

# Crowd-Sourced Funding Offer Document



Living Earth Pty Ltd

Dated: 16th November 2022

Offer of fully-paid ordinary shares in Living Earth Pty Ltd at \$0.50 per share to raise a maximum of \$1,250,000.

This crowd-Sourced funding (CSF) offer document relates to the offer of fully-paid ordinary shares in Living Earth Pty Ltd. This offer is made under The CSF Regime in Part 6D.3A Of The Corporations Act 2001 (Corporations Act).

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

Issuer

Living Earth Pty Ltd, ACN 122 259 518

Intermediary

Birchal Financial Services Pty Ltd AFSL 502618

lovingearth

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# Section 1: Risk Warning

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# Section 1:

## Risk Warning

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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.



## Section 2: Information About the Company

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## 2.1 Letter from the Chairman - Michael McGrath

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Financial year 2022 presented some challenges for Loving Earth brought about in part by the second year impacts of Covid-19, disruptions to the supply chain and cost increases in international freight.

After having completed a full review of the company we determined that an aggressive and rapid change management plan was needed to respond to the market and prepare the business for its next phase of growth. Based on that plan the owners and I have been working hard on implementing that plan.

All the initial changes have been executed. We appointed John Florey as CEO; his track record of leadership and sales growth in similar situations convinced us he was the right person for the job. His impact was immediate, and he continues to impress us with his plans and ability to deliver improvement. John saw a need to broaden the Loving Earth product range and drive greater sales through existing channels. This is already having a significant effect.

We then hired a new CFO in Sachin Patel. Sachin has transformed the business reporting and is making a huge impact on gross margins through improved cost management. Our overheads (all expenses non-CoGS) have come down from 76% in FY '22 to 44% in Oct '22 and our margins have improved from an equivalent of 44% back in FY '22 to 55% in October '22 on a like-for-like basis.

John and Sachin presented to the board their five-year plan detailing where they think Loving Earth can go. This plan has been articulated in a detailed five-year model. The board has approved the five-year plan and is excited by the future potential.



## 2.1 Chairman's letter cont :

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If you are reading this, you are part of that vision and plan. Scott and Martha are choosing to raise capital by putting up for sale a percentage of their equity to investors who know and like Loving Earth's products and understand its story. This story is well-documented elsewhere in this offer document.

If after reading this offer you too share some of this vision – doing business better for the environment and helping those less well-off whilst making and delivering delicious healthy food to the growing and emerging consumer base who also cares about these things – then this offer might just be for you.

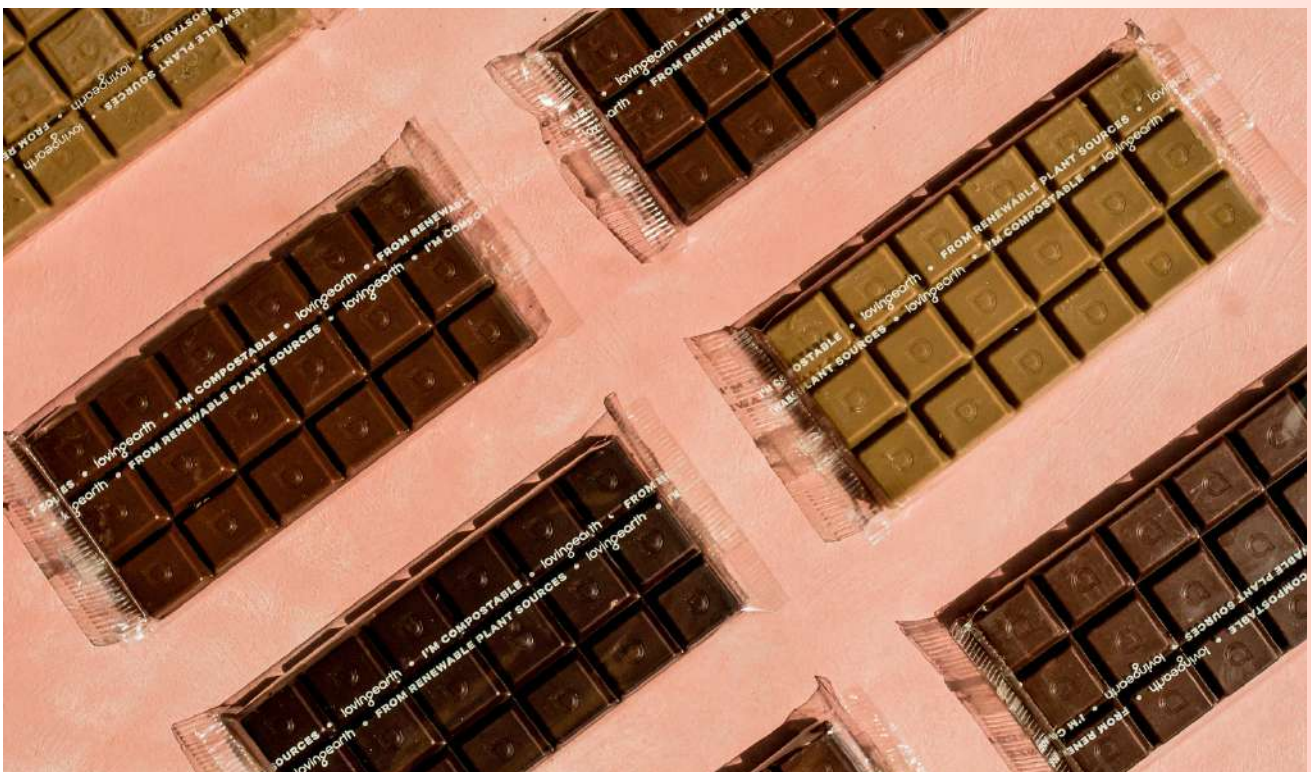
We pay above fair-trade for our cacao and in doing so we have security of supply and consistency in quality from a single source of regeneratively farmed cacao.

We have built the price into our new economic model, and in October 2022 we made a profit of \$80,005, our first in 16 months. The management at Loving Earth is working harder and smarter than ever and is fully committed to all the stakeholders, including you if you decide to come on this journey.

Investing in Loving Earth is not without some risk, but I like this offer. It's the sort of investment even an older crusty veteran like me can get behind. Loving Earth is a disrupter brand, and where would we be without the disrupters. We might not be the next Google, but I believe that Loving Earth has an important place in this growing market.

Yours Sincerely,

Michael McGrath  
Chairman of the Board / Observer



## 2.1.1 Letter from the CEO - John Florey

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In February 2022, I had an approach to take up the position of CEO at Loving Earth. I wasn't overly familiar with Loving Earth, so I conducted careful research - and discovered possibly the most genuine ethically-driven company that believes food is sacred, and actively supports regenerative agriculture and indigenous farming methods, but not just that, the company also supports indigenous communities both in Australia and Peru. After doing my research, which included spending time with the owners, visiting and speaking with many retailers, I decided that Loving Earth was a company I wanted to be a part of.

I also felt I had the skills to help Loving Earth grow profitably while continuing the good work they were doing to support our planet; in fact, I would go as far as to say that everything I had done in my career to that point has prepared me for this position. The board agreed with my assessment about how we could move to the next level, and I was delighted to accept the offer in March 2022.

We got to work. It wasn't easy, but with the help of our CFO Sachin Patel and our brilliant team, we completed a radical reorganisation in just 120 days. These changes were demanded by a change in the market and have laid a foundation for what I believe is a very bright future for Loving Earth.

Once we completed the initial reforms, ensuring we were better organised and more efficient, we were able to move to the marketing and sales area.

We immediately increased our product development capacity, in just a few short months our team has developed some stunning new products for Christmas, Easter and everyday use in chocolate, spreads, cereals and drinking chocolate. These new lines are helping to revitalise sales through both existing and new customers. Look out for our new superfood chocolate range launching in stores early January 2023.

This first capital raise at Loving Earth will not only help repair the balance sheet. Importantly, it will allow us to take advantage of the already established distribution, as well as connect more directly with our customers and consumers. We are targeting to increase our 300,000 Instagram followers to 1,000,000 as we better engage with the emerging environmentally savvy consumers who want to support businesses with a strong purpose.

If you like our plans and are minded to invest in our company, let me assure you that the team and I will work extremely hard on behalf of all the stakeholders, including our new shareholders, to create value here at Loving Earth.

Yours Sincerely,  
John.



## 2.1.2 Letter from Founder - Scott Fry

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In 2007, I was fortunate enough to travel to Broome and visit the Twin Lakes Cultural Park. There I spent time with Nyul Nyul traditional owner, Bruno Dann, his partner Marion Manson and their families. Together we hatched plans to commercialise the local Gubinge fruit so the community could gain autonomy and bring the young ones back onto country. This marked the beginning of a very special relationship between Twin Lakes and Loving Earth, both personally and commercially, and it's still going strong today.

We continued our Loving Earth journey and in 2015 I travelled 100km upstream on the river Rio Ene, to meet the Ashaninka people and see their cacao cooperative, Kemito Ene. In the canoe I was accompanied by Felixto Cabanellas Contreras, a young Ashaninka man working in his community as a cacao agroforestry technician.

Fast forward three years, in 2019. Felixto is president of the Kemito Ene cooperative and he is giving the keynote speech at the United Nations in New York; representing the global winners of the UN Equator Prize for the New Economy category. Kemito Ene had won the award for “alleviating poverty through the sustainable use of biodiversity”. Loving Earth is beyond proud to have played a small part in this good news.

In 2021 I accompanied Bruno and Marion to a gathering of the Australian Aboriginal Bush Food enterprises in Darwin. This gathering was convened by Yasmina Sultanbawa from Uniquely Australian Foods, an Australian Research Council funded institution. Yasmina commended Twin Lakes Cultural Park for being one of the most successful Australian Aboriginal Bush Food enterprises in the country, treating Bruno and Marion with utmost honour and respect. Loving Earth again played a small part in this good news.

We now feel that Loving Earth is entering a new and expansive chapter, one that we're excited to co-create together if you're inspired to join us on the journey.

Loving Earth holds the trademark for Regenerative Chocolate® in Australia, something we're very passionate about. We would love you to come and join us on our regenerative journey, defining the standard for Regenerative Chocolate® and creating a model for a thriving New Economy.

Scott Fry



## 2.2 Company Details

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This offer of shares is made by Living Earth Pty Ltd ACN 122 259 518. (Company or Loving Earth)

|                     |                             |
|---------------------|-----------------------------|
| <b>Company name</b> | <b>Living Earth Pty Ltd</b> |
|---------------------|-----------------------------|

|            |                    |
|------------|--------------------|
| <b>ACN</b> | <b>122 259 518</b> |
|------------|--------------------|

|                              |                          |
|------------------------------|--------------------------|
| <b>Date of Incorporation</b> | <b>18th October 2006</b> |
|------------------------------|--------------------------|

|                          |  |
|--------------------------|--|
| <b>Registered Office</b> | <b>35 Jellico Drive Scoresby Victoria 3179</b> |
|--------------------------|--|

|                                    |  |
|------------------------------------|--|
| <b>Principal Place of Business</b> | <b>35 Jellico Drive Scoresby Victoria 3179</b> |
|------------------------------------|--|

|                     |   |
|---------------------|---|
| <b>Subsidiaries</b> | <b>Loving Earth Pty Ltd ACN 163 488 462<br/>(100% wholly-owned)</b> |
|---------------------|---|



## 2.2.1 Description of the Business

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Loving Earth are an existing functional food business with an operating history since 2013. We make our chocolate from the Cacao bean itself...that's why it's called bean-to-bar. We take great joy in crafting all of our chocolate bases from scratch. We have finely honed our craft over years, carefully choosing each ingredient and monitoring each step of the process. Our heirloom Criollo cacao beans are of a very high quality, grown in the Amazon forest as they have been for generations.

In addition, all of our chocolate products have zero waste packaging, with a compostable inner film and an outer box printed with vegetable inks. Our chocolate products are made from plants and wrapped in plants.

Alongside chocolate we also have superfoods from South America, Pink Lake salt from South Australia and Indigenous Australian bush foods from the Kimberly and a seriously good range of Buckini's cereal clusters and Paleo mix.

These products are sold under our own brand and also as ingredients to other food producers, meeting the needs of the high growth functional food and “Better For You” health food markets both in Australia and globally.

Our capability allows us to contract, pack and manufacture products for both the domestic and overseas export market. Loving Earth has distribution capabilities throughout Australia, New Zealand, UAE and Southeast Asia.

We operate on a platform of Healthy – Regenerative – Fair and this is our key differentiator in the market place. It means we have a long commitment to authentic relationships with grower communities, to regenerative farming practices and to business choices that include the future health of our planet.



## 2.2.2 Our Purpose

Our purpose is simple: we want to be an uplifting presence on the planet and we believe in a circular system. This means that our products are created with their end-of-life taken into account. In a circular economy, once the user is finished with the product, it goes back into the supply chain instead of the landfill. The motto of the circularity movement, in a nutshell: Waste not, want not.



### WHEN A BRAND HAS A STRONG PURPOSE, CONSUMERS ARE\*:

4 X more likely to purchase from that brand.

4.1 x more likely to trust that brand.

6 x more likely to protect that brand in a challenging moment of public criticism.

4..5 x more likely to champion that brand to friends and family.

### HOW PURPOSE IMPACTS PURCHASING DECISIONS\*\*:

66% would consider a company's purpose when making purchase decisions.

62% believe a company's purpose is an important factor when making a quick or impulse purchase.

71% would purchase from a purchase-driven company over the alternative, when cost and quality are equal.

78% are more likely to remember a company with a strong purpose.

\*Source: The Zeno Group "Strength of Purpose" report, 2020

\*\*Source: Porter Novelli "Purpose Perception: Implicit Association Report" 2021)

## 2.2.3 Our Principles

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Loving Earth is a purpose-led company and we are clear in our way forward. To give us direction to achieve our vision, we are committed to 3 Principles. Central is the belief that all 3 parts are equally important.

### Product Principle

To make, distribute and sell fine quality plant-based functional foods with a continued commitment to use natural & organic ingredients and promote working with regenerative farmers and others that respect the Earth and the Environment.

### Economic Principle

To operate the Company on a sustainable financial basis of profitable growth, increasing value and expanding opportunities for the development and career growth for our employees.

### Social Principle

To operate the Company in a way that promotes regenerative and indigenous farming practises and improves the quality of life for indigenous communities.



## 2.2.4 Key Differentiators

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### Bean-to-bar chocolate makers

We make our chocolate from the bean itself and that's a big deal. It takes time and investment to turn our heirloom cacao into quality chocolate but it's worth the wait.



### Security of cacao supply

Due to our unique relationship with the Ashaninka community, we have contracted supply of very high quality cacao beans.



### Regenerative sourcing

We have begun our journey working with regenerative farmers around the world and are passionate about extending our network.



### New Product innovation

We have a strong focus on new product development, doubling our team in 2022. We are committed to keeping our eye on the horizon and bringing exciting new concepts to market.



### High quality cacao

We use the highest quality Criollo cacao and incentivise the growing of this indigenous variety by offering a premium for it.



### Manufacturing capability

We have the capability to upscale our manufacturing capacity in quick turnaround allowing us to take on additional volume through increased sales, New lines or contract manufacturing for both retail and bulk products.



### Transparently ethical cacao

We give full disclosure about the origin of our cacao and we pay our farmers above fair-trade price.



### Passionate company culture

We are a passionate bunch of employees who believe we can make a difference.



### A respected brand

Loving Earth has a solid reputation as a purpose-led brand and supplier of high quality products, with a strong social media profile.

## 2.2.5 Regenerative Agriculture - why is it important?

We keep using the word regenerative.

Here's a very brief overview of that, cos it's important to the story.

Sustainability used to be the gold standard climate solution.

Now instead of sustaining things as they are, it's time to regenerate and revitalise them.

Makes sense.

And this all comes down to soil and to carbon.

This might sound like a complicated concept but it's really quite simple.

Carbon is the building block of life and soil is where nature's stores carbon.

Because of how we get our fuel and grow our food, massive amounts of carbon have been extracted from the soil and pumped it into the air.

So much so that it's now warming our atmosphere and acidifying our oceans.

But guess what. We can fix it. We have the technology.

And that technology is plants.

Plants are designed to pull carbon from the air and deliver it back into the soil. Through photosynthesis and water flow, plant's pump it and nature stores it.

And here's where regenerative farming comes in. It protects and renews the carbon balance. Composting, no tilling, cover crops, planned grazing and planting trees, they all build and retain gigatonnes of soil carbon in the soil. It means healthy soil with more nutrients that can store more water. Great for our food, great for drought resistant crops.

The way we handle our food, fuel and natural resources either puts carbon in the air or pulls it back into the soil. And we're all about the second option.

Reference: The Soil Story at [kisstheground.com](https://kisstheground.com)



## 2.2.6 Our Impact Timeline

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Loving Earth's most significant impact to date has been in helping facilitate 2 indigenous communities launch their commercial enterprises. In partnership with Loving Earth both of these communities have been able to establish economic cooperatives based around their traditional crops, grown on land that they are the historical custodians of. These crops are grown using traditional land care methods that are inherently regenerative.

### 2009/2010

TWIN LAKES CULTURAL PARK - the land care and harvest of bush food centred around tradition owner, Nyul Nyul elder Bruno Dann. Loving Earth dehydrated, ground and commercialised the community's Gubinge plant in order to support this indigenous enterprise. Twin Lakes is still going strong and thriving in the Australian bush foods market.

### 2015

We began a long standing relationship with the ASHANINKA community

- empowering cultural autonomy through economic autonomy
- encouraging regenerative farming practices

We were awarded 'ACO Manufacturer of the Year'.

### 2011

Converted our chocolate packaging to compostable films. As a pioneer in this space Loving Earth researched the emerging compostable technology and imported leading-edge compostable film from Europe.

### 2019

The indigenous Ashaninka cacao cooperative, KEMITO ENE, won the United Nations Equator Prize for the New Economy Category for alleviating poverty through the sustainable use of biodiversity.

### 2014

Awarded Australian Certified Organic (ACO) Industry Leader.

### 2020

In partnership with the Rainforest Foundation UK, Loving Earth helped secure a €500,000 grant for the Kemito Ene cooperative in the form of an impact bond. These funds will support the Ashaninka protect the forest with the goal being the planting of 10,000 trees in Amazon.

## 2.2.7 Our Impact: Indigenous communities

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### THE ASHANINKA - PERU

The Ashaninka are a large indigenous group living in the Peruvian Amazon. Up until 2015 the 'Rainforest Foundation' based in the UK, had been financing and supporting the Ashaninka to establish land rights and other basic services, and helped them with the formation of a cacao cooperative 'Kemito Ene'. Just as their funding was ending, Loving Earth co-founder Scott visited Peru and was able to establish a close working relationship with Kemito Ene helping them get certified organic and export their first shipment of 10 tonnes of organic cacao.

Since 2015 Loving Earth has bought 550,000 kg of cacao from Kemito Ene at a price above market. Loving Earth has spent a total of USD\$2,585,000 on products from Kemito Ene, with the majority of these funds being channelled into the Ashaninka community.

Kemito Ene has grown from 150 families to 360 families and has been instrumental in helping the Ashaninka protect approximately 500,000 hectares of Vulnerable Amazonian rainforest that they are the custodians of.

Loving Earth has been instrumental in partnership with the Rainforest Foundation UK in helping the Ashaninka community create and develop the most successful indigenous cooperative in the Peruvian Amazon.

### TWIN LAKES CULTURAL PARK - WA

In 2007 the government reduced funding in the budget for Aboriginal outstation projects. As a result, if Aboriginal communities wanted to stay on their land they had to turn to businesses to fund it. This was the year when Scott (co-founder of Loving Earth) first visited Bruno Dann, traditional owner and Nyul Nyul elder at Twin Lakes Cultural park.

By 2010-11 Loving Earth purchased 7.5 tonnes of Gubinge Fruit from Twin Lakes. This first purchase was a turning point because they were able to live and work at the Twin Lakes Cultural Park without government assistance and progress their land restoration projects.

By 2014-15 Loving Earth purchased 8 tonnes. This created a seasonal economy for 79 wild harvesters, who are representing their family clans. In 2019-20 they produced a total of 11 tonnes, of which 8 tonnes were bought by Loving Earth.

Loving Earth has been Twin Lakes' key strategic partner in creating a thriving bush foods industry and economic activity for the Nyul Nyul Aboriginal community. Twin Lakes is now considered one of the most successful Aboriginal bush food enterprises in Australia.

## 2.2.8 Our Products

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Our products are 100%:

- plant-based
- gluten free
- certified organic (110 sku's)
- kosher
- made from minimally processed ingredients.

We offer a wide range of products, as briefly described below, a total of 115 stock keeping units.



### CHOCOLATE

Our chocolate is plant based and certified organic, made in Melbourne and packed in home compostable packaging. 32 sku's.



### SUPER FOODS

The functional food superstars. Additional health benefits through delicious tasting products. 13 sku's.



### BUCKINIS® AND PALEO MIXES

All our breakfast products are grain free and activated to unlock more nutrients. 9 sku's.



### PANTRY

A large range of healthy pantry items including cacao and coconut products and natural sweeteners. 22 sku's.



### BULK

For bulk food stores and companies we offer a wide selection of all our products. We also have the capability to produce custom-made bulk products. 39 sku's.

## 2.2.9 Awards and Recognition

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We are proud to have been acknowledged as a key player in product innovation, sustainable production and business impact, with some of the key awards including:



2014: Awarded Australian Certified Organic (ACO) Industry Leader



2015: Awarded ACO Manufacturer of the year



Non-Toxic Awards 2020.  
'Gold in both the Social Responsibility and Snacks categories

4 x Winner of the Clean & Conscious Awards 2020



5 x Winner of the Clean & Conscious Awards 2021 \*



\*) We decided not to enter in 2022

## 2.2.10 UN Sustainable Development Goals (SDGs)

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Loving Earth began working with the SDG's during 2021. We now join a global network of companies committed to building a more sustainable future. Stated below are the goals we are working towards and these show how our current business processes are contributing.



- Supporting Twin Lakes cultural park in WA (1.1, 1.5)
- Supporting the Ashaninka community in Peru (1.1, 1.5)



- Solar powered Factory (7.2)



- Plant-based & Organic certified Products (12.8)
- Compostable Packaging (12.5)
- Good360 food donations (12.3)
- Use post-consumer plastic packaging (12.5)
- Reduce waste generation (12.5)
- Educate consumers (12.8)



- Solar powered Factory (13.b)
- Plant-based & Organic certified Products (13.3)
- Educate consumers (13.3)
- Work with Regenerative farmers (13.b)
- Work towards carbon neutral emissions (13.2)



- Compostable Packaging (14.1)



- Work with Regenerative farmers (15.4)
- Supporting Twin Lakes cultural park in WA (15.6)
- Supporting the Ashaninka community in Peru (15.6)

## 2.2.11 Marketing

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### A PURPOSE-LED BRAND

Loving Earth is proud to be a purpose-led brand. Because our purpose is at the heart of our business, it is what makes us unique. The nature of our business vision allows us to connect our consumers and stakeholders to something more meaningful than a simple transaction or sweet treat.

The new generation of shoppers (Millennials, Gen Z and i Gen) shop differently. They are aware that things need fixing on a global level and this affects the way that they purchase.

These digitally savvy generations look for brand authenticity and transparency. They care how a brand supports its employees and the wider community and they buy into the purpose beyond profit. These things may weigh heavily on their purchasing decisions. Loving Earth loves these consumers because we have the same values. We're helping to turn the tide.



Regenerative



Joyful



Competitive



Visionary



Authentic



## 2.2.12 Distribution

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Our range of chocolate bars, and functional foods and supplements, are sold in over 1,100 stores across Australia and in over 230 stores in NZ.

We work through our distributors and offer our products to Fine Food and Health Food stores, Major and independent supermarket retailers and stationary and office supply store networks.

Existing Customer base through distributors: 1,433 plus direct ~1000 individual stores.



## 2.2.13 Direct-To-Consumer (DTC) and e-commerce

The Online Grocery Market in Australia is currently valued at \$7.1 billion and has grown 27.7% per year on average between 2016 and 2021, and has been increasing at a faster rate than the economy overall (IBIS World).

Our aim is to significantly increase our investment in our direct-to-consumer (DTC)/ E-commerce capabilities and accelerate our online marketing and customer acquisition activities.

We will focus on the following activities to expand our DTC and e-commerce sales:



- Launch a new e-com website, using Shopify to enable easier and quicker check out, better reporting, product presentation and cross- and up-selling opportunities. The website will both host our consumer products as well as wholesale products. Both groups will be able to order online
- The new website will enable live chat with Business Support, delivering a better customer service
- Encourage existing and new customers to purchase through our new B2B website and encourage repeat purchase
- Develop our website with relevant content, information and resources. Ensure we 'tell our story' in a clear and understandable manner
- Build brand awareness through partnerships and marketing relationships to drive PR, engagement through our social channels and through that: accelerate sales.
- Introduce QR codes on our new packaging to allow customers to access product information, a story or origin, instant ordering and offers
- Launch flexible and convenient subscription offers
- The new website will enable B2B customers to place their orders in a quick and efficient manner, reducing the workload for our Business Support team (who currently take orders manually)
- Continue to grow our 300,000 Instagram followers by creating engaging content.
- Launch our TikTok channel to drive engagement to a new and younger audience with delicious, fun and visually satisfying video's.
- Grow our LinkedIn Profile and by building professional relationships with retailers, suppliers, like-minded companies, consumers and potential employees.

## 2.2.14 Market & Industry Trends

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### Growth Market Mega Trends\*

The functional food and supplements market is growing as consumers seek:

- Health and Nutrition
- Multi sensory experience
- Individualisation
- Convenience
- Sustainability
- Naturalness

\*Dohler report 2019

### Sub Trends West APAC\*

- |                               |      |
|-------------------------------|------|
| • Weight & Muscle gain        | +90% |
| • Vitamin & Mineral fortified | +73% |
| • No added sugar              | +68% |
| • Added Calcium               | +55% |
| • Lo/No/Reduced sodium        | +53% |
| • Sustainable Habitat         | +50% |
| • Vegan                       | +49% |

\*Dohler report 2019

### Key Market Observations\*

- Functional food and supplements are growing
- Convenience and snacking are growing with GenZ and the iGeneration \*\*
- Natural ingredients – Healthy
- Trust & quality assurance
- Country of origin
- Added functionality

\*Dohler report 2019

\*\*Born between 1996 & 2012, the first generation to grow up fully immersed in a high-tech, smartphone driven world from the day they were born. ( San Diego state university psychology professor Jean Twenge, Ph.D)



## 2.3 Business & Revenue Model

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Our business model is based on building a well-recognised plant-based brand across multiple channels in the Chocolate, Superfoods, Pantry and Cereals categories. We manufacture in our own facility for both the domestic and overseas markets and have sufficient capacity to contract pack and provide scalability to support our growth plans domestically and through export.

We pride ourselves on being authentic and using only very high quality ingredients and will continue to use compostable packaging as we work towards zero waste.

New and frequent product development will be a key feature of our go to market strategy. We are a disrupter who analyses international and domestic trends and seeks to identify gaps and opportunities in our sector.

Our innovative products have a point of differentiation, we are not followers, we are not pretenders, we are the real deal.

We will continue to build on our history of empowering Indigenous communities by bringing their products to market through traditional land care that regenerates the earth.

Our revenue generation comes from the sale and supply of our Loving Earth products in Australia and Internationally. We partner with wholesalers and distributors that service 1400 stores across Australia and New Zealand and we export to Hong Kong, Singapore, Thailand, Japan and the United Arab Emirates.

We operate a B2C e-commerce platform and supply major Australian food and speciality retailers.



## 2.4 Business Objectives

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Our business objectives are designed to create significant growth both domestically and overseas and should allow us to invest in new product development, expand our marketing and direct to customer platform and position Loving Earth as an authentic product on the market today.

### **E-COMMERCE & CUSTOMER ACQUISITION**

We have invested in new web site development and e-commerce platform which will enable us to accelerate our online marketing and direct-to-consumer capabilities, at the same time we are reviewing and redesigning our social media platforms to capture the lucrative GenZ and iGen markets.

### **CHANNEL STRATEGY**

Our channel strategy will expand into the mass market with new product development and existing categories of cereal, pantry and super foods being made available to the major retailer groups. Foodservice, airlines, Independent multi store supermarket operator groups, all present as opportunities.

### **PRODUCT INNOVATION INVEST / DIVEST**

Innovation opportunities exist in on trend limited edition chocolate aimed at GenZ and the iGen, utilising color and flavour that appeals to that demographic. Healthy kids products present as a pathway to Generation Alpha. Regular Investment and Divestment of range will enable us to continue as a disrupter to our competitors.

### **SOCIAL & ENVIRONMENTAL IMPACT**

Our social and environmental impact domestically and overseas continues to be a key element of our business strategy. We will continue to support the Twin Lakes cultural park- Gummamirrd and Goolyarook progress their land restoration project. Loving Earth have helped create and develop the most successful indigenous cooperative in the Peruvian Amazon: The Kemito Ene Ashaninka Cacao cooperative.

### **DOMESTIC & INTERNATIONAL GROWTH**

Domestic growth potential will come about through increasing our distribution through the major supermarket and speciality retailers, in preparation for the next range review process NPD samples have been presented to the category managers in all groups, including New Zealand. Export markets will benefit from a dedicated sales executive to build relationships and grow profitable revenues.

## 2.4.1 New Product Development

We have a passion for New Product Development and we plan to work in parallel on different concepts at any given time. We have a strong focus on developing new packaging formats and new flavours for existing products, as well as entirely new ranges and applications from existing ingredients.

Below is an overview of our current new product R&D:

- Colourful chocolate coated hazelnuts in 3 new chocolates: green Matcha, pink Strawberry and purple Macqui
- Strawberry Drinking Chocolate
- 4 new Super Food Chocolate :Beauty with Blueberry and Macadamia, Digestion with peppermint and aniseed, Immunity with Australian bush foods and Recovery with orange and ginger. These 'chocolates are made with 69% dark chocolate (see page 33 for market trends in health)
- 2 x new grain free Buckinis cereals: Pink Berry and Apricot Cashew
- 3 x Chocolate Bonbons for gifting, with Berry, Orange and Gianduja centres
- An new Ginger Snap spread
- Brand new Easter bunnies for Easter 23: white chocolate bunnies with a cookie crumble



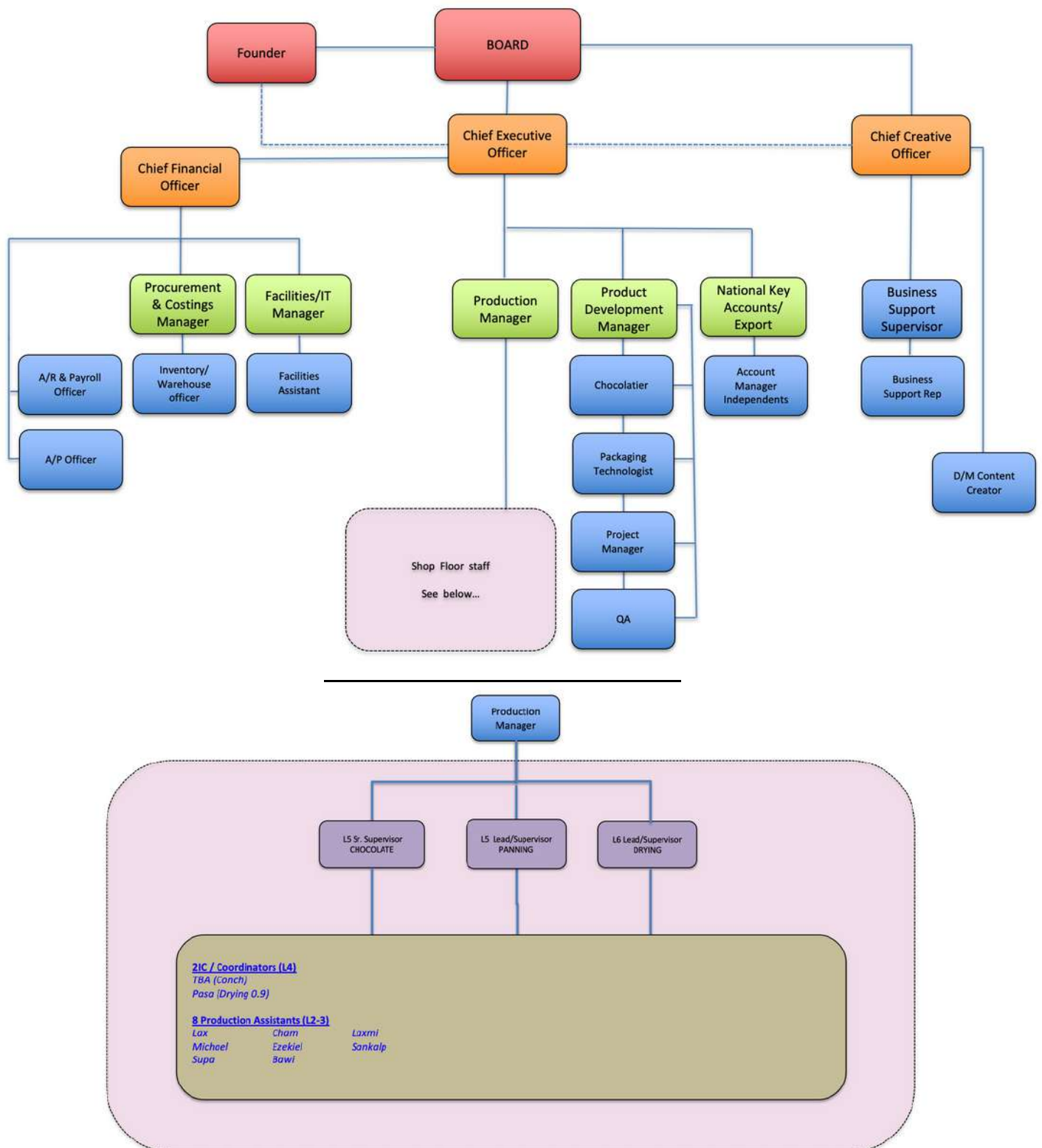
## 2.4.2 Strategic Goals

| Strategic Focus | Strategic Objectives   | Progress  | Future   |
|-----------------|--|---|--|
| Brand Awareness | Implementation of brand and packaging refresh across range and new products.   | We have steadily built our partnerships with long term social media influencers as well as with trade media. We continuously strive to select partnerships with like-minded brands to support sales and brand awareness.  | To create awareness of our healthy regenerative products, and to position Loving Earth again as the leading plant-based food company in Australia, we will launch a packaging rebrand in 2023. Our new packaging will clearly highlight why we are different from our category competitors. It will simplify our messaging, create a cleaner design, and include our Regenerative Chocolate® Promise to customers.                                     |
|                 | Continue to invest in marketing activities to increase brand awareness.  | We have developed a Social Media Content Strategy as well as a dedicated LinkedIn Strategy to reach specific consumers with targeted messages.  | <p>We will increase our marketing and brand activities to further support our sales and growth objectives, with particular focus on our export expansion strategies and DTC/ecommerce growth plans.</p> <p>We will investigate working with a full-service marketing agency from 2023.</p>   |
| Team            | Grow our team and recruit in key areas to support our growth plans   | <p>During the first half of 2022 we restructured our Management team with key appointments in Marketing, Finance, Sales and NPd.</p> <p>We have also further grown our team and resource capabilities, both in-house and through external partnerships, with agency support in e-commerce development, website and digital marketing, and accounting.</p> | <p>We aim to expand our team in key areas to support our business priorities, with particular focus on sales and new product development, e-commerce capabilities, marketing and brand partnerships, manufacturing and quality assurance.</p> <p>We plan to introduce an Employee Share Option Plan (ESOP) for our team and will issue options to acquire ordinary shares. We expect to make further offers more broadly to employees in late 2023</p> |
| Operations      | Improve operational efficiencies and streamline processes to provide greater flexibility and capabilities to support our growth plans. | A change to the reporting structure in the business has the manufacturing team reporting to the CEO , Preventative maintenance programs have been implemented along with measurable manufacturing key performance indicators.   | <p>We will investigate alternative options to reduce costs in warehousing, transport and logistics during FY22</p> <p>Considering current global supply chain challenges, a full review of strategic supply chain partners has been implemented.</p> <p>In line with our sustainability goals, we will commence a review of our packaging materials and formats, and evaluating the use of more environmentally friendly options.</p>                  |

## 2.4.2 Strategic Goals

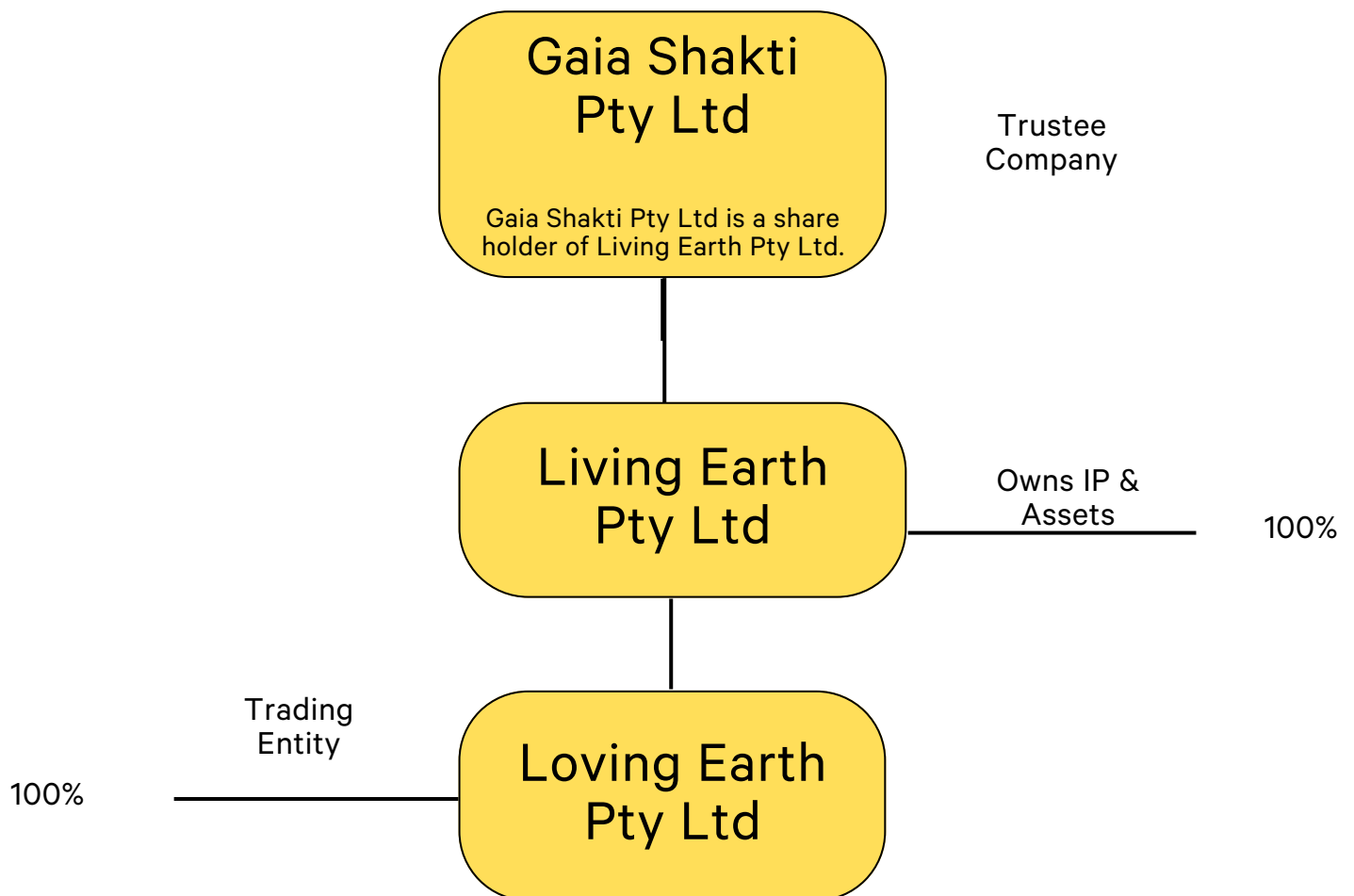
| Strategic Focus               | Strategic Objectives   | Progress   | Future   |
|-------------------------------|--|--|--|
| New Product Development (NPD) | Expand our share of the vegan product category through innovation and new product development. | In May 2022 we appointed a New Product Development Manager to execute our NPD strategy, commencing with the development of our Superfood range to "disrupt" the market and really focus on local and international trends. After his appointment, we have appointed 2 additional team members to support and drive the number of concepts we can propose to our retailers. | <p>With Loving Earth leading the demand for clean, plant-based, organic, and sustainable foods, our new product development and innovation pipeline will focus on driving sales and market share growth through expansion of the current range, and entry into categories where we can disrupt existing brands.</p> <p>New Product development of over 20 new product lines across 4 categories is also well underway with new lines being presented from September 2022 for market launch early 2023. A clear focus on Healthy Kids Snacks.</p> |
| Export                        | Grow our market presence in export markets, with particular focus on South East Asia.          | Loving Earth have current export partners in Hong Kong, Singapore, Japan, UAE, Thailand and New Zealand.   | Appointment of a National key account manger with Export experience will assist in the further expansion into key retailers in SEA.  |
| Social Impact                 | Increase our social and environmental impact.  | <p>Became a Signatory to UN Global Compact to embed Sustainable Development Goals (SDG) into our business.</p> <p>Commence a carbon impact assessment project to achieve our goal of becoming Carbon Neutral.</p>  | <p>Develop a Mapped Integration Journey that outlines how Loving Earth will achieve the SDG ambition Benchmarks.</p> <p>Develop a clear plan of action to implement the SDG Ambition Approach going forward within 6 months of completing the Accelerator program.</p> <p>Achieve Carbon Neutral certification in 2023/24.</p> <p>Design, implement and scale our impact through a purpose-driven strategy and action plan, with frameworks to measure our impact.</p>   |

## 2.5 Organisational Structure



## 2.5.1 Corporate Structure

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## 2.6 Capital Structure

### ISSUED CAPITAL

As at the date of this Offer Document, the Company has 6,800,000 ordinary shares on issue all of which are owned by Gaia Shakti Pty Ltd (which is owned by the founders). Table 1 below sets out the issued capital of the Company before the Offer.

Table 1: Issued capital of the company before the offer.

| Table 1  |                        |
|--|------------------------|
|  | <b>Shares</b>          |
|  | <b>Ordinary Shares</b> |
| Gaia Shakti Pty Ltd (Corporate Trustee of Gaia Shakti Discretionary Trust) | 6,800,000              |
|  | 100%                   |

### ISSUED CAPITAL

Table 2 sets out the issued capital of the Company following the offer on a fully diluted basis.

| Table 2  |                          |                          |
|--|--------------------------|--------------------------|
|  | <b>Min. Subscription</b> | <b>Max. Subscription</b> |
|  | <b>Ordinary Shares</b>   | <b>Ordinary Shares</b>   |
| Gaia Shakti Pty Ltd (Corporate Trustee of Gaia Shakti Discretionary Trust) | 6,800,000                | 6,800,000                |
|  | 90.67%                   | 73.12%                   |
| Offer Shares   | 700,000                  | 2,500,000                |
|  | 9.33%                    | 26.88%                   |
| Total Shares on Issue  | 7,500,000                | 9,300,000                |
|  | 100%                     | 100%                     |

## 2.6.1 Risks and Liabilities Associated with the Securities

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An investor subscribing for shares is bound by the Constitution (available on the Intermediary's platform). Set out below is a brief summary of the rights and liabilities associated with the Company's securities. For further information, including relating to restrictions on transfer and drag along and tag along rights, please refer to section 3.3 and the Constitution, available on the Intermediary's platform.

**ORDINARY SHARES** The shares issued pursuant to this Offer Document will be fully paid Ordinary Shares. All Ordinary Shares have the same voting rights and the same rights to receive dividends. The Constitution (available on the Intermediary's platform) sets out the details of each of the rights and liabilities associated with Ordinary Shares

**SHAREHOLDERS AGREEMENT** As at the date of this Offer Document, there is no shareholders agreement between the existing shareholders and the Company

**OPTIONS** As at the date of this Offer Document, there are no vested, unvested or unexercised options on issue. The Company may implement an Employee Share Options Plan (ESOP) in the future. The Constitution of the Company (available on the Intermediary's platform) includes provisions to Board to implement an ESOP in the future.

**REGISTRATION OF TRANSFERS** The Board may from time to time refuse to register a transfer of shares. The details of the Board's power to do so are set out in clause 13 (e) of the Constitution. Where the Board determines to do so, the Board must notify the person who deposited the instrument of transfer within five Business Days from the date the instrument of transfer was delivered to the Company by the Member. The Board is not under any obligation to provide reasoning in respect of any refusal. Nevertheless, the Board may provide such reasoning at their discretion.

## 2.6.2 Sources of financing, including debt financing and other financing.

The company relies on debt financing as well as equity subscriptions to fund its operations. The company's current debt financing arrangements as at 30th June 2022 are as summarised in the table below:

| Finance/Debt Provider | Facility Type         | Facility Limit     | Amount Outstanding (30/6/2022) | Expiry Date |
|-----------------------|-----------------------|--------------------|--------------------------------|-------------|
| NAB                   | Trade Finance         | \$400,000          | \$352,801                      | 30/06/2023  |
| NAB                   | Invoice Finance       | \$700,000          | \$127,255                      | 30/06/2023  |
| NAB                   | Business Loan         | \$200,000          | \$200,000                      | 30/06/2023  |
| NAB                   | Business Support Loan | \$650,000          | \$579,000                      | 28/02/2032  |
| <b>TOTAL</b>          |                       | <b>\$1,950.000</b> | <b>\$1,259,056</b>             |             |

### Director Loans

The company does not have any loan from the directors.

## 2.7 Board of Directors & Senior Managers



**Scott Fry**

Co-Founder - Non Executive Director

Growing up on Magnetic Island in North Queensland, Scott developed a very intimate relationship with the natural world that has been the guiding force of his career. Completing an undergraduate arts degree in psychology and drama he worked at Outward Bound Australia instructing adventure based corporate and personal development programs in remote wilderness locations. He spent 8 years in India studying Yoga and working with marginalised indigenous communities and agriculture. Moving to Mexico he set up a business to help several indigenous cooperatives commercialise their heirloom products and he was introduced to cacao. Coming back to Australia he had the inspiration to set up Loving Earth as a vehicle to support Indigenous farming communities, preserve their traditional cultures and restore the biodiverse ecosystems that they are custodians of. Scott acts as an independent advisor to the board and is involved in policy making and planning exercises.



**Michael McGrath**

Chairman of the Board / Observer

Michael is an entrepreneur with over thirty years' experience creating, growing, and divesting businesses across the globe. Mike's commercial experience spans the UK, Hong Kong, China, the USA and Australia. Michael is currently the CEO of Oasis Partners an international Corporate advisory firm with headquarters in London and offices in Australia. He currently sits on the boards of eight private companies in Australia, five of which are in manufacturing. He has a long track record of assisting owners of businesses experiencing rapid growth and expansion.

Mike provides leadership to the board of directors and senior management, support and advise to the CEO and has the authority to call meetings of the board of directors and management. He promotes effective communication on developments occurring between board meetings.



**\*Sachin Patel**

Chief Financial Officer

Dedicated, high performing Chief Financial Officer with 18+ years' experience in delivering first class financial solutions, while leveraging a strong audit focus, to optimise management decision-making actions in driving overall business performance. Hands-on & motivational style leader, effectively interacting with staff, customers, board members and key stakeholders. Proven business acumen, with expertise in multinational and local companies, and start-up and growth settings. Highly skilled in establishing and improving processes to maximise financial resource use in realising operating, capital and investment growth goals. Quality credentials including a CPA and Master of Business Administration majoring in E-Business. Committed, resourceful and methodical, readily embracing and adjusting to positive change. Responsible for managing the companies finances, including cash flow, financial planning, management of financial risk, record keeping and financial reporting.



**Martha Butler**

Co-Founder Director and Chief Creative Officer

Born into a traveling life as a child, Martha later gravitated to Melbourne's seminal music scene of the 80s, throwing herself into the guerrilla-style marketing and DIY live events of the time. Self taught in a variety of creative disciplines, Martha spent 9 years in Asia and Mexico working for an international non-profit organisation, putting on events and leading creative teams. On returning to Melbourne with Scott Fry, Martha worked with him to co-found Loving Earth. Martha has been Creative Director of Loving Earth since 2012, guiding brand, culture and cosmic alignment in equal measure. Core responsibilities are for all design output, determining the best way to visually represent an idea and produce high - level concepts for design projects.



**John Florey**

Chief Executive Officer

An executive leader with a track record of successful year-on-year achievement of commercial targets and growth objectives in competitive and rapidly evolving environments including retail, trade, wholesale and FMCG.

Innovative and customer focused, John's "sweet spot" is developing a deep understanding of the consumer behaviour and market landscape and creating key points of differentiation for competitive advantage. Tenacious and driven, known as a "fixer" who leads turnaround and growth. Entrepreneurial and commercial, combines strategic thinking and decision making with exceptional execution abilities.

John's primary responsibilities include setting the strategic direction, making major business decisions for the company, managing the overall operations and resources of the company, and acting as the main point of communication between the board of directors and the business.

\*Sachin Patel was appointed Director (non-executive) of Singh and Patel Pty Ltd on 05/09/2017. The company was operating a business in the hospitality industry which was purchased in September 2017. The business was sold in January 2019 and a liquidator was appointed on 14 February 2019 as the sales proceeds were insufficient to pay all creditors. This experience, which occurred in 2018, has shaped his future endeavours.

## 2.8 Risks Facing the Business

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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).

| Type of Risk                    | Description of Risk   |
|---------------------------------|---|
| Market and competition risk     | The Company operates in the Food and Beverage industry which is highly competitive, and some competitors have significant advantageous access to capital, resources and distribution compared to the Company. There is no assurance that the Company will be able to compete effectively with existing and new competitors in the future. Should any of the Company's competitors participate more aggressively on price, product, promotion, or other means, this may have an adverse impact on the Company's financial performance and growth prospects. Equally, consumer preferences may change or evolve overtime, favouring other products over the Company's products. |
| Supplier and Manufacturing risk | The business model relies on the Company manufacturing and packing its own products and purchasing packaging and raw materials from third parties. The Company may experience disruptions, delays and shortages in its supply chain which may have a material adverse impact on the Company's ability to provide its products to retailers, distributors and the public to meet current and anticipated future demand.  |
| Cash flow risk                  | The Company needs working capital to achieve its objectives. 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.  |

## 2.8 Risks Facing the Business

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| Type of Risk                                 | Description of Risk  |
|--|--|
| Reliance on sales channels and key customers | The Company distributes its products to consumers through various sales channels and the Company depends on continued access to its sales channels. These relationships may not always be contracted.. There is no guarantee that the Company's relationships with key customers and channel partners will continue or, if they do continue, that they will generate the same or greater revenue as they have done in the past.  |
| Brand and reputation risk                    | The Company may fail to provide customers with the quality of product they expect or have product contamination/recall issues. This may have a material adverse impact the Company's revenue and profitability   |
| Pandemic risk                                | Due to recent events (including Covid-19), there is considerable uncertainty in respect of the global and local economy. This creates risk for the Company, including that consumers may not be able to afford the Company's products and/or that the Company may be subject to specific regulatory restrictions. The risk of associated with COVID-19 and/or any other pandemic or epidemic may have a material adverse impact the Company's revenue and profitability. |
| Legal risk                                   | Changes to legal and/or regulatory instruments may impact upon the Company's operations and management. If such changes are unfavourable, the Company may need to make changes to the way it conducts its business and such changes may impact upon the Company's ability to generate revenue.   |
| Insolvency risk                              | The Company is seeking to obtain funding to achieve its objectives and has significantly reduced its overhead costs and employee structure to ensure a well balanced platform for growth.  |

## 2.9 Financial Information

On the following pages are the consolidated financial statements of the Company and its controlled subsidiaries for the financial years ended 30 June 2022 and 30 June 2021, which have been prepared in accordance with the Accounting Standards.



## 2.9.1 Balance Sheet

| Consolidated statement of financial position |                    |                    |
|--|--------------------|--------------------|
| (AUD)  | As at 30 June 2022 | As at 30 June 2021 |
| <b>Assets</b>                                |                    |                    |
| Current Assets                               |                    |                    |
| Cash and Cash equivalents                    | 41,581             | 14,432             |
| Trade Receivables                            | 331,647            | 730,648            |
| Inventories                                  | 2,296,771          | 2,989,969          |
| Prepayment and Other receivable              | 79,729             | 131,596            |
| <b>Total Current Assets</b>                  | <b>2,749,728</b>   | <b>3,866,645</b>   |
| <b>Non-current Assets</b>                    |                    |                    |
| Property, Plant and Equipment - net          | 930,395            | 1,057,293          |
| Total Non-current Assets                     | 930,395            | 1,057,293          |
| <b>Total Assets</b>                          | <b>3,680,123</b>   | <b>4,923,938</b>   |
| <b>Liabilities</b>                           |                    |                    |
| Current Liabilities                          |                    |                    |
| Bank Overdraft                               | 485,524            | 340,844            |
| Trade Payables                               | 716,412            | 736,595            |
| Lease Liabilities (Hire Purchase)            | 316,311            | 419,982            |
| Other Liabilities                            | 849,946            | 709,166            |
| <b>Total Current Liabilities</b>             | <b>2,368,193</b>   | <b>2,206,586</b>   |
| <b>Non-current Liabilities</b>               |                    |                    |
| Related Parties                              | 18,065             | 9,640              |
| Long-term Liabilities                        | 779,000            | 200,000            |
| <b>Total Non-current Liabilities</b>         | <b>797,065</b>     | <b>209,640</b>     |
| <b>Total Liabilities</b>                     | <b>3,165,258</b>   | <b>2,416,227</b>   |
| <b>Net Assets</b>                            | <b>514,865</b>     | <b>2,507,711</b>   |
| <b>Equity</b>                                |                    |                    |
| Capital                                      | 140,125            | 140,125            |
| Retained Earnings                            | 374,740            | 2,367,586          |
| <b>Total Equity</b>                          | <b>514,865</b>     | <b>2,507,711</b>   |

## 2.9.2 Profit & Loss

| <b>Consolidated statement of profit &amp; loss and other comprehensive income</b> |  |  |
|---|--|--|
| <b>(AUD)</b>  | <b>For the months ended<br/>30 June 2022</b> | <b>For the months ended<br/>30 June 2021</b> |
| <b>Revenue</b>  | 6,386,060                                    | 8,494,462                                    |
| <b>Cost of Goods Sold*</b>  | (4,574,857)                                  | (5,263,026)                                  |
| <b>Gross Profit</b>   | 1,811,203                                    | 3,231,436                                    |
|   |  |  |
| <b>Other Income</b>   | 51,121                                       | 557,444                                      |
|   |  |  |
| <b>Expenses</b>   |  |  |
| Salaries and Wages  | 2,051,630                                    | 1,693,618                                    |
| Fulfilment & Distribution   | 428,906                                      | 482,595                                      |
| Marketing, Promotions & Design  | 278,522                                      | 149,677                                      |
| IT & Communication  | 109,705                                      | 122,689                                      |
| Repairs & Maintenance   | 50,002                                       | 58,006                                       |
| Premises (Rent)   | 289,668                                      | 279,332                                      |
| Utilities   | 11,030                                       | 12,671                                       |
| Professional Fees   | 234,873                                      | 265,994                                      |
| Insurance   | 74,106                                       | 54,954                                       |
| Other Administration Expense  | 68,259                                       | 50,719                                       |
| Bank Charges  | 39,669                                       | 39,812                                       |
| <b>Total Expenses</b>   | <b>(3,636,370)</b>                           | <b>(3,210,067)</b>                           |
|   |  |  |
| Profit/(Loss) Before Interest, Tax, Depreciation & Amortisation                   | (1,774,046)                                  | 578,813                                      |
| Depreciation  | 160,775                                      | 193,737                                      |
| Profit/(Loss) Before Interest & Tax   | (1,934,821)                                  | 385,076                                      |
| Interest Expense  | 58,025                                       | 37,565                                       |
| <b>Profit (loss) for the year</b>   | <b>(1,992,846)</b>                           | <b>347,511</b>                               |

\*Footnote:

1. Certain overhead costs (such as labour, manufacturing etc) previously formed part of the CoGS in FY '21 and FY '22. In FY '23 these costs have been excluded from CoGs and have been moved back into overheads.
2. These changes were made by the new management to reflect the CoGs position more consistently.

## 2.9.3 Cash Flow

| <b>Consolidated statement of cash flow</b>        |  |  |
|---|--|--|
| <b>(AUD)</b>                                      | <b>For the months ended<br/>30 June 2022</b> | <b>For the months ended<br/>30 June 2021</b> |
| Cash flow from operating activities               |  |  |
| <b>Net Profit (loss) for the year</b>             | <b>(1,992,846)</b>                           | <b>347,511</b>                               |
| Add/(Deduct) Adjustments for:                     |  |  |
| Depreciation                                      | 160,775                                      | 193,737                                      |
| (Increase)/Decrease in Trade Receivables          | 399,000                                      | (176,973)                                    |
| (Increase)/Decrease in Inventories                | 693,199                                      | (1,120,570)                                  |
| (Increase)/Decrease in Prepayment                 | 51,867                                       | (92,821)                                     |
| Increase/(Decrease) in Bank Overdraft (Loan)      | 144,680                                      | 226,374                                      |
| Increase/(Decrease) in Trade Payables             | (20,184)                                     | 408,198                                      |
| Increase/(Decrease) in Lease Liabilities          | (103,671)                                    | 328,005                                      |
| Increase/(Decrease) in Other Liabilities          | 140,781                                      | (106,839)                                    |
| Cash generated from operations                    | (526,399)                                    | 6,622  |
|   |  |  |
| <b>Cash flow from investing activities</b>        |  |  |
| Purchase of property, plant, and equipment        | (33,876)                                     | (319,611)                                    |
| Net cash used in investing activities             | (33,876)                                     | (319,611)                                    |
|   |  |  |
| <b>Cash flows from financing activities</b>       |  |  |
| Proceeds from long-term debt                      | 579,000                                      | 0  |
| Proceeds/Repayment from directors/related parties | 8,424  | 36,300                                       |
| <b>Net cash used in financing activities</b>      | <b>587,424</b>                               | <b>36,300</b>                                |
|   |  |  |
| Net increase in cash and cash equivalents         | 27,149                                       | (276,689)                                    |
| Cash and cash equivalents at beginning of period  | 14,432                                       | 291,121                                      |
| Cash and cash equivalents at end of period        | 41,581                                       | 14,432                                       |

## 2.9.4 Statement of Changes in Equity

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| Consolidated statement of changes in equity |                       |                       |
|---|-----------------------|-----------------------|
| (AUD)                                       | As at<br>30 June 2022 | As at<br>30 June 2021 |
| Beginning balance                           | 2,507,711             | 2,160,200             |
| Profit / (Loss) during the year             | (1,992,846)           | 347,511               |
| Ending balance                              | 514,865               | 2,507,711             |



## 2.9.5 Financial Performance Management Commentary

The financial performance of Loving Earth for the year ended June 2022 reflected a period of stunted sales compared with FY'21. Revenue declined by 25%. The business experienced significant disruptions and unpredictability due to a second year of COVID-19. It is well-known that consumer purchases of discretionary items generally decline during weak economic periods.

COVID-19 not only impacted sales but also posed material challenges to the supply chain. As such, the company's ability to deliver new products was limited. Furthermore, with increases in international freight rates and delays in shipping times, the margins were extensively hit. As a result, gross margins declined to just 28%. Since then, input costs have stabilised and, where possible, been passed on.

Whilst Loving Earth continues to be discreet about its expenditure, cutting costs where possible, its reduced fixed costs, abundant goodwill in the market and prudent use of its cash flow provided the bedding to withstand this downturn. Whilst FY'22 has been a challenge in more ways than one, it would be good to point out that FY'21 was a profitable year for the company.

What we can report is a significant restoration of both revenues and gross margins in October FY23. Below is the P&L for October, which has seen the results of the recent reorganisation. The business made a profit of \$80,005, the first for 16 months, with gross margins holding steady at 55%.

| October 2022       | Actual    | %     |
|--------------------|-----------|-------|
| Sales              | 710,749   | 100%  |
| Cost of Goods Sold | (319,365) | 44.9% |
| Gross Profit       | 391,384   | 55.1% |
| Expenses           | (311,379) | 43.8% |
| Profit Before Tax  | 80,005    | 11.3% |

However, to ensure the consistently high standards of its products, the company continually sources only high quality ingredients.

These are usually from small producer communities around the world who still use traditional methods handed down from generation to generation to harvest their heirloom cacao. One such supplier is the Ashaninka community who grow and supplies organic cacao through the Kemito Ene cooperative to Loving Earth.

To support the Ashaninka community, which was under severe financial distress at the time, the board of Loving Earth decided to purchase 100% of their crop yield even though this could have been bought in a staggered manner. Furthermore, the price paid for this crop was more than the spot rate at the time to aid this community towards self-reliance.

This decision affected FY22, however this payment not only provides wages to this community, their only source of income, but it creates a unique bond between the supplier and the buyer in line with the objectives of Loving Earth to support producer communities. It should be noted that the costs of higher priced cacao have been built into our future costings and we are comfortable with our current gross margins.

Despite macro-economic head winds, in terms of inflationary pressures and rising interest rates, the company is poised to deliver on its delineated growth strategy. Going forward, Loving Earth is continuously streamlining its supply chain and improving operational efficiencies. It is widening its distribution network on the back of growth in the better-for-you space and its positioning in the market as a genuine purpose driven brand.

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We are a future focussed, regenerative company,  
making really good things to eat.



## Section 3. Information About The Offer

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## 3.1 Terms of the offer

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Living Earth Pty Ltd is offering up to 2,500,000 shares at an issue price of AU \$0.50 per share to raise up to \$1,250,000. The key terms and conditions of the Offer are set out in the Table below.

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.

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.

| Terms                | Details                    |
|----------------------|----------------------------|
| Shares               | Fully paid ordinary shares |
| Price                | \$0.50 per share           |
| Maximum Subscription | \$1,250,000                |
| Minimum Subscription | \$350,000                  |
| Opening Date         | 16 November 2022           |
| Closing Date         | 1 December 2022            |

## 3.2 Use of Funds

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

The Offer costs includes the Intermediary's fees under the hosting agreement between the Company and the Intermediary. These fees are up to 6% of all funds raised by the company through Birchal Financial Services Pty Ltd (Intermediary), plus \$2,800 for administration and setup costs.

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.

Working capital includes overhead expenses and Inventory. We expect that the Maximum Subscription amount will be sufficient to meet the Company's short-term objectives over the next 18-24 months.

| Intended Use              | Minimum Subscription | Maximum Subscription |
|---------------------------|----------------------|----------------------|
| Marketing/Brand Awareness | \$90,000             | \$300,000            |
| E-Commerce/Technology     | \$32,000             | \$65,000             |
| New Product Development   | \$50,000             | \$150,000            |
| Export Market Growth      | \$20,000             | \$60,000             |
| Working Capital/Inventory | \$134,200            | \$597,200            |
| Offer costs               | \$23,800             | \$77,800             |
| <b>TOTAL</b>              | <b>\$350,000</b>     | <b>\$1,250,000</b>   |

## 3.3 Rights associated with shares

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Immediately after issue, the shares will be fully-paid 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).

### 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.

## 3.3 Rights associated with shares

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### 3.3.6 Pre-emptive Rights

#### PRE-EMPTIVE RIGHTS ON THE SALE OF EXISTING SHARES

Shares may only be transferred by a Member in accordance with clause 11 of the Constitution. This means that, except in respect of certain Permitted Disposals (as described in the Constitution), Member's wishing to sell shares must offer those shares to the holders of Preference Shares before those shares can be sold to third parties.

#### DRAG ALONG

Pursuant to clause 11.6 of the Constitution, where Members holding more than 60% of the Shares in the Company receive an offer from a third party to acquire all of the issued shares in the Company, those the Members may require all other Members of the Company to sell their Shares to that third party.

#### PRE-EMPTIVE RIGHTS ON NEW ISSUES

Shares may only be issued by the Company in accordance with clause 15 of the Constitution. This means that, except in respect of certain Excluded Issues (as described in the Constitution), where the Company wishes to issue new shares, the Company must offer the right to subscribe for those new shares to the holders of Preference Shares before those new shares can be issued to third parties.

#### TAG ALONG

Similarly, where parties holding at least 60% of the issued Share capital in the Company intend to sell their Shares to a third party, then any one or more of the Members who did not receive an offer will have the right to tag along (pursuant to clause 11.5 of the Constitution).

## 3.4 What can I do with my shares?

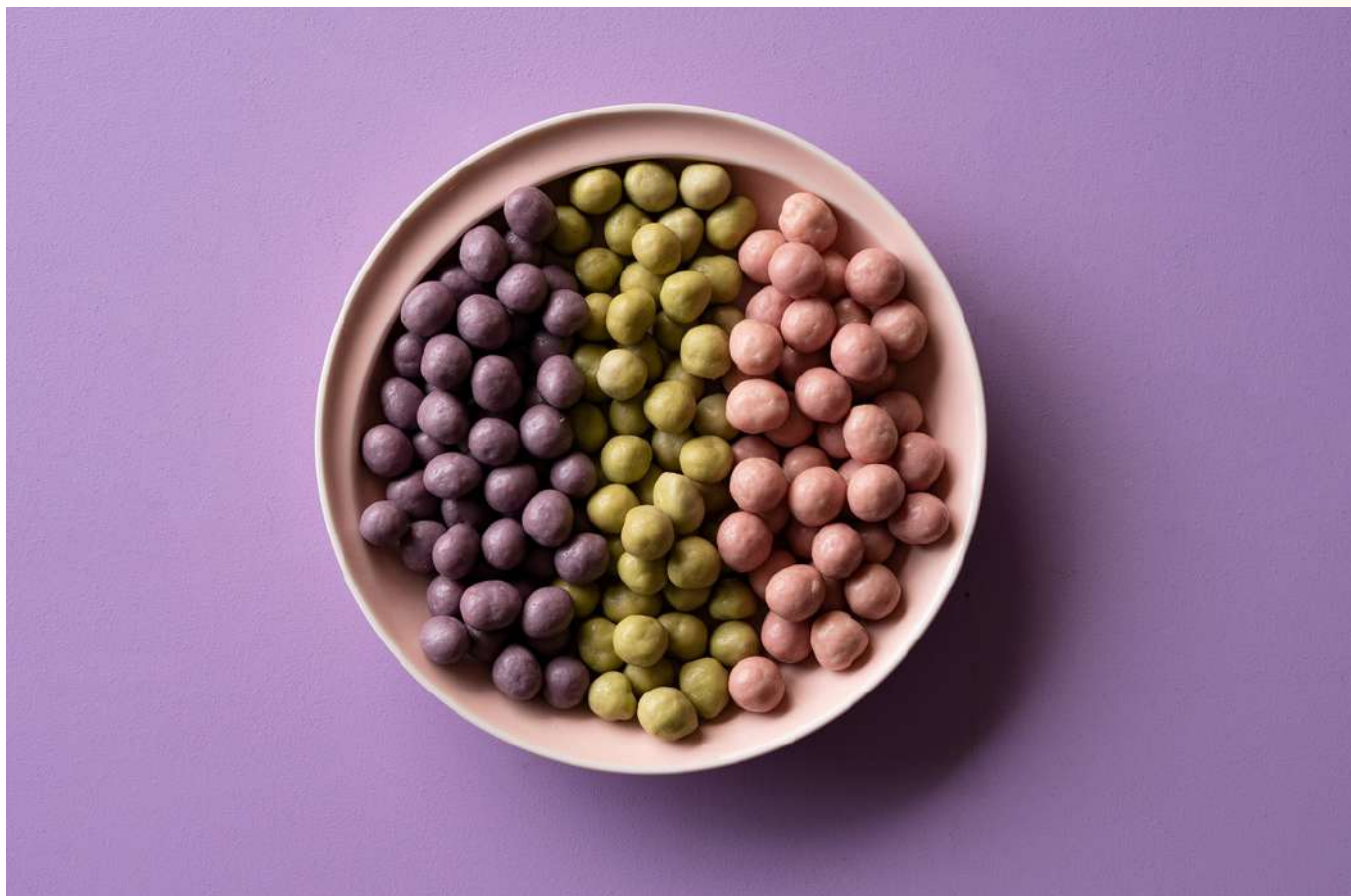
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Shares in the Company are considered illiquid as they cannot easily be transferred or sold (apart from offering them to existing members subject to the pre-emptive rights rules in the Constitution, which may or may not lead to a sale).

These include, but are not limited to:

- 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 Investor Rewards

In addition to being a shareholder of Living Earth Pty Ltd, a range of rewards are being offered to investors. The below sets out the investor rewards based on the amount invested.



## Tier 1: \$500 investment

- 1,000 shares in Loving Earth
- \$20 voucher for Loving Earth website



## Tier 2: \$1,000 investment

- 2,000 shares in Loving Earth
- \$20 voucher for Loving Earth website
- Limited Edition branded Loving Earth tote bag



## Tier 3: \$2,500 investment

- 5,000 shares in Loving Earth
- \$30 voucher for Loving Earth website
- Limited Edition branded Loving Earth tote bag



## Tier 4: \$5,000 investment

- 10,000 shares in Loving Earth
- \$40 voucher for Loving Earth website
- Limited Edition Loving Earth tote bag
- Exclusive branded Loving Earth x Frank Green drink bottle



## Tier 5: \$10,000 investment

- 20,000 shares in Loving Earth
- \$50 voucher for Loving Earth website
- Limited Edition Loving Earth tote bag
- Exclusive branded Loving Earth x Frank Green drink bottle
- Design your own custom chocolate bar flavour - our chocolatiers will make it and send it to you to enjoy



## Tier 6: \$25,000 investment

- 50,000 shares in Loving Earth
- \$100 voucher for Loving Earth website
- Limited Edition Loving Earth tote bag
- Exclusive branded Loving Earth x Frank Green drink bottle
- Exclusive Christmas box of New Product development
- On-site chocolate making experience: spend a day with us as a chocolatier, designing and making your own custom chocolate flavour to take home and enjoy



## Tier 7: \$50,000 investment

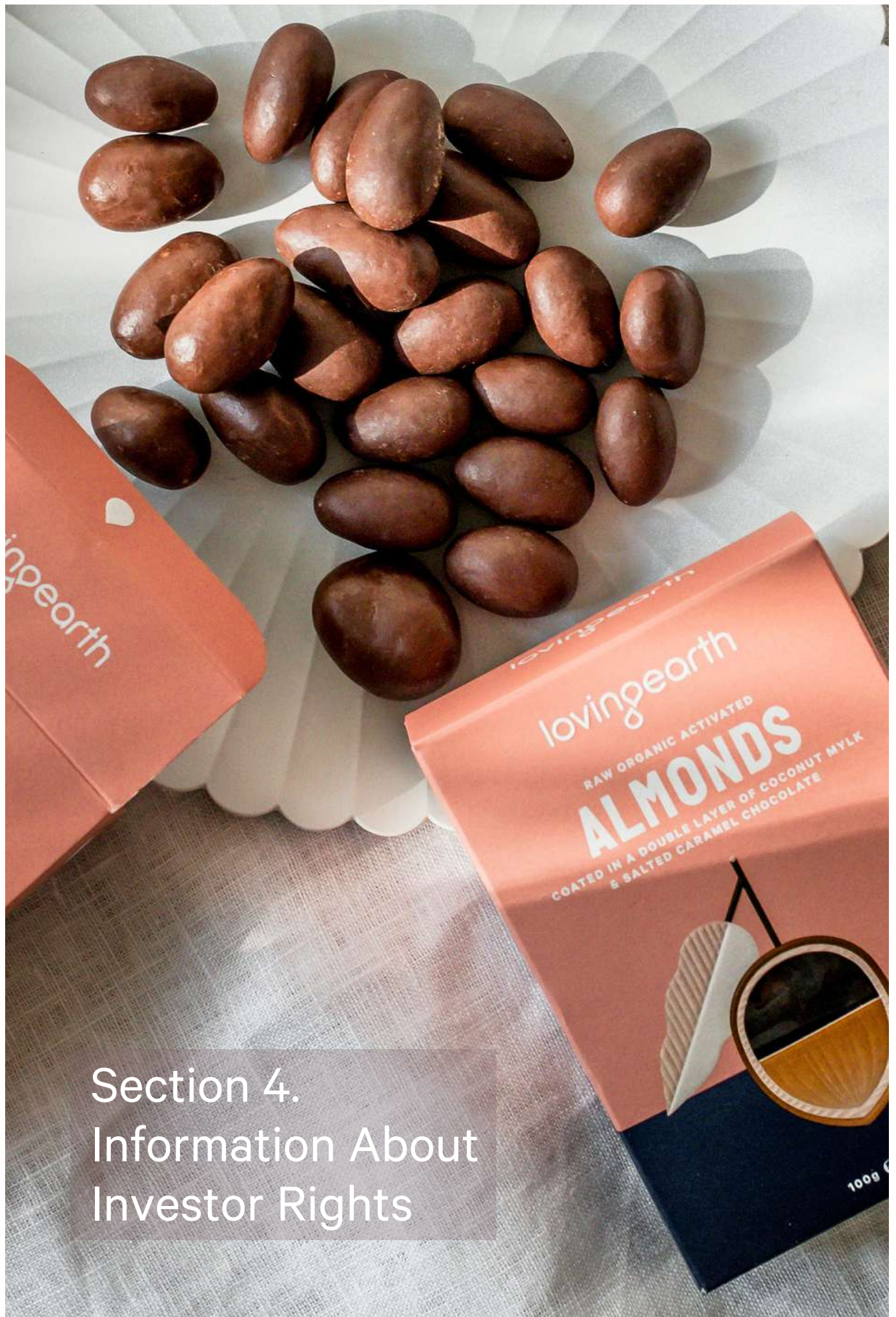
- 100,000 shares in Loving Earth
- Invitation to New Product development tasting panel
- Limited Edition Loving Earth tote bag
- Exclusive branded Loving Earth x Frank Green drink bottle
- Exclusive Christmas box of New Product development
- On-site chocolate making experience: spend a day with us as a chocolatier, designing and making your own custom chocolate flavour to take home and enjoy



## Tier 8: \$100,000 investment

- 200,000 shares in Loving Earth
- Invitation to New Product Development tasting panel
- Limited Edition Loving Earth tote bag
- 2 x Exclusive branded Loving Earth x Frank Green drink bottle
- Exclusive Christmas box of new product development
- On-site chocolate making experience: spend a day with us as a chocolatier, designing and making your own custom chocolate flavour to take home and enjoy
- A seat on our sub committee advisory board meeting-half yearly





## 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 (the 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.

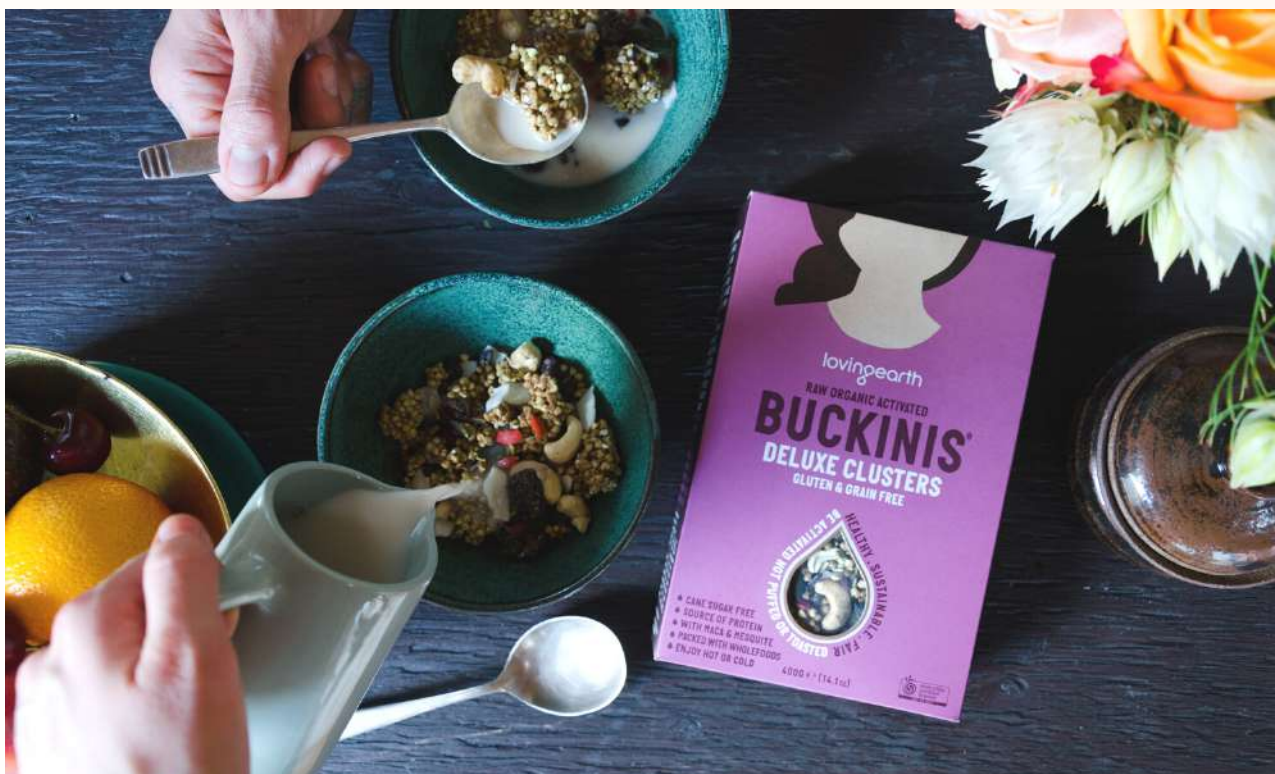
## 4.2 Communication Facility about the offer

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 of the Corporations Act.



## 4.3 Propriety 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 June 30 year end and its financial reports must be lodged by October 31 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 website at the following address [lovingearth.net](http://lovingearth.net) on the Company's share registry 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.

# Glossary

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Company means Living Earth Pty Ltd ACN 122 259 518.

Cooling-off Period means the period ending five business days after an application is made under this Offer, during which an 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 Birchall Financial Services Pty Ltd AFSL 502618.

Maximum Subscription means the amount specified in this CSF offer document as the maximum amount sought to be raised by the Offer.

Minimum Subscription means the amount specified in this CSF offer document as the minimum amount sought to be raised by 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.





Thank you and we look forward to  
welcoming you on the journey with us.

lovingearth

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