



Buddy

BUDDY TECHNOLOGIES LIMITED
ACN 121 184 316

PROSPECTUS

For a non-renounceable entitlement offer to Eligible Shareholders of up to approximately 400,000,000 New Shares at an issue price of A\$0.025 per New Share on the basis of one (1) New Share for every 7.5 existing Shares held, together with one (1) free attaching New Option for every two (2) New Shares subscribed for and issued, to raise up to approximately A\$10 million (before costs) (**Entitlement Offer**).

The Entitlement Offer closes at 5.00pm (EST) on 23 August 2021 (unless extended).

This Prospectus also contains the Convertible Note Offer and T2 Share Offer to PFG, the Lead Manager Options Offer to the Lead Manager and the Placement Options Offer to the Placement Participants.

This Prospectus is also being issued under section 708A(11) of the Corporations Act for the purpose of facilitating secondary trading of the Placement Shares and the underlying securities to be issued upon conversion of the New Options and Convertible Notes issued under this Prospectus.

IMPORTANT NOTICE

This is an important document and requires your immediate attention. This Prospectus is a 'transaction specific prospectus' prepared in accordance with section 713 of the Corporations Act. Accordingly, this Prospectus does not of itself contain the same level of disclosure as an initial public offering prospectus. You should read this Prospectus (including the 'Risk Factors' in Section 7) in its entirety before deciding whether to apply for New Securities. If you do not understand any part of this Prospectus, or have any questions about the New Securities, you should consult your stockbroker, accountant, solicitor or other professional adviser. Before making any investment decision, you should have regard to all publicly available information concerning the Company. An investment in the securities offered under this Prospectus should be considered highly speculative in nature.

IMPORTANT INFORMATION

General

This Prospectus is dated 20 July 2021, and was lodged with ASIC on, 20 July 2021. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No New Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

The Company will apply to ASX within seven days of the date of this Prospectus for Official Quotation by ASX of the New Securities offered under this Prospectus.

A copy of this Prospectus is available for inspection at the office of the Company at Level 3, 12 Pirie Street, Adelaide, SA 5000 during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 9.13).

No person is authorised to give any information or to make any representation in connection with the Offers that is not contained in this Prospectus. Any information or representation not contained in this Prospectus should not be relied on as having been made or authorised by the Company or the Directors in connection with the Offers.

Foreign Jurisdictions

This Prospectus does not, and is not intended to, constitute an offer of New Securities in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons outside of Australia and New Zealand should observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. Refer to Section 3.19 for further details.

Important information for New Zealand Investors

The Entitlement Offer to Shareholders with a registered address in New Zealand is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001 (Cth). In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

The Entitlement Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. The Corporations Act sets out how the Entitlement Offer must be made.

There are differences in how securities are regulated under Australian law. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Entitlement Offer. If you need to make a complaint about the Entitlement Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand securities.

If you are uncertain about the terms and conditions of the Entitlement Offer, you should seek the advice of an appropriately qualified financial adviser

Notice to nominees and custodians

Shareholders resident in Australia and New Zealand holding Shares on behalf of persons who are resident in other jurisdictions are responsible for ensuring that taking up any New Securities does not breach regulations in the relevant jurisdiction.

Transaction Specific Prospectus

This is a 'transaction specific prospectus' of 'continuously quoted securities' (as defined in the Corporations Act) of the Company to which the special content rules under section 713 of the Corporations Act apply. This allows the issue of a more concise prospectus in relation to an offer of securities in a class which has been continuously quoted by ASX in the three months prior to the date of this Prospectus. In general terms, 'transaction specific prospectuses' are only required to contain information in relation to the effect of the issue of New Securities on the Company and the rights attaching to the New Securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus contains information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in it. It does not include all of the information that would be included in a prospectus for an initial public offering of securities.

Exposure period

No exposure period applies to the Entitlement Offer.

Speculative investment

An investment in the New Securities should be considered highly speculative. Refer to Section 7 for details of the key risks applicable to an investment in the Company.

Persons wishing to apply for New Securities should read this Prospectus in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of the Company and the rights and liabilities attaching to New Securities.

This Prospectus does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to his/her particular needs, their individual risk profile for speculative investments, investment objectives and individual financial circumstances. If persons considering applying for New Securities have any questions, they should consult their stockbroker, solicitor, accountant or other professional adviser.

There is no guarantee that New Securities will make a return on the capital invested, that dividends will be paid on the New Securities or that there will be an increase in the value of the New Securities in the future.

Forward-looking statements

This Prospectus contains forward-looking statements which may be identified by words such as 'believes', 'estimates', 'expects', 'intends', 'may', 'will', 'would', 'could', or 'should' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company. Key risks associated with an investment in the Company are detailed in Section 7. These and other factors could cause actual results to differ materially from those expressed in any forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Company cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Website

No document or information included on the Company's website is incorporated by reference into this Prospectus.

Diagrams

Any diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Currency

All financial amounts contained in this Prospectus are expressed as Australian dollars unless otherwise stated.

Rounding

Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Time

All references to time in this Prospectus are references to EST, unless otherwise stated.

Glossary

Defined terms and abbreviations used in this Prospectus are detailed in the glossary of terms in Section 11.

CORPORATE DIRECTORY

Directors

David McLauchlan – Executive Director & CEO
Richard Borenstein – Non-Executive Chairman
Paul Russell – Executive Director
James Nelson – Executive Director

Company Secretary

Victoria Allinson

Registered Office

Level 3, 12 Pirie Street
Adelaide SA 5000

Website

<https://buddy.com/>

ASX Code

BUD

Auditors*

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

Share Registry*

Link Market Services
QV1 Building, Level 12, 250 St Georges Terrace
Perth WA 6000

Phone (within Australia): 1300 495 169
Phone (outside Australia): +61 1300 495 169

Solicitors

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

*This party is named for informational purposes only and was not involved in the preparation of this Prospectus.

INDICATIVE TIMETABLE

Event	Date
Announcement of Placement and Entitlement Offer	16 July 2021
Lodgement of Prospectus with ASIC and released to ASX	20 July 2021
"Ex" Date	23 July 2021
Record Date for the Entitlement Offer (at 5.00pm EST)	26 July 2021
Dispatch of Prospectus	29 July 2021
Offers Opening Date	29 July 2021
Last day to extend the Entitlement Offer Closing Date	18 August 2021
Entitlement Offer Closing Date (at 5.00pm EST)	23 August 2021
Securities quoted on a deferred settlement basis	24 August 2021
Announce results of Entitlement Offer	26 August 2021
General Meeting	26 August 2021
Issue New Securities under Entitlement Offer	27 August 2021
ASX Quotation of New Shares and New Options commences	27 August 2021

The above timetable is indicative only and subject to change. Subject to the Listing Rules, the Directors reserve the right to vary these dates, including the Closing Date, without prior notice. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the New Securities. The Directors also reserve the right not to proceed with the whole or part of the Offers at any time prior to allotment. In that event, the relevant Application Monies will be returned without interest.

LETTER FROM THE CEO

Dear Shareholder

On behalf of the Board of Buddy Technologies Limited (**Buddy** or the **Company**), I invite you to participate in a non-renounceable entitlement offer (**Entitlement Offer**) to raise up to A\$10 million (before costs).

The Company has endured a challenging few months with a combination of internal and external factors and events resulting in the Company's shares being suspended from trading on the ASX for a protracted period and the Company undertaking a number of measures to provide a path forward towards a restructure and recapitalisation of the Company. These measures include:

- the completion of a placement to raise A\$6.5 million (before costs) and the Company undertaking the Entitlement Offer;
- the Company entering into formal binding arrangements with its primary manufacturer, Eastfield Lighting (Hong Kong) Limited (**Eastfield**), and secured lender, Partners for Growth (**PFG**), in respect to a debt restructure (**Debt Restructure**); and
- the Company developing a new business plan which include the implementation of various measures to continue to reduce expenditures related to personnel, research and development and general and administrative costs, whilst seeking to grow revenues through (amongst other matters) continuing to resolve inventory constraints, bringing to market new, higher margin products and restructuring certain aspects of its businesses.

The Company is seeking to raise funds under the Entitlement Offer for working capital purposes (to achieve its objectives) and to make debt reduction (or elimination) payments to Eastfield and PFG under the Debt Restructure. Refer to the ASX announcement dated 16 July 2021 for further details.

The Company's primary lender, PFG, remains supportive of the Company, with certain significant Shareholders committing additional funding in the Company's placement to raise A\$6.5 million (before costs).

Offer details

Under the Entitlement Offer, eligible shareholders as at the record date of 5.00pm (EST) on 26 July 2021 will have the opportunity to subscribe for new fully paid ordinary shares in the capital of the Company (**New Shares**) at an issue price of A\$0.025 per New Share, being the same price as the Shares to be issued under the Placement, together with one (1) free attaching new option (**New Option**) for every two (2) New Shares issued. Shares issued under the Placement and the Entitlement Offer will rank equally with existing shares in all respects.

Eligible Shareholders under the Entitlement Offer can choose to take up all, part or none of their Entitlement. The Entitlement Offer will open on 29 July 2021 and close at 5.00pm (EST) on 23 August 2021. There is also an opportunity for Eligible Shareholders to apply for more than their Entitlement as part of the Shortfall Offer outlined in Section 3.8. The Shortfall Offer is made on the same basis as the Entitlement Offer (i.e. one (1) New Option for every two (2) New Shares subscribed for and issued). Further information about how to take up all or part of your Entitlement is detailed in Section 4 of this Prospectus.

Further information

Further information and application instructions for the Entitlement Offer, as well as the risks associated with investing in the Entitlement Offer are detailed in this Prospectus which you should read carefully and in its entirety.

If you have any questions in relation to the Entitlement Offer, please contact the Share Registry on 1300 554 474 (within Australia) or +61 2 9287 0309 (outside Australia) from 9.00am to 5.00pm (EST), Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

On behalf of the Board of Buddy, I invite you to consider this investment opportunity as we thank you for your continued support.

Yours faithfully,



David McLauchlan

CEO and Executive Director

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1. Investment Overview

This Section is not intended to provide full information for investors intending to apply for New Securities offered pursuant to this Prospectus. Prospective investors should read this Prospectus in full before deciding whether to invest in New Securities.

Topic	Summary	Further Information									
The Entitlement Offer and Placement											
What is the Entitlement Offer?	<p>A non-renounceable pro rata entitlement offer of one (1) New Share for every 7.5 Shares held by Eligible Shareholders at the Record Date at an issue price of A\$0.025 per New Share, together with one (1) free attaching New Option for every two (2) New Shares subscribed for and issued.</p> <p>Eligible Shareholders will be given the opportunity to take up all or part of their Entitlement. Entitlements are also non-renounceable. Eligible Shareholders can also apply for Shortfall Shares in excess of their Entitlement under the Shortfall Offer.</p> <p>The Shortfall Offer is made on the same basis as the Entitlement Offer (i.e. one (1) New Option for every two (2) Shortfall Shares subscribed for and issued).</p> <p>There is no guarantee that Eligible Shareholders will be allocated any Shortfall Shares under the Shortfall Offer.</p>	Section 3.1									
What is the Placement?	<p>The Company has received firm commitments for a placement at A\$0.025 per New Share (at the same issue price as the Entitlement Offer) via the issue of 260,000,000 Shares (Placement Shares) to sophisticated and professional investors to raise approximately A\$6.5 million (before costs) (Placement).</p>	Section 2.2									
How much will be raised from the Entitlement Offer and the Placement?	<p>The Company is seeking to raise a total of approximately A\$16.5 million (before costs) under the Entitlement Offer and the Placement.</p>	Section 3									
What is the purpose of the Entitlement Offer and Placement and how will the funds raised be used?	<p>The purpose of the Entitlement Offer, together with the Placement, is to raise approximately A\$16.5 million (before costs).</p> <p>The Placement and the Entitlement Offer are being undertaken to raise funds for:</p> <table border="1"> <thead> <tr> <th>Use of funds</th> <th>Placement of A\$6.5 million (A\$m)</th> <th>Entitlement Offer and Placement of A\$16.5 million (A\$m)</th> </tr> </thead> <tbody> <tr> <td>Working Capital¹</td> <td>4.7</td> <td>8.3</td> </tr> <tr> <td>Eastfield Payment and/or PFG Payment²</td> <td>1.3³</td> <td>7.0⁴</td> </tr> </tbody> </table>	Use of funds	Placement of A\$6.5 million (A\$m)	Entitlement Offer and Placement of A\$16.5 million (A\$m)	Working Capital ¹	4.7	8.3	Eastfield Payment and/or PFG Payment ²	1.3 ³	7.0 ⁴	Section 5.1
Use of funds	Placement of A\$6.5 million (A\$m)	Entitlement Offer and Placement of A\$16.5 million (A\$m)									
Working Capital ¹	4.7	8.3									
Eastfield Payment and/or PFG Payment ²	1.3 ³	7.0 ⁴									

Topic	Summary	Further Information
	Costs of the Placement and Entitlement Offer	0.5 1.2
	Total	6.5 16.5
	Notes <ol style="list-style-type: none"> 1. Includes a 0.5% restructuring fee payment. 2. Assumes an AUD/USD exchange rate of 0.75. 3. Being US\$1 million Eastfield under the Eastfield Payment. 4. Being US\$2.75 million payable to Eastfield under the Eastfield Payment and US\$2.5 million payable to PFG under the PFG Payment. 	
Are any Directors participating in the Entitlement Offer and/or the Placement?	Mr David McLauchlan (a Director) intends to subscribe for approximately A\$120,000 of New Securities under the Entitlement Offer.	Section 9.5
Is the Entitlement Offer underwritten?	No, the Entitlement Offer is not underwritten.	Section 3.10
Is the effect of the Entitlement Offer and Shortfall Offer?	The maximum number of Securities that will be issued under the Entitlement Offer and Shortfall Offer is 400,000,000 New Shares and 200,000,000 New Options (together, the New Securities).	Section 3.1
Is the Entitlement Offer subject to a minimum subscription?	No.	Section 3.6
What are the terms of the New Options	The New Options will be listed on the ASX and have an exercise price of A\$0.05 each and an expiry date of 30 July 2024. The terms and conditions of the New Options are detailed in Section 8.2.	Section 8.2
What is my Entitlement?	<p>Each Eligible Shareholder is entitled to subscribe for one (1) New Share for every 7.5 Shares held on the Record Date of 5.00pm (EST) on 26 July 2021.</p> <p>Each Eligible Shareholder will also be issued one (1) free attaching New Option for every two (2) New Shares subscribed for and issued under the Entitlement Offer.</p> <p>If you are an Eligible Shareholder, your Entitlement is set out on the personalised Entitlement and Acceptance Form accompanying this Prospectus.</p>	Section 3.17
What is the Offer Price?	The offer price for New Shares subscribed for under both the Entitlement Offer and the Placement is A\$0.025 per New	Section 3.12

Topic	Summary	Further Information
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Share.

How to Participate in the Entitlement Offer and Placement

Am I an Eligible Shareholder and able to participate in the Entitlement Offer?	<p>Eligible Shareholders are those persons who:</p> <p>(a) are registered as a holder of Shares as at 5.00pm (EST) on the Record Date; and</p> <p>(b) have a registered address in Australia or New Zealand or are, in the opinion of the Company, otherwise eligible under all applicable securities laws to receive an offer of New Shares under the Entitlement Offer.</p>	Section 3.17
How do I accept all or part of the Entitlement Offer?	If you are an Eligible Shareholder and you wish to take up all or part of your Entitlement, you must pay the full Application Monies via BPAY® by no later than 5.00pm (EST) on the Closing Date.	Section 4
Can I withdraw my application?	Cooling off rights do not apply to an investment in New Shares under the Entitlement Offer. You cannot withdraw your payment once it has been accepted unless permitted to do so in accordance with the Corporations Act.	Section 3.16
Can Eligible Shareholders apply for New Securities in excess of their Entitlement?	<p>Yes. Eligible Shareholders may also apply for Shortfall Shares offered under the Shortfall Offer.</p> <p>The Shortfall Offer is made on the same basis as the Entitlement Offer (i.e. one (1) New Option for every two (2) Shortfall Shares subscribed for and issued).</p> <p>However, there may be few or no Shortfall Shares available for issue depending upon the level of take up of Entitlements by Eligible Shareholders.</p> <p>The Company reserves the right to issue, in consultation with Lead Manager, to an Eligible Shareholder who has applied for Shortfall Shares a lesser number of Shortfall Shares than the number applied for, reject an application or not proceed with the issuing of the Shortfall Shares or part thereof.</p>	Section 3.8

Further details of the Entitlement Offer and Placement

Can I trade my Entitlement?	No, as the Entitlement Offer is non-renounceable, you cannot sell or transfer any of your Entitlement. There will be no trading of Entitlements on ASX.	Section 3.5
What will be the effect of the Entitlement Offer and Placement on the control of the Company?	The effect of the Entitlement Offer and Placement on the control of the Company will vary with the level of Entitlements taken up by Eligible Shareholders under the Entitlement Offer.	Section 5.4

What are the key risks of taking up my Entitlement?

Risks Specific to the	Some of the key risks of investing in the Company are detailed below. The list of risks is not exhaustive and further	Section 7
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Topic	Summary	Further Information
Company	<p>details of these risks and other risks associated with an investment in the Company are detailed in Section 7.</p>	
	<p>(a) Future Capital Needs and Additional Funding</p>	
	<p>At present, the Company is not operating on a cash flow positive basis, meaning it is reliant on its debt facilities with PFG and/or raising additional funds from investors to continue to fund its operations. The Company intends to continue to spend significant funds to manufacture LIFX products and expenses may continue to exceed revenue, resulting in further net losses in the future. The Company will have significant debt following completion of the Entitlement Offer, particularly if it raises less than US\$4.25 million under the Entitlement Offer (being approximately A\$5.67 million) and issues Promissory Notes or Convertible Notes to PFG (refer to Section 2.3 for further details).</p>	
	<p>The Directors consider that the Placement will provide the Company with sufficient working capital to continue to operate as a going concern and progress its operations (refer to the Company's ASX aware responses dated 21 June 2021 and 16 July 2021). However, the Company may require additional funding in the future to finance ongoing operations and its debt obligations. The future capital requirements of the Company (both in respect to timing and quantum) will depend on many factors, including whether the Company can grow existing revenues and achieve its business strategy/plan.</p>	
	<p>No assurances can be given that the Company will be able to raise additional funding and the Company's ability to obtain additional funding will depend on investor demand, its performance and reputation, market conditions and other factors. The Company may seek to raise further funds through equity or debt financing or other means. Failure to obtain sufficient financing for the Company's activities and business may have a material adverse effect on the Company's business and its financial condition and performance. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable. If the Company continues to incur losses in the future, the net losses and negative cash flows may have</p>	

an adverse effect on Shareholders equity and the Company's working capital.

(b) **Critical Component Availability and Manufacturing**

The Company's ability to manufacture LIFX products is dependent on the availability of a number of key inputs, including the critical semiconductor component for the Company's smart lights (refer to the recent critical component shortage detailed in the ASX announcements dated 27 April 2021 and 7 June 2021). Any disruptions, component shortages, price increases or negative changes to availability or economics of the supply chain for key inputs (in particular, a shortage of critical components) could curtail the manufacturer's ability to manufacture of LIFX products.

The Company intends to utilise funds raised under the Placement and the Entitlement Offer to acquire additional critical component stock. No assurances can be given that the Company will be successful in maintaining its supply chain (including the supply of critical components) and any significant interruptions or negative changes in availability of inputs could materially affect the business, financial condition and operating result of the Company.

(c) **Implementation of New Business Plan and Cost Cutting Measures**

The Company has adopted an updated business plan, including implementing various measures to further reduce expenses in respect to personnel, research and development and general and administrative expenditure, while seeking to grow revenues through (amongst other matters) resolving inventory constraints and restructuring certain aspects of its businesses.

There are risks inherent to any company implementing a new business plan and reducing expenses in its business and there is no certainty that the Company's new business plan will be successful. Further, if the Company is unable to achieve any of its objectives, this may materially and adversely impact the Company's financial performance, reputation and ability to achieve future profitability.

(d) **Reliance on Major Customer**

A significant portion of the Company's existing revenue is derived from the sale of LIFX products, specifically to Amazon, and there is a risk that Amazon may cease to purchase LIFX products or significantly reduce the number of

Topic	Summary	Further Information
	<p>LIFX products purchased. Although the Company has no reason to believe that Amazon will terminate its existing arrangement with the Company or reduce the number of LIFX products purchased, there is no assurance that circumstances may not change in the future. If Amazon terminates its existing arrangement or significantly reduces the number of LIFX products purchased, this may have a material adverse impact on the Company's revenues.</p>	
	<p>(e) Late Payments/ Payment Disputes and Non-Payment from Customers</p> <p>If a material portion of customers, or in particular Amazon, were to default, or are late, in payment for LIFX products under their respective arrangements with the Company this could have a material adverse effect on the Company's business, operating results and financial condition. In order to mitigate this risk, the Company undertakes due diligence and the requisite credit checks in respect to each of its customers prior to entering into an arrangement.</p>	
	<p>(f) Reliance on Key Relationships</p> <p>The Company relies on its manufacturing partners, including its primary manufacturer Eastfield, for the manufacturing of its LIFX products offered to the market. If the Company's manufacturing partners cease to meet their commitments and/or obligations to the Company, including due to component shortages, loss of key licences or permits, this could have a material adverse effect on the Company's business, financial condition, operations and prospects.</p>	
	<p>(g) Competition</p> <p>There is a risk that new entrants in the market may disrupt the Company's business and existing market share. Existing competitors as well as new competitors entering the industry, may engage in aggressive campaigns, develop superior technology offerings or consolidate with other entities to deliver enhanced scale benefits. Such competitive pressures may materially erode the Company's market share and revenue, and may materially and adversely impact the Company's revenue and profitability.</p> <p>A general increase in competition may also require the Company to increase marketing expenditure or further reduce costs, which would decrease profitability even if the Company's market share does not decrease.</p>	

Topic	Summary	Further Information
(h)	<p>The Company's Products may be Superseded by Others</p> <p>The Company participates in a competitive environment. Smart lighting products are continuing to develop and are subject to rapid change, as business practices continue to evolve. The Company's success will in part depend on its ability to offer products that remain current with the continuing changes in technology and changing consumer preferences. There is a risk that the Company will not be successful in addressing these developments in a timely manner, or that expenses will be greater than expected. In addition, there is a risk that new products or technologies (or alternative systems) developed by third parties will supersede the Company's technology. This may materially and adversely impact the Company's revenue and profitability.</p>	
(i)	<p>COVID-19 Risk</p> <p>The global economic outlook is facing uncertainty due to the current COVID-19 pandemic, which has been having, and will likely continue to have, a significant impact on global capital markets, commodity prices and foreign exchange.</p> <p>To date, the COVID-19 pandemic has had a material impact on the Company's operations due to critical component shortages (referred to above), however, additional waves of infections could further impact the supply chain and result in the Company and/or its manufacturers' operations being suspended and otherwise disrupted for an unknown periods of time, which may have an adverse impact on the Company's operations as well as adverse implications on the Company's future cash flows, profitability and financial condition.</p> <p>Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Company's operations, financial position and prospects.</p>	
(j)	<p>Reliance on Core Information Technology and Other Systems</p>	

Topic	Summary	Further Information
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The operation of LIFX products and the Company's platforms are dependent upon the performance, reliability and availability of its information technology and communication systems. This includes its core technologies such as computer servers and back-end processing systems. These systems may be adversely affected by a number of factors including major events such as acts of terrorism or war or a breakdown in utilities such as electricity and fibre optic cabling. Events of that nature may cause one or more of those core technologies to become unavailable. There are also internal and external factors that may adversely affect those systems and technologies such as natural disasters, misuse by employees or Manufacturer or other technical issues. The disaster recovery plans of the Company may not adequately address every potential event, and its insurance policies may not cover loss or damage that the Company suffer as a result of a system failure.

Any damage to, or failure of, the Company's key systems can result in disruptions in the use of LIFX products by consumers and the Company's ability to operate its various data aggregation and management platforms for the IoT and connected devices. Such disruptions have the potential to reduce the ability of the Company to generate revenue, impact consumer service levels and damage the respective brand values of the Company. This could adversely affect the Company's ability to generate new business and cause it to suffer financial loss.

(k) **Intellectual Property**

The Company intends to pursue intellectual property protection in the form of patents for newly developed technologies. However, if the Company fails to protect the intellectual property rights adequately, competitors may gain access to its technology which may harm the Company's business.

Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trade mark, copyright and trade secret protection may not be available to the Company in every country in which LIFX products are sold and/or the platform may eventually be launched. Accordingly, despite its efforts, the Company may not be able to prevent third parties from infringing upon or misappropriating its intellectual property.

Topic	Summary	Further Information
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Market conditions depending, the Company may be required to incur significant expenses in monitoring and protecting its intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and cause a distraction to management.

In addition, unauthorised use of the “Buddy” or “LIFX” brand in counterfeit products or services may not only result in potential revenue loss, but also have an adverse impact on its brand value and perceptions of its product qualities.

(l) **Litigation Risks**

The Company is exposed to litigation risks including intellectual property claims, contractual disputes, occupational health and safety claims and employee claims. Further, the Company is presently in dispute with CST Capital Pty Ltd ATF the CST Investments Fund (refer to the ASX announcements dated 6 November 2020, 15 December 2020 and 16 July 2021 for further details). Any such claim or dispute if proven, may impact adversely on the Company’s operations, financial performance and financial position.

(m) **Reliance on Key Personnel**

The Company operates in a rapidly growing and competitive sector. It relies heavily on the core competencies and expertise of its key employees in technical, engineering and sales and marketing. The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and directors. There can be no assurance that there will be no detrimental impact on the performance of the Company or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner. Further, the Company growth and financial performance may suffer if it is unable to secure the quality and quantity of new employees it requires to facilitate its growth due to industry competition for these skills.

Further Information		
How can I obtain further	Further information and application instructions for the Entitlement Offer, as well as the risks associated with investing in the Entitlement Offer are detailed in this	Section 3.24

Topic	Summary	Further Information
information?	<p data-bbox="507 271 1219 331">Prospectus which you should read carefully and in its entirety.</p> <p data-bbox="507 349 1219 472">If you have any questions in respect of the Offers, please contact the Company Secretary at cosec@buddy.com. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.</p>	

2. Company Overview

2.1 Background

On 16 July 2021, the Company announced that:

- (a) it has successfully completed a bookbuild and received firm commitments for a placement to institutional, professional and sophisticated investors to raise A\$6.5 million (before costs) and will undertake a pro rata non-renounceable entitlement offer to existing Shareholders to raise up to an additional A\$10 million (before costs);
- (b) it has entered into formal binding arrangements with its primary manufacturer, Eastfield Lighting (Hong Kong) Limited (**Eastfield**), and secured lender, Partners for Growth VI, L.P. (**PFG**), in respect to a debt restructure (**Debt Restructure**) (refer to Section 2.3 below for further details); and
- (c) the Company had commenced production of the Company's 2021 new LIFX products with a second manufacturer and has been allocated 1 million parts of the critical semiconductor component (of the 2.8 million ordered) (refer to the ASX announcements dated 27 April 2021, 7 June 2021 and 16 July 2021 for further details).

2.2 Placement

As announced on 16 July 2021, the Company has received firm commitments for a placement at A\$0.025 per Share (at the same issue price as the Entitlement Offer) via the issue of 260,000,000 Shares (**Placement Shares**) to sophisticated and professional investors to raise approximately A\$6.5 million (before costs) (**Placement**). The Placement Shares are expected to be issued on or around 26 July 2021.

The Placement was undertaken prior to the Record Date and therefore, participants in the Placement will not be eligible to participate in the Entitlement Offer in respect of the Shares they receive under the Placement.

2.3 Debt Restructure

The Company has entered into a formal binding arrangement with Eastfield to settle all amounts owing in respect to a line of credit facility and historical accounts payables (which totalled ~US\$5.77 million) via the payment of US\$2.75 million to Eastfield (being, US\$3.02 million of debt forgiveness) (**Eastfield Payment**).

In addition, the Company has also restructured its existing US\$10m term debt facility with PFG (**PFG Loan Facility**), whereby (amongst other matters):

- (a) Buddy has agreed to issue 23,993,224 Shares to PFG, at an issue price of A\$0.025 per Share, in respect to the T2 term loan facility (which if sold by PFG, the proceeds from which will be utilised to pay down the outstanding tranche 2 loan principal amount of US\$816,125) (**T2 Shares**);
- (b) Buddy has agreed to make a pre-payment of US\$2.5 million of amounts owing to PFG under the PFG Loan Facility (**PFG Payment**); and
- (c) PFG has agreed to fund the Eastfield Payment, if required.

The Company's US\$10m working capital facility with PFG has not changed and Buddy intends to continue to utilise the working capital facility to fund manufacturing and other working capital requirements. Refer to the ASX announcement dated 5 January 2021 for further details in respect to the PFG Loan Facility and working capital facility.

The Company has agreed to utilise proceeds raised under the Placement and Entitlement Offer as follows:

- (a) US\$1 million raised under the Placement will be utilised to pay a proportion of the Eastfield Payment;
- (b) the first US\$1.75 million raised under the Entitlement Offer will be utilised to pay the remainder of the Eastfield Payment;
- (c) the next US\$2.5 million raised under the Entitlement Offer will be utilised to make the PFG Payment; and
- (d) any additional amounts raised (in excess of US\$4.25 million) will be utilised for working capital purposes.

If Buddy does not raise sufficient funds under the Entitlement Offer to pay the remainder of the Eastfield Payment (of up to an amount of US\$1.75 million) and/or make the PFG Payment (of up to an amount of US\$2.5 million), Buddy will either issue to PFG promissory notes with a face value of up to US\$4.25 million (**Promissory Notes**) or convertible notes which are convertible into Shares, at a conversion price of A\$0.025 per Shares, at the election of PFG (**Convertible Notes**) and proceeds from the Promissory Notes or the Convertible Notes will be utilised to pay the remainder of the Eastfield Payment and/or make the PFG Payment. The terms of the Promissory Notes (being debt instruments) are as follows:

- (a) Security: Senior secured, pro rata with existing PFG debt.
- (b) Maturity: 4 May 2024.
- (c) Interest Rate: 12.50% payable monthly.
- (d) Buddy will be required to repay PFG an amount equivalent to 1.5 times of the principal amount and any accrued interest on the maturity date.

Buddy will seek Shareholder approval to approve the issue of the Convertible Notes and, if Shareholder approval is not obtained, Buddy will issue Promissory Notes to PFG (if required). The terms and conditions of the Convertible Notes are detailed in Section 8.3. Refer to Section 3.2(a) for details in respect to the Convertible Note Offer.

Shareholders are advised that the Company is not seeking Shareholder approval for the conversion of the Promissory Notes, but rather, to issue Convertible Notes (subject to Shareholder approval) – these are separate instruments. No Promissory Notes or Convertible Notes will be issued until after the close of the Entitlement Offer and after the general meeting of Shareholders has occurred and if, Shareholder approval is not obtained, Buddy will issue Promissory Notes (being a debt instrument) rather than the Convertible Notes.

Fees payable to PFG under the Debt Restructure include:

- (a) a 3.5% back-end restructure fee based on the outstanding balance of the loan (being approximately US\$500,000) payable either in cash at maturity or Buddy can elect to pay 50% of this fee via the issue of Shares (subject to Shareholder approval);
- (b) a 0.5% restructuring fee payable in cash following completion of the Entitlement Offer; and
- (c) a commitment fee of US\$875,000 plus 50% of any amount over US\$1.75m drawn down under the Promissory Notes or Convertible Notes, with such amount to be satisfied by the issue of Shares at A\$0.025 per Share to PFG plus Options, each with an exercise price of A\$0.05 and an expiry date of 30 July 2024 (subject to Shareholder approval) (**Commitment Fee**). In the event that Shareholder approval is not obtained, the Commitment Fee will be payable in cash in equal monthly instalments from 4 July 2022 and will have an interest rate of 12.5%.

2.4 Operational Update

Further to the Company's ASX announcement dated 7 June 2021, the Company advises that a second manufacturer, Nanchang Innotech Homesmart Co. Ltd, has commenced production of the Company's new 2021 products, with first light bulbs to be manufactured in September 2021 and scheduled to supply the 2021 holiday season (being, Thanksgiving, Black Friday and Christmas).

Additionally, 1.0 million parts of the critical component (of 2.8 million ordered for balance of 2021 production) have been allocated for August 2021. As at the date of this announcement, the Company presently anticipates that 600,000 pieces of the critical component will be delivered in early August 2021 and the balance 400,000 pieces of the critical component is expected to be delivered by mid to late August 2021. Buddy will provide Shareholders with an update in respect to the process of the delivery of the critical components by way of further ASX announcement.

The Company has also been receiving approximately weekly shipments of inventory to warehouses in respect to manufacturing orders placed at end of 2020/early 2021 and, given the parts shortages, expects the last of this inventory to be delivered by the end of August 2021.

Buddy can confirm that it has also restocked its website, LIFX.com, and has added an in-app store on the LIFX mobile app, both of which are now contributing sales channels globally.

Further, a range of new/updated products is expected to be introduced by the Company, including:

- (a) LIFX Clean – the Company's new germicidal, anti-bacterial smart light, is now available at Best Buy, Amazon, JB Hi-Fi and LIFX.com (available in both 1 and 2 packs, depending on the retailer);
- (b) LIFX Lightstrip Gamer & TV – expected to be the first black Lightstrip for gaming and TV applications;
- (c) LIFX Switch (North America) is now on sale and shipping to customers in North America;
- (d) a new LIFX Downlight (worldwide) product is expected to ship later this year;
- (e) 2-packs in most popular SKUs, 4-packs depending on region.

In addition, in conjunction with the Placement, Entitlement Offer and Debt Restructure, the Company has adopted an updated business plan, which includes implementing various measures to continue to reduce expenditures related to personnel, research and development and general and administrative costs, while seeking to grow revenues through (amongst other matters) continuing to resolve inventory constraints, bringing to market new, higher margin products and restructuring certain aspects of its businesses.

The Company has also been receiving weekly shipments of inventory to warehouses in respect to manufacturing orders placed at end of 2020/early 2021 and, given the parts shortages, expects inventory to be delivered by the end of August 2021 – noting that Buddy has also restocked its website, LIFX.com, and has added an in-app store on the LIFX mobile app.

Refer to the ASX announcement dated 16 July 2021 for further details.

3. Details of the Offers and Placement

3.1 Entitlement Offer

The entitlement offer is a non-renounceable pro rata offer of one (1) New Share for every 7.5 Shares held by Eligible Shareholders on the Record Date at an issue price of A\$0.025 per New Share, together with one (1) free attaching New Option for every two (2) New Shares subscribed for and issued, to raise approximately A\$10 million (before costs) (**Entitlement Offer**).

The Entitlement Offer is non-renounceable, meaning that Entitlements cannot be traded on ASX, nor can they be sold, transferred or otherwise disposed of.

All New Shares under the Entitlement Offer will rank equally with the Shares on issue as at the date of this Prospectus. For further information regarding the rights and liabilities attaching to Shares, please see Section 8.1.

The New Options offered under the Entitlement Offer will have the terms and conditions detailed in Section 8.2.

3.2 Additional Offers

(a) Convertible Note Offer

The Company is offering, pursuant to this Prospectus, 4,250,000 Convertible Notes each at a face value of US\$1.00 per Convertible Note to PFG (and/or its nominees) (**Convertible Notes Offer**). The Convertible Notes Offer under this Prospectus is made only to PFG.

The Convertible Notes Offer is conditional on receipt of Shareholder approval at a general meeting of the Company anticipated to be held on or around 26 August 2021 (**General Meeting**) and the Company will only issue Convertible Notes to PFG (and/or its nominees) if the Company raises less than US\$4.25 million under the Entitlement Offer.

The Convertible Notes offered under this Prospectus will have the terms and conditions detailed in Section 8.3.

The Convertible Notes Offer is being made with disclosure under this Prospectus to facilitate secondary trading of the Shares to be issued upon conversion of the Convertible Notes. Issuing the Convertible Notes under this Prospectus will enable persons who are issued the Convertible Notes to on-sell the Shares issued on conversion of the Convertible Notes pursuant to ASIC Corporations Instrument 2016/80.

PFG should refer to Section 3.12(c) for details of how to accept the Convertible Notes.

(b) T2 Share Offer

This Prospectus also includes an offer of 23,993,224 T2 Shares at A\$0.025 per New Share to PFG (and/or its nominees) pursuant to the Company's pre-existing obligations under the PFG Loan Facility (**T2 Share Offer**). The T2 Share Offer under this Prospectus is made only to PFG.

The T2 Shares will be issued pursuant to the Company's existing Listing Rule 7.1 capacity.

The T2 Shares are expected to be issued at the same time as New Shares to be issued under the Placement. As this is after the Record Date for the Entitlement Offer, PFG will not be able to participate in the Entitlement Offer in respect of the T2 Shares they receive.

PFG should refer to Section 3.12(d) for details of how to accept the T2 Shares.

(c) Placement Options Offer

This Prospectus also includes an offer of New Options (**Placement Options**) to institutional, sophisticated and professional investors who subscribed for and were issued Shares under the Placement (**Placement Participants**) on the basis of one Placement Option for every two Placement Shares subscribed for and issued (**Placement Options Offer**). The Placement Options Offer under this Prospectus is made only to the Placement Participants (and/or their nominees).

The Placement Options Offer is conditional on receipt of Shareholder approval at the General Meeting.

The Placement Options offered under this Prospectus will form the same class of quoted securities as the New Options and will have the terms and conditions detailed in Section 8.2.

The Placement Options Offer is being made with disclosure under this Prospectus to:

- (i) facilitate secondary trading of the Placement Options and to enable persons who are issued the Placement Options to on-sell those Placement Options within 12 months of their issue. The Company will not issue the Placement Options with the purpose of the persons, to whom they are issued, selling or transferring those Placement Options, or granting, issuing or transferring interests in those Placement Options within 12 months of the issue but this Prospectus provides them the ability to do so should they wish; and
- (ii) facilitate secondary trading of the Shares to be issued upon exercise of the Placement Options. Issuing the Placement Options under this Prospectus will enable persons who are issued the Placement Options to on-sell the Shares issued on exercise of the Placement Options pursuant to ASIC Corporations Instrument 2016/80.

The Placement Participants should refer to Section 3.12(e) for details of how to accept the Placement Options.

(d) **Lead Manager Options Offer**

This Prospectus also includes an offer of 20,000,000 New Options (**Lead Manager Options**) to the Lead Manager (and/or its nominees) (**Lead Manager Options Offer**). The Lead Manager Options Offer under this Prospectus is made only to the Lead Manager.

The Lead Manager Options will be issued pursuant to the Company's existing Listing Rule 7.1 capacity.

The Lead Manager Options offered under this Prospectus will form the same class of quoted securities as the New Options and will have the terms and conditions detailed in Section 8.2.

The Lead Manager Options Offer is being made with disclosure under this Prospectus to:

- (i) facilitate secondary trading of the Lead Manager Options and to enable persons who are issued the Lead Manager Options to on-sell those Lead Manager Options within 12 months of their issue. The Company will not issue the Lead Manager Options with the purpose of the persons, to whom they are issued, selling or transferring those Lead Manager Options, or granting, issuing or transferring interests in those Lead Manager Options within 12 months of the issue but this Prospectus provides them the ability to do so should they wish; and
- (ii) facilitate secondary trading of the Shares to be issued upon exercise of the Lead Manager Options. Issuing the Lead Manager Options under this Prospectus will enable persons who are issued the Lead Manager Options to on-sell the Shares issued on exercise of the Lead Manager Options pursuant to ASIC Corporations Instrument 2016/80.

The Lead Manager should refer to Section 3.12(f) for details of how to accept the Lead Manager Options.

3.3 Removal of Secondary Trading Restrictions

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to on-sell those securities within 12 months after the date of their issue.

Section 708A(5) of the Corporations Act provides an exception to section 707(3) where an entity issues a 'cleansing' notice under section 708A(5). However, the Company has been suspended from trading on the ASX for more than 5 days in the last 12 months and as a result is precluded from issuing a 'cleansing' notice in accordance with section 708A(5) of the Corporations Act.

Section 708A(11) of the Corporations Act provides another exemption from this general requirement where:

- (a) the relevant securities are in a class of securities of the company that are already quoted on ASX;
- (b) a prospectus is lodged with ASIC either:
 - (i) on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the company that are in the same class of securities as the relevant securities.

A secondary purpose of this Prospectus is to comply with section 708A(11) of the Corporations Act to remove any trading restrictions that may have attached to the T2 Shares and Placement Shares to be issued by the Company so that the holders of the T2 Shares and Placement Shares (as applicable), if they choose to, may sell those T2 Shares and Placement Shares (as applicable) within the twelve months following their issue, without the issue of a prospectus. The Company did not issue the T2 Shares and Placement Shares with the purpose of the persons to whom they were issued selling or transferring the T2 Shares and Placement Shares, or granting, issuing or transferring interests in the T2 Shares and Placement Shares within 12 months of the issue, however this Prospectus provides them with the ability to do so should they wish.

3.4 Purpose of this Prospectus

The purpose of this Prospectus is to:

- (a) make the Offers;
- (b) ensure that the on-sale of Placement Options and Lead Manager Options do not breach section 707(3) of the Corporations Act;
- (c) ensure that the on-sale of the underlying Shares to be issued upon the conversion of Placement Options, Lead Manager Options and Convertible Notes is in accordance with ASIC Corporations Instrument 2016/80; and
- (d) ensure that the on-sale of the T2 Shares and Placement Shares does not breach section 707(3) of the Corporations Act by relying on the exemption to the secondary trading provisions in section 708A(11) of the Corporations Act.

3.5 No rights trading

The rights to New Securities under the Entitlement Offer are non-renounceable. Accordingly, there will be no trading of rights on ASX and you may not dispose of your rights to subscribe for New Securities under the Entitlement Offer to any other party. If you do not take up your Entitlement to New Securities under the Entitlement Offer by the Closing Date, your Entitlement will lapse.

3.6 Minimum subscription

There is no minimum subscription for the Entitlement Offer.

3.7 Opening and closing dates

The Company will accept payment in respect of the Entitlement Offer from Eligible Shareholders from the Opening Date until 5.00pm (EST) on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the Listing Rules.

Please note that payment made by BPAY® must be received no later than 5.00pm (EST) on the Closing Date. It is the responsibility of all Eligible Shareholders to ensure that their BPAY® payments are received by the Company on or before the Closing Date.

The closing date for:

- (a) the Convertible Notes Offer is until 5.00pm (EST) 26 August 2021 (**Convertible Notes Offer Closing Date**). The Company will accept the Convertible Notes Offer Application Forms from 26 July 2021 until the Convertible Notes Offer Closing Date.
- (b) the T2 Share Offer is until 5.00pm (EST) 26 July 2021 (**T2 Share Offer Closing Date**). The Company will accept the T2 Share Offer Application Forms from 20 July 2021 until the T2 Share Offer Closing Date.
- (c) the Placement Options Offer is until 5.00pm (EST) 26 August 2021 (**Placement Options Offer Closing Date**). The Company will accept the Placement Options Offer Application Forms from 26 July 2021 until the Placement Options Offer Closing Date.
- (d) the Lead Manager Options Offer is until 5.00pm (EST) 26 August 2021 (**Lead Manager Options Offer Closing Date**). The Company will accept the Lead Manager Options Offer Application Forms from 26 July 2021 until the Lead Manager Options Offer Closing Date.

The Company reserves the right, subject to the Corporations Act and the Listing Rules, to vary the closing dates of the Offers without prior notice. If a closing date is varied, subsequent dates may also be varied accordingly.

3.8 Shortfall Offer and allocation policy

Any New Securities under the Entitlement Offer that are not applied for will form the Shortfall Securities. The offer to issue Shortfall Securities is a separate offer under this Prospectus (**Shortfall Offer**).

Under this Prospectus, the Company offers to issue the Shortfall Securities to investors at the same price of A\$0.025 per New Share as that offered under the Entitlement Offer (together with one (1) free attaching New Option for every two (2) Shortfall Shares issued). The Shortfall Shares will have the same rights as the New Shares as detailed in Section 8.1. The New Options offered under the Shortfall Offer will have the terms and conditions detailed in Section 8.2.

Eligible Shareholders may apply for Shortfall Securities by completing the relevant section of their Entitlement and Acceptance Form (refer to Section 4 for further details). Other investors may also apply for Shortfall Securities by completing the Shortfall Application Form upon invitation from the Company (refer to Section 4 for further details).

Shortfall Securities may be allocated to any Eligible Shareholder who apply for Shortfall Securities under the Shortfall Offer, at the absolute discretion of the Directors. Subject to the applications from Eligible Shareholders, the Lead Manager has a first right of refusal and discretion to place the Shortfall Securities within three months after the Closing Date. Any Shortfall Securities applied for by Eligible Shareholders will be issued to those Eligible Shareholders in priority to the issue of Shortfall Securities to the Lead Manager (and/or its nominees) or other investors.

The shortfall allocation policy has been structured to allow each Eligible Shareholder to participate in priority to any other investors to try to reduce the number of Shortfall Securities that may be issued to third parties. Shortfall Securities will not be offered or issued to any Applicant if, in the view of the Directors, to do so would increase the Applicant's voting power in the Company above 19.9% or otherwise result in a breach of the Listing Rules, the Corporations Act or other applicable law.

An Application for Shortfall Securities accompanied by payment of Application Monies does not guarantee the allotment of Shortfall Securities. The Shortfall Securities will be allocated within three months from the Closing Date.

In relation to the Shortfall Offer, the Company reserves the rights to issue to an Applicant a lesser number of Shortfall Securities than the number applied for, reject an Application or not proceed with the issue of the Shortfall Securities or part thereof. If the number of Shortfall Securities issued is less than the number applied for, surplus Application Monies will be refunded in full. Interest will not be paid on Application Monies refunded.

3.9 Fractional Entitlements

Fractional Entitlements will be rounded up or down to the nearest whole number, with Entitlements to less than half of a New Security rounded down. For this purpose, holdings in the same name are aggregated for calculation of Entitlements, to the extent permitted by the Listing Rules. If the Company considers that holdings have been split to take advantage of rounding, the Company reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements, to the extent permitted by the Listing Rules.

3.10 Underwriting

The Entitlement Offer is not underwritten.

3.11 Risks of the Offers

As with any securities investment, there are risks associated with investing in the Company. However, having regard to the matters detailed in Section 2 and the risks applicable to the Company and its business detailed in Section 7, Eligible Shareholders should be aware that an investment in the New Securities should be considered highly speculative and there exists a risk that you may, in the future, lose some or all of the value of your investment.

Before deciding to invest in the Company, investors should read this Prospectus in its entirety, in particular the specific risks associated with an investment in the Company (detailed in Section 7), and should consider all factors in light of their personal circumstances and seek appropriate professional advice.

3.12 Application Forms and BPAY® payments

(a) Entitlement Offer

Payment by an Eligible Shareholder creates a legally binding contract between the Applicant and the Company for the number of New Securities accepted by the Company.

The Application Form does not need to be signed to be a binding acceptance of New Securities.

(b) **Shortfall Offer**

A Shortfall Application Form will be provided to certain persons wishing to participate in the Shortfall upon invitation from the Company. Acceptance of a completed Shortfall Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Shortfall Securities accepted by the Company. The Shortfall Application Form does not need to be signed to be a binding acceptance of Shortfall Securities.

A Shortfall Application Form will be issued to certain investors together with a copy of the Prospectus.

(c) **Convertible Note Offer**

The Convertible Notes Offer is an offer to PFG (and/or its nominees) only.

Only PFG (and/or its nominees) can accept the Convertible Notes under the Convertible Notes Offer. A personalised Convertible Notes Offer Application Form will be issued to PFG (and/or its nominees) together with a copy of this Prospectus. The Company will only provide a Convertible Notes Offer Application Form to PFG (and/or its nominees).

(d) **T2 Share Offer**

The T2 Share Offer is an offer to PFG (and/or its nominees) only.

Only PFG (and/or their nominees) can accept the T2 Shares under the T2 Share Offer. A personalised T2 Share Offer Application Form will be issued to PFG (and/or its nominees) together with a copy of this Prospectus. The Company will only provide a T2 Share Offer Application Form to PFG (and/or its nominees).

(e) **Placement Options Offer**

The Placement Options Offer is an offer to Placement Participants (and/or their nominees) only.

Only the Placement Participants (and/or their nominees) can accept the Placement Options under the Placement Options Offer. A personalised Placement Options Offer Application Form will be issued to the Placement Participants (and/or their nominees) together with a copy of this Prospectus. The Company will only provide a Placement Options Offer Application Form to Placement Participants (and/or their nominees).

(f) **Lead Manager Options Offer**

The Lead Manager Options Offer is an offer to the Lead Manager (and/or its nominees) only.

Only the Lead Manager (and/or its nominees) can accept the Lead Manager Options under the Lead Manager Options Offer. A personalised Lead Manager Options Offer Application Form will be issued to the Lead Manager (and/or its nominees) together with a copy of this Prospectus. The Company will only provide a Lead Manager Offer Application Form to the Lead Manager (and/or its nominees).

If you are in doubt as to the course of action, you should consult your professional advisor.

Acceptance of a completed Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of New Securities accepted by the Company. The Application Form does not need to be signed to be a binding acceptance of Securities.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision whether to treat a completed Application Form as valid and how to construe, amend or complete the Application Form is final.

3.13 Issue and Dispatch

All New Securities under the Offers are expected to be issued on or before the dates specified in the Indicative Timetable.

It is the responsibility of Applicants to determine their allocation prior to trading in New Securities. Applicants who sell New Securities before they receive their holding statements will do so at their own risk.

Shortfall Securities may be issued within three months after the Closing Date.

3.14 Application Monies held on trust

All Application Monies will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the New Shares are issued. All Application Monies will be returned (without interest) if the New Shares are not issued.

3.15 ASX quotation

Application will be made to ASX no later than seven days after the date of this Prospectus for Official Quotation of the New Securities offered under this Prospectus. If ASX does not grant Official Quotation of the New Securities within three months after the date of this Prospectus (or such period as the ASX allows), no New Securities will be issued or allotted under the Offers and the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant Official Quotation is not to be taken in any way as an indication of the merits of the Company or its Securities.

3.16 Withdrawal and Cooling-Off Rights

Cooling off rights do not apply to an investment in New Securities under the Entitlement Offer. You cannot withdraw your payment once it has been accepted unless permitted to do so in accordance with the Corporations Act.

The Directors may at any time decide to withdraw this Prospectus and the Offers, in which case, the Company will return all Application Monies (without interest) in accordance with the Corporations Act.

3.17 Eligible Shareholders

Eligible Shareholders are those persons who:

- (a) are registered as a holder of Shares as at the Record Date, being 5.00pm (EST) on 26 July 2021; and
- (b) have a registered address on the Company share register in Australia or New Zealand, or are, in the opinion of the Company, otherwise eligible to receive an offer of New Securities under the Entitlement Offer,

(an **Eligible Shareholder**).

If you are a Shareholder who does not satisfy each of the criteria listed above, you are an "**Ineligible Shareholder**". Where this Prospectus has been despatched to Ineligible Shareholders, this Prospectus is provided for information purposes only. The Company reserves the right to determine whether a Shareholder is an Eligible Shareholder or an Ineligible Shareholder.

By making a payment by BPAY®, you will be taken to have represented and warranted that you satisfy each of the criteria listed above to be an Eligible Shareholder. Nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

By receiving this Prospectus, you will be taken to have acknowledged and agreed that determination of eligibility of investors for the purposes of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of the Company and each of the Company and the Lead Manager and each of their respective affiliates disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law.

The Company has decided that it is unreasonable to make offers under the Entitlement Offer to Shareholders who have registered addresses outside Australia and New Zealand, having regard to the number of such holders in those places and the number and value of the New Securities that they would be offered, and the cost of complying with the relevant legal and regulatory requirements in those places. The Company may (in its absolute discretion) extend the Entitlement Offer to Shareholders who have registered addresses outside Australia or New Zealand in accordance with applicable law.

3.18 Nominees

The Entitlement Offer is only being made to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares (e.g. for the purposes of determining whether any such persons may participate in the Entitlement Offer).

Where any holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Entitlement Offer is compatible with applicable foreign laws.

3.19 Foreign Jurisdictions

This Prospectus does not, and is not intended to, constitute an offer of Securities in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Prospectus. The Entitlement Offer is not being extended, and New Securities will not be issued, to Shareholders with a registered address which is outside Australia or New Zealand.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than those mentioned above) having regard to the number of overseas Shareholders, the number and value of New Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

No action has been taken to permit the offer of New Securities to existing Shareholders in any jurisdiction other than Australia and New Zealand. The distribution of this Prospectus in jurisdictions outside those jurisdictions is restricted by law and persons outside of those jurisdictions should observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Prospectus and the accompanying Entitlement and Acceptance Form does not constitute an offer of New Securities in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer. In particular, this Prospectus may not be distributed to any person, and the New Securities may not be offered or sold, in any country outside of Australia except to the extent permitted below:

New Zealand

The New Securities are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of these

securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

3.20 CHES

The Company participates in the Clearing House Electronic Subregister System, known as CHES. ASX Settlement, a wholly owned subsidiary of ASX, operates CHES in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHES, Applicants will not receive a certificate but will receive a statement of their holding of New Securities.

If you are broker sponsored, ASX Settlement will send you a CHES statement.

The CHES statement will set out the number of New Securities issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the New Securities.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Share Registry and will contain the number of New Securities issued to you under this Prospectus and your security holder reference number.

A CHES statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

3.21 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for New Securities.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. Applicants should consult their own professional tax adviser to obtain advice in relation to the taxation laws, regulations and implications applicable to their personal circumstances.

3.22 Major activities and financial information

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2020 is contained in the Annual Report which is available on the Company's website at <https://buddy.com/>.

A summary of the major activities and financial information relating to the Company for the half year ended 31 December 2020 is contained in the Half Yearly Report which is available on the Company's website at <https://buddy.com/>.

The Company's continuous disclosure notices (i.e. ASX announcements) since the lodgement of its Annual Report for the year ended 30 June 2020 with ASX on 1 October 2020 are detailed in Section 9.1.

Copies of these documents are available free of charge from the Company or the Company's website: <https://buddy.com/>. Directors strongly recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the Offers.

3.23 Privacy

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes detailed in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, PFG and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on Application Form, the Company may not accept or process your Application.

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

3.24 Enquiries concerning Prospectus

Enquiries relating to this Prospectus should be directed to the Company Secretary at cosec@buddy.com. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

4. Actions required by Applicants

4.1 How to apply

Your Entitlement is detailed on the accompanying personalised entitlement and acceptance form (**Entitlement and Acceptance Form**) and has been calculated as one (1) New Share for every 7.5 Shares you held as at the Record Date of 5.00pm (EST) on 26 July 2021, together with one (1) free attaching New Option for every two (2) New Shares subscribed for and issued. If the result is not a whole number, fractional Entitlements will be rounded up or down to the nearest whole number, with Entitlements to less than half of a New Security rounded down.

If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

If you are an Eligible Shareholder, you may do any one of the following:

- (a) take up all of your Entitlement and also apply for additional New Securities under the Shortfall Offer;
- (b) take up all of your Entitlement but not apply for additional New Securities under the Shortfall Offer;
- (c) take up part of your Entitlement, the part not taken up will lapse; or
- (d) do nothing, in which case all of your Entitlement will lapse and you will receive no value for those lapsed Entitlements.

1. **If you wish to take up all of your Entitlement and also apply for additional New Securities in the Shortfall Offer or if you wish to take up all of your Entitlement only**

If you decide to take up all of your Entitlement, or take up all of your Entitlement and participate in the Shortfall Offer, please pay your Application Monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form, so that they are received by the Share Registry by no later than 5.00pm (EST) on 23 August 2021 (**Closing Date**).

If you apply to take up all of your Entitlement, you may also apply for additional New Securities under the Shortfall Offer. Amounts received by the Company in excess of the offer price of A\$0.025 multiplied by your Entitlement may be treated as an Application to apply for as many additional Shortfall Shares as your Application Monies will pay for in full.

Please make sure to use the specific Biller Code and unique Customer Reference Number on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the Customer Reference Number specific to the Entitlement on that Entitlement and Acceptance Form.

If you take up all of your Entitlement and apply for additional New Securities under the Shortfall Offer and if your application is successful (in whole or in part) you will be issued your New Securities on or about 24 August 2021. The Company's decision on the number of New Securities to be issued to you will be final.

Any New Securities not taken up by the Closing Date may be made available to those Eligible Shareholders who took up their full Entitlement and applied for additional New Securities under the Shortfall Offer. There is no guarantee that such Shareholders will receive the number of New Securities applied for under the Shortfall Offer, or any. Additional New Securities under the Shortfall Offer will only be allocated to Eligible Shareholders if available and to the extent that the Company so determines, in its absolute discretion.

The Company also reserves the right (in its absolute discretion) to reduce the number of New Securities issued to Eligible Shareholders, or persons claiming to be Eligible

Shareholders, if the Company believes their claims to be overstated or if they or their nominees fail to provide information to substantiate their claims to the Company's satisfaction.

All Shareholders, including those Eligible Shareholders who participate in the Entitlement Offer, will have their percentage holding in the Company reduced by the Placement.

2. If you wish to take up part of your Entitlement

If you decide to take up part of your Entitlement, and allow the balance to lapse, please pay your Application Monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form, such that they are received by the Share Registry by no later than 5.00pm (EST) on 23 August 2021. The Company will treat you as applying for as many New Shares as your payment will pay for in full. Please make sure to use the specific Biller Code and unique Customer Reference Number on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the Customer Reference Number specific to the Entitlement on that Entitlement and Acceptance Form.

If you take up and pay part of your Entitlement before the close of the Entitlement Offer you will be issued your New Securities on or about 24 August 2021. The Company's decision on the number of New Securities to be issued to you will be final.

The Company also reserves the right (in its absolute discretion) to reduce the number of New Securities issued to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if the Company believes their claims to be overstated or if they or their nominees fail to provide information to substantiate their claims to the Company's satisfaction.

Eligible Shareholders who do not participate fully in the Entitlement Offer will have their percentage holding in the Company reduced. All Shareholders, including those Eligible Shareholders who participate in the Entitlement Offer, will have their percentage holding in the Company reduced.

You will not receive any value for the Entitlements you choose not to take up and they will lapse worthless.

4. If you take no action

If you take no action you will not be allocated New Securities and your Entitlement will lapse. Your Entitlement to participate in the Entitlement Offer is non-renounceable and will not be tradeable or otherwise transferable. Eligible Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.

Eligible Shareholders who do not participate fully in the Entitlement Offer will have their percentage holding in the Company reduced. All Shareholders, including those Eligible Shareholders who participate in the Entitlement Offer, will have their percentage holding in the Company reduced.

4.2 Ineligible Shareholders

If you are an Ineligible Shareholder, you may not accept any of, or do anything in relation to, your Entitlement.

4.3 Applications for Shortfall Securities under the Shortfall Offer

If you are not an Eligible Shareholder and wish to apply for Shortfall Securities under the Shortfall Offer, please pay your Application Monies via BPAY® by following the instructions referred to in this Prospectus and on the Shortfall Application Form, including the number of Shortfall Securities you wish to apply for under the Shortfall Offer and the total Application Monies (calculated at

A\$0.025 per Shortfall Share applied for under the Shortfall Offer). Please read the instructions carefully.

Please pay your Application Monies via BPAY® in accordance with Section 4.4, to the Share Registry so that it is received by no later than 5.00pm (EST) on the Closing Date.

4.4 Payment

Payments by cash, cheque, bank draft or money order will not be accepted. The Company will treat you as applying for as many New Shares as your payment will pay for in full up to your Entitlement.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid to applicants on any Application Monies received or refunded.

Please follow the instructions on the personalised Entitlement and Acceptance Form (which includes the Biller Code and your unique Customer Reference Number). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

If you are a Shareholder with a registered address in New Zealand and do not have access to BPAY® please contact the Shareholder Information Line on 1300 495 169 (within Australia) or +61 1300 495 169 (outside Australia) from 9.00am to 5.00pm (EST), Monday to Friday.

Please note that:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the declarations, representations and warranties on that personalised Entitlement and Acceptance Form and under this Prospectus; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your payment is received by the Share Registry by no later than 5.00pm (EST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment.

Please make sure you use the specific Biller Code and your unique Customer Reference Number on your personalised Entitlement and Acceptance Form. If you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. If you receive more than one personalised Entitlement and Acceptance Form, please only use the Customer Reference Number specific to the Entitlement on that Entitlement and Acceptance Form.

Any Application Monies received for more than your final allocation of New Shares will be refunded. No interest will be paid on any Application Monies received or refunded.

4.5 Representations by Applicants

By making payment to acquire New Securities, you will be deemed to have represented to the Company that you are an Eligible Shareholder and:

- (a) acknowledge that you have received a copy of this Prospectus and an accompanying Entitlement and Acceptance Form, and read them both in their entirety;
- (b) agree to be bound by the terms of the Entitlement Offer, the provisions of this Prospectus and the Constitution;

- (c) authorise the Company to register you as the holder(s) of the New Securities allotted to you;
- (d) declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- (e) declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- (f) acknowledge that once any payment of Application Monies via BPAY® is made, you may not withdraw your application or funds provided except as allowed by law;
- (g) agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY®, at the offer price of A\$0.025 per New Share;
- (h) authorise the Company, the Lead Manager, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Securities to be issued to you, including correcting any errors in the Entitlement and Acceptance Form and to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- (i) acknowledge and agree that:
 - (i) determination of eligibility of investors for the purposes of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of the Company and/or the Lead Manager;
 - (ii) each of the Company and the Lead Manager, and each of their respective affiliates, disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law;
- (j) declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- (k) acknowledge that the information contained in this Prospectus and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Securities are suitable for you given your investment objectives, financial situation or particular needs;
- (l) acknowledge that this Prospectus does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company' past and ongoing continuous disclosure announcements to ASX;
- (m) acknowledge the statement of risks in section 7 of this Prospectus and that investments in the Company are subject to risk;
- (n) acknowledge that none of the Company, the Lead Manager, or their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of the Company, nor do they guarantee the repayment of capital;
- (o) agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- (p) represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the personalised Entitlement and Acceptance Form, nor does it prohibit

you from making an application for New Securities and that you are otherwise eligible to participate in the Entitlement Offer; and

- (q) you have not and will not send this Prospectus, the Entitlement and Acceptance Form or any other materials relating to the Entitlement Offer to any person in any country outside Australia and New Zealand.

4.6 Brokerage

No brokerage or stamp duty is payable by Eligible Shareholders who accept their Entitlement.

5. Purpose and Effect of the Entitlement Offer and Placement

5.1 Purpose of the Entitlement Offer and the Placement

The purpose of the Entitlement Offer, together with the Placement, is to raise approximately A\$16.5 million (before costs).

The aggregate funds raised from the Placement and the Entitlement Offer are expected to be used in accordance with the table below:

Description	Placement of A\$6.5 million (A\$)	Placement and Entitlement Offer of A\$16.5 million (A\$)
Working Capital ¹	4.7 million	8.3 million
Payment of Eastfield Payment and/or PFG Payment ²	1.3 million ³	7.0 million ⁴
Costs of the Placement and Offers	0.5 million	1.2 million
TOTAL	6.5 million	16.5 million

Notes

1. Includes a 0.5% restructuring fee payment.
2. Assumes an AUD/USD exchange rate of 0.75.
3. Being US\$1 million payable to Eastfield under the Eastfield Payment. Refer to Section 2.3 for further details.
4. Being US\$2.75 million payable to Eastfield under the Eastfield Payment and US\$2.5 million payable to PFG under the PFG Payment. Refer to Section 2.3 for further details.

The above table is a statement of the Board's current intentions as at the date of this Prospectus. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

5.2 Effect of the Entitlement Offer and Placement

The principal effect of the Placement will be to:

- (a) provide the Company with sufficient working capital to continue to operate its business as a going concern;
- (b) partly fund the Eastfield Payment of US\$1 million (refer to Section 2.3 for further detail); and
- (c) increase the number of Shares on issue from 3,000,332,100 as at the date of this Prospectus to up to 3,260,332,100 following completion of the Placement.

The principal effect of the Entitlement Offer will be to:

- (a) provide the Company with sufficient working capital to operate its business;
- (b) fund the remainder of the Eastfield Payment and all of the PFG Payment (refer to Section 2.3 for further detail); and
- (c) further increase the number of Shares from 3,260,332,100 to up to 3,660,332,100 following completion of the Entitlement Offer.

If any of the Options, Performance Rights, Performance Shares or Warrants are exercised or converted before the Record Date, the Shares issued on such exercise will be eligible to participate in the Entitlement Offer.

5.3 Capital Structure

The effect of the Placement and Offers on the capital structure on the Company, assuming the New Securities are issued and the Entitlement Offer is fully subscribed, are as follows:

	Shares	Options	Performance Rights	Performance Shares	Warrants
Existing Securities	3,000,332,100	80,532,765	80,939,055	31,833,333	50,000,000
Placement	260,000,000	-	-	-	-
Entitlement Offer	400,000,000 ¹	200,000,000 ^{1 2}	-	-	-
Convertible Notes Offer	-	-	-	-	-
Securities to PFG under the Debt Restructure	84,099,891 ³	23,333,334 ⁴	-	-	-
Placement Options Offer	-	130,000,000 ⁵	-	-	-
Lead Manager Options Offer	-	20,000,000 ⁶	-	-	-
Total	3,744,431,991	453,866,099	80,939,055	31,833,333	50,000,000

Notes:

1. Assumes A\$10 million is raised under the Entitlement Offer.
2. Each with an exercise price of A\$0.05 and an expiry date of 30 July 2024.
3. Assumes an AUD/USD exchange rate of 0.75, no Convertible Notes/Promissory Notes are issued and A\$10 million is raised under the Entitlement Offer. Comprises of up to approximately 46,666,667 Shares to be issued as a commitment fee (subject to Shareholder approval), approximately 13,440,000 Shares to be issued, being 50% of the back-end restructuring fee (subject to Shareholder approval) and 23,993,224 New Shares to be issued under the T2 Share Offer as part of the T2 loan amount which will be issued under the Company's existing Listing Rule 7.1 capacity. If no funds are raised under the Entitlement Offer and 4,250,000 Convertible Notes or Promissory Notes are issued, 113,333,333 Shares (as opposed to 46,666,667 Shares) will be issued as a commitment fee (subject to Shareholder approval). Refer to Section 2.3 for further details.
4. Each with an exercise price of A\$0.05 and an expiry date of 30 July 2024 (subject to Shareholder approval). Assumes A\$10 million is raised under the Entitlement Offer, an AUD/USD exchange rate of 0.75 and no Convertible Notes are issued. If no funds are raised under the Entitlement Offer and 4,250,000 Convertible Notes or Promissory Notes are issued, 56,666,666 New Options (as opposed to 23,333,334 New Options) will be issued as a commitment fee (subject to Shareholder approval).
5. Each with an exercise price of A\$0.05 and an expiry date of 30 July 2024 (subject to Shareholder approval).
6. Each with an exercise price of A\$0.05 and an expiry date of 30 July 2024.

If the Company raises less than US\$4.25 million (approximately A\$5.67 million) under the Entitlement Offer, the Company will either issue Convertible Notes or Promissory Notes to PFG (refer to Section 2.3 for further details). The exact number of Convertible Notes or Promissory Notes to be issued to PFG will depend on the amount raised under the Entitlement Offer. By way of example, the effect on the capital structure of the Company if Convertible Notes are issued will be as follows:

- (a) if the Company does not raise any funds under the Entitlement Offer, 4,250,000 Convertible Notes will be issued. Assuming an AUD/USD exchange rate of 0.75, up to 226,666,666 Shares will be issued to PFG following the conversion of the Convertible Notes;

- (b) if the Company raises US\$2 million (approximately A\$2.67 million) under the Entitlement Offer, 2,250,000 Convertible Notes will be issued. Assuming an AUD/USD exchange rate of 0.75, up to 120,000,000 Shares will be issued to PFG following the conversion of the Convertible Notes; and
- (c) if the Company raises between US\$4.25 million (approximately A\$5.67 million) and US\$7.5 million (being A\$10 million) under the Entitlement Offer, no Convertible Notes will be issued.

Refer to Section 8.3 for the terms and conditions of the Convertible Notes. If Promissory Notes are issued, there will be no effect on the capital structure of the Company (as the Promissory Notes are debt instruments).

5.4 Effect on Control

The Company has not appointed a nominee in respect of the Entitlements of Ineligible Shareholders pursuant to section 615 of the Corporations Act. Accordingly, the exemption to the 20% takeovers threshold under item 10 of section 611 of the Corporations Act is not available to Shareholders taking up their Entitlement under the Entitlement Offer.

No New Shares will be issued to any Shareholder or Applicant pursuant to this Prospectus if, in the view of the Directors, to do so would increase that Shareholder's or Applicant's Voting Power in the Company above 20% or otherwise result in a breach of the Listing Rules, the Corporations Act or any other applicable law.

The Offers are not expected to give rise to control implications for the Company albeit that the effect of the Offers on the Voting Power in the Company, for the purposes of the Corporations Act, is dependent upon the number of New Shares taken up.

6. Financial Information

6.1 Introduction

The Financial Information set out in this Section 6 comprises the unaudited Statement of Financial Position and the Pro Forma Statement of Financial Position of the Company as at 30 April 2021 and selected notes.

The Financial Information should be read in conjunction with the risk factors set out in Section 7 and other information contained within or referred to in this Prospectus, including the Company's other periodic and continuous disclosure announcements referred to in Section 9.1.

6.2 Pro Forma Statement of Financial Position

Detailed below to demonstrate the indicative impact of the Debt Restructure, Placement and either the issuance of the Promissory Notes/Convertible Notes or the Entitlement Offer on the financial position of the Company, a Pro Forma Statement of Financial Position has been provided below. The Company's unaudited Statement of Financial Position as at 30 June 2021 has been used for the purposes of preparing the Pro Forma Statement of Financial Position and adjusted to reflect pro forma assets and liabilities of the Company as if completion of the Debt Restructure, Placement and either the issuance of the Promissory Notes/Convertible Notes or the Entitlement Offer had occurred by 30 June 2021.

The Pro Forma Statement of Financial Position is presented in an abbreviated form. It does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements.

	30 JUNE 2021 (Unaudited)	Eastfield Payment (d)	Placement of A\$6.5 million (e)	Issue of Promissory Notes / Convertible Notes (f)	PRO FORMA 30 JUNE 2021 (Unaudited) (Placement and Promissory Notes / Convertible Notes) (g)	Entitlement Offer of A\$10 million (h)	PRO FORMA 30 JUNE 2021 (Unaudited) (Placement and Entitlement Offer) (i)
ASSETS							
Current Assets							
Cash and cash equivalents	2,092,212		4,740,859		6,833,071	3,686,901	10,519,972
Trade & other receivables	4,975,830				4,975,830		4,975,830
Inventory	11,730,041				11,730,041		11,730,041
Prepayments	2,203,354				2,203,354		2,203,354
Current Assets	21,001,437	-	4,740,859	-	25,742,296	3,686,901	29,429,197
Other Assets	57,961,356				57,961,356		57,961,356
TOTAL ASSETS	78,962,793	-	4,740,859	-	83,703,652	3,686,901	87,390,553

LIABILITIES

Trade and other payables	6,278,748				6,278,748		6,278,748
Borrowings - short term	24,627,482	(4,017,850)	(1,330,141)	(3,467,868)	15,811,623	(3,467,868)	15,811,623
Current Liabilities	30,906,230	(4,017,850)	(1,330,141)	(3,467,868)	22,090,371	(3,467,868)	22,090,371
Borrowings - Long Term	5,775,612			3,467,868	9,243,480	(2,185,232)	3,590,380
Other Long Term	4,119,311				4,119,311		4,119,311
TOTAL LIABILITIES	40,801,153	(4,017,850)	(1,330,141)	-	35,453,162	(5,653,099)	29,800,063
NET ASSETS	38,161,640	4,017,850	6,071,000	-	48,250,490	9,340,000	57,590,490
EQUITY							
Share Capital	141,813,696		6,071,000		147,884,696	9,340,000	157,224,696
Reserves	33,582,347				33,582,347		33,582,347
Accumulated Losses	(137,234,403)	4,017,850			(133,216,553)		(133,216,553)
Total Equity	38,161,640	4,017,850	6,071,000	-	48,250,490	9,340,000	57,590,490

Notes and assumptions

The key assumptions on which the Pro Forma Statement of Financial Position above is based are as follows:

- the Pro Forma Statement of Financial Position has not been audited or reviewed and, other than the estimated lead manager costs of the Placement and Entitlement Offer, it does not include any other expenditure of the proceeds of the Placement or the Entitlement Offer;
- all US dollar figures have been converted to Australian dollars using a 0.7518 AUD/USD foreign exchange rate;
- no adjustment has been made for any share-based or option payments (including the Commitment Fee and/or the restructuring fee to PFG), adjustments to intangible assets or deferred taxation or foreign exchange gains or losses;
- the settlement of the credit facility amount and historical accounts payable via the payment of US\$2.75 million to Eastfield, being a debt forgiveness of approximately US\$3.02 million;
- A\$6.5 million raised under the Placement less lead manager costs of the Placement of up to approximately A\$429,000 and payment of US\$1 million, being approximately A\$1,330,141, of the Eastfield Payment;
- the issue of Convertible Notes or Promissory Notes to a value of up to US\$4.25 million, if the Company does not raise any funds under the Entitlement Offer (refer to Section 8.3 for the terms and conditions of the Convertible Notes);
- the payment of the remainder of the Eastfield Payment (US\$1.75 million) and the pre-payment of US\$2.5 million (A\$3,325,353) to PFG via proceeds from the issue of the Convertible Notes or Promissory Notes to PFG;
- A\$10 million raised under the Entitlement Offer less lead manager costs of up to approximately A\$660,000, the payment of the remainder of the Eastfield Payment of US\$1.75 million (A\$2,327,747) and the pre-payment of US\$2.5 million (A\$3,325,353) to PFG via proceeds from the Convertible Notes or Promissory Notes; and
- if the Company raises A\$10 million under the Entitlement Offer, the Company will not issue any Convertible Notes or Promissory Notes to PFG.

7. Risks

New Securities are considered highly speculative. An investment in the Company is not risk free. The proposed future activities of the Company are subject to a number of risks and other factors that may affect its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many of the risks are outside the control of the Directors and management of the Company and cannot be mitigated.

The risks described in this Section are not an exhaustive list of the risks faced by the Company or by investors in the Company. It should be considered in conjunction with other information in this Prospectus. The risks described in, and others not specifically referred to, in this Section 7 may in the future materially affect the financial performance and position of the Company and the value of New Securities offered under this Prospectus. The New Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, return of capital or the market value of those securities. The risks described in this Section 7 also necessarily include forward looking statements. Actual events may be materially different to those described and may therefore affect the Company in a different way.

Investors should be aware that the performance of the Company may be affected and the value of its Shares may rise or fall over any given period. None of the Directors or any person associated with the Company guarantees the Company's performance, the performance of the New Securities the subject of the Offers or the market price at which the New Securities will trade. The Directors strongly recommend that potential investors consider the risks detailed in this Section 7, together with information contained elsewhere in this Prospectus, and consult their professional advisers, before they decide whether to apply for New Securities.

7.1 Risks specific to the Company

(a) Future Capital Needs and Additional Funding

At present, the Company is not operating on a cash flow positive basis, meaning it is reliant on its debt facilities with PFG and/or raising additional funds from investors to continue to fund its operations. The Company intends to continue to spend significant funds to manufacture LIFX products and expenses may continue to exceed revenue, resulting in further net losses in the future. The Company will have significant debt following completion of the Entitlement Offer, particularly if it raises less than US\$4.25 million under the Entitlement Offer (being approximately A\$5.67 million) and issues Promissory Notes or Convertible Notes to PFG (refer to Section 2.3 for further details).

The Directors consider that the Placement will provide the Company with sufficient working capital to continue to operate as a going concern and progress its operations (refer to the Company's ASX aware responses dated 21 June 2021 and 16 July 2021). However, the Company may require additional funding in the future to finance ongoing operations and its debt obligations. The future capital requirements of the Company (both in respect to timing and quantum) will depend on many factors, including whether the Company can grow existing revenues and achieve its business strategy/plan.

No assurances can be given that the Company will be able to raise additional funding and the Company's ability to obtain additional funding will depend on investor demand, its performance and reputation, market conditions and other factors. The Company may seek to raise further funds through equity or debt financing or other means. Failure to obtain sufficient financing for the Company's activities and business may have a material adverse effect on the Company's business and its financial condition and performance. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable. If the Company continues to incur losses in the future, the net losses and negative cash flows may have an adverse effect on Shareholders equity and the Company's working capital.

(b) **Critical Component Availability and Manufacturing**

The Company's ability to manufacture LIFX products is dependent on the availability of a number of key inputs, including the critical semiconductor component for the Company's smart lights (refer to the recent critical component shortage detailed in the ASX announcements dated 27 April 2021 and 7 June 2021). Any disruptions, component shortages, price increases or negative changes to availability or economics of the supply chain for key inputs (in particular, a shortage of critical components) could curtail the manufacturer's ability to manufacture of LIFX products.

In order to mitigate this risk, the Company has placed orders for 2.8 million pieces of a replacement component (refer to the ASX announcement dated 7 June 2021) and has recently been advised that it has been allocated 1 million pieces of the critical component for the August delivery. Shareholders are advised that an order is not a guarantee of supply, however it puts a supplier on notice for the desired quantity that the Company wishes to purchase. The Company will be notified monthly of the actual quantity of pieces that it may purchase for the subsequent month and, until the full 2.8 million pieces are supplied, there will remain some degree of uncertainty surrounding the supply of this component.

The Company intends to utilise funds raised under the Placement and the Entitlement Offer to acquire additional critical component stock. No assurances can be given that the Company will be successful in maintaining its supply chain (including the supply of critical components) and any significant interruptions or negative changes in availability of inputs could materially affect the business, financial condition and operating result of the Company.

(c) **Implementation of New Business Plan and Cost Cutting Measures**

The Company has adopted an updated business plan, including implementing various measures to further reduce expenses in respect to personnel, research and development and general and administrative expenditure, while seeking to grow revenues through (amongst other matters) resolving inventory constraints and restructuring certain aspects of its businesses.

There are risks inherent to any company implementing a new business plan and reducing expenses in its business and there is no certainty that the Company's new business plan will be successful. Further, if the Company is unable to achieve any of its objectives, this may materially and adversely impact the Company's financial performance, reputation and ability to achieve future profitability.

(d) **Reliance on Major Customer**

A significant portion of the Company's existing revenue is derived from the sale of LIFX products, specifically to Amazon, and there is a risk that Amazon may cease to purchase LIFX products or significantly reduce the number of LIFX products purchased. Although the Company has no reason to believe that Amazon will terminate its existing arrangement with the Company or reduce the number of LIFX products purchased, there is no assurance that circumstances may not change in the future. If Amazon terminates its existing arrangement or significantly reduces the number of LIFX products purchased, this may have a material adverse impact on the Company's revenues.

(e) **Late Payments/ Payment Disputes and Non-Payment from Customers**

If a material portion of customers, or in particular Amazon, were to default, or are late, in payment for LIFX products under their respective arrangements with the Company this could have a material adverse effect on the Company's business, operating results and financial condition. In order to mitigate this risk, the Company undertakes due diligence and the requisite credit checks in respect to each of its customers prior to entering into an arrangement.

(f) **Reliance on Key Relationships**

The Company relies on its manufacturing partners, including its primary manufacturer Eastfield, for the manufacturing of its LIFX products offered to the market. If the Company's manufacturing partners cease to meet their commitments and/or obligations to the Company, including due to component shortages, loss of key licences or permits, this could have a material adverse effect on the Company's business, financial condition, operations and prospects.

(g) **Competition**

There is a risk that new entrants in the market may disrupt the Company's business and existing market share. Existing competitors as well as new competitors entering the industry, may engage in aggressive campaigns, develop superior technology offerings or consolidate with other entities to deliver enhanced scale benefits. Such competitive pressures may materially erode the Company's market share and revenue, and may materially and adversely impact the Company's revenue and profitability.

A general increase in competition may also require the Company to increase marketing expenditure or further reduce costs, which would decrease profitability even if the Company's market share does not decrease.

(h) **The Company's Products may be Superseded by Others**

The Company participates in a competitive environment. Smart lighting products are continuing to develop and are subject to rapid change, as business practices continue to evolve. The Company's success will in part depend on its ability to offer products that remain current with the continuing changes in technology and changing consumer preferences. There is a risk that the Company will not be successful in addressing these developments in a timely manner, or that expenses will be greater than expected. In addition, there is a risk that new products or technologies (or alternative systems) developed by third parties will supersede the Company's technology. This may materially and adversely impact the Company's revenue and profitability.

(i) **COVID-19 Risk**

The global economic outlook is facing uncertainty due to the current COVID-19 pandemic, which has been having, and will likely continue to have, a significant impact on global capital markets, commodity prices and foreign exchange.

To date, the COVID-19 pandemic has had a material impact on the Company's operations due to critical component shortages (referred to above), however, additional waves of infections could further impact the supply chain and result in the Company and/or its manufacturers' operations being suspended and otherwise disrupted for an unknown periods of time, which may have an adverse impact on the Company's operations as well as adverse implications on the Company's future cash flows, profitability and financial condition.

Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Company's operations, financial position and prospects.

(j) **Reliance on Core Information Technology and Other Systems**

The operation of LIFX products and the Company's platforms are dependent upon the performance, reliability and availability of its information technology and communication systems. This includes its core technologies such as computer servers and back-end processing systems. These systems may be adversely affected by a number of factors including major events such as acts of terrorism or war or a breakdown in utilities such as electricity and fibre optic cabling. Events of that nature may cause one or more of those core technologies to become unavailable. There are also internal and external factors that

may adversely affect those systems and technologies such as natural disasters, misuse by employees or Manufacturer or other technical issues. The disaster recovery plans of the Company may not adequately address every potential event, and its insurance policies may not cover loss or damage that the Company suffer as a result of a system failure.

Any damage to, or failure of, the Company's key systems can result in disruptions in the use of LIFX products by consumers and the Company's ability to operate its various data aggregation and management platforms for the IoT and connected devices. Such disruptions have the potential to reduce the ability of the Company to generate revenue, impact consumer service levels and damage the respective brand values of the Company. This could adversely affect the Company's ability to generate new business and cause it to suffer financial loss.

The industry in which the Company is involved in is also subject to rapid and significant changes in technology. The impact of these changes on the Company cannot be predicted. The costs associated with implementing emerging and future technology changes could be significant.

(k) **Intellectual Property**

The Company intends to pursue intellectual property protection in the form of patents for newly developed technologies. However, if the Company fails to protect the intellectual property rights adequately, competitors may gain access to its technology which may harm the Company's business.

Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trade mark, copyright and trade secret protection may not be available to the Company in every country in which LIFX products are sold and/or the platform may eventually be launched. Accordingly, despite its efforts, the Company may not be able to prevent third parties from infringing upon or misappropriating its intellectual property.

Market conditions depending, the Company may be required to incur significant expenses in monitoring and protecting its intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and cause a distraction to management.

In addition, unauthorised use of the "Buddy" or "LIFX" brand in counterfeit products or services may not only result in potential revenue loss, but also have an adverse impact on its brand value and perceptions of its product qualities.

(l) **Litigation Risks**

The Company is exposed to litigation risks including intellectual property claims, contractual disputes, occupational health and safety claims and employee claims. Further, the Company is presently in dispute with CST Capital Pty Ltd ATF the CST Investments Fund (refer to the ASX announcements dated 6 November 2020, 15 December 2020 and 16 July 2021 for further details). Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position.

(m) **Compliance with Financing Arrangement**

The Company previously entered into a financing arrangement with PFG to ensure that the Company had sufficient capital to fund the manufacturing of LIFX products. PFG has agreed (amongst other matters) to favourably restructure the term debt facility and waive all existing covenant breaches under the facility arrangement. If the Company breaches any of its covenants under the financing arrangement with PFG going forward, this will give rise to an event of default under the financing arrangement with PFG, thereby giving PFG the right to declare the outstanding loan amounts immediately repayable and, failing repayment, enforce its security over the assets of the Company.

(n) **Reliance on Key Personnel**

The Company operates in a rapidly growing and competitive sector. It relies heavily on the core competencies and expertise of its key employees in technical, engineering and sales and marketing. The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and directors. There can be no assurance that there will be no detrimental impact on the performance of the Company or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner. Further, the Company growth and financial performance may suffer if it is unable to secure the quality and quantity of new employees it requires to facilitate its growth due to industry competition for these skills.

(o) **Reputational Risks**

The Company operates in an online and fast-changing environment. Negative publicity can spread quickly, whether true or false. Disgruntled users posting negative comments about the businesses in public forums may have a disproportionate effect on the reputation of the Company and their ability to earn revenues and profits. Additionally, complaints by such users can lead to additional regulatory scrutiny and a consequential increased compliance burden in responding to regulatory enquiries. This could negatively impact upon the Company's profitability.

(p) **Reliance on Third Party IT Service Provision**

The Company utilise services provided by third parties to maintain and deliver its software as data aggregation and management platforms and other key deliverables in its business model. This includes payment gateway providers, sales staff and integration of the platforms to the market dispensing software packages. Significant or extended disruption of the Company caused by supplied equipment, software or service failure may reduce their ability to generate revenue, impact client and consumer service levels and may damage their brand. This could adversely affect the Company's ability to generate new business and cause it to suffer financial loss. Any mitigation of this loss via redress from third party suppliers may not be immediately available, if at all.

The company is continually assessing the risk and opportunities associated with its business model and other than disruptions for short periods of time due to service delivery failure is not solely reliant on any one party for delivery.

(q) **Hacker Attacks**

Hackers could render the Company's app and platforms unavailable or cause customers' personal information being compromised.

Although Buddy has strategies in place to minimise such attacks, these strategies may not be successful. Unavailability of the app and/or platform could lead to a loss of revenue for the Company while compromising customers' information could hinder the Company's ability to retain existing customers or attract new customers, which would have a material adverse impact on their growth.

There is also currently an increased exposure to organisations that process personal information in the course of their commercial activities, in particular, relating to liability arising from security incidents. Although the Company is relatively small, any vulnerabilities discovered in the information security governance would require remediation.

(r) **Security Breaches**

The Company collects, stores, processes and analyses the data generated by LIFX products, IoT and connected devices, and unlock the economic opportunities delivered by this data. Such data can be highly sensitive, highly regulated and confidential information.

The provision of secure and reliable information storage and processing services is integral to the businesses and operations of the Company in a wide variety of industries.

Whilst the Company follows best practice in relation to security policies, procedures, automated and manual protections, encryption systems and staff screening to minimise risks, there is no guarantee that the implementation of such precautions will be sufficient to prevent data security breaches and information being compromised or misused.

(s) **Contract Risks**

The Company's subsidiaries operate through a series of contractual relationships with operators, sub-manufacturer and manufacturer. All contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed. Any disruption to services or supply may have an adverse effect on the financial performance of the Company's operations.

(t) **Currency Risk**

The Company expects to derive a majority of its revenue from the United States, in US dollars. Accordingly, changes in the exchange rate between the United States dollar, Euro and British pound sterling and the Australian dollar would be expected to have a direct effect on the performance of the Company.

(u) **Trading Price of Securities**

The price at which the Securities are quoted on ASX may increase or decrease due to a number of factors outside of the Company's control and which are not explained by the fundamental operations and activities of the Company. The price of Securities may be subject to varied and often unpredictable influences on the market for equities, including, but not limited to, general economic conditions including the performance of the Australian dollar on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks, and hedging or arbitrage trading activity that may develop involving the Securities. These factors may cause the Securities to trade at prices above or below the price at which the Securities were initially acquired.

(v) **Technology Sector Risks**

The technology sector is characterised by rapid change. New and disruptive technologies can place competitive pressures on existing companies and business models, and technology stocks may experience greater price volatility than securities in some slower changing market sectors.

The value of the Company's securities may be adversely affected by any general decline in the valuation of listed securities and/or adverse market sentiment towards the technology sector in particular, regardless of the Company's operating performance.

(w) **Risk of Shareholder Dilution**

The issue of New Securities under the Entitlement Offer will dilute the interests of Ineligible Shareholders and Shareholders who elect not to take up all of your Entitlements.

In the future, the Company may also elect to issue Shares in connection with future fundraising. While the Company will be subject to the constraints of the Listing Rules regarding the percentage of its capital it is able to issue within a rolling 12-month period (other than where certain exceptions apply), there is a risk that the future issue of additional equity could result in dilution for Shareholders.

(x) **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, products, technologies and/or products that are complementary to the Company's business. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships.

7.2 General Risks

(a) Economic risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, including but not limited to:

- (i) general economic conditions;
- (ii) changes in Government policies, taxation and other laws;
- (iii) the strength of the equity and share markets in Australia and throughout the world;
- (iv) industrial disputes in Australia and overseas;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) financial failure or default by an entity with which the Company may become involved in a contractual relationship; and
- (vii) natural disasters, social upheaval or war.

(b) Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and Directors. There can be no assurance that there will be no detrimental impact on the performance of the Company or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner.

(c) Trading Price of Securities

The price at which the Securities are quoted on ASX may increase or decrease due to a number of factors outside of the Company's control and which are not explained by the fundamental operations and activities of the Company. The price of Securities may be subject to varied and often unpredictable influences on the market for equities, including, but not limited to, general economic conditions including the performance of the Australian dollar on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks, and hedging or arbitrage trading activity that may develop involving the Securities. These factors may cause the Securities to trade at prices above or below the price at which the Securities were initially acquired.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors.

(d) **Additional Requirements for Capital**

The capital requirements of the Company depend on numerous factors. Depending on the ability of the Company to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.

(e) **Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

(f) **Technology Sector Risks**

The technology sector is characterised by rapid change. New and disruptive technologies can place competitive pressures on existing companies and business models, and technology stocks may experience greater price volatility than securities in some slower changing market sectors.

The value of the Company's securities may be adversely affected by any general decline in the valuation of listed securities and/or adverse market sentiment towards the technology sector in particular, regardless of the Company's operating performance.

(g) **Force Majeure**

The Company, now or in the future, may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(h) **Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, products, technologies and/or products that are complementary to the Company's business. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of

operations, short term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships.

7.3 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of its Securities.

The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Securities offered under this Prospectus. Therefore, the New Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Securities. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for New Securities pursuant to this Prospectus.

8. Rights attaching to New Securities

8.1 Rights attaching to New Shares

A summary of the rights attaching to New Shares is detailed below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities that attach to New Shares in any specific circumstances, the Shareholder should seek legal advice.

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any

law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder Liability**

As the Shares under this Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(g) **Variation of Rights**

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

8.2 Terms and conditions of New Options

The Company will issue New Options pursuant to the Entitlement Offer, Placement Options Offer and Lead Manager Options Offer. The terms of the New Options are summarised below:

(a) **Entitlement**

Each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.

(b) **Exercise Price**

Subject to Section 8.2(j) below, the amount payable upon exercise of the New Options is A\$0.05 each (**New Option Exercise Price**).

(c) **Expiry Date**

Each New Option will expire at 5:00pm (EST) on 30 July 2024 (**New Option Expiry Date**). A New Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The New Options are exercisable at any time on or prior to the Expiry Date (**New Option Exercise Period**).

(e) **Notice of Exercise**

The New Options may be exercised during the New Option Exercise Period by notice in writing to the Company (**New Option Notice of Exercise**) and payment of the relevant New Option Exercise Price for each New Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A New Option Notice of Exercise is only effective on and from the later of the date of receipt of the New Option Notice of Exercise and the date of receipt of the payment of the relevant New Option Exercise Price for each New Option being exercised in cleared funds (**New Option Exercise Date**).

(g) **Timing of Issue of the Shares on Exercise and Quotation**

Within 5 Business Days after receipt of a New Option Notice of Exercise given in accordance with these terms and conditions for each Option being exercised, the Company will:

- (i) allot and issue the Shares pursuant to the exercise of the New Options; and
- (ii) apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

(h) **Shares Issued on Exercise**

The Shares issued on exercise of the New Options rank equally with the then issued shares of the Company.

(i) **Quotation of the Shares Issued on Exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the New Options.

(j) **Reconstruction of Capital**

If at any time the issued capital of the Company is reconstructed, all rights of a holder of New Options are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.

(k) **Participation in New Issues**

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to the Company's Shareholders during the currency of the New Options without exercising the New Options.

(l) **Adjustment for Bonus Issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a New Option will be increased by the number of Shares which the holder would have received if the New Options held by the holder had been exercised before the record date for the bonus issue; and
- (ii) no change will be made to the New Option Exercise Price.

(m) **Adjustment for Rights Issue**

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of satisfaction of dividends or by way of dividend reinvestment) the New Option Exercise Price of an New Option will be reduced according to the following formula in Listing Rule 6.22 so that the holder does not suffer any detriment as a result of the pro rata issue.

(n) **Quotation**

The Company will apply for quotation of the New Options on ASX.

(o) **Transferability**

The New Options are transferable.

8.3 Terms of Convertible Notes

Detailed below is a summary of the key terms and conditions of the Convertible Notes to be issued under the Convertible Notes Offer:

(a) **Term**

The Convertible Notes will mature on 4 May 2024 (**Maturity Date**).

(b) **Face Value**

Each Convertible Note has a face value of US\$1.00 (**Face Value**).

(c) **Interest**

Interest is payable on the Convertible Notes at 12.50% per annum payable monthly.

(d) **Security**

The Convertible Notes are senior secured pro rata with existing PFG debt.

(e) **Conversion**

(i) PFG may elect to Convert all or some of the Convertible Notes not already repaid by delivering a conversion notice (**Conversion Notice**) to the Company at any time during the period from the issue of the Convertible Notes and concluding on the Maturity Date (**Note Period**).

(ii) If a Conversion Notice is given to the Company, within 3 Business Days, after the Company gives notice of redemption, the Conversion Notice takes precedence and this Section applies.

- (iii) The Convertible Notes have a fixed conversion price of A\$0.025 (**Conversion Price**).
- (iv) The Conversion Notice must specify the number of Convertible Notes to be converted (**Conversion Amount**).
- (v) If PFG delivers a Conversion Notice to the Company in accordance with Section 8.3(e)(i) the Convertible Notes the subject of that Conversion Notice will be converted into such number of Shares as is determined by dividing the sum of the Face Value for the Convertible Notes by the Conversion Price divided by the Exchange Rate (provided that if the resultant number contains a fraction, the Company will round the fraction up or down to the nearest whole number, with entitlements to less than half of a Share rounded down).
- (vi) If at any time prior to the Maturity Date, a Change of Control Event occurs, the Company may elect to convert all the Convertible Notes then outstanding into such number of Shares as is determined by dividing the sum of the Face Value for those Convertible Notes by the Conversion Price divided by the Exchange Rate (provided that if the resultant number contains a fraction, the Company will round the fraction up or down to the nearest whole number, with entitlements to less than half of a Share rounded down) by sending a notice to PFG.
- (vii) Change of Control Event means, in respect of the Company:
 - (A) a court approval of a merger by way of scheme of arrangement (but shall not include a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return of the issued capital of the Company)); or
 - (B) a takeover bid:
 - (1) is announced;
 - (2) has become unconditional; and
 - (3) the person making the takeover bid has a relevant interest in 50% or more of the Shares.

(f) **Redemption and Repayment**

- (i) At any time during the Note Period, the Company may redeem all of the Convertible Notes that have not been Converted by giving PFG 5 Business Days written notice of the redemption and paying an amount equivalent to the outstanding total amount plus any accrued but unpaid interest on each Convertible Note to PFG in full satisfaction of all Convertible Notes.
- (ii) In respect of each Convertible Note, unless that Convertible Note has been converted in accordance with Section 8.3(e) or already redeemed in accordance with Section 8.3(f)(i) then on the earlier of the Maturity Date and the date the Company receives a notice from PFG which makes a declaration in accordance with Section 8.3(i)(ii) (**Termination Date**) the Company must pay an amount equivalent to the outstanding total amount plus any accrued but unpaid interest on each Convertible Note to PFG in full satisfaction of all Convertible Notes.

(g) **Issue of Conversion Shares**

After the receipt of a Conversion Notice from PFG or after the sending of a notice in accordance with Section 8.3(e)(vi) the Company will, as soon as reasonably practicable and within 5 Business Days:

- (i) allot and issue the Shares required to be issued to PFG pursuant to the conversion (**Conversion Shares**);
- (ii) record the PFG as the holder of the Conversion Shares in the Company's Share register; and
- (iii) lodge with the ASX in accordance with all applicable laws in respect of the issue of the Conversion Shares, an Appendix 2A and any other documents to ensure the Conversion Shares are freely tradeable on ASX from their date of issue.

(h) **Transferability**

The Convertible Notes cannot be sold, assigned or transferred, except to:

- (i) an affiliate of PFG;
- (ii) anyone with the consent of the Company (which shall not be unreasonably withheld, delayed, or conditioned); or
- (iii) anyone while an Event of Default subsists.

(i) **Events of Default**

- (i) The occurrence, without the prior written consent of PFG, of any of the following events is deemed an **Event of Default**:
 - (A) (Non-payment) the Company does not pay on the due date any amount payable by it pursuant to the terms and conditions of the Convertible Notes at the place and in the currency in which it is expressed to be payable;
 - (B) (Other obligations) the Company does not comply with any terms and conditions of the Convertible Notes (other than those referred to in paragraph (A) (Non-payment)) and fails to remedy the non-compliance within 20 Business Days of the earlier of PFG giving notice to the Company and the Company becoming aware of the failure to comply;
 - (C) (Misrepresentation) any representation or statement made or deemed to be made by the Company in the terms and conditions of the Convertible Notes is or proves to have been incorrect or misleading in any material respect when made or deemed to be made;
 - (D) (Cross-Default) an event of default occurs under the PFG Loan Facility or any other loan document between PFG and the Company;
 - (E) (Unlawfulness) it is or becomes unlawful for the Company to perform any of its obligations under the terms and conditions of the Convertible Notes; and
 - (F) (Repudiation) the Company repudiates the terms and conditions of the Convertible Notes or evidences an intention to repudiate the Convertible Note conditions.
- (ii) On the occurrence of an Event of Default, the holder may by written notice to the Company declare all of its Convertible Notes then outstanding, to be due and payable and demand the payment of the outstanding total amount.
- (iii) Upon receipt of a declaration under Section 8.3(i)(ii), an amount equal to the outstanding total amount plus any accrued but unpaid interest on each Convertible Note, shall become due and payable by the Company to that holder on the Termination Date.

(j) **Representations and warranties**

Under the terms and conditions of the Convertible Notes, the Company makes various customary representations and warranties for the benefit of the PFG

8.4 Dividend policy

The Company does not intend to declare or pay any dividends in the immediately foreseeable future.

Any future determination as to the payment of dividends by the Company will be at the sole discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

9. Additional information

9.1 Continuous disclosure obligations

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act, and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The New Shares are in the same class as Shares that have been quoted on the official list of the ASX during the three months prior to the issue of this Prospectus.

This Prospectus is a 'transaction specific prospectus' to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities, or operation to acquire securities, in a class which has been continuously quoted by ASX in the three months prior to the date of the prospectus. In general terms 'transaction specific prospectuses' are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, the financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the three months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the closing date of the Offer:
 - (i) the annual financial report of the Company for the financial year ended 30 June 2020 being the most recent annual financial report of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) the half year financial report of the Company for the six months ended 31 December 2020 lodged with ASIC after the lodgement of the annual financial report mentioned in paragraph (i) and before the issue of this Prospectus; and
 - (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the annual financial report referred to in paragraph (i) above until the issue of this Prospectus in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of its Annual Report on 1 October 2020:

Date Lodged	Subject of Announcement
20 July 2021	Company Update and Entitlement Offer – July 2021
16 July 2021	Reinstatement to Official Quotation
16 July 2021	Proposed issue of securities - BUD
16 July 2021	Equity Capital Raisings, Debt Restructure and Company Update
16 July 2021	Response to ASX Query
21 June 2021	Response to ASX Query
9 June 2021	Appendix 3X
7 June 2021	Appendix 3Z
7 June 2021	Director Resignations, Appointments and Company Update
11 May 2021	Suspension from Official Quotation – Continued
6 May 2021	Request for Extension to Voluntary Suspension
4 May 2021	Request for Extension to Voluntary Suspension
30 April 2021	Request for Extension to Voluntary Suspension
27 April 2021	Update on March Results - Financial Guidance
27 April 2021	Appendix 4C and Commentary - Q3 FY21
23 April 2021	Suspension from Official Quotation
21 April 2021	Trading Halt
6 April 2021	Appendix 3Ys
6 April 2021	Update on Home Shopping Network Promotion
1 April 2021	Appendix 2A

Date Lodged	Subject of Announcement
1 April 2021	Appendix 3G
1 April 2021	Home Shopping Network Releases Air Date for 1st LIFX TV Spot
26 March 2021	LIFX Replenishes Nth American Retail, Record-Breaking March
16 March 2021	Appendix 3G
11 March 2021	LIFX Disrupts U.S. Smart Switch Market with new LIFX Switch
4 March 2021	Appendix 2A
4 March 2021	Appendix 3G
1 March 2021	Buddy Releases Pro Forma Unaudited 1H FY2021 Results
26 February 2021	Interim and Appendix 4D 31 December 2020
9 February 2021	BUD Announces H2FY21 Revenue Guidance of \$24m to \$28m
9 February 2021	Introduction to Buddy Technologies for 2021
2 February 2021	Appendix 2A Dec 20 Jan 21 Employee Plan Vesting and Issue
2 February 2021	Constitution approved at 29 January 2021 AGM
29 January 2021	AGM Results
29 January 2021	AGM Presentation and proxy results
28 January 2021	December Quarterly 4C Review (Q2FY21)
28 January 2021	2021 Annual CEO Letter to Shareholders
25 January 2021	Letter to Shareholders - October & November 2020 Results
13 January 2021	Buddy Signs Additional Manufacturing Agreement to Grow Scale
6 January 2021	Cleansing Prospectus
6 January 2021	US\$20m Refinancing – Revised Appendix 2A
6 January 2021	US\$20m Refinancing completed – 50m Unlisted Options cancelled

Date Lodged	Subject of Announcement
5 January 2021	Appendix 2A
5 January 2021	Proposed Issue of Securities – BUD
5 January 2021	Update on PFG Finance Facility
31 December 2020	Trading Halt
30 December 2020	AGM Letter
30 December 2020	Notice of Annual General Meeting / Proxy Form
23 December 2020	Update on PFG Finance Facility
18 December 2020	LIFX Connects to Alexa Smart Energy
17 December 2020	Closure of Finance Facilities Prior to PFG Refinancing
17 December 2020	Appendix 3X – A Sparks
17 December 2020	Unlisted Options Expire
16 December 2020	Appendix 3G Unlisted Options Issued
15 December 2020	Appendix 2A Nov 2020 Employee Plan Vesting and Issue
15 December 2020	Appendix 3G Employee Plan Issue
15 December 2020	Update on CST Dispute
15 December 2020	Appointment of Non-Executive Director
11 December 2020	Appointment of Company Secretary
10 December 2020	EU Buddy Ohm Installations Resume with US Fund Properties
7 December 2020	Date of Annual General Meeting
19 November 2020	Change in substantial holding
19 November 2020	LIFX to Sell in Target U.S. Stores, Holiday Inventory Update
18 November 2020	Update regarding Date of Annual General Meeting

Date Lodged	Subject of Announcement
18 November 2020	Cleansing Notice
18 November 2020	Appendix 2A – Placement and Employee Plan Vesting
11 November 2020	Appendix 3G – October 2020 Employee Plan Vesting and Issue
11 November 2020	Buddy Completes \$13M Share Placement
11 November 2020	Proposed Issue of Securities – BUD
9 November 2020	Pause in Trading
6 November 2020	LIFX to Launch in Walmart Owned Sam's Club, Stock Update
6 November 2020	Reinstatement to Official Quotation
6 November 2020	Update on Dispute with CST
4 November 2020	Extension of Voluntary Suspension
4 November 2020	Debt Maturity Date Extended
2 November 2020	September Quarterly 4C Review (Q1FY21)
30 October 2020	Suspension from Official Quotation
28 October 2020	Trading Halt
23 October 2020	LIFX Clean Passes US Testing, Ready for Retailer Orders
21 October 2020	Buddy Signs US\$20m Debt Refinancing Binding Term Sheet
21 October 2020	Proposed Issue of Securities - BUD
21 October 2020	Trading Halt
21 October 2020	Pause in Trading
21 October 2020	Buddy Agrees to US\$10m Debt Reduction with Vendor Debt Holder
19 October 2020	Letter to Shareholders – September 2020 Results
16 October 2020	Appendix 2A – September 2020 Employee Plan Vesting and Issue

Date Lodged	Subject of Announcement
16 October 2020	Appendix 3G – September 2020 Employee Plan Issue
16 October 2020	LIFX Pre-Sales, LIFX Clean to Sell at Amazon, Best Buy, HSN
16 October 2020	Record One-Day Sales, Amazon Prime Day LIFX Bundle Sells Out
14 October 2020	Home Shopping Network to Sell LIFX, Amazon Sales Update
13 October 2020	Pause in Trading
8 October 2020	Date of Annual General Meeting
1 October 2020	LIFX to launch at Costco, Lowe's – Tripling US Retail Doors

The following documents are available for inspection throughout the application period of this Prospectus during normal business hours at the office of the Company at Level 3, 12 Pirie Street Adelaide SA 5000:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 9.12 and the consents provided by the Directors to the issue of this Prospectus.

9.2 Substantial Holders

As at the date of this Prospectus, those persons which (together with their associates) have voting power in 5% or more of the Shares on issue are set out below:

Substantial Holder	Number	%
HSBC Custody Nominees (Australia) Limited	268,558,592	8.95
CS Third Nominees Pty Ltd	175,644,439	5.85

9.3 Market Prices of Existing Shares on ASX

The highest and lowest market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest:	A\$0.050 per Share on 20 April 2021
Lowest:	A\$0.024 per Share on 19 July 2021

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was A\$0.024 per Share on 19 July 2021.

9.4 Interests of Directors

Except as disclosed in this Prospectus, no Director (or entity in which they are a partner or director) has, or has had in the two years before the date of this Prospectus, any interests in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offers; or
- (c) the Offers;

and no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:

- (a) any Director to induce him or her to become, or to qualify as, a Director; or
- (b) any Director for services which he or she (or entity in which they are a partner or director) has provided in connection with the formation or promotion of the Company or the Offers.

9.5 Directors' Interests

As at the date of this Prospectus, the relevant interests of the Directors and their related entities in securities in the Company, are detailed in the table below.

Director	Shares	Options	Performance Shares	Performance Rights
David McLauchlan	135,851,820	-	22,166,667	-
Richard Borenstein	40,853,110 ¹	-	3,333,333	555,555
Paul Russell	6,318,829 ²	-	333,333	9,125,000 ³
James Nelson	574,305	-	-	781,250

Notes:

1. Comprising of 21,955,563 Shares held by Mr Borenstein directly, 4,504,763 Shares held by Mr Borenstein as trustee for the Patricia M Baehr Residual Trust, a trust controlled by Mr Borenstein and 14,392,784 Shares held by Edgewood Partners LLC, an entity controlled by Mr Borenstein.
2. Comprising of 1,180,050 Shares held by Mr Russell directly, 4,409,723 Shares held by P W Russell <The Paul Russell Family A/C> and 729,056 Shares held by Paul Russell Investments Pty Ltd <P Russell Family A/C>
3. Comprising of, 7,562,500 Performance Rights held by P W Russell <The Paul Russell Family A/C> and 1,562,500 Performance Rights held by Paul Russell Investments Pty Ltd <P Russell Family A/C>

As at the date of this Prospectus, Mr David McLauchlan (a Director) intends to subscribe for approximately A\$120,000 of New Securities under the Entitlement Offer.

9.6 Directors' Remuneration

The remuneration (including superannuation) of existing Directors for the past two years are as follows:

Director	Financial Year	Salary and Fees	Share-based payments	Total
David McLauchlan	2019	\$349,467	-	\$349,467
	2020	\$324,922	-	\$324,922
Richard Borenstein	2019	-	-	-
	2020	-	-	-
Paul Russell ¹	2019	-	-	-
	2020	-	-	-
James Nelson ²	2019	-	-	-
	2020	-	-	-

Notes:

1. Appointed on 8 June 2021.
2. Appointed on 8 June 2021.

9.7 Interests of Other Persons

No promoter or other person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (or entity in which they are a partner or director) do not hold, have, and have not had in the two years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to a promoter or any person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (or entity in which they are a partner or director), provided in connection with the formation or promotion of the Company or the Offer, except as disclosed in this Prospectus and as follows:

- (d) Thomson Geer has acted as the Australian lawyers to the Company for the Offers. In respect of this work the Company will pay Thomson Geer approximately A\$40,000 (exclusive of GST). During the two years before the date of this Prospectus, Thomson Geer has provided the Company with legal services and was paid approximately A\$284,289 for these services;
- (e) Bell Potter Securities Limited has acted as the Lead Manager to the Placement and Entitlement Offer. In respect of this work the Company will pay the Lead Manager up to approximately A\$1,089,000 (exclusive of GST) (assuming maximum subscription under the Entitlement Offer). During the two years before the date of this Prospectus, the Lead

Manager has been paid fees of A\$1,112,816 (exclusive of GST) in respect services provided for the Company's previous capital raisings; and

- (f) Link Market Services conducts the Company's share registry functions and will provide administrative services in respect to the proposed Share applications pursuant to this Prospectus. Link Market Services will be paid for these services on standard industry terms and conditions.

The amounts disclosed above are exclusive of GST.

9.8 Related party transactions

At the date of this Prospectus, no material transactions with related parties and Directors interests exist that the Directors are aware of, other than those disclosed in this Prospectus).

9.9 Costs of the Offers

The indicative costs of the Placement and Offers payable by the Company (inclusive of GST) are as follows:

	Placement (A\$)	Placement and Entitlement Offer (A\$)
Lead Manager Fees	429,000	1,089,000
ASX quotation fee	17,017	27,776
Legal expenses	40,000	40,000
Printing and other expenses	40,000	40,000
ASIC lodgement fee	3,206	3,206
TOTAL	529,223	1,199,982

9.10 Taxation Implications

The acquisition and disposal of Shares will have taxation consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in Company are urged to take independent financial advice about the taxation and any other consequences of acquiring and selling the Shares.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for New Securities.

9.11 Litigation and Claims

So far as the Directors are aware, other than as disclosed by the Company to ASX, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company (or any other member of the Group) is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company or the Group.

9.12 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the New Securities), the Directors, persons named in this Prospectus with their consent as proposed Directors of the Company, persons named in this Prospectus with their consent as having made a statement in this Prospectus and persons involved in a contravention in relation to this Prospectus, with regard to misleading or deceptive statements made in this Prospectus. Although the Company bears primary responsibility for this Prospectus, other parties involved in the preparation of this Prospectus can also be responsible for certain statements made in it.

Each of the following parties:

Name	Role
Thomson Geer	Lawyers
Link Market Services	Share Registry
Bell Potter Securities Limited	Lead Manager

- (a) has given its consent to be named in this Prospectus as set out above and has not withdrawn its consent at the date of lodgement of this Prospectus with ASIC;
- (b) makes no express or implied representation or warranty in relation to the Company, this Prospectus or the Offers;
- (c) has not made or purported to have made any statement in this Prospectus or statement on which a statement in this Prospectus is based, except as described in this Section; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for this Prospectus other than a reference to its name and any statement or report included in this Prospectus with the consent of that party as described in this Section.

None of the parties referred to in this Section 9.12 has authorised or caused the issue of this Prospectus or the making of the Offers.

Each of the Directors has given their written consent to being named in this Prospectus in the context in which they are named and have not withdrawn their consent prior to lodgement of this Prospectus with ASIC.

9.13 Documents available for inspection

The following documents are available for inspection during normal business hours at the registered office of the Company:

- (a) this Prospectus; and
- (b) the Constitution.

9.14 Privacy Act

If you complete an Application, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your New Securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act, the Corporations Act and certain rules. You should note that if you do not provide the information required on the Application the Company may not be able to accept or process your Application.

9.15 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

9.16 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the New Securities.

9.17 Electronic Prospectus

Pursuant to Regulatory Guide 107, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic copy of this Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of New Securities in response to an electronic Application Form, subject to compliance with certain provisions. If you have received an electronic copy of this Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please contact the Company and the Company will send to you, free of charge to you, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Application Form from an Applicant if it has reason to believe that when that Applicant was given access to the electronic Application Form, it was not provided together with an electronic copy of this Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies shall be held by the Company on trust and returned (without interest) to the Applicant as soon as practicable.

10. Authorisation

This Prospectus is authorised by each of the Directors.

This Prospectus is signed for and on behalf of the Company, pursuant to a resolution of the Board, by:



David McLauchlan
Executive Director and CEO

20 July 2021

11. Glossary

In this Prospectus, unless the context otherwise requires:

A\$ means Australian dollar.

Annual Report means the financial report lodged by the Company with ASIC in respect to the year ended 30 June 2020 and includes the corporate directory, review of activities, Shareholder information, financial report of the Company and its controlled entities for the year ended 30 June 2020, together with a Directors' report in relation to that financial year and the auditor's report for the period to 30 June 2020.

Applicant means a person who applies for New Securities pursuant to the Offers.

Application means a valid application for New Shares under the Entitlement Offer made pursuant to an Entitlement and Acceptance Form or Shortfall Shares under the Shortfall Offer made pursuant to a Shortfall Application Form (as applicable).

Application Form means an Entitlement and Acceptance Form, Shortfall Application Form, Convertible Notes Offer Application Form, T2 Share Offer Application Form or Placement Options Application Form.

Application Monies means Application Monies for New Shares received by the Company from an Applicant.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 and where the context permits, the market operated by it.

ASX Settlement Rules means ASX Settlement Operating Rules of the ASX.

Board means the board of Directors.

Business Day means Monday to Friday inclusive, excluding public holidays in Sydney and any other day that ASX declares is not a trading day.

CHESS means ASX Clearing House Electronic Subregistry System.

Closing Date means the closing date of the Entitlement Offer, as outlined in the Indicative Timetable.

Company or **Buddy** means Buddy Technologies Limited ACN 121 184 316.

Commitment Fee has the meaning given in Section 2.3.

Constitution means the constitution of the Company as at the date of this Prospectus.

Convertible Notes means convertible notes with the terms and conditions detailed in Section 8.3.

Convertible Notes Offer has the meaning given in Section 3.2.

Convertible Notes Offer Application Form means the application form attached to, or accompanying this Prospectus, to be used for the purposes of applying for the Convertible Notes.

Convertible Notes Offer Closing Date has the meaning given in Section 3.7.

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

Debt Restructure has the meaning given in Section 2.3.

Director means a director of the Company.

Eastfield has the meaning given in Section 2.1.

Eastfield Payment has the meaning given in Section 2.3.

Eligible Shareholder has the meaning given in Section 3.17.

Entitlement means a Shareholder's entitlement to subscribe for New Shares under the Entitlement Offer.

Entitlement Offer has the meaning given in Section 3.1.

Entitlement and Acceptance Form means the entitlement and acceptance form attached to, or accompanying this Prospectus, that sets out the entitlement of an Eligible Shareholder to subscribe for New Securities pursuant to the Entitlement Offer.

EST means Australian Eastern Standard Time.

General Meeting has the meaning given in Section 3.2(a).

Group means the Company and each of its subsidiaries.

Indicative Timetable has the indicative timetable on page 5 of this Prospectus.

Ineligible Shareholder has the meaning given in Section 3.17.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Lead Manager means Bell Potter Securities Limited.

Lead Manager Options has the meaning given in Section 3.2(d).

Lead Manager Options Offer has the meaning given in Section 3.2(d).

Lead Manager Options Offer Application Form means the application form attached to, or accompanying this Prospectus, to be used for the purposes of applying for the Placement Options.

Lead Manager Options Offer Closing Date has the meaning given in Section 3.7.

LIFX means Lifi Labs, Inc. trading as LIFX.

Listing Rules means the official listing rules of ASX.

New Option means an Option offered pursuant to this Prospectus.

New Share means a Share offered pursuant to this Prospectus.

New Securities means a New Share and a New Option.

Offers means the Entitlement Offer, the Shortfall Offer, the Convertible Note Offer, the T2 Share Offer, the Placement Options Offer and the Lead Manager Options Offer.

Official Quotation means quotation of Shares on the official list of ASX.

Opening Date means the opening date of the Entitlement Offer, as detailed in the Indicative Timetable.

Option means an option to acquire a Share.

PFG has the meaning given in Section 2.1.

PFG Loan Facility has the meaning given in Section 2.3.

PFG Payment has the meaning given in Section 2.3.

Placement has the meaning given in Section 2.2.

Placement Options has the meaning given in Section 3.2(c).

Placement Options Offer has the meaning given in Section 3.2(c).

Placement Options Offer Application Form means the application form attached to, or accompanying this Prospectus, to be used for the purposes of applying for the Placement Options.

Placement Options Offer Closing Date has the meaning given in Section 3.7.

Placement Participants has the meaning given in Section 3.2(c).

Placement Shares has the meaning given in Section 2.2.

Prospectus means this prospectus dated 20 July 2021.

Record Date means the date referred to as such in the Indicative Timetable.

Section means a section of this Prospectus.

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

Shareholder means a registered holder of Shares.

Share Registry means Link Market Services.

Shortfall means the New Shares not applied for under the Entitlement Offer before the Closing Date.

Shortfall Application Form means the application form attached to, or accompanying this Prospectus, to be used for the purposes of applying for Shortfall Securities.

Shortfall Offer has the meaning given to that term in Section 3.8.

Shortfall Securities means the New Shares and New Options constituting the Shortfall.

Shortfall Shares means the New Shares constituting the Shortfall.

T2 Shares has the meaning given in Section 2.3.

T2 Share Offer has the meaning given in Section 3.2(b).

T2 Share Offer Application Form means the application form attached to, or accompanying this Prospectus, to be used for the purposes of applying for the T2 Shares.

T2 Share Offer Closing Date has the meaning given in Section 3.7.

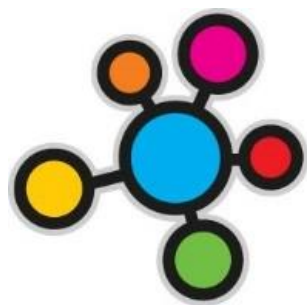
Thomson Geer means Thomson Geer Lawyers.

US\$ means United States dollar.

US Securities Act means the United States Securities Act of 1933.

Voting Power has the meaning given in section 610 of the Corporations Act.

VWAP means, in relation to the Shares for a particular period, the volume weighted average price of trading in Shares on the ASX market over that particular period.



Buddy