Birchal CSF Offer Document template

(Version 3.4)

GUIDANCE

What is a CSF Offer Document & why do you need it?

Check out our guides in your Dashboard:

- The CSF Offer Document Where To Start
- What you need for the Offer Campaign
- Advertising Guide: The Do's & Don'ts of CSF
- ASIC's Regulatory Guide 261 Crowd-sourced funding: Guide for companies (RG 261)
- ASIC's Regulatory Guide 170 Prospective financial information (RG170)

About Birchal's CSF Offer Document template

This template is the starting point for your CSF Offer Document. It includes the mandatory document structure, guidance extracted from <u>ASIC's RG261</u>, as well as best practice guidance, tips & insights. This template is updated on an ongoing basis as the law & best practice evolves. Guidance will appear in a lemon box like this one, and should be deleted once the section is completed.

Content tips

- Please use this template as your base document if you copy other Offer Documents instead of using the template, you risk significant revision to your document
- AWatch out for the mandatory sections some content is legally required and cannot be changed
- The document must be "clear, concise & effective" in both wording and presentation present the information in a way that enhances readability and accessibility:
 - Use plain language to assist investors in understanding the information
 - Use tables, charts and other visual tools to present information in a way that is easy to read
 - Avoid making it too long try to keep it under 40 pages
 - The sections should link to each other, but avoid repetition of information
- Include all material information about the company (positive and negative)
- Fact-check the document to ensure all information is accurate, consistent, there is nothing misleading or deceptive (in content or presentation) and all statements have a reasonable basis
- Conceptual images/ renders must have a disclaimer: Conceptual image for illustrative purposes only
- Previous Offer Documents should be used as inspiration only. Copyright is retained by the owner
- At the end of the template, there is a Library of supplementary information that may assist
- All directors and senior managers will need to provide <u>declarations to Birchal</u> confirming (among other things) the accuracy and completeness of your Offer Document
- If you circulate this document in draft to lead investors for feedback, it must have a DRAFT
 watermark and the advertising risk warning on the cover: Always consider the general CSF risk
 warning and offer document before investing

File tips

- We no longer recommend having the Offer Document designed it adds unnecessary cost, time and error. A simple PDF of the doc template is sufficient
- Your final Offer Document must be under 10mb
- Format your Offer Document in a commonly used digital format (e.g. PDF)
- Portrait orientation is the most common & best practice presentation, but you can use landscape

Example Offer Documents for inspiration are available here



{{CompanyName Pty Ltd / Ltd}}

Crowd-sourced funding offer document

Dated {{OfferOpeningDate}}

Offer of fully-paid ordinary shares in {{CompanyName Pty Ltd / Ltd}} at [\$##.##] per share to raise a maximum of [\$##,###]

This crowd-sourced funding (**CSF**) offer document relates to the Offer of fully-paid ordinary shares in {{CompanyName Pty Ltd / Ltd}}. This Offer is made under the CSF regime in Part 6D.3A of the *Corporations Act 2001* (**Corporations Act**).

Issuer

{{CompanyName Pty Ltd / Ltd}} ACN {{CompanyNumber}}

Intermediary

Birchal Financial Services Pty Ltd ACN 621 812 646 AFSL 502618

Always consider the general CSF risk warning and offer document before investing

GUIDANCECOVER PAGE

This page will be your cover page. Include all information above without any changes.

Please do not include a separate cover page - you may see this in other Offer Document examples but it is not best practice. ASIC's guidance is that there should not be marketing or other additional information before the Risk Warning.

You are welcome to include an image/logo on the cover page, however, it should not detract from the text.

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TABLE OF CONTENTS

Nou must include a Table of Contents as your second page. The four key section headings in bold above (and the order of those four key sections) are mandatory - these sections are prescribed by the Corporations Act and must not be changed (ie do not change the order or the words).

You can choose your own subsection headings and structure them in a way that best suits your business and your offer (i.e. you can include/change subsection 2.1, 2.2, 2.3 etc).

It's best for the table of contents to fit on one page.

Please ensure you update the TOC after the document is complete.

Section 1: Risk warning

Crowd-sourced funding is risky. Issuers using this facility include new or rapidly growing ventures. Investment in these types of ventures is speculative and carries high risks.

You may lose your entire investment, and you should be in a position to bear this risk without undue hardship.

Even if the company is successful, the value of your investment and any return on the investment could be reduced if the company issues more shares.

Your investment is unlikely to be liquid. This means you are unlikely to be able to sell your shares quickly or at all if you need the money or decide that this investment is not right for you.

Even though you have remedies for misleading statements in the offer document or misconduct by the company, you may have difficulty recovering your money.

There are rules for handling your money. However, if your money is handled inappropriately or the person operating the platform on which this offer is published becomes insolvent, you may have difficulty recovering your money.

Ask questions, read all information given carefully, and seek independent financial advice before committing yourself to any investment.

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SECTION 1: RISK WARNING

The Risk Warning must be Section 1 of your Offer Document - appearing on page 3.

The exact text set out above is directly from the Corporations Act and is mandatory - it cannot be changed and must be included in a prominent way.

The purpose of the general risk warning is to alert investors to the risks associated with investing in CSF offers, including the risk that investors may lose their money. Specific risks tailored to your business are to be included in Section 2.

Please keep the text uniform (i.e. same font & size). If you include an image on this page it must be smaller & less prominent than the risk warning text.

Section 2: Information about the Company

Letter from the founders

[Example structure (1-2 pages max):]

- The Company is
- This is our story
- This is our mission/vision/impact statement
- This is what we have achieved to date
- This is what we want to do next / ie how the funds will be used

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SECTION 2: INFORMATION ABOUT THE COMPANY LETTER FROM THE FOUNDERS

Storytelling is a critical component of capital raising. The founders letter is your opportunity to set the scene and succinctly summarise what's to come in the Offer Document. As the story unfolds, each section should reinforce the others.

The objective for your founder's letter - Keep it simple. You want to talk to your community and invite them to support your enterprise. To be engaging, it helps to say what you will use the money for (purpose and pathway to value) as this is ultimately the reason for your call to action. Write the letter in "your voice" - allow investors to get a feel for you and the company.

A simple & effective structure:

- Tell us about your story (who is the company, what does the company do, why did you start the business)
- Mission / vision / impact statement (why do you exist, what sets you apart)
- Milestones or traction to date (customers, partnerships, revenue, product launches etc)
- What will use the capital raised for (team, marketing, product launch, construction)

The founder's letter is not a legislative requirement, but it is worth spending time on your founder's letter. Investors focus on this letter and it can have a high impact. Astute investors will review the founder's letter together with your financial statements and management commentary.

Check out these Founder's letters for inspiration here:

• Birchal, Dillious Pickles, Beer Cartel, Zeroco, Bakery Hill Distillery

♠Please ensure the Founder's letter is situated within Section 2 - Information about the Company.

2.1 Company details

This offer of shares is made by {{CompanyName Pty Ltd / Ltd}} ACN {{CompanyNumber}} (Company).

Company name	{{CompanyName Pty Ltd / Ltd}}
ACN	{{CompanyNumber}}
Date of incorporation	{{CompanyIncorporationDate}}
[Date of conversion to public company] [Delete row if not relevant]	{{Date}}
Registered office	{{CompanyRegisteredAddress}}
Principal place of business	{{CompanyPrincipalPlaceOfBusinessAddress}}
Directors	{{Include full legal name (i.e. not preferred name)}}
Company secretary [Delete row if none]	{{Include full legal name (i.e. not preferred name)}}
[Subsidiaries][Related companies] [Delete row if none]	{{CompanyName & ACN}} {{(100% wholly-owned) (25% owned) etc}}
Share registry [Include if known, otherwise delete]	{{ShareRegistryName}} {{www.website.com}}
Website	{{www.yourwebsite.com}}

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SECTION 2.1: COMPANY DETAILS

Insert the key corporate details of the Company. This information is stated on (and must match) the Company's ASIC record. You may need to update <u>ASIC records</u> before the CSF Offer if this information is out of date e.g. directors, addresses, shareholders, share capital, financial reports (where applicable).

The registered office is where all communications and notices are sent to the Company. The principal place of business is the main location from where the Company conducts its business.

Include details of all subsidiaries or related companies (if any) that form part of the Company's business group. For any subsidiaries, describe the ownership (e.g. wholly-owned).

You can delete any rows that are not relevant to your company.

2.2 Our business

[Example structure (6 pages max):]

- Overview of the business The Company is ##; Our mission / vision / impact statement is ### (2 pages max)
- Achievements / traction / milestones to date diagram is helpful (1 page max)
- Mission / vision / impact statement (why do you exist, what sets you apart)
- Overview of key products or services (2 pages max)
- Overview of the industry and/or overview of the competitive landscape, including your key differentiators (1 page max)

[Suggested sub-headings for section 2.2 (you change these as appropriate)]

- 2.2.1 About the Company
- 2.2.2 Milestones / Timeline to date
- 2.2.3 Our products / Our services
- 2.2.4 Industry overview / competitor landscape

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SECTION 2.2: DESCRIPTION OF THE BUSINESS

This is the core part of your Offer Document - spend time here to really articulate who you are, what you do, how you make money & what you plan to do next. You will have compiled this information as part of your pitch video & company profile on Birchal so pull out that material now.

Top tip: Keep it simple. Describe your business in a way that makes it easy for investors to understand. We recommend keeping this short and sharp.

A simple & effective structure:

- Explain what your company does
- Describe the mission / vision / impact statement (e.g. why do you exist, what sets you apart)
- Describe the stage of development (e.g. whether you are pre-launch, pre-revenue or an existing business with an operating history)
- Describe your key milestones to date (a diagram plotted on a timeline is excellent for this)
- Describe the key value drivers of your business
- Describe your key products / services
- Describe the sector or industry in which the business operates, the competitive landscape and your key differentiators. Eg: the industry maturity and size, your company's market share, key competitors and barriers to entry, consider any external threats or opportunities (e.g. a new government initiative that is likely to increase demand for your company's product).
- --> The order and importance of these will depend on your business feel free to emphasise the sections that make sense for you.

♠ Common feedback:

- Read our <u>Advertising Guide: The Do's & Don'ts of CSF</u>
- Have you included forecasts / forward-looking information? Please review <u>Library 4 Forecasts / forward-looking statements / prospective financial information</u> for how to properly incorporate this
- Appropriately source reference all statistics and externally sourced information (include source references in footnotes or endnotes)

- ASIC & ACCC have recently highlighted greenwashing as a key enforcement focus. When making
 any green or sustainability claims, you should consider the principles set out in <u>ASIC's Information</u>
 Sheet 271 How to avoid greenwashing when offering or promoting sustainability-related products &
 ACCC's draft guidance to improve the integrity of environmental and sustainability claims.
- Avoid "salesy" language make sure you can back up every statement you make. e.g. if you say you
 are "the best", the "only", "unique", "revolutionary", "industry leading" the "world's first" or you offer
 "unparalleled service", can you show some basis for the claim such as survey evidence or market
 research
- Avoid the temptation to use the document purely to market your products or services
- For all quotes / testimonials / inspirational quotes attributed to an individual, you must obtain the
 written consent from the person and footnote stating that the individual has provided their consent.
 Eg "Individual has provided consent to inclusion of this statement."
- Be mindful of "we will do X, Y, Z" statements it is best to rephrase these into something less absolute e.g. Has "the potential to" "Is designed to do X, Y" etc. "Will" statements are generally viewed as speculative and misleading (consider it like a promise)
- Ensure your third party partners, ambassadors or other people you name in the Offer Document (if applicable) are happy to be named
- Be careful using third party trademarked logos, unless you have consent to do so. It is also best
 practice to confirm third parties are happy to be included in the offer document to prevent having to
 amend after publication
- If you include competitor information, include appropriate source references for where and when the information was obtained. Third parties can request corrections or retractions
- If you include comparison tables, you must include enough information so that the comparisons are meaningful and not misleading in presentation

Check out these Offer Documents for inspiration here:

Pokit Ventures, ZeroCo, Birchal, Thrive (Thriday)

2.3 Business and revenue model

[Example structure (1-3 pages max):]

- Overview of the business model (how does the business make money) eg:
 - Direct to consumer (D2C); Wholesale; Business to business (B2B)
- Overview of the revenue model eg:
 - Subscription; License fee; Retail; Advertising; Fee for service
- What is the revenue split (in %) between key sales channels / fee models / geography
- When considering traction, what are the key metrics (e.g. number of users, revenue, subscribers, locations)
- What are the key value drivers of your business
- What are the key sales / distribution channels
 - Digital marketing; Word of mouth; Website; Store front
- What are the main components of your business:
 - Do you manufacture
 - Do you use out-sourced providers
 - Do you have own or license IP
 - Do you own or license other assets

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SECTION 2.3: BUSINESS AND REVENUE MODEL

⚠ In this section, provide a description of your company's business and revenue model i.e. how your business makes money and generate capital growth. E.g:

- Are you D2C or B2B; Do you wholesale
- Do you have subscription model, license fee, advertising revenue model

Consider including an explanation of the main components of your company's business model and the key assumptions underlying the business model, including whether you expect any of them to change. These are the factors your company depends on to make money or achieve its main objective e.g.:

- key suppliers do you outsource or manufacture in-house
- key customers and distribution channels
- intellectual property and its legal status (e.g. whether your company has a patent or licence)
- the importance of key personnel to implementing your company's business model
- key assets and whether they are owned or leased

Many companies find it difficult to balance <u>ASIC's guidance on prospective financial information</u> with the need for adequate disclosure about your business model, particularly if your business is at an early stage and has limited trading history. For early stage businesses, we find it is often helpful to consider your business model as conceptual/hypothetical, and use phrases like "our business model is designed to..." etc.

⚠ Check out the <u>common feedback above</u> for this section as well.

Sos Check out these Offer Documents for inspiration here:

• Thrive (Thriday), Birchal, Co-conspirators Brewing, Bakery Hill Distillery

2.4 Business strategy

[Example structure (1-2 pages max):]

- What is next for the business (over the next 6-12 months). E.g.:
 - Product / service expansion
 - R&D
 - User acquisition
 - Local product diversification vs international user growth
- Why are those objectives prioritised and how do they achieve your mission/vision/impact statement
- How do you plan to use the funds raised (this should tie to Section 3.2 Use of Funds)
 - Marketing
 - Hiring team
 - Inventory
 - R&D for new products
 - Construction of new premises

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SECTION 2.4: BUSINESS STRATEGY

In this section, explain your company's business objectives, strategy and why you have prioritised these at a high level. Also explain how this strategy plays into your broader mission/vision/impact statement.

While you should discuss the "bigger picture" and long term strategy for your company, you should focus the detail on what you plan to achieve and how you will move towards your big picture goals in the short term (ie next 6-12 months rather than plotting out the next 3-5 years as that is often too speculative). See Library 4-Forecasts / forward-looking statements / prospective financial information for more information.

You should consider specifying the expected timeframe for achieving the objectives (if you have a reasonable basis for this). We recommend companies use "short term" "medium term" rather than specific times like January 2023 or Q1 FY24.

If your company does not expect to make money or generate income in the short term (e.g. if it is a start-up company / pre-launch business), its business strategy may involve an explanation of its short-term objectives and how it proposes to meet those objectives. If your company does not expect to make money in the short term, this should be clearly stated.

Your business strategy should tie to your "Use of Funds" etc. i.e. the funds you raised under the Offer will be used to achieve your strategy.

Check out the common feedback above for this section as well

Sos Check out these Offer Documents for inspiration here:

Thrive (Thriday) - Pre-launch, Zeroco, Pokit Ventures, Co-conspirators Brewing, Bakery Hill Distillery

2.5 Our team

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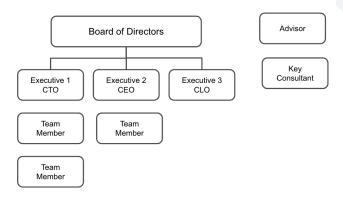
SECTION 2.5: OUR TEAM

Break this section into these parts:

- Organisational structure this is an overview of your org structure (a diagram is good)
- Directors & senior managers please follow the mandatory guidance in section 2.5.2 below
- Team / Leadership team / Advisors include if you have other key members of your team that you would like to include (who are not necessarily directors or senior managers). This is optional
- Corporate structure include if relevant (a diagram is good)
- Other related parties include if relevant

2.5.1 Organisational structure

[Example only:]



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SECTION 2.5.1: ORGANISATIONAL STRUCTURE

Provide a description of your company's organisational structure i.e the various roles, responsibilities and reporting structures within your company and how these are arranged to achieve its organisational objectives.

This might include explaining:

- how the various roles and responsibilities are allocated
- any external management or outsourcing arrangements
- Employees vs consultants / advisors

We think it is good practise to include a diagram to illustrate your structure.

2.5.2 Directors & senior managers

[Director #1 full legal name]	[Director #2 full legal name]
[Note: you can include preferred name in brackets Eg. Matthew (Matt) Vitale]	[Note: you can include preferred name in brackets Eg. Matthew (Matt) Vitale]
Role Director & CEO [Insert director #1 role / title]	Role Non-executive Director [Insert director #2 role / title]
Description of duties [Insert director #1 description of duties]	Description of duties [Insert director #2 description of duties]
Skills and experience [Director #1 skills and experience]	Skills and experience [Director #2 skills and experience]
Legal or disciplinary action / disclosable matters [Insert. If none, this can be removed. Note: if you have any disclosable matters, let's discuss asap]	Legal or disciplinary action / disclosable matters [Insert. If none, this can be removed. Note: if you have any disclosable matters, let's discuss asap]

[Senior manager full legal name]	[Senior manager full legal name]
[Note: you can include preferred name in brackets Eg. Matthew (Matt) Vitale]	[Note: you can include preferred name in brackets Eg. Matthew (Matt) Vitale]
Role CTO [Insert role / title]	Role CMO [Insert role / title]
Description of duties [Insert description of duties]	Description of duties [Insert description of duties]
Skills and experience [Director skills and experience]	Skills and experience [Director skills and experience]
Legal or disciplinary action / disclosable matters [Insert. If none, this can be removed. Note: if you have any disclosable matters, let's discuss asap]	Legal or disciplinary action / disclosable matters [Insert. If none, this can be removed. Note: if you have any disclosable matters, let's discuss asap]

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SECTION 2.5.2: DIRECTORS & SENIOR MANAGERS

↑ This section is for your Director & Senior Manager bios - there are mandatory requirements for this section so please take note below. Also, it's important to separate your Directors & Senior Managers from the other members of your team.

Your Offer Document must include the following information about each current and proposed director and senior manager:

- The person's full legal name
- In the person's title, state whether they are a Director or Senior Manager
- The role the person will perform and a brief description of their duties
- Details of the person's skills and experience that are relevant to their role in the company
- Any legal or disciplinary action or other disclosable matters

You can also consider including other relevant information about directors and senior management, such as

their interests in the company's securities, remuneration (including salary and bonus entitlements) and any other non-cash benefits (such as options). We don't recommend that you link to external profiles like LinkedIn etc - there can be legal issues around incorporating that material into the Offer Document (and you then become liable for its accuracy).

Who are senior managers?

A "Senior Manager" is defined as any person who is concerned in, or takes part in, the management of the body (regardless of the person's designation and whether or not the person is a director or secretary of the body). This would likely include persons that form part of your company's executive management or management team.

↑ Background checks & Declarations

- We'll need to complete background checks on all directors & senior managers
- All directors & senior managers will need to provide <u>declarations to Birchal</u> confirming (among other things) the accuracy and completeness of your Offer Document, so please ensure they are involved in the process

Legal or disciplinary action

You must also disclose the following legal or disciplinary actions (if any) against your current and proposed directors and senior managers:

- convictions of criminal offences under the Corporations Act
- civil penalties imposed under the Corporations Act
- disqualifications from managing a company under the Corporations Act
- banning or disqualification orders (relating to an AFS licence) under s 920A or 921A of the Corporations Act
- whether the person is or has been a director, company secretary or senior manager of a company when it became insolvent
- whether the person is or has been subject to a written undertaking accepted by ASIC under s93AA or 93A of the Australian Securities and Investments Commission Act 2001
- any other convictions or penalties against the director or senior manager (acting in that capacity in relation to the company or another company) under any other laws in the last 10 years.

You must include details of, and a description of the circumstances giving rise to, each of the offences, penalties, disqualifications, banning or court orders, insolvencies or undertakings (as applicable). This should generally include a summary of the facts and any formal judgment (e.g. court judgment) or decision (e.g. by ASIC) in relation to the legal or disciplinary action or undertaking. You should provide details of the director or senior manager's capacity and involvement with a previous company insolvency (if applicable).

The information about directors and senior managers should be:

- appropriately balanced e.g., disclosure about a director's disciplinary history should be given appropriate prominence compared to disclosure of the director's experience and achievements
- appropriately explained ASIC recommends that information about a director's or manager's track
 record and achievements include an explanation of the context, to allow investors to assess what
 weight, if any, to place on the information about a director's background

Note that BFS also has an obligation to check whether the directors and senior managers of the company are of good fame and character, have had any legal or disciplinary actions against them and, if so, that these have been disclosed in the Offer Document.

2.5.3 Our team / Our leadership team / Our advisors

[Example only:]

Leadership team / Team	Advisors / Consultants
[Name]	[Name]
Role [Head of design]	Role [Regulatory consultant]
Description of duties [Insert description of duties]	Description of duties [Insert description of duties]
Skills and experience [Director skills and experience]	Skills and experience [Director skills and experience]

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SECTION 2.5.3: OTHER TEAM MEMBERS / ADVISORS (IF APPLICABLE)

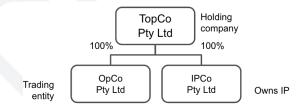
If you have other key team members who are not "senior managers" & you would like to add them to the Offer Document, please add them to a separate section such as "Leadership team" "Our team" or "Advisors" as appropriate.



⚠ It is best practice to seek the written consent of anyone you name in the Offer Document

2.5.4 Group structure

[Example only:]



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SECTION 2.5.4: GROUP STRUCTURE (IF APPLICABLE)

If the Company has subsidiaries or other companies that form part of the Company's business group, it is good practice to include a diagram to illustrate your corporate structure and a brief description of the purpose of each company.

If there are no other group companies, this subsection can be deleted.

2.5.5 Other related parties

[Example only:] {{OtherCo Pty Ltd }} ACN {{123 456 789}} (OtherCo) is a related party of the Company. OtherCo is 100% owned by the founder and director of the Company, Ms Smith. OtherCo owns the property at 123 Smith Rd, Smithville which forms the Company's HQ (Property) and leases the Property to the Company for fair market value. The lease agreement between OtherCo and the Company is on arms' length terms. For the avoidance of doubt, the Company does not own the Property and it does not form part of the assets owned by the Company or included under this CSF Offer.

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SECTION 2.5.4: OTHER RELATED PARTIES (IF APPLICABLE)

If the Company has other related parties that do not form part of the Company's business group, but is a "related party" of the Company, include a brief description of each related party. If there are no other related parties, this subsection can be deleted.

For this purpose, a related party:

- May be relevant to the business of the group. Eg, there may be a contract or other commercial arrangement between the Company and the related party.
- May be irrelevant to the business of the group. Eg, a company that does not have a commercial arrangement with the Company.

For more information about related parties, please review:

- RG261.292 261.304 rules on related party transactions which will apply once the company has CSF shareholders
- You will need to consider the following two definitions of "related party":
 - RG261.22-RG261.28 for eligibility and other requirements of the CSF regime
 - o Section 228 of the Corporations Act for Chapter 2E purposes

2.5.6 Legal or disciplinary actions against the Company

#Insert, if applicable - see guidance below. Delete section if not relevant.

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SECTION 2.5.6: LEGAL OR DISCIPLINARY ACTIONS AGAINST THE COMPANY

⚠In this section, include details of, and a description of the circumstances giving rise to, any:

- criminal convictions or civil penalties imposed under the Corporations Act 2001 against the Company or any subsidiary
- any enforceable undertakings given to ASIC by the Company or any subsidiary
- any other convictions or penalties (under any other laws) against the Company or any subsidiary in the last 10 years.

Include a summary of the facts and any formal judgment (e.g. court judgment) or decision (e.g. by ASIC) in relation to the legal action or enforceable undertaking. If there is nothing to disclose, this subsection can be deleted. There is no need to include "no disclosable matters" or similar.

2.6 Capital structure

2.6.1 Issued capital (before and after the Offer)

As at the date of this Offer Document, the Company has [####] ordinary shares [and [###] preference shares / SAFEs] on issue. [The majority of shares are held by the Company's founders/directors].

[The Company also has the authority to issue up to [##%] of the Company's issued share capital under the [Constitution][Company's Employee Share Option Plan].] [However, as at the date of this Offer Document, the Company has not formally adopted an ESOP.]

Table 1 below sets out the issued capital of the Company before the Offer.

Table 1: Issued capital of the Company before the Offer

[Example presentation - delete options column or share types if not applicable:]

Shareholder	Share Type	Shares	Options
#Name	Ordinary	# (##%)	# (##%)
#Name	Ordinary	# (##%)	# (##%)
#Shareholders holding <5%	Ordinary	# (##%)	# (##%)
#Name	Preference	# (##%)	# (##%)
#Name	Founder	# (##%)	# (##%)
#ESOP (Issued & Allocated)	Ordinary	# (##%)	# (##%)
Total		## (100%)	## (100%)

Table 2 sets out the issued capital of the Company following the Offer on a fully diluted basis (i.e. presuming all options [and convertible securities] are exercised).

Table 2: Issued capital of the Company following the Offer (on a fully diluted basis)

[Example presentation:]

Shares	Minimum Subscription	Maximum Subscription
Existing Ordinary Shares	## (##%)	## (##%)
Existing Preference Shares	## (##%)	## (##%)
Existing Founder Shares	## (##%)	## (##%)
ESOP Shares (Issued & Allocated)	## (##%)	## (##%)
ESOP Shares (Unallocated)	## (##%)	## (##%)
SAFE Shares	## (##%)	## (##%)
Convertible Note Shares	## (##%)	## (##%)
Offer Shares	## (##%)	## (##%)
Total Shares	## (100%)	## (100%)

[Optional: include if relevant] [Note: Existing shareholders may elect to make an application for shares under this CSF offer.]

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SECTION 2.6: CAPITAL STRUCTURE

Your company's capital structure is how your company finances its business operations using different sources of funding i.e. debt and equity financing.

In this section, include details of your company's debt and equity capital structure, including all classes of issued shares, options and other securities (e.g. convertible securities, warrants, SAFEs), the rights associated with all classes of securities and how your company finances its business operations.

Provide a description of:

- all classes of shares (e.g. ordinary shares, non-voting shares, preference shares), the number of shares on issue and whether there are any unpaid amounts on issued shares
- the number of options on issue (if any) and the key terms of the options (e.g. the exercise period and the exercise price)
- details of any other securities on issue (e.g. convertible notes, SAFE notes)
- the number of ordinary shares that may be issued under the CSF offer

You don't need to list every shareholder by name, however investors will be interested in the identity of all majority shareholders (e.g. founding directors and their associated entities) and their percentage shareholding and voting power in the company, before and after the CSF offer.

Employee Share Option Plan (ESOP)

If you have implemented an ESOP, Table 1 & Table 2 in 2.6.1 must include details of the shares that have been issued under the ESOP, any outstanding options that have been offered under the ESOP and the total amount you are able to allocate (sometimes a limit is expressed in your Constitution or the ESOP). Note:

- Issued ESOP: the total shares from your ESOP that have vested and have been issued as shares. Include these in the shares column of table 1 and in table 2.
- Allocated ESOP: ESOP options that have been allocated to an individual but may not have vested yet. Include these in the options column of table 1 and in table 2.
- Unallocated ESOP: shares that form part of the ESOP pool or allowable limit under your constitution but have not been allocated/issued to individuals yet. Include this in table 2, noting that the number may change if the limit is based on a % of total outstanding shares (as you will have more shares following the offer).

Share split

Some companies will undertake a "share split" before the CSF Offer. A share split involves a company taking its existing shares and dividing them into multiple new shares. After a share split, each share is worth less individually but shareholders will have more shares in total. Therefore, the shares still have the same total value as before.

A share split can be an effective way of increasing liquidity & the overall number of shares without changing the company's overall share value. This is important to consider before issuing new shares under a CSF Offer, including from a dilution & valuation perspective. If you plan to do a share split, ensure it is complete and all required documentation submitted to ASIC before the CSF Offer is launched and reflected in Table 1 and 2 above. Your accountant can assist you with a share split.

Share price

When calculating your share price, please ensure it is whole numbers to a maximum of 2 decimal places (eg 0.50c or \$2.50 not 0.117c).

♠ Pre-money valuation

For the CSF Offer, the Company's pre-money valuation will be calculated on a fully-diluted basis. This means the pre-money valuation will include all issued shares plus all options and convertible securities as though they have converted into shares. Eg the calculation will be as follows:

Pre-money valuation = Total no. of fully-diluted shares x CSF Offer share price Pre-money valuation = (All shares + all converted securities) x CSF Offer share price

sos Example cap tables

Check out these example Offer Documents for how the cap tables in Section 2.6 should be presented:

• Birchal, Zeroco, Thrive (Thriday), Seabin Project

2.6.2 Rights and liabilities associated with securities

As at the date of this Offer, the only class of shares on issue are ordinary shares. [Note: Amend if you have other classes of shares or securities. Eg: As at the date of this Offer, the classes of shares on issue are ordinary shares and preference shares. The Company has also issued SAFEs and convertible notes.] [The Company has also adopted an Employee Share Option Plan.] [Delete if not relevant]

Set out below is a summary of the rights and liabilities associated with the securities in the Company. A copy of the Company's Constitution is available on the Intermediary's platform.

Ordinary Shares [All companies will include this section, amend as appropriate]
The rights and liabilities associated with the ordinary shares are set out in the Company's constitution, including: [Example only:]

- All ordinary shares have the same voting rights and the same rights to receive dividends.
- Restrictions on the sale or transfer of shares, including drag and tag rights and exit provisions.
- The [Board][Company] has the [discretion to approve][power to refuse] a transfer of shares to a third party. [Note: This sentence is a mandatory requirement for section 2 amend as provided for in your Constitution]
- **[Delete if not relevant]** The Constitution includes a definition of a ["Substantial Shareholder"] which means a shareholder with an equity proportion of [##%] or more.
- [Delete if not relevant] The Substantial Shareholder concept relates to:
 - Shareholder reserved matters regime ie provisions requiring a "Substantial Shareholder Majority" which is a resolution approved by [##]% or more of the votes cast on a resolution by the Substantial Shareholders.
 - Pre-emptive rights for Substantial Shareholders in certain circumstances on the issue or transfer of shares

The shares offered under this Offer are ordinary shares. A more detailed description of the rights and liabilities associated with the ordinary shares is set out in Section 3.3 below. [Note: This sentence is mandatory]

Preference Shares [Delete if not relevant] [Example only:]

The rights and liabilities associated with the preference shares are set out in the Company's constitution including:

- Any resolution passed by the shareholders of the Company must include at least at least
 [##]% of the total number of issued preference shares
- Holders of preference shares have pre-emptive rights on an issue of new shares
- Holders of preference shares will be paid fixed dividends

- Holders of preference shares will rank before ordinary shareholders on a liquidation, winding up or the proceeds from any sale
- Other than as described above, the preference shares have the same rights as the ordinary shares.

SAFE (Simple Agreement for Future Equity) [Delete if not relevant] [Example only:]

The Company has issued SAFEs to pre-seed investors. The SAFE may convert to ordinary shares when the Company raises over \$[##]. Key terms of the SAFE are as follows:

- Amount \$##
- Discount Rate ##
- Trigger Capital raise over \$[##]
- Use of funds ##

Employee Share Option Plan (ESOP) [Delete if not relevant] [Example only:]

The Company has implemented an employee share option plan (ESOP) to attract, retain and incentivise key employees. The maximum number of options that can be issued under the existing ESOP is [##]% of the share capital of the Company. As at the date of this CSF Offer Document, the Company has issued and allocated a total of [##] options under the Company's existing ESOP, of which [###] options have vested and have been exercised by existing participants (i.e. employees) in the ESOP. [###] options under the ESOP remain unallocated. [OR if your constitution allows for an ESOP to be implemented but you haven't formally adopted an ESOP]

Pursuant to clause [##] of the Constitution, the Company may implement an employee share option plan (ESOP). The ESOP would allow the Company to issue options or shares to key employees and contractors. The maximum number of securities that may be issued under an ESOP is [##]% of the share capital of the Company on a fully diluted basis (calculated at any time). As at the date of this CSF Offer Document, the Company has not formally adopted an ESOP, and no securities have been issued or allocated..

Shareholders Agreement

Other than the Constitution, there is no shareholders agreement or other agreement between the existing shareholders of the Company. [Note: This sentence is required]

GUIDANCE

SECTION 2.6.2: RIGHTS AND LIABILITIES ASSOCIATED WITH SECURITIES

⚠ In this section, you must provide a summary of the key rights and liabilities associated with all classes of securities on issue (e.g. ordinary, preference, class A, options, SAFEs etc), including the key provisions contained in the company's constitution and any other relevant agreements.

This generally includes a description of:

- voting rights, dividend rights
- any special rights, such as pre-emptive or anti-dilution rights, 'tag along' and 'drag along' rights
- the directors or shareholders' power or right to refuse a transfer of shares
- any other restrictions on the issue or transfer of shares
- the implications of special shareholders' rights and any restrictions on transfers of shares for minority shareholders (e.g. shareholders may have limited opportunities to exit their investment)
- if there are options, the key terms of the options, including exercise price and date

Some of this information (ie the information related to "ordinary shares" is also summarised in Section 3 so most companies will cross-refer to Section 3 to prevent duplication of information. You will also include a copy of your company's constitution in the data room on the Birchal platform.

sos If you have SAFEs, special shareholder rights, convertible notes etc, check out the equivalent section in these example Offer Documents:

• Pokit Ventures, Zeroco, Coinstash

2.6.3 Sources of financing, including debt financing and other financing

To date, the business has been funded through a combination of [operating income, equity, founder loans and grants].

[Examples only]

Equity

To date, the Company has raised approximately \$## from professional investors. See section 2.6.1 for more information.

Founder loans

To date, the founding shareholders have loaned funds of \$## in total to the Company.

The key terms of these loans are set out below. The founder loans will not be repaid with the funds raised under the Offer.

- Amount outstanding- \$#
- Interest #% fixed / Interest-free
- Repayment date #dated / At the discretion of the Company

 Security - ##Details about whether the debt is secured, and if so, against what assets, and any further rights afforded to the lender

Debt funding

As at the date of this Offer, [other than the Founder loans], the Company has not relied on debt financing to fund its business activities.

As at the date of this Offer, the Company has the following outstanding loans:

- Description #Working capital facility / equipment lease / revenue financing
- Principal amount borrowed \$##
- Committed limits where debt is undrawn \$##
- Amount outstanding \$##
- Interest #% fixed
- Repayment date #date
- Security ##Details about whether the debt is secured, and if so, against what assets, and any further rights afforded to the lender

Convertible notes

The Company has issued convertible notes to [pre-seed investors]. The convertible notes may convert to ordinary shares on a Qualified Financing, which is when the Company raises over \$[##].

Key terms of the convertible notes as follows:

- Face value \$##
- Maturity date ##
- Qualified financing Capital raise over \$[##]
- Valuation cap \$##
- Discount ##
- Interest rate ##
- Use of funds ##

Grant funding

The Company has received approximately \$[###] in [Federal] and [State] Government grants to [###].

GUIDANCE

SECTION 2.6.3: SOURCES OF FINANCING

In this section, provide a description or summary of how your company finances its business operations. This may involve an explanation of how your company finances its start-up, cash flow and ongoing operations, and the extent to which your company depends on equity finance, external or internal debt finance, government loans or grants.

Debt funding, including bank loans and shareholder loans

If your company relies (or has relied) on debt financing (e.g. bank loans, founder/shareholder loans, director finance or related party loans), you should consider explaining:

- any key terms and conditions of your company's debt financing (e.g. term of the loan, principal amount borrowed, amount outstanding, interest rate and any security provided for the loan)
- whether your company is able to meet repayments from earnings or otherwise (if there is a reasonable basis for predicting this)
- when key financing needs to be renewed (if known)

Shareholder / director / founder / related party loans

There are prohibitions on using the funds raised under the CSF Offer to give a loan or any financial accommodation to a related party. This generally means director / founder loans cannot be repaid with the funds raised under the Offer (but can be repaid with free cash). See RG261.40 for more information.

Grants and government funding

If your company relies on government funding, grant funding, or any other type of funding source not characterised as equity or debt (which should be included in the relevant sections above) you should consider including:

- the amount and term of the funding
- any key terms or conditions of the funding, including repayment terms (if any)

Convertible notes or other debt-like convertible securities

You will need to give a brief description of any convertible securities in this section. The convertible securities will also need to be included in the fully-diluted cap table in section 2.6.1.

2.7 Key risks facing the business

An investment in the Company should be seen as high-risk and speculative. A description of the main risks that may impact the Company's business is below. Investors should read this section carefully before deciding to apply for shares under the Offer. There are also other, more general risks associated with the Company (for example, risks relating to general economic conditions or the inability to quickly or easily sell your shares).

Risk	Description
{{Insert type of risk}}	{{Insert a description of the risk.}}

	[sos Risks must be tailored for your business - See Library 1: Example Risks Library for common risks and how to present these in section 2.7]
{{Insert type of risk}}	{{Insert a description of the risk.}}
	[sos Risks must be tailored for your business - See Library 1: Example Risks Library for common risks and how to present these in section 2.7]
{{Insert type of risk}}	{{Insert a description of the risk.}}
noty)	Risks must be tailored for your business - See Library 1: Example Risks Library for common risks and how to present these in section 2.7]
{{Insert type of risk}}	{{Insert a description of the risk.}}
	[sos Risks must be tailored for your business - See Library 1: Example Risks Library for common risks and how to present these in section 2.7]
{{Insert type of risk}}	{{Insert a description of the risk.}}
	[sos Risks must be tailored for your business - See Library 1: Example Risks Library for common risks and how to present these in section 2.7]

GUIDANCE

KEY RISK RACING THE BUSINESS (SECTION 2.7)

Include the main risks only

The Offer Document must include a description of the main risks facing the company's business. le only the risks that may impact the success or failure of the business or are inherent to the company's business model should be included.

The main risks will generally be the strategic and operational risks that directors and management focus on when managing the business. They are usually the type of events that have a reasonable likelihood of occurring and, if they did occur, would have a very significant effect on your company's financial position and the value of shareholders' investments.

You do not need to list every risk that may impact your company's business. General risks relevant to all businesses (e.g. risk arising from general economic conditions, changes to interest rates or illiquidity of shares) or remote risks would not generally be included, unless they directly impact your business model. Generally, ASIC expects only the top three to five main risks to be disclosed - however, if there is a greater number of key risks facing your business, then all of those key risks must be disclosed.

You should consider explaining in the offer document:

- why these risks are the main risks from the investor's perspective
- the likelihood of a risk occurring (often such disclosure would be general and at a high level)
- the consequences of a risk occurring (e.g. loss of a key contract will adversely affect your company's income and profitability)

Information about risks should be:

- concise the disclosure should focus on only the most important or main risks
- specific and tailored to your company's circumstances, rather than generic in nature
- presented in a way that gives prominence to the most important risks (e.g., you may order the risks from most to least important)

Should you include mitigation strategies or risk ratings?

While disclosure of risk mitigation strategies is not required, if you voluntarily include information about how your company mitigates its risks, then you should ensure that it is balanced with information about risks and that the risks themselves are more prominently disclosed. The disclosure of risk mitigation strategies should not detract from an investor's understanding and appreciation of the actual risks, and the potential impact of the risks, facing the business.

Risk ratings are usually not appropriate and are better suited to your internal risk management policies.

Example risks

See our Example Risk Library in Library 1.

2.8 Financial information

[Stand-alone company - must include this intro]

Below are the financial statements of the Company for the financial year[s] ended 30 June {{RecentFinancialYear}} [and 30 June {{OtherFinancialYearsIfIncluded}}], which have been prepared in accordance with the Accounting Standards.

[Consolidated group - must include this intro]

Below are the consolidated financial statements of the Company and its controlled subsidiaries for the financial year[s] ended 30 June {{RecentFinancialYear}} [and 30 June {{OtherFinancialYearsIfIncluded}}], which have been prepared in accordance with the Accounting Standards.

[Insert the below text if including management accounts. You should include management accounts particularly if there has been more than a financial quarter since the end of the last financial year. These management accounts must be prepared on a basis consistent with the annual financial statements. You need to provide investors with an up to date picture of your financials, particularly if there have been any movements since the balance sheet date shown in your financial statements

[Financial information for the ## months ended ## have also been included. The information has been prepared on a consistent basis based on management accounts, and accordingly may be subject to change.]

GUIDANCE ON FORMATTING YOUR FINANCIAL STATEMENTS

⚠Please ensure your financial statements meet the following formatting requirements before sharing with us:

- All numbers should be rounded to the nearest dollar
- Use a comma as a thousand separator (1,000 rather than 1000)
- Show negative numbers as (1,000) rather than -1,000
- Number formatting should be consistent in all of your financial statements
- Check that all subtotals equal the sum of line items above them
- Check that all totals are the sum of the sub totals above them
- Don't include notes to the accounts unless they contain material information
- All four financial statements have been included in the format below
- Any revenue or expenses numbers in other sections of you offer document align with your financial statements
- Combine line items to simplify your financial statements where appropriate e.g. have a single cash and equivalents line rather than listing each bank account in your balance sheet
- If including management accounts (for YTD numbers) include them as a column in your existing financial statements.
- The column order of your financial statements should be: YTD, FY24, FY23

2.8.1 Balance sheet

#Insert - Balance Sheet must be presented in accordance with accounting standards. For example, each column heading should be "As at 30 June ###" (or other relevant date).

GUIDANCE

SECTION 2.8.1: Balance sheet

Please check that:

- Any related party loans have been disclosed as a separate line item
- Related party loans align to the sources of funding section of your offer document
- Confirm with your accountant if founder loans are current / non-current liabilities (usually if payment is at the discretion of the company they are non-current)
- The closing cash balance in the Cash Flow Statement should match Cash and Cash Equivalents in your Balance Sheet. Changes in borrowings on the balance sheet should also align to proceeds less repayment of borrowings in your cash Flow Statement.
- The line items in the equity section of your balance sheet should also align with the issued capital, retained profits and total equity figures in the Statement of Changes in Equity
- Column are "as at [Date]"
- Check that subtotals equal the sum of line items above them and match to source information

Sample format:

ABC Pty Ltd Balance Sheet			
	As at 31 Dec 2023	As at 30 June 2023	As at 30 June 2022
Assets			
Current Assets			
Cash and Cash Equivalents			
Inventory			
Accounts Receivables			
Taxation			
Other current assets			
Total Current Assets			
Non-Current Assets			
Financial Assets			
Property, Plant & Equipment			
Total Non-Current Assets			
Total Assets			
Liabilities			
Current Liabilities			
Trade & Other Payables			
Employee Entitlements			
Taxation			
GST			
Other current liabilities			
Total Current Liabilities			
Non-Current Liabilities			
Financial Liabilities			
Total Non-Current Assets			
NET ASSETS			
Equity			
Share Capital			
Retained Earnings			

2.8.2 Profit and loss statement

#Insert - P&L must be presented in accordance with accounting standards. For example, each column heading should be "For the 12 months ended 30 June ###" (or other relevant period).

GUIDANCE

SECTION 2.8.2: Profit and loss ststement

Please check that:

- Compare the Profit/Loss figures with the Balance Sheet and Statement of Changes in Equity to ensure they reconcile e.g. your net profit after tax number should align to the changes in retained earnings
- Check that subtotals equal the sum of line items above them and match to source information
- Include a line for income tax expense even if you made a loss or did not pay tax
- Column headings should be "For the year ended [Date]" or "For the x months ended [Date]"
- Double check any revenue figures elsewhere in the offer document are consistent with revenue shown here
- We recommend presenting in this format rather than using a trading statement
- If relevant include financing costs as a separate line item rather than in Admin expenses.

Sample Format:

ABC Pty Ltd Statement of Profit and Loss			
	For the 6 months ended 31 December 2023	For the year ended 30 June 2023	For the year ended 30 June 2022
Revenue			
(add line items for revenue as appli	icable to your business)		
Other Income			
Total Income			
Employee Benefit Expenses			
Sales			
Marketing			
Admin and other expenses			
Rent			
(add any other line item as applicat	ble to your business)		
Total Expenses			
Profit/(loss) before Income tax benefit/(expense)			
Income Tax benefit/(expense)			
Profit/(loss) after Income tax benefit/(expense)			

2.8.3 Cash flow statement

#Insert - Cash flow statement must be presented in accordance with accounting standards. For example, each column heading should be "For the 12 months ended 30 June ###" (or other relevant period).

GUIDANCE

SECTION 2.8.3: Cash flow statement

Please check:

- Compare the opening and closing balance of Cash with the Cash and Cash equivalents line in the Balance Sheet to ensure they reconcile
- Debt drawn during the period should align with the proceeds from borrowings line item.
- Proceeds from issue of shares should also align to share issuances.
- Column headings should be "For the year ended [Date]" or "For the x months ended [Date]"
- Check that subtotals equal the sum of line items above them and match to source information
- If there are large differences between the cash revenue / expense figures and the numbers in your Profit and Loss include commentary in the management commentary on the reasons for this.

Sample format:

Sample format:				
ABC Pty Ltd Cash flow Statement				
	For the 6 months ended 31 December 2023	For the year ended 30 June 2023	For the year ended 30 June 2022	
Receipts from Customers				
Payments to Suppliers and en	nployees			
Interest received				
Income tax refund/(paid)				
GST				
Cash receipts from other oper	ating activities			
Net Cash from Operating Ac	tivities (A)			
Payment for Plant, property ar Payment for investments Other cash items from investir				
Net Cash flow from Investing	g Activities (B)			
Proceeds from borrowings Repayment of borrowings Issue of Shares Other receipts/(payments) from Net Cash flow from Financing				
Net Cash flows (A+B+C)				
Opening Balance of Cash and Cash equivalents Net Change in Cash flow for the period				
Closing Balance of Cash an	d Cash equivalents			

2.8.4 Statement of changes in equity

#Insert - Statement of changes in equity should be presented in accordance with accounting standards. For example, each column heading should be "As at 30 June ###" (or other relevant date).

GUIDANCE

SECTION 2.8.4:

Please check:

- Opening and closing balances of issued capital, retained profits and total equity reconcile with the line items in the equity section of your balance sheet
- Profit after income tax reconciles with P&L
- All periods included in the other statements have been included

Check that subtotals equal the sum of line items above them and match to source information

Sample Format:

	Issued Capital	Retained Profits	Total Equity
Balance at 1st July 2021	\$210,000	\$ 35,628	\$245,62
Profit after income tax expense for the year	-	\$140,126	\$140,12
Shares Issued During the Year	-	-	
Balance at 30th June 2022	\$210,000	\$175,754	\$385,75
30th June 2023			
	Issued Capital	Retained Profits	Total Equity
Balance at 1st July 2022	\$210,000	\$175,754	\$385,75
Profit after income tax expense for the year	-	(\$70,585)	(\$70,58
Shares Issued During the Year	-	-	
Balance at 30th June 2023	\$210,000	\$105,169	\$315,16
31st December 2023			
	Issued Capital	Retained Profits	Total Equity
Balance at 1st July 2023	\$210,000	\$105,169	\$315,16
Profit after income tax expense for the year	-	\$ 25,258	\$25,25
Shares Issued During the Year	-	-	
Balance at 31st December 2023	\$210,000	\$130,427	\$340,42

GUIDANCE

SECTION 2.8: FINANCIAL INFORMATION

▲ Financial statements to be included

The Offer Document must include the Company's financial statements. This includes:

- Balance sheet showing the major asset, liability and equity groups
- Profit and loss statement showing major revenues and expense items, and profit or loss, including earnings before interest and tax (EBIT) and net profit after tax (NPAT)
- Cash flow statement showing at a minimum, operating cash flows
- Statement of changes in equity showing changes in owner's equity

You must include the financial statements even if your company has not commenced business or earned any income (i.e. your revenue is zero).

Accounting standards

The financial statements must be prepared and presented in accordance with the Australian Accounting Standards. The company's directors should satisfy themselves of this. Relevant accounting standards are likely to be AASB1039 or AASB1060, depending on the nature of your company. You should check this with your accountant.

You may also include management accounts for additional periods, particularly if there has been more than a financial quarter since the end of the last financial year. These management accounts must be prepared on a basis consistent with the annual financial statements.

Please note: after the CSF offer, the company will need to prepare General Purpose Financial Statements. See our guidance about ongoing "Annual reporting obligations" below.

Reporting period - Company incorporated for more than 12 months

If the Company (i.e. the company issuing the shares) has been incorporated for more than 12 months (i.e. has had its first financial year) the financial statements must be for the most recently completed financial year (being a 12-month period or a period of up to 18 months, if it was your company's first financial year).

You are welcome to include additional financial statements for past financial years as well. This is particularly helpful to show growth / traction.

Reporting period - Company incorporated for less than 12 months

If the Company (i.e the company issuing the shares) has been incorporated for less than 12 months at the time of the CSF Offer (i.e. it has not yet had a full financial year), the financial statements must be for the period from the date of incorporation to no later than one month before the date of the Offer. We would usually recommend including the statements up to the month-end of the immediately preceding month. If you have recently added a holding company which is going to be the "issuer" under the CSF Offer, this may also apply to you.

Contents

The term "financial statements" means the financial statements the Company is required to prepare under the Corporations Act and the Accounting Standards. You are not required to include the full financial report, which also includes the directors declaration and any notes to the financial statements (unless these contain material information then you should consider including that information in this section or as an appendix).

Audited accounts?

The financial statements do not need to be audited or reviewed by an auditor. However, if your company's most recent financial statements were audited or reviewed (e.g. because your company was a public or large proprietary company for prior financial years or it has raised more than \$3 million from CSF offers), you should include the audited or reviewed financial statements.

Consolidated or separate financial statements

If your company is required under the accounting standards to prepare consolidated financial statements (i.e. incorporating the financial statements of your company's controlled subsidiaries), then you must include the consolidated financial statements. Otherwise, you must include your company's separate financial statements (even if your company has a parent company and is part of that company's consolidated group).

Corporate restructure

If the Company has recently had a corporate restructure (e.g. added a holding company or changed from sole trader to a company) which has an effect on the financial statements, you should explain this in the introduction to the financial statements so the reader has context for the financial statements.

2.8.5 Management comments on historical performance and outlook

[Example only]

[Sales in FY22 were \$##, an increase of #% from the prior year. We have continued to see revenue growth through the first half of FY2# with sales of \$## representing an #% increase on the prior corresponding period. Our revenue has also historically experienced seasonality with higher revenues in Q3 and Q4 of each year due to ## and ##.

Our investment in new procurement processes reduced our cost of sales per unit and increased our gross margin to #% in FY2#. This has stayed constant in the first 6 months of FY2#. We have increased marketing spend in the first six months of FY2# and through targeted digital advertising have seen our cost of acquisition drop to \$##. Repeat purchases have also increased with ##% of our sales attributable to return customers in the first half of FY2#.

Operating expenditure has also increased in line with our planned investment in R&D, product development to diversify the business and team expansion. Our new product line was released at the beginning of FY2# and accounted for ##% of revenue last quarter.

With the funds raised under the CSF Offer, we plan to continue to invest in our R&D and marketing functions as we transition into selling across other Australian states. While we continue to scale the business, we do not expect to be profitable in the short-term.

Accounts receivable have decreased with the expansion of our customer service team and we repaid a portion of the loan provided by ## with increased cash flow in Q4 of FY2#.

Comments on revenue outlook are inherently uncertain and should not be solely relied upon as they are subject to change, uncertainty and unexpected events, many of which cannot be controlled. Accordingly, actual results are likely to differ from the forecasts. No representation or assurance is or can be given that the forecasts will be achieved. Past performance is no guarantee of future performance. This revenue outlook has been prepared by the Company and has not been validated by an independent third party.

GUIDANCE

SECTION 2.8.5: MANAGEMENT COMMENTARY

The objective for your founder's letter - think about your valuation and ensure any key facts about your financials are articulated to investors. Eg:

- Revenue based valuation include observations on \$rev per annum and any insights on recent growth.
 Explain any new initiatives that aren't in the financial statements you will need to be factual and clear on how imminent those initiatives are and should not be presented as forecasts
- Pathway to profitability explain the pathway to profitability. Include key observations about costs to acquire, costs to serve, costs of scale, benefits of scale, margins
- Value invested / replacement costs explain what you have spent to date and what is the nature of the asset (on the balance sheet and any intangible assets not on the balance sheet)
- Runway provide observations on your cash burn

Other items you can consider in the management commentary:

- What key matters drove the revenue (is this repeatable); is the business seasonal
- Explain any additional material events since the balance sheet date (see below)
- Are there one-off expenses
- Are there pre-orders in the liabilities which will convert to income on delivery
- If you're pre-revenue, have you been spending money on R&D/product/ inventory/marketing etc
- The key revenue / expense drivers over the next financial year
- Comments on your business' cash cycle (if applicable)
- Key accounting ratios that are applicable to your business (eg gross profit margin) and trends
- Explanation of line items or classifications in your accounts that are not intuitive
- Where management accounts have been included, commentary on any movements from the equivalent prior corresponding period
- Outlook/strategy of the business (see below)

While not a mandatory requirement, astute investors will review your financial statements and management commentary together with your founder's letter.

Events since the end of the reporting period

If there has been an event that has had a material effect on your company since the date of the Company's most recent financial statements, then you should include a description of this event and its impact to avoid the risk of the offer document being misleading. If there has been a significant period of time since the Balance Sheet date (e.g. more than a fiscal quarter), then you should include commentary regarding the performance of the business since that date.

Outlook

Subject to ASIC's guidance on including prospective financial information, you should include some commentary on the outlook for your business. It could be reasonable to describe what the desired financial impact of successful execution of your business strategy (as articulated in section 2) will be to the business. Consider using phrases like "With funds raised under this CSF offer, we intend to execute ##, which based on ## we reasonably believe will result in ##"

Forecasts / forward looking statements / prospective financial information

Have you included forecasts / forward-looking information? Please review <u>Library 4 - Forecasts / forward-looking statements / prospective financial information</u> for how to properly incorporate this

Example management commentary

Check out these example Offer Documents for inspiration here:

• Pokit Ventures, Birchal, Seabin Project, Thrive (Thriday)

Section 3: Information about the Offer

3.1 Terms of the Offer

The Company is offering up to [#,###,###] shares at an issue price of [\$##.##] per share to raise up to [\$#,###,###]. The key terms and conditions of the Offer are set out below.

Term	Details	
Shares	Fully-paid ordinary shares	
Price	[\$##.##] per share	
Minimum Subscription	[\$###,###]	
Maximum Subscription	[\$#,####,###]	
Opening date	{{OfferOpening}}	
Closing date	{{OfferClosing}}	

A description of the rights associated with the shares is set out in Section 3.3.

To participate in the Offer, you must submit a completed application form together with the application money via the Intermediary's platform. The Intermediary's website provides instructions on how to apply for shares under the Offer at www.birchal.com.

The Intermediary must close the Offer early in certain circumstances. For example, if the Maximum Subscription is reached, the Offer must be closed. If the Minimum Subscription is not reached or the Offer is closed but not completed, you will be refunded your application money.

Retail investors may withdraw their application during the Cooling-off Period. Further information on investor cooling-off rights can be found in Section 4 of this CSF offer document.

The Offer is not underwritten and there is no guarantee that these funds will be raised.

3.2 Use of funds

The table below sets out the intended use of funds raised under this Offer based on the minimum and maximum subscription amounts.

Intended use	Minimum Subscription	Maximum Subscription
#Category	\$##	\$##
#Category	\$##	\$##
#Category	\$##	\$##
Offer costs	\$## [This should include Birchal's costs e.g. 7.5% as disclosed below]	\$## [This should include Birchal's costs e.g. 7.5% as disclosed below]
Total	\$##	\$##

[/ E.g:] Working capital includes overhead expenses, stock costs and employee wages.

[If the funds raised will be paid to any related parties, directors or senior managers, include details of those payments. Eg] Details of payments to be made to directors and senior managers out of the funds raised under the CSF Offer are as follows:

- Directors' remuneration \$## (Minimum Subscription) & \$## (Maximum Subscription)
- Senior manager remuneration \$## (Minimum Subscription) & \$## (Maximum Subscription)

[You must include all of the following text:]

The Offer costs include the Intermediary's fees under the hosting agreement between the Company and the Intermediary. These fees are up to 7.5% of all funds raised by the Company through the Intermediary. The Offer costs are exclusive of GST.

Other than as specified above, no other payments from the funds raised will be paid (directly or indirectly) to related parties, controlling shareholders, or any other persons involved in promoting or marketing the Offer.

We expect that the Maximum Subscription amount will be sufficient to meet the Company's short-term objectives over the next [12][18–24] months.

If this CSF Offer is unsuccessful, or if only the Minimum Subscription amount is raised, the Company will require further funding to be able to carry out our intended activities over the next [12–18] months. In such circumstances, the Company may consider alternative sources of

funding, such as undertaking a further CSF offer under the CSF regime or other debt or equity funding. Until additional funding is obtained, we will scale back [###] and continue to focus our cash resources on [###].

GUIDANCE

SECTION 3.2: USE OF FUNDS

In this section, describe how the Company intends to use the funds raised under the CSF Offer (based on the minimum and maximum subscription amounts). This section shouldn't be a surprise to investors - it should align with section 2.4 (Business strategy). In this section 3.2 (Use of funds) you should focus on particularising what the funds will be used for, without the need to repeat your intentions in detail.

If the funds are to be used for a variety of purposes, consider including a breakdown of how much will be applied to each purpose. Common examples include sales & marketing, inventory, R&D, regulatory approvals, production, working capital, remuneration and Offer costs.

Note: if a significant portion of the funds will be allocated to working capital, you should explain what constitutes working capital for your business. If funds will be used to pay the costs of the offer, then the aggregate costs of the offer should also be itemised.

Note that you cannot include funds that have already been paid prior to the CSF Offer launching e.g. legal or accounting fees, video/advertising production for the CSF offer, or Birchal's administration fee.

You should consider describing:

- when funds will be used (if there is a reasonable basis for predicting this)
- whether the full offer amount and/or the minimum subscription amount are sufficient to meet your company's objectives. If not, clearly state if your company will need to raise more equity or debt (if this is known)
- why certain activities will be scaled back if only the minimum subscription is raised (i.e. why certain activities are prioritised over others)

Payments to directors, managers, shareholders, related parties and other persons

You must describe whether any of the funds raised will be paid (directly or indirectly) to:

- any current or proposed directors or senior managers of your company (e.g. salaries)
- any related parties of your company
- any person that 'controls' your company or persons who hold more than 20% of the voting rights in the company (e.g. controlling or major shareholders)
- the CSF intermediary publishing the CSF offer or any of the intermediary's related parties
- any person promoting or marketing the offer

This includes whether any of the funds will be paid through an interposed entity for the benefit of the person, e.g. payments made to a nominee or trust for the benefit of the person.

Repaying related party, founder, shareholder or director loans?

There are prohibitions on using funds raised under the Offer to provide a loan or give financial accommodation to a related party (other than a wholly-owned subsidiary). This usually means that funds raised under the CSF Offer cannot be used to repay a loan to a related party (including a founder or shareholder). See RG261.40 for more information. It is best practice to repay these loans out of free cash.

3.3 Rights associated with the shares

Immediately after issue, the shares under this Offer will be fully-paid ordinary shares. There will be no liability on the part of shareholders and the shares will rank equally with the shares currently on issue.

The rights associated with the shares are set out in the Company's constitution. These rights are described below. A copy of the constitution is available on the Intermediary's platform.

3.3.1 Voting rights

Each shareholder has one vote on a show of hands and, on a poll, one vote for each share held.

3.3.2 Dividends

All shareholders have a right to receive any dividends declared and paid by the Company. The directors have a discretion and may resolve to pay dividends, subject to their obligations under the Corporations Act (for example, they cannot pay dividends unless the Company's assets are sufficiently in excess of its liabilities immediately before the dividend is declared and where it may materially prejudice the Company's ability to pay its creditors).

#Consider including whether or not the Company has a dividend policy

3.3.3 General meetings and notices

Directors have the power to call meetings of all shareholders or meetings of only those shareholders who hold a particular class of shares. Shareholders who hold at least 5% of the votes which may be cast at a general meeting of the Company have the power to call and hold a meeting themselves or to require the directors to call and hold a meeting.

3.3.4 Election and removal of directors

Shareholders may vote to elect and remove directors at a general meeting by way of ordinary resolution (50%).

3.3.5 Winding-up

If the Company is wound up and there are any assets left over after all the Company's debts have been paid, the surplus is distributed to shareholders after secured and unsecured creditors of the Company. Holders of fully-paid ordinary voting shares rank [ahead/behind] other classes of shares (if any).

3.3.6 Restrictions on sale and transfer

Drag along and tag along rights [Example only]:

The Constitution contains drag and tag-along rights, as follows:.

- Drag rights If Shareholders who together hold [##]% of the shares on issue propose to sell all of their shares to a third party, they can 'drag' the remaining [##]% to sell their shares on the same terms. The pre-emptive rights process does not need to be undertaken in order for the drag along to be triggered.
- Tag rights If Shareholders who together hold [##]% or more of the shares on issue propose to sell their shares to a third party under one transaction (or series of transactions) the remaining [##]% may also 'tag'-along and sell their shares on the same terms.

If the Company has no CSF shareholders and is regulated under Chapter 6 of the Corporations Act, the Constitution contains a mechanism to 'turn off' the drag along and tag along provisions (as these provisions cannot functionally apply if the Company is regulated by Chapter 6 of the Corporations Act).

Exit provisions [Example only]:

The Board may propose an Exit Event including an IPO, share sale, asset sale or another transaction which results in a change of control, or which the Board determines is an Exit Event. A Substantial Shareholder Majority must approve the Exit Proposal. If an Exit Proposal is approved by a Substantial Shareholder Majority, all Shareholders (and Directors) must exercise all rights and do all things to enable the Exit Event to occur.

Pre-emptive rights on transfer [Example only]:

If a Substantial Shareholder provides a notice to transfer its shares (other than as a permitted disposal), the Company must first offer each other Substantial Shareholder the right to purchase those shares. The Board may vary this procedure, provided that each Substantial Shareholder has an opportunity to acquire their pro rata entitlement to the Sale Shares and there is no material adverse impact on a Substantial Shareholder. The Constitution also includes carve outs for CSF offers and capital raisings up to [##1]% of the capital of the Company.

Escrow arrangements in an IPO [Example only]:

If an Exit Proposal is approved under the Constitution and that Exit Proposal involves an IPO, each shareholder agrees to enter into any required escrow arrangements as may be required by law, the rules of the relevant stock exchange, or as may be recommended by the relevant financial adviser to enable the success of the IPO.

Discretion to refuse to register a transfer of shares [Example only - this must match the description in section 2.6.2]:

The [Board][Company] has the [discretion to approve][power to refuse] a transfer of shares to a third party.

On-sale restrictions under the Corporations Act [Example only]:

Shares acquired under the Offer may not be on-sold within 12 months of their issue without a prospectus or other disclosure document, unless an exemption under section 708 of the Corporations Act 2001 (Cth) applies (e.g. sales to sophisticated or professional investors) or unless ASIC gives relief from the requirement to provide such prospectus or other disclosure document.

3.3.7 Pre-emptive rights / anti-dilution on issue of shares [Example only]:

If the Board resolves to issue new Equity Securities (which includes shares, options, warrants, convertible notes or any other instrument convertible into shares), it must first offer the new Equity Securities to each Substantial Shareholder (as defined in the Constitution) unless one of the following exceptions apply:

- The Board resolves to make a CSF offer
- The issue of Equity Securities is a public offer of securities
- The Board resolves to issue up to 10% in aggregate of the issued share capital of the Company, provided such issuances are not exercised more than once in any 12 month period
- The Substantial Shareholders waive (by Substantial Shareholder Majority) the pre-emptive rights provisions related to the issuance of new Equity Securities
- The Equity Securities are issued as part of an approved ESOP
- The Equity Securities are issued as part of an Exit Event approved in accordance with the Constitution
- The Equity Securities are issued as part of an arm's length commercial agreement, provided that such issuances in any 12 month period are in aggregate not more than [##]% of the issued share capital of the Company;
- The Equity Securities are issued as part of the consideration for an acquisition of an interest in any business, entity or company approved by the Board by Special Resolution Vote.

3.3.8 Amendments to the Constitution

[Example only]:

To vary the Constitution or adopt a new constitution, the Company must pass a special resolution at a general meeting. At least 75% of the voting members of the Company must vote in favour of the resolution for it to pass.

GUIDANCE

SECTION 3.3: RIGHTS ASSOCIATED WITH SHARES

⚠You must include a description of the rights associated with the shares contained in the company's constitution, which generally includes:

- voting rights
- dividend rights
- rights to call and receive notice of general meetings
- rights to elect and remove directors
- rights in the event of a winding-up of the company
- any restrictions on the issue or transfer of shares (e.g. if approval of directors or majority shareholders is required).

Information about shareholder rights should be explained in plain language and from the perspective of investors (i.e. what these rights mean in practice and how the different classes of shares rank against each other (if any)).

Above is an illustrative example and includes only some of the common shareholder rights - there may be others that apply to your company (or yours may be different). You should tailor this section to your company's constitution.

Note: Some of this information is also summarised more briefly in Section 2.6.2 - this is necessary. However, the key difference is that this section 3.3 summarises the ordinary shares only, whereas section 2.6.2 summarises all security types in your company.

GUIDANCE

INVESTOR REWARDS - NOT IN THE OFFER DOCUMENT

You may see older examples of Offer Documents that include information about Investor Rewards in the Offer Document. This is no longer best practice, so please don't do this.

All investor rewards information will be available on the Birchal platform. If there is not enough room in the "Investment rewards" card on the Birchal platform, you can upload a separate one-page "Investor Rewards" document to the Investment Documents section. See our <u>Investor Rewards guide</u> for an example.

3.4 What can I do with my shares?

Shares in the Company are considered illiquid as they cannot easily be transferred or sold.

However, there are numerous possible circumstances that may create an opportunity for shareholders to exit their investment in the Company. These include:

- A trade purchase of the Company
- A listing on a registered stock exchange (eg the ASX)
- A private equity investment in the Company
- A share buy-back by the Company

There is no guarantee that any of the exit options will eventuate.

3.5 Details of previous CSF offers

[Example only. Delete this section if not relevant]

On [Open Date], the Company made a CSF Offer on the Intermediary's platform.

Under that CSF Offer, the Company offered up to [###] ordinary shares at a [###] share price. The CSF Offer was successfully completed and the maximum subscription amount was raised.

Under that CSF Offer, the directors of the Company were [##].

GUIDANCE

SECTION 3.5: DETAILS OF PREVIOUS CSF OFFERS

Who this applies to

You must provide a description of all previous CSF offers (if any) made by:

- The Company
- Any other company in which the Company's directors or senior managers were appointed (at the time of that CSF offer) as a director or senior manager
- Any related parties of the Company
- Any other company controlled by (at the time of the CSF offer) a person that 'controls' your company (e.g. controlling shareholders)

Required disclosure

You must disclose the following details about the previous CSF offers:

- who made the offer and when
- a description of the outcome of the offer (e.g., whether the offer was complete and the minimum subscription amount was raised, or whether the offer was unsuccessful).

If this does not apply, you can remove this subsection.

Section 4: Information about investor rights

4.1 Cooling-off rights

If you are a retail investor, you have the right to withdraw your application under this Offer and to be repaid your application money. If you wish to withdraw your application for any reason (including if you change your mind about investing in the Company), you must do so within five business days of making your application (**Cooling-off Period**).

You must withdraw your application via the Intermediary's platform. You will be able to withdraw your application within the Cooling-off Period by following the link and the instructions within your portfolio on the Intermediary's platform.

After your withdrawal has been processed, the Intermediary will refund the application money to your nominated account as soon as practicable.

4.2 Communication facility for the Offer

You can ask questions about the Offer on the communication facility available on the Intermediary's platform. You can also use the communication facility to communicate with other investors, with the Company and with the Intermediary about this Offer.

You will be able to post comments and questions about the Offer and see the posts of other investors on the communication facility. The Company and/or the Intermediary will also be able to respond to questions and comments posted by investors.

Officers, employees or agents of the Company, and related parties or associates of the Company or the Intermediary, may participate in the facility and must clearly disclose their relationship to the Company and/or Intermediary when making posts on the facility.

Any comments made in good faith on the communication facility are not subject to the advertising restrictions in the Corporations Act.

GUIDANCE

SECTION 4.1 & 4.2: INFORMATION ABOUT INVESTOR RIGHTS

In this section, you must include specific information about investor rights, including cooling-off rights and the effect of your company's corporate governance, reporting and audit obligations. This information is essential to ensure that investors understand their rights as potential shareholders in the company.

You should present this information in plain language and from the perspective of retail investors (e.g. consider explaining the practical implications of the reporting obligations).

4.3 Proprietary company corporate governance obligations

4.3.1 Annual report

While the Company is currently a small proprietary company that is not required to prepare annual financial reports and directors' reports, if we successfully complete this Offer, then we will be required to prepare and lodge these annual reports with ASIC (within four months of the financial year end). The Company has a 30 June year end and its financial reports must be lodged by 31 October each year.

Our financial reports are currently not required to be audited as we are a small proprietary company. This means that the Company's financial reports will not be subject to auditor oversight and, therefore, there will be no independent assurance of the Company's financial statements. However, the directors are still required to ensure that the financial statements give a true and fair view of the Company's financial position and performance and that the financial statements comply with the accounting standards. [Update if you are required to have audited accounts]

We may be required to have our financial reports audited in the future if we raise more than \$3 million from CSF offers (including this current offer and any future offers) or otherwise become a large proprietary company.

4.3.2 Distribution of annual report

The Company is not required to notify shareholders in writing of the options to receive or access the annual report. Shareholders will not be able to elect to receive a copy of the annual report by way of email or post. However, shareholders can access the annual report [on the Company's website at the following address [insert link to website]] [on the Company's share registry website at the following address [insert link to website] (free of charge) or can purchase the report from ASIC.

4.3.3 Related party transactions

If we successfully complete this Offer, the rules on related party transactions in Chapter 2E of the Corporations Act will apply to the Company (for so long as we continue to have CSF shareholders). This means that the Company is required to obtain shareholder approval before giving financial benefits to related parties of the company (e.g. directors and their spouses, children or parents), subject to certain exceptions (such as reasonable remuneration provided to directors).

4.3.4 Takeovers

If we successfully complete this Offer and have more than 50 shareholders, the takeover rules in the Corporations Act will only apply to the Company in a very limited way. If someone wants to buy more than 20% of the voting shares in the Company, they will be able to do so without

complying with the takeover rules. This means a person may be able to get control of the Company without making a formal takeover bid to all shareholders or without seeking shareholder approval.

Shareholders will not have the benefit of the full protections under the takeover rules, which means you may not have the right to vote on or participate in a change of control of the company. However, the general principles of ensuring shareholders have sufficient information and time to consider a change of control, and all have a reasonable and equal opportunity to participate in any benefits, will apply to the Company. In addition, the Takeovers Panel has jurisdiction to hear disputes relating to control of the Company.

GUIDANCE

SECTION 4.3: PROPRIETARY COMPANY CORPORATE GOVERNANCE OBLIGATIONS

▲ Important note

The drafting for section 4.3 above is for **small proprietary companies only**.

If you are a public unlisted company - replace section 4.3 with Library 2.

There are certain corporate governance and reporting obligations for proprietary companies that have CSF shareholders. If your company is currently or will be (following a successful CSF offer) required to comply with additional audit, reporting and corporate governance obligations, then you must include a description of the effect of these obligations (as applicable). See Tables 20 & 27 in RG 261 for further guidance.

Annual reporting obligations

Please check out your <u>Dashboard article "Obligations after a CSF Offer"</u> for the Company's ongoing obligation to prepare an annual financial report & directors report after the CSF Offer.

Note: From 1 July 2021 (i.e. for the FY22 reporting period and beyond), there have been changes to the reporting requirements where companies with CSF shareholders will need to refer to AASB1060 when preparing the financial statements (when previously they could refer to AASB1039).

Essentially, the changes require CSF companies to prepare General Purpose Financial Statements. ASIC has introduced 'Simplified Disclosure' and this will still typically include:

- Statement of Financial Position
- Statement of Profit and Loss
- Statement of Cash Flows
- Statement of Changes in Equity
- Comprehensive Notes to Financial Statements
- Director's Report and Declaration

See AASB 2020-2 for more information on these changes.

4.4 Company updates

The Company will provide regular updates to investors on the Company's website at the following address [insert link to website], via the Company's share registry website at the following address [insert link to website] and via the Intermediary's platform.

GUIDANCE

SECTION 4.4: COMPANY UPDATES

Communicating with your new shareholders is really important to ensure a positive, ongoing relationship. Consider including information about where shareholders can access ongoing information about your company (e.g. company updates).

Please check out these Dashboard checklists:

- Obligations after a CSF Offer
- Communication with shareholders

Glossary

Company means {{CompanyName Pty Ltd / Ltd}} ACN {{CompanyNumber}}

Cooling-off Period means the period ending five business days after an application is made under this Offer, during which a retail investor has a right to withdraw their application and be repaid their application money

CSF means crowd-sourced funding under Part 6D.3A of the Corporations Act

Intermediary means Birchal Financial Services Pty Ltd ACN 621 812 646 AFSL 502618

Maximum Subscription means the amount specified in this CSF offer document as the maximum amount sought to be raised by the Offer. The Maximum Subscription is subject to rounding based on the share price of the Offer.

Minimum Subscription means the amount specified in this CSF offer document as the minimum amount sought to be raised by the Offer. The Minimum Subscription is subject to rounding based on the share price of the Offer.

Offer means an offer of fully-paid ordinary shares by the Company under this CSF offer document

Retail investor has the meaning given to the term "retail client" under the Corporations Act

GUIDANCE GLOSSARY

Keep all of these terms in the Glossary - they are used in the Offer Document.

Feel free to add any additional terms.

MTHE END

Well done. You've reached the end!

What follows is the Library of alternative sections and drafting suggestions - only include them if relevant.

Send across your draft Offer Document to Birchal for review and we'll get back to you with feedback.

Library 1: Example Risks Library

GUIDANCE

SECTION 2.7: KEY RISKS FACING THE BUSINESS

Set out below is a non-exhaustive list of some common risks that may affect an early stage or start-up company. The risks are presented in no particular order and to be used as a guide.

These risks must be tailored to your company's specific situation. Only include the key risks that affect your business model (i.e. is your ability to operate the business & make money affected by weather, digital advertising costs, a key contract with a supplier or licence holder)?

Risk	Description
Cash flow risk	The Company's operating activities involve a series of cash inflows and outflows. Although the Company seeks to manage its cash flow efficiently, there is a risk that the Company may not have sufficient cash or working capital, at times, to fund both its operations and its expansion plans. This could affect the Company's profitability, future prospects, and its ability to meet its business objectives.
Funding risk	The Company is in the process of raising capital to fund its operations and growth. There is a risk that the Company may not be able to secure sufficient funding as required. In the event that the Company fails to raise the necessary capital on acceptable terms, or at all, it may have a material adverse effect on the Company's business operations, financial condition, and prospects. This could include the need to significantly reduce operating expenses, delay or abandon strategic initiatives and expansion plans, or cease operations entirely.
Funding risk	The Company is in the process of raising funds to achieve its strategic business objectives and to cover its projected operating expenses. The Company may not raise all of the required funding and therefore not achieve all of its business objectives. The Company may also need to raise additional funds in the future from investors or third parties. There is no assurance that the Company will be able to obtain additional rounds of funding on substantially the same terms as outlined in this Offer Document or at all. The Company's value
	may be materially affected if the required additional funding is not available.

Competition risk	The Company operates in a highly competitive market, with several known competitors [#domestically and internationally], and [#moderate/low] barriers to entry that could give rise to new and unknown competitors. There is a risk that existing competitors as well as new competitors, will have greater access to capital, economies of scale, resources and distribution compared to the Company. If the Company is unable to successfully compete with existing and/or new competitors, this would have a negative impact on the revenue, profitability and future prospects of the business.
Insolvency risk	The Company is not yet profitable. The Company is seeking to obtain further funding to achieve its objectives. There is no guarantee that funding will be available on favourable terms or that the Company will receive any level of funding at all.
Key person risk	As an early stage business, the Company is susceptible to the loss of key team members as they are considered critical to the continued success of the Company. If a key team member was lost, due to illness for example, this could significantly affect the Company's ability to continue its operations or achieve its business objectives as the case may be.
Technology risk	The Company uses a number of sales, marketing and member communication technology solutions. Despite the Company's measures to effectively manage these systems and risks, if any of these technologies were to fail without notice, it could interrupt the Company's ability to sell or communicate with customers, which could have a direct impact on revenue and profitability. ###
	In an online environment, there is a risk of loss, theft or malfunction of customer data. While systems are in place to protect customer data, the failure of these systems, without notice, could interrupt the company's ability to sell or communicate with customers and meet its regulatory obligations.
Cyber risk	The company is built on a technology platform of custom software and third party services. The information it holds about [##users] must be protected at all times and the services must be always available.
	While the company uses industry standard practices for data security and service integrity, attacks by third-parties on the platform are a possibility and pose a risk to business continuity.

Startup risk	The Company [#is a pre-revenue startup/ has a limited operating history] and will build the business with the funds raised through this crowd-sourced funding offer.
	As an early stage business, the Company is subject to all of the risks associated with early stage companies, including uncertainty around the volume and origin of revenue streams, size and existence of repeat customers, and risks associated with evolving technology. In particular, the Company is not yet profitable and is yet to generate revenue through certain anticipated revenue streams.
	The commercial success of the business will depend on many factors including the Company's ability to attract and retain quality staff and loyal customers.
Brand risk	If the Company does not maintain consistent levels of quality and service in its offering, the Company's brand and reputation could be damaged. In an increasingly connected world, damage to a company's brand and reputation can be catastrophic. The Company is acutely aware of this risk and is vigilant to ensure that it maintains a consistently high level of product quality and customer service.
Business model risk	The Company is at the proof-of-concept stage of the business cycle. As such, it carries the risks of a start-up business. Given the limited trading history of the company, no assurance can be given that the Company will achieve commercial viability through the implementation of its business plan.
Regulatory risk	The Company has not yet received regulatory approval to sell our product in Australia or in any overseas jurisdictions. Our growth strategy depends on obtaining approvals from the relevant regulatory authorities. The Company has applied to [##] and is awaiting a response.
	There is no guarantee that we will receive all necessary regulatory approvals and we cannot predict with certainty the timelines for such approvals, or whether other requirements may be imposed by regulatory authorities (e.g. further requirements to prove the effectiveness of our product).
Intellectual property risk	The protection of the Company's intellectual property is critical to our business and commercial success. If we are unable to protect or enforce the Company's intellectual property rights, there is a risk that other companies will copy our product and technology, which could adversely affect our ability to compete in the market.

Outsourcing risk	The Company's business structure also involves several outsourced functions. If the providers of these services ceased working with the Company, they would need to be replaced. A failure to replace a suitable provider on suitable terms may have a significant adverse impact on the Company's operations and ability to execute its plans.
Key contract risk	The Company relies on key contracts with third parties to [#produce, design, manufacture and maintain the products it sells]. Early termination by a counterparty of a key contract would materially affect the ability for the business to continue its operations if a suitable replacement was not found.
Supply chain risk	Disruption to the Company's supply chain could affect the Company's ability to produce inventory at commercially acceptable cost, and in a timely manner, which would have a direct impact on the Company's revenue and profitability.
Manufacturer and third-party risk	The Company contracts with third party manufacturers and does not itself produce its products. Early termination by a counterparty of a key contract would materially affect the ability for the business to continue its operations if a suitable replacement was not found. [Although, the production of the Company's products is specialised, the Company is confident that it could work with alternate manufactures if necessary. Importantly, the Company's product formulations are owned by the Company and are not exclusive to any third-party manufacturer.] The Company relies on third-party providers to facilitate shipping and other critical components of its business model. If the cost of such services increases or availability of such services diminishes, the Company's profitability will be negatively impacted in the short term while it transitions to alternative arrangements.
Raw material risk	The Company's products utilise formulations involving ingredients derived from ###. The Company does not itself harvest ####. Accordingly, the Company is reliant on accessing supply from third party suppliers and ensuring that there are supply agreements in place that align with the Company's growth trajectory. The Company is aware that any changes to the wholesale market with respect to the supply and/or demand of ### used to manufacture the Company's products will impact the Company's cost of goods sold and ultimately its profitability. [Additionally, as there are no like for like substitutes, if the availability of raw material of #### was to become limited or delayed (for example due

	to environmental issues or regulatory issues), the Company may not be able to procure the production of some of its products.]
Recruiting risk	Attracting, training and retaining staff in [#new geographies / our industry] with a high skill level and plenty of experience can be difficult. The Company may fail to attract key personnel that are critical to the Company's growth and performance. Any delay in recruiting key personnel (or any failure to hire), may have a significant adverse impact on the management of the Company, and may, in turn, have adverse impacts on financial performance.
Limited trading history	The Company has limited trading history as it is at the proof-of-concept stage of the business cycle. As such, it carries the risks of a start-up business. Given the limited trading history of the Company, no assurance can be given that the Company will achieve commercial viability through the implementation of its roadmap.
Project risk	The Company is undertaking a significant project to expand the business. As with any expansion project, there are risks that the new initiatives and programs may not perform as expected, or the project team does not execute effectively. The failure of this project could affect the Company's profitability and the future prospects of the business.
Legal or regulatory risk	The Company operates in a highly regulated industry. [Political, taxation, economic, legislative or regulatory change][Changes to ## laws or regulation] in Australia or in other countries where the Company operates may have a material adverse effect on the Company's operations.
Ability to scale	If costs to achieve the Company's targeted revenue growth are more than estimated, the profitability of the company may be reduced and/or the company may have insufficient cash reserves to achieve its planned product rollout.
Currency risk	The Company has significant operations in Australian and [insert]. A negative movement in the Australian dollar against [insert currency] which is not sufficiently hedged may negatively affect the margins and profitability of the Company.
Distribution risk	The Company relies on third party distributors and vendors to sell its product. If suitable third parties are not found on favourable terms, this may negatively affect the margins and profitability of the Company.

Market risk	There is unproven market demand for the Company's [#product / service]. The commercial success of the business will depend on many factors including the Company's ability to attract and retain loyal customers.
Brand relevance risk	Consumer tastes and preferences change. What is popular and fashionable today may not be popular and fashionable tomorrow. If the Company's brand loses popularity, this could affect the Company's future prospects and longevity.
Decline in popularity risk	The [#insert] industry is growing at a rate that may become unsustainable in the future which means that some businesses will fail. There is also a downward trend in overall [in #insert e.g. beer consumption] in Australia.
Reliance on third parties	The Company relies on third party providers for software/hardware/parts/services. As such, the Company cannot guarantee the service/availability/quality of the third party/ies.
Cost of customer acquisition risk	The Company operates in the [###] industry which is a highly competitive market. Competitive pressures may increase the cost of acquisition for each order. A significant increase in the cost of acquisition will substantially impact profitability and could even turn the company into a loss making enterprise.
Dilution risk	If, in the future, the Company undertakes further funding activities, a shareholder's interest may be diluted (if they do not participate in future fundraising).

Library 2 - Section 4.3 Replacement for Public Companies

4.3 Public company corporate governance obligations

GUIDANCE

SECTION 4.3: UNLISTED PUBLIC COMPANIES

If you are an unlisted public company, replace Section 4.3 of the template with this section.

Amend as appropriate for your Company.

4.3.1 Annual general meetings

The Company is required to hold an annual general meeting (AGM) at least once in every calendar year and within 5 months from the end of the Company's financial year, being 30 June.

At the AGM, shareholders will be provided with an opportunity to directly question the directors and management in an open forum about the management, business operations, financial position or performance of the Company.

4.3.2 Annual report

The Company is required to prepare an annual financial report and directors' reports at the end of each financial year and lodge these with ASIC (within four months of the financial year end). The Company has a 30 June year end and its financial reports must be lodged by 31 October each year.

The Company is required to have its financial reports audited, which provides independent oversight over the financial affairs of the Company.

The directors of the Company are also required to make a declaration that the financial statements give a true and fair view of the Company's financial position and performance and that the financial statements comply with the accounting standards.

4.3.3 Distribution of annual report

Shareholders can access the annual report [on the Company's website at the following address [insert link to website]] [on the Company's share registry website at the following address [insert link to website] (free of charge).

Library 3 - ESIC Supplement

GUIDANCE

SECTION 3: EARLY STAGE INNOVATION COMPANY

If you qualify as an Early Stage Innovation Company (ESIC), you might consider including information about the tax implications for investors applying for shares under the CSF offer, including their eligibility for tax incentives that may be available for investing in qualifying early stage innovation companies (if applicable to you). This information may be useful and relevant for investors when deciding whether to participate in an offer. However, it should be accompanied by a statement advising investors to seek their own professional tax advice. An example is set out below but should be discussed with your advisors and tailored for your circumstances.

See the Tax Laws Amendment (Tax Incentives for Innovation) Act 2016. Further information is available on the Australian Taxation Office website—see <u>Tax incentives for early stage investors</u>.

If relevant, you can include this section at the end of <u>Section 3</u>. If you are not confident that the Company qualifies as an ESIC, we strongly recommend that you do not include this section.

3.# Early Stage Innovation Company

From 1 July 2016, if you invest in a qualifying early stage innovation company (**ESIC**), you may be eligible for tax incentives. The incentives provide eligible investors, who purchase new shares, with:

- a non-refundable carry forward tax offset equal to 20% of the value of their qualifying investments. This is capped at a maximum tax offset amount of \$200,000 for sophisticated investors and their affiliates and \$50,000 for retail investors and their affiliates.
- a modified capital gains tax (CGT) treatment, under which capital gains made or accrued
 on qualifying shares that are continuously held for at least 12 months and less than ten
 years are exempt from CGT. Capital losses made or accrued on shares held less than
 ten years are also disregarded.

More information about the ESIC regime is available from the ATO website here.

Based on [an ATO private ruling][an objective self-assessment with the assistance of advisors], the Company has assessed itself and believes that it meets the criteria as a qualifying ESIC for the purposes of this Offer. Investors who purchase new shares in qualifying ESICs may be eligible for certain early stage tax incentives.

The Company does not warrant or guarantee that it will qualify under relevant rules as an ESIC, and is not able to form a view or give investors tax advice as to whether they are eligible for any tax incentives. Neither the Company nor Birchal Financial Services Pty Ltd take any responsibility for investors that invest on the assumption that ESIC will apply to them or the Company. We recommend that investors seek independent tax advice about their investment.

Library 4 - Forecasts / forward-looking statements / prospective financial information

GUIDANCE

PROSPECTIVE FINANCIAL INFORMATION / FORECASTS / FORWARD-LOOKING STATEMENTS

This is an important topic if you plan to include prospective financial information in your Offer Document (and associated materials). If prospective financial information is not managed carefully there is a risk that statements in the Offer Document (and associated materials) will be too speculative and misleading. ASIC has issued guidance on including prospective financial information in disclosure documents. Please see RG170.

What is prospective financial information

Prospective financial information is broad and includes forecast financial statements, revenue targets, profit targets, timelines, run rate calculations, customer acquisition targets, financial estimates, statements about future matters like listing on the ASX and other forward-looking statements.

When / how can prospective financial information be properly incorporated

The Offer Document should only include prospective financial information if there are "reasonable grounds" for their inclusion - otherwise, the information will be misleading.

What is "reasonable grounds"

"Reasonable grounds" means there must be a sufficient objective foundation for the statement. Indicative factors for reasonable grounds include:

- the information is underpinned by an independent expert/accountant's report
- the information relates to contracts that lock in future expenses and revenue
- for existing businesses, the information includes reasonable short-term estimates (see below)

Statements that are speculative, based on hypothetical assumptions or opinion or based on certain contingencies may not indicate reasonable grounds and may be considered misleading.

If you have reasonable grounds to include forecasts or other prospective financial information in the offer document, then ASIC expects the key assumptions and methodologies used to develop the information to also be disclosed in the Offer Document.

Reasonable short-term estimates

For existing businesses (i.e. with trading history), a commonly-used method to demonstrate reasonable grounds for including prospective financial information is by including reasonable short-term estimates. ASIC has issued guidance (in RG170) that short-term estimates (not exceeding two years) relating to an existing business and based on events that management reasonably expects to take place or actions management reasonably expects to occur may establish reasonable grounds for disclosing prospective financial information in an Offer Document.

ASIC generally considers that prospective financial information for a period of more than two years may require independent or objectively verifiable sources of information to establish that there are reasonable grounds to provide it. However, for an existing business preparing a statement on estimates for up to two years, ASIC will generally not regard as necessary independent verification if there otherwise appear to be reasonable grounds to make the statement. Directors should state why they believe the information is objectively reasonable.

ASIC may still take action on a statement on estimates for up to two years if they believe there are no reasonable grounds to provide it.

Technical terms

Using terms like 'forecasts' may imply that their contents are calculated in accordance with auditing or accounting standards. The term 'forecasts' has a particular accounting meaning. The use of that or other technical terms should not be misleading to investors. You should ensure that the use of any technical terms is adequately explained.

Approach

We consider a useful approach is to identify some key metrics in your business and to state your assumptions for how these metrics will grow within the next 12 - 24 months, provided you have a reasonable basis for this. In this way, you can focus an investor's attention on your assumptions for the outlook period, and invite them to make an assessment of your assumptions themselves.

Also, when presenting prospective financial information such as profit or assets, including a range may reduce the risk that investors will place undue weight on the information (as may occur with a single point estimate).

Examples of bad practice

Examples of misleading content & presentation include:

- statements about a future matter ('forward-looking statements') e.g. sales or production targets, where there are no reasonable grounds for making the statement
- forward-looking statements that are speculative or based only on hypothetical assumptions or opinions
- prospective financial information e.g. forecasts and projections of future revenue, profits or costs,
 where there are no reasonable grounds for that information
- only disclosing part (but not all) of the information material to a matter e.g. stating the company's
 revenue figure for the most recent financial year but not explaining that part of this revenue was due
 to a one-off transaction that is unlikely to occur again in the future
- giving undue prominence to positive information and key benefits in a way that is potentially misleading
- not giving sufficient prominence to important risks in a way that creates a misleading impression that investors do not need to pay much attention to the risks
- using revenue run rate without explaining the assumptions and methodology or using a reasonable period for the projection
- stating you will list on the ASX in the next 12-24 months without having taken any significant steps (eg engagement with the ASX).
- speculating on investor returns, "win-win investment", "great deal"
- using total transaction value (TTV) as a representation of revenue (without explanation)

Examples of good practice

Check out these example Offer Documents:

- Pokit Ventures
- Birchal
- Seabin Project
- Thrive (Thriday)

DISCLAIMER

This Birchal CSF Offer Document template is provided to assist you & your team to prepare your Offer Document. You may copy, distribute or modify this template for your internal business purposes only.

While great care has been taken to prepare this template, Birchal makes no warranty as to the accuracy or completeness of this template.

This template does not take into account your company's specific situation. You are responsible for all content in your Offer Document, including appropriate disclosure and aesthetics.

You should refer to ASIC's RG 261, the Corporations Act 2001, Corporations Regulations 2001 and consult with your professional advisers on all aspects in relation to your Offer Document.