

BuildingIQ, Inc.  
Appendix 4E  
Preliminary Final Report

1. Company details

Name of entity:	BuildingIQ, Inc.
ARBN:	605 422 166
Reporting period:	For the year ended 31 December 2019
Previous period:	For the year ended 31 December 2018

2. Results for announcement to the market

	Change \$	%		2019 \$
2.1 Revenues from ordinary activities	(992,278)	(14%)	to	6,366,602
2.2 Revenue and other income	(981,333)	(11%)	to	7,836,142
2.3 Loss from ordinary activities after tax attributable to the members of BuildingIQ, Inc.	(6,597,581)	(144%)	to	(11,186,142)
2.4 Total comprehensive loss for the year attributable to the members of BuildingIQ, Inc.	(7,299,423)	(187%)	to	(11,209,707)

2.6 Dividends

Nil

Comments on financial performance:

Revenue and receipts from customers:

While revenue from ordinary activities decreased 14%, receipts from customers (incl. GST) increased 12% to \$7,455,340, and net cash used in operating activities decreased 52% to \$2,322,531.

Key reasons for the decrease in revenue include:

- The closure of utility, incentive and rebate programs in the US, which were undertaken in the prior period and did not continue through FY2019.
- The delay of commencement of major Greenfield projects, which were scheduled to commence or complete in FY2019 which will now occur in FY2020

Operating results and impairment of intangible assets:

On 11 February 2020, the Company announced it had executed an expression of interest ("EOI") with mCloud Technologies Corp (TSX: MCLD), under which mCloud has offered to acquire the CDIs of the Company and provide a working capital facility of \$1,500,000 (see item 12, below for more details).

As a result of the EOI, the 'value in use' calculation method for assessing the recoverable amount of the Company's goodwill and other intangible assets has been replaced with the 'fair value less costs of disposal' method, based on the effective valuation the pending transaction places on the Company. This has resulted in the Company recognising an impairment charge of \$3,936,019 on its goodwill assets.

In addition, the Company has increased its provision for expected credit losses on receivables within the US business, to a total of \$946,557.

The above events have negatively impacted Total comprehensive income for the year attributable to members of BuildingIQ, Inc by \$4,473,668. Additionally, the net result for the period included an interest expense of \$816,222, due to the increase in borrowings to finance the greenfield business.

#### Adoption of AASB 16 Leases

During the period, the Company has adopted new accounting standard AASB 16 Leases. This has resulted in the Company recognising a right of use asset and lease liability, equivalent to the present value of all future non-cancellable lease payments on the Company's two office facilities. The new standard has replaced straight line operating lease expenses with depreciation on the right of use asset and an interest charge on the lease liability. The Company has elected not to restate prior comparative periods.

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### 3. Statement of profit or loss and other comprehensive income

	Consolidated	
	2019 \$	2018 \$
Revenue	6,366,602	7,358,880
Other income	1,469,540	1,458,595
Revenue & other income	<u>7,836,142</u>	<u>8,817,475</u>
Cost of sales	(5,241,817)	(3,876,423)
Gross profit	<u>2,594,325</u>	<u>4,941,052</u>
Interest income	1,010	4,247
Expenses		
Sales and marketing	(1,793,467)	(2,090,723)
Research costs	(368,030)	(480,882)
Administrative expenses	(5,296,326)	(5,514,906)
Depreciation & amortisation	(1,898,269)	(1,323,216)
Impairment expense	(3,936,019)	-
Finance costs	(816,222)	(3,488)
Loss before income tax expense	(11,512,998)	(4,467,916)
Income tax expense	-	-
Loss after income tax expense for the year	(11,512,998)	(4,467,916)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(23,565)	678,277
Other comprehensive loss for the year, net of tax	<u>(23,565)</u>	<u>678,277</u>
Total comprehensive loss for the year	(11,536,563)	(3,789,639)
Net loss attributable to:		
Owners of the parent entity	(11,186,142)	(4,588,561)
Non-controlling interest	(326,856)	120,645
	<u>(11,512,998)</u>	<u>(4,467,916)</u>
Total comprehensive loss attributable to:		
Owners of the parent entity	(11,209,707)	(3,910,284)
Non-controlling interest	(326,856)	120,645
	<u>(11,536,563)</u>	<u>(3,789,639)</u>

#### 4. Statement of financial position

	Consolidated	
	2019	2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	702,702	1,975,777
Trade and other receivables	3,599,344	4,610,097
R&D grant receivable	2,671,990	2,570,796
Other current assets	556,190	811,380
Total current assets	<u>7,530,226</u>	<u>9,968,050</u>
Non-current assets		
Property, plant and equipment	56,306	106,707
Right of use assets	526,974	-
Goodwill	931,805	4,844,899
Other Intangible assets	3,876,181	3,839,364
Total non-current assets	<u>5,391,266</u>	<u>8,790,970</u>
Total assets	<u>12,921,492</u>	<u>18,759,020</u>
Liabilities		
Current liabilities		
Trade and other payables	2,351,959	1,026,409
Employee benefits	696,810	1,084,607
Deferred revenue	254,831	140,818
Borrowings	2,983,368	2,028,935
Lease liabilities	283,974	-
Other current liabilities	416,313	798,436
Total current liabilities	<u>6,987,255</u>	<u>5,079,205</u>
Non-current liabilities		
Lease liabilities	288,385	-
Total non-current liabilities	<u>288,385</u>	<u>-</u>
Total liabilities	<u>7,275,640</u>	<u>5,079,205</u>
Net assets	<u>5,645,852</u>	<u>13,679,815</u>
Equity		
Issued capital	54,467,679	51,006,884
Reserves	474,651	456,411
Non-controlling interest	(717,037)	(390,181)
Accumulated losses	<u>(48,579,441)</u>	<u>(37,393,299)</u>
Total equity	<u>5,645,852</u>	<u>13,679,815</u>

5. Statement of cash flows

	Consolidated	
	2019	2018
	\$	\$
Cash flows from operating activities		
Receipts from customers (including GST)	7,455,340	6,680,563
Payments to suppliers (including GST)	(6,854,537)	(6,882,719)
Payments to employees	(4,959,682)	(6,700,670)
Payments for interest	(458,091)	-
R&D tax refund received	2,494,439	2,027,793
Net cash used in operating activities	(2,322,531)	(4,815,033)
Cash flows from investing activities		
Payments for plant and equipment	(13,279)	(64,066)
Payments for intangible assets	(2,588,719)	(2,571,384)
Cash acquired on business acquisition	-	331,605
Payments for business acquisition	-	(1,143,040)
Net cash used in investing activities	(2,601,998)	(3,446,885)
Cash flows from financing activities		
Proceeds from borrowings	5,581,390	2,028,935
Repayment of borrowings	(4,879,126)	-
Repayment of lease liabilities	(498,506)	-
Proceeds from issues of shares	3,460,795	5,931,097
Capital raising costs (capitalised)	-	(146,798)
Net cash generated by financing activities	3,664,553	7,813,234
Net decrease in cash and cash equivalents	(1,259,976)	(448,684)
Cash and cash equivalents at the beginning of the financial year	1,975,777	2,418,874
Effects of exchange rate changes on cash and cash equivalents	(13,099)	5,587
Cash and cash equivalents at the end of the financial year	702,702	1,975,777

## 6. Statement of changes in equity

	Issued capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total Equity \$
Consolidated					
Balance at 1 January 2019	51,006,884	456,411	(37,393,299)	(390,181)	13,679,815
Loss after income tax expense for the year	-	-	(11,186,142)	(326,856)	(11,512,998)
Other comprehensive loss for the year, net of tax	-	(23,565)	-	-	(23,565)
Total comprehensive income for the year	-	(23,565)	(11,186,142)	(326,856)	(11,536,563)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	3,460,795	-	-	-	3,460,795
Share option expenses	-	41,805	-	-	41,805
Balance at 31 December 2019	54,467,679	474,651	(48,579,441)	(717,038)	5,645,852

## 7. Details of individual and total dividends or distributions and dividend or distribution payments

Nil

## 8. Details of dividend or distribution reinvestment plans in operation

Nil

## 9. Net tangible assets per ordinary security

	Reporting Period Cents	Previous Period Cents
Net tangible assets per ordinary security	0.22	2.00

Net tangible assets decreased by \$4.16m to \$837k as at 31 December 2019.

The net tangible assets calculation as at 31 December 2019 has included the right of use assets and lease liabilities recognised on the adoption of AASB 16 Leases, considering the underlying nature of the assets leased.

## 10. Details of entities over which control has been gained or lost during the period

Nil

#### 11. Details of associates and joint venture entities

Nil

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#### 12. Any other significant information

On 22 January 2020, BuildingIQ announced the departure of the Company's President and Chief Executive Officer, Michael Nark, with his last day of employment on 21 Feb 2020.

On 28 January 2020, BuildingIQ announced the departure of Mr Gregory Pynt from the Company's board of directors (Mr Pynt joined the board on 20 December 2019).

On 11 February 2020, the Company announced it had executed an expression of interest ("EOI") with mCloud Technologies Corp (TSXV:MCLD & OTCQB:MCLDF, under which mCloud has offered to acquire 100% of the CDIs of the Company and provide a working capital facility:

- The non-binding EOI is subject to a period of due diligence and exclusivity, and contingent on the execution of definitive agreements between both BuildingIQ and mCloud.
- The EOI provides that mCloud will offer to buy each BuildingIQ CDI holder's CDIs on the basis that CDI holders will receive 1 share in mCloud for every approx. 441 CDIs held.
- This equates to a price of A\$0.0158 per CDI, which represents a 58% premium to BuildingIQ's 08 Feb 2020 closing price on the ASX and mCloud's three-day VWAP stock price for the week of February 2, 2020 of A\$6.97.
- mCloud provided BuildingIQ with a secured working capital loan of A\$1.5 million on commercial terms, which will be managed jointly by mCloud and BuildingIQ.
- Both companies have agreed to a Break Fee of A\$500,000 on terms consistent with transactions of this nature.
- mCloud will explore a possible listing of its common shares on the Australian Stock Exchange.
- mCloud is currently listed on the TSX Ventures exchange in Toronto and trades over-the-counter (OTC) in the US.

There have been no other transactions or events of a material or unusual nature between the end of the reporting period and the date of this report that will, in the opinion of the directors, significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future years.

There were no other significant changes to the affairs of BuildingIQ, Inc.

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#### 13. Accounting Standards Used

BuildingIQ, Inc.'s financial statements are prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ('IASB').

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## 14. Commentary on the results for the period

### 14.1 EPS & Dilutive Aspects

	Reporting Period (Cents)	Prior Period (Cents)
Basic earnings per share	(3.9)	(2.0)
Diluted earnings per share	(3.9)	(2.0)

There were no dilutive instruments issued in 2019 or 2018.

### 14.2 Returns to shareholders including distributions and buy-backs

Nil

### 14.3 Significant features of operating performance

Starting in December 2016, BuildingIQ expanded its service offering to include turn-key solutions to its clients, taking them on the 5i Platform journey. This began with strategic partnerships in Western Australia, which enabled deployment and commissioning of building management systems (Greenfield) from our cloud based 5i Platform and culminated in the seamless integration/expansion of those deployments to other 5i Platform SaaS (Software-as-a-Service) subscription services. These services ensure that BuildingIQ is able to design to specification all components in a building to help serve the ultimate goal, delivery of energy savings through our optimisation service which utilises our Predictive Energy Optimisation (PEO) software algorithms. Over time, these Greenfield activities increased revenue and increased costs relating to hardware and labour. The nature of construction based timetables resulted in substantial cash outflows at the start of Greenfield projects that are recouped with margin towards the end of each project (assuming each project operated reasonably to plan).

Revenue and other income decreased from last year by approximately 11% to \$7,836,142 (2018: \$8,817,475). The key reason for this decrease were the delay in the commencement of major greenfield projects, which were scheduled to commence in early Q2 FY19 and the completion of one-time utility and incentive/rebate programs, were completed in the prior period and not recurring in FY 2019. Cost of goods sold grew by 35% to \$5,241,817 (2018: \$3,876,423) in support of the revenue growth.

Total expenses increased by 50% to \$14,108,333 (2018: \$9,413,215), mainly due to impairment of goodwill \$3,936,019 and increased provisions for impairment of trade receivables of \$537,649. Additionally, results were negatively impacted by a \$816,222 increase in interest cost. The overall result of these factors was that the loss before income tax expense for the year increased to \$11,512,998 (2018: \$4,467,916).

### 14.4 Results of segments

	Sales to external Customers		Geographical non-current assets	
	2019 \$	2018 \$	2019 \$	2018 \$
Australia	4,692,651	3,721,705	3,697,199	4,412,763
USA	1,673,951	3,637,175	1,694,067	4,378,207
	<u>6,366,602</u>	<u>7,358,880</u>	<u>5,391,266</u>	<u>8,790,970</u>



#### 14.5 Trends in performance

The financial highlights for 2019 (all AUD):

- Revenue from ordinary activities fell 14% to \$6.37m (2018: \$7.36m);
- Revenue and other income fell 11% to \$7.84m (2017: \$8.82m);
- Customer receipts increased 12% to \$7.46m (2018: \$6.68m);
- New contract bookings amounting to \$11.8m for the year (2018: \$9.6m);
- Operating expenses decreased by 8% to \$7.45m (2018: \$8.09m)
- Building count increased to 1,355 buildings (2018: 1,265); and
- 144m square feet (2018: 125m) under contract was reached.

#### 14.6 Other factors

No other factors noted.

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#### 15. Statement relating to the status of the audit

This report is based on financial statements which are in the process of being audited.

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#### 16. Expected audit opinion

The independent audit report is expected to contain an unmodified opinion, subject to an emphasis of matter paragraph disclosing the existence of a material uncertainty related to going concern.