



ASX MARKET RELEASE

ASX Appendix 4E – Preliminary Final Report for the Financial Year ended 30 June 2020

31 August 2020 – Adelaide, South Australia

Details of the Reporting Period and the Previous Corresponding Period

Reporting Period: 30 June 2020
Previous Corresponding Period: 30 June 2019

Results for Announcement to the Market

(All comparisons to year ended 30 June 2019)

	\$A'000	Up/Down	% Movement
Revenue from ordinary activities	32,231	21,799	209%
Revenue from ordinary activities excluding interest income	32,110	21,968	217%
Loss from ordinary activities after tax	(45,284)	(17,920)	(65%)
Loss attributable to members	(45,284)	(17,920)	(65%)

The net loss for the reporting period totalled \$45.3 million, which included a write-down of intangible assets of \$18.6 million and \$8.9 million of non-cash-based expenses (including depreciation, share based payments, amortisation option-based payments and deferred income tax benefit).

Dividends	Amount per share	Franked amount per share
Interim dividend	N/A	N/A
Final dividend	N/A	N/A
Record date for determining entitlements to dividends	N/A	N/A

No dividend or distribution has been proposed or declared for the reporting period. There are no dividend or distribution reinvestment plans in operation.

Brief Explanation of any Figures Reported Above Necessary to Enable the Figures to be Understood

Refer to attached Preliminary Final Financial Report for the year ended 30 June 2020, including Summary of Operations.

Net Tangible Asset Backing

	30 June 2020	30 June 2019	30 June 2018
Net tangible assets/(liability) per security	(1.3) cents	(1.1) cents	2.2 cents
Net asset backing per security	1.1 cents	3.2 cents	2.2 cents

Control Gained or Lost Over Entities

N/A

Interest in Associates and Joint Venture Entities

N/A

Any Other Significant Information and Commentary on Results

Refer to attached Preliminary Final Financial Report for the year ended 30 June 2020, including Summary of Operations.

Compliance Statement

The preliminary final report has been prepared based on the 30 June 2020 accounts which are in the process of being audited by an independent audit firm.

Attachments forming part of Appendix 4E:

1. Preliminary Final Financial Report for the year ended 30 June 2020, including:
 - a. consolidated statement of profit or loss and other comprehensive income;
 - b. consolidated statement of financial position;
 - c. consolidated statement of cash flows;
 - d. consolidated statement of changes in equity; and
 - e. condensed notes to the financial statements.

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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Buddy Technologies Limited
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Adelaide, SA 5000
AUSTRALIA





BUDDY TECHNOLOGIES LIMITED

ACN 121 184 316

**PRELIMINARY FINAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

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Corporate Information

Directors:

Richard Borenstein
Non-Executive Chairman

David McLauchlan
Group CEO & Executive Director

John van Ruth
Non-Executive Director

Rosey Batt
Non-Executive Director

Company Secretary:

Ben Secrett

Chief Financial Officer:

Richard Jacroux

Lawyers:

DLA Piper
Level 21
240 St George's Terrace
Perth WA 6000

Auditors:

RSM Australia Partners
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55 Collins Street
Melbourne VIC 3000

Home Stock Exchange:

Australian Securities Exchange Limited
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152-158 St George's Terrace
Perth WA 6000

ASX Code:

BUD (Ordinary Shares)

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Telephone: (03) 9141 1155

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Nedlands WA 6009

Commonwealth Bank of Australia
100 King William Street
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BUDDY TECHNOLOGIES LIMITED

PRINCIPAL ACTIVITIES

Buddy Technologies Limited (ASX:BUD) 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 team licenses Buddy’s technology platforms to customers for integration into their own products.

Buddy’s Consumer Business trades under the LIFX brand, which was acquired in 2019 and whose results have been included, for accounting purposes, beginning 1 April 2019. LIFX has established a leading market position as a provider of smart lighting solutions. 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 Stores, JB Hi-Fi, Bunnings, Officeworks, MediaMarkt, Saturn and Best Buy (in both the US and Canada).

SUMMARY OF OPERATIONS

Total customer revenues for the year ended 30 June 2020 were \$31.0 million, increasing \$22.1 million, or 248% from \$8.9 million in the previous year. This increase was primarily the result of the addition of the Consumer Business which totaled \$28.3 million for the year ended 30 June 2020 (compared to \$6.5 million in the previous year) and, to a lesser extent, growth in Commercial Business revenues which totaled \$2.7 million for the year ended 30 June 2020 (compared to \$2.4 million in the previous year).

Many of the operating expense items increased during the year from the addition of the Consumer business, most dramatically cost of sales, advertising & marketing expense and employee benefit expense.

The net loss for the year totaled \$45.3 million, which increased from a loss of \$27.4 million in the prior year. The 2020 loss included a write-down of intangible assets of \$18.6 million, \$8.9 million of non-cash based expenses (including depreciation, share based payments, amortization option based payments and deferred income tax benefit), \$1.9 million of expenses related to refinancing and the acquisition and \$5.6 million of interest expense.

Interest expense includes \$4.4 million of accrued and unpaid interest. This is primarily the result of several debt agreements entered into as part of the acquisition (described more in Note 5). The agreements were for a) the assumption of existing LIFX lines of credit, and b) deferred consideration for the purchase price itself.

Share based payments represent the value of employee incentive performance rights that the Company issues as part of every employee’s compensation plan and totalled \$2.5 million in 2020 – an increase of \$1.5 million from \$1.0 million in the prior year due to new grants made to employees and a full-year of vesting for acquired employees.

BUDDY TECHNOLOGIES LIMITED
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated	
	Buddy Technologies Limited 30 June 2020 \$	Buddy Technologies Limited 30 June 2019 \$
Sale of goods revenue	28,341,500	6,523,425
Service revenue	2,657,854	2,381,470
Government grants & subsidies received	1,070,982	-
Government rebates received	39,600	1,237,502
Finance & miscellaneous income	121,520	289,840
Cost of revenues	(21,782,887)	(6,099,760)
Advertising & marketing expenses	(4,840,423)	(2,710,804)
Financial, administration, insurance and compliance costs	(2,429,110)	(2,522,143)
Depreciation	(692,833)	(512,669)
IT & web costs	(169,183)	(581,974)
Employee benefits expense	(10,634,915)	(9,314,665)
Share based payments	(2,503,695)	(1,009,267)
Research & development	(1,869,855)	(1,805,160)
Amortization of intangibles	(6,680,000)	(1,670,000)
Restructuring and other one-time costs	-	(2,689,129)
Refinancing and acquisition related costs	(1,910,504)	(3,085,106)
Interest costs	(5,615,780)	(1,113,647)
Option based payments	(426,000)	(4,982,105)
Realised foreign currency losses	(734,189)	(86,194)
Impairment of intangible assets	(18,600,000)	-
Loss before income tax expense	<u>(46,657,718)</u>	<u>(27,750,387)</u>
Income tax benefit	1,373,508	386,464
Loss for the year	<u>(45,284,210)</u>	<u>(27,363,923)</u>
<i>Other Comprehensive Income / (Loss):</i>		
Items that may be reclassified subsequently to profit or loss:		
Revaluation of investments at fair value through other comprehensive income (FVOCI)	-	(1,089,876)
Foreign currency translation differences for foreign operations	(1,709,764)	1,879,280
Other comprehensive income / (loss) for the period, net of tax	<u>(1,709,764)</u>	<u>789,404</u>
Total Comprehensive Loss for the year	<u>(46,993,974)</u>	<u>(26,574,519)</u>
Basic & Diluted Profit / (Loss) per share - cents per share	(2.15)	(2.15)

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

BUDDY TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		Consolidated	
		Buddy Technologies Limited 30 June 2020 \$	Buddy Technologies Limited 30 June 2019 \$
	Note		
ASSETS			
Current Assets			
Cash and cash equivalents		2,502,462	2,958,055
Trade and other receivables		7,664,131	4,685,146
Inventory		4,531,106	13,091,401
Total current assets		14,697,699	20,734,602
Non-current assets			
Property, plant & equipment		573,429	1,095,837
Right of use asset		254,849	-
Intangible assets	4	63,678,956	88,958,956
Total Non-Current Assets		64,507,234	90,054,793
TOTAL ASSETS		79,204,933	110,789,395
LIABILITIES			
Current Liabilities			
Trade and other payables		12,040,931	11,711,427
Provisions		535,152	513,981
Lease liability		104,905	-
Borrowings	5	15,456,703	14,731,751
Deferred acquisition consideration	5	18,577,437	17,240,950
Total Current Liabilities		46,715,128	44,198,109
Non-Current Liabilities			
Lease liability		145,492	-
Deferred taxation		5,260,500	6,663,300
Total Non-Current Liabilities		5,405,992	6,663,300
TOTAL LIABILITIES		52,121,120	50,861,409
NET ASSETS		27,083,813	59,927,986
EQUITY			
Share capital	6	126,207,566	115,298,012
Reserves		35,563,651	34,033,168
Accumulated losses		(134,687,404)	(89,403,194)
Equity attributable to owners of the parent		27,083,813	59,927,986
TOTAL EQUITY		27,083,813	59,927,986

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

BUDDY TECHNOLOGIES LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS**
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated	
	Buddy Technologies Limited	Buddy Technologies Limited
	30 June 2020	30 June 2019
	\$	\$
Cash flows from operating activities		
Receipts from customers	32,183,498	10,851,981
Interest & miscellaneous income received	121,520	289,840
Receipts of government grants and subsidies	1,359,531	-
Receipts of government rebates	39,600	1,237,502
Payments for research & development	(1,869,655)	(1,805,160)
Payments to suppliers and employees	(38,368,721)	(21,537,621)
Debt raising and acquisition related costs	(2,013,659)	(3,085,106)
Interest paid	(1,707,213)	-
Net cash flows used in operating activities	(10,255,099)	(14,048,564)
Cash flows from investing activities		
Proceeds from sale of investment	-	407,704
Payment on acquisition of business	-	(20,996,638)
Payments for plant and equipment	(275,355)	(480,494)
Payments received for (Investment in) notes receivable	333,761	(230,409)
Net cash flows used in investing activities	58,406	(24,384,943)
Cash flows from financing activities		
Proceeds from borrowings	7,784,229	4,168,388
Proceeds from share issue	11,437,481	18,100,000
Repayment of borrowings	(7,242,920)	(6,325,536)
Payments of deferred acquisition consideration	-	(698,995)
Capital Raising Costs	(527,926)	(1,194,600)
Net cash flows provided by financing activities	11,450,864	14,049,257
Net increase/(decrease) in cash and cash equivalents held	1,254,171	(21,299,144)
Effect of FX rate changes	(1,709,764)	1,879,280
Cash and cash equivalents at the beginning of the period	2,958,055	22,377,919
Cash and cash equivalents at the end of the period	2,502,462	2,958,055

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

BUDDY TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

Consolidated 2020	Issued Capital \$	Share and Option Reserve \$	Foreign Currency Translation Reserve \$	Fair Value Reserve \$	Accumulated Losses \$	Total Equity \$
Total equity at 1 July 2019	115,298,012	32,936,754	1,774,680	(678,266)	(89,403,194)	59,927,986
Total Profit / (Loss) for the period	-	-	-	-	(45,284,210)	(45,284,210)
Other Comprehensive Income	-	-	(1,709,764)	-	-	(1,709,764)
Total Comprehensive Income / (Loss) for the period	-	-	(1,709,764)	-	(45,284,210)	(46,993,974)
Transactions with equity holders:						
Shares issued during the period:						
Shares issued pursuant to capital raising	11,437,480	-	-	-	-	11,437,480
Costs of capital raising	(527,926)	-	-	-	-	(527,926)
Share based payments	-	2,814,247	-	-	-	2,814,247
Option based payments	-	426,000	-	-	-	426,000
Total equity at 30 June 2020	126,207,566	36,177,001	64,916	(678,266)	(134,687,404)	27,083,813

BUDDY TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

Consolidated 2019	Issued Capital \$	Share and Option Reserve \$	Foreign Currency Translation Reserve \$	Fair Value Reserve \$	Accumulated Losses \$	Total Equity \$
Total equity at 1 July 2018	58,947,674	26,945,382	(104,600)	1,066,680	(62,694,341)	24,160,795
Adjustment(s) on initial application of AASB 9	-	-	-	(655,070)	655,070	-
Total Profit / (Loss) for the period	-	-	-	-	(28,120,839)	(27,363,923)
Other Comprehensive Income	-	-	1,879,280	(1,089,876)	-	789,404
Total Comprehensive Income / (Loss) for the period	-	-	1,879,280	(1,744,946)	(27,465,769)	(26,574,519)
Transactions with equity holders:						
Shares issued during the period:						
Shares and options issued pursuant to acquisition	39,444,938	-	-	-	-	39,444,938
Shares issued pursuant to capital raising	18,100,000	-	-	-	-	18,100,000
Costs of capital raising	(1,194,600)	-	-	-	-	(1,194,600)
Share based payments	-	1,009,267	-	-	-	1,009,267
Option based payments	-	4,982,105	-	-	-	4,982,105
Total equity at 30 June 2019	115,298,012	32,936,754	1,774,680	(678,266)	(90,160,110)	59,927,986

BUDDY TECHNOLOGIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES

Basis of Preparation

This general purpose financial report for the year ended 30 June 2020 has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board.

Buddy Technologies Limited (the "Company") is a company domiciled in Australia. The consolidated preliminary financial report of the Company as at 30 June 2020 comprises the Company and its subsidiaries (collectively referred to as the "Group").

The financial information in this report does not include all the notes of the type normally included within the annual financial reports and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial reports.

Therefore, it is recommended that this report should be read in conjunction with the annual financial reports for the year ended 30 June 2020, when it becomes available, and be considered together with any public announcements made by Buddy Technologies Limited during the year ended 30 June 2020 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report except for the adoption of new accounting standards as set out below.

New Accounting Standards

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are in financing activities.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption was not material to the financial statements. On adoption, the group recorded a right of use asset of \$304,047 and a corresponding liability for the same amount. There was no impact on opening retained profits as at 1 July 2019.

BUDDY TECHNOLOGIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

Right-of-Use Assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

NOTE 2 - PRIOR PERIOD ERROR

As reported in the Interim Financial Report, it was identified that freight inwards and landing costs were not being capitalised to the inventory balance as prescribed under AASB 102 *Inventory*. The impact is material on the prior period (30 June 2019) and the comparatives have been restated where applicable. The impact is as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ending 30 June 2019 – Cost of sales and loss for the year has decreased by \$756,916.

Consolidated Statement of Financial Position as at 30, June 2019 - Inventory has increased by \$756,916 and accumulated losses has decreased by \$756,916.

Consolidated Statement of Changes in Equity – Net loss decreased by \$756,916 for the year ending 30 June 2019.

This increased 2019 earnings per share by 0.06 cents.

BUDDY TECHNOLOGIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. ACQUISITION

On 1 April 2019, the Company announced completion of its acquisition of the entire issued share capital of Lifi Labs, Inc. trading as LIFX, with the date of acquisition being 29 March 2019. This acquisition was first announced on 6 February 2019. For the purposes of these financial statements, the results of LIFX have been included beginning on 1 April 2019.

NOTE 4. INTANGIBLE ASSETS

As described in Note 3, on 1 April 2019, the Company completed the acquisition of LIFX. For accounting purposes, the purchase price to be allocated to assets and liabilities (both tangible and intangible) totalled \$71,881,806. This amount is made up of stock and options issued, cash paid, and the establishment of deferred consideration (described in Note 5). In addition, LIFX's tangible net assets were negative \$11,733,140 and deferred taxation totalled \$7,014,000 which increased the amount of goodwill.

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

In relation to the LIFX cash generating unit (CGU), given the Company's market capitalization at 30 June 2020 and the impact of COVID-19, the Company performed an analysis to see if an impairment charge was warranted. As a result of the discounted cash flow analysis, the Company recorded a \$18,600,000 impairment charge in the consolidated statement of profit or loss and other comprehensive income.

The key assumptions included in the preparation of the discounted cash flow that was prepared on 3.75 year forecast with a terminal value were:

- Post-tax discount rate of 15%
- Cash terminal value growth rate of 2.5%
- Revenue in financial year 2021 to double financial year 2020 (largely due to introduction of LIFX White Lights products)
- Revenue growth rate of 25% after financial year 2021

Intangibles	30 June 2019	30 June 2019
	\$	\$
Brand and intellectual property	33,400,000	33,400,000
Amortization	(8,350,000)	(1,670,000)
	<hr/>	<hr/>
	25,050,000	31,730,000
Goodwill	57,228,956	57,228,956
Impairment	(18,600,000)	-
	<hr/>	<hr/>
	38,628,956	57,228,956
Total intangibles	<hr/>	<hr/>
	63,678,956	88,958,956

BUDDY TECHNOLOGIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. BORROWINGS AND DEFERRED ACQUISITION CONSIDERATION

Borrowings	30 June 2020	30 June 2019
	\$	\$
Trade Finance Facility	-	-
Inventory Finance Facility	2,521,644	-
Line of Credit (including accrued interest)	12,751,416	10,753,913
Temporary Loan	-	3,977,838
COVID-19 government loans (expected to be forgiven)	183,644	-
Total borrowings	<u>15,456,703</u>	<u>14,731,751</u>

The Company has entered into two ongoing commercial lending arrangements as follows:

Trade Finance Facility

Total Drawn at 30 June 2020: Nil
 Total Facility Amount: \$20 million
 Use of Funds: Working capital
 Lender: Scottish Pacific Bank
 Interest Rate: Prime rate plus 6.5%.
 Secured or Unsecured: secured by receivables
 Term: 24 months.

Inventory Finance Facility

Total Drawn at 30 June 2020: \$2,521,643
 Total Facility Amount: US\$6 million (\$8.743 million at 30 June 2020)
 Use of Funds: Working capital
 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.

Additionally, as part of the acquisition, the Company has entered into three short-term obligations as follows:

Line of Credit. The Company assumed (on 1 April 2019) the balance of amounts due from LIFX to their primary manufacturer and majority shareholder. This agreement calls for annual interest of 12% and is currently due in October 2020.

Temporary Loan. On 19 April 2019, the Company entered into a temporary loan with a lender with a monthly interest rate of 1% until June 30 and 2% thereafter. The primary use of funds was to pay down the Line of Credit. This loan was due on 30 September 2019 and was extinguished with the financial close of the new trade finance facility with Scottish Pacific which was finalized subsequent to year-end.

Deferred Consideration Obligation. The third agreement is the establishment (on 1 April 2019) of a deferred consideration obligation which represents the unpaid portion of the cash consideration of the acquisition payable in US\$. This obligation has a current carrying amount of \$18,577,437, an annual interest rate of 10%

BUDDY TECHNOLOGIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

and is currently due in October 2020. In conjunction with this obligation, the Company issued 100 million options with an exercise price of \$0.0759 and a term of 5 years. The Company engaged a valuation firm who valued the options at \$4,982,105 which has been included in option-based payments in the financial statements in the year ended 30 June 2019.

NOTE 6. SHARE CAPITAL

On 11 September 2019, the Company initiated a two-tranche placement of shares and a Share Purchase Plan to raise a total of up to \$11.1 million at an issue price of \$0.02 per share. On 19 September 2019, the Company raised \$5,012,825 pursuant to the initial tranche of the placement. On 24 October 2019, the second tranche of the placement and Share Purchase Plan was completed, raising \$4,424,656. The total capital raising costs were \$459,154 for the Placement and Share Purchase Plan.

On 28 May 2020, the Company initiated a placement of shares to raise \$2.0 million at an issue price of \$0.01 per share. On 2 June 2020, the Company completed the placement. The total capital raising costs were \$68,772.

NOTE 7. SEGMENT REPORTING

Prior to the acquisition of LIFX, the chief operating decision makers, being the executive management team & the board, received operating results for the Company as a whole, therefore the Company was deemed to be one operating segment. The total column in the table below represents this basis of segmentation. Following the acquisition of LIFX, the Group's operations changed which resulted in a new basis of segmentation beginning 1 April 2019.

Beginning with the acquisition of LIFX, the chief operating decision makers received operating results for the following three segments:

- Commercial Business. This segment includes all activities related to Buddy Ohm and Buddy Managed Services as well as any future products or services sold where the end-customer is a commercial business
- Consumer Business. This segment includes all activities related to LIFX as well as any future products or services sold where the end-customer is a consumer whether sold through retailers or directly
- Corporate. This segment includes the costs and expenses for operating the corporate operating functions including the corporate-level officers, insurance, ASX/ASIC fees, legal, audit and professional service fees, etc... It also includes all government rebate revenue, investment gains and losses, interest income and expense, share and option based payments and any amortization or impairment of intangibles.

BUDDY TECHNOLOGIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

Selected financial data for operating segments for the year ended 30 June 2020

	Commercial Business	Consumer Business	Corporate	Total
	\$	\$	\$	\$
External revenues	2,672,866	28,326,488	1,110,582	32,109,936
Inter-segment revenue	-	-	-	-
Total segment revenue	2,672,866	28,326,488	1,110,582	32,109,936
Result from operating activities	(355,077)	(6,737,810)	(14,310,382)	(21,403,269)
Loss before income tax	(355,077)	(6,737,810)	(39,564,831)	(46,657,718)
Income tax benefit	-	(29,292)	1,402,800	1,373,508
Loss after income tax	(355,077)	(6,767,102)	(38,162,031)	(45,284,210)
Interest & other income			121,520	121,520
Interest expense			(5,615,780)	(5,615,780)
Segment assets	1,989,185	13,079,845	63,678,956	79,204,933
Capital expenditures	(34,832)	(240,523)	-	(275,355)
Segment liabilities	1,773,792	23,843,537	26,503,792	52,121,121
<i>Material non-cash items</i>				
Depreciation and amortisation	(89,489)	(603,344)	(6,680,000)	(7,372,833)
Impairment expense	-	-	(18,600,000)	(18,600,000)
Share based payments	-	-	(2,503,695)	(2,503,695)
Option based payments	-	-	(426,000)	(426,000)

BUDDY TECHNOLOGIES LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

Selected financial data for operating segments for the year ended 30 June 2019

	Company prior to 1 April 2019	Commercial Business	Consumer Business	Corporate	Total
	\$	\$	\$	\$	\$
External revenues	1,825,045	549,759	6,530,091	1,237,502	10,142,397
Inter-segment revenue	-	-	-	-	-
Total segment revenue	1,825,045	549,759	6,530,091	1,237,502	10,142,397
Result from operating activities	(11,453,736)	(1,643,317)	(3,721,668)	(5,039,560)	(21,858,281)
Loss before income tax	(11,373,555)	(1,643,317)	(3,721,668)	(11,011,847)	(27,750,387)
Income tax benefit	-	-	35,764	350,700	386,464
Loss after income tax	(11,373,555)	(1,643,317)	(3,685,904)	(10,661,147)	(27,363,923)
Interest & other income	157,679	-	-	132,161	289,840
Interest expense	-	-	-	(1,113,647)	(1,113,647)
Segment assets	n/a	2,551,745	19,278,694	88,958,956	110,789,395
Capital expenditures	(23,792)	(3,903)	(452,799)	-	(480,494)
Segment liabilities	n/a	5,076,626	17,902,696	27,882,087	50,861,409
<i>Material non-cash items</i>					
Depreciation and amortisation	(79,677)	(25,655)	(407,337)	(1,670,000)	(2,182,669)
Impairment expense	-	-	-	-	-
Share based payments	(1,436,654)	-	-	(427,387)	(1,009,267)
Option based payments	-	-	-	(4,982,105)	(4,982,105)

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. EVENTS OCCURRING AFTER REPORTING DATE

The Company has made announcements since 30 June 2020. A summary of those announcements, including price-sensitive announcements follows. The reader is invited to read the entire collection of announcements which are available in the Investor Center section of the Company's website at <https://buddy.com/asx-announcements/>.

Aug 28, 2020	LIFX Announces World-First Disinfecting Anti-Bac(terial) Smart Light
Aug 24, 2020	Letter to Shareholders - July Results
Aug 21, 2020	Record LIFX Smart Light Orders Increased to A\$4.3m
Aug 21, 2020	LIFX Receives Largest Ever Orders for Smart Lights, at A\$3.6m
Aug 14, 2020	Change of Director's Interest Notice - John van Ruth
Aug 7, 2020	Appendix 2A - July 2020 Employee Plan Vesting and Issue
Aug 7, 2020	Appendix 3G - July 2020 Employee Plan Issue
Aug 7, 2020	Vendor Debt Finance Update, Webinar Recording Available
Aug 4, 2020	LIFX to be Stocked at US Retailer Lowe's, Investor Webinar
Jul 31, 2020	June Quarterly 4C Review (Q4FY20)
Jul 30, 2020	Debt Maturity Date Extended
Jul 30, 2020	BUD Restructures Financing, Unlocks LIFX Production at Scale
Jul 29, 2020	LIFX Displaces Osram in German DIY Stores; New POS Rollout
Jul 27, 2020	Letter to Shareholders - June Results
Jul 24, 2020	LIFX Launches New Smart Light in US with Amazon, Best Buy
Jul 15, 2020	LIFX Launches in Apple Stores in Hong Kong and Singapore
Jul 10, 2020	Appendix 2A - June 2020 Employee Plan Vesting and Issue

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity, in subsequent financial years.

NOTE 9. AUDIT STATUS

This preliminary financial report is based on accounts which are in the process of being audited. No disputes or qualifications are likely to occur. As the company and its controlled entities are currently engaged with a variety of financing vehicles, an emphasis of matter paragraph, which is not a qualification, regarding going concern may be included in the audit report.