



ASX MARKET RELEASE

Buddy Enters Into Equity Financing Agreement

SUMMARY

- Buddy has entered into a share purchase agreement to provide financing by way of a tranching equity-backed finance facility over a period of 24 months
- The facility will provide the Company with A\$12.5 million of working capital funding, and will sit alongside the Company's existing trade and inventory financing facilities, which will continue to be used to fund manufacturing and supply growth
- The financing provides Buddy with the necessary capital to emerge from the Coronavirus pandemic in a strong position, while providing access to significant growth capital should the business have such a need during this period.

5 May 2020 - Adelaide, South Australia

Buddy Technologies Limited ("Company") (BUD.ASX), a leader in IoT and cloud-based solutions for making spaces smarter, is pleased to advise that it has entered into a share purchase agreement ("SPA") with New York based institutional global small cap investor, CST Investments Fund ("CST"). The SPA provides the Company with financing of A\$12.5 million and, in the event of outsized company growth, may be increased by up to an additional A\$11.5 million (up to A\$24 million in total) over two years. This growth equity overdraft facility ("Facility") provides the Company with the additional capital to fully navigate the Coronavirus pandemic, the funding to deliver upon the Company's Eight Goals for 2020 (refer to the Investor Webinar dated 11 February 2020) and the resources to fuel outsized growth should that be needed.

The Facility comprises up to A\$1 million in initial funding, with 23 subsequent monthly tranches of at least A\$500,000 which may be paused at the election of the Company. The Facility may be further increased, subject to the mutual consent of the parties, however, at this time the Company does not intend to draw-down on more than A\$12.5 million of the Facility over the 24-month term and will advise shareholders, by way of an ASX announcement, prior to doing otherwise. The ability to increase the minimum drawdowns under the Facility will provide the Company with significant financial headroom should the Company's growth warrant access to additional funds.

"Despite some remarkable headwinds in the global economy, both now and likely into the future, we remain encouraged by the sales performance of our products at online and offline retail locations around the world", said David McLauchlan, CEO of Buddy Technologies.

"Securing this new equity overdraft facility allows us to expand the business with confidence

during the pandemic and beyond, while giving us future access to significant capital at future prices should our growth over the next 24 months create need for such resources”.

The key terms of the SPA are as follows:

1. **Funding** - the Facility will provide funding to the Company as follows: (i) up to A\$1 million under the initial tranche; and (ii) an amount of A\$500,000 for each subsequent monthly tranche for the remaining 23 months of the Facility, for a total of A\$12.5 million over two years. The Company may (at its option) decrease the amount of a monthly tranche to no less than A\$250,000, or (with notice) pause a tranche entirely. The Company may also, with the consent of CST, increase a monthly tranche to up to A\$1,000,000 to support growth.
2. **Flexible Structure** - the SPA is a flexible facility that does not limit or impact the Company's trade or inventory finance facilities, nor requires changes to the existing security arrangements in respect of those agreements. Buddy can pause the Facility or terminate the SPA with notice and can do so without being subject to pause or termination fees.
3. **Conversion** - if the Company's Share price is below \$0.015, payment for the first half of each tranche by CST will occur every 30 days following the preceding tranche (subject to the relevant conditions precedent being met) and the payment for the second half of each tranche will occur 14 days after the first payment (subject to the relevant conditions precedent being met). If the Company's Share price is equal to or greater than \$0.015, payment for the entire tranche by CST will occur every 30 days following the preceding tranche (subject to the relevant conditions precedent being met).
4. **Tranche Shares** - the Company will issue fully paid ordinary shares in the Company ("Shares") to CST (based on the 90% of the average 5 lowest day volume weighted average price ("VWAP") of the 20 trading days prior to the relevant tranche issue date) on the 28th day following the receipt of the first payment for that tranche.
5. **Collateral** - as collateral for the SPA, the Company has agreed to issue up to 200,000,000 Shares ("Collateral Shares") to CST under its ASX Listing Rules 7.1 capacity. CST may reduce the number of Collateral Shares during the term, by paying to the Company an amount equivalent to the number of Collateral Shares to be reduced multiplied by the 90% of the average 5 lowest day VWAP of the 20 trading days prior to CST providing notice of its election, by reducing the amount outstanding or to satisfy some or all of the Shares to be issued under a tranche. The Collateral Shares do not set up any obligations for Buddy and CST is required to return the economic value to BUD following termination or expiry of the term (by paying to the Company an amount equivalent to the number of Collateral Shares outstanding multiplied by the price of Shares at that time). CST may deal with the Collateral Shares as it deems fit but it doing so does not affect the number of Collateral Shares (and its payment to the Company following termination or the end of the term) unless CST has provided the Company with notice of its election to reduce the number of Collateral Shares. The Collateral Shares have been issued to protect CST from the following key risks:
 - a. Buddy defaults on its obligation to issue Shares under the SPA;

- b. Buddy fails to issue shares to CST within the agreed timeframe (ie there is a delay); and/or
- c. Buddy fails to issue a cleansing notice or a cleansing prospectus to facilitate the secondary trading of those Shares.

The Company has not entered into a deed of charge or any other form of security arrangement in respect to the issue of the Collateral Shares.

6. **Maximum Interest Limitation** - If the issue of Shares to CST will result in the voting power of CST exceeding 9.99%, unless waived by CST, the SPA will pause and the Company will re-pay to CST any pre-payments of a tranche amount made to the Company prior to the pause.
7. **Fees** - CST will be entitled to receive, as a fee for the provision of the Facility, the following:
 - a. A\$200,000 in cash, payable over the first eight (8) tranches and offset via funds advanced;
 - b. A\$200,000 in Shares, in the following two tranches:
 - i. such number of Shares equivalent to A\$100,000, based on the 5-day VWAP prior to the closing of the first tranche under the Company's ASX Listing Rule 7.1 capacity; and
 - ii. subject to the Company obtaining shareholder approval (and provided the SPA is not terminated within 90 days following execution of the SPA), within 90 days following the execution of the SPA, such number of Shares equivalent to A\$100,000, based on the 5-day VWAP prior to the date of issue; and
 - c. Subject to the Company obtaining shareholder approval:
 - i. 50,000,000 options each with an exercise price of \$0.018 and an expiry date of 3 years from the date of issue;
 - ii. if the Company receives an aggregate of A\$5,000,000 under the Facility, 20,000,000 options each with an exercise price that is 125% of the 5-day VWAP prior to the date of issue and an expiry date of 3 years from the date of issue; and
 - iii. if the Company receives an aggregate amount in excess of A\$10,000,000 under the Facility, 30,000,000 options with an exercise price that is 125% of the 5-day VWAP prior to the date of issue of the options in (ii) and an expiry date of 3 years from the date of issue.
8. **Listing Rule 7.1 Compliance** - Following the first tranche, each subsequent tranche of Shares to be issued following the Company (at its sole discretion) drawing down funds under the Facility requires the Company to have prior shareholder approval for the tranche of shares to be issued. The Company's decision not to draw down funds will pause the SPA. The SPA requires the Company, for each subsequent closing (after the issue of Shares for the first tranche), to have at least 133% of Shares (calculated by dividing the tranche amount by A\$0.01) to be issued for the next tranche available for issue pursuant to shareholder approval the Company has obtained for that tranche of Shares. The Collateral Shares, the Shares in respect to the first tranche of

the commitment fee and the Shares in respect to the first tranche will be issued under the Company's existing ASX Listing Rule 7.1 capacity.

This Facility meets the requirements of the Company for additional long term working capital to support its day-to-day operating needs and to provide a buffer from the impact of the COVID-19 pandemic on supply chains, retail customers and end customer sell-through. The Company's management and Board considers that a single substantial capital raising at this point in time for A\$12.5m or A\$24m (the current and topped-up totals of the Facility) or a substantial portion thereof, given the impact the COVID-19 pandemic has had on global financial markets would not be in the best interests of shareholders. Conducting a financing of this nature affords Buddy the opportunity to periodically raise cash on known terms and at its discretion, while issuing securities at a share price reflecting the performance of the Company at the time of issue, not all at once at the Company's 52-week low share price. The Company does not consider the pricing of the Facility inconsistent with a placement conducted at market comparable discounts to the recent VWAP in this current economic environment.

The Company advises that it considered a range of alternative fundraising options including a traditional placement but these options were not available due to present market conditions and volatility, or were not available on acceptable terms, to the required quantum, or over the required timeframe. This Facility is considered preferable to alternative options as it provides flexibility on managing the amount of capital accessed (and corresponding dilution), access to certain long term capital, and is priced at prices reflective of the Company's future performance.

The Company continues to progress negotiations with various third parties to refinance or purchase the debts associated with Buddy's acquisition of LIFX in 2019 (refer to the ASX announcements dated 17 March 2020, 27 March 2020 and 31 March 2020). The Company will provide shareholders with an update in respect to its progress by way of further ASX announcements.

An Appendix 3B in respect to the issue of the Collateral Shares, first tranche of the commitment fee Shares and the issue of Shares under the first tranche of the Equity Facility will follow.

For and on behalf of Buddy Technologies Limited,



David P. McLauchlan
Chief Executive Officer
Buddy Technologies Limited.

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), Dublin (IE), Shenzhen (CN) and Silicon Valley (US).

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

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