



ASX MARKET RELEASE

Buddy Technologies Limited – September Quarterly 4C Review (Q1FY20)

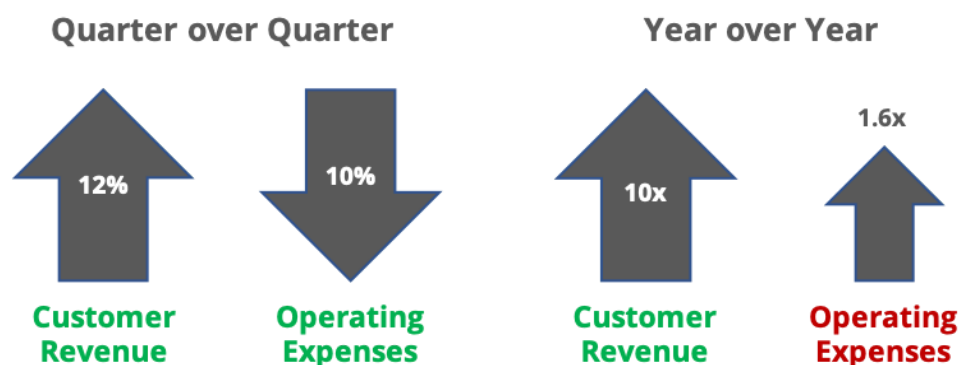
31 October 2019 – Adelaide, South Australia

Buddy Platform Limited (ASX: BUD) (“Buddy” or the “Company”), a leader in IoT and cloud-based solutions for making spaces smarter, has today released its Quarterly Appendix 4C filing for the September 2019 quarter (Q1FY20).

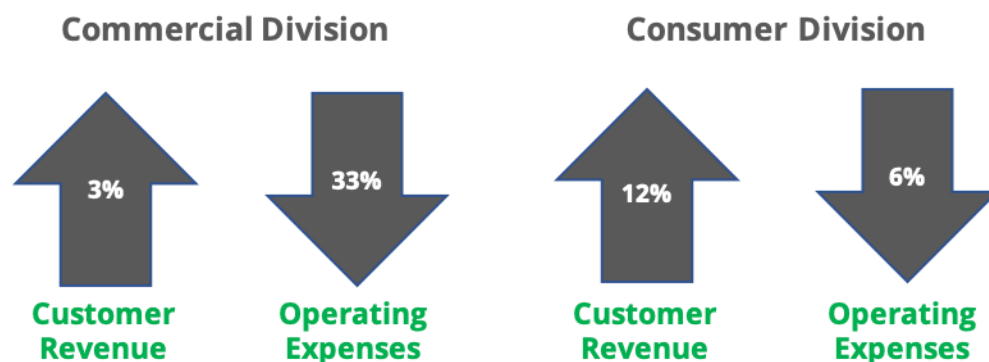
SUMMARY

- **Customer revenues: A\$7.9 million** for the quarter (up 10x over the prior year due to the LIFX acquisition and up 12% over the prior quarter)
- **Customer cash receipts: A\$6.4 million** for the quarter (5x greater than the prior year and down 26% over the prior quarter)
- Cash on hand at 30 September 2019 totalled A\$4.3 million, trade receivables totalled A\$5.1 million and inventories totalled A\$7.6 million
 - Cash on hand does not include (1) any draws on the Company's trade finance or inventory finance facilities, (2) the second tranche of the recent share placement, or (3) the Share Purchase Plan (SPP) as they were all finalised in October
- **Adjusted EBITDA: negative A\$2.9 million** for the quarter, a large improvement compared to negative A\$4.9 million last quarter and negative A\$3.4 million for the year-ago quarter
- Update to previously advised 2019 targets:
 - Buddy Technologies Limited continues to target profitability at the group level by the end of CY19
 - Commercial Division continues to target break-even by the end of CY19
 - Consumer Division continues to target 70%-100% year on year revenue growth in 2019, subject to the completion of material wholesale orders (details below).

QUICK LOOK



Quarter over Quarter:



In this quarter, historically the Company's second slowest by revenue in the year, management is pleased to be able to deliver meaningful reductions in operating expenses while lifting revenue over the prior quarter across both the Commercial and Consumer divisions.

While operating expenses for the Group were up 60% on last year, it should be noted that following the re-organisation of the Commercial division earlier in the year, the entire business is now running at only 1.6x the cost of running just the Ohm business a year ago.

Buddy's Consumer Division (ie: LIFX) saw revenue growth of 12% quarter on quarter which reflects a fairly consistent set of retailers, products and regions between Q1 and Q4FY2019, making it pure growth unaided by new SKUs or the addition of new channels. This quarter was also unaffected by the ex-factory pricing reductions on lights that is now taking effect within Q4 and which will directly bolster margins on these SKUs (refer ASX announcement dated 11 September 2019).

Buddy's Commercial Division (ie: Buddy Ohm and Managed Services) saw modest revenue growth paired with significant reductions in operating expenses, and continues to be on track to reach cash flow breakeven by the end of 2019 (the Commercial team is a team of only 16 people, of whom 5 are dedicated to Airstream and fully funded by that project, 2 are dedicated to licensing opportunities, and the remaining 9 are Buddy Ohm while supporting Managed Services as needed).

As we look to growth drivers in Q2FY2020, it is clear that the addition of over 250 new retail stores in the United Kingdom (refer ASX Announcement dated 11 October 2019), Comcast increasing their LIFX assortment from 100 Xfinity stores to 176 stores, recent improvements in the performance and conversion of LIFX's family of direct to consumer websites, new SKUs, new channels (such as LIFX lights now being offered in the Qantas Frequent Flyer Rewards Store, refer ASX Announcement dated 8 October 2019), Black Friday and Cyber Monday promotions and general uplift in demand around the holidays will all play a role.

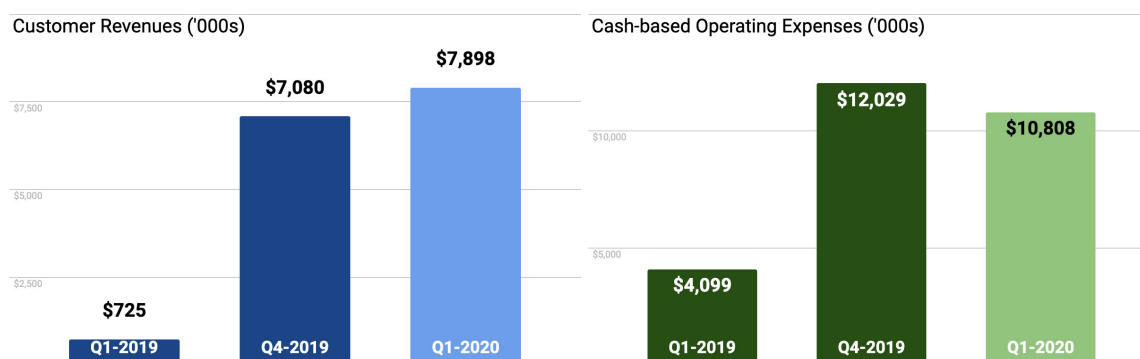
The Company has been in receipt of some outsized wholesale orders of lights from retail and non-retail partners seeking to bundle LIFX lights with other prominent products. These opportunities are extraordinary, in the sense that they are large, bulk purchases and depend upon the Company having stock of these items on hand at the time of order (which for such large volumes is not often the case - while manufacturing the lights is very quick, sourcing components can sometimes have weeks or even months of lead time). These orders are wholesale, which means that they drive significantly lower revenue than a typical retail order (these orders may often be ex-factory, instead of shipped from our global warehouses, which means we don't need to pay for insurance, shipping, customs duties, commissions, accruals, deductions, returns and the like).

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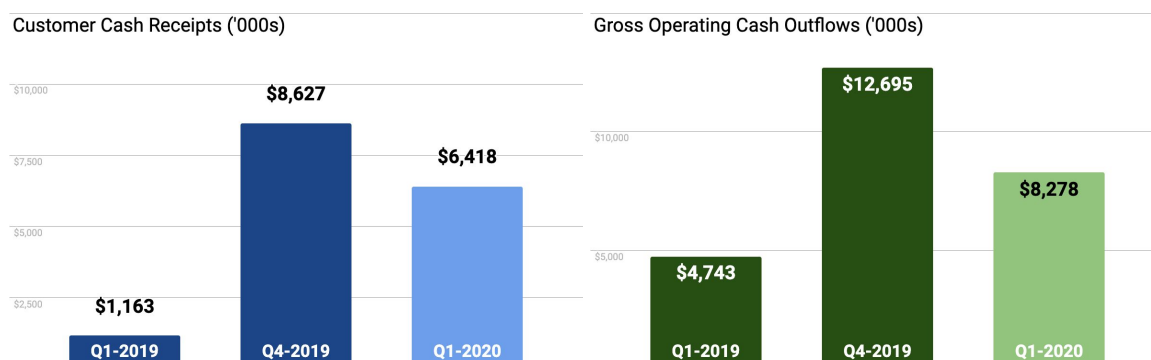
The net effect of fulfilling these orders is that the Company is able to move significant quantities of units in a single order, while ensuring a reasonable margin, but at lower revenue levels. Given the certainty of these sales (and the lack of any subsequent chargebacks) wherever possible we will endeavour to fill these orders provided stock on hand (or that can be built in time to service the order) is available.

Q3 FY2019 FINANCIALS

Customer Revenues and Cash-based Operating Expenses

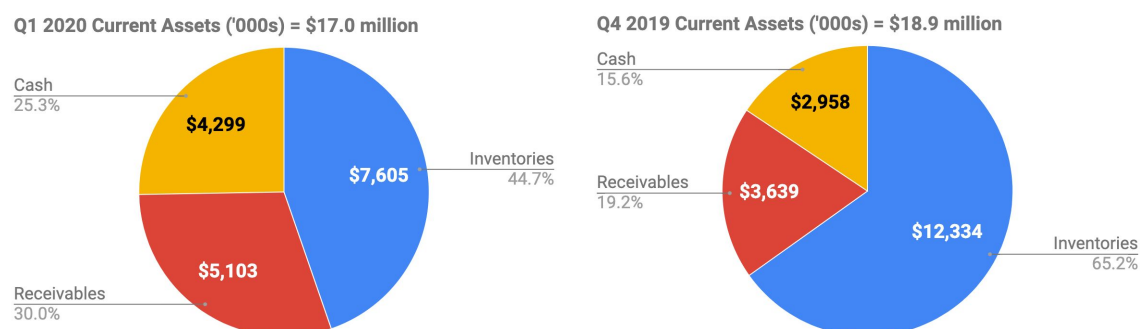


Customer Cash Receipts and Gross Operating Cash Outflows



*Cash-based operating expenses exclude any non-recurring items such as acquisition-related costs, restructuring costs, costs relating to finance facilities and any share-based expenses. Gross operating cash outflows are the amounts listed under item 1.2 in the Appendix 4C report.

Cash Position and Current Assets



Current assets declined quarter-on-quarter as the Company reduced its current liabilities and began shipping inventory to customers in anticipation of upcoming holiday sales.

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As of 30 September 2019, the Company had cash reserves of A\$4.3 million, trade receivables of A\$5.1 million and inventories of A\$7.6 million with no draws on either the trade finance facility or the inventory finance facility.

OPERATIONAL COMMENTARY

OVERVIEW

This past Q1FY2020 was a quarter marked by a diverse set of news and updates, progress towards the completion of the trade and inventory finance facilities and both an equity placement and announcement of our Share Purchase Plan ("SPP"). While the Board and management recognised that conducting an equity placement at the then current share price was not ideal, we felt it was most important to ensure we had sufficient supply in the lead up to the quarter, even if it meant spending down cash reserves to do so.

The Company was deeply appreciative of the support from institutional and sophisticated investors to complete the placement, and likewise those retail investors who subsequently participated in the SPP. I'm pleased to share that Richard Jacroux (Buddy CFO/COO), Rick Borenstein (Chairman of the Board) and I were all participants in the SPP at the highest allowable level.

COMMERCIAL DIVISION (BUDDY OHM & MANAGED SERVICES) UPDATE

The Commercial Division recorded modest growth of 3%, however this reflects a combination of three factors - 1) Airstream revenue (as expected) remains flat and consistent, 2) Buddy Ohm revenue growth is being slightly offset by legacy accounts moving to new hardware and lower pricing (churn remains low at 1%, so departing customers are not a significant contributor here), and 3) an investment by both the Buddy Ohm and the Managed Services teams in spending time this quarter growing their sales pipelines with the expectation that dividends will be paid in the form of landed customer deals in the final calendar quarter of 2019.

Buddy Ohm remains a key product for the Buddy Commercial team, and it is presently growing at a modest rate. Buddy Ohm added 8 new enterprise customers in the quarter, however approximately 30 sites within those customer wins were won in September and await installation (revenue is not recognised until sites have their Buddy Ohm equipment installed and is operational). It is worth noting that the Buddy Ohm team has added 7 new enterprise customers in just October 2019 alone (with that revenue expected to land in Q2FY2020), pointing to an end of year acceleration in sales and deployments for that product.

During Q1FY2020, the Buddy Ohm team completed the first phases of the Wattics analytics integration and the Buddy Ohm web portal refresh, which were both well received by customers and partners, and led to customer wins. Also held during the quarter were the formal sales launches of Buddy Ohm by Pangea, Fidelity Energy, Ingram Micro Mexico, Ingram Micro Spain and Ingram Micro Portugal. Buddy Ohm continues to be focal to Ingram Micro USA and Ingram Micro UK's Internet of Things businesses.

This is an opportune time to note the progress made by our team in the Latin American market. When we opened this market through regional carrier, Digicel, we each had expectations that did not live up to the reality of selling in those markets. However, with a revised engagement with Digicel, additional resellers and deep focus by our General Manager of the Central and Latin America region, we're seeing growth there again.

In particular there are two recent wins which are instructive to call out. The first is Australian broom and brush manufacturer, Hayco (www.hayco.com) - which is a Hong Kong based company operating a Chinese injection-molding factory to support Hayco's global customer base. Hayco initially purchased four Buddy Ohm installations to monitor four production lines, measuring electricity consumption to be displayed in the Ohm Dashboard and on large

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screens via Ohm View. Subsequently, Hayco expanded their Buddy Ohm implementations at their Dominican Republic manufacturing facility, with fifty additional Buddy Ohm installations. Already worth more than A\$40k per year to Buddy, this account has room to grow and demonstrates the flexibility of the new Buddy Ohm hardware and the revised pricing it now supports. This would have been a very expensive account to support under the original hardware, and almost certainly couldn't have been profitably offered to the customer at a reasonable price point previously.

The second notable win out of Latin America, is Banco Popular in Colombia (<https://www.bancopopular.com.co/>), which was won following a successful proof of concept and an open bid process. Our contract with Banco Popular has us deploying 36 points for electrical monitoring, as well as 8 gas/water/climate monitoring solutions, all in their main headquarters building in Bogota, Colombia. This is a concentrated implementation of monitoring services across an important building for their company. Banco Popular is part of the large Colombian holding company Grupo Aval, which is parent to some of Colombia and Central America's top financial organisations (including Banco de Bogotá S.A., Banco de Occidente S.A., Banco Popular S.A., Banco AV Villas S.A. and Corficolombiana). We see an opportunity to continue to delight this customer with the potential for growth ever-present. Banco Popular's main building monitoring is a nearly A\$32k per year account for Buddy.

To help us win the opportunities above, a data center company in Antigua offered this recommendation for Buddy Ohm, which was both generous and contributed to helping us win that deal: *"We have been using Buddy Ohm system for a few months now to help us to better monitor the climate of our server rooms and also to monitor the electricity consumption of multiple locations. The interface is friendly and intuitive, and has graphs that you can tweak to show patterns over a specified time frame. We have used this to help us to troubleshoot various issues already relating to temperature. I highly recommend the Buddy Ohm system"*.

Buddy Ohm is at present a small portion of the Buddy Group's overall revenues, but it is growing, the product has finally found its customer fit, and our customer base is happy and getting larger. As long as we see a clear path to profitability and success with this product and the broader Commercial business, we will continue our investment in this product.

Turning to Managed Services now, Buddy continues to service our Airstream account, and strong progress is being made there. We remain very proud of our work for Airstream, which is being conducted out of our Adelaide and Seattle offices.

During Q1FY2020, Buddy formally launched the broader Commercial/Managed Services team across Melbourne, Adelaide and Seattle. In so doing, the first product to be developed by this team was shown publicly - the LIFX Switch, demonstrated at the IFA trade show in Berlin.

LIFX Switch is currently on track to launch this coming month with a plan to open pre-sales for LIFX Switch in the next few weeks with sales commencing shortly thereafter. The interest already received by the Company from electricians, trade retailers, consumer retailers and homeowners has been encouraging.

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Figure 1. The new LIFX Switch.

The Commercial team was pleased to sign their first licensing agreement in the healthcare space with UMPS Health (refer to ASX announcement dated 8 August 2019). This is a wonderful opportunity for the Company to help the elderly stay in their own homes longer, and avoid aged care facilities until absolutely necessary. We see the opportunity to do a lot more in this space, especially given the unobtrusive nature of installing LIFX lights to better understand living behaviours that can signal potential emergencies.

The Commercial team's success in landing LIFX lights in the Qantas Frequent Flyer Rewards Store (refer ASX announcement dated 8 October 2019) was largely negotiated and arranged in Q1FY2020. This truly highlights the benefit of having a dedicated commercial opportunities team - we can seek out unique channels for our products, and do so without limiting our consumer sales team's ability to focus deeply on the retail channels they support and wish to expand into.

Finally, we should note the Commercial team's efforts to win DIYBlinds motorised smart blinds business (refer ASX announcement dated 25 October 2019). While this is also a Q2FY2020 deal, the vast majority of the work to land it occurred in Q1. Investors should not underestimate the importance of winning that deal. It is the first commercial licensing deal of LIFX's hardware AND software platforms into a third party product, it is a license for two very important markets for the Company - Australia and the United States, and thirdly, DIYBlinds has allowed us to share that they will invest A\$32 million over the next 24 months in bringing their motorised blinds product range to market. This level of investment is clearly very significant and we couldn't be more pleased to support DIYBlinds with our hardware in every blind and software powering every blind manufactured as part of this project, which will provide a contribution margin back to the broader business.

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CONSUMER DIVISION UPDATE

The Buddy Group's Consumer Division, ie: LIFX, tends to spend Q1 focussing on maximising sales for the holiday quarter, Q2. Put another way, the success of the business is largely driven by the preparation invested in during Q1. While management was looking for a stronger revenue result this quarter, there is clearly no lack of demand in the market. Smart lighting sales are going up in all regions and the most effective driver of sales growth is pricing control. This in turn is directly related to margins - the greater our margins, the greater our ability to promote, make price adjustments and drive maximum sell through volume. For example, the Company conducted a recent test in the US market - reducing a product's price by 20% drove a 136% uplift in sales volume. It is for this reason that we consider margin (and the root of margin - our cost of goods sold) the most important metric in the business right now, which is currently tracking higher than at the same time last year.

As previously disclosed (refer to ASX announcement dated 11 September 2019), we are actively engaged in a process with our manufacturer to reduce our ex-factory pricing on lights. Negotiations remain ongoing and, at this stage, appear to be yielding results, which is expected to have a positive effect on margins in the holiday quarter.

The Australian LIFX business is performing well, with net profit margins exceeding 20%, sometimes 30%. While LIFX product is purchased from the manufacturer in USD\$, margins in Australia can be meaningfully influenced by currency fluctuations; that said, we remain very pleased with the progress of the Australian business. Bunnings and JB Hi-Fi are the top two retail channels by dollars and share, but we were very pleased to introduce LIFX lights into a dedicated retail experience inside David Jones stores, especially given that our primary competitor is no longer being stocked by David Jones.

Our newest international region is EMEA (Europe, Middle East and Africa), where the primary focus is Europe and the UK with some retail assortment in the Middle East. Year to date growth in EMEA (to September 30) is 114%, although being a new region this is off a smaller base.

Our primary retail channels in the Middle East are Virgin Megastores, Apple Stores, eMax and Jumbo stores. We're currently seeking certification to sell LIFX products in Kuwait and the Kingdom of Saudi Arabia, which once complete, may meaningfully lift sales in the Middle East region. The Company is seeking to be live in Kuwait, Saudi Arabia, Qatar, Bahrain and possibly Oman before the end of the calendar year. Already LIFX is the leading smart light vendor operating in the Middle East; these additional markets will only solidify this position.

We were pleased to enter the Dixons family of retail outlets in the UK and Ireland (refer ASX announcement dated 11 October 2019), the preparation for which was largely conducted in Q1. This added over 250 retail outlets in a primary market (the UK) where LIFX did not have national bricks and mortar assortment.

Our Amazon UK business experienced a slowdown in Q1FY2020, as that retailer had significantly increased orders in Q3FY2019 and Q4FY2019 in preparation for a potential disruption from Brexit. That excess stock was subsequently shared amongst Amazon EU stores in Q1FY2020, largely resolving the excess stock situation experienced by Amazon UK. We can report that Amazon UK is back in growth mode this month, ahead of internal forecasts by approximately 50%.

In Germany we have launched our first Google Nest Home bundle with MediaSaturn, which has expanded our reach across the organisation, which has also expanded to an in-store retail pilot of some 31 stores across greater Berlin. In France, we launched our first Google hard bundle (physical bundle of both Google's product and ours wrapped together) with retailer Boulanger, and negotiated positioning on Google Play Tables in two retailers - Darty and Fnac. These will go live imminently.

The North American LIFX business continues to be the largest volume and revenue contributor to the business. Our largest two retailers in the US market - Best Buy and

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Amazon - continue to consider LIFX the #2 vendor in the smart lighting space. Our largest competitor has introduced value priced Bluetooth and low-end WiFi lighting (through their acquisition of Wiz), which has applied pressure to the segment overall. Retailers, however, continue to expect segment growth and both high and lower end products within the segment to flourish.

Crucial to LIFX's profitability and success is the achievement of margin protection or even enhancement on light sales. LIFX engineers are constantly engaged in "value engineering" to ensure that the cost of building our products is as low as possible, but as disclosed in the ASX announcement dated 11 September 2019, we are engaged deeply with our manufacturer to ensure we're buying lights at the best possible price to ensure margins are in place that provide profitability, while offering our products at the best possible price. These conversations are ongoing and fruitful, and as developments are made, the Company will update the market by way of ASX announcements.

KEY PARTNERSHIPS UPDATE

There were no other material changes to key partnerships.

2019 TARGETS UPDATE

At the acquisition of LIFX, the Company shared three targets for CY2019 that all employees would be working towards:

1. Buddy Technologies Limited to target profitability at the group level by the end of CY2019
2. Buddy's Commercial Division to target break-even by the end of CY2019
3. Buddy's Consumer Division to target 70%-100% year on year growth in CY2019.

As at 31 October 2019, targets #1 and #2 remain on track for completion. Target #3, with a Consumer Division revenue growth target of more than 70% is currently on track subject to LIFX achieving targeted calendar Q4 sales and successfully completing two large bulk purchase deals (or others that may be inbound subsequently) that are currently in progress.

The first of these large bulk purchase customers has been previously disclosed as a major US utility company (refer ASX Announcement dated 11 September 2019), and that deal remains subject to the completion of negotiations and the submission of a purchase order. The second of these deals is an aggregated collection of orders by various related entities for which purchase orders have been submitted (the first having been accepted, and product has been dispatched from a LIFX warehouse), but for which acceptance of additional POs is dependent upon the ability of the Company to source stock (noting that this is an incremental, outsized and unforecasted order that all parties understand is not something LIFX could be expected to automatically accept).

The Company will keep the market updated as to the progress of these and other significant opportunities that may present themselves during this peak holiday period (noting of course that historically, deals such as these may come and go throughout the quarter and even appear as late as Christmas week).

CONCLUSION

It is stating the obvious to suggest that Buddy's share price has deeply underperformed in recent months. While I know this can be frustrating for shareholders, I can assure all that the global Buddy team - in Adelaide, Seattle, Melbourne, San Francisco, Shenzhen, Miami and Dublin - is working extremely hard to deliver the best possible results this holiday quarter and beyond. There is not an employee of the business who isn't also a shareholder, and so the alignment of employee interests with those of shareholders is very real.

We will continue to deliver updates and news as it happens, and we will shortly schedule a webinar to discuss these results and answer shareholder questions - details on that to be published shortly.

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Thank you all for your continued support.

For and on behalf of Buddy Technologies Limited.



David P. McLauchlan
Chief Executive Officer
Buddy Technologies Limited.

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About Buddy

Buddy Technologies Limited (BUD.ASX) helps customers of any size “make every space smarter”. Buddy has two core businesses – its Commercial Business and Consumer Business. **Buddy Ohm** and **Buddy Managed Services** are the company’s core Commercial offerings that empower its customers to fully leverage digital technologies and their impact in a strategic and sustainable way. Buddy Ohm is a resource monitoring and analytics solution that provides energy monitoring, reporting and auditing services for commercial and industrial customers. Buddy Managed Services licenses Buddy’s technology platforms to customers for integration into their own products.

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

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

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

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Buddy Technologies Contact:
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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Buddy Technologies Limited

ABN

21 121 184 316

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date \$A'000s
1. Cash flows from operating activities		
1.1 Receipts from customers	6,418	6,418
1.2 Payments for		
(a) research and development	(467)	(467)
(b) product manufacturing and operating costs	(2,938)	(2,938)
(c) advertising and marketing	(1,429)	(1,429)
(d) leased assets	-	-
(e) staff costs	(2,732)	(2,732)
(f) administration and corporate costs	(712)	(712)
1.3 Dividends received (see note 3)	-	-
1.4 Interest & other income received	68	68
1.5 Interest and other costs of finance paid	(205)	(205)
1.6 Income taxes received (paid)	(14)	(14)
1.7 Government grants and tax incentives	27	27
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,984)	(1,984)

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date \$A'000s
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(54)	(54)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	371	371
2.6 Net cash from / (used in) investing activities	317	317

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	5,013	5,013
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(279)	(279)
3.5 Proceeds from borrowings	472	472
3.6 Repayment of borrowings	(52)	(52)
3.7 Transaction costs related to loans and borrowings	(626)	(626)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	4,528	4,528

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date \$A'000s
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,958	2,958
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,984)	(1,984)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	317	317
4.4 Net cash from / (used in) financing activities (item 3.10 above)	4,528	4,528
4.5 Effect of movement in exchange rates on cash held	1,520	1,520
4.6 Cash and cash equivalents at end of quarter	4,299	4,299

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,299	2,958
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,299	2,958

6. Payments to directors of the entity and their associates

**Current quarter
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

88

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

CEO Salary – 88k (fixed in USD)

7. Payments to related entities of the entity and their associates

**Current quarter
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

-

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
15,152	15,152
-	-
-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Current Loan facility: **Line of Credit (LoC).**

Total drawn: \$11.175 million

Use of funds: Working capital

Lender: Luminous Wide Limited

Interest Rate: 12%

Secured or unsecured: secured by receivables and inventory

Payment: The remaining balance is due in December 2019.

Current Loan facility: **Bridge Loan until Trade Finance Facility (or similar)**

Total drawn: \$3.978 million

Use of funds: Paydown of Line of Credit (LoC)

Lender: Seisun Capital PTY Limited

Base Interest Rate: 12% + fees

Secured or unsecured: secured by receivables and inventory

Payment: Extended to October 2019

The Company intends to transition the above LoC and Bridge Loan to the following (or similar) as possible:

Future loan facility: **Trade Finance Facility (first announced 22 April 2019 and last updated 17 October 2019)**

Total drawn at 30 September 2019: \$nil

Loan: Trade Finance Facility

Total Facility Amount: A\$20 million

Use of funds: Working capital and repayment of above LoC

Lender: Scottish Pacific

Interest Rate: Prime rate plus 6.5%. Expected to be between 7.23% and 9.02% depending on the currency of the security

Secured or unsecured: secured by receivables

Term: 24 months

Future loan facility: **Inventory Finance Facility (first announced 11 September 2019 and last updated 16 October 2019)**

Total drawn at 30 September 2019: \$nil

Loan: inventory Finance Facility

Total Facility Amount: US\$6 million

Use of funds: Working capital and repayment of above LoC

Lender: The Challenger Trade Finance Segregated Portfolio of the South Africa Alpha SPC

Interest Rate: LIBOR plus 9.5%. Plus a drawdown fee of 0.5% of the balance drawn, not to exceed 3% in any year

Secured or unsecured: secured by inventory at specific locations

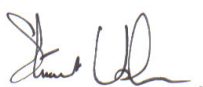
Term: 24 months

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(500)
9.2 Product manufacturing and operating costs	(7,350)
9.3 Advertising and marketing	(1,450)
9.4 Leased assets	-
9.5 Staff costs	(2,750)
9.6 Administration and corporate costs	(750)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(12,800)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Company Secretary)

Date: 31 October 2019

Print name: Stuart Usher

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.