For personal use only



Buddy Technologies Limited

ASX: BUD

ACN: 121 184 316

Contents

Corporate Information	2
Directors' Report	3
Auditor's Independence Declaration	6
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Condensed Consolidated Statement of Financial Position	8
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	22
Independent Auditor's review report	23
ASX Appendix 4D	25

This financial report covers the Buddy Technologies Limited Group, consisting of Buddy Technologies Limited and its subsidiaries. The financial report is presented in Australian dollars.

For personal use only

Corporate Information

Directors:
Richard Borenstein
Non-Executive Chairman

David McLauchlan
Group CEO & Executive Director

John van Ruth
Non-Executive Director

Rosemary Batt
Non-Executive Director

Alan Robert Sparks
Non-Executive Director

Company Secretary:
Vicky Allinson

Chief Financial Officer:
Richard Jacroux

Lawyers:
Thomson Geer
Level 27, Exchange Tower
2 The Esplanade
Perth, WA 6000, AUS

Auditors:
RSM Australia Partners
Level 21
55 Collins Street
Melbourne, VIC 3000, AUS

Home Stock Exchange:
Australian Securities Exchange Limited
Level 40, Central Park
152-158 St George's Terrace
Perth, WA 6000, AUS

ASX Code:
BUD (Ordinary Shares)

Registered Office:
Level 3, 12 Pirie Street
Adelaide SA 5000, AUS
Telephone: +61 1800 831 317
Facsimile: +61 8 8125 5931

Websites:
www.buddy.com www.lifx.com

Seattle Office:
300 Lenora Street #1591
Seattle, WA 98101
United States of America
Telephone: +1-206-899-2525

Adelaide Office:
Level 3, 12 Pirie Street
Adelaide SA 5000, AUS
Telephone: +61 1800 831 317
Facsimile: + 61 8 8125 5931

Lifi Labs Management Pty Ltd:
105-115 Dover Street
Cremorne, VIC 3121, AUS
Telephone: (03) 9141 1155

Share Registry:
Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace

Bankers:
Westpac Banking Corporation
108 Stirling Highway
Nedlands, WA 6009, AUS

Commonwealth Bank
100 King William Street
Adelaide, SA 5000, AUS

For personal use only

Directors' Report

The Directors have pleasure in submitting their report of Buddy Technologies Limited ("Company") and it's controlled entities ("Group"), for the six months ended 31 December 2020.

For personal use only

DIRECTORS

The names and details of Directors in office at any time during the period were:

Richard Borenstein	Non Executive Chairman
David McLauchlan	CEO & Executive Director
John van Ruth	Non Executive Director
Rosemary Batt	Non Executive Director
Alan Sparks	Non Executive Director (appointed 15 December, 2020)

Directors have been in office since the start of the period to the date of this report.

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. LIFX 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 over 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.

RESULTS

The net loss attributable to members of the parent entity for the period ended 31 December 2020 amounted to $5.6 million (2019: $14.8 million loss).

OPERATING AND FINANCIAL REVIEW

For the six-months ending 31 December 2020, total revenues generated from customers were $17.3 million representing a 18.7% decrease from $21.2 million in the same period in the prior year. In addition, the Company recognized $108 thousand of finance income ($87 thousand in the prior year), $1.1 million of government grants and subsidies (nil in the prior year) and $909 thousand of government rebates ($27 thousand in the prior year).

After deducting total expenses of $25.7 million, the Company recorded a loss for the period of $5.6 million. In the prior year, total expenses were $36.1 million resulting in a loss of $14.8 million for the same period.

Basic and diluted loss per share was $0.002 ($0.007 in the prior year).

As at 31 December 2020, total equity was $34.6 million with total assets of $83.2 million and liabilities of $48.6 million. At 30 June 2020, there was $79.2 million in assets and $52.6 million in

For personal use only

liabilities. Total current assets was $21.7 million ($14.7 million at 30 June 2020) and total current liabilities totalled $43.9 million ($47.1 million at 30 June 2020).

For the half year ended 31 December 2020 the net cash used in operating activities was $5.8 million including debt raising costs and interest paid compared to $7.5 million in the same period in the prior year. This includes cash receipts of $15.8 million of which $14.0 million was cash received from customers with the remainder coming from interest received and government subsidies and rebates. For the same period in the prior year, cash receipts of $17.0 million was from customers and $114 thousand was interest received and government subsidies and rebates .

Net cash used in investing activities – for the purchase of property, plant and equipment - was a use of $601 thousand versus a source of $266 thousand for the same period in the prior year due to the collection of notes receivable being larger than purchase of property, plant and equipment.

During the six-months ending 31 December 2020, the company generated net proceeds from financing activities of $10.4 million (versus $8.1 million for the prior year). This included a net of $12.2 million from the issuance of shares (after deducting capital raising costs) less net repayments of borrowings and leases of $874 thousand.

LIKELY DEVELOPMENTS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Group that were not finalised at the date of this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

In January 2021, the Company completed a number of material transactions which are not reflected in the 31 December 2020 financial statements :

1. **Debt Forgiveness:** US$10M of Deferred Acquisition Consideration and accrued interest was forgiven by the holder thus reducing the amount of current liabilities by $13 million

2. **Term Loan and Credit Line:** The company entered into a US$20 million loan facility with interest of 12.5% with Partners for Growth (“PFG”) which included:

    a. US$10 million Term Loan repayable in equal instalments over 40 months beginning 1 April 2021. Proceeds used as follows:
        i. US$5.8 million ($7.5 million) to pay the remainder of the Deferred Acquisition Consideration.
        ii. US$4.2 million ($5.5 million) to reduce Borrowings outstanding at 31 December 2020.

    b. US$10 million revolving Line of Credit with a term of 36 months of which US$6.5 million ($8.4 million) drawn in January 2021 and proceeds used as follows:
        i. US$2.5 million ($3.3 million) to fully repay balance on existing working capital loan.
        ii. US$1.0 million ($1.3 million) to pay suppliers.
        iii. US$579 thousand ($751 thousand) to settle fees, expenses and interest related to the facility.
        iv. The balance of US$2.4 million ($3.1 million) increased the Company’s cash on hand

4. The Company issued 62,421,349 shares valued at US$2.5 million ($3.2 million - US$0.04 per share) at 5 January 2021 to PFG which as sold by PFG will reduce the Term Loan at an equivalent value to the proceeds. In the event that PFG sells the shares issued to them at a price below the issue price, the company would be required to pay PFG the shortfall realised below the total of US$2.5 million.

5. 50 million options held by Luminous were retired and 50 million warrants were granted to PFG, which can be exchanged for 50 million ordinary shares with an expiry date 5 years from date of issue and an exercise price of $0.058 per share. .

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the six months ended 31 December 2020 has been received and can be found on page 6.

Signed in accordance with a resolution of the Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.



David McLauchlan
CEO, Executive Director
Dated 26 February 2021
Adelaide

For personal use only

For personal use only

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Buddy Technologies Ltd and its controlled entities for the half year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



M PARAMESWARAN
Partner

Dated: 26 February 2021
Melbourne, Victoria

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Certified System Quality ISO 9001

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2020

	Note	Half year ended 31 December 2020 $	31 December 2019 $
Sale of goods revenue	3	16,686,034	19,595,425
Service revenue	3	571,750	1,644,802
Government grants & subsidies received		1,121,762	-
Government Rebate		909,185	27,350
Finance income		108,234	87,013
Cost of sales		(11,957,312)	(14,578,292)
Advertising, marketing & travel		(1,219,651)	(3,118,921)
Financial and administration costs		(1,157,079)	(1,518,345)
Depreciation		(196,283)	(189,274)
IT & web costs		(43,501)	(102,422)
Employee benefits expense		(4,960,368)	(5,383,412)
Share based payments	4	(656,021)	(1,637,987)
Option based payments	4	-	(426,000)
Research & development		(914,553)	(833,405)
Amortization of intangibles		(3,340,000)	(3,340,000)
Refinancing and acquisition costs		(403,536)	(1,887,411)
Interest costs		(3,786,990)	(3,315,997)
Foreign exchange gains (losses)		2,917,183	(476,223)
Loss before income tax expense		(6,321,146)	(15,453,099)
Income tax benefit		701,400	673,378
Loss for the period		**(5,619,746)**	**(14,779,721)**
Other Comprehensive Income / (Loss):			
Items that *may be reclassified* subsequently to profit or loss:			
Foreign currency translation differences		704,203	(546,579)
Other comprehensive Income / (Loss) for the period, net of tax		704,203	(546,579)
Total Comprehensive (Loss) for the period		**(4,915,543)**	**(15,326,300)**
Total Comprehensive (Loss) attributable to:			
Owners of the parent		(4,915,543)	(15,326,300)
Non-controlling interest		-	-
Basic & Diluted (Loss) per share - cents		(0.002)	(0.007)

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

For personal use only

Condensed Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020 $	30 June 2020 $
ASSETS			
Current Assets			
Cash and cash equivalents		7,220,340	2,502,462
Trade and other receivables		5,976,587	2,579,550
Inventory		2,037,115	4,531,106
Other assets - prepayments		6,445,531	5,084,581
Total Current Assets		**21,679,573**	**14,697,699**
Non-Current Assets			
Property, plant & equipment		979,195	573,429
Right of use asset		253,372	254,849
Intangible assets		60,271,670	63,678,956
Total Non-Current Assets		**61,504,237**	**64,507,234**
TOTAL ASSETS		**83,183,810**	**79,204,933**
LIABILITIES			
Current Liabilities			
Trade and other payables		13,819,014	13,375,643
Lease liability		144,885	104,905
Provisions		639,002	535,152
Borrowings	6	12,788,895	14,555,396
Deferred acquisition consideration	6	16,553,746	18,577,437
Total Current Liabilities		**43,945,542**	**47,148,533**
Non-Current Liabilities			
Lease liability		104,064	145,492
Deferred taxation		4,559,100	5,260,500
Total Non-Current Liabilities		**4,663,164**	**5,405,992**
TOTAL LIABILITIES		**48,608,706**	**52,554,525**
NET ASSETS		**34,575,106**	**26,650,408**
EQUITY			
Share capital	4	138,391,786	126,207,566
Reserves		36,203,503	35,123,943
Accumulated losses		(140,020,183)	(134,681,101)
Equity attributable to owners of the parent		34,575,106	26,650,408
TOTAL EQUITY		**34,575,106**	**26,650,408**

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

For personal use only

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2020

Consolidated 2020	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Total equity at 30 June 2020	**126,207,566**	**35,737,293**	**64,916**	**(678,266)**	**(134,681,101)**	**26,650,408**
Total Comprehensive Profit / (Loss) for the period						
Total Loss for the half year to 31 December 2020	-	-	-	-	(5,619,746)	(5,619,746)
Other Comprehensive Income/(Loss)	-	-	704,203	-	-	704,203
Total Comprehensive Loss for the period	**-**	**-**	**704,203**	**-**	**(5,619,746)**	**(4,915,543)**
Other movements in equity						
Expiration of options	-	(280,664)	-	-	280,664	-
Transactions with equity holders:						
Shares issued during the period:						
Shares issued pursuant to capital raising	12,824,000	-	-	-	-	12,824,000
Costs of capital raising	(639,780)	-	-	-	-	(639,780)
Share based payments	-	656,021	-	-	-	656,021
Total equity at 31 December 2020	**138,391,786**	**36,112,650**	**769,119**	**(678,266)**	**(140,020,183)**	**34,575,106**

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

For personal use only

Condensed Consolidated Statement of Changes in Equity (continued)

For the half year ended 31 December 2020

Consolidated 2019	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Fair Value Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Total equity at 30 June 2019	**115,298,012**	**32,936,754**	**1,774,680**	**(678,266)**	**(89,403,194)**	**59,927,986**
Total Comprehensive Profit / (Loss) for the period						
Total Loss for the half year to 31 December 2019	-	-	-	-	(14,779,721)	(14,779,721)
Other Comprehensive Income/(Loss)	-	-	(546,579)	-	-	(546,579)
Total Comprehensive Loss for the period	**-**	**-**	**(546,579)**	**-**	**(14,779,721)**	**(15,326,300)**
Transactions with equity holders:						
Shares issued during the period:						
Shares issued pursuant to capital raising	9,437,481	-	-	-	-	9,437,481
Costs of capital raising	(459,154)	-	-	-	-	(459,154)
Share based payments	-	1,948,539	-	-	-	1,948,539
Option based payments	-	426,000	-	-	-	426,000
Total equity at 31 December 2019	**124,276,339**	**35,311,293**	**1,228,101**	**(678,266)**	**(104,182,915)**	**55,954,552**

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

For personal use only

Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2020

	Half year ended	
	31 December 2020 $	**31 December 2019 $**
Cash flows from operating activities		
Cash received from customers	13,860,747	16,980,656
Interest received	108,234	87,013
Government grants and subsidies received	938,118	-
Government rebate	909,185	27,350
Payments for research & development	(914,553)	(833,405)
Payments to suppliers and employees	(16,513,226)	(21,045,081)
Debt raising and acquisition related costs	(403,536)	(1,990,566)
Interest paid	(3,786,990)	(710,289)
Net cash used in operating activities	**(5,802,019)**	**(7,484,332)**
Cash flows from investing activities		
Payments for plant & equipment	(600,573)	(75,561)
Payments received for notes receivable	-	341,709
Net cash provided by (used in) investing activities	**(600,573)**	**266,148**
Cash flows from financing activities		
Proceeds from share issue	12,824,000	9,437,481
Proceeds from borrowings	2,996,998	5,240,283
Payments on borrowings	(4,763,500)	(6,106,053)
Lease payments	(1,451)	-
Capital raising costs	(639,780)	(459,154)
Net cash provided by financing activities	**10,416,267**	**8,112,557**
Net increase/(decrease) in cash and cash equivalents	4,013,675	894,383
Cash and cash equivalents opening balance	2,502,462	2,958,055
Effects of exchange rate changes on the balances of assets and liabilities held in foreign currencies	704,203	(546,579)
Cash and cash equivalents at the end of the period	**7,220,340**	**3,305,859**

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

For personal use only

Notes to the Financial Statements

For the half year ended 31 December 2020

For personal use only

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 34 *'Interim Financial Reporting'*. The interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in a full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*and the ASX Listing Rules.

This consolidated interim financial report was approved by the Board of Directors on 26 February 2021.

BASIS OF PREPARATION

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

The Consolidated Financial Statements and Notes of the Group comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial statements are presented in Australian Dollars. The Group's functional currencies are US dollar, Euro and British pound.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss after tax of $5,619,746 (2019: $14,779,721) and had net cash outflows from operating activities of $5,802,019 (2019: $7,484,322) for the six month period ended 31 December 2020. As at that date the consolidated entity had net current liabilities of $22,265,970 (2019: $32,450,834).

For personal use only

These factors indicate a material uncertainty which may cast significant doubt over the ability of the consolidated entity to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Despite this financial position, the Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- As disclosed in note 2, subsequent to 31 December 2020, the Group refinanced its borrowing facilities such that it entered into a loan facility with Partners for Growth (PFG) that includes a term loan of US$10,000,000 with a maturity of 40 months and a line of credit of US$10,000,000. As part of this refinancing, an amount totalling US$10,000,000 of the deferred acquisition consideration and accrued interest was forgiven by Luminous Wide Limited; and

- that the Group has a proven record of being able to raise funds to support its business plan as demonstrated by receiving $12,824,000 share capital (pre costs of capital raising) during the half-year ended 31 December 2020.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

In the event that a capital raising is necessary and is unsuccessful, and other avenues of funding are unavailable, and insufficient funds are available to extinguish debts as they come due, there would be a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY ESTIMATES

Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities are:

Share based payments

The Group has provided payment to service providers and related parties in the form of share-based compensation whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate valuation model for

For personal use only

services provided by employees or where the fair value of the goods or services received cannot be reliably estimated.

For goods and services received where the fair value can be determined reliably the goods and services and the corresponding increase in equity are measured at that fair value. The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

Intangible assets and goodwill

The Group has intangible assets with a carrying amount of $21,710,000 and goodwill with a carrying amount of $38,561,669, arising through a business combination completed in April 2019.

Intangible assets and goodwill are regularly reviewed for impairment and whenever there is an indication that an impairment might exist. Goodwill is subject to impairment testing on, at least, an annual basis.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount the asset or cash generating unit (CGU) is considered impaired and is written down to its recoverable amount. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

To assess if there is any impairment, estimates are made of the future cash flows expected to result from the use of these assets and their eventual disposal. These estimated cash flows are then adjusted to the present value using an appropriate discount rate that reflects the risks and uncertainties associated with the forecasted cash flows. Actual outcomes could vary significantly from such estimates of discounted future cash flows.

New Accounting Standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTE 2 – SUBSEQUENT POST BALANCE SHEET EVENT

In January 2021, the Company completed a number of material transactions which are not reflected in the 31 December 2020 financial statements :

1. **Debt Forgiveness:** US$10,000,000 of Deferred Acquisition Consideration and accrued interest was forgiven by the holder thus reducing the amount of current liabilities by $12,983,641.

2. **Term Loan and Credit Line:** The company entered into a US$20,000,000 loan facility with interest of 12.5% with Partners for Growth (“PFG”) which included:

For personal use only

a. US$10,000,000 Term Loan repayable in equal instalments over 40 months beginning 1 April 2021. Proceeds used as follows:
   i. US$5,795,723 ($7,524,959) to pay the remainder of the Deferred Acquisition Consideration.
   ii. US$4,204,277 ($5,458,682) to reduce Borrowings outstanding at 31 December 2020.

b. US$10,000,000 revolving Line of Credit with a term of 36 months of which US$6,486,929 ($8,422,395) drawn in January 2021 and proceeds used as follows:
   i. US$2,535,399 ($3,291,871 million) to fully repay balance on existing working capital loan.
   ii. US$1,000,000 (A$1,298,364) to pay suppliers.
   iii. US$578,707 ($751,372) to settle fees, expenses and interest related to the facility.
   iv. The balance of the draw, US$2,372,823 ($3,080,788) increased the Company's cash on hand

3. The Company issued 62,421,349 shares valued at US$2,500,000 ($3,245,910 - US$0.04 per share) at 5 January 2021 to PFG which as sold by PFG will reduce the Term Loan at an equivalent value to the proceeds. In the event that PFG sells the shares issued to them at a price below the issue price, the company would be required to pay PFG the shortfall realised below the total of US$2,500,000.

4. 50 million options held by Luminous were retired and 50 million warrants were granted to PFG, which can be exchanged for 50 million ordinary shares with an expiry date 5 years from date of issue and an exercise price of $0.058 per share. .

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial periods.

NOTE 3 – DISAGGREGATION OF REVENUE

Half year ended:	**31 December 2020**	**31 December 2019**
	$	**$**
Major product lines		
Consumer products	16,551,597	19,595,425
Commercial products	706,187	1,644,802
Total Revenues	**17,257,784**	**21,240,227**
Geographic regions		
Americas	13,072,127	12,971,821
Europe, Middle East & Africa (EMEA)	2,560,193	4,176,927
Asia-Pacific (APAC)	1,625,464	4,091,479
Total Revenues	**17,257,784**	**21,240,227**

For personal use only

Half year ended:	31 December 2020	31 December 2019
	$	$
Services transferred over time	571,750	1,644,802
Total Revenues	**17,257,784**	**21,240,227**

NOTE 4 – ISSUED CAPITAL & RESERVES

	#	$
CONSOLIDATED AND PARENT ENTITY 2020	**Ordinary Shares**	
Issued and Paid Up Capital		
Fully paid ordinary shares	**2,884,745,447**	**138,391,786**
Movements in fully paid shares on issue		
Opening balance as at 1 July 2020	**2,589,159,930**	**126,207,566**
Capital raising	267,166,667	12,824,000
Other capital raising costs	-	(639,780)
EIPR and Performance Rights converted	28,418,850	-
Balance as at 31 December 2020	**2,884,745,447**	**138,391,786**

	$
Movement in option reserve	
Balance at 1 July 2020	**35,737,293**
Share based payments for the period	656,021
Options expired in the period	(280,664)
Closing Balance at 31 December 2020	**36,112,650**

The share based payment expense for the period to 31 December 2020 consist of the following:

	$
Share based payments for equity instruments issued in prior to 1 July 2020	565,355
Share Based Payments for EIPR's proposed during the period	90,666
Total	**656,021**

For personal use only

Movement in Number of Options and Performance Rights for the period 31 December 2020

Employee Incentive Performance Rights (EIPR)	**#**
Opening Balance 1 July 2020	**88,066,997**
EIPR forfeited/lapsed	(4,795,625)
EIPR converted to ordinary shares	(25,247,597)
EIPR issued	2,590,452
Closing balance at 31 December 2020	**60,614,227**

LIFX Performance Rights	**#**
Opening Balance 1 July 2020	**12,000,000**
Performance Rights converted to ordinary shares	(3,000,000)
Performance Rights forfeited	(9,000,000)
Closing balance at 31 December 2020	**-**

LIFX Performance Shares	**#**
Opening Balance 1 July 2020	**12,000,000**
Performance shares forfeited	-
Closing balance at 31 December 2020	**12,000,000**

Share Options	**#**
Opening Balance 1 July 2020	**103,339,412**
Options granted	60,000,000
Options expired	(2,806,647)
Closing balance at 31 December 2020	**160,532,765**

Performance Shares	**#**
Opening Balance 1 July 2020	**29,833,334**
Options granted	-
Options expired	-
Closing balance at 31 December 2020	**29,833,334**

Foreign Currency Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. All other reserves are as stated in the consolidated statement of changes in equity.

Fair Value Reserve

The fair value reserve comprises the cumulative difference between cost and fair value for financial instruments that were not held for trading. The Group sold all such financial instruments in June 2019.

For personal use only

NOTE 5 – RELATED PARTY TRANSACTIONS

Other related party transactions are in the form of short term employee benefits, post-employment benefits, share based payments and loans to subsidiaries.

NOTE 6 - BORROWINGS AND DEFERRED ACQUISITION CONSIDERATION

At 31 December 2020, the Group had the following borrowing facilities outstanding:

Trade Finance Facility
The Trade Finance Facility (dated 17 October 2019) with Scottish Pacific Bank has a total facility amount of $20,000,000, is secured by trade receivables, has an interest rate of Prime rate plus 6.5%. and a term of 24 months. The total drawn at 31 December 2020 is nil. This facility was closed in December 2020.

Inventory Finance Facility
The Inventory Finance Facility (dated 16 October 2019) with The Challenger Trade Finance Segregated Portfolio of the South Africa Alpha SPC has a total facility amount of US$6,000,000, is secured by inventory at specific locations, has in interest rate of LIBOR plus 9.5% (plus a drawdown fee of 0.5% of the balance drawn, not to exceed 3% in any year). and a term of 24 months. The total drawn at 31 December 2020 was nil. This facility was closed in December 2020.

Working Capital Finance Facility
This facility with Moss Ridge was put into place shortly before 31 December 2020 in order to pay down and close other borrowings to prepare for the refinancing that occurred in January 2021 as described in footnote 2. This facility had a maximum life of 6 months, had a total of US$2,308,288 ($2,996,998) drawn at 31 December 2020 and was closed in January 2021.

Eastfield Line of Credit
On 1 April 2019, as part of an acquisition, the Group assumed the balance (US$7,541,719) of amounts due from LIFX to their primary manufacturer and majority shareholder. This agreement is secured by all assets of the Company except trade receivables and inventory, calls for annual interest of 12% (+5% for late payments). This facility was paid down in January 2021 with US$3,540,672 (including accrued interest) remaining due in 2021.

Deferred Acquisition Consideration
On 1 April 2019, the Group entered into a US$ denominated deferred consideration obligation which represents the unpaid portion of the cash consideration of an acquisition with a balance of $16,553,746 at 31 December 31 2020. This obligation has an annual interest rate of 10% (+5% for any late payments). In January 2021, this obligation and accrued interest was fully retired through a partial payment and partial debt forgiveness by the holder.

NOTE 7 – CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2020 and 30 June 2020

NOTE 8 – SEGMENT REPORTING

The Group chief operating decision makers received operating results for the following three segments:

1.) **Commercial Business**. This segment includes all activities related to Buddy Ohm and Buddy Managed Services as well as any products or services sold where the customer is a commercial business other than a consumer retailer.

2.) **Consumer Business**. This segment includes all activities related to the sale of products or services where the customer is a consumer or the retail channels that sell to consumers.

3.) **Corporate**. This segment includes the costs and expenses for operating the corporate operating functions including the corporate-level officers and staff, 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 amortisation or impairment of intangibles.

For personal use only

Half year ended 31 December 2020

	Commercial Business	Consumer Business	Corporate	Total
	$	$	$	$
Customer revenues	571,750	16,686,034	-	17,257,784
Inter-segment revenue	134,436	(134,436)	-	-
Total segment revenue	706,186	16,551,597	-	17,257,784
Result from operating activities	(859,379)	(1,542,436)	(3,919,332)	(6,321,146)
Loss before income tax	(859,379)	(1,542,436)	(3,919,332)	(6,321,146)
Income tax benefit (expense)	-	-	701,400	701,400
Loss after income tax	(859,379)	(1,542,436)	(3,217,932)	(5,619,746)
Interest & other income	-	-	108,234	108,234
Interest expense	-	-	(3,786,990)	(3,786,990)
Segment assets	1,923,539	20,988,601	60,271,670	83,183,810
Capital expenditures	(13,733)	(586,840)	-	(600,573)
Segment liabilities	5,828,519	21,667,340	21,112,846	48,608,704
Material non-cash items				
Depreciation and amortisation	(26,828)	(169,456)	(3,340,000)	(3,536,283)
Impairment expense	-	-	-	-
Share based payments	-	-	(656,021)	(656,021)
Option based payments	-	-	-	-

For personal use only

Half year ended 31 December 2019

	Commercial Business	Consumer Business	Corporate	Total
	$	$	$	$
Customer revenues	1,644,802	19,595,425	-	21,240,227
Inter-segment revenue	-	-	-	-
Total segment revenue	1,644,802	19,595,425	-	21,240,227
Result from operating activities	(517,549)	(4,392,337)	(10,543,213)	(15,453,099)
Loss before income tax	(517,549)	(4,392,337)	(10,543,213)	(15,453,099)
Income tax benefit (expense)	-	(28,022)	701,400	673,378
Loss after income tax	(517,549)	(4,420,359)	(9,841,813)	(14,779,721)
Interest & other income	-	85,141	29,222	114,363
Interest expense	(1,051,363)	-	(2,264,634)	(3,315,997)
Segment assets	1,319,242	19,676,486	86,027,863	107,023,591
Capital expenditures	(18,618)	(56,943)	-	(75,561)
Segment liabilities	277,294	23,758,785	27,032,960	51,069,039
Material non-cash items				
Depreciation and amortisation	(52,521)	(136,753)	(3,340,000)	(3,529,274)
Impairment expense	-	-	-	-
Share based payments	-	-	(1,637,987)	(1,637,987)
Option based payments	-	-	(426,000)	(426,000)

For personal use only

Directors' Declaration

In the opinion of the directors of Buddy Technologies Limited ('the Company'):

1. The interim financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

   a. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and of its performance for the period 1 July 2020 to 31 December 2020.

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

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the board



David McLauchlan
CEO, Executive Director
Dated 26 February 2020
Adelaide

For personal use only

For personal use only

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

BUDDY TECHNOLOGIES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Buddy Technologies Limited ("the company") and its controlled entities ("the consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Buddy Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Buddy Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Certified System Quality ISO 9001

For personal use only

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred a loss after tax of $5,619,746 and had net cash outflows from operating activities of $5,802,019 during the half-year ended 31 December 2020 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $22,265,970. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Buddy Technologies Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



M PARAMESWARAN
Partner

Dated: 26 February 2021
Melbourne, Victoria

For personal use only

ASX Appendix 4D

Financial Statements for the half-year ended 31 December 2020

Results for announcement to the market

	6 months **31 Dec 2020** $A	6 months **31 Dec 2019** $A	**% Increase/ (Decrease)**
Revenue from ordinary activities	17,257,784	21,240,227	-18.7%
Profit/(Loss) from ordinary activities after tax attributable to members	($5,619,746)	(14,779,721)	62.0%
Profit/(Loss) for the period attributable to members	($5,619,746)	(14,779,721)	62.0%

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

Net tangible assets	**31 Dec 2020**	**30 June 2020**
Net tangible assets per security	(0.7 cents)	(1.2 cents)

This report is based on information extracted from the Half-Year Report of Buddy Platform Limited for the period ended 31 December 2020. The Half-Year Report has been subject to review by the Company's auditor and the review report is included with this report. Additional Appendix 4D disclosure requirements can be found in the Report of Directors and the 31 December 2020 half-year financial statements.