LiveVerdure

ASX Release
31 October 2022

LV1 SEPTEMBER 2022 QUARTERLY REVIEW & APPENDIX 4C

Live Verdure Ltd (ASX: LV1) ("LV1", "Live Verdure" or the "Company") is pleased to release our quarterly activities report and Appendix 4C for the three months ended 30 September 2022.

September Quarter Highlights

- Mark Tucker, former L'Oreal Managing Director, Appointed Chief Executive Officer (CEO)
- Transformative acquisition of Edible Beauty
- 8 Seeds Skincare - progressing toward soft launch
- Successful $2.1 million capital raise
- Implemented initiatives to improve the financial performance & outlook
    - Marketing Optimisations & Broader Cost Reductions Successfully Implemented - resulting in blended Return on Advertising Spending (ROAS) of ~2.4x for the quarter
    - Pre-emtively added in-house digital marketing expertise to the Edible Beauty business
    - Cost of Goods Sold (COGS) improvement of 18 to 22%
    - Appropriately invested in significant additional inventory across all brands
    - Implementing further head count and other cost-cutting
    - Started leveraging retail and distributor connections to accelerate inorganic growth pathways.
- New Product Development delivering new formulations and cost reductions – despite global supply chain issues.
- Acceleration of inorganic growth pathways driven by strong inbound partnership & acquisition enquiries – both locally and internationally.

Mark Tucker, former L'oreal Managing Director, Appointed Chief Executive Officer (CEO)

Live Verdure Limited (ASX: "LV1" or "the Company") was proud to announce *(ASX Announcement 24 August)* the appointment of Mark Tucker as Chief Executive Officer, effective 24 August.

Mark's significant experience at all stages of the growth curve is invaluable to LV1 as the company begins to consolidate and grow Edible Beauty (ASX Announcement 24 August) under its acquisition strategy.

Mark will also work to profitably scale LV1's existing brands, 13 Seeds and 8 Seeds, in Australia and internationally. Mark is a visionary Executive with over 30 years of experience building and leading, both large corporations and startups across Australia, New Zealand, and the Asia Pacific region. He has also successfully created and launched brands across many major beauty categories.

For 8 years, Mark held the position of Managing Director at L'Oréal Australia, and prior to that, General Manager Consumer for 6 years. During his tenure, revenue grew from A$12m to more than A$400m - making L'Oréal the leading beauty business in the Australian market.

Since his appointment as CEO, and ahead of completion of the acquisition of Edible Beauty, Mark has begun to optimise the group structure to accelerate profitable growth. Plans for the soft launch of the 8 Seeds skin care brand later this year are also continuing to take shape. Mark has already implemented several initiatives to improve the financial performance & outlook of the business. These include:

- **Cost of Goods Sold (COGS) improvements** for the Edible Beauty Brand of between 18% and 22% - expected to yield initial savings of at least ~$250,000 per annum as they phase in with future production runs.
- **Adding in-house digital marketing expertise** to the Edible Beauty business (ahead of completion) has seen September's blended ROAS average more than 7x. This ROAS is significantly greater than what has been previously achieved with the 13 Seeds brand, creating a significant advantage ahead of Edible Beauty acquisition completion and scaling digital marketing spend in Q42022.
- Appropriately **investing in significant additional inventory** across all brands to prepare for scaling activities in Q42022. LV1 now has ~$1 million in inventory across all brands.
- **Leveraging his vast retail and distributor connections** within the beauty industry to accelerate inorganic growth pathways.
- Implementing **further head count and other cost-cutting** measures.

Transformative Acquisition of Edible Beauty

The Company also announced *(ASX Announcement 24 August)* entering into a binding sale and purchase agreement to acquire 100% of the issued shares in The Beauty Apothecary Australia Pty Ltd ("Edible Beauty") for $1 million (consisting of 75% in cash and 25% in shares) on a cash-free and debt-free basis, plus deferred consideration based on future revenue generated by Edible Beauty. Edible Beauty is a naturopathically formulated range providing pure, active, and sustainable skincare and wellness products, targeting the health-focused and environmentally conscious demographics.

About Edible Beauty

Launched in 2014 by Sydney-based naturopath and nutritionist Anna Mitsios, Edible Beauty is a naturopathically formulated range providing pure, active, and sustainable skincare and wellness products.

The brand offers 100% PETA-certified vegan and cruelty-free formulations, with a high concentration of Australian bio-active native extracts and the highest quality natural botanicals from around the world. Edible Beauty products offer clinically proven, powerful skin-transforming results.

Anna developed a range of natural and efficacious products to fill a void for anyone seeking pure, vegan, and sustainable beauty formulas. Anna and her team are on a mission to transform people's skin holistically.

Edible Beauty has two product categories; a 25 SKU skincare category, including moisturisers, serums, oils, face masks and SPF, and a wellness category with 5 SKUs, including supplements and gut powders. National and international distribution is through D2C, wholesale distributors, and retail channels – including David Jones.

As the Edible Beauty brand grows and launches more products, it continues to broaden its customer demographic, capturing a wider portion of consumers

Live Verdure's newly appointed Chief Executive Officer, Mark Tucker said:

> *"The induction of the Edible Beauty business into LV1 has been seamless with the talented founder Anna, appreciating the increase in resources which has enabled rapid, positive change. Edible Beauty's products are beautiful to use and effective in delivering results; a perfect combination to create growth and brand loyalty. Plans to extend distribution are well into development and will deliver notable improvements this financial year.*
>
> *As we near the completion of a companywide strategic plan, we have identified the markets and segments that will deliver the best results for revenue and bottom-line growth over the next three years and beyond. Once the Board has reviewed this plan, I look forward to updating shareholders in the coming weeks."*

8 Seeds Skincare - progressing toward soft launch

8 Seeds has continued to make progress in bringing our innovative range of skincare products to market.

The product development is now completed and final stability, compatibility and preservative efficacy tests are being conducted In conjunction with our Australian-based 3rd party manufacturer. The pre-production test run on four initial premium hemp-based skincare products is also underway.

The initial product range includes a hydrating facial moisturiser with SPF, facial serum, cleansing oil and body repair crème. All products contain hemp seed oil as an active ingredient in combination with other natural, Australian-native ingredients. We believe this unique combination of ingredients offers consumers an innovative and efficacious product selection. These initial four products will target committed skincare users who are seeking new and more effective products. The soft launch will target our existing database of customers who are already loyalty users of hemp seed products.

Further products targeting common skincare conditions (acne, eczema, psoriasis, and rosacea) and a sub range for people with sensitive skin are also currently under development. In the first planned tranche of launches there will be nine highly targeted SKUs (products) which will cover the majority of consumer needs.

We are also completing branding work with a top agency for the planning of our go-to-market strategy for Australian sales. These channels include our D2C database, key online retailers in beauty and fashion, and bricks and mortar retail beauty outlets across the globe.

Successful $2.1 million capital raise

On the 29th of September LV1 announced that it successfully completed the first tranche (A$2m) of its previously announced A$2.1m capital raise (ASX Announcement 24 August). Subsequent to the end of the quarter, shareholders approved a further $100,000 to be raised through director participation. The placement will fund the acquisition of Edible Beauty, including working capital requirements. It will also accelerate future Live Verdure acquisition opportunities and growth initiatives, such as; investment against inventory, profitable customer acquisition, revenue growth, and new product development for Edible Beauty and 8 Seeds skincare.

CPS Capital acted as Lead Manager on the Placement.

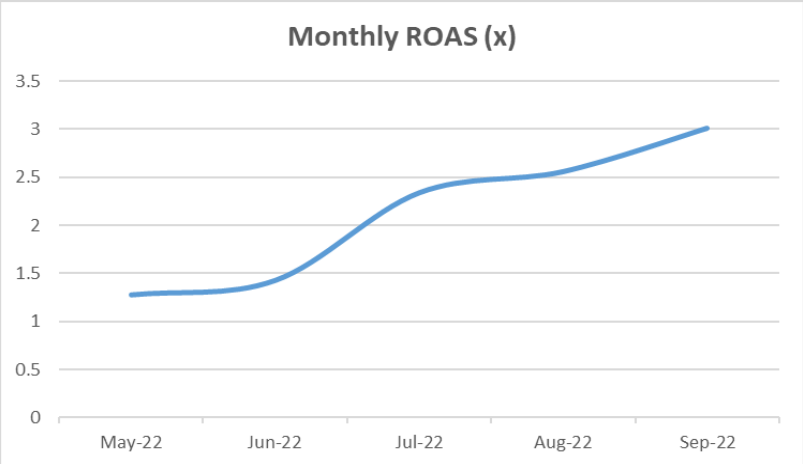
Marketing Optimisations & Broader Cost Reductions Successfully Implemented

Live Verdure continues to advance our digital marketing function and implement the strategic initiatives outlined in previous updates to market. These initiatives, and with a **continued focus on positive unit economic growth**, have now become embedded in our culture, operations and performance – driving significant improvement in the financial profile of our 13 Seeds brand.

These initiatives and efficiencies have been shared with Edible Beauty and are expected to drive substantial revenue growth post-acquisition completion.

Examples of these improvements include:

- Optimising continued revenue growth – focusing especially on positive unit economic growth.
- Refining Facebook and Google media buying activity to deliver a significantly improved blended ROAS since May 2022 (depicted below).



These improvements have enabled the Company to significantly reduce variable online marketing spend. The Company is pleased to advise that we have delivered unaudited sales for the quarter of ~$292,000, with a continued focus on positive unit economic growth. The Company reduced online advertising spend by 284% to ~$123,000 from the previous quarter and delivered a blended Return on Advertising Spending (ROAS) of ~2.4x for the quarter. When leveraged with our high gross margins (85%+), the Company can now begin to scale to a profitable base.

Broader, significant cost reduction initiatives have now been implemented which will see monthly operating expenditure for LV1 reduced - ahead of the completion of the acquisition of EB.

We expect to see further positive impacts of these initiatives reflected in subsequent quarters, and the Company looks forward to providing regular updates to our valued shareholders.

NPD, EPD & Inventory Management

LV1 is pleased to report that significant progress in New Product Development (NPD) and Existing Product Development (EPD), led by our CTO, Jonathan Do.

Jonathan has been working with the company's suppliers & manufacturers on a range of new product formulations. Advancements have also been made to existing formulations for 13 Seeds' best-selling SKUs. These upgraded formulations will extend the shelf life of products by 150% and significantly reduce production and planning costs.

Additionally, Jonathan has been working with Anna Mitsios (founder and GM of Edible Beauty) on enhancing formulations for a range of Edible Beauty's products to improve the quality and potency of the product range and substantially reduce the ongoing COGS.

Despite global supply chain issues and inflation, we believe Jonathan's expertise and industry knowledge will enable further reduction in COGS. These reductions will improve product margins and increase profitability across all LV1's Brands.

We currently have in excess of ~$1 million of inventory on hand across all brands.

Local & International Partnership & Acquisition Enquiries Continue

Since the announcement of the acquisition of Edible Beauty, Live Verdure has fielded an increased number of inquiries regarding companies looking to partner with or be acquired by LV1 – *now including interest by internationally owned brands.*

Equion Capital, our specialist M&A corporate adviser is also continuing to facilitate target outreach.

The M&A focus remains on profitable, small to midsize companies with an established product suite in the Health and Wellness, or Skincare sectors. Our target companies are founder-led, with established and engaged audiences to ensure future scalability and continuous growth.

The Company looks forward to updating shareholders with further detail as soon as possible.

Management of Cash Position

Live Verdure continues to monitor our cash and liabilities position. Under Mark Tucker's guidance we continue to actively taking steps to improve our cash position and reduce our cost base without negatively impacting revenue or the success and growth of our brands.

During the quarter, the company had significant but abnormal one-off legal, financial, and corporate advisory and capital raise costs related to the due diligence and subsequent acquisition of Edible Beauty.

LV1 did continue to significantly reduce online spend and continued to improve ROAS. We expect to see further positive impacts of these initiatives reflected in subsequent quarters and the Company looks forward to providing shareholders with regular updates.

During the September 2022 quarter, Live Verdure's expenditure included ~$109,000 on employee benefits, ~$396,000 on advertising and marketing expenses, ~$70,000 on research and development expenses, and ~$690,000 on administration and corporate costs (including the significant but abnormal one-off costs related to the due diligence and subsequent acquisition of Edible Beauty). This expenditure is in line with budget expectations.

Additional Information

The table below illustrates the expenditure comparison against the Company's 'Use of Funds' table in the Prospectus dated 26 October 2020:

Use of Funds	Amounted Budgeted in Prospectus	Actual Amount Spent to Date
Expenses of the Offer	$483,000	$514,000
Sales and marketing	$1,280,000	$3,710,000
Raw materials and packaging supplies	$1,175,000	$1,443,000
Administration costs	$1,857,000	$2,731,000
Research and development	$700,000	$473,000
Total	**$5,495,000**	**$8,871,000**

The variances in the sales and marketing, raw materials and packaging supplies and administration costs categories are due to additional investment required to sustain the growth in revenues of the Company.

The amount of $72,000 included in section 6.1 of the accompanying Appendix 4C (payments to related parties) relates to Directors fees and superannuation payments for the June 2022 quarter.

In accordance with conditions to the Listing Rule 1.1 condition 12 waiver in the Company's announcement of 11 December 2020, the Company confirms that 5,000,000 performance rights with a nil exercise price were issued to the Managing Director and Non-executive Chairman. 2,500,000 of these performance rights have been exercised and subsequently converted. The remaining 2,500,000 performance rights remain on issue and have not been converted.

-Ends-

For further information, please contact:

Mark Tucker

Chief Executive Officer

E: mark@liveverdure.com.au

Gernot Abl

Non-Executive Chairman

E: gernot@liveverdure.com.au

This announcement has been authorised for release by the Board of LV1.

About Live Verdure (ASX:LV1)

Live Verdure Ltd (ASX:LV1) ("LV1" or the "Company") is an Australian Direct to Consumer (DtoC) plant-based food, nutraceutical and skincare company that owns fast-growing hemp consumer brands "13 Seeds" and "8 Seeds", with Tasmanian hemp as its hero ingredient.

LV1 is built based on a deep understanding of our consumers' purchasing behaviour, focusing on building long-term relationships where consumers return time and time again to shop for more wellness products.

APPENDIX 4C

QUARTERLY CASH FLOW REPORT FOR ENTITIES SUBJECT TO LISTING RULE 4.7B

Name of Entity

Live Verdure Ltd

ABN	**Quarter ended ("current quarter")**
28 614 347 269	30 September 2022

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	366	366
1.2	Payments for		
	(a) research and development	(70)	(70)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(396)	(396)
	(d) leased assets	-	-
	(e) staff costs	(109)	(109)
	(f) administration and corporate costs	(690)	(690)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	115	115
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(784)**	**(784)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,000	2,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(126)	(126)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**1,874**	**1,874**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	538	538
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(784)	(784)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,874	1,874
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,628**	**1,628**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	1,628	538
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,628**	**538**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	72
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-
7.5	**Unused financing facilities available at quarter end**		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	N/A		

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(784)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,628
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,628
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	2.08
	Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance Statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

31 October 2022

Date: .....

The Board of Directors

Authorised by: .....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and*

Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.