participant, the Board may permit the sale or transfer of any Shares acquired under the Plan.

### **Change of Control**

- 28 All granted Performance Rights which have not yet vested or lapsed will automatically and immediately vest, and a participant may exercise any or all of their Options, regardless of whether the vesting conditions have been satisfied (provided that no Option will be capable of exercise later than the expiry date), if any of the following change of control events occur:

- 28.1 the Company announces that its shareholders have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, or any reconstruction, consolidation, sub-division,

reduction or return) of the issued capital of the Company) and the Court, by order, approves the scheme of arrangement;

28.2 a Takeover Bid:

28.2.1 is announced;

28.2.2 has become unconditional; and

28.2.3 the person making the Takeover Bid has a Relevant Interest in 50% or more of the issued Shares; or

28.3 any person acquires a Relevant Interest in 50.1% or more of the issued Shares by any other means.

**Termination, Suspension or Amendment**

29 The Board may terminate, suspend or amend the Plan at any time subject to any resolution of the Company required by the Listing Rules.

**Employee Share Trust**

30 The Board may use an employee share trust for the purposes of holding shares for participants under the Plan.

**Disposal Restrictions on Shares**

31 The Board may impose disposal restrictions on Shares issued under the Plan or acquired following the vesting of Performance Rights or exercise of Options as a condition of any Offer. The Board may place a holding lock or similar arrangements on the Shares to give effect to the restrictions.

**Capital Reconstructions**

32 Subject to applicable laws, the number of employee incentives and Shares held by a Participant may be determined by the Board in its sole and absolute discretion to be such number is appropriate so that the participant does not suffer any material detriment following a variation in the share capital of the Company.

**Buy-back**

33 The Company may buy-back Shares issued under the Plan in certain circumstances in accordance with the rules of the Plan.

## Schedule 5 - Terms and Conditions of Performance Rights

### 1 Issue Price

Nil.

### 2 Exercise Price

Nil.

### 3 Vesting Conditions and Expiry Date

The Performance Rights will vest over the period from Completion until the date that is four years after Completion (**Expiry Date**) as follows:

3.1 one-quarter (being, 3,000,000 Performance Rights) one year following Completion; and

3.2 one-sixteenth (being, 750,000 Performance Rights) each quarter thereafter, (the **Vesting Conditions**).

### 4 Exercise of Vested Performance Rights

A vested Performance Right may be exercised at any time from the date of vesting until such time as the vested Performance Right expires, lapses or is forfeited.

### 5 Voluntary Escrow

The Performance Right Shares may be subject to voluntary escrow.

### 6 Lapsing of Performance Rights

A Performance Right will lapse upon the earlier to occur of:

6.1 in the case of a vested Performance Right, on the Expiry Date;

6.2 in the case of an unvested Performance Rights, on the date that the Board determines that any applicable Vesting Conditions have not been met or cannot be met; and

6.3 in the case of any Performance Right, on the date that the Performance Right holder (**Holder**) ceases to be an employee of the Company.

### 7 Issue of Shares

The Holder will be entitled to one Share for every vested Performance Right that is exercised (**Performance Right Shares**). Subject to the Corporations Act and the Listing Rules, the Company must issue to, or procure the transfer to, the Holder (or his nominee) the number of Shares that he is entitled to be issued in respect of vested Performance Rights that are exercised.

### 8 Share ranking

All Performance Right Shares will rank equally with all other issued Shares, and will be entitled in full to those dividends which have a record date for determining entitlements after the date of issue.

**9 Listing of Shares on ASX**

The Company will apply for official quotation of all Performance Right Shares on ASX.

**10 Change of control**

Performance Rights which have not expired or lapsed will automatically vest and be deemed to immediately become vested Performance Rights where:

10.1 the Company announces that its Shareholders have at a Court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company) and the Court, by order, approves the scheme of arrangement;

10.2 a Takeover Bid:

10.2.1 is announced;

10.2.2 has become unconditional; and

10.2.3 the person making the Takeover Bid has a relevant interest in 50% or more of the Shares; or

10.3 any person acquires a relevant interest in 50.1% or more of the Shares by any other means,

**(Change in Control Event).**

**11 Adjustment for reorganization**

In the event of any reconstruction, consolidation or division of the issued capital of the Company, the Performance Rights and their terms of satisfaction through the issuance of Shares in exchange therefor will be reconstructed, consolidated or divided in the same manner such that no additional benefits are conferred on the holder by virtue of such reconstruction, consolidation or division.

**12 Winding Up**

If the Company is wound up prior to conversion of all of the Performance Rights into Shares then the Holder will have:

12.1 no right to be paid cash for the Performance Rights; and

12.2 no right to participate in surplus assets or profits of the Company on winding up.

**13 Dividends**

Holders of Performance Rights are not entitled to receive any dividends on their Performance Rights.

**14 Non-transferable**

Unless otherwise determined by the Board, the Performance Rights cannot be transferred to or vest in any person other than the Holder.

**15 Voting Rights**

Holders of the Performance Rights will have no right to vote in respect of their Performance Rights.

**16 Participation in New Issues**

There are no participation rights or entitlements inherent in the Performance Rights and Holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.

**17 Quotation**

The Performance Rights are not quoted. No application for quotation of the Performance Rights will be made by the Company.

## Schedule 6 - Terms and Conditions of Performance Shares

### 1 General

- 1.1 **(Share capital)** Each Performance Share is a Share in the capital of the Company.
- 1.2 **(General meetings)** Each Performance Share confers on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to the Company's shareholders. A Holder has the right to attend general meetings of the Company.
- 1.3 **(No voting rights)** A Performance Share does not entitle the Holder to vote on any resolutions proposed at a general meeting of the Company, subject to any voting rights provided under the Corporations Act or the Listing Rules where such rights cannot be excluded by these terms.
- 1.4 **(No dividend rights)** A Performance Share does not entitle the Holder to any dividends.
- 1.5 **(No rights on winding up)** A Performance Share has no right to participate in the surplus profits or assets of the Company upon a winding up of the Company.
- 1.6 **(Transfer of Performance Shares)** The Performance Shares are not transferable.
- 1.7 **(Reorganisation of Capital)** In the event that the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the Listing Rules at the time of reorganisation provided that, subject to compliance with the Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.
- 1.8 **(Quotation)** The Performance Shares will not be quoted on ASX.
- 1.9 **(No participation in entitlements and bonus issues)** Subject always to the rights under item 1.7 (Reorganisation of Capital), Holders will not be entitled to participate in new issues of capital offered to Shareholders such as bonus issues and entitlement issues.
- 1.10 **(Amendments required by ASX)** The terms of the Performance Shares may be amended as considered necessary by the board of directors of the Company in order to comply with the Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.
- 1.11 **(No other rights)** A Performance Share does not give a Holder any rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

### 2 Milestones

The Performance Shares will convert upon satisfaction of any one of the following milestones before the applicable Expiry Date:

- 2.1 4,000,000 performance shares that will vest upon LIFX business contributing a cumulative A\$100 million to the Buddy Group in revenues within 18 months from Completion (**Class A Performance Share**);

2.2 4,000,000 performance shares that will vest upon LIFX business contributing a cumulative A\$200 million in revenues to the Buddy Group within 30 months from Completion (**Class B Performance Share**); and

2.3 4,000,000 performance shares that will vest upon LIFX business contributing a cumulative A\$250 million in revenues to the Buddy Group within 36 months from Completion (**Class C Performance Share**),

(each referred to as a **Milestone**).

### 3 **Change in Control Event**

3.1 All Performance Shares on issue shall automatically convert into Shares up to a maximum number that is equal to 10% of the Company's issued capital (as at the date of any of the following events) upon the occurrence of either of the following events:

3.1.1 the Company announces that its Shareholders have at a Court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company) and the Court, by order, approves the scheme of arrangement;

3.1.2 a Takeover Bid:

(a) is announced;

(b) has become unconditional; and

(c) the person making the Takeover Bid has a relevant interest in 50% or more of the Shares; or

3.1.3 any person acquires a relevant interest in 50.1% or more of the Shares by any

3.2 The Company must ensure the allocation of Shares issued under item 3.1 is on a pro rata basis to all Holders in respect of their respective holdings of Performance Shares and all remaining Performance Shares held by each Holder will automatically consolidate into one Performance Share and will then convert into one Share.

### 4 **Expiry Dates**

The expiry dates for the Performance Shares are as follows:

4.1 **Class A Performance Shares:** the Milestone must be achieved on or before 5.00pm (ACDT) on the date which is 18 months after the date on which Completion Occurs; and

4.2 **Class B Performance Shares:** the Milestone must be achieved on or before 5.00pm (ACDT) on the date which is 30 months after the date on which Completion Occurs;

4.3 **Class C Performance Shares:** the Milestone must be achieved on or before 5.00pm (ACDT) on the date which is 36 months after the date on which Completion Occurs;

(each referred to as an **Expiry Date**).

- 4.4 To the extent that any Performance Shares have not converted into Shares by the applicable Expiry Date, such Performance Shares will automatically lapse.

## **5 Conversion of Performance Shares**

Any conversion of Performance Shares into Shares is on a one for one basis.

## **6 Takeover Provisions**

- 6.1 If the conversion of Performance Shares (or part thereof) under item 2 or 3 would result in any person being in contravention of section 606(1) of the Corporations Act, then the conversion of each Performance Share that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of section 606(1). Following a deferment under this item 6.1, the Company shall at all times be required to convert that number of Performance Shares that would not result in a contravention of section 606(1).
- 6.2 Where paragraph item 6.1 applies, if requested to do so by the affected Holder, the Company must seek to obtain the approval of its shareholders under section 611, item 7 of the Corporations Act for the conversion of the affected Performance Shares at the Company's next annual general meeting.
- 6.3 A Holder must promptly notify the Company in writing if they consider that the conversion of Performance Shares (or part thereof) under item 2 or 3 may result in the contravention of section 606(1), failing which the Company is entitled to assume that such conversion will not result in any person being in contravention of section 606(1) (unless it is on notice to the contrary through a substantial holder notice which has been lodged in relation to the Company).
- 6.4 The Company may (but is not obliged to) by written notice request that a Holder confirm to the Company in writing within 7 days if they consider that the conversion of Performance Shares under item 2 or 3 may result in the contravention of section 606(1). If the Holder does not confirm to the Company within 7 days that they consider such conversion may result in the contravention of section 606(1), then the Company is entitled to assume that such conversion will not result in any person being in contravention of section 606(1) (unless it is on notice to the contrary through a substantial holder notice which has been lodged in relation to the Company).

## **7 Quotation**

If the Company is listed on the ASX at the time, upon conversion of the Performance Shares into Shares in accordance with these terms, the Company must within 7 days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of the Shares arising from the conversion.

## **8 Conversion procedure**

The Company will procure that the Holder is issued with a new holding statement for the Shares as soon as practicable following the conversion of the Performance Shares into Shares.



## 9      **Ranking of Shares**

The Shares into which the Performance Shares will convert will rank pari passu in all respects with the Shares on issue at the date of conversion.

## SCHEDULE 7 - NOTICE OF CONSENT TO NOMINATION AS DIRECTOR

Buddy Platform Ltd  
Suite 1G, 437 Roberts Road  
Subiaco WA 6008

### Consent to Nomination as Director

I, Marc Alexander, consent to being nominated to act as a director of Buddy Platform Ltd ACN 121 184 316 (**Company**) and hereby confirm my candidature for the office of director of the Company.

In accordance with the *Corporations Act 2001* (Cth) I consent to act as a director of the Company, and submit the following information to be entered into the Company's register and lodged with ASIC:

Full Name:	Marc Philip Emmett Alexander
Date of Birth:	26 March 1970
Place of Birth:	Mitcham VIC
Usual Residential Address:	11 Tarwin Drive, Croydon Hills, 3136 VIC



.....  
Signature

Name    Marc Alexander

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**Buddy Platform Limited**  
ACN 121 184 316

## LODGE YOUR VOTE



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



### BY MAIL

Buddy Platform Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



### BY FAX

+61 2 9287 0309



### BY HAND

Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138



### ALL ENQUIRIES TO

Telephone: 1300 554 474

Overseas: +61 1300 554 474

## LODGE A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:00am (ACDT) on Saturday, 23 March 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the reverse of this Proxy Form).



### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your securityholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

### QR Code



## HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a securityholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either securityholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's security registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

NAME SURNAME  
ADDRESS LINE 1  
ADDRESS LINE 2  
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## PROXY FORM

I/We being a member(s) of Buddy Platform Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **11:00am (ACDT) on Monday, 25 March 2019 at Level 2, 333 King William Street, Adelaide, South Australia** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.

#### Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Issue of the Minority Vendor Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Election of Director – Marc Alexander	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Issue of Eastfield Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Issue of the Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Adoption of Employee Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Director Participation in Placement – Mr David McLauchlan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5 Director Participation in Placement – Mr Richard Borenstein	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6 Creation of a New Class of Securities – Performance Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
7 Issue of Securities to Marc Alexander	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
8 Issue of Securities to Tim Peters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

BUD PRX1901B