

2020 Interim Report

Interim report for the half-year ended 30 June 2020

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Directors' Report

The directors, acting in good faith with an understanding that all major decisions for BuildingIQ during the period prior to 30 June 2020 were made by the former directors who preceded current directors, present their report, together with the financial statements on the consolidated entity (referred to hereafter as 'BuildingIQ', the 'consolidated entity' or 'Group') consisting of BuildingIQ, Inc. (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half year ended 30 June 2020.

Directors

The following persons were directors of the Company during the whole of the period and up to the date of this report, unless otherwise stated:

Sanjay Patel (appointed 18 June 2020)
Daivesh Sanghvi (appointed 18 June 2020)
William Deane (resigned 18 June 2020)
Gerd Goette (resigned 18 June 2020)
Michael Nark (resigned 21 February 2020)

Principal activities

BuildingIQ is a leading provider of energy efficiency services for facilities throughout the United States, Canada, Singapore, Australia and Middle East. BuildingIQ's principal service is the development, design, engineering and installation of integrated software solutions that reduce the energy, operations and maintenance costs of customers' facilities. These solutions typically include a variety of measures deployed for each facility and are designed to improve the efficiency of major building systems, such as heating, ventilation and air conditioning systems.

Dividends

No dividends were paid during or subsequent to the period.

Review of operations

Revenues consist primarily of software license fees, software implementation, hardware sales, project management services, installation, consulting and post-sale maintenance and support. BuildingIQ also receives grants and tax incentives in Australia.

Revenue and other income for the six months to 30 June 2020 increased from the prior corresponding period by approximately 4% to \$ 3,831,340 (2019: \$3,681,852). Despite the uncertain period in which businesses are operating, BuildingIQ's results for the half year end reflect the continuing demand for its services and our ability to service many of our clients remotely.

In Australia, number of projects were completed during the half year. The projects included two hospitals in NSW (Mudgee Hospital and Somerset Private Hospital, Kingswood) where the work was fast tracked to ensure completion ahead of schedule, so the hospitals were COVID-ready. The Wenona School Archimedes Project in North Sydney was also completed and ready for students return to campus in term 2.

The Forrestfield project continues to progress towards its estimated completion in Q3 2021 with an expected ramp-up in work through Q4 2020. Ensuring supply chain continuity of essential equipment is critical for the project to remain on track. Impacted by border closures, now more than 70% of the supplies of essential equipment have been moved from Melbourne to Perth.

New business was secured in our established states of NSW and WA, including contracts from existing customers for further services such as controller upgrades, repairs and defects work, and we were awarded our first contract in Melbourne that will be a national opportunity.

In the US, sales activities were constrained largely due to the slowdown from the impacts of COVID-19. Despite this, it was a busy period for BuildingIQ as we assisted customers transition to different building operations. Our work involved consulting and implementation of COVID programs and the completion of commissioning and transition to full control of a certain number of buildings.

Review of operations (continued)

The number of buildings active on the 5i Platform continued to grow. Services are now provided to more than 1,345 buildings globally, reflecting the ongoing adoption albeit slower in this environment and up from 995 buildings three years ago.

Expenses decreased by 14% during the period to \$4,405,498 (2019: \$5,116,053). This was primarily due to decreases in sales and marketing and administrative expenses, partially offset by an increase in allowance for expected credit losses and higher interest expenses relating to the receivables and supply chain financing facilities open during the period.

As a result of these factors the loss before income tax expense for the half year decreased to \$3,383,185 (2019: \$3,684,709).

Changes in the state of affairs

In June 2020 (*ASX announcement 18 June 2020*), BuildingIQ confirmed the final agreement with SNAPS Holding Company had been signed.

As announced, under the Investment Agreement, SNAPS will invest up to A\$4,763,037 and in consideration, will acquire a total of 746,641,722 shares of common stock (approx. 66.26% of the total issued and outstanding shares). This Agreement, which was pending approval as of 30 June 2020, is subject to approval by BuildingIQ's shareholders at a meeting to be held in the future, which was later determined to be on 25 August 2020 will result in SNAPS having a majority ownership position in BuildingIQ. Additionally, BuildingIQ entered into a Management Agreement with SNAPS whereby SNAPS will guide, and in some cases assume control, of certain operations of BuildingIQ. The Management Agreement would also be considered by stockholders at the meeting, which was later determined to be on 25 August, also known as a Special Meeting.

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

Matters subsequent to the end of the financial period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the relevant Governments and other authorities, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 18 June 2020, the Company announced that it had entered into an investment agreement with SNAPS Holding Company, a US-based diversified technology holdings firm.

The shareholders of the Company held a special general meeting on 25 August 2020 and:

- approved an amendment to the Company's Amended and Restated Certificate of incorporation to increase the authorized number of shares of common stock in the Company from 500,000,000 to 1,500,000,000
- approved the issue of 671,287,833 shares to SNAPS in accordance with ASX Listing Rule 7.1
- approved the issue of shares on conversion of the April Convertible Note by SNAPS in accordance with ASX Listing Rule 7.1
- approved the issue of shares on conversion of the May Convertible Note by SNAPS in accordance with ASX Listing Rule 7.1
- approved the Amended and Restated Management Agreement dated 13 July 2020 between SNAPS and the Company

As a result of the above, SNAPS would invest, per the terms of such agreement, and, in consideration of the investment in the Company, SNAPS will acquire and become owner of a total of 746,641,722 shares of common stock (in total, equal to approximately 66.26% of the total issued and outstanding shares).

There are no other transactions or events of a material and unusual nature between the end of the reporting period and the date of this report that will, in the opinion of the directors of the Company, significantly affect

Matters subsequent to the end of the financial period (continued)

the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future years.

Likely developments and expected results of operations

The pipeline in Australia for Greenfield projects is reasonably strong for the second half of 2020, despite the impacts of COVID-19.

Greenfield business is established in the key sectors of Aged Care; Hospitals; Schools; and Infrastructure, which are a focus of spending by governments to restart the economy. Negotiations are currently underway on up to 10 government or government-funded private projects in these sectors, predominantly in NSW and WA. The challenges in these times are the increased competition for projects and the resultant pricing pressure.

In North America, we anticipate new business opportunities from BuildingIQ's COVID Re-entry Preparedness Solution will start to emerge in the second half of 2020.

Additionally, although the pilot of BuildingIQ's technology across 20 sites (as announced on ASX 23 March 2020) has been delayed by COVID-19 restrictions on access to buildings and travel, it is expected the pilot will be completed this calendar year.

Company secretary

Lisa Jones was appointed Company Secretary of the consolidated entity, based in Australia, on 17 May 2017. Lisa is an experienced corporate lawyer and corporate governance professional with more than 20 years' experience in commercial law and corporate affairs in Australia and Europe. Lisa is also company secretary for ASX listed RedHill Education Limited (ASX: RDH).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

On behalf of the directors listed herein



Sanjay Patel
Executive Chair

10 September 2020
Fargo, North Dakota

DECLARATION OF INDEPENDENCE BY CLAYTON EVELEIGH TO THE DIRECTORS OF BUILDINGIQ, INC.

As lead auditor for the review of BuildingIQ, Inc. for the half-year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of BuildingIQ, Inc. and the entities it controlled during the period.



Clayton Eveleigh
Partner

BDO East Coast Partnership

Sydney, 10 September 2020

**BuildingIQ, Inc.
Interim Financial Report
30 June 2020**

General Information

The financial statements cover BuildingIQ, Inc. as a consolidated entity consisting of BuildingIQ, Inc. and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is BuildingIQ, Inc.'s presentation currency.

BuildingIQ, Inc. is incorporated in Delaware USA. Its registered office and principal place of business are:

Registered Office:

251, Little Falls Drive
Willmington (County of Newcastle)
Delaware 19808-1674

Principal place of business (as of date of this report):

Suite 200, 16 South 16th Street
Fargo, North Dakota 58103

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors on 10 September 2020. The directors have the power to amend and reissue the financial statements.

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2020**

	Notes	Consolidated 6 months ended 30 June 2020 \$	Consolidated 6 months ended 30 June 2019 \$
Revenue	3	2,908,961	2,892,138
Other income	4	922,379	789,714
Revenue & other income		3,831,340	3,681,852
Cost of sales		(2,810,257)	(2,251,047)
Gross Profit		1,021,083	1,430,805
Interest revenue		1,230	539
Sales and marketing		(465,685)	(953,845)
Research costs		(406,603)	(467,375)
Administrative expenses		(2,219,716)	(2,304,985)
Interest expense	13	(513,808)	(379,229)
Depreciation and amortisation		(799,686)	(1,010,619)
	5	(4,405,498)	(5,116,053)
Loss before income tax		(3,383,185)	(3,684,709)
Income tax expense	6	-	-
Loss after income tax expense for the period		(3,383,185)	(3,684,709)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		129,590	(41,159)
Other comprehensive income for the period, net of tax		129,590	(41,159)
Total comprehensive income for the period		(3,253,595)	(3,725,868)
Net loss attributable to			
Owners of the parent entity		(3,079,543)	(3,587,286)
Non-controlling interest	19	(303,642)	(97,423)
		(3,383,185)	(3,684,709)
Total comprehensive income attributable to			
Owners of the parent entity		(2,949,953)	(3,628,445)
Non-controlling interest	19	(303,642)	(97,423)
		(3,253,595)	(3,725,868)
		Cents	Cents
Basic earnings per share		(0.9)	(1.5)
Diluted earnings per share		(0.9)	(1.5)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**Consolidated Statement of Financial Position
as at 30 June 2020**

		Consolidated	
	Notes	As at 30 June 2020 \$	As at 31 December 2019 \$
Assets			
Current assets			
Cash and cash equivalents		37,529	702,702
Trade and other receivables	7	2,471,841	3,600,896
R&D grant receivable	8	1,066,158	2,671,990
Other current assets		210,099	571,595
Total current assets		<u>3,785,627</u>	<u>7,547,183</u>
Non-current assets			
Plant and equipment		46,973	56,306
ROU lease assets	9	-	526,974
Goodwill	10	931,805	931,805
Other intangible assets	11	3,899,216	3,876,181
Total non-current assets		<u>4,877,994</u>	<u>5,391,266</u>
Total assets		<u>8,663,621</u>	<u>12,938,449</u>
Liabilities			
Current liabilities			
Trade and other payables		2,154,163	2,351,959
Employee benefits	12	557,614	605,122
Deferred revenue		182,428	254,831
Borrowings	13	2,151,813	2,983,368
Lease liabilities	9	-	283,974
Other current liabilities	14	1,139,027	431,718
Total current liabilities		<u>6,185,045</u>	<u>6,910,972</u>
Non-current liabilities			
Employee benefits	12	78,110	91,688
Lease liabilities	9	-	288,385
Total non-current liabilities		<u>78,110</u>	<u>380,073</u>
Total liabilities		<u>6,263,155</u>	<u>7,291,045</u>
Net assets		<u>2,400,466</u>	<u>5,647,404</u>
Equity			
Issued capital	15	54,467,679	54,467,679
Reserves	16	610,898	474,651
Non-controlling interest	19	(1,020,679)	(717,037)
Accumulated losses		(51,657,432)	(48,577,889)
Total equity		<u>2,400,466</u>	<u>5,647,404</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
30 June 2020

Consolidated	Issued Capital	Reserves	Accumulated Losses	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$
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 period	-	-	(3,587,286)	(97,423)	(3,684,709)
Other comprehensive income for the period, net of tax	-	(41,159)	-	-	(41,159)
Total comprehensive income for the period	-	(41,159)	(3,587,286)	(97,423)	(3,725,868)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 15)	1,120,474	-	-	-	1,120,474
Employee share schemes	-	32,679	-	-	32,679
Balance at 30 June 2019	52,127,358	447,931	(40,980,585)	(487,604)	11,107,100
Balance at 1 January 2020	54,467,679	474,651	(48,577,889)	(717,037)	5,647,404
Loss after income tax expense for the period	-	-	(3,079,543)	(303,642)	(3,383,185)
Other comprehensive income for the period, net of tax	-	129,590	-	-	129,590
Total comprehensive income for the period	-	129,590	(3,079,543)	(303,642)	(3,253,595)
<i>Transactions with owners in their capacity as owners:</i>					
Employee share schemes	-	6,657	-	-	6,657
Balance at 30 June 2020	54,467,679	610,898	(51,657,432)	(1,020,679)	2,400,466

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
30 June 2020

	Consolidated	
	6 months ended 30 June 2020 \$	6 months ended 30 June 2019 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	3,273,740	3,999,072
Payments to suppliers and employees (inclusive of GST)	(5,401,946)	(6,405,871)
Interest paid	(314,364)	(226,113)
R&D tax refund received	2,671,990	2,487,526
Net cash from/(used in) operating activities	<u>229,420</u>	<u>(145,386)</u>
Cash flows from investing activities		
Proceeds / (payments) for plant and equipment	-	21,688
Payments for intangible assets	(592,660)	(1,385,488)
Net cash used in investing activities	<u>(592,660)</u>	<u>(1,363,800)</u>
Cash flows from financing activities		
Proceeds from issues of shares (exclusive of exchange differences)	-	1,120,474
Repayment of lease liabilities	(93,061)	(238,225)
Net repayments of borrowings	(126,749)	(759,135)
Net cash (used in)/from financing activities	<u>(219,810)</u>	<u>123,114</u>
Net decrease in cash and cash equivalents	(583,050)	(1,386,072)
Cash and cash equivalents at the beginning of the financial period	702,702	1,975,777
Effects of exchange rate changes on cash and cash equivalents	(82,123)	(57,217)
Cash and cash equivalents at the end of the financial period	<u><u>37,529</u></u>	<u><u>532,488</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Significant accounting policies

Basis of preparation

The consolidated half-year financial report has been prepared in accordance with the Corporations Act 2001 and the principles of Accounting Standard AASB 134 'Interim Financial Reporting'. The requirements of the Corporations Act are voluntarily applied to the extent they are not applicable to a Delaware incorporated company. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019. Comparative figures have been adjusted to conform to changes in presentation for the current financial period where required by accounting standards.

This consolidated half-year financial report does not include all the information, disclosures and notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any announcements made by the Company during the interim reporting period.

Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention.

Going concern

The consolidated half-year financial statements are prepared on a going concern basis. At 30 June 2020, the Group recorded a loss before income tax of \$3,383,185 (30 June 2019: \$3,684,709) and operating cash inflows of \$229,420 (30 June 2019: \$145,386 outflows). The Group is also in a net current liability position of \$2,399,418 with cash and cash equivalents of \$37,529 at 30 June 2020.

Also, as disclosed in Note 17, management and the Directors have been made aware of a complaint filed against BuildingIQ, Inc. by Johnson Controls Technology Company in the United States. Based on the information available as of the date of this report, the Directors are of the opinion the complaint is without merit, there is uncertainty associated with the proposed litigation.

The ability of the Group to continue as a going concern for a period of 12 months from the date of this financial report is based on successful completion of the investment agreement disclosed below and receipt of the proposed funds as well as meeting its budgets and forecasts to provide additional cash flows as required. If these forecasts are not achieved, additional funding may be required for the Group to continue as a going concern.

The events and conditions disclosed above give rise to a material uncertainty in relation to going concern that may cast significant doubt on the Group's ability to continue as a going concern.

As announced on ASX on 18 June 2020, BuildingIQ signed the investment agreement with SNAPS Holding Company. Key elements of the Investment Agreement are:

- A total of A\$735,310 of funds has been provided up to 30 June 2020, convertible into a total of 75,353,889 shares of common stock;
- To fund certain payables and make further working capital contribution;
- As a result of the agreement, SNAPS will invest, per the terms of such agreement, up to A\$4,763,037 and, in consideration of the investment in BuildingIQ, SNAPS will acquire and become owner of a total of 746,641,722 shares of common stock (in total, equal to approximately 66.26% of the total issued and outstanding shares, including the shares issuable on any conversion of the notes described above).

1. Significant accounting policies (continued)

Going concern (continued)

Based on the information available as of the date of this report, the directors believe there are reasonable grounds to conclude the Group will continue as a going concern, after consideration of the following factors:

- The private placement of A\$4.7m is adequate to support the consolidated entity cash requirements to continue as a going concern for a period of 12 months from the date of the financial report;
- Based on the information available as of the date of this report, management and the directors are satisfied with the key judgements and assumptions applied in relation to its budgets and forecasts, subject to any potential impacts of COVID19, which will provide ongoing operating cash inflows to supplement the capital injections provided under the transaction. If these budgets and forecasts are not achieved, Management and the directors are confident of its ability to obtain additional funding to support the Group based on the information available to the Management and directors as of the date of this report;
- Based on the information available as of the date of this report, management and the directors believe the complaint and potential litigation disclosed in Note 17 of the financial report is without merit and are fully prepared to defend the action and are seeking legal advice to this affect; and
- Management and the directors are continuing to assess the impact of COVID19 and are doing everything possible to implement plans to address any potential slowdown.

Accordingly, the directors reasonably believe the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the consolidated financial report. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

Accounting Policies

Other than the implementation of the new accounting policy noted below, the accounting policies adopted are consistent with the most recent annual financial statements and the corresponding half-year reporting period.

New, revised or amending Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. No new or amended Accounting Standards or Interpretations were adopted during the period.

2. Operating segments

Identification of reportable operating segments

The consolidated entity has only one reportable segment which is the development, design, engineering, sale and installation of integrated software projects that reduce the energy, operations and maintenance costs of the customers' facilities. All geographic locations are interdependent and share common infrastructure, including both tangible and intangible assets. This operating segment is based on the internal reports that are reviewed and used by the Chief Executive (who is identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. The consolidated entity's single reportable segment operates mainly in two geographic regions, the North America and Australasia. Both regions are supported by a mix of resources from the single reportable operating segment.

2. Operating segments (continued)

Geographical information

	Sales to external customers		Geographical non-current assets	
	30 June 2020	30 June 2019	30 June 2020	31 December 2019
		\$	\$	\$
Australasia	2,303,599	2,058,203	3,770,346	2,943,761
North America	605,362	833,935	1,107,648	2,447,505
	<u>2,908,961</u>	<u>2,892,138</u>	<u>4,877,994</u>	<u>5,391,266</u>

3. Revenue

The 5i Platform is a comprehensive set of activities provided by BuildingIQ to enhance and optimise its customers' buildings, by installing heating, ventilation and air-conditioning systems (HVAC), setting up building management systems (BMS), configuring mechanical/electrical support systems (Mechelec) and placing Internet-of-Things (IoT) devices at key control points. From this hardware foundation, BuildingIQ is able to maximise energy savings and customer comfort by using Software-as-a-Service (SaaS) subscriptions to enable Automated Measurement and Verification (AM&V), Demand Response (DR), Outcomes-based Fault Detection (OFD) and Predictive Energy Optimisation (PEO).

Revenue is recognised on a stage-of-completion basis for construction-type hardware installations in greenfield buildings, and on a monthly basis for the duration of SaaS subscription services in greenfield and established buildings. Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured and is measured at the fair value of the consideration received or receivable.

Installation services revenue is recognised over time as the performance obligation is satisfied over the term of the implementation. The revenue is recognised by reference to the stage of completion of the individual contract. Stage of completion is derived from the estimated time to completion which is measured on a monthly basis. The timing of invoicing may differ to the revenue recognition due to contract milestones included with the contract with a customer, which will result in the recognition of accrued income or deferred revenue.

SaaS subscription revenue is recognised over time as the performance obligation is satisfied over the term of the subscription. The revenue is recognised equally over the term of the subscription or in cases where it is billed up front, results in deferred revenue to ensure it is recognised over the subscription term.

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Installation revenue	2,200,571	2,226,312
Subscription revenue	693,160	646,966
Other revenue	15,230	18,860
Total revenue	<u>2,908,961</u>	<u>2,892,138</u>

Installation revenue now includes initial, project and other service and software components.

Disaggregation of revenue

The group has disaggregated revenue from customer contracts into various categories in the following table, which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data.

BuildingIQ, Inc.
Interim Financial Report
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3. Revenue (continued)

Revenue stream Year-ended 30 June 2020	Revenue recognition	Australasia \$	North America \$	Consolidated \$
Installation revenue	Over time	2,183,110	17,461	2,200,571
Subscription revenue	Over time	120,489	572,671	693,160
Other revenue	Over time	-	15,230	15,230
		<u>2,303,599</u>	<u>605,362</u>	<u>2,908,961</u>

Revenue stream Year-ended 30 June 2019	Revenue recognition	Australasia \$	North America \$	Consolidated \$
Installation revenue	Over time	2,006,800	219,512	2,226,312
Subscription revenue	Over time	51,403	595,563	646,966
Other revenue	Over time	-	18,860	18,860
		<u>2,058,203</u>	<u>833,935</u>	<u>2,892,138</u>

4. Other income

	Consolidated	
	30 June 2020 \$	30 June 2019 \$
R&D tax incentive	602,379	789,714
COVID-19 government grants	320,000	-
	<u>922,379</u>	<u>789,714</u>

During the period the Australian Tax Office had introduced the Cash Flow Boost and JobKeeper Payment grants to support businesses significantly affected by the coronavirus. The Australian entities have been eligible for available government grants.

5. Expenses

	Consolidated	
	30 June 2020 \$	30 June 2019 \$
Loss before income tax from continuing operations includes the following specific expenses:		
Employee benefit expenses	1,909,493	2,886,999
Wages and Salaries		
Infrastructure costs	143,114	276,857
Systems, servers and hosting fees		
<i>Depreciation</i>		
Plant and equipment	13,381	23,661
Right of use lease assets	<u>198,420</u>	<u>213,020</u>
	211,801	236,681
<i>Amortisation</i>		
Development assets	<u>587,885</u>	<u>773,938</u>
	<u>799,686</u>	<u>1,010,619</u>

5. Expenses (continued)

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Net foreign exchange (gain)/loss</i>		
Net foreign exchange (gain)/loss	(72,937)	539
<i>Rental expense relating to short term operating leases</i>		
Rental expenses for the period	6,061	11,682
<i>Superannuation expense</i>		
Defined contribution of superannuation expense	107,763	128,007
<i>Share based payments expense</i>		
Net change for issuance/(cancellation) of employee share options	6,657	32,679

6. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. Since the group is incurring tax losses the effective tax rate is estimated to be 0% for the half year ended 30 June 2020 (2019: 0%).

7. Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses. Trade receivables are generally due for settlement within 30-60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. The consolidated entity adopted AASB 9 from 1 January 2018 and uses a simplified "provision matrix" for calculating expected losses. The provision matrix is based on the entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Other receivables are recognised at amortised cost, less any provision for expected credit losses.

	Consolidated	
	As at 30 June 2020	As at 31 December 2019
	\$	\$
Trade receivables	2,965,350	3,483,177
Less: Provision for expected credit losses on receivables	<u>(1,685,984)</u>	<u>(945,004)</u>
	1,279,366	2,538,173
Accrued income & other receivables	<u>1,192,475</u>	<u>1,062,723</u>
	<u><u>2,471,841</u></u>	<u><u>3,600,896</u></u>

Trade receivables include invoices issued to Software-as-a-Service customers, billed monthly on 30 day settlement terms, as well as installation customers, billed on a stage-of-completion basis, when key installation milestones are met, on 60 day settlement terms.

Accrued income & other receivables includes \$1,066,247 (31 December 2019: \$981,496) of contracted but unbilled installation services. The typical term of these projects ranges from 6-9 months, with full billing for all projects in progress as at 30 June 2020 expected to complete before the end of the next financial year.

7. Trade and other receivables (continued)

Impairment of trade receivables

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

The consolidated entity has recognised a loss of \$734,924 (30 June 2019 \$138,765) in the Statement of Profit or Loss and Other Comprehensive Income in respect of expected credit losses on receivables for the period ended 30 June 2020.

The ageing of the impaired receivables provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	%	%	\$	\$	\$	\$
Consolidated						
Not overdue	0%	0%	639,004	1,264,998	-	-
0 to 3 months overdue	1%	1%	210,434	101,492	2,104	1,015
3 to 6 months overdue	13%	10%	152,312	23,853	19,801	2,385
Over 6 months overdue	85%	45%	1,963,600	2,092,834	1,664,079	941,604
			<u>2,965,350</u>	<u>3,483,177</u>	<u>1,685,984</u>	<u>945,004</u>

Movements in the expected credit losses on receivables are as follows:

	Consolidated	
	As at 30 June 2020	As at 31 December 2019
	\$	\$
Opening balance	945,004	317,351
Additional provisions recognised	757,274	1,044,902
Receivables written off during the period as uncollectable	(16,294)	(417,249)
Closing balance	<u>1,685,984</u>	<u>945,004</u>

8. R&D grant receivable

	Consolidated	
	As at 30 June 2020	As at 31 December 2019
	\$	\$
Research & development grant receivable	1,066,158	2,671,990
	<u>1,066,158</u>	<u>2,671,990</u>

The Company is eligible for a research and development (R&D) grant which is received on an annual basis after the Australian Tax Office processes its tax return, which is based on the calendar year. The amount of the R&D grant receivable is accrued based on eligible expenses incurred. This is a non-linear estimate.

At 30 June 2020 the receivable represents an estimate of the receivable for 6 months of eligible expenses compared to the 12 months estimate as at 31 December 2019.

The consolidated entity secured a R&D tax incentive financing facility with FIFO Capital on 13 November 2018. These facilities are disclosed in Note 13 of the report.

9. Leases

Right-of-use assets

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

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

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

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate.

Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

	Consolidated	
	Office Building	Total
	\$	\$
Right of use assets		
Balance at 1 January 2020	526,974	526,974
Depreciation expense	(194,726)	(194,726)
Disposal of right of use assets	(332,248)	(332,248)
	-	-
	Consolidated	
	As at 30 June 2020	As at 31 December 2019
	\$	\$
Lease liabilities		
Current	-	283,974
Non-current	-	288,385
	-	572,359
Maturity analysis		
Less than one year	-	283,974
One to five years	-	288,385
More than five years	-	-
	-	572,359

9. Leases (continued)

Amounts recognised in statement of profit and loss and other comprehensive income	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Interest on lease liabilities	31,816	59,432
Expenses relating to short-term leases	6,061	11,682
Variable expenses under lease agreements	4,447	13,895
	<u>42,324</u>	<u>85,009</u>

Amounts recognised in statement of cash flows

Interest payments	31,816	59,432
Repayment of principal amounts	93,061	178,793
Lease repayments	<u>124,877</u>	<u>238,225</u>

The consolidated entity leased buildings for its Sydney & San Mateo offices under an agreement of 3 & 6 years respectively. The Company had not renewed the Sydney office lease resulting in a loss on disposal of the right of use asset totalling \$13,637 comprised of make-good costs. The Company had elected to undergo an early lease termination of the San Mateo office resulting in a loss on disposal of the right of use asset totalling \$12,108 comprised of make-good costs.

When measuring the lease liabilities, the company discounted these lease payments using its incremental borrowing rate at the date of initial application or inception of the lease. For the two leases recognised, the incremental borrowing rate applied was 15%.

10. Goodwill

On 13 April 2016 the consolidated entity completed the acquisition of the Energy WorkSite and Facility WorkSite businesses from NorthWrite Inc. for a total consideration of \$3,844,971 (US\$3m) (revalued as at 31 December 2018 for changes in foreign exchange rates).

On 17 September 2018 the consolidated entity, through a 70% interest in BIQSense Pty Ltd, acquired 100% of Buildingsense Australia Pty Ltd, for a total consideration of \$1,025,000, which was executed through an issue of 13,636,364 shares @ \$0.0605 and deferred settlement of \$200,000 as per the below details:

First deferred settlement of \$80,000 was paid on 15 Dec 2018; remaining \$120,000 of deferred settlement is pending adjustment to the working capital via reduction/elimination of deferred settlements.

Acquisition of Buildingsense Australia Pty Ltd is part of the Group's expansion into greenfield buildings, to boost their capabilities and growth prospects in the sector, which is expected to deliver significant future financial benefits.

The consolidated entity recognised \$931,805 as goodwill on acquisition, being the excess of the purchase consideration paid over the fair value of net liabilities of Buildingsense Australia Pty Ltd.

Name of business acquired	Principal activity	Acquisition Date	Ownership acquired %	Cost at acquisition \$
Energy WorkSite & Facility WorkSite	Building software	13 April 2016	100	3,992,117
Buildingsense Australia Pty Ltd.	Building and Energy Management System	17 September 2018	100	1,025,000

10. Goodwill (continued)

	Goodwill
	\$
Balance as at 1 January 2019	4,844,899
Goodwill impairment during the year	(3,936,019)
Foreign exchange movement	22,925
Balance as at 31 December 2019	<u>931,805</u>
Balance as at 1 January 2020	<u>931,805</u>
Goodwill impairment during the period	-
Foreign exchange movement	-
Balance as at 30 June 2020	<u>931,805</u>

The excess of the purchase consideration over the fair value of net assets in a business combination is recognised as goodwill by the company. Goodwill recognised in connection with the Energy Worksite and Facility Worksite businesses is denominated in USD, and therefore subject to foreign exchange movements, captured in the foreign currency translation reserve. Goodwill recognised in connection with the Buildingsense business is denominated in Australian dollars. Goodwill is not amortised, and is subject to an impairment assessment on an annual basis. Refer to note 11 for details regarding impairment assessment.

11. Other intangible assets

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the assets; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

CSIRO Technology License

Costs associated with intellectual property acquired from the CSIRO are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Software (ERP)

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Customer contracts and relationships

Customer contracts and relationships identified in a business combination are recognized by the company and valued using a multi-period excess earnings approach, and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4-10 years.

Supplier relationships

Supplier relationships identified in a business combination are recognized by the company and valued using a multi-period excess earnings approach, and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

11. Other intangible assets (continued)

Summary of closing balances:

	Consolidated	
	30 June	31 December
	2020	2019
	\$	\$
Development asset (net of R&D incentive) – at cost	9,281,896	8,671,302
Less: Accumulated amortisation	<u>(6,437,780)</u>	<u>(5,950,395)</u>
	<u>2,844,116</u>	<u>2,720,907</u>
NetSuite – at cost	198,479	198,479
Less: Accumulated amortisation	<u>(198,479)</u>	<u>(194,583)</u>
	<u>-</u>	<u>3,896</u>
Supplier relationships	390,874	390,874
Less: Accumulated amortisation	<u>(70,089)</u>	<u>(50,546)</u>
	<u>320,785</u>	<u>340,328</u>
Customer contracts and relationships	1,305,653	1,297,149
Less: Accumulated amortisation	<u>(571,338)</u>	<u>(486,099)</u>
	<u>734,315</u>	<u>811,050</u>
Total	<u><u>3,899,216</u></u>	<u><u>3,876,181</u></u>

The recoverable values of the cash generating unit is determined using the fair value less costs of disposal method. This has been applied under a market approach, using prices and other relevant information generated by market transactions involving comparable groups of assets, as well as the value implied through the purchase consideration included in the investment agreement entered into with SNAPS Holding Company. The significant judgements applied in determining the fair value at 30 June 2020 include;

- Consideration of market risk in relation to the potential transaction not being executed in the timeframe originally planned;
- Consideration of the agreed capital transaction to acquire a 67% controlling interest in the consolidated entity, as disclosed in Note 21, which places a higher value on the assets of the company; and
- Consideration of changes in the financial position of the company from balance date to the date of offer.

The key judgements disclosed above have not resulted in any material adjustments to the transaction price used in determining the fair value of the cash generating unit. The method and inputs as disclosed above represent a valuation using level 2 inputs of the fair value hierarchy. Costs of disposal on the transaction have been estimated at 3.5% of the enterprise value, consistent with typical transactions of this nature.

Management believes, on the basis of the assessment performed, that the carrying amount of the cash-generating unit does not exceed its recoverable amount.

11. Other intangible assets (continued)

	Development \$	ERP \$	Supplier relationships \$	Customer relationships \$	Total \$
Balance at 1 January 2020	2,720,907	3,896	340,328	811,050	3,876,181
Additions (net of R&D incentive)	602,379	-	-	-	602,379
Amortisation expense	(426,038)	(3,896)	(19,543)	(44,712)	(494,189)
Foreign exchange	(53,132)	-	-	(32,023)	(85,155)
Balance at 30 June 2020	<u>2,844,116</u>	<u>-</u>	<u>320,785</u>	<u>734,315</u>	<u>3,899,216</u>

12. Employee benefits

	Consolidated	
	As at 30 June 2020 \$	As at 31 December 2019 \$
Employee benefits	557,614	605,122
Long service leave	78,110	91,688
	<u>635,724</u>	<u>696,810</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments. The consolidated entity expects all employees to take the full amount of accrued leave within the next twelve months.

13. Borrowings

	Consolidated	
	As at 30 June 2020 \$	As at 31 December 2019 \$
Fifo Capital (R&D financing) ¹	166,696	1,996,778
Fifo Capital (Receivable financing) ²	800,496	896,996
Fifo Capital (Supply chain financing) ³	243,800	89,594
Paycheck Protection Program	205,511	-
SNAPS loan	735,310	-
	<u>2,151,813</u>	<u>2,983,368</u>

Paycheck Protection Program

During the period the Company was eligible for the The Paycheck Protection Program from the U.S. Small Business Association. The Paycheck Protection Program is a loan for businesses affected by COVID-19 with the aim to assist in maintaining employment. The PPP loan has an interest rate of 1% maturing in two years with loan repayments being deferred for six months. The PPP loan is subject to forgiveness in the circumstance that the Company maintains the same level of full-time headcount including salaries and wages.

13. Borrowings (continued)

SNAPS Holding Company

SNAPS Holding Company has provided loans, secured by company's assets, in two tranches. On April 10, 2020 the first tranche of \$424,780 was received and is convertible into a total of 23,598,889 shares of common stock (approximately \$0.018 per share) pending approval by stockholders. The second tranche, a loan of \$310,530 was provided on May 6, 2020 and will be redeemed in return for the issue of convertible notes at a price of \$0.006 per share of common stock resulting in 51,755,000 shares pending approval by stockholders. Refer to note 21 for details on the transaction.

Fifo Capital

¹ The consolidated entity set-up an R&D financing facility with Fifo Capital Australia Pty Ltd on 13 November 2018 where Fifo Capital Australia Pty Ltd advances the Company with a maximum value of 80% of the assessed Australian Taxation Office R&D Tax Offset. A discount fee of 4.0% of the cash value of each R&D Tax Cash Benefit draw-down transaction is applicable with additional fees accruing at a rate of 15% per annum on each day until repaid.

As at 30 June 2020 the Company has not drawn down on this facility relating to the 2020 Australian Tax Office R&D Tax Offset. The Company has a balance of \$166,696 remaining on the 2019 R&D financing facility as at 30 June 2020 relating to accrued interest (31 December 2019: \$1,996,778).

² The consolidated entity secured a receivable finance facility with Fifo Capital Australia Pty Ltd on 29 March 2019. A discount fee of 4.0% of the invoice amount is applicable upto 30 days with additional fees accruing at a rate of 15% per annum from 31 days to 50 days and 73% per annum from 51 days until repaid. The total amount drawn against this facility, including interest was \$800,496 as at 30 June 2020 including interest. Fifo Capital Australia Pty Ltd has security against all BuildingIQ Pty Ltd trade receivables and is subsequently guaranteed by the Group.

³ The consolidated entity secured a supply chain finance facility with Fifo Capital Australia Pty Ltd on 08 July 2019. A draw-down fee of 2.5% and interest rate of 2.65% (per month, or part thereof) upto 30 days is applicable with additional interest accruing at a rate of 0.2% daily from 31 days and beyond until repaid. The total amount drawn against this facility was \$243,800 as at 30 June 2020 including interest. Fifo Capital Australia Pty Ltd has security over present and after-acquired property of the Group and is subsequently guaranteed by the Group.

Unused facility arrangements

The consolidated entity has access to the following facilities and unused limits in respect of its facilities with FIFO;

1. Access to an R&D Receivable financing facility, with a limit stated at 80% of the assessed cash value of the R&D receivable in the financial year to which the R&D receivable relates. For financial year 2020, the limit is noted at \$2.0m (2018: \$2.03m). The consolidated entity has not drawn against the facility at balance date (2019: \$0.14m).
2. Access to a Trade Receivables financing facility, with no stated limit. Further draw-downs are available at the approval of the lender, FIFO Capital, following lodgement of claims by BuildingIQ, Inc.
3. Access to a Capital Trade financing facility, with no stated limit. Further draw-downs are available at the approval of the lender, FIFO Capital, following lodgement of claims by BuildingIQ, Inc.

Interest expense

The consolidated entity incurred interest expense of \$464,335 on R&D, receivable and supply chain financing facilities during the period ended 30 June 2020.

14. Other current liabilities

	Consolidated	
	As at 30 June 2020	As at 31 December 2019
	\$	\$
Accrued expenses	510,359	301,234
Sales tax	(3,636)	(4,921)
Deferred settlement (Buildingsense acquisition)	120,000	120,000
GST Payables	12,304	15,405
mCloud advance & break fee	500,000	-
	1,139,027	431,718

The mCloud advance & break fee represents amounts received from mCloud in accordance with the initial offer and transaction that was subsequently terminated. This amount is held by BuildingIQ in lieu of the break fee owing to them under the terms of the initial transaction. This matter is yet to be settled with mCloud and as such is recognised as a current liability until such time as the matter becomes settled.

15. Reconciliation of contributed equity

Details	No of shares	Issued \$
Balance at 1 January 2019	249,223,825	51,006,884
<i>Share issue, net of transaction costs and tax</i>		
Share issue 8 March 2019	693,050	35,568
Share issue 29 April 2019	23,728,814	840,000
Share issue 25 June 2019	7,062,148	244,905
Share issue 23 August 2019	27,722,877	978,584
Share issue 4 October 2019	10,742,235	386,374
Share issue 16 December 2019	54,500,000	975,364
	124,449,124	3,460,795
Balance as at 31 December 2019	373,672,949	54,467,679
Share issues, net of transaction costs and tax	-	-
Balance as at 30 June 2020	373,672,949	54,467,679

Common stock and CDIs

As a Delaware corporation, the company has issued common stock under Delaware law. The shares of common stock are held by CHESS Deposit Nominees Pty Ltd (CDN) on behalf of CDI holders who may trade CDIs on the ASX. CDIs entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number and amount paid on the common stock underlying the CDIs. The common stock has a par value of US\$0.0001 per share.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for CDI holders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to CDI holders, return capital to CDI holders, issue new CDIs or sell assets to reduce debt. The capital risk management policy remains unchanged from the prior year.

16. Equity reserves

	Options Reserve	Foreign Currency	Total
	\$	\$	\$
Balance as at 1 January 2019	997,812	(541,401)	456,411
Net charge for issuance/cancellation of employee share options	32,679	-	32,679
Foreign currency translation	-	(41,159)	(41,159)
Balance as at 30 June 2019	<u>1,030,491</u>	<u>(582,560)</u>	<u>447,931</u>
Balance as at 1 January 2020	<u>1,039,617</u>	<u>(564,966)</u>	<u>474,651</u>
Net charge for issuance/cancellation of employee share options	6,657	-	6,657
Foreign currency translation	-	129,590	129,590
Balance as at 30 June 2020	<u><u>1,046,274</u></u>	<u><u>(435,376)</u></u>	<u><u>610,898</u></u>

17. Contingent liabilities

During the period BuildingIQ had become aware that a complaint had been filed against it by Johnson Controls Technology Company in the United States District Court for the District of Delaware. The complaint has been served on BuildingIQ and an attorney firm has been engaged.

The complaint alleges BuildingIQ's building energy management systems and 5i Platform infringe upon certain patents held by Johnson Controls. Johnson controls is seeking compensation of lost profits but in no event less than a reasonable royalty and prevention of further infringement. BuildingIQ is seeking legal advice but believes the complaint to be without merit and is fully prepared to defend the action. BuildingIQ is also considering potential claims against Johnson Controls for infringement of its patents. As at the time of this report no value can yet be assessed by the Directors.

There are no other contingent liabilities at the reporting date (31 December 2019: \$nil).

18. Related party transactions

Parent entity

BuildingIQ, Inc. is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 20.

Terms and conditions

The only related party transactions occurred between the parent and its subsidiaries. All transactions were made on normal commercial terms and conditions and at market rates and were fully eliminated on consolidation.

19. Non-controlling interest

Former shareholders of Buildingsense Australia Pty Ltd have 30% shareholding (non-controlling interest) in BIQSense Pty Ltd, which owns 100% of Buildingsense Australia Pty Ltd.

Net loss of \$303,642 attributable to the non-controlling interest represents a 30% share from operational results of Buildingsense Australia Pty Ltd, for the current reporting period ended on 30 June 2020.

20. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
BuildingIQ Pty Ltd	Australia	100.00	100.00
BIQsense Pty Ltd	Australia	70.00	70.00
Buildingsense Australia Pty Ltd	Australia	70.00	70.00
BuildingIQ Singapore Pte Ltd	Singapore	100.00	100.00

No other subsidiaries are incorporated in the consolidated financial statements.
 BIQSense Pty Ltd owns 100% of Buildingsense Australia Pty Ltd.

21. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the relevant Governments and other authorities, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 18 June 2020, the Company announced that it had entered into an investment agreement with SNAPS Holding Company, a US-based diversified technology holdings firm.

The shareholders of the Company held a special general meeting on 25 August 2020 and:

- approved an amendment to the Company's Amended and Restated Certificate of incorporation to increase the authorized number of shares of common stock in the Company from 500,000,000 to 1,500,000,000
- approved the issue of 671,287,833 shares to SNAPS in accordance with ASX Listing Rule 7.1
- approved the issue of shares on conversion of the April Convertible Note by SNAPS in accordance with ASX Listing Rule 7.1
- approved the issue of shares on conversion of the May Convertible Note by SNAPS in accordance with ASX Listing Rule 7.1
- approved the Amended and Restated Management Agreement dated 13 July 2020 between SNAPS and the Company

As a result of the above, SNAPS will invest, per the terms of its agreement, up to \$4,763,037 and, in consideration of the investment in the Company, SNAPS will acquire and become owner of a total of 746,641,722 shares of common stock (in total, equal to approximately 66.26% of the total issued and outstanding shares).

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.

Directors' Declaration

In the directors' opinion:

- (a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial half-year ended on that date; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors

On behalf of the directors listed herein



Sanjay Patel
Executive Chair

10 September 2020
 Fargo, North Dakota

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of BuildingIQ, Inc.

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of BuildingIQ, Inc. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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

BDO East Coast Partnership

A handwritten version of the BDO logo in black ink.

A handwritten signature in black ink, appearing to read 'Clayton Eveleigh'.

Clayton Eveleigh
Partner

Sydney, 10 September 2020