



## ASX MARKET RELEASE

Monday February 29<sup>th</sup>, 2016

### **BUDDY PLATFORM LIMITED – INTERIM FINANCIAL REPORT (4D) REVIEW**

Buddy Platform Limited (ASX: BUD) (“Buddy” or the “Company”), the Internet of Things (“IoT”) data management and processing platform, has today released its Interim Financial Report (Appendix 4D) filing for H1 FY2016.

On July 20, 2015 Potash Minerals Limited announced that it had signed a binding heads of agreement to acquire 100% of Buddy Platform Incorporated. Completion of the transaction followed certain terms being met:

- Payment of a \$250,000 option fee by Potash to acquire an exclusive twenty eight (28) day option to purchase 100% of the issued capital in Buddy.
- A further \$250,000 was paid at the completion of the due diligence period.
- In exchange for 100% of the issued capital in Buddy, Potash agreed to issue 500,000,000 Potash shares to the shareholders of Buddy, subject to ASX escrow provisions.
- A performance share offering was implemented to issue to key management and Board members, in the amount of 100,000,000 performance shares. The performance shares will convert into ordinary Buddy shares on the basis of achieving the following milestones:
  - One third of the performance shares on logging 20,000,000 total discrete connections to any Buddy server or service (“interactions”) by any approved network connected hardware or software application (“device”) per day for no less than 3 consecutive weeks within a period of 24 months.
  - One third of the performance shares upon the total number of devices creating an Interaction with a Buddy application that it has not previously interacted with (“new connection”) exceeding 500,000 per week for no less than three (3) consecutive weeks.
  - One third of the performance shares upon satisfying the following milestones within a period of 36 months:
    - total daily device interactions with the Buddy Platform exceed 50,000,000 per day for no less than 3 consecutive weeks; and
    - total number of devices creating new connections to Buddy exceeding 1,000,000 per week for no less than 3 consecutive weeks.
- An employee incentive rights plan was instituted in the amount of 100,000,000 employee rights, to be allocated to current and future employees at the discretion of the Board of Directors.

Conditions precedent for the completion of the acquisition that were met included Potash obtaining all regulatory and shareholder approvals as required:

- To issue the consideration shares, performance shares and employee incentive plan rights;
- To roll-over existing Buddy options into Potash options on an equivalent value basis;
- To approve a change to its’ business from a mineral exploration company to a technology company;
- To change the name of Potash to Buddy Platform Limited;

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- To issue shares in Potash under a capital raising in an amount sufficient for Potash to re-comply with Chapters 1 and 2 of the ASX Listing Rules;
- Each party (Potash and Buddy) completing financial and legal due diligence on the other, and the results of the due diligence being to the satisfaction of both parties;
- Potash preparing a prospectus for a capital raising sufficient to enable Potash to be reinstated to quotation on the ASX, lodging the prospectus with the Australian Securities and Investments Commission (ASIC) and receiving sufficient applications to meet the minimum subscription under the prospectus; and
- Potash receiving a letter from the ASX confirming that it will re-instate Potash to trading on the ASX following compliance with Chapters 1 and 2 of the ASX Listing Rules, with the terms of the letter acceptable to Potash and Buddy.

Completion of the acquisition was also conditional upon Potash being satisfied that Buddy had received all necessary consents and approvals from its security holders and relevant regulatory bodies required in order to ensure that Potash held 100% of the issued capital in Buddy following completion of the acquisition.

Potash also agreed to issue the following options in connection with the acquisition:

- 40,000,000 "Capital Raising Options" to acquire Potash shares exercisable at a 25% premium to the price of shares issued under the public offer (described below) on or before 30 November 2017
- 12,500,000 "Transaction Options" to acquire Potash shares exercisable at \$0.03 on or before 30 November 2017.

A capital raising of between \$7,500,000 and \$12,500,000 was conducted, with the result being the maximum amount raised following a highly oversubscribed public offering and SPP offering. Both offerings were made at a share price of \$0.10.

Subsequent to all conditions precedent being met and the capital raising concluded, the reverse acquisition transaction was concluded on December 17, 2015 and the Company – now renamed to Buddy Platform Limited – was reinstated to official ASX quotation on December 30, 2015.

## HALF YEARLY SUMMARY

Note that in the half year to December 31, 2015 the Company only operated as Buddy Platform Limited from December 17 to December 31. During this period, the Company:

- Recorded an after tax loss of \$12.99MM (up from \$104.7k in the December 2014 half), of which some \$12.7MM was attributable to the consideration and share based payments made by the Company in relation to the acquisition of Buddy Platform Inc.
- Recorded service revenue of \$87.8k and finance income of \$34k (up from no service revenue and \$16.1k of finance income in the December 2014 half).
- Recorded total assets of \$16.1MM (up from \$1.731MM in the prior half year), of which \$14.68MM is cash, cash equivalents and other receivables. This figure also includes the Company's shareholding in Radar Iron Limited, then valued at approximately \$1.0MM.
- Recorded total liabilities of \$294.3k (up from \$125k in the prior half year).

## BUSINESS UPDATE

The period of time the Company operated as Buddy Platform Limited during the July 2015 half (December 17 – December 31, 2015) is entirely contained within Q2 FY16. Accordingly, investors should refer to the document titled “Buddy Platform Limited – Quarterly 4C Review” dated January 29, 2016 for a full description of activities in that period, which are summarized thus:

- Announced deals with Noveda Technologies (energy & resource data management), Sears Holdings (major US retailer), and Lono, LLC (smart home irrigation manufacturer).
- Signed evaluation agreement & negotiated pricing with major European consumer electronics vendor.
- Customer renewals / contract re-negotiations – Washington’s Lottery (renewal) & major US telecommunications carrier (re-negotiation to lock in 2<sup>nd</sup> year pricing).
- Expected acceleration of the Company’s first performance milestone (20MM device connections to the platform daily) by some 4-6 months.
- Announced the Company’s intention to appoint Mr. John van Ruth to the Board of Directors
- Announced the coming appointment of Mr. Tim Ritchie as Vice President of Sales, and the appointment of Ms. Amaris Harris as Director of Sales.
- Announced the coming appointment of Mr. Adam Schultz as General Manager, Australia.
- Announced the selection of Adelaide, South Australia as the location of the Company’s Australian base of operations.
- Announced the appointment of Mr. Stuart Usher as Company Secretary.

The company can further report that prior to the last quarter (but within this H1FY16 period), Mr. Brian Seitz was appointed as Director of Marketing and Communications based out of the Company’s Seattle headquarters. Mr. Seitz joins the Company following a successful career in marketing and public relations at Waggener Edstrom, Microsoft Corporation and Sonos. In addition to taking responsibility for the Company’s PR and communications strategy across both US and Australian operations, Mr. Seitz has responsibility for the Company’s global marketing strategy to help drive sales and corporate awareness.

In August 2015, the Company appointed Mr. Habib Heydarian as Vice President of Product & Engineering. Prior to joining Buddy, Mr. Heydarian worked at Microsoft Corporation’s Redmond headquarters for over fifteen years – initially in the Visual Studio product group, next in the company’s Robotics group, and finally as an engineering leader in Microsoft’s .NET Platform group. A graduate of the Australian National University in Canberra, Mr. Heydarian has global responsibility for product direction and engineering management at the Company.

## SUBSEQUENT EVENTS

### BOARD OF DIRECTORS

On February 12, the Company was delighted to confirm that further to the last quarterly update, Mr. John van Ruth was officially appointed to the Board of Directors. The Company can further share that Mr. van Ruth has taken up membership of the Board’s Audit Committee and accordingly led the review of the Company’s Interim Financial Report for FY16.

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## OTHER MATTERS

### STAFFING & OPERATIONAL CAPACITY

With the new employees who joined the Company (both in the H1FY16 period and subsequently), total staffing at Buddy is up to eighteen (18) full time employees. The Company's business is one that is able to highly leverage our personnel, our technology implementation is both highly & rapidly scalable, and so the company is well positioned to deliver on a considerable book of business with these staffing levels. However, the Company has previously given guidance that it expects to be staffed at approximately twenty-five (25) by the end of the current half year, and management continues to expect that to be the case.

Should customer leads emerging from recent trade show activities close ahead of schedule however, management may elect to accelerate hiring to accommodate this demand. Further updates will be posted on this topic over the course of time.

### CUSTOMER TRACTION

The January 2016 quarter is shaping up to be the busiest yet for the Company, with the customer pipeline presented during the investor roadshow being moved forward, and new prospects joining the pipeline. This quarter is punctuated by two of the largest trade shows of the year that Buddy will be participating in – the International Consumer Electronics Show (Las Vegas) and Mobile World Congress (Barcelona). See below for more details on those events.

While the Company has been extremely transparent about the need to capture device volume and data traffic as the highest priority (ahead of profitability and short-term revenue), management remains highly focused on building a strong and thriving business. To that end, in addition to the customer/partner deals announced so far in 2016 (refer to the Gimbal and Ombitron announcements of 5 February and 16 February respectively), going into Mobile World Congress the Company had advanced over US\$550,000 worth of first-year business with pipeline prospects to the quotation/pre-invoicing stage for Q3. This is well ahead of plan, does not take into account any new business generated at Mobile World Congress and validates the Company's clearly communicated strategy to invest in winning large scale, long term customers whose traffic and data needs only grow with time.

Of course, quite possibly not all of that quoted business may land to become contracted revenue and so these figures are shared not as forecasts or guidance, but as a transparent indication of the size of deals that the Company is competing for – and being competitive for – globally. All but two of the prospects on the pipeline slide shared during the investor roadshow remain in the pipeline, while over ten new prospects have been added in their place. In addition, that many (or more) new prospects have emerged from each of CES and Mobile World Congress, and so there is dramatically more opportunity immediately at hand for the Company than ever before.

### MILESTONE PROGRESS

The Company has previously disclosed that a top 5 U.S. mobile carrier is currently driving in excess of seven million (7,000,000) transactions with the Buddy Platform per day, more than a third of the first performance milestone of twenty million (20,000,000) transactions per day. The Company currently has two prospects in its' short-term pipeline that are each driving at least twenty million transactions daily. One of these organizations is driving in excess of forty million transactions per day, meaning that if both prospects move their business to the Buddy Platform, the daily transaction volume components of the Company's performance milestones will be satisfied entirely.

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## CONSUMER ELECTRONICS SHOW 2016 & MOBILE WORLD CONGRESS 2016

In the first half of the 2016 calendar year, Buddy is exhibiting or participating in at least three major trade shows – the Consumer Electronics Show, Mobile World Congress and IoT World. Each of these trade shows caters to a slightly different scope of customer and audience, and the Company is participating differently at each.

The Consumer Electronics Show 2016 (“CES”) was held in early January in Las Vegas, NV, and is traditionally the largest such trade show in which Buddy participates. That said, it is also the least focused – with exhibitors spanning the entire spectrum of consumer electronics technology. This year, there were three key themes which emerged from the show – IoT, drones and connected cars. It can be demonstrated that all three represent opportunity for Buddy, as drones will soon become connected and need endpoints to stream their telemetry to (think of an aircraft “black box in the cloud” scenario), and connected cars will be amongst the most significant generators of consumer device data in the short to medium term.

While Buddy did not formally exhibit at CES, the Company did host a meeting suite to conduct business with exhibitors and attendees alike. Halfway through the show, the Company hosted an evening reception for existing and prospective customers, and while the Company’s presence at CES was the smallest of the three main trade shows for this half year, substantial leads were derived from the show. Emerging from CES, Buddy has added an inflight entertainment technology provider, an online retailer, an Asian consumer electronics vendor, two connected home product vendors, a connected lighting vendor, a prominent Asian electronics testing facility, an auto OEM, a connected door lock vendor, a US retail chain, amongst others, to the customer pipeline. Additionally, the Gimbal and Ombitron deals were initiated at CES.

This past week, the Company exhibited at Mobile World Congress 2016 (“MWC”) in Barcelona, Spain. Traditionally the largest trade show globally for the mobile industry, MWC has increasingly evolved into other technology areas such as mobile applications and connected devices/IoT. Attendees at this year’s show were left in little doubt that the mobile industry considers the IoT to be the most broadly disruptive technology the world has yet seen. Across roughly ten large halls worth of technology exhibitors and over 94,000 attendees, barely any exhibitors were not describing themselves as IoT companies, or talking about their products in the context of the IoT.

As with previous years, the Company has exhibited at MWC as part of the State of Washington Department of Commerce’s “Choose Washington” consortium. Having received a U.S. Federal Government grant to assist in Buddy’s expenses at the show, Buddy was one of the two largest exhibitors on the Washington State booth. This investment – in addition to bringing six team members to the show (including CEO David McLauchlan and Chairman Rick Borenstein) – has already yielded dividends. Although far too early to tell for certain, it is quite possible that MWC 2016 was the Company’s most successful trade show effort to date – with a slew of very immediate opportunities emerging, some of which have already progressed to NDAs and pilot/trial kickoff discussions to be held in the coming weeks.

A major takeaway from MWC was that given the hype around IoT, customers are being careful to seek solutions, not technologies – and purchase value creation, not product features. Customers want to know how the application of the IoT, and Buddy in particular, can make them money, save them money or make them smarter. Participants in this space are beginning to fall into one of two categories – vertical solution providers with proprietary technologies, or horizontal developer tool providers offering building blocks. Buddy’s ability to be a substantial component of a vertical solution – but built using open standard technologies, while interfacing with just about any system in or out, positions the Company very nicely in this space. The horizontal developer tool providers (Microsoft Azure, Amazon AWS, etc...) also are complementary in this sector, as developers wishing to build their own platform are by definition not

customers of Buddy. It is our (early) experience that a growing proportion of those customers will later seek to move to a hosted platform solution, and Buddy stands ready to win that business in due course.

At the time of writing, new opportunities are still inbound from Mobile World Congress – however we can already count amongst them two auto OEMs, a mining data opportunity, a connected civic lighting provider, a major European power utility, a manufacturing facility looking to connect sensors across their production lines, a major Japanese systems integrator, a major Indian systems integrator, a mobile carrier, a prominent silicon manufacturer, a water filtration opportunity, a device management provider and several more.

As with previous updates, management reiterates prior guidance that commercial enterprise deals such as these may typically take four to six months to close out. Efforts are continuing to minimize this sales cycle, but investor expectations should be set appropriately. The Company does not typically announce the commencement of pilot programs or trials of the Buddy Platform product, but will announce commercial deals at the earliest possible opportunity.

#### **REVENUE GUIDANCE**

There has been commentary from some investors that they'd like to see greater revenue transparency, in particular with regard to ASX announcements concerning customers landed or partnerships struck. Given the very nascent and yet highly competitive environment that the IoT industry is becoming, the dollar value of individual deals is very valuable information for competitors and sharing this information limits the Company from operating as competitively as possible when negotiating subsequent customer deals. To any extent possible, management is committed to sharing with investors the specific financial details of material deals and relationships, however not at the expense of the Company's ability to negotiate and compete. Accordingly, revenue guidance is not being given at this point, nor will such guidance be given on a deal-by-deal basis unless circumstances specifically permit the Company to do so.

Investors can be assured that the Company, and management specifically, will remain as communicative as possible about the business traction and progress the Company is making.

#### **INVESTMENT ATTRACTION SOUTH AUSTRALIA**

The Company has established a close relationship with the South Australian Government, following direct outreach from the Department of Premier and Cabinet, and the South Australian Premier himself. As one of the first beneficiaries of the new "Investment Attraction SA" agency, the Company was delighted to accept an invitation from the Premier to help launch the organization, tasked with attracting new business investment to the State of South Australia. The agency was launched in Adelaide on February 12, and speakers at the event included the Premier of South Australia, the Honourable Jay Weatherill and CEO of Buddy Platform Limited, Mr. David McLauchlan. News coverage in the Australian press preceded the event, with a news piece on Buddy appearing in the Australian Financial Review and affiliated publications (The Australian, regional newspapers). Extensive local news coverage followed the event, with television coverage including Buddy-supplied footage and commentary from the event by Mr. McLauchlan.

For and on behalf of Buddy Platform Limited.



#### **David P. McLauchlan**

Chief Executive Officer  
Buddy Platform Limited.

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**About Buddy**

Buddy Platform Limited ([ASX:BUD](https://www.asx.com.au/asx/code/BUD)) provides one of the world's first data aggregation, management & control platforms for the Internet of Things and connected devices. Buddy advances the Quantified Economy by providing the critical infrastructure by which businesses and organizations can, in real time, access and analyze the data generated by connected devices, and unlock the economic opportunities delivered by this data. Buddy Platform users represent a wide variety of industries, including airlines, agriculture, automotive, consumer electronics, robotics, software development, telecommunications, and transportation. Buddy is headquartered in Seattle, Washington, with offices in Adelaide, Australia. For more information, visit [www.buddy.com](http://www.buddy.com).

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