



# MERCHA HOLDINGS PTY LTD CROWD-SOURCED FUNDING OFFER DOCUMENT

**Offer of fully-paid ordinary shares in Mercha Holdings Pty Ltd  
at \$0.95 per share to raise a maximum of \$1,500,000.**

**3 September 2024**

This crowd-sourced funding (CSF) offer document relates to the Offer of fully-paid ordinary shares in Mercha Holdings Pty Ltd

This Offer is made under the CSF regime in Part 6D.3A of the Corporations Act 2001 (Corporations Act).



**Issuer** — Mercha Holdings Pty Ltd ACN 654 534 522

**Intermediary** — Birchall Financial Services Pty Ltd ACN 621 812 646 AFSL 502618

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

# Table of contents

<b>Section 1 - Risk Warning</b>	3	<b>Section 3. Information about the offer</b>	28
<b>Section 2 - Information about the Company</b>	4	3.1 Terms of the offer	28
Letter from the founders	4	3.2 Use of funds	29
2.1 Company details	5	3.3 Rights associated with the shares	30
2.2 Our business	6	3.3.2 Voting rights	30
2.2.1 Opportunity overview	6	3.3.2 Dividends	30
2.2.2 Milestones and timelines to date	8	3.3.3 General meetings and notices	30
2.2.3 Vision, Mission and Credentials	8	3.3.4 Election and removal of directors	30
2.2.4 Our products & services	9	3.3.5 Winding-up	31
2.2.5 Industry overview / competitor landscape	10	3.3.6 Restrictions on sale and transfer	31
2.3 Business and revenue model	11	3.3.7 Pre-emptive rights / anti-dilution on issue of shares	32
2.4 Business strategy	12	3.3.8 Amendments to the Constitution	32
2.4.1 Organisational structure	13	3.4 What can I do with my shares?	32
2.4.2 Directors & Advisors	14	<b>Section 4. Information about investor rights</b>	33
2.4.3 Our Leadership Team	15	4.1 Cooling-off rights	33
2.4.4 Group structure	15	4.2 Communication facility for the Offer	33
2.6 Capital structure	16	4.3 Proprietary company corporate governance obligations	34
2.6.1 Issued capital (before and after the Offer)	16	4.3.1 Annual report	34
2.6.2 Rights and liabilities associated with securities	17	4.3.2 Distribution of annual report	34
2.6.3 Sources of financing, including debt financing and other financing	18	4.3.3 Related party transactions	34
2.7 Key risks facing the business	19	4.3.4 Takeovers	35
2.8 Financial information	21	4.4 Company updates	35
2.8.1 Statement of Profit & Loss	22	<b>Glossary</b>	36
2.8.2 Consolidated Balance Sheet	23		
2.8.3 Cash flow statement	24		
2.8.4 Statement of changes in equity	25		
2.8.5 Management Commentary	26		

# 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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*NOTE: Promotional Products is our industry. Company branded promotional products, branded merchandise or simply merchandise (merch!) is what we sell*

## Section 2. Information about the company

### Letter from the founders

Mercha passed many milestones in FY24. We grew revenue 132% to \$2.9m, launched our first SaaS subscription revenue stream and delivered over a thousand orders to our delighted customers, all while increasing gross margins by 5.8ppts to 33%.

Yet, in 2.5 years we have only begun to unlock this vast market opportunity. Our story is one of **digital disruption** of a sleepy, backwards A\$127B<sup>1</sup> industry that is stuck in the 70s.

#### Problem

Merch is messy. From the painful, manual process to procure, manage and distribute it to the overwhelmingly poor quality of the branded products most distributors sell. Our valued business customers include Amazon, Uber and Airwallex (to name a few) and tell us daily how much better we have made their lives with our 'Easy As' online order process, high quality products and exceptional customer service. The numbers don't lie: 36% of orders in FY24 came from existing customers while our customer satisfaction score is reflected in our 4.8 out of 5 star rating.

#### The Digital Destination

Online commerce is not new for consumers but for businesses this wave is only beginning to build.

Do you remember a time when you had to walk into a bricks and mortar store to buy furniture? No longer, there is Temple & Webster. Fashion? You can still go to David Jones but perhaps not for much longer when there is The Iconic? No one has tackled this painful problem for merch. Until now.

Our core buyers are younger, planet conscious digital natives who expect an exceptional online purchase experience and we are obsessed with making sure they get it. Our B2B technology empowers big and small businesses with a branded merch solution that delivers sustainable merch choices<sup>2</sup>, outstanding user experience, value and delight.

The result? What took hours or days of painful, manual back and forth is now a matter of minutes online.

And this is only the start. The [mercha.com.au](https://mercha.com.au) you see today is step one in our tech led product road map. The vision for our B2B technology platform is to deeply embed Mercha within our clients' businesses – from SME to Enterprise.

We seek funds to accelerate our customer acquisition growth and build further SaaS platform features that have the potential to position Mercha as the 'default' choice and market leader for merch in Australia, APAC and beyond.

The fire is already burning hot. Your investment in Mercha will add fuel to the fire and this may be the only chance you have to get in early.

The opportunity to win is **ours** and the time is **now**. Join us in revolutionizing the A\$127B\* (A\$2.2B in Australia alone) Promotional Products industry and driving radical growth.

Yours sincerely



Mercha Co-Founders

[1] <https://www.beroeinc.com/category-intelligence/promotional-items-market/>

[2] <https://www.giftafeeling.com/pages/promotional-products-statistics-2023>

## 2.1 Company details

This offer of shares is made by Mercha Holdings Pty Ltd ACN 654 534 522 (Company).

Company name	Mercha Holdings Pty Ltd
ACN	ACN 654 534 522
Date of incorporation	15 October 2021
Registered office address	Level 9, 140 Arthur St, North Sydney NSW 2060
Principal place of business address	1/929 Kingsford Smith Drive Eagle Farm QLD 4009
Directors	Benjamin Robert Read, Samuel Scott Hardy
Company secretary	Samuel Scott Hardy
Subsidiary	Mercha Operating Group Pty Ltd (100% wholly-owned)
Share registry	Cake Equity <a href="https://www.cakeequity.com/">https://www.cakeequity.com/</a>
Website URL	<a href="https://www.mercha.com.au">https://www.mercha.com.au</a>

## 2.2 Our business

### 2.2.1 Opportunity overview

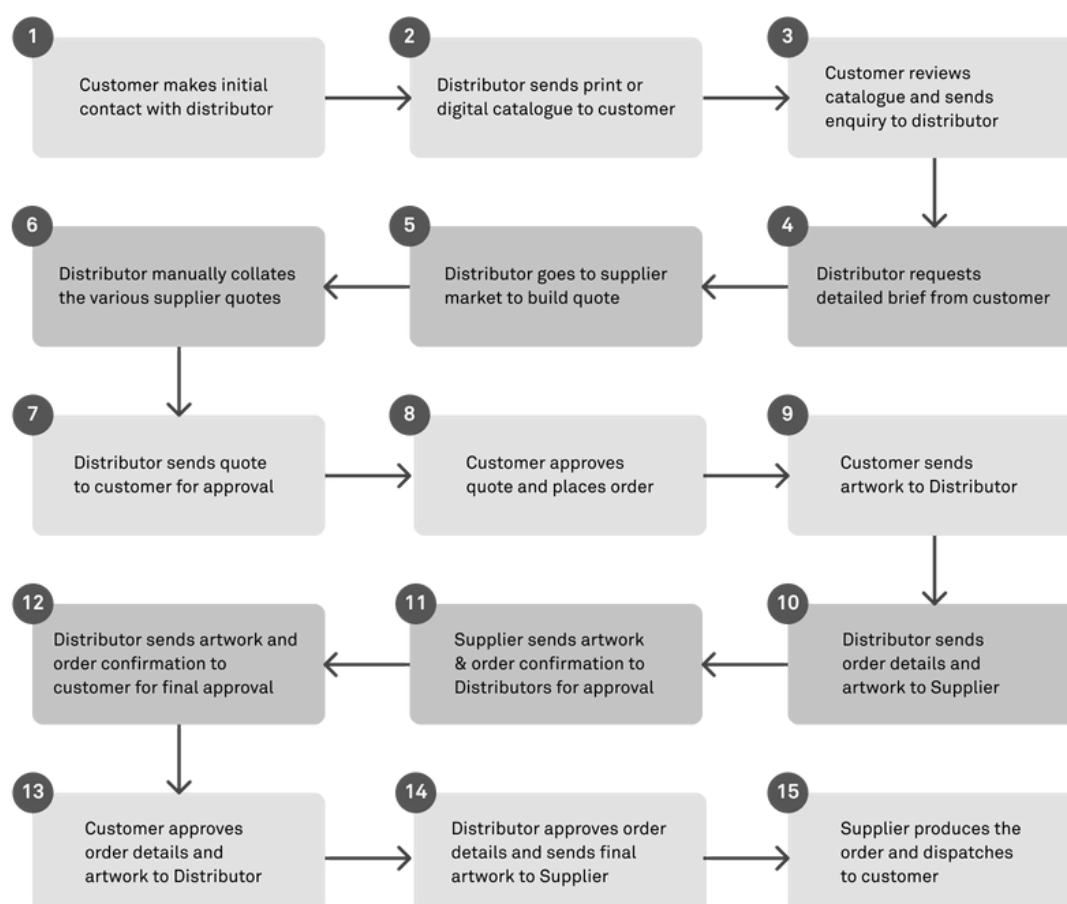
Merch is everywhere - like everywhere.

At your local pub, in your gym, at your team's football game, on your worksite, in your coffee shop, in your office.

Branded merchandise (merch!) is one of the most effective ways to build your brand, sustainably<sup>1</sup>... and every business does it!

The problem business customers face when ordering is the process of actually getting quality branded merchandise (your merch) into the hands of their teams, customers, event recipients and sales prospects.

#### The Old-School Offline Order Process is Cumbersome



The Promotional Products (Promotional Products = Branded Merchandise) industry is highly fragmented with thousands of old-school offline operators. Despite its massive scale, the procurement and management process remains cumbersome and time-consuming, leaving customers and suppliers deeply frustrated and lacking control.

[1] <https://www.mercha.com.au/pages/mercha-sustainability-statement>



At [mercha.com.au](https://mercha.com.au), we have built a leading B2B technology platform that automates and streamlines the purchase, supply and distribution of quality made branded merchandise that's meant to be worn out, not thrown out. In other words, merch that you and your team will actually want to keep.

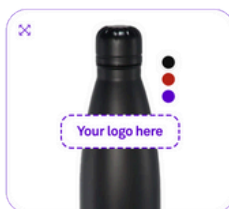
### Mercha makes ordering merch 'easy as'



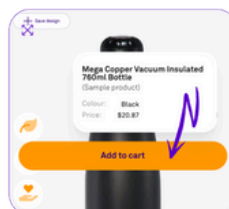
1 / Customer browses our online curated range



2 / Customer selects item



3 / Customer uploads logo



4 / Customer places order



5 / Mercha works with supplier. Order is dispatched direct to customer

We do not want our customers' brands ending up in landfill and neither should you. We are committed to providing only high-quality sustainably made products that are made to last and made fairly.

### Our values apply to how we source, sell and run our business



#### Sustainable

This is **very** important to us:

Wherever possible, merch must be made from sustainable materials that are abundant. Recycled material or material that can be recycled.



#### Made to Last

The promotional merchandise industry is rife with cheap, disposable, pre-landfill junk.

**We don't support it and we won't stock it.**

We use our industry knowledge to guide us in choosing only the best products. After all, merch that lasts is inherently more sustainable.



#### Made Fairly

We hand pick the suppliers we work with because they treat their people and supply chains **fairly**.

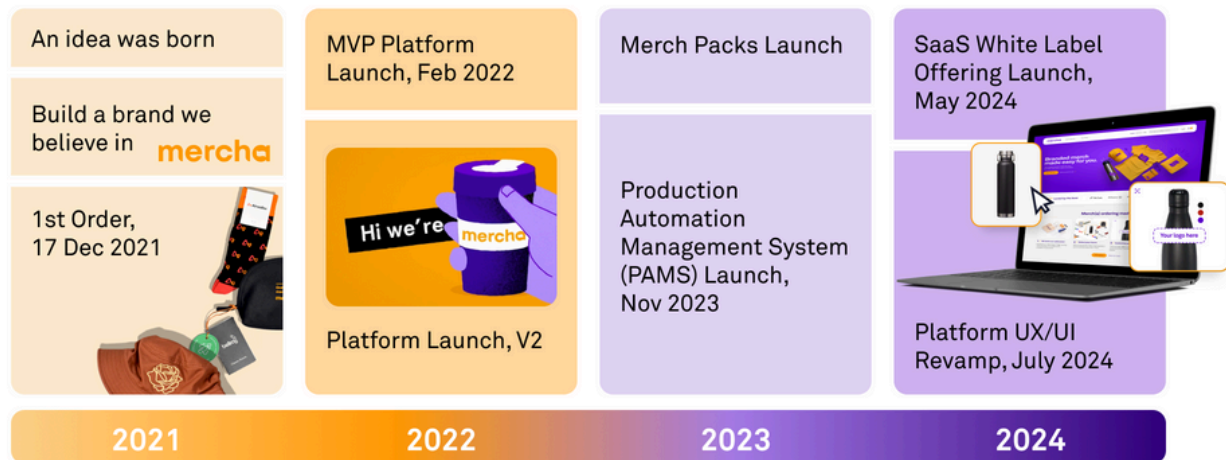
Those who produce the merch we sell must be paid fairly and their community improved, not trashed.

Our goal is to simplify and automate the industry and become the **default** platform for branded merchandise for businesses of all shapes and sizes to buy, store and distribute quality promotional merchandise in Australia and beyond.

We are seeking additional capital to accelerate our customer acquisition growth and build further platform features that have the potential to position Mercha as the default choice and market leader for branded merchandise.

## 2.2.2 Milestones and timelines to date

Since Jan 2021 when the Founders placed their initial investments in Mercha, there have been many highlights.



Since Mercha's MVP Platform launch in February 2022, we have:

- Delivered over **400,000** company branded merch products
- Processed more than **2,000** orders
- Delighted over **1,400** customers
- Generated over **\$4.5 million** in cumulative net revenue

In FY24, we achieved **132% year-over-year revenue growth**, reaching **\$2.9 million**—yet we've only begun to unlock this vast market opportunity.

## 2.2.3 Vision, Mission and Credentials

### Vision

*“Our Vision is to be the **destination of choice** for **branded merch experiences** that delight our **customers, partners** and our **planet**.”*

### Mission

*“To empower **big and small businesses** with a branded merch solution that delivers sustainable merch choices, **outstanding user experience**, value and delight.”*



### Credentials

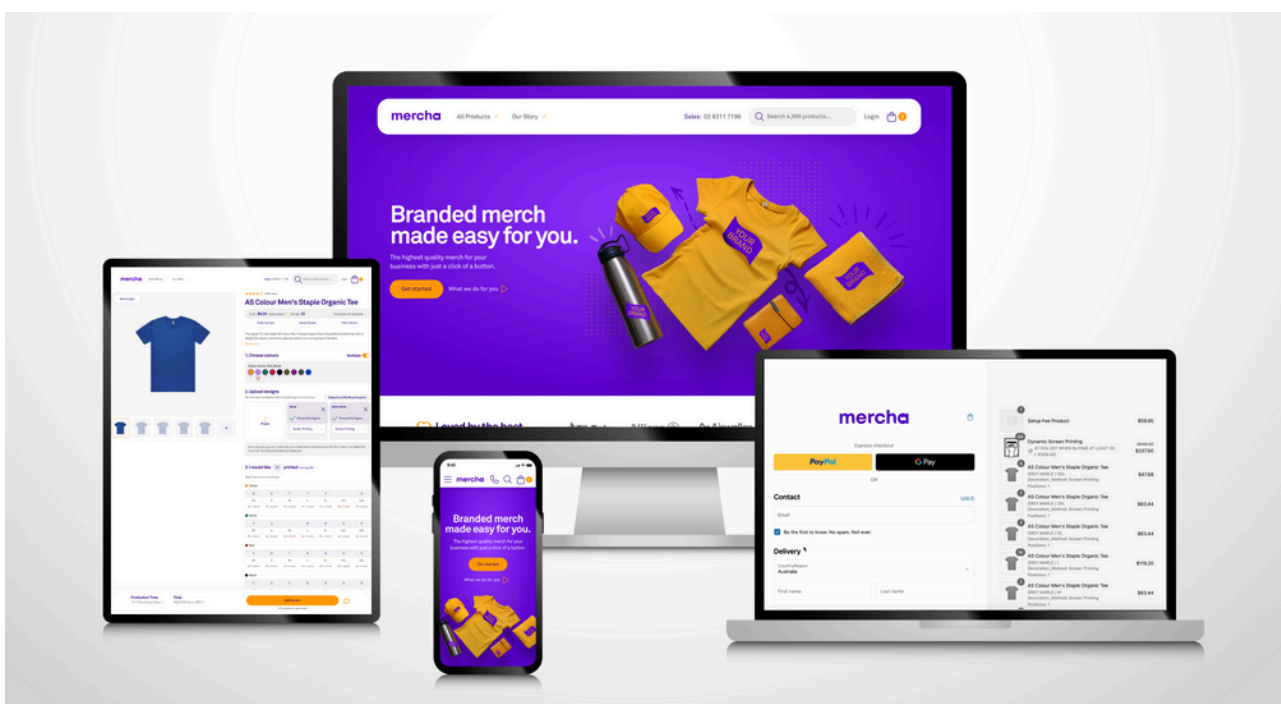
Customers both big and small trust Mercha to be their default platform for their branded merchandise needs for their staff, sales prospects, clients and their corporate events. Our customers include Allianz, Amazon, Coles, Ortto, Klaviyo, Uber, TikTok, Viator, UTS, Wiise, Woolworths, Samsung and many more.



We have also developed a White Label Platform SaaS solution for larger enterprise customers wanting to embed our platform into their organisation and brand. We launched our Proof of Concept with our first customer in May 2024 with a number of other White Label opportunities under discussion.

### 2.2.4 Our products & services

Mercha is a next-generation B2B technology platform that delivers carefully curated branded merchandise products to businesses through a seamless self-service experience.



Combining a high tech, high touch approach to customer service when it's required, our platform helps customers of all shapes and sizes to procure, store and distribute the highest quality branded merch for their businesses with just the click of a button.

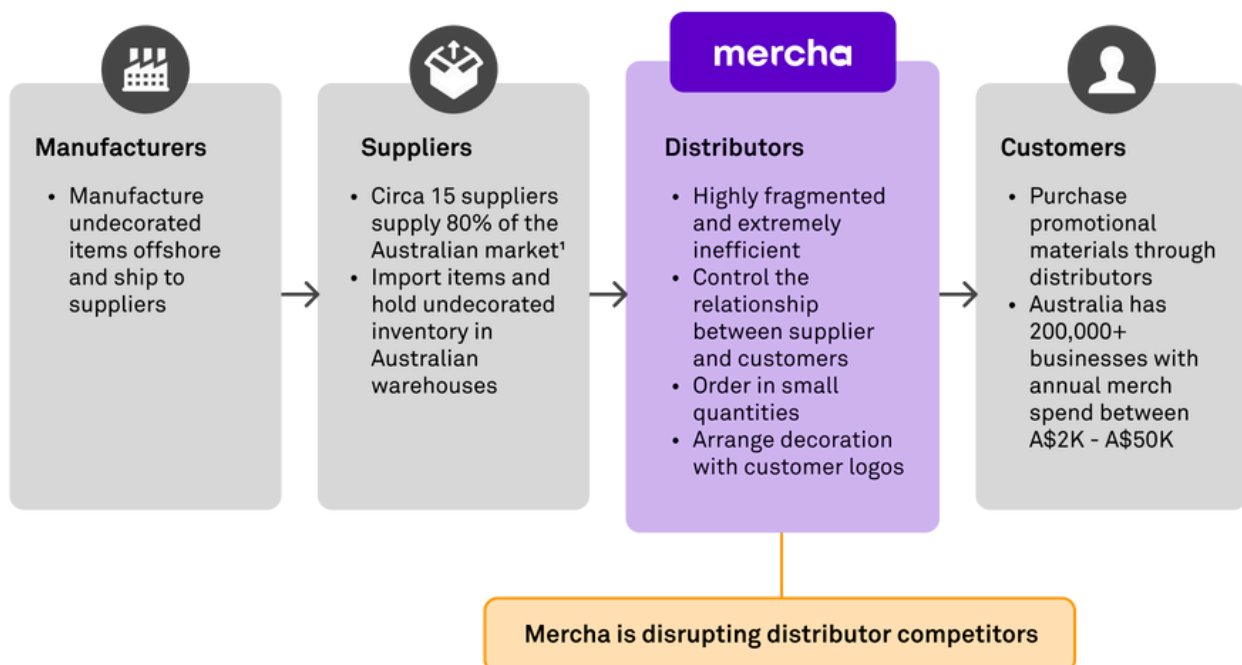
Importantly, Mercha is committed to offering high quality products that are not only made to last but also manufactured with a strong commitment to fairness and sustainability\*. In stark contrast to cheap, single-use items that cheapen customers' brands while ending up in landfill, Mercha's product range operates as a planet positive alternative.

From launching a white label SaaS distribution strategy (May 2024) to API integrations to SaaS storage and automated distribution offerings, Mercha's future tech road map will see us deeply embed ourselves within our clients' businesses, ensuring that all merchandise purchases and management processes operate in the background through the Mercha platform.

Looking forward, Mercha's vision is to become the **default** provider for merch by revolutionizing the current merchandising model.

## 2.2.5 Industry overview / competitor landscape

The Promotional Products market is highly fragmented without a clear industry leader. The market in Australia is segmented into manufacturers, suppliers, distributors, and customers:



Customer feedback suggests that the current Promotional Products industry global market is heavily reliant upon a fragmented distributor market that has produced widespread inefficiencies, opaque pricing structures, low-quality products and user experiences that feature unnecessary manual inputs and extended timelines.

[1] Management estimates from APPA registered members and industry intelligence

Customers are forced to deal with multiple suppliers, manual processes, long lead times and lack of transparent pricing. This leads to inefficiencies and delays in getting the desired products on time and within their budgets.

Suppliers are not in control of their own destiny and are forced to deal with the headaches of dealing with unsophisticated and unreliable distributors.

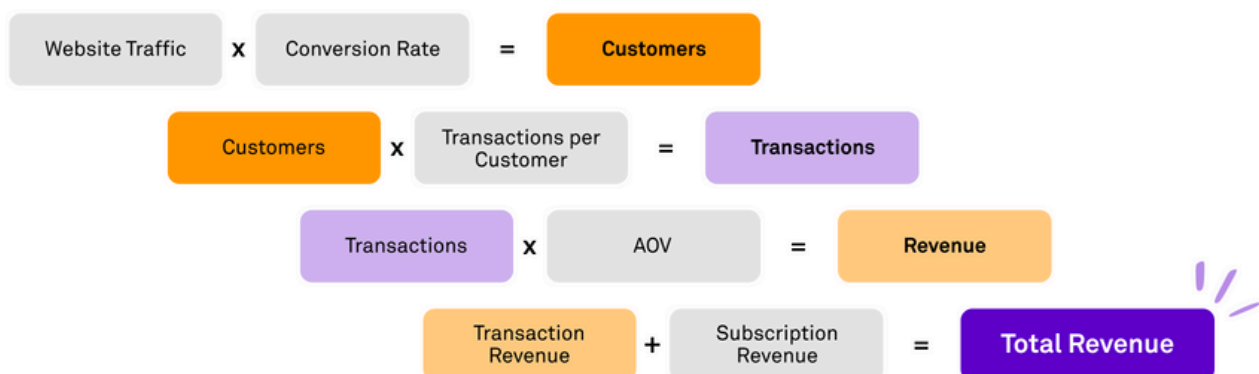
Distributors are everywhere (approx. 1,300<sup>1</sup> distributors in Australia alone) with the biggest holding less than 2% global market share<sup>2</sup>. Our experience suggests that most of these distributors are small, unsophisticated, lack digital presence with limited ability to compete against a well-capitalised technology business, and in most cases, have no succession plan. **A significant number of our direct competitors do not even have a website.** They simply cannot meet the demands of the predominantly online millennial buyers. Mercha is disrupting this distributor segment by making it really easy for companies to buy, store and distribute quality promotional merch they will actually want to keep.

## 2.3 Business and revenue model

Our business model as a B2B technology platform provider is to connect select suppliers with customers and then provide value added services.

Mercha acquires new customers via digital marketing activities and word of mouth, which drive users to our website where they convert to customers via online self service or Customer Success assisted sales activity.

Mercha generates revenue predominantly via products sold on our platform (>99%) with an increasing focus on recurring subscription revenue via SaaS solutions. For example, our White Label SaaS solution, launched in May 2024, contributes <1% of total revenue as subscription revenue but also provides 'locked in' revenue by ensuring that companies using the platform rely on Mercha for all their branded merchandise needs.



[1] Management estimates from APPA registered members and industry intelligence

[2] <https://www.ppai.org/media/ppai-100/>

The key drivers of our revenue model are new customers, average order value (AOV), repeat customers and subscription revenue.

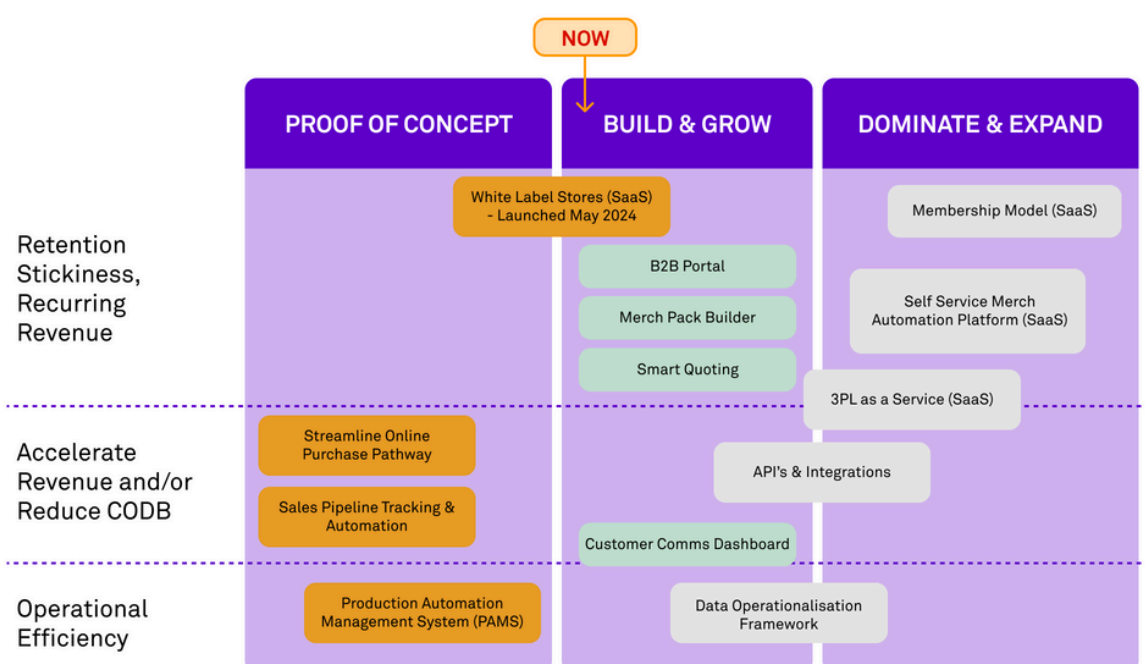
Our business model as a B2B technology platform provider is to connect hand picked suppliers with customers and then provide value added services. Mercha has several structural advantages inherent in our model that are not commonly found in businesses selling physical products. Mercha does:

- not hold any inventory (zero inventory risk) but
- negotiates highly favourable volume based terms with our supply chain partners
- only starts to process an order after payment is received in full (negative working capital model)

## 2.4 Business strategy

As a disruption play, our near-term focus is to accelerate acquisition at the most effective Customer Acquisition Cost while continuing to build out platform features and solutions that aim to solve all of our clients merch problems.

The evolution of our technology platform has the potential to deeply embed Mercha within our clients' businesses – from SME to Enterprise. Our current and future state platform is summarised in the diagram below.



### Smart Quoting

While Mercha's streamlined self-service online customer journey to design and order company branded products is preferred by circa 70% of our customers, quoting is a necessary evil for some organisations where multiple quotes must be sourced for procurement. Our intention is that, once released, Smart Quoting will provide customers with a robust, automated quote with all elements (detailed pricing, mockups, etc.) required in a simple, elegant structure to help expedite their purchase decision.

### Customer Order Communications Dashboard

Customer facing dashboard shows each product in an order at its respective stage in the production process (e.g., order received, order paid in full, artwork ready for approval, artwork approved, order in production, order completed, order shipped - with tracking info.).

### Merch Pack Builder

Enable customer journey to build, quote and order merch packs (e.g., boxed onboarding packs).

### Full Self Service Merch Management Platform

Automate (set and forget), manage and distribute company branded merchandise via online digital solution.

### 3PL as a Service

Store customers' branded merch and distribute on demand via Full Self-Service Merch Management Platform.

### Membership Model (SaaS model)

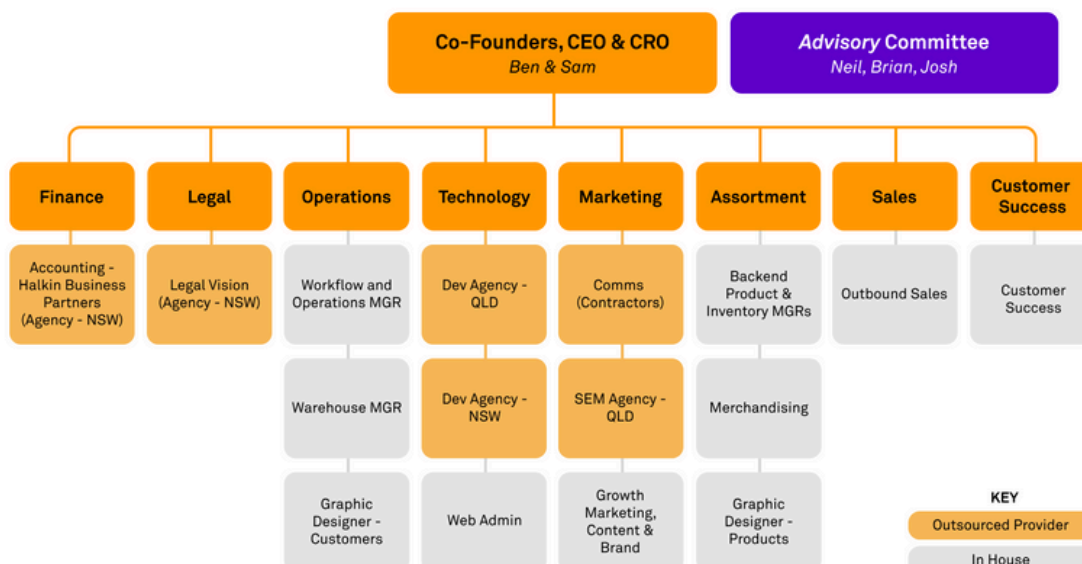
Tiered model with discounted features and benefits available on monthly and annual plans.

### Production Automation Management System (live)

Mercha proprietary order management tool. This advanced technology is the backbone of our operational excellence, enabling us to scale operations significantly and handle a vast volume of orders with remarkable efficiency. PAMS seamlessly converts customer orders into supplier purchase orders with minimal human intervention. By automating this traditionally manual process, we've reduced our average order processing time from 70 minutes to just 6 minutes.

## 2.4.1 Organisational structure

The Mercha organisational structure is outlined below but continues to evolve as the business grows and expands its customer base and operational capability.



## 2.4.2 Directors & Advisors



**Benjamin Read**

### CEO & Co-Founder, Director

**Duties:** Ben has line responsibility for Marketing, Finance, Product and Operations.

#### Skills & Experience:

Ben brings a range of valuable expertise to Mercha as a serial entrepreneur with a background in e-commerce (Benny's Boardroom) entrepreneurship, financial services (Citi), payments (Visa), and management consulting (KPMG Consulting).



**Sam Hardy**

### CRO & Co-Founder, Director

**Duties:** Sam has line responsibility for Sales and Customer Success.

#### Skills & Experience:

Sam is a multi-decade industry veteran in the Promotional Products industry spanning North America and Australia. He possesses an innate understanding of supply and customer dynamics.



**Neil Helm**

### Founder Investor & Advisor

**Duties:** Advisor, Advisory Committee

#### Skills & Experience:

Financial services executive with 30+ years of experience in traditional banking and the FinTech space.

Neil was the former CEO of OFX, a leading international Payments Company.



**Brian Shanahan**

### Founder Investor & Advisor

**Duties:** Advisor, Advisory Committee

#### Skills & Experience:

CFO of eBay Australia, MD of Gumtree International and a co-founder and founding CEO of Temple & Webster.

Brian brings extensive managerial expertise derived from nearly 30 years of experience in corporate advisory, e-commerce and start-ups.



**Josh Ayscough**

### Advisor

**Duties:** Advisor, Advisory Committee

#### Skills & Experience:

Dynamic leader and successful entrepreneur with proven track record of scaling up leading tech businesses (Mosh, Kinela)



### 2.4.3 Our Leadership Team



**Kristin Dredge**

**Customer Success  
Manager**

**Duties:** Customer Success  
Lead

**Skills & Experience:**  
Merch connoisseur with 10+  
years industry experience  
across a variety of roles.



**Katre Bertwistle**

**Workflow &  
Operations Manager**

**Duties:** Operations Lead

**Skills & Experience:**  
Highly detail oriented  
execution master with 10+  
years industry experience.



**Miriam Diiren**

**Growth Marketing  
Manager**

**Duties:** Marketing Lead

**Skills & Experience:**  
Content and growth guru  
with proven creative,  
start-up and industry  
experience.

### 2.4.4 Group structure

Mercha Holdings Pty Ltd is the ultimate holding entity of all assets within the Mercha Group and is the entity in which investors' shareholdings are held. Mercha Holdings Pty Ltd holds a 100% controlling interest in the trading entity Mercha Operating Group Pty Ltd.

## 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 8,920,812 ordinary shares on issue. The majority of shares are held by the Company's founders/directors and founding investors.

The Company has the authority to issue up to 1,128,000 options under Company's Employee Share Option Plan (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**

Shareholder	Share Type	Shares	Options
The Read Family Trust	Ordinary	2,699,748 (29.63%)	Nil
NASA Family Trust	Ordinary	2,041,608 (22.40%)	Nil
The Shanahan Family Trust	Ordinary	1,524,132 (16.73%)	Nil
The Helm Family Trust	Ordinary	1,288,572 (14.14%)	Nil
Shareholders holding <5%	Ordinary	1,366,752 (15.00%)	Nil
ESOP (vested and/or allocated)	Ordinary	191,892 (2.11%)	96,108
<b>Total</b>		<b>9,112,704 (100.00%)</b>	<b>96,108 (100%)</b>

Table 2 below sets out the issued capital of the Company following the Offer on a fully-diluted basis (and assuming all options are exercised)

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

Shares	Minimum Subscription of \$250,000	Maximum Subscription of \$1,500,000
Existing Ordinary Shares	8,920,812 (86.51%)	8,920,812 (76.72%)
ESOP Shares (Issued & Allocated)	288,000 (2.79%)	288,000 (2.48%)
ESOP Shares (Unallocated)	840,000 (8.15%)	840,000 (7.22%)
Offer Shares	263,158 (2.55%)	1,578,947 (13.58%)
<b>Total Shares</b>	<b>10,311,970 (100.00%)</b>	<b>11,627,759 (100.00%)</b>

## 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. The Company has also adopted an Employee Share Option Plan.

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

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

- 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 has the discretion to refuse a transfer of shares to a third party.
- A shareholder with an equity proportion of 1.00% or more of the issued share capital of the Company has pre-emptive rights 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.

### Employee Share Option Plan (ESOP)

The Company has implemented an employee share option plan (ESOP) to attract, retain and incentivise key employees.

As at the date of this CSF Offer Document, the Company has issued and allocated a total of 288,000 options under the Company's existing ESOP, of which 191,892 options have vested and have been exercised by existing participants in the ESOP. 840,000 options under the ESOP remain unallocated.

### Shareholders Agreement

Other than the Constitution, there is no shareholders agreement or other agreement between the existing shareholders of the Company.

## 2.6.3 Sources of financing, including debt financing and other financing

To date, Mercha has been funded through a combination of operating income, equity, loans and grants.

### Equity

To date, Mercha has raised approximately \$692,441 from its co-founders, founding investors, family & friends, and professional investors.

### Shareholders' Loans

To date, shareholders have loaned funds of \$277,002 to Mercha. The Shareholders' Loan accrues no interest, is unsecured and is repayable the earlier of May 2034 or when Mercha completes an exit where the total price equals at least \$15 million.

### Grant Funding

To date, Mercha has received \$251,905 from the Government's R&D Tax Incentive program.

### Debt Funding

Mercha has entered into short-term financing loans from Shopify Commerce Singapore PTE. LTD to supplement working capital and cash flow requirements as needed. As of 30 June 2024, the amount outstanding was \$114,506. Under the terms of the loan, repayments are made as a percentage of daily sales, and it is expected to be fully repaid from daily sales within the next 6 months.

Description - Working Capital Facility #2

Date of Agreement - 1 December 2023

Principal amount borrowed - \$200,000

Interest - \$18,000 fixed fee

Total amount borrowed - \$218,000 (inclusive of fixed interest fee)

Repayments - 13% of daily sales processed through Shopify

Security - unsecured

Amount outstanding as at 30 June 2024 - \$114,506

Description - Working Capital Facility #1 (fully repaid in November 2023)

Date of Agreement - 23 August 2023

Principal amount borrowed - \$100,000

Interest - \$4,000 fixed fee

Total amount borrowed - \$104,000 (inclusive of fixed interest fee)

Repayments - 21% of daily sales processed through Shopify

Security - unsecured

Amount outstanding as at 30 June 2024 - \$Nil

## 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).

### 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.

### Competition risk

The Company operates in a highly competitive market, with several known competitors domestically and moderate barriers to entry that could give rise to new and unknown competitors. There is a risk that existing competitors as well as new competitors, may 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.

### Startup risk

The Company 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.

### 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.

### Cost of customer acquisition risk

The Company operates in the Promotional Products industry which is a highly competitive market. Competitive pressures may increase the cost of acquiring each customer. A significant increase in the cost of acquisition will substantially impact profitability and could even turn the company into a loss making enterprise.



## 2.8 Financial information

Mercha Holdings Pty Ltd is the ultimate holding entity of all assets within the Mercha Group and is the entity in which investors' shareholdings are held. Mercha Holdings Pty Ltd holds a 100% controlling interest in the trading entity Mercha Operating Group Pty Ltd. Prior to December 2022, Mercha traded through Carrera SS Pty Ltd.

Below are the consolidated financial statements of the Company and its controlled subsidiaries for the financial year ended 30 June 2024.

Additionally, a balance sheet as at 30 June 2023 and a profit and loss statement for the Mercha Group for the financial years ended 30 June 2023 and 30 June 2022 are also presented. The profit and loss has been prepared on a pro-forma basis to account for the previous trading history.

The financials have been prepared with assistance from our accountants, and have been prepared in accordance with Australian Accounting Standards.

## 2.8.1 Statement of Profit & Loss

Mercha Consolidated Group (\$'s)	(Note 3) 12 months ended 30 June 2024	Pro-forma (Note 2) 12 months ended 30 June 2023	Pro-forma (Note 1) 12 months ended 30 June 2022
<b>Sales Revenue</b>	2,893,288	1,247,342	370,270
<b>TOTAL INCOME</b>	<b>2,893,288</b>	<b>1,247,342</b>	<b>370,270</b>
<i>Cost of Sales</i>			
Cost of Goods Sold	1,841,600	850,666	232,029
Shipping Costs	85,888	47,981	8,294
<b>Total Cost of Sales</b>	<b>1,927,489</b>	<b>898,647</b>	<b>240,323</b>
<b>GROSS PROFIT</b>	<b>965,799</b>	<b>348,695</b>	<b>129,948</b>
Interest Income	230	1,297	16
<i>Operating Expenses</i>			
Advisory & Consulting	134,634	36,550	-
Accounting Services	35,760	26,970	3,000
Advertising & Promotions	457,029	215,133	40,326
Amortisation & Depreciation	79,300	23,390	24,029
Bank Fees	2,208	3,113	653
Employee & Contractor Costs	402,204	193,048	33,363
General Expenses	5,233	2,727	160
Interest Expense	22,000	-	-
Legal Fees	21,532	33,230	-
Marketing Support	89,212	57,291	57,535
Merchant Fees	18,001	12,265	-
Office Expenses	10,158	3,186	223
Platform Expenses	85,327	64,590	40,116
Rent	38,103	14,614	7,166
Travel	21,880	16,199	-
Warehouse	12,148	1,361	-
<b>Total Operating Expenses</b>	<b>1,434,729</b>	<b>703,667</b>	<b>206,570</b>
<b>NET LOSS BEFORE TAX</b>	<b>(468,700)</b>	<b>(353,675)</b>	<b>(76,606)</b>
Income Tax Benefit (R&D Tax Incentive)	100,759	103,689	26,983
<b>NET LOSS AFTER TAX</b>	<b>(367,941)</b>	<b>(249,986)</b>	<b>(49,623)</b>

### Notes:

1. Mercha initially traded through Carrera SS Pty Ltd, a previously dormant company. These amounts represent Mercha's trading through Carrera SS Pty Ltd for the year ended 30 June 2022.
2. Mercha's trading activities were transitioned from Carrera SS Pty Ltd to Mercha Operating Pty Ltd and Mercha Holding Pty Ltd [during the year ended 30 June 2023]. These amounts represent Mercha's pro-forma consolidated profit and loss statement for the year ended 30 June 2023.
3. These amounts represent the consolidated profit and loss statement of Mercha Holdings Pty Ltd and Mercha Operating Pty Ltd for the year ended 30 June 2024

## 2.8.2 Consolidated Balance Sheet

Mercha Consolidated Group (\$'s)	As at 30 June 2024	As at 30 June 2023
<i>Current Assets</i>		
Cash and Cash Equivalents	334,203	109,365
Accounts Receivable	0	27,635
Inventory WIP	94,211	59,050
Taxation Receivable	78,458	59,480
Other Current Assets	9,976	0
<b>Total Current Assets</b>	<b>516,848</b>	<b>255,529</b>
<i>Non-Current Assets</i>		
Intangibles	195,873	140,548
Plant & Equipment	3,731	7,717
Other Non-Current Assets	12,685	6,967
<b>Total Non-Current Assets</b>	<b>212,289</b>	<b>155,231</b>
<b>TOTAL ASSETS</b>	<b>729,137</b>	<b>410,760</b>
<i>Current Liabilities</i>		
Accounts Payable	220,507	144,542
Accrued Expenses	35,670	15,561
Shopify Loan	114,506	0
Deferred Revenue	88,771	132,475
<b>Total Current Liabilities</b>	<b>459,454</b>	<b>292,578</b>
<i>Non-Current Liabilities</i>		
Shareholders' Loan	277,002	277,548
<b>Total Non-Current Liabilities</b>	<b>277,002</b>	<b>277,548</b>
<b>TOTAL LIABILITIES</b>	<b>736,456</b>	<b>570,126</b>
<b>NET ASSETS</b>	<b>(7,318)</b>	<b>(159,366)</b>
<i>Equity</i>		
Share Capital	692,441	172,452
Retained Earnings	(699,759)	(331,818)
<b>TOTAL EQUITY</b>	<b>(7,318)</b>	<b>(159,366)</b>

### Notes:

1. These amounts represent the consolidated Balance Sheets of Mercha Holdings Pty Ltd and Mercha Operating Pty Ltd as at 30 June 2024 and 30 June 2023 respectively
2. The Shareholders' Loan accrues no interest, is unsecured and is repayable the earlier of 15 May 2024 or when Mercha completes an exit where the total price equals at least \$15 million.
3. Mercha's consolidated Total Equity net of the Shareholders' Loan is \$269,683 for the year ended 30 June 2024, and \$118,182 for the year ended 30 June 2023

## 2.8.3 Cash flow statement

### Statement of Cash Flows

Mercha Consolidated Group (\$'s)	For the 12 months ended 30 June 2024
<i>Cash flows from operating activities</i>	
Receipts from customers	2,877,215
Payments to suppliers and employees	(3,232,977)
Interest received	231
Income taxes refund/(paid)	56,232
GST	23,903
Cash receipts from other operating activities	-
<b>Net cash flow from operating activities</b>	<b>(275,396)</b>
<i>Cash flows from investing activities</i>	
Proceeds from disposal of plant and equipment	-
Payments for Intangibles, Plant & Equipment	(130,640)
Proceeds from disposal of investments and financial assets	-
Payments for investments and financial assets	-
Proceeds from repayment of loans made	-
Payments for loans made	-
<b>Net cash flow from investing activities</b>	<b>(130,640)</b>
<i>Cash flows from financing activities</i>	
Proceeds from borrowings	322,000
Repayment of borrowings	(208,211)
Issue of shares	517,084
Repayment of lease liabilities	-
Payments for dividends	-
<b>Net cash flow from financing activities</b>	<b>630,873</b>
<b>NET CASH FLOWS</b>	<b>224,837</b>
Cash and Cash Equivalents at Beginning of Financial Year	109,365
Net change in cashflow from the period	224,837
Cash and Cash Equivalents at End of Financial Year	334,203

Note: These amounts represent the consolidated Cash Flow Statement for Mercha Holdings Pty Ltd and Mercha Operating Pty Ltd for the 12 months ended 30 June 2024.

## 2.8.4 Statement of changes in equity

### Statement of Changes in Equity

Mercha Consolidated Group (\$'s)	<i>Issued Capital</i>	<i>Retained Profits</i>	<i>Total Equity</i>
<b>Balance at 1 July 2023</b>	<b>172,452</b>	<b>(331,818)</b>	<b>(159,366)</b>
Loss after income tax for the year	-	(367,941)	(367,941)
Other comprehensive income for the year	-	-	-
Shares issued during the year	519,989	-	519,989
<b>Balance at 30 June 2024</b>	<b>692,441</b>	<b>(699,759)</b>	<b>(7,318)</b>

*Notes:*

1) These amounts represent the consolidated Statement of Changes in Equity for Mercha Holdings Pty Ltd and Mercha Operating Pty Ltd for the 12 months ended 30 June 2024.

2) Shares issued during the year were for cash (\$517,084) and non-cash (\$2,905) contributions

## 2.8.5 Management Commentary

### Revenue Growth

Mercha's Sales Revenue has grown by 132% year-on-year from \$1,247,342 in FY23 to \$2,893,288 in FY24. This growth has been driven by a combination of new customer acquisition from Mercha's advertising activities, an increase in repeat buying from existing customers, and an increase in the Average Order Value. In late FY24, Mercha also launched its White Label Platform which is expected to add new SaaS subscription revenues in the short to medium term.

### Gross Profit Margin

Mercha's Gross Profit Margin has increased from 28.0% in FY23 to 33.4% in FY24, largely driven by improved pricing from suppliers as sales volumes have increased. Margins are expected to improve with further volume discounts, new local and international sourcing partnerships, and sale price optimisation.

### Advertising and Promotion Expenses

Mercha has increased its Advertising & Promotions spend from \$215,133 in FY23 to \$457,029 in FY24 to accelerate new customer acquisition. The majority of spend has been through Google and Bing search engine advertising, and increasingly through social channels such as Facebook, Instagram and LinkedIn. Proceeds from the CSF Offer will be used to continue investing, testing and optimising its Advertising spend with the aim of acquiring increasingly more customers at acceptable Customer Acquisition Costs.

### Employee & Contractor Expenses

Employee and contractor expenses rose from \$193,048 in FY23 to \$402,204 in FY24. This increase was mainly driven by the hiring of new staff in growth marketing, workflow, and operations, as well as a moderate salary adjustment for Ben Read (CEO) and Sam Hardy (CRO) following the completion of Mercha's Proof-Of-Concept phase, during which they received minimal or no compensation.

### Advisory & Consultancy Expenses

Advisory & Consultancy Expenses have increased from \$36,550 in FY23 to \$134,634 in FY24. The majority of this expense relates to the appointment of an early investor, Utiliti Management Pty Ltd, in December 2022 to provide support and advice relating to fund raising, marketing and start-up operations.

### Operating Leverage

Much of our operating expense base is not directly related to sales volumes and therefore may not increase proportionally with sales revenue. Over the long term, our aim is to continually increase sales volume, resulting in substantially higher levels of profit proportional to operating costs.

### EBITDA Margin

Mercha's EBITDA Margin (EBITDA as a percentage of revenue) has improved significantly from -27% in FY23 to -13% in FY24. Mercha's longer term goal is to achieve an EBITDA margin of 15%+.



### Intangible Assets

The Intangible assets of \$195,873 as at the end of FY24 predominantly relate to the capitalised costs associated with the development of the Mercha website and its back-end Production Automated Management System (PAMS). Proceeds from the CSF Offer will be used to continue our investment in developing Mercha's best-in-class merchandising solution.

### Shareholders' Loan

A Shareholders' Loan of \$277,548 has been included on the Balance Sheet as a Non-Current Liability. The Shareholders' Loan accrues no interest, is unsecured and is repayable in May 2034, or when Mercha completes an exit where the total price equals at least \$15 million.

### Total Equity net of Shareholders' Loan

Mercha's consolidated Total Equity net of the Shareholders' Loan is \$269,683 as at 30 June 2024.

*Comments on the Company's 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.*

## Section 3. Information about the offer

### 3.1 Terms of the offer

The Company is offering up to 1,578,947 shares at an issue price of \$0.95 per share to raise up to \$1,500,000.00. The key terms and conditions of the Offer are set out below.

Term	Details
Shares	Fully-paid ordinary shares
Price	\$0.95
Minimum Subscription	\$250,000
Maximum Subscription	\$1,500,000
Opening date	3 September 2024
Closing date	19 September 2024

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](http://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 of \$250,000	Maximum subscription of \$1,500,000
Customer Acquisition	\$160,000	\$800,000
Platform Development	\$30,000	\$430,000
Working Capital Support	\$38,250	\$154,500
Offer Costs	\$21,750	\$115,500
<b>Total</b>	<b>\$250,000</b>	<b>\$1,500,000</b>

**Customer Acquisition** is a key driver of growth and includes advertising, promotions, marketing support and sales & marketing headcount costs.

**Platform Development** includes the development and headcount costs associated with the R&D, development and implementation of Mercha's technology initiatives, such as Smart Quotes, B2B Portal, Customer Commns Dashboard, Merch Pack Builder, Full Self Service Merch Automation Platform, 3PL As A Service, SaaS Membership Model, API's & Integrations. These initiatives are expected to attract new SME / Enterprise customers and improve overall customer retention.

**Working Capital Support** includes overhead expenses, inventory costs associated with extended trading terms for Enterprise-Clients using Mercha's White Label Platform, and employee costs.

The **Offer Costs** include the Intermediary's fees under the hosting agreement between the Company and the Intermediary. The Intermediary's fees are up to 7.5% of all funds raised by the Company through Birchall Financial Services Pty Ltd (Intermediary), plus \$3,000 for administration and setup costs. 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 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 its intended activities over the next 12 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.

## **3.3 Rights associated with the shares**

### **3.3.2 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). The Company does not have a dividend policy at this time.

### **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**

Each shareholder which holds shares on behalf of a founder, may appoint (and remove) one director. A shareholder or shareholders collectively holding at least 20% of the shares issued by the Company may appoint (and remove) one director. Additional directors may be appointed by the board by way of simple majority.

### 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.

### 3.3.6 Restrictions on sale and transfer

#### Drag & tag rights

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

- Drag rights - If Shareholders who together hold 75% of the shares on issue propose to sell all of their shares to a third party, they can 'drag' the remaining 25% 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 75% 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 25% 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

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. Shareholders by way of special resolution (75% of votes cast at a general meeting) must approve the Exit Proposal. If an Exit Proposal is approved by a special resolution of shareholders, all Shareholders (and Directors) must exercise all rights and do all things to enable the Exit Event to occur.

#### Pre-emptive rights on transfer

If a Shareholder provides a notice to transfer its shares (other than as a permitted disposal), the Company must first offer each other Shareholder holding at least 1% of the shares the right to purchase those shares. The Constitution includes carve outs for transfers to certain affiliates.

#### Discretion to refuse to register a transfer of shares

The board has the discretion to to refuse a transfer of shares to a third party.

#### On-sale restrictions under the Corporations Act

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

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 shareholder holding at least 1% of shares (**Substantial Shareholder**) unless one of the following exceptions apply:

- The Equity Securities are issued as part of an approved ESOP
- The Equity Securities are issued on conversion or exercise of a security previously issued by the Company in accordance with the Constitution
- The Equity Securities are issued in connection with a share split or the issue of dividends approved in accordance with the Constitution
- 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 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

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.

## 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.



## 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.

## 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.

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 share registry website at the following address [www.cakeequity.com](http://www.cakeequity.com) (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.

### 4.4 Company updates

The Company will provide regular updates to investors via the Company's share registry website at the following address <https://www.cakeequity.com/> and via the Intermediary's platform.

## Glossary

<b>Company</b>	means Mercha Holdings Pty Ltd ACN 654 534 522
<b>Cooling-off Period</b>	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.
<b>CSF</b>	means crowd-sourced funding under Part 6D.3A of the Corporations Act.
<b>Intermediary</b>	means Birchal Financial Services Pty Ltd ACN 621 812 646 AFSL 502618.
<b>Maximum Subscription</b>	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.
<b>Minimum Subscription</b>	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.
<b>Offer</b>	means an offer of fully-paid ordinary shares by the Company under this CSF offer document.
<b>Retail investor</b>	has the meaning given to the term “retail client” under the Corporations Act.