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Annual Report 2022



propell*

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Large Target Market



2.4m

SMEs in Australia

\$423b

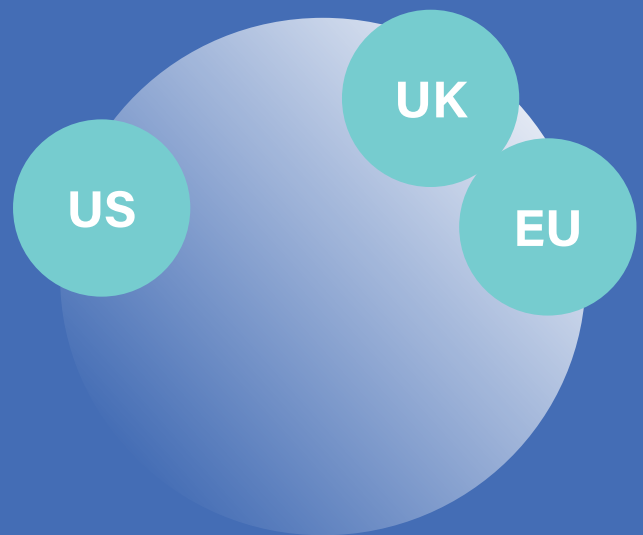
SME loans

55m+

SMEs in key Western markets

300m+

SMEs globally



Performance Highlights

420%⁺

Customer growth on platform vs PCP

354%⁺

Growth in lending volumes

170%

Growth in average loan size

#1



Winner finder.com.au Award for Best B2B Innovation in FY22

4.3*

Customer rating on Trust Pilot

Corporate Information

COMPANY SECRETARY

Adam Gallagher

REGISTERED OFFICE

Level 11, 82 Eagle Street
Brisbane QLD 4000

PRINCIPAL PLACE OF BUSINESS

Level 2, 307 Queen St
Brisbane QLD 4000

SHARE REGISTER

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Telephone: 1300 554 474

AUDITOR

Pitcher Partners
Level 38, 345 Queen Street
Brisbane QLD 4000

STOCK EXCHANGE LISTING

Propell Holdings Limited shares are listed on the
Australian Securities Exchange (ASX code: PHL)

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Addressing SME's most common problems

#1

Proven platform built with industry advanced technology

#2

Delivering a highly automated customer experience and journey

#3

Allowing for scale without the requirement for further investment

Propell's proposition has expanded to address

TOOLS & SERVICES

Business Cashflow Insights
Business Credit Health Monitoring

LENDING

Propell 6 month Line of Credit
Propell 12 month Line of Credit
Propell Business Loan

PAYMENTS

In-person, Online, Remote



VISA

zip

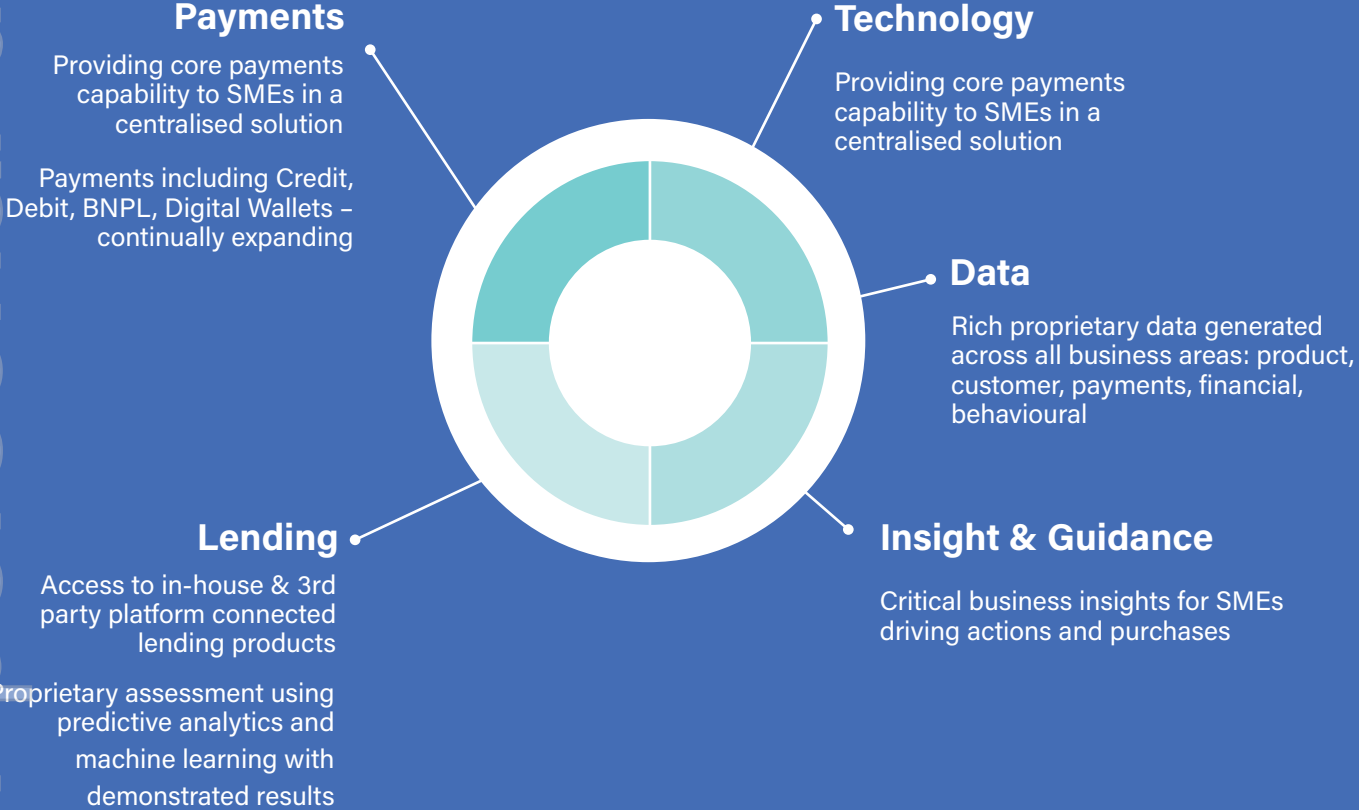


Apple Pay

Google Pay



The Propell platform is a unique proposition for SMEs



“Over the financial year, the Company has continued to make significant progress in optimising the Platform and delivering strong lending and revenue growth, without incurring significant additional costs.”

Benjamin William Harrison
Chairman



Chairman's Report

Dear Shareholders,

On behalf of the board, it is my pleasure to present our 2nd annual report as a ASX listed company for Propell Holdings Limited (ASX: PHL) for the financial year ending June 2022.

Propell is Australia's first and only all-in-one finance platform providing SMEs with lending solutions that are faster to access, easier to use and simpler to manage using a digital-first approach. Driven by a vision to revolutionise how small businesses manage their finances, Propell centralises access to what those businesses need; deep insights into their financial health, and direct access to a suite of finance tools, including payments and lending, to enable them to operate and grow.

THE FUTURE OF FINANCE IS DIGITAL

Small businesses, left underserved by traditional providers, are searching for alternative solutions to their finance needs. Propell is positioned for this accelerating shift and disruption of traditional service providers and their business models.

At Propell, we believe the current trends in the global payments and lending sectors provide tailwinds for alternative financial solutions for small businesses who may have been left underserved by traditional service providers, including banks. We expect the ongoing evolution of technology and customer-centric approaches to lead to traditional service providers continuing to have their business models disrupted.

OPTIMISING FOR GROWTH

Over the financial year, the Company, led by Managing Director, Michael Davidson has continued to make significant progress in optimising the Platform as well as delivering strong lending growth. Optimisations to the Platform include; additional customer-facing products (new lending facilities, payments, business insights) as well as initiatives aimed at developing the capability and automation of the underlying proprietary platform. These initiatives have allowed the company to not only deliver strong revenue growth over the period but also scale up without incurring significant additional costs.

CHALLENGING EQUITY MARKETS

During the 2nd half of the financial year, we saw a major deterioration in equity market conditions which significantly impacted the share prices of high growth, technology companies, in particular companies focus on financial technology. Despite the underlying improvements in your company (at a Platform enhancement and growth standpoint) unfortunately our company hasn't been immune from the broader market sell off and as a result the share price of the company has fallen. While the board is disappointed in the share price performance, we are confident the Company has never been in a better position.

Looking to FY23 and beyond, following the recent completion of the convertible note capital raising we are excited about the future opportunities for the Company and believe we are well positioned to navigate the challenges associated with softening economic conditions in Australia.

I would also like to take this opportunity to thank all our customers for their support over the financial year.

On behalf of the Directors, would like to again thank all employees for their hard work and dedication and all shareholders for their continued support. We look forward to keeping you updated on the Company's progress.

Yours Sincerely,



Benjamin Harrison
Executive Chairman

Date **29th September 2022**
Location **Brisbane**

CEO Report

"We've delivered against many of our long-term goals, regularly ahead of schedule, and continue to be driven by a vision to revolutionise how Australian small businesses access finance."

Michael Davidson
Chief Executive Officer



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CEO Report

Dear Shareholders,

It is my pleasure to present to you the Propell Annual Report for FY22.

Over the financial year 2022, we have delivered against many of our long-term goals, regularly ahead of schedule, including many significant accomplishments set out below. We continue to be driven by a vision to revolutionise how small businesses understand their finances and enabling fast and simple access to an expanding suite of products and services essential to their success..

FY 22 ACHIEVEMENTS

Significant growth in Customers, Product volumes and Revenues

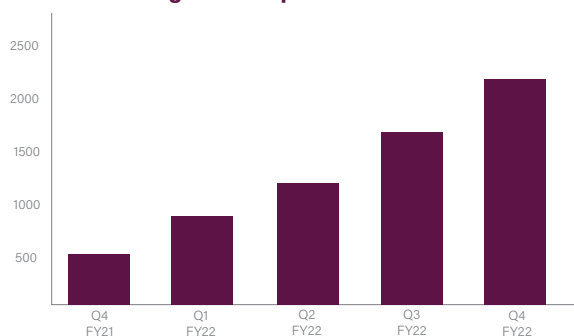
During the year, the Company continued strong growth in Platform customers, increasing over 420% to more than 2,150.

Up to the end of June 2022 we recorded six consecutive quarters of growth of at least 30%.

The Company also saw similar levels of growth across product volumes and revenues, with greater than 350% growth in lending originations and a 170% increase in average loan size.

The Company managed to deliver this growth, while at the same time improving the performance of the loan book due to our Platform's advanced digital loan management capability.

420% growth in platform customers



Completion of market leading financial technology Platform

The Company completed development of the underlying financial technology Platform, enabling a shift in focus to customer and revenue growth, while also positioning the business to handle massive increases in scale, without the need for significant additional investment.

Propell's Platform is market-leading in its capability, delivering an unparalleled customer experience while simultaneously offering unmatched levels of automation and efficiency to the operations of the business. Below are some key features the Platform now boasts.

- **Customer Management** – Personalisation of the customers experience covering their journey from signup to servicing and maintenance, offering a personalised, real-time customer experience unmatched by traditional providers
- **Lending Management** – Automation of lending processes and simplification of new product creation
- **Collections** – Automation of business-critical collections functions, delivering improved lending performance and freeing the collections team to focus on high-value tasks
- **Servicing** – Streamlined management of customers and their Platform products and experience
- **Operations** – Automation of a wide, and increasing range in internal processes, allowing with scaling without the requirement for additional operational resources
- **Fully-featured payments suite** – Giving small business customers access to all critical payment acceptance critical to their operation

The Company also undertook a refresh of all customer-facing assets, including extensive updates to Propell's main site, Customer dashboard, Native mobile applications, and Communication services.

Significantly expanded product range and customer proposition

Our product range and Platform capability has grown substantially throughout the year, but we are most proud of the company's ability to scale volumes on the Platform while simultaneously maintaining or reducing the cost-base.

- New lending products including Business Loans and longer-term Line of Credit facilities
- Launched first-of-its-kind financial health tool for small business, giving a small business owner, insights into their credit and financial health previously unavailable to them

Secured 2x increases to wholesale facility at reduced rate

Secured increases to our wholesale facility, increasing to \$7.5m. The increase came alongside a reduction in the facility rate by 11.5%, leading to a significant reduction in the cost of funds lent.

Platform partnerships with leading fintechs

The business struck multiple partnerships with industry leading fintechs, Zip, Square and Stripe (among other), to further expand Propell's proposition, usefulness to customers and revenue streams.



CORPORATE

The Company has continued to refine its strategies and plans, while receiving validation for the product and vision. As a result of these refinements, strategic decisions were made late in the financial year regarding the structure of the business and team, positioning the organisation for the next phase of our journey.

The Company initiated a capital raising in the second half of FY22, through a placement and convertible note issue to raise \$3m+ to support the continued development of the Platform, new products and services and growth opportunities, and fund the business in pursuit of profitability through 2023. We are now

actively pursuing additional funding to support the loan book. While we have continued to receive the support of Altor Capital for the loan book, we are seeking larger investors to assist us with delivering scale.

All this has been achieved against a backdrop of significant uncertainty in the economy and equity markets driven by a confluence of high-level events (pandemic, geo-political unrest, inflation, and interest rates).

The Company navigated its first full year listed while meeting all its organisational and governance requirements. This will provide opportunities in the coming period of uncertainty, through which many organisations with lower levels of governance and organisational rigour, will struggle to survive.

THE FUTURE

While I am happy with progress we've made, we're determined to capitalise on our head start in delivering Australia's first and only all-in-one finance platform focused exclusively on the small business sector.

I would like to take this opportunity to acknowledge the dedication and commitment of the entire Propell team throughout what has been our first year as a listed entity. I would also like to thank the Propell Board for their guidance and counsel during FY22.

Regards,

A handwritten signature in blue ink, appearing to read 'Michael Davidson', is written over a light blue background.

Michael Davidson
CEO

Date **29th September 2022**
Location **Brisbane**

Director's Report

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Director's Report

Propell Holdings Limited
Directors' report
30 June 2022



The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Group") consisting of Propell Holdings Limited (referred to hereafter as the "Company" or "parent entity") and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were Directors of Propell Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Benjamin William Harrison (Chair)
Jeremy Grant Loftus
Michael Kane Davidson (appointed 24 December 2021)
David Lindsay Brennan (resigned 24 December 2021)

Principal activities

During the financial year the principal activities of the Group continued to be the provision of intelligent finance solutions to small businesses to improve their cashflow, primarily through lending and payments solutions.

Review of operations and likely developments

To be read in conjunction with the CEO Report.

Propell is Australia's first and only all-in-one finance platform providing SMEs with lending solutions that are faster to access, easier to use and simpler to manage using a digital-first approach. Driven by a vision to revolutionise how small businesses manage their finances, Propell centralises access to what those businesses need; deep insights into their financial health, and direct access to a suite of finance tools, including payments and lending, to enable them to operate and grow.

The future of finance is digital. Small businesses, left underserved by traditional providers, are searching for alternative solutions to their finance needs. Propell is positioned for this accelerating shift and disruption of traditional service providers and their business models.

2022 growth in key customer and loan metrics with momentum continuing into 2023

- Propell achieved significant growth in its key metrics in 2022, ending the financial year with over 2,150 customers, almost triple that of the prior year (2021: 782). Average loan size, a key indicator of customer quality, almost tripled to just under \$20k in Q4 2022 (Q4 2021: \$7k).

- As a result, both lending volume and total loans receivable increased more than four-fold in 2022. Lending volume increased from \$0.8m to \$3.4m (Q4 2021 versus Q4 2022) while total loans receivable at the end of the financial year increased from \$1.0m to \$4.8m (2021 versus 2022).

New products and partnerships

During the year, Propell delivered a number of initiatives aimed at strengthening its Platform offering. Those initiatives touched all areas of the business, including customer-facing Product, Lending, Payments, Business Insights and Platform initiatives aimed at developing the capability and automation of the underlying proprietary Platform. Developments of note included:

- The launch of two additional lending products aimed at addressing an expanding range of small business needs, including a twelve-month Line of Credit and twelve-month Business Loan, giving customers access to longer dated and larger facilities up to \$250,000. Customer feedback on the new product was overwhelmingly positive, with total lending volumes more than doubling in the month of launch.
- Entered partnerships with Zip Co Limited and Square Inc to strengthen the Company's payment offering. The partnerships are in line with Propell's strategy to allow customers to seamlessly accept all standard payment types through the Propell platform. Adding Zip and Square to the offering gives Propell's customers greater flexibility in getting paid, thus improving the user experience and cashflow.
- The launch of full-feature payment capability including card present (terminals), card not present (e-commerce) and other non-card based payment options. The security and fraud prevention capability was also upgraded to best in class. The enhanced omnichannel payments capability allows SMEs to unify their online and offline payments via Propell's single platform, addressing more of their needs and providing more valuable insights.
- Launched first-of-its-kind financial health tool for small business giving insights into both their credit scores and financial health.
- Significant development of the underlying Platform and customer-facing assets, including:
 - Customer interface: Redesigned website, customer dashboard and mobile applications.
 - Customer Management: Personalisation of the customers' experience including greater insights into individual customer characteristics and needs.
 - Servicing: Streamlined management of customers and their Platform products.
 - Lending Management: Automation of lending processes and simplification of new product creation.
 - Collections: Automation of many collections functions, delivering improved lending performance and freeing the collections team to focus on value-add tasks.

Financial Overview

Operating revenue for the year was \$820,729, a fourfold increase on 2021 operating revenue of \$206,499. Total revenue in 2021 was \$684,754 including government grants of \$478,305 (JobKeeper and R&D incentives).

The net loss after tax in 2022 of \$4,473,764 was broadly in line with the 2021 loss of \$4,340,283.

Net cash used in operating activities increased to \$7,338,294 in 2022 from \$3,107,599 in 2021 due primarily to the increase in loans advanced to customers.

Business risks

The activities of the Company are subject to risks which may impact on its future performance. The Company has appropriate actions, systems and safeguards for known risks, however, some are outside its control. The primary risks faced by the Group include:

Economic factors - the operating and financial performance of the Company is influenced by a variety of general economic and business conditions including the levels of consumer confidence and spending, business confidence and investment, employment, inflation, interest rates, exchange rates, access to debt and capital markets, fiscal policy, monetary policy and regulatory policies.

Regulatory risk, Government policy - Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes and Government policies in Australia, may have an adverse effect on the assets, operations and ultimately the financial performance of the Company.

Customers failing to repay their financial obligations to the Company - if Propell's customers do not fulfil their financial obligations, the Company may experience a decrease in revenue and increase impairment expenses.

Default – default or breaches under the Company's funding arrangements may lead to loss of current available funding.

Inability to access alternative debt funding on favourable terms - if Propell fails to maintain its current Funding Arrangements or seeks to expand its loan book to new customers, the Company would be required to source alternative debt funding.

Defects with the Propell Platform and credit assessment tool - errors or defects identified and/or experience by customers or users of the Platform could harm the Company's reputation, business and financial performance.

Credit assessment risks - Propell's credit systems and process may not produce an accurate evaluation of a customer's credit risk as a result of inaccuracy of data provided by third parties, human error by a credit officer or other employee, software bugs, technological failures, software errors, and incorrectly understood statistical evaluations/algorithm errors.

Competition - an alternative small business financing solution may have access to lower funding costs, greater scale and resource benefits, and may offer a product that is better priced, which could adversely affect the Company's competitiveness.

Reliance on third parties and contractual risk - the success of the Company's operations is heavily reliant upon the counterparties to its material contracts continuing to meet obligations under the respective contracts.

Security breaches - A malicious attack on any of the Company's systems, processes or people from external or internal sources may put customer data and technologies used to run the Platform at risk, which may have a material adverse effect on the Company's operational and financial performance.

Protection of intellectual property - There is a risk that Propell's intellectual property may be compromised in a number of ways, including through unauthorised use or copying of Propell's software.

Rate of Propell customer adoption - The ability of Propell to increase revenue and achieve profitability is dependent on its ability to scale its business, which is dependent on a number of factors including its ability to onboard new SMEs, attract new customers and encourage repeat business.

Loss of customers - if the Company fails to retain its customers, this is likely to affect the financial performance of the Company.

Additional capital requirements - The Company's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds.

Limited trading history - the Company is a start-up company with limited trading history and any number of factors could adversely affect the operations and business model of Propell.

Propell Holdings Limited
Directors' report
30 June 2022



Propell raises additional capital

During the financial year, Propell raised additional capital:

- on 28 April 2022, the company raised \$1,361,607 through a Placement of ordinary shares.
- on 24 June 2022, the company completed an Entitlement Offer and raised \$63,186.
- on 11 July 2022 (after the end of the financial year), the Group received capital commitments of \$2,300,000 via a Convertible Note.

Funds from these capital raises will be used to execute the Company's growth strategy, which includes continuing to grow customer numbers and the lending book, while exploring entry into new industry verticals, new products and new geographies.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Significant changes in the state of affairs

Significant changes in the state of affairs of the group during the financial period, were as follows:

- on 28 April 2022, the company issued 23,475,947 ordinary shares as part of a placement that raised \$1,361,607.
- on 24 June 2022, the company completed an Entitlement Offer and issued 1,089,413 shares through a 1:2.5 non-renounceable offer that raised \$63,186.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years apart from the following:

- on 11 July 2022, the Group received commitments of \$2,300,000 for the issue of an unsecured Convertible Note, with the ability to raise a further \$500,000. The key terms and conditions are an interest of 10% per annum with 5% paid quarterly in arrears and 5% capitalised; a conversion price of 80% of the 30-day VWAP with a maximum cap of \$0.07 and a minimum floor of \$0.03 calculated at the day of issue of the conversion notice; and 7 unlisted options issued upfront for each \$1 investment with an exercise price of \$0.08 and expiry of 30 September 2024.
- on 24 August 2022, the Group's loan book facility with Altor increased from \$5,000,000 to \$7,500,000.
- on 24 August 2022, the interest rate on the Group's loan book facility with Altor decreased from 13% to 11.5%.
- on 21 September 2022, the Group issued 3,500,000 Options over ordinary shares to Altor Capital Management; 3,250,000 Options over ordinary shares to Mr Michael Davidson; and 1,424,790 Options over ordinary shares to the Lead Manager, Reach Markets Pty Ltd, all at a price of \$0.10 and with an expiry date three years from the date of issue.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnity of officers

The Company has indemnified the Directors and Officers of the Company for costs incurred, in their capacity as a director or officer, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Auditor

Pitcher Partners continues in office in accordance with section 327 of the Corporations Act 2001.

Propell Holdings Limited
Directors' report
30 June 2022



Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

| | Full Board Eligible | Full Board Attended | Audit and Risk Committee Eligible | Audit and Risk Committee Attended |
|--|------------------------|------------------------|--------------------------------------|--------------------------------------|
| Benjamin Harrison | 12 | 12 | 2 | 2 |
| Jeremy Loftus | 12 | 12 | 2 | 2 |
| Michael Davidson (from 24 December 2021) | 5 | 5 | - | - |
| David Brennan (up to 24 December 2021) | 7 | 7 | - | - |

'Eligible' means the number of meetings held that the Director was eligible to attend as a member of the Board or the Audit and Risk Committee.

'Attended' means the number of meetings attended by the eligible Director.

The Company did not have a formal Nomination and Remuneration Committee during the reporting period and relevant matters were managed directly by the Board.

Company secretary

Name:
Adam Gallagher

Qualifications:
Bachelor of Economics, Master in Commerce, Graduate Diploma in Information Systems and Graduate Diploma in Applied Corporate Governance

Experience:
Mr Gallagher has over two decades of experience across technology, debt and equity markets as a business owner, executive, M&A manager, investor and officeholder. He has been providing corporate services for listed companies for over ten years as a Director, Company Secretary and executive. He has previously held officeholder roles in ASX listed technology companies: CT1, YPB, and currently in EVS, CCR, CCA and PHL.

Information on Directors

Name: Benjamin William Harrison
 Title: Executive Chairman
 Qualifications: Bachelor of Science, Master of Applied Finance and Investment
 Experience and expertise: Mr Harrison has vast experience in advising companies. Ben is the Chief Investment officer of Altor Capital, a boutique alternative investment manager and corporate advisory firm, where he advises and assists in the venture capital and private equity sectors in Australia.

Mr Harrison has been involved at board level in a number of investee companies on behalf of investors. His experience extends well beyond financing and M&A into; investment, strategy, financial management, corporate restructuring, corporate governance and general management.

Other current directorships: Change Financial Limited (CCA.ASX)
 Former directorships (last 3 years): Nil
 Special responsibilities: Mr Harrison is a member of the Audit and Risk Committee.
 Interests in shares: 3,199,547 ordinary shares
 Interests in options: 1,640,387 options

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Propell Holdings Limited
Directors' report
30 June 2022



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Name: Jeremy Grant Loftus
 Title: Executive Director
 Qualifications: Bachelor of Commerce, CPA
 Experience and expertise: Mr Loftus has over 20 years finance experience including as CFO for several ASX listed companies and multiple start-ups. Within a diverse range of sectors in Australia, he has contributed in early growth phases through to public listing and beyond, capturing opportunity in equity and debt funding markets to sustain high growth.

Mr Loftus has been working in online lending since 2017 as CFO and Company Secretary covering SME and consumer lending.

Other current directorships: Nil
 Former directorships (last 3 years): Nil
 Special responsibilities: Mr Loftus is a member and Chairman of the Audit and Risk Committee.
 Interests in shares: 302,503 ordinary shares
 Interests in options: Nil

Name: Michael Kane Davidson (appointed 24 December 2021)
 Title: Executive Director and Chief Executive Officer
 Experience and expertise: Michael found his passion for technology and small enterprise early in his telco career in Australia and the UK. He has been CEO of Propell since foundation having grown the business from payments into alternative finance. Michael was integral in securing service provider deals with large Australian banks.

Other current directorships: Nil
 Former directorships (last 3 years): Nil
 Interests in shares: 1,019,714 ordinary shares
 Interests in options: 5,438,222 options

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

| Name | Position | Term as KMP |
|---------------------------|--|---|
| Directors | | |
| Benjamin William Harrison | Executive Chair | |
| Jeremy Grant Loftus | Executive Director | |
| Michael Kane Davidson | Executive Director and Chief Executive Officer | KMP for entire period, Director from 24 December 2021 |
| Former Directors | | |
| David Lindsay Brennan | Executive Director | to 24 December 2021 |
| Executives | | |
| Gary Hazelwood | Chief Financial Officer | from 13 June 2022 |

- The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
 - Details of remuneration
 - Service agreements
 - Share-based compensation
 - Additional information
 - Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for Shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors (the "Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to Shareholders
- performance linkage and alignment of executive compensation
- transparency

Due to the current size and complexity of the Company, the Board has decided to fulfil the duties of a Nomination and Remuneration Committee in accordance with the adopted Remuneration Charter that forms part of the Corporate Governance Charter. The Board in its capacity as Nomination and Remuneration Committee, is responsible for determining and reviewing remuneration arrangements for Directors and executives. The performance of the Group depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performing personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to Shareholders' interests. The Board seeks to enhance Shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in Shareholder value, consisting of dividends; growth in share price; earnings per share; delivering constant or increasing return on assets; and non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in Shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive Director and executive Director remuneration is separate.

Non-executive Directors remuneration

Fees and payments to non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the market. The Chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive Directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive Directors' remuneration be determined periodically by a general meeting. The current approved maximum annual aggregate remuneration for non-executive Directors is \$500,000.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which may include fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Propell Holdings Limited
Directors' report
30 June 2022



Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ("STI") program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ("KPI's") being achieved. KPI's include profit contribution, business growth, customer satisfaction, leadership contribution and product development.

The long-term incentives ("LTI") include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in Shareholders value relative to the entire market and the increase compared to the Group's direct competitors. The Board, in fulfilling the duties of a Nomination and Remuneration Committee in accordance with the Company's Remuneration Charter, reviewed the long-term equity-linked performance incentives for executives during the year ended 30 June 2022.

Use of remuneration consultants

No external remuneration consultants were engaged during the financial year ended 30 June 2022.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|--|----------------------|------------|--------------|--------------------------|--------------------|----------------------|----------------|
| | Cash salary and fees | Cash bonus | Non-monetary | Super-annuation | Long service leave | Equity-settled | |
| 2022 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Executive Directors: | | | | | | | |
| Benjamin Harrison | 72,000 | - | - | - | - | - | 72,000 |
| Jeremy Loftus | 53,930 | - | - | 5,260 | 3,074 | - | 62,264 |
| Michael Davidson ⁽¹⁾ | 276,558 | - | - | 25,123 | 10,940 | 30,941 | 343,562 |
| David Brennan ⁽²⁾ | 20,130 | - | - | 1,938 | (6,750) | - | 15,318 |
| Other Key Management Personnel: | | | | | | | |
| Gary Hazelwood ⁽³⁾ | 11,004 | - | - | 1,022 | - | 250 | 12,276 |
| | <u>433,622</u> | <u>-</u> | <u>-</u> | <u>33,343</u> | <u>7,264</u> | <u>31,191</u> | <u>505,420</u> |

(1) Michael Davidson was appointed as a Director on 24 December 2021 and was a KMP for the entire period.

(2) David Brennan resigned as a Director on 24 December 2021.

(3) Gary Hazelwood was formally appointed as Chief Financial Officer on 2 August 2022 after commencing on 13 June 2022 to allow for transition of the CFO role.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|--|----------------------|------------|--------------|--------------------------|--------------------|----------------------|---------|
| | Cash salary and fees | Cash bonus | Non-monetary | Super-annuation | Long service leave | Equity-settled | |
| 2021 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Executive Directors: | | | | | | | |
| Benjamin Harrison | 62,400 | - | - | - | - | - | 62,400 |
| David Brennan | 38,539 | - | - | 3,417 | 750 | - | 42,706 |
| Jeremy Loftus | 38,539 | - | - | 2,565 | 866 | 21,000 | 62,970 |
| Other Key Management Personnel: | | | | | | | |
| Michael Davidson | 218,076 | - | - | 18,476 | 5,384 | 160,159 | 402,095 |
| | 357,554 | - | - | 24,458 | 7,000 | 181,159 | 570,171 |

Salary and fees includes the movement in the annual leave provision.

Share based payments includes the expense for ordinary shares, convertible notes and options granted to KMP as part of their remuneration. The value of the options is calculated as at the grant date. The amounts disclosed as part of remuneration for the prior financial year have been determined by amortising the grant date value on a straight-line basis over the period from grant date to vesting date.

Fees relating to Benjamin Harrison are paid to Riverfire Capital Ventures Pty Ltd, a personal services company of which Mr Harrison is the sole Director, in return for it arranging for the provision of his services to the Company.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | Performance related | |
|--|--------------------|------|---------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Executive Directors: | | | | |
| Benjamin Harrison | 100% | 100% | - | - |
| David Brennan | 100% | 100% | - | - |
| Jeremy Loftus | 100% | 65% | - | 35% |
| Michael Davidson | 100% | 60% | - | 40% |
| Other Key Management Personnel: | | | | |
| Gary Hazelwood | 100% | - | - | - |

The performance related remuneration in the prior year is the share based payments as detailed above.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

| | |
|----------------------|--|
| Name: | Benjamin Harrison |
| Title: | Executive Chair |
| Agreement commenced: | 1 September 2018 |
| Term of agreement: | to 30 June 2024 |
| Details: | Executive Chairman services agreement with an associated entity, Riverfire Capital Ventures Pty Ltd, for a fee of \$1,500 per day. Termination without breach by either party, giving one month's notice in writing. |

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Name: Jeremy Loftus
 Title: Executive Director
 Agreement commenced: 24 July 2019
 Term of agreement: Three months written notice.
 Details: Employment agreement with remuneration of \$180,000 per annum plus superannuation, adjusted accordingly on a pro rata basis for the hours worked.

Name: Michael Davidson
 Title: Chief Executive Officer
 Agreement commenced: 29 March 2017
 Term of agreement: Continues until terminated with notice under applicable legislation.
 Details: Employment agreement with remuneration of \$250,000 per annum plus superannuation.

Name: Gary Hazelwood
 Title: Chief Financial Officer
 Agreement commenced: 13 June 2022
 Term of agreement: Three months written notice
 Details: Employment agreement with remuneration of \$220,000 per annum plus superannuation.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct or breach of service agreement.

Share-based compensation

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

| Name | Number of options granted | Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|----------------|---------------------------|------------|-----------------------------------|-------------|----------------|-------------------------------------|
| Gary Hazelwood | 500,000 | 13/06/2022 | 13/06/2024 | 12/06/2025 | \$0.10 | \$0.021 |

Options granted carry no dividend or voting rights. Vesting is conditional upon employment at the vesting date.

Details of options over ordinary shares granted, vested and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

| Name | Grant date | Vesting date | Number of options granted | Value of options granted \$ | Value of options vested \$ | Number of options lapsed |
|------------------|------------|--------------|---------------------------|-----------------------------|----------------------------|--------------------------|
| Michael Davidson | 08/02/2021 | 08/08/2021 | 500,000 | 37,150 | 37,150 | - |
| Michael Davidson | 08/02/2021 | 08/02/2022 | 500,000 | 37,150 | 37,150 | - |
| Gary Hazelwood | 13/06/2022 | 13/06/2024 | 500,000 | 10,744 | - | - |

Issue of shares, convertible notes and retention rights over ordinary shares

There were no shares, convertible notes or retention rights over ordinary shares granted to Directors and other key management personnel as part of compensation during the year ended 30 June 2022.

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Additional information

The earnings of the Group for the four years to 30 June 2022 are summarised below:

| | FY22 \$ | FY21 \$ | FY20 \$ | FY19 \$ |
|----------------|-------------|-------------|-------------|-------------|
| Total revenue | 820,729 | 684,754 | 1,006,917 | 1,019,283 |
| Loss after tax | (4,473,764) | (4,340,283) | (2,135,503) | (5,057,224) |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | FY22 | FY21 | FY20 | FY19 |
|--|--------|--------|--------|--------|
| Share price at financial year end (\$) | 0.05 | 0.11 | - | - |
| Total dividends declared (cents per share) | - | - | - | - |
| Basic earnings per share (cents per share) | (4.48) | (6.25) | (4.74) | (7.37) |
| Diluted earnings per share (cents per share) | (4.48) | (6.25) | (4.74) | (7.37) |

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | On-market Acquisition | Rights issue Acquisition | Balance at resignation | Balance at the end of the year |
|------------------------|--|--------------------------|-----------------------------|---------------------------|--------------------------------------|
| Ordinary shares | | | | | |
| Benjamin Harrison | 2,918,134 | - | 281,413 | - | 3,199,547 |
| David Brennan* | 3,403,568 | - | - | (3,403,568) | - |
| Jeremy Loftus | 200,000 | - | 102,503 | - | 302,503 |
| Michael Davidson | 566,108 | - | 453,606 | - | 1,019,714 |
| Gary Hazelwood | - | 500,000 | - | - | 500,000 |
| | 7,087,810 | 500,000 | 837,522 | (3,403,568) | 5,021,764 |

* David Brennan resigned 24 December 2021.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Balance at resignation | Balance at the end of the year |
|-------------------------------------|--|---------|-----------|---------------------------|--------------------------------------|
| Options over ordinary shares | | | | | |
| Benjamin Harrison | 1,661,227 | - | - | - | 1,661,227 |
| David Brennan* | 634,314 | - | - | (634,314) | - |
| Jeremy Loftus | - | - | - | - | - |
| Michael Davidson | 2,188,222 | - | - | - | 2,188,222 |
| Gary Hazelwood | - | 500,000 | - | - | 500,000 |
| | 4,483,763 | 500,000 | - | (634,314) | 4,349,449 |

* David Brennan resigned 24 December 2021.

This concludes the remuneration report, which has been audited.

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Propell Holdings Limited
Directors' report
30 June 2022



Shares under option

Unissued ordinary shares of Propell Holdings Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|------------|-------------|----------------|---------------------|
| 01/12/2018 | 01/12/2023 | \$0.40 | 1,100,000 |
| 01/10/2020 | 01/10/2024 | \$0.30 | 5,433,333 |
| 10/11/2020 | 1/10/2024 | \$0.20 | 1,403,245 |
| 07/04/2021 | 07/04/2024 | \$0.30 | 2,000,000 |
| 07/04/2021 | 07/04/2024 | \$0.40 | 4,000,000 |
| 08/02/2021 | 07/02/2024 | \$0.20 | 3,500,000 |
| 10/05/2021 | 10/05/2026 | \$0.20 | 500,000 |
| 13/06/2022 | 13/06/2025 | \$0.10 | 500,000 |
| 21/09/2022 | 21/09/2025 | \$0.10 | 8,174,790 |
| | | | 26,611,368 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Propell Holdings Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

During the previous financial year, the auditor, Pitcher Partners, or a related firm, provided the following non-audit services:

| | Consolidated 2022 | Consolidated 2021 |
|------------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Independent limited review for IPO | - | 45,000 |
| | - | 45,000 |

Officers of the Company who are former partners of Pitcher Partners

There are no officers of the Company who are former partners of Pitcher Partners.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

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Propell Holdings Limited
Directors' report
30 June 2022



This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read "Benjamin Harrison", written over a horizontal line.

Benjamin William Harrison
Director

29 September 2022
Brisbane

Corporate Governance Statement 2022

The Board of Directors (Board) of Propell Holdings Limited (Propell, Company or Group) is responsible for the corporate governance of Propell and its subsidiaries. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Commensurate with the spirit of the ASX Corporate Governance Principles and Recommendations (4th Edition) (Principles or Recommendations), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for the corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where the Company's corporate governance practices depart from the recommendations, the Board has offered full disclosure of the

nature and reason for the departure.

The Board will periodically review and develop its governance policies and practices as the Company grows in size and complexity.

The Corporate Governance Charter is available from the Company and is available on its website at <https://propell.investorportal.com.au/>

This statement was authorised for issue by the Board on 29 September 2022.



PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Board and management functions

The Board has formalised its roles and responsibilities into a Charter within its Corporate Governance Charter that is available on the Company's website. The Board Charter clearly defines the matters that are reserved for the Board and those that the Board has delegated to management.

In summary the responsibilities of the Propell Board include:

- oversight of the Company, including its control and accountability systems;
- setting the Company's major goals including the strategies and financial objectives to be implemented by management;
- appointing, removing and managing the Chief Executive Officer;
- ratifying the appointment and where appropriate the removal of the Chief Financial Officer and/or Company Secretary;
- input into and final approval of managements' development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring that appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- instilling sound corporate governance practices in the board and executive.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board Committee, a Director or an employee. However, the Board acknowledges that it retains the ultimate responsibility for the exercise of such powers under the Corporations Act 2001 (Cth).

The Board has delegated responsibility to the Chief Executive Officer for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- developing Propell's annual budget, recommending it to the Board for approval and managing day to day operations within the budget;
- managing day to day operations in accordance with standards for social and ethical practices which have been set by the Board; and
- approval of capital expenditure and business transactions within predetermined limits set by the Board.

1.2 Appointment of Directors

The Company performs appropriate checks of any person to be appointed a Director, either by the Board or nominated by shareholders. These checks include details of the person's character, experience, education and other factors.

The Company will provide the following information to shareholders to enable them to make an informed decision as to whether to elect a Director for the first time:

- biographical details including relevant qualifications, experience and skills that they bring to the Board;
- details of any other material Directorships currently held;
- any materially adverse information revealed by the checks the Company has performed about the candidate;
- any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect the candidate's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally;
- whether the Board considers that, if elected, the candidate will qualify as an independent Director; and
- whether the Board supports the election of the candidate.

The Company will provide the following information to shareholders to enable them to make an informed decision as to whether to re-elect a Director standing for re-election:

- biographical details;
- relevant qualifications, experience and skills they bring to the Board;
- detail of any other material Directorships currently held;
- term of office currently served;
- whether the Board considers the Director an independent Director; and
- if the Board supports their re-election

1.3 Written Agreements

The Company ensures that all Directors and senior executives enter into written agreements setting out the terms of their appointment to ensure that they have a clear understanding of their roles and responsibilities and of the Company's expectations of them. Material terms of contracts of employment are included in the Remuneration Report which is published in the Annual Report each year.

1.4 Company Secretary

The Company Secretary is accountable directly to the Board. The Company Secretary advises the Board on governance matters, ensures Board policies and procedures are followed, dispatches board papers in a timely manner, accurately records the minutes of meetings and assists in the induction and professional development of Directors. The appointment or removal of the Company Secretary is a matter for the Board.

1.5 Diversity

The Board has a formal Diversity Policy that is included in its Corporate Governance Charter.

In summary the Company respects and values diversity (which includes but is not limited to gender, age, disability, ethnicity, marital or family status, religious beliefs, socio-economic background, perspective, experience, cultural background, sexual orientation and gender identity), and the benefit of its integration throughout the Company to enrich the Company's perspective, improve corporate performance, increase shareholder value and maximise the probability of achievement of the Company's goals. The Company acknowledges that diversity is important to the Company's ability to attract, retain and motivate employees from the widest possible pool of available talent and the Company is committed to diversity at all levels (Principle).

With respect to gender diversity, the Board has chosen not to set measurable objectives and targets due to the small size and scale of its operations. The Board will review this position in future reporting periods.

The Board of Propell has three Directors, all of which are male. In the senior executive team, the Company has one female employee and three male employees. A 'senior executive' is defined as the CEO and the CEO's direct reports. The total number of female employees is two which accounts for 25% of all employees.

Propell is not a 'relevant employer' as defined under the Workplace Gender Equality Act.

1.6 & 1.7 Board & Executive Performance Evaluation

The Board has adopted an on-going, self-evaluation process to measure its own performance, that of individual Directors (including Executive Directors) and the performance of its committee functions during the reporting period.

The Chairman meets periodically with the individual Directors to discuss the performance of the Board and the Director. The Chairman's performance is also evaluated by the balance of the Board. In addition, an evaluation is undertaken by the Chairman of the contribution of Directors retiring by rotation prior to the Board endorsing their candidature.

The review process involves consideration of the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability skill levels, understanding of industry complexities, risks and challenges, and the extent of their value-adding contribution to the performance of the board and the overall the business.

Similarly, the CEO conducts a review of the performance of all executives based on the above factors and the performance goals assigned to the executive.

A performance evaluation of the Board, its committees, Directors (including the Chairman) and executives takes place during each annual reporting period in accordance with the process detailed within this statement. The respective processes for the board and executive was carried out during the 2022 financial year.

The outcomes of the assessment program are used to enhance the effectiveness of individual Directors and the Board collectively, and that of the executives.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE.

2.1 Nomination Committee

Due to the small size of the company and board the responsibilities of a Nomination Committee are currently carried out by the full Board. The Board will reassess this position during the 2023 financial year to determine if the establishment of a formal committee is appropriate for the Company.

Should the Board deem that a director vacancy exists, the Board then identifies candidates with the appropriate expertise and experience, using external consultants as appropriate. The most suitable candidate is appointed but must stand for election at the next annual general meeting following their appointment.

The process for re-election of a Director, is in accordance with the Company's Constitution, which requires that each year, at least one-third of the Directors (excluding a Managing Director) retire from office at the annual general meeting. The retiring Directors may be eligible for re-election.

2.2 Skills matrix

The Board has identified the skills and competency of each Board member against the skills matrix that is set out in its Corporate Governance Charter.

2.3 Composition of the Board

The Board is currently comprised of three directors in total, two of which are non-executive including the Chairman Ben Harrison. Michael Davidson is the CEO and was appointed Managing Director on 24 December 2021.

The profiles of each of the Directors, their tenure, skills, experience and expertise are set out in the Directors' Report of the 2022 Annual Report.

2.4 and 2.5 Independence

The Board considers a Director to be independent where he or she is:

- independent of management, that is a non-executive Director; and
- free from any business or other relationship that could

materially interfere, or could reasonably be perceived to materially interfere, with the exercise of his or her unfettered and independent judgement.

Materiality is assessed on a case-by-case basis by reference to the Director's individual circumstances rather than any general materiality thresholds.

There are currently no independent directors. The Chairman, Ben Harrison was involved in managing the IPO process that occurred in April 2021 and as such he was considered to be an executive at that time and thus being an executive in the last three years he cannot be considered to be independent.

Jeremy Loftus fulfilled the main finance functions of the Group until the appointment of a CFO in June 2021 following which he has assisted with the handover of the executive finance functions and thus he is not considered to be independent.

In view of the size of the Company and the nature of its activities, the Board considers that the current mix of skills, experience, qualifications, and experience on the Board is appropriate. The Board will continue to monitor the requirements for independent Directors in the context of the Company's communicated objectives.

2.6 Induction program & professional development

Procedures for the induction of new Directors are in place to allow newly appointed Directors to participate fully and actively in Board decision-making at the earliest opportunity.

All Directors are offered an induction program appropriate to their experience upon appointment so as to familiarise themselves with matters relating to the business, strategy and any current issues under consideration by the Board. This program consists of written background material on the Company and its operations as well as scheduled meetings with the Chairman, CEO and Company Secretary of the Company.

The Board encourages Directors to continue their professional development by participating in applicable workshops and seminars, and undertaking other relevant external education.

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PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendations 3.1, 3.2, 3.3 and 3.4

The Company has a Code of Conduct, Whistleblower Policy and Anti-Bribery and Corruption Policy for its Directors, senior Executives, employees and contractors that is available on its website. In these policies, inter alia, the Company articulates and discloses its values.

Any material breach of the above policies are reported to the Board or a Committee of the Board.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 Audit Committee

The Company has established an Audit & Risk Management Committee that consists of two directors. The Chairman of the Audit & Risk Management Committee is Risk Management Committee. Jeremy Loftus, who is not an independent director however he is not the Chairman or an executive of the Company.

The Board considers that the technical skills, qualifications and experience represented by the involvement of its members. Jeremy Loftus (Chair) and Ben Harrison are most suited to the effective discharge of the responsibilities of this Committee.

The Board will monitor the level of participation in the



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Committee as the Company grows and consider any additional Directors that are appointed to the Board.

The Committee's roles and responsibilities are detailed in a formalised Audit & Risk Management Committee Charter that is included in the Corporate Governance Charter available on the Company's website.

Reflecting the relatively small size of the Company the Audit & Risk Management Committee is responsible for:

- reviewing the annual and half year financial reporting carried out by the Company;
- reviewing the accounting policies of the Company;
- reviewing the scope of the external auditors and internal auditor/compliance team (if appointed) and any material issues arising from these audits;
- overseeing the independence of the external auditors and determining procedures for the rotation of audit partners;
- ensuring the sufficiency of, and compliance with, ethical guidelines and Company policies affecting corporate governance, financial reporting and corporate control together with compliance with laws and external regulations;
- identification of the full range of actual or potential risk exposures which are material to the Company; and
- the effectiveness of the group's risk management systems and strategies.

The qualifications of the committee members and the number of meetings held in the reporting period is set out in the Directors Report in the 2022 Annual Report.

4.2 CEO and CFO Declaration

Each year the Chief Executive Officer and the Chief Financial Officer provide the Board with written confirmation that:

- The consolidated financial statements for each half year and full financial year present a true and fair view, in all material respects, of the Company's financial condition

and operational results and are in accordance with accounting standards; and

- The declarations provided in accordance with Section 295A of the Corporations Act are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received this assurance from the Chief Executive Officer and the Chief Financial Officer in relation to the 2022 financial year.

4.3 Verification of periodic reports

All non-audited or review periodic corporate reports, are independently checked, and circulated to all Directors prior to being released to the market.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Written disclosure policy

Comprehensive procedures are in place to identify matters that are likely to have a material effect on the price or value of the Company's securities and to ensure that those matters are notified to the ASX in accordance with ASX disclosure requirements.

The continuous disclosure policy is included in the Corporate Governance Charter that is available on the Company's website.

In accordance with that policy the Company's Senior management and the Board are responsible for scrutinising events and information to determine whether the disclosure of the information is required in order to maintain the market integrity of the Company's shares listed on the ASX.

5.2 Market announcements sent to the board

The Company has established an approval process which ensures all directors have reviewed and approved all material market announcements, prior to these being provided to the ASX.

The Company Secretary is responsible for lodging all communications with the ASX and provides a confirmation of lodgment to the Directors..

5.3 Presentations released to the ASX

All presentations where the Company provides financial results, or new and substantive content, are released to the ASX prior to being made public elsewhere.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

6.1 Company & governance information

The Company provides general and current information regarding its purpose, board and leadership and its activities as well as its Corporate Governance Charter on its website at <https://propell.investorportal.com.au/>

6.2 Investor relations program

The Company has engaged an external investor relations group to assist in developing and executing on its investor relations program.

Within this program the Company encourages two-way communication through inviting shareholders and investors to contact the company on each external communication and ASX release. It also arranges investor webinars following the release of each financial report that includes an allocation of time for investor questions.

6.3 Security holder participation at meetings

Shareholders are encouraged to attend all Annual General Meetings and other general meetings and are given the opportunity to meet management immediately following each meeting. In addition, management will respond to meeting or information requests by shareholders in a timely manner.

The Company uses its general meetings (GMs) as an opportunity to further engage with its shareholders and seek their input on the management of the Company. The Company will undertake a number of steps to seek to maximise shareholders' ability to participate in the GM process by:

- (a) making Directors, members of Management and the external auditor available at the AGM;
- (b) allowing shareholders in attendance at a GM a reasonable opportunity to ask questions regarding the items of business, including questions to the external auditor regarding the conduct of the audit and the preparation and content of the auditor's report; and
- (c) providing shareholders who are unable to attend a GM with an opportunity to submit questions in advance of the GM.

6.4 Resolutions decided by poll

The Board has determined that all shareholder resolutions will be decided by poll.

6.5 Electronic communication

The Company's website contains a facility for shareholders to direct inquiries to the Company and to elect to receive communications from the Company via email. The Company's securities registrar similarly provides shareholders with the option of receiving information electronically, as well as the details to communicate and access information regarding their holdings.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK.

7.1 & 7.2 Risk Management Committee & review

The Company has established an Audit & Risk Management Committee that consists of two directors. The Chairman of the Audit & Risk Management Committee is Jeremy Loftus, who is not an independent director however he is not the Chairman or an executive of the Company.

The Board considers that the technical skills, qualifications and experience represented by the involvement of its members are most suited to the effective discharge of the responsibilities of this Committee.

The Board will monitor the level of participation in the Committee as the Company grows and consider any additional Directors that are appointed to the Board.

The Committee's roles and responsibilities are detailed in a formalised Audit & Risk Management Committee Charter that is included in the Corporate Governance Charter that is available on the Company's website.

The Audit & Risk Management Committee is responsible for the Company's risk management framework. It sets the risk appetite and profile for management, reviewing and updating as required.

Management through the CEO is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Committee on the risk management and control environment on a regular basis.

The Committee in conjunction with the external auditors monitors the effectiveness of management's internal control and reporting system.

The risk framework of the Company is reviewed at least annually and has been reviewed during the year.

7.3 Internal audit function

The Company has not implemented an internal audit function due to the relatively small size of its current operations. The Board believes that the Audit & Risk Management Committee and the external auditors are able to monitor the effectiveness of the Company's control environment at this stage of the Company's development.

7.4 Economic, Environmental or Social Sustainability

The Company is cognisant that the business community should address matters of economic, environmental and social sustainability and the need to be transparent on these matters to enable investors to properly assess investment risk.

Given its size and nature of operations, the Company does not consider that it has any exposure to economic, environmental or social sustainability risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY.

8.1 Remuneration Committee

Due to the Company's relatively small size a separate Remuneration Committee has not yet been established. The responsibilities of a Remuneration Committee are carried out by the Board.

8.2 Non-Executive Director & Executive Remuneration

The aggregate remuneration of non-executive Directors is approved by shareholders. Individual Directors' remuneration is determined by the Board within the approved aggregate total. In determining the appropriate level of Director's fees, the Remuneration & Nomination Committee benchmarks data from other public companies of a similar nature to Propell with regard to its size and industry.

Non-executive Directors of Propell as applicable, are:

- not entitled to participate in performance-based remuneration practices unless approved by shareholders.
- Currently remunerated by means of payment of cash benefits in the form of Directors' fees or alternatively by issue of securities in lieu of cash benefits provided it is approved by shareholders.

The Company does not currently have in place a retirement benefit scheme or allowance for its non-executive Directors, except for the payment of superannuation if applicable.

A review of the compensation arrangements for the Chief Executive Officer and Senior Executives is conducted annually by the Board and in future with the support of the Remuneration & Nomination Committee taking into consideration the performance of the individual executive, salary packages paid to executives in other public companies of a similar size or market section, market competitive rates and the results of the Company during the relevant period.

The objective of the Company's remuneration policy is not only to provide a salary package that properly reflects the person's duties and responsibilities, but to also attract, retain and motivate the executive to the highest possible quality and standard, enabling the organisation to succeed.

The Company has an Employee Share Option Plan (ESOP) which provides the Board with the discretion to grant equity to eligible Directors (subject to shareholder approval), executives and consultants for the purpose of incentivising them and aligning their interests with those of shareholders.

The Board ensures that the payment of equity based executive remuneration is made in accordance with thresholds and rules established by the ESOP.

The Company's policies relating to the remuneration of Directors and Senior Executives and the level of remuneration paid each year (including components) is detailed in the Remuneration Report of the Annual Report and Notes to and forming part of the Financial Statements.

8.3 Hedging arrangements

Directors and Executives may not engage in hedging arrangements, deal in derivatives or enter into other arrangements which vary economic risk related to the Company's securities including, for example, dealing in warrants, equity swaps, put and call options, contracts for difference and other contracts intended to secure a profit or avoid a loss based on fluctuations in the price of the Company's securities.

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Financial Statements

FY2022

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Auditor's Independence Declaration



Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

The Directors
Propell Holdings Limited
Level 11, 82 Eagle Street
BRISBANE QLD 4000

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2022, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act* 2001; and
- (ii) no contraventions of APES110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Propell Holdings Limited and the entities it controlled during the year.

PITCHER PARTNERS

JASON EVANS

Partner

Brisbane, Queensland
29 September 2022

Brisbane Sydney Newcastle Melbourne Adelaide Perth



pitcher.com.au

Pitcher Partners is an association of independent firms.

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NIGEL FISCHER
MARK NICHOLSON
PETER CAMENZULI

JASON EVANS
KYLIE LAMPRECHT
NORMAN THURECHT

BRETT HEADRICK
WARWICK PAGE
COLE WILKINSON

SIMON CHUN
JEREMY JONES
TOM SPLATT

JAMES FIELD
DANIEL COLWELL
ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

Propell Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022



| | Note | Consolidated | |
|--|------|--------------------|--------------------|
| | | 2022 | 2021 |
| | | \$ | \$ |
| Revenue | | | |
| Interest income | 5 | 799,283 | 133,358 |
| Payments revenue | | 103 | 15,835 |
| Lending fees | | 21,343 | 22,588 |
| Rent sublease | | - | 34,668 |
| | | <u>820,729</u> | <u>206,449</u> |
| Other income | 6 | - | 478,305 |
| Total revenue | | <u>820,729</u> | <u>684,754</u> |
| Expenses | | | |
| Professional fees | | (364,933) | (253,253) |
| Employee benefits expense | | (1,810,130) | (1,274,013) |
| Occupancy | | (11,538) | (49,245) |
| Depreciation and amortisation expense | 7 | (675,137) | (535,914) |
| Loan impairment expense | | (522,009) | (252,117) |
| Impairment of assets | 7 | - | (250,000) |
| Marketing | | (828,281) | (759,599) |
| Technology and platform costs | | (333,379) | (161,637) |
| Loan assessment and processing | | (80,287) | (29,418) |
| Payments processing | | (2,200) | (1,025) |
| Initial public offering costs | | - | (469,971) |
| Other expenses | | (282,185) | (176,432) |
| Finance costs | 7 | (384,414) | (812,413) |
| Total expenses | | <u>(5,294,493)</u> | <u>(5,025,037)</u> |
| Loss before income tax expense | | (4,473,764) | (4,340,283) |
| Income tax expense | 8 | - | - |
| Loss after income tax expense for the year attributable to the Owners of Propell Holdings Limited | | (4,473,764) | (4,340,283) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year attributable to the Owners of Propell Holdings Limited | | <u>(4,473,764)</u> | <u>(4,340,283)</u> |
| | | Cents | Cents |
| Basic earnings per share | 34 | (4.48) | (6.25) |
| Diluted earnings per share | 34 | (4.48) | (6.25) |

Propell Holdings Limited
Statement of financial position
As at 30 June 2022



| | Note | Consolidated 2022 \$ | 2021 \$ |
|----------------------------------|------|----------------------------|------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 385,967 | 3,769,202 |
| Loans receivable | 10 | 4,449,742 | 793,139 |
| Other receivables | 12 | 4,750 | 5,300 |
| Other assets | 13 | 16,556 | 19,203 |
| Total current assets | | <u>4,857,015</u> | <u>4,586,844</u> |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 9,572 | 11,508 |
| Right-of-use assets | 11 | 129,102 | - |
| Intangibles | 15 | 1,108,642 | 1,013,120 |
| Total non-current assets | | <u>1,247,316</u> | <u>1,024,628</u> |
| Total assets | | <u>6,104,331</u> | <u>5,611,472</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | 863,081 | 939,222 |
| Borrowings | 17 | 534,000 | 537,751 |
| Lease liabilities | 18 | 98,742 | - |
| Provisions | 19 | 274,879 | 201,638 |
| Other liabilities | 20 | 42,245 | 42,245 |
| Total current liabilities | | <u>1,812,947</u> | <u>1,720,856</u> |
| Non-current liabilities | | | |
| Borrowings | 17 | 5,000,000 | 1,572,600 |
| Lease liabilities | 18 | 40,303 | - |
| Provisions | 19 | 68,159 | 41,042 |
| Other liabilities | 20 | 28,164 | 28,164 |
| Total non-current liabilities | | <u>5,136,626</u> | <u>1,641,806</u> |
| Total liabilities | | <u>6,949,573</u> | <u>3,362,662</u> |
| Net assets/(liabilities) | | <u>(845,242)</u> | <u>2,248,810</u> |
| Equity | | | |
| Issued capital | 21 | 24,433,102 | 23,142,910 |
| Reserves | 22 | (2,032,907) | (2,122,427) |
| Accumulated losses | 23 | (23,245,437) | (18,771,673) |
| Total equity/(deficiency) | | <u>(845,242)</u> | <u>2,248,810</u> |

Propell Holdings Limited
Statement of changes in equity
For the year ended 30 June 2022



| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|-----------------------------|-----------------------|---------------------------------|---|
| Balance at 1 July 2020 | 15,218,211 | (2,890,867) | (14,431,390) | (2,104,046) |
| Loss after income tax expense for the year | - | - | (4,340,283) | (4,340,283) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (4,340,283) | (4,340,283) |
| <i>Transactions with Owners in their capacity as Owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 21) | 5,645,056 | - | - | 5,645,056 |
| Share-based payments (note 35) | 52,500 | 768,440 | - | 820,940 |
| Conversion of notes | 2,227,143 | - | - | 2,227,143 |
| Balance at 30 June 2021 | <u>23,142,910</u> | <u>(2,122,427)</u> | <u>(18,771,673)</u> | <u>2,248,810</u> |
| | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total deficiency in equity \$ |
| Consolidated | | | | |
| Balance at 1 July 2021 | 23,142,910 | (2,122,427) | (18,771,673) | 2,248,810 |
| Loss after income tax expense for the year | - | - | (4,473,764) | (4,473,764) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (4,473,764) | (4,473,764) |
| <i>Transactions with Owners in their capacity as Owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 21) | 1,290,192 | - | - | 1,290,192 |
| Share-based payments (note 35) | - | 89,520 | - | 89,520 |
| Balance at 30 June 2022 | <u>24,433,102</u> | <u>(2,032,907)</u> | <u>(23,245,437)</u> | <u>(845,242)</u> |

Propell Holdings Limited
Statement of cash flows
For the year ended 30 June 2022



| | Note | Consolidated 2022 \$ | 2021 \$ |
|--|------|----------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Loan principal advanced to customers net of payments | | (3,892,895) | (785,033) |
| Payments to suppliers and employees | | (3,704,938) | (2,848,475) |
| Receipts from customers | | 61,945 | 93,772 |
| Interest received | | 532,255 | 103,380 |
| Operating grant receipts | | - | 516,061 |
| Interest paid | | (334,661) | (187,304) |
| Net cash used in operating activities | 33 | <u>(7,338,294)</u> | <u>(3,107,599)</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | 14 | (2,929) | (12,619) |
| Payments for intangibles | 15 | (699,188) | (625,228) |
| Receipts from sub-lease | | - | 9,429 |
| Net cash used in investing activities | | <u>(702,117)</u> | <u>(628,418)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 21 | 1,424,793 | 6,577,745 |
| Proceeds from borrowings | | 3,427,400 | 537,941 |
| Repayment of borrowings | | (3,751) | (3,312) |
| Repayment of lease liabilities | | (56,665) | (36,576) |
| Proceeds from borrowings - convertible notes | | - | 410,000 |
| Capital raising costs | 21 | (134,601) | (500,089) |
| Net cash from financing activities | | <u>4,657,176</u> | <u>6,985,709</u> |
| Net increase/(decrease) in cash and cash equivalents | | (3,383,235) | 3,249,692 |
| Cash and cash equivalents at the beginning of the financial year | | <u>3,769,202</u> | <u>519,510</u> |
| Cash and cash equivalents at the end of the financial year | 9 | <u><u>385,967</u></u> | <u><u>3,769,202</u></u> |

Propell Holdings Limited
Notes to the financial statements
30 June 2022



Note 1. General information

The financial statements cover both Propell Holdings Limited ("Parent") as an individual entity and the Group consisting of Propell Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian Dollars, which is Propell Holdings Limited's functional and presentation currency.

Propell Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Registered office

Level 11
82 Eagle Street
Brisbane QLD 4000

Principal place of business

Level 2
307 Queen St
Brisbane QLD 4000

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption did not result in a material impact.

Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As disclosed in the financial statements, the Company made a net loss of \$4,473,764 (2021: \$4,340,283 net loss) for the year ended 30 June 2022 and reported a net asset deficiency of \$845,242 (2021: \$2,248,810 net assets) and a net cash outflow from operating activities of \$7,338,294 (2021: 3,107,599). The factors that contributed to this position include:

- Significant investment in the development of Propell's Platform to ensure Propell is Australia's first and only all-in-one finance platform for SMEs.
- Customer acquisition expenditure that resulted in a threefold increase in customers during 2022 and fourfold increase in loans outstanding.
- One-off costs to establish the Company's processes and systems to meet ASX reporting, compliance and governance requirements.

The net asset deficiency reported in 2022 would ordinarily give rise to uncertainty regarding the Company's ability to continue as a going concern.

However, the Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied the Group has the resources to continue for the foreseeable future as a going concern and pay debts as they fall due.

Note 2. Significant accounting policies (continued)

In making this assessment, the Board has considered the following key factors:

- The Group raised \$1,361,607 via a Placement on 28 April 2022.
- The Group raised \$63,186 via an Entitlement Offer on 24 June 2022.
- At 30 June 2022, the Group had access to unrestricted cash of \$385,967.
- On 13 July 2022, the Company received capital commitments of \$2,300,000 via a Convertible Note issue, of which \$1,760,000 had been received at the date of this report and the remaining \$540,000 to be received by the Group by 31 December 2022.
- A budget and cash flow forecast has been prepared, which extends beyond 30 September 2023. This demonstrates that the Group will have access to sufficient liquid resources to fund its obligations for a period greater than twelve months from the date of this report.
- The Company's cash flow forecast demonstrates that the following measures will enable the Company to generate net cash inflows within twelve months from the date of this report:
 - On 24 August 2022, Propell's wholesale facility increased from \$5,000,000 to \$7,500,000, which supports the Company's forecast growth in lending and revenue.
 - The twelve-month loan product, which launched in January 2022 and resulted in significant lending and revenue growth in the second half of FY2022, continues to receive strong uptake from customers.
 - On 24 August 2022, the interest rate that applies to the Company's wholesale debt facility decreased from 13% to 11.5%, which has improved Propell's gross margin.
 - As at the date of this report, Propell had completed its investment in development of the Propell Platform, which has significantly reduced the Company's development costs.
 - As at the date of this report, the Company had reduced its headcount by around one third, resulting in ongoing salary cost savings of approximately 30%, with no reduction in Propell's capacity to rapidly scale customers numbers and lending, while maintaining its customer service standards.

Based on the above, the Directors have concluded that a going concern basis of accounting is appropriate.

Should the above actions not generate the expected cash flows, there would be material uncertainty which would cast significant doubt as to whether the Group would be able to meet its debts as and when they fall due, and therefore continue as a going concern. The Group may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the company be unable to continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 30.

Note 2. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Propell Holdings Limited ("Company" or "parent entity") as at 30 June 2022 and the results of all subsidiaries for the year then ended. Propell Holdings Limited and its subsidiaries together are referred to in these financial statements as the "Group".

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition

The Group recognises revenue as follows:

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Where a customer misses a payment, late fees may be applied, which are recognised outside of the effective interest rate.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. *AASB 15 Revenue from Contracts with Customers* requires the use of a principle-based five step recognition and measurement model. The five steps are:

- i) identify the contract with a customer;
- ii) identify the performance obligations in the contract;
- iii) determine the transaction price which takes into account estimates of variable consideration and the time value of money;
- iv) allocate the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- v) recognise revenue when or as each performance obligation is satisfied.

Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. *AASB 15* applies to contracts with customers, except for revenue arising from items such as financial instruments.

Lending fees

Lending fees consists of late and dishonour fees on loans to small business customers. This revenue is recognised at a point in time when the performance obligation has been satisfied, at the transaction price determined in the contract.

Note 2. Significant accounting policies (continued)

Payments revenue

Payments revenue consists of volume and platform fees. Volume fees are primarily based on a percentage of total dollar value of payments processed. Revenues from volume fees are recognised on a gross basis when the customer has the obligation to pay the transaction fees on the related through-put via the interchange merchant. Associated costs payable to processing parties are classified as data processing costs. Platform fees consist of standard monthly fees charged for third party access to the Propell processing platform. Fees are earned when the performance obligation is satisfied, being the provision of access and the revenue is recognised on an over-time basis.

Government grants

Government grants are recognised when there is reasonable certainty that the grant will be received, and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to depreciable assets are credited to deferred income and are recognised in profit or loss over the period and in the proportions in which depreciation expense on those assets is recognised.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Propell Holdings Limited (the "head entity") and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Note 2. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Loans and receivables

A financial asset are measured at amortised cost if both of the following conditions are met:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Loan receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. The initial fair value of loan receivables includes capitalised origination fees net of capitalised transaction costs.

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

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows has expired or has been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a twelve-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next twelve months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Note 2. Significant accounting policies (continued)

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land is not depreciated. The depreciable amount of all other property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset. The Group depreciated property, plant and equipment on a straight-line basis as follows:

| | |
|------------------------|---------|
| Leasehold improvements | 3 years |
| Computer equipment | 3 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

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

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

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

Research and development costs

Expenditure on research activities is recognised as an expense when incurred.

Development costs are capitalised when the group can demonstrate all of the following: the technical feasibility of completing the asset so that it will be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; how the asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised development costs are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to capitalised development costs is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, capitalised development costs are measured at cost, less accumulated amortisation and any accumulated impairment losses.

Other development expenditure is recognised as an expense when incurred.

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Note 2. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intellectual property

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

Customer list

The customer list acquired in a business combination is amortised on a straight-line basis over the period of their expected benefit, being their finite life of four years.

Software

Costs incurred in acquiring or developing Information Technology software are initially recognised as an intangible asset, and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, software costs recognised as an intangible asset are measured at cost, less accumulated amortisation and any accumulated impairment losses. The loan management system and technology platform intangible assets are being amortised over their estimated useful lives of five years and one year respectively.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within twelve months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within twelve months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. The group operates share-based payment employee share and option schemes.

The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Note 2. Significant accounting policies (continued)

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) twelve months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the Owners of Propell Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The new accounting standards and interpretations that are relevant to the activities of the Group are not expected to have a material impact.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Details of the assumptions used in determining the fair value are provided in note 34.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include the assessment of significant increases in credit risk since initial recognition, recent loss experience, historical collection rates and forward-looking information and assessment of default. The actual credit losses in future years may be higher or lower.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. Impairment triggers include declining product or origination performance, technology changes, adverse changes in the economic or political environment and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. Refer note 13 for details of judgements and estimated used in performing the calculations.

Income Tax Consolidation Impacts from the Acquisition of the Business & Capital Group

Propell Holdings Ltd is presently the head company of a tax consolidated group ("Propell tax group") comprising Propell Services Pty Ltd and Propell IP Pty Ltd and A.C.N. 621 07 194 Pty Ltd (deregistered in the prior year). Similarly, Business and Capital Pty Ltd is presently the head of a tax consolidated group ("Business & Capital tax group") comprising BC Fund 1 Pty Ltd (deregistered in the prior year), BC Fund 2 Pty Ltd and BC Fund 3 Pty Ltd. Under the tax consolidation regime, the Business & Capital tax group will automatically join the Propell tax group on acquisition of 100% of the share capital of Business & Capital. While some specified assets (such as cash) retain their original tax cost, the tax cost of many of the assets held by a joining entity are reset on entry into a tax consolidated group. As such, any change in the tax cost base of an asset will, in turn, have an impact on (for example):

- in the case of a depreciating asset, the tax depreciable base which is deducted over the life of the asset;
- in the case of a capital gains tax (CGT) asset, the cost base applied when the asset is sold for the purpose of determining a capital gain;
- in the case of intangible asset, the tax-deductible cost of the respective asset.

The tax costs are reset under a complex calculation in a manner that reflects their respective share of the head company's cost of acquiring the joining company. Factors which can alter the acquisition cost for tax purposes include:

Note 3. Critical accounting judgements, estimates and assumptions (continued)

- the application of CGT rollover by exchanging shareholders;
- the presence of tax losses in the joining entity; and
- the amount of goodwill or other intangible value in the joining entities.

It is noted, detailed tax consolidation calculations will be prepared in due course, once these matters have been established, and once the joining date is determined. These calculations may in turn impact the carrying amounts of a deferred tax assets or deferred tax liabilities that are disclosed on the balance sheet.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than twelve months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Capitalisation of development costs

Development projects where knowledge and understanding gained from research and practical experience are directed towards developing new products or processes, are recognised as intangible assets in the statement of financial position when they meet the criteria for capitalisation. Development costs may be capitalised if Propell can demonstrate the technical and commercial feasibility of completing the product or process, the intention and ability to complete the development and use or sell the asset. It must also be probable that future economic benefits related to the asset will flow to Propell and the acquisition cost can be reliably measured. The reported value includes all directly attributable costs, such as those for materials and services as well as compensation to employees. Individual assessment is made of major ongoing research and development projects to determine whether these criteria have been met. However, because it may be difficult to distinguish between research and development projects, this judgment can be affected by individual interpretations.

Note 4. Operating segments

The Group's operations consist of the provision of financial services to small businesses in Australia, primarily through advancing loans and providing payment processing options. The Group has considered the requirements of AASB 8 Operating Segments and assessed that the Group has one operating segment, representing the consolidated results, as this is the only segment which meets the requirements of AASB 8.

The Group only has customers in Australia and has no concentration of revenue through one customer.

Note 5. Interest income

| | Consolidated | |
|--|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Interest on loans | 798,139 | 131,337 |
| Interest lease receivable | - | 40 |
| Interest on cash at bank and bank deposits | 1,144 | 1,981 |
| | <u>799,283</u> | <u>133,358</u> |

Note 6. Other income

| | Consolidated | |
|-------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Government grants | - | 478,305 |
| | <u>-</u> | <u>478,305</u> |

Included in Grants in the prior year is government grants received due to COVID-19 for wages of \$253,350 (2022: nil) and ATO Research and Development tax incentives of \$224,955 (2022: nil).

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Note 7. Expenses

| | Consolidated | |
|---|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Leasehold improvements | - | 2,163 |
| Buildings right-of-use assets | 66,608 | 26,102 |
| Computer equipment | 4,865 | 1,111 |
| Total depreciation | <u>71,473</u> | <u>29,376</u> |
| <i>Amortisation</i> | | |
| Propell platform | 446,934 | 304,521 |
| Customer list | 123,397 | 185,350 |
| Intellectual property | 33,333 | 16,667 |
| Total amortisation | <u>603,664</u> | <u>506,538</u> |
| Total depreciation and amortisation | <u>675,137</u> | <u>535,914</u> |
| <i>Impairment</i> | | |
| Loan management system | - | 250,000 |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable on Altor Loan book facility | 309,145 | 148,841 |
| Interest and finance charges paid/payable on Altor Corporate facilities | 63,600 | 63,440 |
| Interest on lease liabilities | 5,933 | 155 |
| Unwinding of the discount and arrangement costs on convertible notes | - | 339,618 |
| Expense of previously capitalised finance arrangement costs for unused facility | - | 246,140 |
| Other | 5,736 | 14,219 |
| Finance costs expensed | <u>384,414</u> | <u>812,413</u> |
| <i>Leases</i> | | |
| Expenses relating to short-term leases | <u>11,538</u> | <u>49,244</u> |
| <i>Superannuation expense</i> | | |
| Defined contribution superannuation expense | <u>178,815</u> | <u>106,211</u> |

Propell Holdings Limited
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Note 8. Income tax

| | Consolidated 2022 \$ | 2021 \$ |
|--|----------------------------|-------------|
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax expense | (4,473,764) | (4,340,283) |
| Tax at the statutory tax rate of 25% (2021: 26%) | (1,118,441) | (1,128,474) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Share-based payments | 22,380 | 103,828 |
| Government grants | - | (58,488) |
| Research and development expenditure | - | 23,732 |
| Derivatives | - | 77,101 |
| Capital raising costs | (31,735) | (26,005) |
| Sundry items | 17,028 | 1,788 |
| | (1,110,768) | (1,006,518) |
| Derecognition of deferred tax | 950,806 | 976,562 |
| Adjustment recognised for prior periods | 159,962 | 29,956 |
| Income tax expense | - | - |
| | Consolidated 2022 \$ | 2021 \$ |
| <i>Deferred tax assets not recognised</i> | | |
| Temporary differences | 202,069 | 571,724 |
| Operating tax loss | 2,481,820 | 2,129,932 |
| Capital tax loss | 98,090 | 107,899 |
| Total deferred tax assets not recognised | 2,781,979 | 2,809,555 |

The deferred tax assets not brought to account as disclosed above only relate to the Propell tax group. As noted in Note 3, the Group has not yet completed the tax consolidation calculations resulting from the acquisition of the Business and Capital Pty Ltd Group.

Note 9. Cash and cash equivalents

| | Consolidated 2022 \$ | 2021 \$ |
|-----------------------|----------------------------|------------|
| <i>Current assets</i> | | |
| Cash on hand | 2 | - |
| Cash at bank | 330,886 | 3,769,202 |
| Cash on deposit | 55,079 | - |
| | 385,967 | 3,769,202 |

Cash on deposit was held as security for bank guarantees.

Propell Holdings Limited
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Note 10. Loans receivable

| | Consolidated | |
|--|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Current assets | | |
| Loans receivable | 4,816,876 | 996,203 |
| Less: Allowance for expected credit losses | (367,134) | (203,064) |
| | 4,449,742 | 793,139 |

Loan receivables and allowance for expected credit losses

The Group provides short term loans (six to twelve months) to companies in the small-to-medium sized business sector and has a framework and supporting policies for managing credit risk associated with its lending activities. The framework and policies encompass all stages of the credit cycle including origination, evaluation, approval, documentation, settlement, ongoing administration and problem loan management. The Group has established criteria for making lending decisions, which can vary by industry segment, past credit performance and loan purpose. In this area, the focus is on the performance of key financial risk ratios and the ability of borrowers to service the loan repayments.

When providing finance, the Group obtains security by way of personal guarantees from the directors of the borrower if a company. Where the underlying financial asset falls into default, a caveat may be lodged against the guarantor.

Allowance for expected credit losses

Loan receivable balances and portfolio expected performance are monitored on an ongoing basis. The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to loan receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

The Group has recognised a loss of \$522,009 (2021: \$252,117) in profit or loss in respect of loan impairment expense for the year ended 30 June 2022.

When determining an appropriate allowance for expected credit losses at 30 June 2022, the Company undertook a detailed review of all outstanding loans receivables including consideration of the industry and region in which each customer operates, customer credit quality, and requests for deferred repayment periods. The Group updated its forward-looking assumptions and replaced COVID-19 impacts with inflation, interest rate, unemployment and other macroeconomic impacts.

| Consolidated | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|------------------------|----------------------------------|-------------|------------------------|-------------|---|-------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | % | % | \$ | \$ | \$ | \$ |
| Not overdue | 2.9% | 3.8% | 4,230,838 | 656,195 | 122,050 | 25,207 |
| 0 to 60 days overdue | 37.4% | 67.5% | 495,809 | 118,802 | 185,671 | 80,191 |
| 60 to 180 days overdue | 65.8% | 66.1% | 90,229 | 136,121 | 59,413 | 89,910 |
| Over 180 days overdue | - | 9.1% | - | 85,085 | - | 7,756 |
| | | | 4,816,876 | 996,203 | 367,134 | 203,064 |

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Note 10. Loans receivable (continued)

Movements in the allowance for expected credit losses are as follows:

| | Consolidated | Consolidated |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Opening balance | 203,064 | 122,756 |
| Additional provisions recognised | 522,009 | 252,117 |
| Receivables written off during the year as uncollectable | (357,939) | (171,809) |
| Closing balance | <u>367,134</u> | <u>203,064</u> |

| | Consolidated | Consolidated |
|----------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loans receivable by state | | |
| New South Wales | 1,495,588 | 479,718 |
| Queensland | 1,289,458 | 216,312 |
| Victoria | 883,680 | 103,208 |
| Western Australia | 317,325 | 86,554 |
| South Australia | 419,540 | 71,479 |
| Northern Territory | - | 18,833 |
| Australian Capital Territory | 66,316 | 14,423 |
| Tasmania | 344,969 | 5,676 |
| | <u>4,816,876</u> | <u>996,203</u> |

| | Consolidated | Consolidated |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loans receivable by industry sector | | |
| Trade and services | 1,020,953 | 101,503 |
| Retail | 533,104 | 121,179 |
| Hospitality and tourism | 434,266 | 115,133 |
| Medical, health and care services | 403,526 | 98,489 |
| Industrial and manufacturing | 372,281 | 69,066 |
| Construction, renovation and maintenance | 366,666 | 174,486 |
| Engineering and mechanical | 275,040 | 9,771 |
| Real estate | 221,213 | - |
| Trucking, transport and logistics | 203,457 | 55,664 |
| Business management and services | 185,907 | 12,468 |
| Other | 800,463 | 238,444 |
| | <u>4,816,876</u> | <u>996,203</u> |

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Note 11. Right-of-use assets

| | Consolidated 2022 \$ | 2021 \$ |
|-----------------------------------|----------------------------|------------|
| <i>Non-current assets</i> | | |
| Land and buildings - right-of-use | 195,710 | - |
| Less: Accumulated depreciation | (66,608) | - |
| | <u>129,102</u> | <u>-</u> |

The Company entered into a lease over office premises during the financial year.

The lease term is three years with an early termination option of two years and no option to extend. The annual rental increase is 3.75%.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Premises \$ |
|-------------------------|----------------|
| Balance at 1 July 2020 | - |
| Balance at 30 June 2021 | - |
| Additions | 195,710 |
| Depreciation expense | (66,608) |
| Balance at 30 June 2022 | <u>129,102</u> |

Note 12. Other receivables

| | Consolidated 2022 \$ | 2021 \$ |
|-----------------------|----------------------------|--------------|
| <i>Current assets</i> | | |
| Other receivables | <u>4,750</u> | <u>5,300</u> |

Note 13. Other assets

| | Consolidated 2022 \$ | 2021 \$ |
|-----------------------|----------------------------|---------------|
| <i>Current assets</i> | | |
| Prepayments | <u>16,556</u> | <u>19,203</u> |

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Note 14. Property, plant and equipment

| | Consolidated | |
|--------------------------------|---------------------|---------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Computer equipment - at cost | 15,548 | 12,619 |
| Less: Accumulated depreciation | (5,976) | (1,111) |
| | <u>9,572</u> | <u>11,508</u> |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Leasehold improvements \$ | Computer equipment \$ | Total \$ |
|-------------------------|---------------------------------|-----------------------------|--------------|
| Balance at 1 July 2020 | 2,163 | - | 2,163 |
| Additions | - | 12,619 | 12,619 |
| Depreciation expense | (2,163) | (1,111) | (3,274) |
| Balance at 30 June 2021 | - | 11,508 | 11,508 |
| Additions | - | 2,929 | 2,929 |
| Depreciation expense | - | (4,865) | (4,865) |
| Balance at 30 June 2022 | <u>-</u> | <u>9,572</u> | <u>9,572</u> |

Note 15. Intangibles

| | Consolidated | |
|---|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Intellectual property - at cost | 50,000 | 50,000 |
| Less: Accumulated amortisation | (50,000) | (16,667) |
| | <u>-</u> | <u>33,333</u> |
| Customer list - at cost (business combination) | 741,400 | 741,400 |
| Less: Accumulated amortisation | (741,400) | (618,003) |
| | <u>-</u> | <u>123,397</u> |
| Propell Platform - at cost (internally generated) | 4,558,253 | 3,819,989 |
| Less: Accumulated amortisation | (3,199,611) | (2,752,676) |
| Less: Accumulated impairment | (250,000) | (250,000) |
| | <u>1,108,642</u> | <u>817,313</u> |
| Intangibles work in progress - at cost (internally generated) | <u>-</u> | <u>39,077</u> |
| | <u>1,108,642</u> | <u>1,013,120</u> |

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Note 15. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Customer list \$ | Propell Platform \$ | Intellectual property \$ | Work in progress \$ | Total \$ |
|-------------------------|----------------------------|-------------------------------|------------------------------------|-------------------------------|--------------------|
| Balance at 1 July 2020 | 308,747 | 785,683 | 50,000 | - | 1,144,430 |
| Additions | - | 586,151 | - | 39,077 | 625,228 |
| Impairment losses | - | (250,000) | - | - | (250,000) |
| Amortisation expense | (185,350) | (304,521) | (16,667) | - | (506,538) |
| Balance at 30 June 2021 | 123,397 | 817,313 | 33,333 | 39,077 | 1,013,120 |
| Additions | - | 699,186 | - | - | 699,186 |
| Transfers in/(out) | - | 39,077 | - | (39,077) | - |
| Amortisation expense | (123,397) | (446,934) | (33,333) | - | (603,664) |
| Balance at 30 June 2022 | - | 1,108,642 | - | - | 1,108,642 |

Amortisation expense in relation to intangible assets has been recognised in depreciation and amortisation expenses in the statement of profit or loss and other comprehensive income.

Consolidated
2022 **2021**
\$ **\$**

Intangibles are allocated to the following cash generating units (CGU):

| | | |
|----------|------------------|------------------|
| Lending | 1,108,642 | 979,787 |
| Payments | - | 33,333 |
| | <u>1,108,642</u> | <u>1,013,120</u> |

The recoverable amount of an intangible asset is based on the value-in-use calculation.

The value-in-use calculations are based on managements best estimate of the projected cash flows for the next five years. The present value of future cash flows has been calculated using a terminal value growth rate of 1% (2021: 1%) and a post-tax discount rate of 17.2% (2021: 20.1%).

Sensitivity of assumptions in value calculation

No reasonable change in the key assumptions of the value in use calculations would result in a further impairment.

| Assumption | 2022 Assumption change % | 2022 Value sensitivity \$ |
|----------------------------|------------------------------------|-------------------------------------|
| Discount rate (2022) | 1% | (2,339,827) |
| Discount rate (2021) | 1% | (118,345) |
| Revenue margin (2022) | (1%) | (243,109) |
| Revenue margin (2021) | (1%) | (1,437,215) |
| Credit loss % (2022) | 1% | (810,365) |
| Credit loss % (2021) | 1% | (1,013,123) |
| Lending growth rate (2022) | (1%) | (438,388) |
| Lending growth rate (2021) | (1%) | (56,395) |

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Note 16. Trade and other payables

| | Consolidated | Consolidated |
|-----------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Trade payables | 287,577 | 471,661 |
| Accrued expenses | 333,494 | 282,541 |
| Interest payable | 186,527 | 136,774 |
| BAS payable | 55,483 | 48,246 |
| | <u>863,081</u> | <u>939,222</u> |

Note 17. Borrowings

| | Consolidated | Consolidated |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Loans - Altor corporate facilities (secured) | 534,000 | 534,000 |
| Loan - Premium funding (unsecured) | - | 3,751 |
| | <u>534,000</u> | <u>537,751</u> |
| <i>Non-current liabilities</i> | | |
| Loans - Altor loan book facility (secured) | <u>5,000,000</u> | <u>1,572,600</u> |

Altor loan book facility (secured)

This \$5,000,000 facility (2021: \$2,000,000) is provided for the sole purpose of providing funding for the Group's lending activities. The loan is secured over all present and future property of the Group's loan issuing special purpose entity BC Fund 2 Pty Ltd and its immediate parent Business & Capital Pty Ltd. The loan has a maturity date of 30 March 2025 (2021: 23 March 2023) and has an interest rate of 13% per annum, accruing daily and payable monthly in arrears.

Altor Corporate facilities

| | Consolidated | Consolidated |
|------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Altor AltFi Income Fund | 424,000 | 424,000 |
| Altor Private Equity Pty Ltd | 110,000 | 110,000 |
| | <u>534,000</u> | <u>534,000</u> |

Altor AltFi Income Fund

This loan facility is for an amount not exceeding \$424,000 and is subject to interest of 15% per annum payable. The loan is repayable at a date to be agreed by the parties.

Altor Private Equity Pty Ltd

This loan facility is for an amount not exceeding \$110,000. The loan is repayable at a date to be agreed by the parties.

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Note 17. Borrowings (continued)

Assets pledged as security

The carrying amounts of assets owned by BC Fund 2 Pty Ltd and Business & Capital Pty Ltd pledged as security for the Altor Loan book facility are:

| | Consolidated | Consolidated |
|------------------|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Cash at bank | 153,293 | 84,801 |
| Loans receivable | 4,449,742 | 793,139 |
| Other receivable | 2,510 | 3,010 |
| Intangible asset | 545,194 | 940,710 |
| | <u>5,150,739</u> | <u>1,821,660</u> |

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

| | Consolidated | Consolidated |
|------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Total facilities | | |
| Loans | 5,534,000 | 2,537,751 |
| Used at the reporting date | | |
| Loans | 5,534,000 | 2,110,351 |
| Unused at the reporting date | | |
| Loans | - | 427,400 |

Note 18. Lease liabilities

| | Consolidated | Consolidated |
|--------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Current liabilities | | |
| Lease liability | 98,742 | - |
| Non-current liabilities | | |
| Lease liability | 40,303 | - |

The total cash outflow for leases in 2022 was \$62,712 (2021: nil).

Note 19. Provisions

| | Consolidated | Consolidated |
|--------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Current liabilities | | |
| Annual leave | 274,879 | 201,638 |
| Non-current liabilities | | |
| Long service leave | 68,159 | 41,042 |

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Note 20. Other liabilities

| | Consolidated 2022 \$ | 2021 \$ |
|--|----------------------------|------------|
| <i>Current liabilities</i> | | |
| Subsidies and grants received in advance | 42,245 | 42,245 |
| <i>Non-current liabilities</i> | | |
| Subsidies and grants received in advance | 28,164 | 28,164 |

Subsidies and grants received in advance consists of refundable Research and Development tax incentives which are being recognised as income over the period in which the depreciation expense on the related capitalised development is being recognised.

Note 21. Issued capital

| | 2022 Shares | Consolidated 2021 Shares | 2022 \$ | 2021 \$ |
|------------------------------|----------------|--------------------------------|------------|------------|
| Ordinary shares - fully paid | 120,355,520 | 95,790,160 | 24,433,102 | 23,142,910 |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|--|------------------|-------------|-------------|------------|
| Balance | 30 June 2020 | 45,075,883 | | 15,218,211 |
| Conversion of notes | 16 October 2020 | 14,847,611 | \$0.10 | 2,227,143 |
| Share issue | 30 November 2020 | 10,516,666 | \$0.15 | 1,577,745 |
| Share-based payment | 30 November 2020 | 150,000 | \$0.15 | 22,500 |
| Share-based payment | 30 November 2020 | 200,000 | \$0.15 | 30,000 |
| Share issue | 30 November 2020 | 25,000,000 | \$0.20 | 5,000,000 |
| Share issue costs incurred during the year | 10 March 2021 | - | \$0.00 | (932,689) |
| Balance | 30 June 2021 | 95,790,160 | | 23,142,910 |
| Share issue | 28 April 2022 | 23,475,947 | \$0.06 | 1,361,607 |
| Entitlement offer | 24 June 2022 | 1,089,413 | \$0.06 | 63,186 |
| Share issue costs incurred in the year | | - | \$0.00 | (134,601) |
| Balance | 30 June 2022 | 120,355,520 | | 24,433,102 |

On 28 April 2022, the company issued 23,475,947 ordinary shares as part of a placement at a price of 5.8 cents per share to raise \$1,361,607 in cash.

On 24 June 2022, the company completed an Entitlement Offer and raised \$63,186 in cash through a 1:2.5 non-renounceable offer at 5.8 cents per share.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

At shareholders meetings, each ordinary share is entitled to one vote when a poll is called.

Options and warrants

For details of options and warrants issued during the year as share based payments, refer to note 35.

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Note 21. Issued capital (continued)

Options and warrants on issue at 30 June 2022:

| Grant date | Expiry date | Exercise price | Number under option |
|------------|-------------|----------------|---------------------|
| 01/12/2018 | 01/12/2023 | \$0.40 | 1,100,000 |
| 01/10/2020 | 01/10/2024 | \$0.30 | 5,433,333 |
| 10/11/2020 | 01/10/2024 | \$0.20 | 1,403,245 |
| 07/04/2021 | 07/04/2024 | \$0.30 | 2,000,000 |
| 07/04/2021 | 07/04/2024 | \$0.40 | 4,000,000 |
| 08/02/2021 | 07/02/2024 | \$0.20 | 3,500,000 |
| 10/05/2021 | 10/05/2026 | \$0.20 | 500,000 |
| 13/06/2022 | 12/06/2025 | \$0.10 | 500,000 |
| | | | <u>18,436,578</u> |

Options and warrants on issue at 30 June 2021:

| Grant date | Expiry date | Exercise price | Number under option |
|------------|-------------|----------------|---------------------|
| 01/12/2018 | 01/12/2023 | \$0.40 | 1,100,000 |
| 01/10/2020 | 01/10/2024 | \$0.30 | 5,433,333 |
| 10/11/2020 | 10/11/2024 | \$0.20 | 1,403,245 |
| 06/04/2021 | 06/04/2022 | \$0.30 | 7,907,699 |
| 07/04/2021 | 07/04/2024 | \$0.30 | 2,000,000 |
| 07/04/2021 | 07/04/2024 | \$0.40 | 4,000,000 |
| 08/02/2021 | 07/02/2024 | \$0.20 | 3,500,000 |
| 10/05/2021 | 10/05/2026 | \$0.20 | 500,000 |
| | | | <u>2,5844,277</u> |

Share buy-back

There is no current on-market share buy-back.

Capital risk management

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

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Note 22. Reserves

| | Consolidated | |
|-----------------------------|---------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Share-based payment reserve | 1,486,626 | 1,397,106 |
| Subsidiary interest reserve | (3,519,533) | (3,519,533) |
| | <u>(2,032,907)</u> | <u>(2,122,427)</u> |

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Subsidiary interest reserve

This reserve is used to record transactions with non-controlling interests that result in a change in the Group's interest in a subsidiary that does not result in a loss of control. There was no non-controlling interests in 2022 and 2021.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated | Share option reserve | Subsidiary interest reserve | Total |
|-------------------------|---------------------------------|--|--------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2020 | 628,666 | (3,519,533) | (2,890,867) |
| Share based payments | 768,440 | - | 768,440 |
| Balance at 30 June 2021 | 1,397,106 | (3,519,533) | (2,122,427) |
| Share based payments | 89,520 | - | 89,520 |
| Balance at 30 June 2022 | <u>1,486,626</u> | <u>(3,519,533)</u> | <u>(2,032,907)</u> |

Note 23. Accumulated losses

| | Consolidated | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Accumulated losses at the beginning of the financial year | (18,771,673) | (14,431,390) |
| Loss after income tax expense for the year | (4,473,764) | (4,340,283) |
| Accumulated losses at the end of the financial year | <u>(23,245,437)</u> | <u>(18,771,673)</u> |

Note 24. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 25. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks, primarily market risk, credit risk and liquidity risk. The Group's risk management program focuses on understanding the drivers of financial risk and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

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Note 25. Financial instruments (continued)

The Group's Board, through the Risk Committee, is responsible for the Company's risk management framework. It sets the risk appetite and profile for management, reviewing and updating it if required. Management through the CEO is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system.

Derivatives

The Group does not enter into any derivative contracts for trading. The Group did not hold any derivatives as at 30 June 2022 (2021: nil).

Market risk

Market risk is the risk that a change in market prices such as interest rates will affect the Group's income or the value of holdings in its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Foreign currency risk

The Group is not exposed to any significant foreign exchange rate risk.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Groups main interest rate risk arises from loans receivable, long-term borrowings and cash deposits. Instruments obtained at variable rates exposes the Group to interest rate risk. Instruments obtained at fixed rates exposes the Group to fair value interest rate risk.

The Group is exposed to fair value interest rate risk due to mismatches in interest rates between assets and liabilities. The Company manages this risk by fixing the interest rate of its loan book facility for a period greater than twelve months and setting the pricing for its customers for a period of up to twelve months based on the interest rate of the loan book facility.

For the year end 30 June 2022, all of the Group's borrowings were at fixed interest rates (2021: all). Details of the Groups borrowing facilities are set out in Note 17.

The Group's Loans receivable all have fixed interest rates and six or twelve month maturities.

As at 30 June 2022, the Group had cash and cash equivalents of \$385,967 (2021: \$3,769,202). The average interest rate on all deposits was 0.01% (2021: 0.01%). Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. If interest rates were to increase or decrease by 0.1%, the impact to profit and loss would be an increase or decrease to interest revenue of \$386 (2021: +/- 0.05% impact +/- \$1,885).

Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument will default on its contractual obligations resulting in financial loss to the Group. Credit risk for the Group is concentrated in Loan receivables. Note 10 provides details of Loans receivable balances and Allowance for expected credit losses.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to loan receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on historical collection rates and forward-looking information that is available.

Generally, receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 180 days.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

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Note 25. Financial instruments (continued)

All cash deposits at 30 June 2022 and 30 June 2021 were with the Groups principal banker, The Commonwealth Bank of Australia.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages operational liquidity risk by maintaining cash reserves and available borrowing facilities and by monitoring actual and forecast cash flows. The Group seeks to have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

Financing arrangements

Unused borrowing facilities at the reporting date:

| | Consolidated | 2021 |
|-------|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loans | - | 427,400 |

Remaining contractual maturities

The following table details the Groups remaining contractual maturity for its financial instrument liabilities. The table shows the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| | Weighted average interest rate | 1 year or less | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Remaining contractual maturities |
|--------------------------------------|--------------------------------------|----------------|--------------------------|--------------------------|--------------|--|
| | % | \$ | \$ | \$ | \$ | \$ |
| Consolidated - 2022 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade and other payables | - | 863,081 | - | - | - | 863,081 |
| Loans | - | 110,000 | - | - | - | 110,000 |
| <i>Interest-bearing - fixed rate</i> | | | | | | |
| Loans | 13.79% | 1,074,000 | 650,000 | 5,487,500 | - | 7,211,500 |
| Lease liability | 5.00% | 97,686 | 41,456 | - | - | 139,142 |
| Total non-derivatives | | 2,144,767 | 691,456 | 5,487,500 | - | 8,323,723 |
| Consolidated - 2021 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade and other payables | - | 939,222 | - | - | - | 939,222 |
| Loans | - | 110,000 | - | - | - | 110,000 |
| <i>Interest-bearing - fixed rate</i> | | | | | | |
| Loans | 13.44% | 648,545 | 1,721,588 | - | - | 2,370,133 |
| Total non-derivatives | | 1,697,767 | 1,721,588 | - | - | 3,419,355 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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Note 25. Financial instruments (continued)

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value due to their short term nature.

Note 26. Key management personnel disclosures

Directors

The following persons were Directors of Propell Holdings Limited during the financial year:

| | |
|---|--------------------|
| Benjamin William Harrison | Executive Director |
| Jeremy Grant Loftus | Executive Director |
| Michael Kane Davidson (from 24 December 2021) | Executive Director |
| David Lindsey Brennan (to 24 December 2021) | Executive Director |

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

| | |
|----------------|-------------------------|
| Gary Hazelwood | Chief Financial Officer |
|----------------|-------------------------|

Compensation

The aggregate compensation made to Directors of the Group is set out below:

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Short-term employee benefits | 433,622 | 357,554 |
| Post-employment benefits | 33,343 | 24,458 |
| Long-term benefits | 7,264 | 7,000 |
| Share-based payments | 31,191 | 181,159 |
| | <u>505,420</u> | <u>570,171</u> |

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Pitcher Partners, the auditor of the Company, and its network firms:

| | Consolidated | |
|---|---------------------|---------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Audit services - Pitcher Partners | | |
| Audit or review of the financial statements | <u>88,000</u> | <u>80,000</u> |
| Other services | | |
| Independent limited review for IPO | <u>-</u> | <u>45,000</u> |

Note 28. Contingent liabilities

A bank guarantee of \$55,079 was provided to lessors during the financial year in relation to the lease of office premises (2021: nil).

Note 29. Related party transactions

Parent entity

Propell Holdings Limited is the parent entity.

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Note 29. Related party transactions (continued)

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to Directors and other KMP are set out in note 26 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated | |
|---|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Other transactions: | | |
| Sublease to an entity related to key management personnel | - | 23,212 |

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | 2022 | Parent | 2021 |
|----------------------------|-------------|---------------|-------------|
| | \$ | | \$ |
| Loss after income tax | (4,881,138) | | (3,758,719) |
| Total comprehensive income | (4,881,138) | | (3,758,719) |

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Note 30. Parent entity information (continued)

Statement of financial position

| | Parent | |
|-----------------------------|--------------|--------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Total current assets | 173,739 | 3,662,259 |
| Total assets | 173,739 | 3,662,259 |
| Total current liabilities | 826,349 | 813,443 |
| Total liabilities | 826,349 | 813,443 |
| Equity | | |
| Issued capital | 24,433,102 | 23,142,910 |
| Share-based payment reserve | 1,486,626 | 1,397,106 |
| Accumulated losses | (26,572,338) | (21,691,200) |
| Total equity/(deficiency) | (652,610) | 2,848,816 |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|------------------------------|---|--------------------|-----------|
| | | 2022 % | 2021 % |
| Propell Services Pty Ltd | Australia | 100% | 100% |
| Propell IP Pty Ltd | Australia | 100% | 100% |
| Business and Capital Pty Ltd | Australia | 100% | 100% |
| BC Fund 2 Pty Ltd | Australia | 100% | 100% |
| BC Fund 3 Pty Ltd | Australia | 100% | 100% |

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years apart from the following:

- on 11 July 2022, the Group received commitments of \$2,300,000 for the issue of an unsecured Convertible Note, with the ability to raise a further \$500,000. The key terms and conditions are an interest of 10% per annum with 5% paid quarterly in arrears and 5% capitalised; a conversion price of 80% of the 30-day VWAP with a maximum cap of \$0.07 and a minimum floor of \$0.03 calculated at the day of issue of the conversion notice; and 7 unlisted options issued upfront for each \$1 investment with an exercise price of \$0.08 and expiry of 30 September 2024.

- on 24 August 2022, the Group's loan book facility with Altor increased from \$5,000,000 to \$7,500,000.

- on 24 August 2022, the interest rate on the Group's loan book facility with Altor decreased from 13% to 11.5%.

- on 21 September 2022, the Group issued 3,500,000 Options over ordinary shares to Altor Capital Management; 3,250,000 Options over ordinary shares to Mr Michael Davidson; and 1,424,790 Options over ordinary shares to the Lead Manager, Reach Markets Pty Ltd, all at a price of \$0.10 and with an expiry date three years from the date of issue.

Note 33. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated 2022 \$ | 2021 \$ |
|---|----------------------------|--------------------|
| Loss after income tax expense for the year | (4,473,764) | (4,340,283) |
| Adjustments for: | | |
| Depreciation and amortisation | 675,137 | 535,914 |
| Impairment | - | 250,000 |
| Share-based payments | 89,520 | 479,340 |
| Unwinding of the discount on convertible notes | - | 296,541 |
| Expense of previously capitalised funding costs | - | 133,117 |
| Change in operating assets and liabilities: | | |
| Increase in loans receivable | (3,656,604) | (468,210) |
| Decrease in prepayments | 2,647 | - |
| Decrease/(increase) in other operating assets | 553 | (12,394) |
| Decrease in trade and other payables | (76,141) | (3,101) |
| Increase in employee benefits | 100,358 | 80,904 |
| Decrease in other operating liabilities | - | (59,427) |
| Net cash used in operating activities | <u>(7,338,294)</u> | <u>(3,107,599)</u> |

Non-cash investing and financing activities

| | Consolidated 2022 \$ | 2021 \$ |
|---|----------------------------|------------------|
| Shares issued on conversion of notes | - | 2,227,143 |
| Options issued for payment of share issue costs | - | 432,600 |
| New leases entered into | 195,710 | - |
| | <u>195,710</u> | <u>2,659,743</u> |

Propell Holdings Limited
Notes to the financial statements
30 June 2022



Note 34. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss after income tax attributable to the Owners of Propell Holdings Limited | <u>(4,473,764)</u> | <u>(4,340,283)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>99,939,322</u> | <u>69,431,702</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>99,939,322</u> | <u>69,431,702</u> |
| | Cents | Cents |
| Basic earnings per share | (4.48) | (6.25) |
| Diluted earnings per share | (4.48) | (6.25) |

Options and other potential equity securities on issue at the end of the year have not been included in the determination of diluted earnings per share as they are not dilutive.

Note 35. Share-based payments

Ordinary shares

On 30 November 2020, the company issued 200,000 ordinary shares to private capital funder in lieu of cash settlement for extending a debt facility and 150,000 ordinary shares to the Company's Chief Executive officer in lieu of a bonus payment. The fair value of these shares was assessed as \$0.15 per share, which was equivalent to the capital raising at that time.

Share options

On 10 November 2020, 1,403,245 warrants were issued to a private capital funder as consideration to extend the offer of financing of the loan book of a subsidiary. The warrants are exercisable at \$0.20 per warrant with a 4 year expiry. The warrants were vested and exercisable upon grant. \$133,870 being the value of the warrants on issue was initially capitalised as finance costs and subsequently amortised.

On 7 April 2021, 6,000,000 options were granted as part of the capital raising fee for the initial public offering. All options issued have a 3 year expiry. 2,000,000 options were issued with a \$0.30 exercise price and 4,000,000 with \$0.40. Upon grant the options immediately vested and were exercisable. The fair value of the options of \$432,600 were recognised as capital raising costs.

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Note 35. Share-based payments (continued)

Employee Share and Option Plan ("ESOP")

The ESOP enables the Group to offer eligible employees options to subscribe for shares in the Parent. The ESOP is designed to reward and motivate performance and employee retention.

The ESOP options are non-transferrable, issued for nil consideration, have an exercise price and vest over a period of time. Vesting is conditional on employment at the vesting date. The contractual term of the share options is the earlier of the option expiry date and the date up to 6 months after the option holder ceases employment depending on the circumstances as set in the plan or employment contract. The employee is also not permitted to dispose of any Share issued upon exercise of the options within twelve months after the shares are issued, unless the sale offer is permitted under section 707 of the Corporations Act 2001 (Cth).

Option holders do not have any right to participate in new issues of securities in the Company and option holders do not participate in dividends or in bonus share issues unless the options are exercised and the resultant shares are issued prior to the record date.

During the year ended 30 June 2022, 500,000 options (2021: 4,000,000) were granted under the ESOP, all with a \$0.10 (2021: \$0.20) exercise price and a 3-year (2021: 3-to-5-year, weighted average 3.3 years) expiry. In 2021, 252,446 options that were issued under a previous ESOP expired during the year.

The total expense from ESOP transactions during the year ended 30 June 2022 was \$89,250 (2021: \$201,970).

Set out below is a summary of all options over ordinary shares granted as share based payments during the year ended 30 June 2022 and the prior year:

| | Number of options 2022 | Weighted average exercise price 2022 | Number of options 2021 | Weighted average exercise price 2021 |
|---|------------------------------|---|------------------------------|---|
| Outstanding at the beginning of the financial year | 12,503,245 | \$0.30 | 1,352,446 | \$0.41 |
| Granted | 500,000 | \$0.10 | 11,403,245 | \$0.29 |
| Expired / Lapsed | - | \$0.00 | (252,446) | \$0.48 |
| Outstanding at the end of the financial year | <u>13,003,245</u> | \$0.29 | <u>12,503,245</u> | \$0.30 |
| Vested and exercisable at the end of the financial year | <u>12,093,245</u> | \$0.30 | <u>10,083,245</u> | \$0.31 |

Set out below are the options over ordinary shares issued as share based payments that were outstanding at the end of the financial year:

| Grant date | Expiry date | 2022 Number | 2021 Number |
|------------|-------------|-------------------|-------------------|
| 01/09/2018 | 01/12/2023 | 1,100,000 | 1,100,000 |
| 10/11/2020 | 10/11/2024 | 1,403,245 | 1,403,245 |
| 07/04/2021 | 07/04/2024 | 2,000,000 | 2,000,000 |
| 07/04/2021 | 07/04/2024 | 4,000,000 | 4,000,000 |
| 08/02/2021 | 07/02/2024 | 3,500,000 | 3,500,000 |
| 10/05/2021 | 10/05/2026 | 500,000 | 500,000 |
| 13/06/2022 | 12/06/2025 | 500,000 | - |
| | | <u>13,003,245</u> | <u>12,503,245</u> |

The weighted average remaining contractual life of options over ordinary shares that were outstanding at the end of the financial year was 1.89 years (2021: 2.63 years).

Note 35. Share-based payments (continued)

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

For the options over ordinary shares that were granted as share based payments during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 13/06/2022 | 12/06/2025 | \$0.06 | \$0.10 | 75.00% | - | 3.39% | \$0.021 |

All options over ordinary shares that were granted as share based payments during the current financial year have a vesting period of two years from the date of issue.

For the options over ordinary shares that were granted as share based payments during the prior financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 10/11/2020 | 10/11/2024 | \$0.15 | \$0.20 | 100.00% | - | 0.23% | \$0.095 |
| 07/04/2021 | 07/04/2024 | \$0.20 | \$0.30 | 79.00% | - | 0.10% | \$0.081 |
| 07/04/2021 | 07/04/2024 | \$0.20 | \$0.40 | 79.00% | - | 0.10% | \$0.068 |
| 08/02/2021 | 07/02/2024 | \$0.15 | \$0.20 | 89.00% | - | 0.10% | \$0.074 |
| 10/05/2021 | 10/05/2026 | \$0.14 | \$0.20 | 77.00% | - | 0.66% | \$0.076 |

The Company completed its initial public offering on the ASX on 6 April 2021 and became available for public trading of 14 April 2021. As such, the shares of the Company were unlisted for part the financial year and a readily available market price was not available for some of the valuation dates.

The share price for the pre- IPO capital raise in October 2020 at \$0.15 per share and the initial public offering price of \$0.20 per share, have been used to reflect the per share price of a fully-paid ordinary share in the Company as at the valuation dates prior to the shares becoming publicly traded.

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Propell Holdings Limited
Directors' declaration
30 June 2022



In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read "Benjamin Harrison", written over a horizontal line.

Benjamin William Harrison
Director

29 September 2022
Brisbane

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Independent Auditor's Report

to the Members of Propell Holdings Ltd

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Independent Auditor's Report To the Members of Propell Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Propell Holdings Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 "Going Concern" in the Financial Report. The conditions disclosed in Note 2 indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amount stated in the Financial Report. Our opinion is not modified in respect of this matter.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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SIMON CHUN
JEREMY JONES
TOM SPLATT

JAMES FIELD
DANIEL COLWELL
ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the matter |
|--|--|
| <p>Expected credit loss provisioning</p> <p>Refer to Note 10: Loans receivable</p> | |
| <p>As at 30 June 2022, the Group recognised \$367,134 of expected credit losses (ECL) provisions in accordance with AASB 9 <i>Financial Instruments</i> as disclosed in Note 3 and Note 10 of the financial report.</p> <p>The ECL model developed by management to determine expected credit losses require significant judgement and assumptions to be made including:</p> <ul style="list-style-type: none"> • Selection of criteria for identifying a significant increase in credit risk; • Selection of parameters used in the model in relation to probability of default, and loss given default and exposure at default; and • Forward economic scenarios that consider the impact on expected credit losses of potential macro-economic events. | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Understanding and evaluating the design and implementation of controls in relation to the ECL model; • Testing the inputs in calculating the probability of default and loss given default, as well as agreeing a sample of loan information to source documentation; • Assessing the provisioning methodology with reference to relevant accounting standards and market practices; • Evaluating the reasonableness of management's significant assumptions and judgements in the selection of parameters and criteria used in the ECL model in relation to the calculation of probability of default, loss given default, exposure at default and significant increase in credit risk due to macro-economic events; and • Reviewing the adequacy of the Group's disclosures on ECL provisions to ensure compliance with Australian Accounting Standards. |
| <p>Effective interest rate</p> <p>Refer to Note 10: Loans receivable</p> | |
| <p>The Group reported interest income of \$798,139 in the year to 30 June 2022 and net loans receivable of \$4,449,742 at 30 June 2022. Interest income received from loan receivables is determined using the effective interest rate (EIR) method in accordance with AASB 9 <i>Financial Instruments</i>. The loans receivable balance is measured and presented at amortised cost using the effective interest rate method.</p> <p>The Group's disclosure over the effective interest rate is disclosed in Note 2 of the financial report.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Assessing the Group's accounting policy for revenue recognition with reference to the relevant accounting standards; • Understanding and evaluating the design and implementation of controls relating to the calculation of the EIR; • Agreeing a sample of data inputs used in calculating the EIR to underlying source data such as signed loan agreements and bank statements; • Assessing the accuracy and completeness of interest income by recalculating interest income under the EIR method; and • Reviewing the adequacy of the Group's disclosures regarding EIR to ensure compliance with Australian Accounting Standards. |

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| Key audit matter | How our audit addressed the matter |
|---|--|
| Capitalisation and valuation of loan management system Refer to Note 15: Intangibles | |
| <p>The Group has Propell platform intangible assets (the Platform) of \$1,108,642 as at 30 June 2022. These assets relate primarily to internally developed software to operate and manage the Platform.</p> <p>The capitalisation of Platform costs involves significant judgement; including:</p> <ul style="list-style-type: none"> • Whether the costs incurred relate to research costs which are required to be expensed or development costs that are eligible for capitalisation; • The assessment of the useful life of the asset and the timing of amortisation; and • The assessment of future economic benefits and recoverability of the capitalised Platform. <p>Due to the evolution of Group's business plans and other economic factors, there is an impact on the carrying value of the Platform resulting in possible indicators of impairment. The assessment for potential impairment requires a range of subjective key assumptions about future performance, including growth rates, revenue margins, credit loss percentage and discount rate.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Assessed the Group's policy of capitalisation for compliance with Australian Accounting Standards; • Conducted inquiries with the Chief Technology Officer to understand development activities and their feasibility and how these are reflected in the judgements made; • For a sample of Platform costs, testing whether the additions were appropriately supported to payroll records or third party documentation and attributed to development activities; • Considering of the appropriateness of the amortisation period of the Platform; • Understanding and evaluating the design and implementation of management's processes and controls relevant to the assessment of impairment of the Platform; • Checking management's impairment calculations for accuracy; • Critically assessing the reasonableness of key assumptions, considering supporting documentation and historic performance, where available; • Performing sensitivity analysis on key assumptions used in management's calculations; and • Reviewing the adequacy of the Group's disclosures on Platform capitalisation and impairment to ensure compliance with Australian Accounting Standards. |

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 30 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of Propell Holdings Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Pitcher Partners

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
29 September 2022



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Shareholder Information

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | | Options over ordinary shares | |
|---------------------------------------|-------------------|--------------------------|------------------------------|--------------------------|
| | Number of holders | % of total shares issued | Number of holders | % of total shares issued |
| 1 to 1,000 | 20 | - | 2 | 1.41 |
| 1,001 to 5,000 | 106 | 0.31 | 7 | 4.95 |
| 5,001 to 10,000 | 118 | 0.80 | 4 | 2.83 |
| 10,001 to 100,000 | 298 | 10.12 | 80 | 56.59 |
| 100,001 and over | 167 | 88.77 | 45 | 34.22 |
| | 709 | 100.00 | 138 | 100.00 |
| Holding less than a marketable parcel | - | - | - | - |

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|--------------------------------|-------------------|--------------------------|
| | Number held | % of total shares issued |
| Adman Lanes Pty Ltd | 20,500,000 | 17.03 |
| Tomanovic Multiown Pty Ltd | 13,500,000 | 11.22 |
| Henadome Pty Ltd | 4,310,350 | 3.58 |
| Mr Tom Koutsoupas | 3,000,000 | 2.49 |
| Sixth Erra Pty Ltd | 1,830,677 | 1.52 |
| HSBC Custody Nominees | 1,593,629 | 1.32 |
| Brennan Super (WA) Pty Ltd | 1,500,000 | 1.25 |
| Mr Andrew Robert Burns | 1,340,196 | 1.11 |
| Mrs Sandra Mary Pereira | 1,293,110 | 1.07 |
| Monex Boom Securities (HK) Ltd | 1,136,142 | 0.94 |
| Brett Hales | 1,066,397 | 0.89 |
| Sinclair Superannuation Fund | 1,041,667 | 0.87 |
| Mr Michael Davidson | 1,019,714 | 0.85 |
| Appwam Pty Ltd | 1,000,000 | 0.83 |
| Tzelepis Nominees Pty Ltd | 1,000,000 | 0.83 |
| Invia Custodian Pty Limited | 992,552 | 0.82 |
| Mr David Frederick Oakley | 989,883 | 0.82 |
| Angora Lane Pty Ltd | 979,017 | 0.81 |
| Angora Lane Super Fund | 979,016 | 0.81 |
| Scintilla Strategic | 938,036 | 0.78 |
| | 60,010,386 | 49.84 |

Unquoted equity securities

| | Number on issue | Number of holders |
|-------------------------------------|-----------------|-------------------|
| Options over ordinary shares issued | 26,344,277 | 138 |

Substantial holders

Substantial holders in the Company are set out below:

| | Ordinary shares | |
|----------------------------|-----------------|--------------------------|
| | Number held | % of total shares issued |
| Adman Lanes Pty Ltd | 20,500,000 | 17.03 |
| Tomanovic Multiown Pty Ltd | 13,500,000 | 11.22 |

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities to which voting rights apply.

Securities subject to voluntary escrow

| Class | Expiry date | Number of shares |
|-----------------------------------|---------------|------------------|
| Ordinary shares - 24 month escrow | 06 April 2023 | 4,305,502 |

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