

1. Company details

| | |
|-------------------|---------------------------------|
| Name of entity: | Propell Holdings Limited |
| ACN: | 614 837 099 |
| Reporting period: | For the year ended 30 June 2024 |
| Previous period: | For the year ended 30 June 2023 |

2. Results for announcement to the market

| | | | | \$ |
|--|------|--------|--------------|--------------|
| Revenues from ordinary activities | down | 36% to | | 1,552,698 |
| Loss from ordinary activities after tax attributable to the Owners of Propell Holdings Limited | down | 47% to | | (2,376,087) |
| Loss for the year attributable to the Owners of Propell Holdings Limited | down | 47% to | | (2,376,087) |
| | | | 2024 | 2023 |
| | | | Cents | Cents |
| Basic earnings per share | | | (1.34) | (3.72) |
| Diluted earnings per share | | | (1.34) | (3.72) |

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$2,376,087 (30 June 2023: \$4,480,995).

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>(2.0)</u> | <u>(4.0)</u> |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

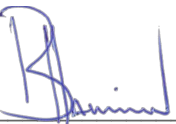
The financial statements have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Propell Holdings Limited for the year ended 30 June 2024 is attached.

12. Signed

Signed  _____

Date: 23 August 2024

Benjamin William Harrison
Director
Brisbane

Annual Report 2024

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propell*

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Large Target Market



2.5m

SMEs in Australia

Source: asbfeo.gov.au

\$468b

SME loans

Source: ausbanking.org.au

Strong Market Growth

41%+

SME's grew in 2023

Source: cpaaustralia.com.au

23%+

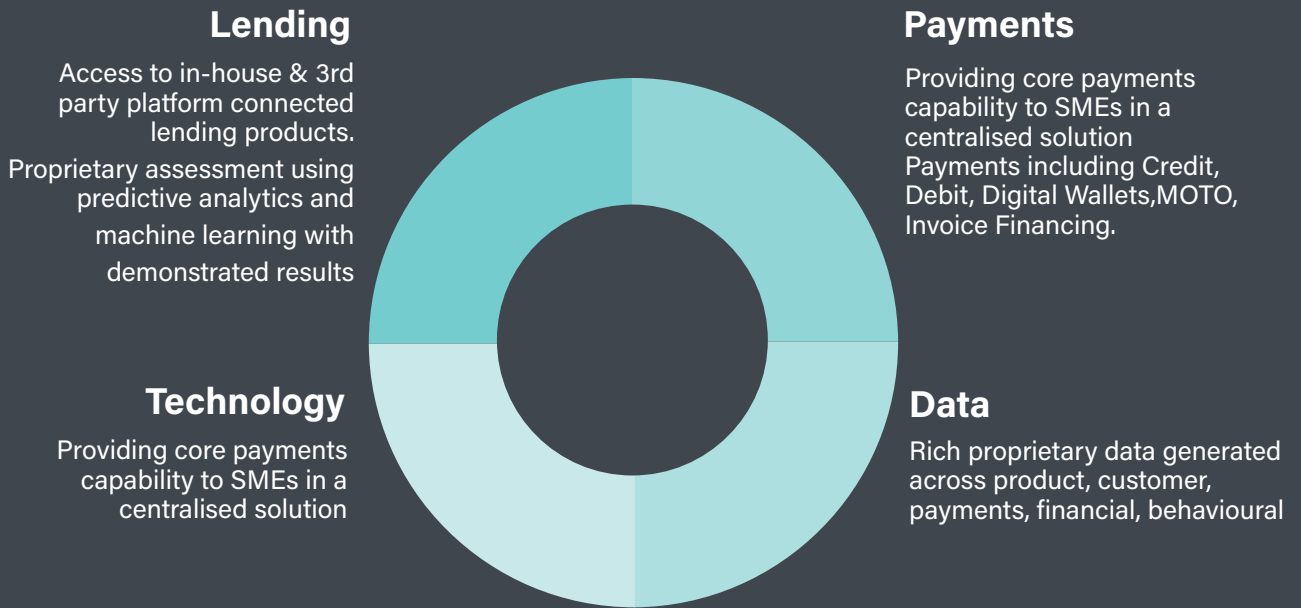
Growth in average loan size to SMEs

Source: ausbanking.org.au





The Propell platform is a unique proposition for SMEs



Corporate Information

COMPANY SECRETARY

Adam Gallagher

REGISTERED OFFICE

Level 2, 15 Mayneview St
Milton QLD 4064

PRINCIPAL PLACE OF BUSINESS

Level 2, 15 Mayneview St
Milton QLD 4064

SHARE REGISTER

XCEND

Level 1, 139 Macquarie Street
Sydney NSW 2000

Email: support@xcend.co

Telephone: +61 (2) 7208 8033

AUDITOR

PKF Brisbane Audit
Level 2, 66 Eagle 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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Chair Report

Dear Shareholders,

We are pleased to present our 4th annual report for Propell Holdings Limited (the Company, Propell, ASX: PHL) as a listed company for the financial year ending June 2024. We acknowledge the year was a particularly challenging for Propell, marked by a range of internal and external factors that tested our resilience. However, through these challenges, the Company made significant strides forward, demonstrating both our commitment to our vision and our ability to adapt in a rapidly changing environment.

Our vision for the 'democratisation of small business finance' remains core, and as the landscape has evolved, so too has our approach. We have refined our proposition and execution to better serve our customers, partners, and ultimately, the Company. This evolution is not just about keeping pace with change but about leading it—continually pushing the boundaries of how emerging technologies can be utilised to more effectively solve problems and offer better, more efficient ways to support small businesses.

Small to medium-sized enterprises (SMEs) play a vital role in the Australian economy and culture. They are the backbone of our nation, driving innovation, employment, and growth. At Propell, we recognise this significance and are committed to providing the tools and support these businesses need to thrive. The work the business has done in FY24, which includes significant investment in our vision, proposition, and platform, represents the early stages of a journey that will enable us to capitalise on the vast opportunities ahead.

Our management team has continued to deliver significant forward progress, navigating the ongoing difficulties of the market with determination and focus. The positive results we've seen have accelerated throughout the year, reinforcing our confidence in the direction we are heading.

It's important to acknowledge that the financial technology sector has not yet regained the favour it once enjoyed when we first listed the business on the ASX in 2021. However, history has shown that those who endure through tough times often emerge stronger, with greater opportunities ahead. At Propell we have made the hard decisions, so we are positioned to be one of those companies. With a lot of the hard work being done we believe in our growth and success in the years to come.

I extend my sincere gratitude to our shareholders for their continued trust and support. Together, we are building a company that not only endures through challenging times but thrives in them.

Yours Sincerely,



Benjamin Harrison
Chair of the Board

Date **23rd August 2024**

Location **Brisbane**

CEO Report

"FY24 has been a transformative year for Propell as we refined our product, continued to enhance our Platform, and made significant progress against our plans in the face of a challenging economic backdrop."

Michael Davidson
Chief Executive Officer

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CEO Report

Dear Shareholders,

It is my pleasure to present to you Propell's Annual Report for FY24.

The past year has been transformative for Propell, marking a turning point in our journey as we begin to see the results of our ongoing efforts and investments. We have made significant progress across various aspects of our business, from refining our product and achieving market fit, to enhancing our platform and technology and streamlining operations.

The SME sector continues to face significant challenges, with economic uncertainty lingering. Businesses are under pressure from an increasingly assertive ATO. Rising costs are also compressing margins, further complicating the operating environment. We have been very pleased with the turnaround in lending performance against this economic backdrop. This was an area we identified as critical to our success, and the business has delivered a significant improvement over the past 12 months.

Financial Highlights

Our approach in FY24 can be summed up as growth with a focus on profitability. Last year, we set clear objectives to achieve cash flow positivity and profitability, and I am pleased to report that we have delivered on many of these goals.

While revenue was down for the year, we saw a significant rise in Q4, setting the business on an attractive run-rate as we enter FY25. This, combined with a substantial reduction in operating expenses, has resulted in a considerable reduction in our net loss to \$2.3 million.

Key Financial Metrics:

- **Revenue Trends:** Despite a dip in annual revenue, a strong final quarter positions us well for FY25.
- **Cost Management:** Significant reductions in operating expenses, driving a reduction in net loss.
- **Loan Book Growth:** Substantial growth in the latter part of the year, up 144% YoY.

Operational Overview

Over the past 12 months, our value proposition has evolved significantly. We've focused on high-margin, profitable products, simplifying our range to better serve a specific segment of SMEs that align with our strengths. This has been supported by refinement of our assessment methodology, which has delivered improvements in loan book performance throughout the year.

Our customer base has also shifted to higher quality, demonstrated by the changes in the size of businesses we serve, the average loan size, and loan term. Additionally, we have more than doubled our broker partner group, significantly expanding our distribution network.

We also initiated an ambitious R&D project aimed at leveraging our expertise in technology and automation to develop a proprietary capability in financial assessment, onboarding, and maintenance of SME customers. This project will be a key focus moving forward, and has progressed from Ideation and Scoping through FY24, and will enter Technical Implementation in FY25.

Key Operational Achievements:

- **Product Focus:** Narrowed our offerings to high-margin products that align with our strengths.
- **Customer Base Evolution:** Shifted focus to higher-quality customers with larger loans and longer terms.
- **Distribution Expansion:** Doubled our broker partner group, greatly increasing our reach.
- **Assessment Overhaul:** Major improvements in risk assessment and loan performance.
- **R&D Initiatives:** Launched a cutting-edge project leveraging AI to enhance financial assessment capabilities.

Challenges and Opportunities

Despite these advancements, securing wholesale funding remains a challenge. We have made some progress, but the scale of changes to our assessment approach has limited our ability to fully unlock this potential. We have secured a temporary extension with our existing provider and have engaged a professional debt advisory to assist in growing our funding capacity.

Outlook and Strategy

Looking ahead, our strategic priorities are clear. We aim to scale the business while maintaining the attractive commercials of our product range. Growth will be driven by expanding our broker referral network and increasing our lending capacity through additional wholesale funding facilities. Furthermore, we will continue to advance our platform capability, utilizing emerging AI technology to differentiate our offering.

Strategic Priorities:

- **Scale with Strong Commercials:** Focus on growing the business while preserving product profitability.
- **Distribution Growth:** Expand our broker referral network to drive lending growth.
- **Lending Capacity:** Secure additional wholesale funding to support business growth.
- **Platform Development:** Continue advancing our platform with AI-driven innovations to stay ahead of the competition.

Short-Term Focus:

- **Secure Additional WSFs:** Critical for supporting loan book growth.
- **Achieve Profitability:** Drive towards cash flow positivity and profitability.

Medium to Long-Term Goals:

- **Technological Advancement:** Continue innovating with AI and automation.
- **Distribution Expansion:** Grow our distribution network to increase market reach.

The Future

As we look ahead, it's important to recognise the vital role SMEs play in the Australian economy and culture. They are the backbone of our nation, driving innovation, employment, and growth. At Propell, we continually push the boundaries of how technology can be used to more efficiently solve problems and offer better and more efficient ways to support these businesses.

We have spent several years, and significant resources, developing our vision, proposition, and platform to the point where we can now capitalise on these opportunities. The progress we made in FY24 is our best to date but represents just the formative stages of our journey. In many ways, we've only just reached the start line, and we are now poised for the 'profitable growth' stage of the journey.

It's important to acknowledge that good things take time. There will be fresh challenges ahead, but with each passing year, we've become stronger, and our momentum is building at an accelerating rate. This positions us well to navigate any hurdles and continue driving forward.

I want to extend my heartfelt thanks to our team and Propell Board for their unwavering support and dedication. Your efforts have been instrumental in bringing us to where we are today.

Additionally, I want to express my deep gratitude to our shareholders, especially those who have stood by and supported us over the years. Your belief in our vision has been a driving force behind our success, and I look forward to continuing this journey together.

Sincerely,



Michael Davidson
CEO and Managing Director
Propell Holdings Ltd

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Directors' Report

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Directors' Report

Propell Holdings Limited Directors' report 30 June 2024



The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Group", the "Company" or "Propell") consisting of Propell Holdings Limited (referred to hereafter as or "parent entity") and the entities it controlled at the end of, or during, the year ended 30 June 2024.

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

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 solutions.

Review of operations and likely developments

To be read in conjunction with the CEO Report.

Overview

Propell is a pioneering digital finance platform in Australia, offering a range of finance tools to small businesses. It is the only multi-product platform that focuses solely on serving the small business segment, with a mission to redefine how they manage their finances. Propell offers centralised access to essential financial services, such as deep insights into financial health, and direct access to a suite of finance tools, including payments and lending.

As the finance industry trends towards digitisation, small businesses are seeking alternative finance solutions to supplement the limited offerings provided by traditional service providers. Propell is well-positioned to meet customer demands in this shifting industry, driving disruption of traditional service providers and their business models.

The Company has completed the development of Propell's digital, cloud based, open API and data driven Platform. This development has resulted in the Company delivering a world-class Platform, well ahead of the previously announced timeline. We now have a leading digital finance offering that provides customers with a modern, intelligent alternative to help them manage and optimise their business.

The significant accomplishments during the year are set out below.

Propell Holdings Limited
Directors' report
30 June 2024



Growth with a focus on profit

During the year ended 30 June 2024, the Company experienced enormous growth in its loan book and significantly improved credit quality of its customers. Propell's loan book grew to \$6,366,814 as at 30 June 2024 (2023: \$2,604,398), a 144% increase on the prior year. Credit impaired losses for the year were \$191,222 (2023: \$1,518,173), a 87% decrease on the prior year.

During FY24, the Company maintained its strong lending margin, holding its wholesale borrowing cost at 11.5% and weighted average customer pricing at approximately 2.7% per month. FY24 operating expenses were lower than FY23 following a restructure during FY23.

As a result, Propell's loss for the year ended 30 June 2024 reduced by 47% to \$2,376,087 (2023: \$4,480,995 loss).

Product and Technology

During the year, the Company invested in development of its products and technology.

In early FY24, Propell implemented an enhanced credit assessment process for customer loan applications. To support this, the Company developed a new customer and broker interface whereby a larger set of customer information can be uploaded via a portal, including by connecting a range of cloud-based financial software systems, providing Propell's underwriting team with access to a larger range of data for the customer in an efficient manner.

In October 2023, Propell launched a new Trade finance loan facility product targeting the renewable energy sector, with the first customer drawdown in November 2023. The funds were deployed and repaid by the customer in 30 days with an annualised interest rate yield of 36.5%. The Trade finance product enables SMEs to better manage their cashflow. This new product leverages Propell's key capabilities including integrated payments, real time credit decisions and short-term funding. The integrated nature of this payment and lending solution provides a lower risk profile to traditional unsecured SME lending due to the product construct and process, whereby funds are paid directly to the merchant. The closed-loop nature of the Trade finance product allows Propell to be embedded in the financing transaction and increase merchant and customer retention.

In November 2023, Propell released a new 24 month loan product, which was well-received by customers and experienced strong customer uptake during the second half of FY24.

Expansion of acquisition channels

During the year, Propell grew its broker referral network by more than 100%, signing agreements with additional broker firms. The Company continues to sign agreements with additional broker firms and expects to maintain the growth of its broker referral network. The Company's expanded broker referral network has significantly accelerated growth in inbound leads for the Company as Propell views its broker referral network as a key element in its pathway to profitability, with higher speed to market and lower risk to margin.

Increase in wholesale facilities

During the year, the Company secured a temporary increase in its wholesale funding facility limit from \$7,500,000 to \$11,000,000 while it pursues a larger wholesale funding facility with another provider.

Reduction in cost base

During the prior financial year, Propell embarked on a cost-cutting initiative, leading to reductions across a number of areas, including local teams. These changes were driven by Propell's focus on achieving profitability sooner, together with structural change as a result of the completion of the Company's Platform. These changes have led to a reduction in full-time headcount of around 75%, ensuring a more sustainable cost structure moving forward.

Financial Overview

During the year ended 30 June 2024, Propell's loan book grew to \$6,366,814 (2023: \$2,604,398), a 144% increase on the prior year. Operating revenue (excluding fair value gain on financial instruments) for FY24 was \$1,272,027 (2023: \$1,762,994). A large majority of the Company's loan book growth occurred in the second half of FY24, therefore, associated interest income will predominantly be recognised in FY25.

Propell maintained strong lending margins in FY24, with wholesale borrowing cost of 11.5% per annum and weighted average customer pricing of approximately 2.7% per month.

Following enhancements to Propell's credit assessment process for customer loan applications, credit impaired losses for the year ended 30 June 2024 decreased 87% to \$191,222 (2023: \$1,518,173).

FY24 operating expenses were \$3,928,785 (2023: \$6,895,455), a 43% reduction on the prior year, following a restructure in FY23.

As a result, Propell's net loss after tax for the year ended 30 June 2024 was \$2,376,087 (2023: net loss of \$4,480,995), a 47% improvement on the prior year.

Net cash used in underlying operating activities (specifically, cash inflows from interest received less cash outflows from payments to suppliers and employees) improved from \$1,601,556 net outflow in FY23 to \$1,132,684 net outflow in FY24.

Outlook

Propell's loan book growth and the substantial operating cost reductions reflect Propell's ability to grow without adding additional resources or compromising client experience.

High net interest margins, a low operating cost base, and the ability to rapidly grow the loan book puts Propell in a strong position moving forward.

The Company continues to expand its growing broker referral network to facilitate loan book growth and pursue additional wholesale funds to continue to meet the anticipated demand going forward.

Concurrently, the Company continues to actively pursue organic and acquisition opportunities to add to its product offering.

The focus areas for the coming year include:

- **Lending capacity:** Obtain a new and increased wholesale funding facility to serve client demand.
- **Ability to fill capacity:** Boost lending growth through the Company's established broker referral network.
- **Operational margins:** Hold the cost base at current levels while scaling the business and customer base.
- **Customer penetration:** Broaden the suite of lending products to increase product per customer and attract new clients.

Achievement of the above, in combination with Propell's improved operating metrics, is expected to provide a clear pathway to profitability as the Company's loan book continues to grow with strong lending margins.

The Board's strategic focus remains on becoming the go-to finance solution for small businesses – a single place where businesses can live their entire financial life in a simple, convenient and 100% digital way, free from the constraints of traditional banks.

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. Refer to note 22 of the Financial Report for further information on Propell's credit risk assessment.

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 is unable 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 growing business 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 2024



Propell raises additional capital

During the financial year, Propell raised additional capital:

- On 13 February 2024, the Company issued 85,000,000 ordinary shares as part of a placement at a price of 1 cent per share to raise \$850,000 in cash.
- On 16 February 2024, the Company issued 36,106,600 ordinary shares as part of a share purchase plan at a price of 1 cent per share to raise \$361,066 in cash.
- On 21 February 2024, the Company issued 16,375,996 ordinary shares as part of a placement at a price of 1 cent per share to raise \$163,760 in cash.

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

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 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.

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

PKF Brisbane Audit (2023: Pitcher Partners) is in office in accordance with section 327 of the *Corporations Act 2001*.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2024, 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 | 9 | 9 | 2 | 2 |
| Jeremy Loftus | 9 | 9 | 2 | 2 |
| Michael Davidson | 9 | 9 | - | - |

'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.

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Propell Holdings Limited
Directors' report
30 June 2024



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: Non-Executive Chair
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: Nil
Former directorships (last 3 years): Change Financial Limited (CCA.ASX) (resigned November 2022)
Special responsibilities: Mr Harrison is a member of the Audit and Risk Committee.
Interests in shares: 10,199,547 ordinary shares
Interests in options: Nil

Name: Jeremy Grant Loftus
Title: Non-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 CEO, 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 Chair of the Audit and Risk Committee.
Interests in shares: 2,302,503 ordinary shares
Interests in options: Nil

Name: Michael Kane Davidson
Title: Executive Director and Chief Executive Officer
Experience and expertise: Michael found his passion for technology and small enterprise early in his telecommunications career in Australia and the UK. He has been CEO of Propell since its 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: 8,537,714 ordinary shares
Interests in options: 5,325,000 options

Propell Holdings Limited
Directors' report
30 June 2024



'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 |
|---------------------------|--|
| Directors | |
| Benjamin William Harrison | Non-Executive Chair |
| Jeremy Grant Loftus | Non-Executive Director |
| Michael Kane Davidson | Executive Director and Chief Executive Officer |
| Executives | |
| Gary Hazelwood | Chief Financial Officer |

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 Chair's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the market. The Chair is not present at any discussions relating to the determination of the Chair's 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.

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 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 2024.

Use of remuneration consultants

No external remuneration consultants were engaged during the financial year ended 30 June 2024.

Details of remuneration

Amounts of remuneration

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

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| | 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 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2024 | | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Benjamin Harrison | 36,000 | - | - | - | - | 30,000 | 66,000 |
| Jeremy Loftus | 20,743 | - | - | - | 370 | 20,000 | 41,113 |
| <i>Executive Directors:</i> | | | | | | | |
| Michael Davidson | 227,411 | - | - | 24,915 | 4,166 | 25,000 | 281,492 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| Gary Hazelwood | 225,923 | - | - | 24,200 | 3,666 | 25,000 | 278,789 |
| | <u>510,077</u> | <u>-</u> | <u>-</u> | <u>49,115</u> | <u>8,202</u> | <u>100,000</u> | <u>667,394</u> |

| | 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 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2023 | | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Benjamin Harrison | 72,000 | - | - | - | - | - | 72,000 |
| Jeremy Loftus | 39,701 | - | - | 2,835 | 1,585 | - | 44,121 |
| <i>Executive Directors:</i> | | | | | | | |
| Michael Davidson | 257,269 | - | - | 26,408 | 4,166 | 56,026 | 343,869 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| Gary Hazelwood | 232,710 | - | - | 23,102 | 3,596 | 10,250 | 269,658 |
| | <u>601,680</u> | <u>-</u> | <u>-</u> | <u>52,345</u> | <u>9,347</u> | <u>66,276</u> | <u>729,648</u> |

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

Share based payments includes the expense for ordinary shares 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.

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

| Name | Fixed remuneration | | Performance related | |
|--|--------------------|------|---------------------|------|
| | 2024 | 2023 | 2024 | 2023 |
| Non-Executive Directors: | | | | |
| Benjamin Harrison | 100% | 100% | - | - |
| Jeremy Loftus | 100% | 100% | - | - |
| Executive Directors: | | | | |
| Michael Davidson | 100% | 100% | - | - |
| Other Key Management Personnel: | | | | |
| Gary Hazelwood | 100% | 100% | - | - |

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: | Michael Kane 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 are entitled to termination payments under applicable legislation except in the event of removal for misconduct or breach of service agreement.

Share-based compensation

Issue of shares

Details of shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2024 are set out below:

| Name | Date | Shares | Fair value per share | Issue price |
|-------------------|------|-----------|----------------------|-------------|
| Benjamin Harrison | | 3,000,000 | \$0.01 | 30,000 |
| Jeremy Loftus | | 2,000,000 | \$0.01 | 20,000 |
| Michael Davidson | | 2,500,000 | \$0.01 | 25,000 |
| Gary Hazelwood | | 2,500,000 | \$0.01 | 25,000 |

Options

There were no options over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2024.

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 2024 are set out below:

| Name | Grant date | Vesting date | Number of options granted | Value of options granted \$ | Number of options vested \$ | Number of options lapsed |
|-------------------|------------|--------------|---------------------------|-----------------------------|-----------------------------|--------------------------|
| Benjamin Harrison | 01/12/2018 | 10/12/2018 | - | - | - | 1,100,000 |

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Issue of convertible notes and retention rights over ordinary shares

There were no 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 2024.

Additional information

The earnings of the Group for the five years to 30 June 2024 are summarised below:

| | 2024 \$ | 2023 \$ | FY22 \$ | FY21 \$ | FY20 \$ |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Total revenue | 1,552,698 | 2,414,460 | 820,729 | 684,754 | 1,006,917 |
| Loss after tax | (2,376,087) | (4,480,995) | (4,473,764) | (4,340,283) | (2,135,503) |

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

| | 2024 | 2023 | FY22 | FY21 | FY20 |
|--|--------|--------|--------|--------|--------|
| Share price at financial year end (\$) | 0.01 | 0.03 | 0.05 | 0.11 | - |
| Total dividends declared (cents per share) | - | - | - | - | - |
| Basic earnings per share (cents per share) | (1.34) | (3.72) | (4.48) | (6.25) | (4.74) |
| Diluted earnings per share (cents per share) | (1.34) | (3.72) | (4.48) | (6.25) | (4.74) |

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 | Share based payment Acquisition | Placement Acquisition | Balance at the end of the year |
|------------------------|----------------------------------|-----------------------|---------------------------------|-----------------------|--------------------------------|
| Ordinary shares | | | | | |
| Benjamin Harrison | 3,199,547 | - | 3,000,000 | 4,000,000 | 10,199,547 |
| Jeremy Loftus | 302,503 | - | 2,000,000 | - | 2,302,503 |
| Michael Davidson | 1,037,714 | - | 2,500,000 | 5,000,000 | 8,537,714 |
| Gary Hazelwood | 500,000 | - | 2,500,000 | - | 3,000,000 |
| | 5,039,764 | - | 10,000,000 | 9,000,000 | 24,039,764 |

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 (restated) | Granted | Exercised | Lapsed | Balance at the end of the year |
|-------------------------------------|---|---------|-----------|-------------|--------------------------------|
| Options over ordinary shares | | | | | |
| Benjamin Harrison | 1,100,000 | - | - | (1,100,000) | - |
| Jeremy Loftus | - | - | - | - | - |
| Michael Davidson | 5,325,000 | - | - | - | 5,325,000 |
| Gary Hazelwood | 500,000 | - | - | - | 500,000 |
| | 6,925,000 | - | - | (1,100,000) | 5,825,000 |

This concludes the remuneration report, which has been audited.

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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 |
|------------|-------------|----------------|---------------------|
| 01/10/2020 | 01/10/2024 | \$0.30 | 5,433,333 |
| 01/10/2020 | 01/10/2024 | \$0.20 | 1,403,245 |
| 22/02/2021 | 22/02/2026 | \$0.20 | 3,500,000 |
| 21/09/2022 | 21/09/2025 | \$0.10 | 8,174,790 |
| 30/06/2023 | 30/06/2025 | \$0.10 | 500,000 |
| 30/06/2023 | 30/06/2028 | \$0.10 | 300,000 |
| 28/02/2024 | 30/09/2024 | \$0.08 | 16,100,000 |
| 28/02/2024 | 30/09/2025 | \$0.10 | 2,300,000 |
| 08/04/2024 | 08/04/2027 | \$0.03 | 7,600,000 |
| 02/05/2024 | 08/04/2027 | \$0.03 | 3,610,660 |
| | | | <u>48,922,028</u> |

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 2024 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.

Officers of the Company who are former partners of PKF Brisbane Audit

There are no officers of the Company who are former partners of PKF Brisbane Audit.

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.

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



Benjamin William Harrison
Director

23 August 2024
Brisbane

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Corporate Governance Statement 2024

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 on the Company's website at <https://propell.investorportal.com.au/corporate-governance/>.

This Corporate Governance Statement was authorised for issue by the Board on 23 August 2024.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Board and management functions

The Board has a Charter outlining its roles and responsibilities, which is available on the Company's website in Section 1 of the Corporate Governance Charter. The Charter sets out matters reserved for the Board and those 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 management's 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 on 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.

As is required by the ASX Governance Recommendations, all material information in the Company's possession relevant to a Director's election or re-election is provided to shareholders in the relevant notice of meeting for each Annual General Meeting (AGM).

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 requires written agreements for Directors and senior executives specifying their roles, responsibilities, and the Company's expectations. A summary of the key terms of the remuneration for KMP executives is included in the published Remuneration Report within the Annual Report.

1.4 Company Secretary

Adam Gallagher held the role of Company Secretary for the entire 2024 financial year.

The Company Secretary reports directly to the Board, providing advice on governance matters, ensuring compliance with policies and procedures, managing the timely dispatch of board papers, accurately recording meeting minutes, and assisting in Director induction and development. The Board is responsible for appointing or removing the Company Secretary.

The 2024 Annual Report sets out Adam's relevant skills, qualifications, and experience in the Director's Report.

1.5 Diversity

The Board has a formal Diversity Policy that is included in Section 8 of 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 its ability to attract, retain, and motivate employees from the widest possible pool of available talent, and it 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 whom are male. In the senior executive, the Company has one female employee(s) 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 4, which accounts for 50% of all employees across the Company.

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

Propell was not in the S&P / ASX 300 Index at the commencement or at any time during the 2024 financial year.

Propell does not comply with Recommendation 1.5 (b) and, consequently, 1.5 (c) as it has not set measurable objectives regarding gender diversity. The Company believes that this departure from the Principles and Recommendations does not diminish its commitment to ensuring gender diversity.

1.6 & 1.7 Board & Executive Performance Evaluation

The Company defines its Senior Executives as the CEO and its executive leadership group, including Key Management Personnel (KMP).

The Board regularly evaluates its own performance, individual Directors (including Executive Directors), and committee functions.

The Chairman meets with Directors to discuss their performance, and the Board evaluates the Chairman's performance. Directors retiring by rotation undergo an evaluation by the Chairman. The evaluation considers factors such as capability, skills, industry understanding, value-adding contribution, and performance in key areas of responsibility.

Similarly, the Chief Executive Officer assesses the performance of executives based on assigned goals and these factors.

The evaluation occurs annually and aims to enhance the effectiveness of Directors, the Board, and executives.

The assessment program was conducted during the 2024 financial year.

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 relevant charter is set out in Section 5 of the Company's Corporate Governance Charter. The Board will reassess its position during the 2025 financial year to determine if establishing a formal committee is appropriate for the Company.

The Board regularly assesses its balance of skills, knowledge, experience, independence and diversity against the relevant provisions in its Corporate Governance Charter, including the Skills Matrix per 2.2 below, to enable it to discharge its duties and responsibilities effectively. 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

It is important for the Board to have the appropriate mix of skills, knowledge, and experience to effectively oversee the Company's operations and make informed decisions. To fulfil this principle, the Company has implemented a Board Skills Matrix (Matrix) as a valuable tool for assessing and enhancing the composition and capabilities of the Board, which is set out in Section 1 (page 5) of the Corporate Governance Charter.

The table below depicts the current application of the skills matrix to the Board.

| Skills | Name of Director |
|---|-------------------|
| Finance, acquisitions, strategy, financial management, corporate restructuring, corporate governance and capital markets. | Benjamin Harrison |
| Finance, accounting, risk management, corporate governance, and strategy | Jeremy Loftus |
| Technology, marketing, commercial, risk management, human resources, public relations and strategy | Michael Davidson |

The Matrix is designed to identify and evaluate the skills, experience, qualifications, and diversity of the Directors, enabling the Board to assess any gaps in skills or knowledge and address them through appropriate recruitment, training, or other initiatives.

The Matrix covers a broad range of areas, including but not limited to finance, legal, governance, health & safety, technology, human resources and strategy. Each Directors' skills and experience are assessed and mapped against these criteria, providing a clear overview of the collective strengths and areas that may require further development or focus.

The Board regularly reviews and updates the Matrix to ensure its relevance and alignment with the Company's evolving needs and strategic priorities. This ongoing evaluation enables the Board to identify any gaps in skills or expertise and take proactive steps to address them.

By utilising the Matrix, the Company strives to maintain a diverse and highly skilled Board that can effectively guide and govern the organisation, make informed decisions, and adapt to the changing business landscape. This commitment to a robust and dynamic Board composition enhances the Company's ability to deliver long-term value to its stakeholders and achieve sustainable growth in a rapidly evolving business environment.

Further details of the Directors, including their qualifications and experience, are set out in the Directors Report in the 2024 Annual Report.

2.3 Status of independence

The Board comprises three directors, two of whom are non-executive, including the Chairman, Ben Harrison. The CEO, Michael Davidson, was appointed Managing Director on 24 December 2021.

The following table sets out the details of the Directors who served on the Board during FY24, their length of service and their status of independence.

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 having been an executive in the last three years he cannot be considered to be independent.

Risk Management Committee Member Jeremy Loftus fulfilled the main finance functions of the Group until the appointment of a CFO in June 2021. It has been three years since he held an executive role or any other relevant relationships and Jeremy is now considered an independent director commencing from June 2024.

| Name | Position | Appointed | Independent |
|-------------------|-------------------------|------------|-------------|
| Benjamin Harrison | Non-Executive Chairman | 15.09.2016 | No |
| Jeremy Loftus | Non-Executive Director | 13.11.2018 | Yes |
| Michael Davidson | Managing Director & CEO | 24.12.2021 | No |

2.4 & 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
- currently, and for the preceding three years, 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 judgment.

Materiality is assessed on a case-by-case basis, based on the Directors' individual circumstances rather than any general materiality thresholds.

Refer to section 2.3 for independence of Directors. 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.

During FY24, the role of the Chairman and the role of the CEO were exercised by different individuals: Benjamin Harrison and Michael Davidson, respectively.

The Chairman's overarching responsibilities are to provide appropriate leadership to the Board and the Company and to ensure the Board fulfils its obligations under the Corporate Governance Charter.

2.6 Induction program & professional development

Newly appointed Directors are provided with an induction program to ensure their active involvement in Board decision-making from the start. This program includes written information about the Company, its operations, and ongoing Board matters.

Additionally, new Directors have scheduled meetings with the Chairman, Chief Executive Officer, Chief Financial Officer and the Company Secretary.

The Board encourages continuous professional development for Directors through workshops, seminars, and external education opportunities.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendations 3.1, 3.2, 3.3 and 3.4

The Company has developed a comprehensive Code of Conduct, Whistleblower Policy, and Anti-Bribery and Corruption Policy, which apply to all Directors, Senior Executives, employees, and contractors.

The Code of Conduct and Anti-Bribery and Corruption Policy is disclosed within our Corporate Governance Charter (refer Section 1 and Section 11). These policies are readily accessible on the Company's website, providing transparency and clarity regarding the Company's values, expectations, and standards of behaviour.

The Code of Conduct serves as a guiding document that outlines the ethical principles, professional standards, and conduct expected from all individuals associated with the Company. It covers various areas, including conflicts of interest, confidentiality, and compliance with laws and regulations.

The Whistleblower Policy is also available on the Company's website:

(<https://propell.investorportal.com.au/corporate-governance/>) and provides a mechanism for employees and stakeholders to report any concerns or wrongdoing within the organisation, ensuring confidentiality and protection against retaliation. It encourages individuals

to come forward with information related to illegal activities, unethical behaviour, or any other misconduct that may adversely impact the Company.

Additionally, the Anti-Bribery and Corruption Policy sets clear guidelines and procedures to prevent bribery, corruption, and unethical practices in any form. It outlines the Company's commitment to conducting business with integrity, complying with anti-bribery laws, and ensuring fair competition.

To ensure accountability and enforcement of these policies, any material breach are reported to the Board or a designated Committee of the Board. This reporting mechanism ensures that significant breaches are appropriately addressed, investigated, and remedied. By promptly addressing any breaches, the Company demonstrates its commitment to upholding the highest standards of integrity and ethical conduct.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 Audit Committee

The Company has established an Audit and risk Management Committee (ARC) that consists of two directors. The Chair is Jeremy Loftus, an independent director who is not the company's Chair or an executive.

The 2024 Annual Report sets out the skills and experience of the Committee members, as well as the number of meetings held and the number of meetings attended by each Committee member in the reporting period.

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

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 available on the Company's website (refer Section 3).

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.

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 regarding the 2024 financial year.

4.3 Verification of periodic reports

The Company's financial and half-yearly financial reports are audited prior to being released to the market. Directors also require a s295A declaration from the CEO and CFO before any financial reports are released to the market.

The ARC reviews the Company's financial reports, including its Annual Report, and recommends whether the Directors should approve the release of these documents to the market.

The Company has established a diligent review

mechanism for all non-audited or reviewed periodic corporate reports. These reports include financial statements, interim financial reports, operational updates, and other relevant disclosures that provide information on the Company's performance, financial position, and prospects.

Reports are circulated to all Directors before their public release. This practice allows the Board to have a comprehensive understanding of the contents, implications, and key messages conveyed in the reports. It enables Directors to engage in informed discussions, provide valuable insights, and collectively ensure the accuracy and integrity of the information being communicated to the market.

The Company continuously evaluates and enhances its review mechanisms to align with evolving regulatory requirements, industry best practices, and emerging reporting standards. It maintains open channels of communication with the independent reviewers, the Board, and relevant stakeholders to ensure a collaborative and rigorous approach to the preparation, review, and dissemination of non-audited or reviewed periodic corporate reports.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Written disclosure policy

The Company has established comprehensive procedures to identify and disclose matters that may have a material impact on the price or value of its securities in compliance with ASX disclosure requirements.

The Continuous Disclosure policy, which outlines the Company's commitment to providing timely and relevant information to the market, is explicitly included in the Corporate Governance Charter (refer Section 7). The Charter, which is available on the Company's website, enables stakeholders, including investors, analysts, and the general public, to familiarise themselves with the Company's disclosure practices and guidelines.

Both senior management and the Board assume responsibility for scrutinising events and information to determine the necessity of disclosure. This shared responsibility ensures a comprehensive and balanced assessment of potential disclosure matters. Senior management, led by the Chief Executive Officer, monitors ongoing developments within the Company, evaluates their potential impact, and promptly informs

the Board about significant events or information that may require disclosure.

The Board, in collaboration with senior management, exercises due diligence in evaluating the significance and materiality of the identified events or information. This evaluation process is guided by the Company's commitment to maintaining market integrity and ensuring that shareholders and other stakeholders have access to information that may affect their investment decisions.

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 providing 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 Investor Centre on the Company's website contains information about market and securityholder communications, including media releases and key policies. All relevant announcements made to the market and any other relevant information is posted in the Investor Centre on the website as soon as they have been released to the ASX.

The Company also provides general and current information regarding its purpose, board and leadership and activities, as well as its Corporate Governance Charter.

6.2 Investor relations program

The Company seeks to ensure that investors are informed of all major developments relating to the Company in a timely and effective manner. Information is communicated to investors through the lodgment of all relevant financial and other information with ASX and publishing information on the website.

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

Within this program, the Company encourages two-way communication by inviting shareholders and investors to contact the Company on each external communication and ASX release.

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

All substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

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 registry 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 (ARC) 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.

There is a risk management framework in place to monitor and manage the Company's key risks. The Board, with the endorsement of the Risk Committee, reviews the framework at least annually to satisfy itself that the framework continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board. This review was conducted during the 2024 financial year.

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.

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 regularly reports to the Committee on the risk management and control environment.

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

7.3 Internal audit function

The Company has not implemented an internal audit function due to the relatively small size of its current operations.

In the current stage of the Company's development, the Board believes that the Audit & Risk Management Committee, with the CEO and CFO, can monitor the effectiveness and improvement of the Company's control environment as well as incorporate any relevant comments from the Company's auditor in completion of the Annual and Half-Year audit processes.

7.4 Economic, Environmental or Social Sustainability

While being committed to corporate social responsibility, the Company acknowledges that its size and nature of operations currently limit its exposure to economic, environmental, and social sustainability risks. The Company operates within the fintech industry.

Considering the specific nature of our business, the Company has assessed that the direct economic risks associated with traditional industries, such as resource depletion, supply chain disruptions, or market fluctuations, do not significantly impact our operations. Additionally, our business model aligns with environmentally friendly practices, as our operations primarily rely on digital platforms, which inherently minimise environmental footprints compared to traditional industries.

While the Company acknowledges the importance of economic, environmental, and social sustainability, we maintain transparency by openly disclosing our assessment of these risks and our current position. This allows investors and stakeholders to gain a comprehensive understanding of our business operations, including the extent of our exposure to sustainability risks.

As the Company continues to grow and evolve, we remain committed to periodically reassessing our exposure to economic, environmental, and social sustainability risks. This ongoing evaluation will ensure that we adapt our practices and strategies in accordance with emerging sustainability trends, industry best practices, and the evolving expectations of our stakeholders.

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 Board carries out the responsibilities of a Remuneration Committee. The processes the Company employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive are set out below in 8.2.

8.2 Non-Executive Director & Executive Remuneration

Shareholders approve the aggregate remuneration of non-executive Directors. The Board determines Individual Directors' remuneration within the approved aggregate total. In determining the appropriate level of Directors' fees, the Remuneration & Nomination Committee benchmarks data from other public companies similar to Propell in 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 also to 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 the Company strictly prohibits Directors and executives from engaging in hedging arrangements, derivatives trading, or any activities that modify the economic risk associated with the Company's securities. This prohibition extends to various transactions, including but not limited to warrants, equity swaps, put and call options, and contracts for difference.

The prohibition on hedging arrangements and derivatives trading serves multiple purposes. First, it prevents potential conflicts of interest that may arise when Directors or executives have financial interests that are at odds with the Company's performance. It also promotes transparency and fairness by eliminating the possibility of individuals benefiting from short-term fluctuations in the Company's securities at the expense of other shareholders.

By strictly enforcing this prohibition, the Company demonstrates its commitment to fostering a culture of integrity, aligning the incentives of its leadership team with the long-term success of the Company, and safeguarding the interests of its shareholders.

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Financial Statements

FY2024



Auditors' Independence Declaration



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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF PROPELL HOLDINGS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended Sunday, 30 June 2024, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

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

PKF

PKF BRISBANE AUDIT

A handwritten signature in black ink, appearing to read 'Shaun Lindemann', written over a light blue horizontal line.

SHAUN LINDEMANN
PARTNER

BRISBANE
23 AUGUST 2024

Propell Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

propell*

| | Note | Consolidated 2024 \$ | 2023 \$ |
|--|------|----------------------------|--------------------|
| Revenue | | | |
| Interest income | 5 | 1,194,488 | 1,755,165 |
| Lending fees | | 77,539 | 7,445 |
| Other revenue | | - | 384 |
| | | <u>1,272,027</u> | <u>1,762,994</u> |
| Other income | 6 | - | 70,409 |
| Fair value gain on financial instruments | 16 | 280,671 | 581,057 |
| Total revenue | | <u>1,552,698</u> | <u>2,414,460</u> |
| Expenses | | | |
| Professional fees | | (608,996) | (570,390) |
| Employee benefits expense | | (987,043) | (1,325,091) |
| Occupancy | 7 | (8,118) | (11,803) |
| Depreciation and amortisation expense | 7 | (37,563) | (399,359) |
| Loan impairment expense net of recoveries | | 86,940 | (1,808,836) |
| Impairment of intangible assets | 7 | - | (804,385) |
| Marketing | | (242,686) | (250,740) |
| Technology and platform costs | | (186,677) | (318,097) |
| Loan assessment and processing | | (127,785) | (97,469) |
| Payments processing | | (1,351) | 67,702 |
| Other expenses | | (201,945) | (213,815) |
| Finance costs | 7 | (1,613,561) | (1,163,172) |
| Total expenses | | <u>(3,928,785)</u> | <u>(6,895,455)</u> |
| Loss before income tax expense | | (2,376,087) | (4,480,995) |
| Income tax expense | 8 | - | - |
| Loss after income tax expense for the year attributable to the Owners of Propell Holdings Limited | | (2,376,087) | (4,480,995) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year attributable to the Owners of Propell Holdings Limited | | <u>(2,376,087)</u> | <u>(4,480,995)</u> |
| | | Cents | Cents |
| Basic earnings per share | 31 | (1.34) | (3.72) |
| Diluted earnings per share | 31 | (1.34) | (3.72) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Propell Holdings Limited
Consolidated statement of financial position
As at 30 June 2024

propell*

| | Note | Consolidated 2024 \$ | 2023 \$ |
|-----------------------------------|------|----------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 731,773 | 645,626 |
| Loans receivable | 10 | 6,366,814 | 2,604,398 |
| Other assets | | 26,521 | 41,250 |
| Total current assets | | <u>7,125,108</u> | <u>3,291,274</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 212 | 2,542 |
| Right-of-use assets | 11 | - | 35,233 |
| Intangibles | 12 | - | - |
| Total non-current assets | | <u>212</u> | <u>37,775</u> |
| Total assets | | <u>7,125,320</u> | <u>3,329,049</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 119,312 | 588,289 |
| Borrowings | 14 | 748,901 | 534,000 |
| Lease liabilities | 15 | - | 40,303 |
| Convertible Notes | 16 | 1,969,764 | 320,022 |
| Provisions | 17 | 165,982 | 176,474 |
| Total current liabilities | | <u>3,003,959</u> | <u>1,659,088</u> |
| Non-current liabilities | | | |
| Borrowings | 14 | 9,723,034 | 5,187,395 |
| Convertible notes | 16 | - | 1,271,547 |
| Provisions | 17 | 58,949 | 49,730 |
| Total non-current liabilities | | <u>9,781,983</u> | <u>6,508,672</u> |
| Total liabilities | | <u>12,785,942</u> | <u>8,167,760</u> |
| Net liabilities | | <u>(5,660,622)</u> | <u>(4,838,711)</u> |
| Equity | | | |
| Issued capital | 18 | 25,903,579 | 24,409,451 |
| Convertible notes - equity | 16 | 337,856 | 337,856 |
| Reserves | 19 | (1,799,538) | (1,859,586) |
| Accumulated losses | 20 | (30,102,519) | (27,726,432) |
| Total deficiency in equity | | <u>(5,660,622)</u> | <u>(4,838,711)</u> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

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Propell Holdings Limited
Consolidated statement of changes in equity
For the year ended 30 June 2024

propell*

| | Issued capital \$ | Convertible Note \$ | Reserves \$ | Accumulated losses \$ | Total deficiency in equity \$ |
|--|-------------------------|---------------------------|--------------------|-----------------------------|--|
| Consolidated | | | | | |
| Balance at 1 July 2022 | 24,433,102 | - | (2,032,907) | (23,245,437) | (845,242) |
| Loss after income tax expense for the year | - | - | - | (4,480,995) | (4,480,995) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | (4,480,995) | (4,480,995) |
| <i>Transactions with Owners in their capacity as Owners:</i> | | | | | |
| Share-based payments (note 19) | - | - | 173,321 | - | 173,321 |
| Convertible notes, net of issue costs (note 16) | - | 337,856 | - | - | 337,856 |
| Contributed equity transaction costs (note 18) | (23,651) | - | - | - | (23,651) |
| Balance at 30 June 2023 | <u>24,409,451</u> | <u>337,856</u> | <u>(1,859,586)</u> | <u>(27,726,432)</u> | <u>(4,838,711)</u> |
| | | | | | |
| Consolidated | | | | | |
| Balance at 1 July 2023 | 24,409,451 | 337,856 | (1,859,586) | (27,726,432) | (4,838,711) |
| Loss after income tax expense for the year | - | - | - | (2,376,087) | (2,376,087) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | (2,376,087) | (2,376,087) |
| <i>Transactions with Owners in their capacity as Owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 18) | 1,494,128 | - | - | - | 1,494,128 |
| Share-based payments (note 19) | - | - | 60,048 | - | 60,048 |
| Balance at 30 June 2024 | <u>25,903,579</u> | <u>337,856</u> | <u>(1,799,538)</u> | <u>(30,102,519)</u> | <u>(5,660,622)</u> |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

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Propell Holdings Limited
Consolidated statement of cash flows
For the year ended 30 June 2024



| | Note | Consolidated | |
|--|------|----------------|----------------|
| | | 2024 | 2023 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Loan principal advanced to customers net of payments | | (3,708,434) | 486,012 |
| Payments to suppliers and employees | | (2,437,669) | (2,872,526) |
| Interest and fees received | | 1,304,985 | 1,270,970 |
| Finance costs | | - | (376,220) |
| Net cash used in operating activities | 30 | (4,841,118) | (1,491,764) |
| Cash flows from investing activities | | | |
| Proceeds from disposal of property, plant and equipment | | - | 3,261 |
| Net cash from investing activities | | - | 3,261 |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 18 | 1,374,826 | - |
| Capital raising costs | | (85,698) | (16,766) |
| Proceeds from borrowings | | 3,791,865 | - |
| Proceeds from borrowings - convertible notes | | - | 2,300,000 |
| Convertible note issue costs | | - | (181,680) |
| Interest and other finance costs paid | | (113,425) | - |
| Repayment of borrowings | | - | (250,000) |
| Repayment of lease liabilities | | (40,303) | (103,392) |
| Net cash from financing activities | | 4,927,265 | 1,748,162 |
| Net increase in cash and cash equivalents | | 86,147 | 259,659 |
| Cash and cash equivalents at the beginning of the financial year | | 645,626 | 385,967 |
| Cash and cash equivalents at the end of the financial year | 9 | <u>731,773</u> | <u>645,626</u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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Propell Holdings Limited
Notes to the financial statements
30 June 2024



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 2
15 Mayneview Street
Milton QLD 4064

Principal place of business

Level 2
15 Mayneview Street
Milton QLD 4064

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, 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 Group made a net loss of \$2,376,087 (2023: \$4,480,995 net loss) for the year ended 30 June 2024 and reported a net asset deficiency of \$5,660,622 (2023: \$4,838,711 net asset deficiency) and a net cash outflow from operating activities of \$4,841,118 (2023: \$1,491,764 outflow), which would ordinarily give rise to uncertainty regarding the Group'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.

In making this assessment, the Board has considered the recently completed capital raising providing proceeds of \$1,374,826 before costs (refer to note 18); recent substantial growth in the Company's Loan book to \$6,366,814 (refer to note 10) and continued growth in July 2024 and August 2024; recent increase in the Company's wholesale funding facility to \$11,000,000 and unused facility limit of \$1,276,966 as at 30 June 2024 (refer to note 14); forecast near-term growth in the loan book to the current facility limit of \$11,000,000 underpinned by recent sizeable growth in Propell's broker referral network; Propell's pursuit of a larger wholesale funding facility; significantly improved credit impairment following enhancements to Propell's credit assessment process (refer to note 10); continued strong net interest margins; the Company's low operating cost base combined with ongoing cost management initiatives (refer to note 7); and the Company's recent expansion of its product range, which has been well received by customers.

The Directors note that the Company's Convertible Note (refer to note 16) has a maturity date of 28 February 2025, whereby note holders are expected to convert the notes to ordinary shares. Propell's Board has a strong track record of raising capital and as such, if any note holders elect not to convert any notes to ordinary shares, the Directors are confident that the Company will be able to raise sufficient capital to repay the Convertible Notes.

Note 2. Material accounting policy information (continued)

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, the Group would need to raise additional debt or equity capital to fund the ongoing operations. The ability to generate sufficient cash inflows to fund the ongoing operations is subject to 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 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Propell Holdings Limited as at 30 June 2024 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", the "Company" or "Propell".

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.

Note 2. Material accounting policy information (continued)

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.

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 consolidated statement of financial position based on current and non-current classification.

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.

Note 2. Material accounting policy information (continued)

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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

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.

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.

Note 2. Material accounting policy information (continued)

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.

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.

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.

Note 2. Material accounting policy information (continued)

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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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.

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 consolidated 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.

Note 2. Material accounting policy information (continued)

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 2024. 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 32.

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.

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 | |
|--|---------------------|------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Interest on loans | 1,192,802 | 1,753,684 |
| Interest on cash at bank and bank deposits | 1,686 | 1,481 |
| | <u>1,194,488</u> | <u>1,755,165</u> |

Note 6. Other income

| | Consolidated | |
|-------------------|---------------------|---------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Government grants | - | 70,409 |
| | <u>-</u> | <u>70,409</u> |

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Note 7. Expenses

| | Consolidated | |
|---|---------------------|------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Buildings right-of-use assets | 35,233 | 93,869 |
| Computer equipment | 2,330 | 1,233 |
| Total depreciation | <u>37,563</u> | <u>95,102</u> |
| <i>Amortisation</i> | | |
| Propell platform | - | 304,257 |
| Total depreciation and amortisation | <u>37,563</u> | <u>399,359</u> |
| <i>Impairment</i> | | |
| Propell Platform (note 12) | - | 804,385 |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable on Loan book facility | 743,277 | 551,168 |
| Interest and finance charges paid/payable on Corporate facilities | 87,701 | 63,600 |
| Effective interest on Convertible note - host debt (note 16) | 772,293 | 432,533 |
| Convertible note issue costs recognised directly to profit or loss | - | 87,553 |
| Unwinding of the discount on lease liabilities | 1,610 | 4,325 |
| Amortised borrowing costs on Loan book facility | 3,748 | 18,740 |
| Other | 4,932 | 5,253 |
| Finance costs expensed | <u>1,613,561</u> | <u>1,163,172</u> |
| <i>Net loss on disposal</i> | | |
| Net loss on disposal of property, plant and equipment | - | 2,536 |
| <i>Leases</i> | | |
| Expenses relating to short-term leases | <u>8,118</u> | <u>11,803</u> |
| <i>Superannuation expense</i> | | |
| Defined contribution superannuation expense | <u>81,542</u> | <u>118,042</u> |
| <i>Share-based payments expense</i> | | |
| Share-based payments expense | <u>60,048</u> | <u>52,742</u> |
| <i>Expected credit losses</i> | | |
| Expected credit losses expensed during the period on loans receivable | 191,222 | 1,518,173 |
| Movement in provision for expected credit losses | <u>(278,162)</u> | <u>290,663</u> |
| Loan impairment expense/(benefit) net of recoveries | <u>(86,940)</u> | <u>1,808,836</u> |

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Note 8. Income tax

| | Consolidated | |
|--|---------------------|-------------|
| | 2024 | 2023 |
| | \$ | \$ |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax expense | (2,376,087) | (4,480,995) |
| Tax at the statutory tax rate of 25% | (594,022) | (1,120,249) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Share-based payments | 15,012 | 13,186 |
| Sundry items | 602 | 23,201 |
| | (578,408) | (1,083,862) |
| Derecognition of deferred tax | 588,965 | 1,086,320 |
| Adjustment recognised for prior periods | (10,557) | (2,458) |
| Income tax expense | - | - |

| | Consolidated | |
|---|---------------------|-------------|
| | 2024 | 2023 |
| | \$ | \$ |
| <i>Deferred tax assets not recognised</i> | | |
| Temporary differences | 937,183 | 840,690 |
| Operating tax loss | 3,701,560 | 3,001,940 |
| Capital tax loss | 98,090 | 98,090 |
| Total deferred tax assets not recognised | 4,736,833 | 3,940,720 |

The deferred tax assets not brought to account as disclosed above only relate to the Propell tax group. The Group has not yet completed the tax consolidation calculations resulting from the acquisition of the Business and Capital Pty Ltd Group. Refer to note 2 for further details.

Note 9. Cash and cash equivalents

| | Consolidated | |
|-----------------------|---------------------|-------------|
| | 2024 | 2023 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Cash on hand | 2,557 | - |
| Cash at bank | 729,216 | 590,547 |
| Cash on deposit | - | 55,079 |
| | 731,773 | 645,626 |

In the prior year, cash on deposit was held as security for bank guarantees.

Note 10. Loans receivable

| | Consolidated | |
|------------------------------------|-------------------------|-------------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Current assets | | |
| Loans receivable before impairment | 6,681,669 | 4,547,446 |
| Less: credit impaired | (191,222) | (1,518,173) |
| Carrying amount | <u>6,490,447</u> | <u>3,029,273</u> |
| Plus: accrued revenue | 256,002 | 232,922 |
| Less: expected credit losses | (379,635) | (657,797) |
| Reported amount | <u><u>6,366,814</u></u> | <u><u>2,604,398</u></u> |

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

| | Consolidated | |
|----------------------------------|-----------------------|-----------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Opening balance | 657,797 | 367,134 |
| Additional provisions recognised | (278,162) | 290,663 |
| Closing balance | <u><u>379,635</u></u> | <u><u>657,797</u></u> |

Loan receivables and allowance for expected credit losses

The Group provides short term loans (six to twenty-four 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 financial performance, level of existing debt, 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. 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 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 gain of \$86,940 (2023: \$1,808,836 loss) in profit or loss in respect of loan impairment provision written back for the year ended 30 June 2024. This gain comprises impairment expense of \$191,222 (2023: \$1,518,173) and the movement in the allowance for expected credit losses of \$278,162 gain (2023: \$290,663 loss). The year-on-year decrease in the loan impairment expense is a result of the Company's enhanced credit assessment process for customer loan applications. The enhanced credit assessment process involves obtaining customers' historical financial statements along with a range of other financial and credit-related data.

When determining an appropriate allowance for expected credit losses at 30 June 2024, 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 including inflation, interest rate, unemployment and other macroeconomic impacts.

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Note 10. Loans receivable (continued)

| Consolidated | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|--|----------------------------------|-------------|------------------------|------------------|---|---------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | % | % | \$ | \$ | \$ | \$ |
| Not overdue | 2.12435% | 12.42709% | 5,606,888 | 1,589,028 | 119,110 | 197,470 |
| 0 to 60 days overdue | 21.24346% | 24.85418% | 540,738 | 1,028,378 | 114,871 | 255,595 |
| 60 to 180 days overdue | 42.48692% | 49.70835% | 342,821 | 411,867 | 145,654 | 204,732 |
| | | | <u>6,490,447</u> | <u>3,029,273</u> | <u>379,635</u> | <u>657,797</u> |
| | | | | | Consolidated | Consolidated |
| | | | | | 2024 | 2023 |
| | | | | | \$ | \$ |
| Loans receivable by state | | | | | | |
| New South Wales | | | | | 3,638,638 | 984,528 |
| Queensland | | | | | 793,541 | 804,809 |
| Victoria | | | | | 1,206,708 | 571,267 |
| Western Australia | | | | | 477,568 | 174,603 |
| South Australia | | | | | 182,029 | 192,494 |
| Australian Capital Territory | | | | | 29,448 | 227,585 |
| Tasmania | | | | | 162,515 | 55,951 |
| Northern Territory | | | | | - | 18,036 |
| | | | | | <u>6,490,447</u> | <u>3,029,273</u> |
| | | | | | Consolidated | Consolidated |
| | | | | | 2024 | 2023 |
| | | | | | \$ | \$ |
| Loans receivable by industry sector | | | | | | |
| Trade and services | | | | | 1,431,133 | 822,250 |
| Retail and wholesale | | | | | 791,327 | 598,400 |
| Hospitality and tourism | | | | | 1,459,219 | 317,683 |
| Medical, health and care services | | | | | 440,343 | 293,486 |
| Industrial and manufacturing | | | | | 89,271 | 157,695 |
| Construction, renovation and maintenance | | | | | 1,486,161 | 271,208 |
| Engineering and mechanical | | | | | 295,857 | 163,887 |
| Real estate | | | | | - | 146,337 |
| Trucking, transport and logistics | | | | | 269,832 | 78,503 |
| Business management and services | | | | | 227,304 | 179,824 |
| | | | | | <u>6,490,447</u> | <u>3,029,273</u> |

Comparative information presented above has been amended where inconsistencies were identified during the current year between the original agreements or contracts and the disclosures presented in the prior year annual report.

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Note 11. Right-of-use assets

| | Consolidated | |
|-----------------------------------|---------------------|---------------|
| | 2024 | 2023 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Land and buildings - right-of-use | 195,710 | 195,710 |
| Less: Accumulated depreciation | (195,710) | (160,477) |
| | <u>-</u> | <u>35,233</u> |

The Company entered into a lease over office premises during the 2022 financial year and exercised an early termination option during the 2024 financial year. The company is currently under a month-to-month lease arrangement and therefore AASB 16 is not applicable.

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 2022 | 129,102 |
| Depreciation expense | (93,869) |
| Balance at 30 June 2023 | 35,233 |
| Depreciation expense | (35,233) |
| Balance at 30 June 2024 | <u>-</u> |

Note 12. Intangibles

| | Consolidated | |
|---|---------------------|-------------|
| | 2024 | 2023 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Intellectual property - at cost | - | 50,000 |
| Less: Accumulated amortisation | - | (50,000) |
| | <u>-</u> | <u>-</u> |
| Customer list - at cost (business combination) | 741,400 | 741,400 |
| Less: Accumulated amortisation | (741,400) | (741,400) |
| | <u>-</u> | <u>-</u> |
| Propell Platform - at cost (internally generated) | 4,558,253 | 4,558,253 |
| Less: Accumulated amortisation and impairment | (4,558,253) | (4,558,253) |
| | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |

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Note 12. 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 2022 | - | 1,108,642 | - | - | 1,108,642 |
| Impairment expense | - | (804,385) | - | - | (804,385) |
| Amortisation expense | - | (304,257) | - | - | (304,257) |
| Balance at 30 June 2023 | - | - | - | - | - |
| Balance at 30 June 2024 | - | - | - | - | - |

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.

Note 13. Trade and other payables

| | Consolidated | |
|----------------------------|---------------------|----------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Current liabilities | | |
| Trade payables | 58,803 | 356,880 |
| Accrued expenses | 111,065 | 137,183 |
| Interest payable | - | 127,200 |
| GST (receivable) / payable | (50,556) | (32,974) |
| | <u>119,312</u> | <u>588,289</u> |

Note 14. Borrowings

| | Consolidated | |
|--|---------------------|------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Current liabilities | | |
| Loans - Altor corporate facilities (secured) | <u>748,901</u> | <u>534,000</u> |
| Non-current liabilities | | |
| Loans - Altor loan book facility (secured) | <u>9,723,034</u> | <u>5,187,395</u> |

Altor loan book facility (secured)

This \$11,000,000 facility (2023: \$7,500,000) 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, which can be called upon at maturity or in the event of default. The loan has a maturity date of 31 August 2025 (2023 : 30 March 2025) and has an interest rate of 11.5% per annum (2023 : 11.5% per annum), accruing daily and payable monthly in arrears.

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Note 14. Borrowings (continued)

Altor Corporate facilities (secured)

This \$748,901 facility (2023: \$534,000) was provided to fund the Group's research and development activities, specifically, the Company's technology development. The loan is secured over all present and future property of the Group and can be called upon at maturity or in the event of default.

| | Consolidated | 2023 |
|------------------------------|---------------------|----------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Altor AltFi Income Fund | 638,901 | 424,000 |
| Altor Private Equity Pty Ltd | 110,000 | 110,000 |
| | <u>748,901</u> | <u>534,000</u> |

Altor AltFi Income Fund

This loan facility is for an amount of \$638,901 (2023: \$424,000) and is subject to interest of 15% per annum. The loan maturity date is 1 October 2024 (2023: 1 October 2024) and the Company is currently negotiating an extension to the loan maturity date.

Altor Private Equity Pty Ltd

This loan facility is for an amount of \$110,000 (2023: \$110,000) and is not subject to interest charges. The loan maturity date is 1 October 2024 (2023: 1 October 2024) and the Company is currently negotiating an extension to the loan maturity date.

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 | 2023 |
|------------------|---------------------|------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Cash at bank | 431,589 | 535,744 |
| Loans receivable | 6,366,814 | 2,604,398 |
| | <u>6,798,403</u> | <u>3,140,142</u> |

Financing arrangements

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

| | Consolidated | 2023 |
|-------------------------------------|---------------------|------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Total facilities | | |
| Altor loan book facility | 11,000,000 | 7,500,000 |
| Altor corporate facilities | 748,901 | 534,000 |
| | <u>11,748,901</u> | <u>8,034,000</u> |
| Used at the reporting date | | |
| Altor loan book facility | 9,723,034 | 5,187,395 |
| Altor corporate facilities | 748,901 | 534,000 |
| | <u>10,471,935</u> | <u>5,721,395</u> |
| Unused at the reporting date | | |
| Altor loan book facility | 1,276,966 | 2,312,605 |
| Altor corporate facilities | - | - |
| | <u>1,276,966</u> | <u>2,312,605</u> |

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Note 15. Lease liabilities

| | Consolidated | |
|----------------------------|--------------|--------|
| | 2024 | 2023 |
| | \$ | \$ |
| Current liabilities | | |
| Lease liability | - | 40,303 |

The total cash outflow for leases in 2024 was \$40,303 (2023: \$107,392)

Note 16. Convertible notes

| | Consolidated | |
|--|------------------|----------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Current liabilities - unsecured | | |
| Financial liability - embedded derivative | 39,351 | 320,022 |
| Financial liability - host debt | 1,930,413 | - |
| | <u>1,969,764</u> | <u>320,022</u> |
| Non-current liabilities - unsecured | | |
| Financial liability - host debt | - | 1,271,547 |

During the previous financial year, the Company issued convertible notes with an aggregate principal amount of \$2,300,000 and a variable exercise price between \$0.03 and \$0.07, with a maturity date of 28 February 2025. The notes are convertible at the option of the note holder into ordinary shares at a conversion price of 80% of the 30-day volume weighted average price (VWAP) at any time after the date of issue and up the maturity date.

The notes attract interest at a coupon rate of 10% per annum. 50% of the coupon rate is paid every 90 days in arrears with the remaining 50% of the coupon rate accruing on the outstanding principal, and payable at maturity.

On initial recognition, the convertible notes included a debt component reported as a financial liability measured at amortised cost, a conversion option considered an embedded derivative measured at FVTPL and an equity component. The costs associated with the transaction have been apportioned between the components recognised at the date of entering into the arrangement.

The embedded derivative component has been revalued at 30 June 2024 in accordance with Accounting Standard AASB 9 *Financial Instruments*. Following the revaluation at 30 June 2024, the embedded derivative has been valued at \$39,351 (2023: \$320,022) using the Monte Carlo Simulation Valuation Model. The fair values have been based on a closing Company share price at 30 June 2024 of \$0.012 (2023: \$0.029), volatility of 95% (2023: 80%), and a risk-free rate of 4.463% (2023: 4.251%).

A fair value gain of \$280,671 (2023: \$581,057) has been recorded in respect to the derivative liability, being the movement in the fair values of the embedded derivative between 30 June 2023 and 30 June 2024.

Refer to note 22 for further information on financial instruments.

Refer to note 23 for further information on fair value measurement.

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Note 16. Convertible notes (continued)

| | Financial liability - embedded derivative \$ | Financial liability - host debt \$ | Total Financial liabilities \$ | Convertible notes - equity \$ |
|---|---|---|---|--|
| 1 July 2022 | | | | |
| Issued during the period | 901,079 | 1,026,384 | 1,927,463 | 372,537 |
| Issue costs capitalised | - | (98,274) | (98,274) | (34,681) |
| Effective interest on convertible notes | - | 432,533 | 432,533 | - |
| Coupon paid | - | (89,096) | (89,096) | - |
| Fair value gain recognised | (581,057) | - | (581,057) | - |
| 30 June 2023 | <u>320,022</u> | <u>1,271,547</u> | <u>1,591,569</u> | <u>337,856</u> |
| 1 July 2023 | 320,022 | 1,271,547 | 1,591,569 | 337,856 |
| Issued during the period | - | - | - | - |
| Issue costs capitalised | - | - | - | - |
| Effective interest on convertible notes | - | 772,293 | 772,293 | - |
| Coupon paid | - | (113,427) | (113,427) | - |
| Fair value gain recognised | (280,671) | - | (280,671) | - |
| 30 June 2024 | <u>39,351</u> | <u>1,930,413</u> | <u>1,969,764</u> | <u>337,856</u> |

Note 17. Provisions

| | Consolidated 2024 \$ | 2023 \$ |
|--------------------------------|----------------------------|----------------|
| Current liabilities | | |
| Annual leave | <u>165,982</u> | <u>176,474</u> |
| Non-current liabilities | | |
| Long service leave | <u>58,949</u> | <u>49,730</u> |

Note 18. Issued capital

| | 2024 Shares | Consolidated 2023 Shares | 2024 \$ | 2023 \$ |
|------------------------------|--------------------|--------------------------------|-------------------|-------------------|
| Ordinary shares - fully paid | <u>278,338,116</u> | <u>120,355,520</u> | <u>25,903,579</u> | <u>24,409,451</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|--|------------------|--------------------|-------------|-------------------|
| Balance | 1 July 2022 | 120,355,520 | | 24,433,102 |
| Share issue costs incurred in the year | | - | \$0.00 | (23,651) |
| Balance | 30 June 2023 | 120,355,520 | | 24,409,451 |
| Share issue | 13 February 2024 | 85,000,000 | \$0.01 | 850,000 |
| Share issue | 16 February 2024 | 36,106,600 | \$0.01 | 361,066 |
| Share issue | 21 February 2024 | 16,375,996 | \$0.01 | 163,760 |
| Share issue | 26 March 2024 | 20,500,000 | \$0.01 | 205,000 |
| Share issue costs incurred in the year | | - | \$0.00 | (85,698) |
| Balance | 30 June 2024 | <u>278,338,116</u> | | <u>25,903,579</u> |

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Note 18. Issued capital (continued)

On 13 February 2024, the Company issued 85,000,000 ordinary shares as part of a placement at a price of 1 cent per share to raise \$850,000 in cash.

On 16 February 2024, the Company issued 36,106,600 ordinary shares as part of a share purchase plan at a price of 1 cent per share to raise \$361,066 in cash.

On 21 February 2024, the Company issued 16,375,996 ordinary shares as part of a placement at a price of 1 cent per share to raise \$163,760 in cash.

On 26 March 2024, the Company issued 15,000,000 ordinary shares to the Directors of the Company in lieu of salary payment. The fair value of these shares was assessed as \$0.01 per share, which was equivalent to the capital raising at that time.

On 26 March 2024, the Company issued 5,500,000 ordinary shares to employees in lieu of bonus payment. The fair value of these shares was assessed as \$0.01 per share, which was equivalent to the capital raising at that time.

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

For details of options issued during the year as share based payments, refer to note 32.

Options on issue at 30 June 2023 are shown in the following table.

| Grant date | Expiry date | Exercise price | Number under option |
|------------|-------------|----------------|---------------------|
| 01/12/2018 | 01/12/2023 | \$0.40 | 1,100,000 |
| 07/04/2021 | 07/04/2024 | \$0.30 | 2,000,000 |
| 07/04/2021 | 07/04/2024 | \$0.40 | 4,000,000 |
| 01/10/2020 | 01/10/2024 | \$0.30 | 5,433,333 |
| 01/10/2020 | 01/10/2024 | \$0.20 | 1,403,245 |
| 22/02/2021 | 22/02/2026 | \$0.20 | 3,500,000 |
| 21/09/2022 | 21/09/2025 | \$0.10 | 8,174,790 |
| 30/06/2023 | 30/06/2025 | \$0.10 | 500,000 |
| 30/06/2023 | 30/06/2028 | \$0.10 | 300,000 |
| 28/02/2024 | 30/09/2024 | \$0.08 | 16,100,000 |
| 28/02/2024 | 30/09/2025 | \$0.10 | 2,300,000 |
| | | | <u>44,811,368</u> |

Options on issue at 30 June 2024 are shown in the following table.

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Note 18. Issued capital (continued)

| Grant date | Expiry date | Exercise price | Number under option |
|------------|-------------|----------------|---------------------|
| 01/10/2020 | 01/10/2024 | \$0.30 | 5,433,333 |
| 01/10/2020 | 01/10/2024 | \$0.20 | 1,403,245 |
| 22/02/2021 | 22/02/2026 | \$0.20 | 3,500,000 |
| 21/09/2022 | 21/09/2025 | \$0.10 | 8,174,790 |
| 30/06/2023 | 30/06/2025 | \$0.10 | 500,000 |
| 30/06/2023 | 30/06/2028 | \$0.10 | 300,000 |
| 28/02/2024 | 30/09/2024 | \$0.08 | 16,100,000 |
| 28/02/2024 | 30/09/2025 | \$0.10 | 2,300,000 |
| 08/04/2024 | 08/04/2027 | \$0.03 | 7,600,000 |
| 02/05/2024 | 08/04/2027 | \$0.03 | 3,610,660 |
| | | | <u>48,922,028</u> |

Comparative information presented above has been amended where inconsistencies were identified during the current year between the original agreements or contracts and the disclosures presented in the prior year annual report.

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 consolidated 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.

Note 19. Reserves

| | Consolidated | |
|-----------------------------|---------------------|--------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Share-based payment reserve | 1,719,995 | 1,659,947 |
| Subsidiary interest reserve | (3,519,533) | (3,519,533) |
| | <u>(1,799,538)</u> | <u>(1,859,586)</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 that result in a change in the Group's interest in a subsidiary that does not result in a loss of control.

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Note 19. Reserves (continued)

Movements in reserves

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

| | Share option reserve | Subsidiary interest reserve | Total |
|-------------------------|-------------------------|-----------------------------------|--------------------|
| Consolidated | \$ | \$ | \$ |
| Balance at 1 July 2022 | 1,486,626 | (3,519,533) | (2,032,907) |
| Share based payments | 173,321 | - | 173,321 |
| Balance at 30 June 2023 | 1,659,947 | (3,519,533) | (1,859,586) |
| Share based payments | 60,048 | - | 60,048 |
| Balance at 30 June 2024 | <u>1,719,995</u> | <u>(3,519,533)</u> | <u>(1,799,538)</u> |

Note 20. Accumulated losses

| | Consolidated | |
|---|---------------------|---------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Accumulated losses at the beginning of the financial year | (27,726,432) | (23,245,437) |
| Loss after income tax expense for the year | (2,376,087) | (4,480,995) |
| Accumulated losses at the end of the financial year | <u>(30,102,519)</u> | <u>(27,726,432)</u> |

Note 21. Dividends

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

Note 22. 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.

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 2024 (2023: nil) except for the embedded derivative in the Convertible Note (refer to note 16).

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.

Note 22. Financial instruments (continued)

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's 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 twenty-four months based on the interest rate of the loan book facility.

For the year end 30 June 2024, all of the Group's borrowings were at fixed interest rates (2023: all). Details of the Group's borrowing facilities are set out in note 14.

The Group's Loans receivable all have fixed interest rates and six to twenty-four month maturities.

As at 30 June 2024, the Group had Loans receivable of \$6,366,814 (2023: \$2,604,398). The average interest rate on all Loans was approximately 2.7% per month (2023: approximately 2.8% per month). Profit or loss is sensitive to higher/lower interest income from Loans receivable as a result of changes in interest rates. If interest rates were to increase or decrease by 0.1% per month, the impact to profit and loss would be an increase or decrease to interest revenue of \$44,240 (2023: +/- 0.1% impact +/- \$62,684).

As at 30 June 2024, the Group had long-term borrowings of \$10,471,935 (2023: \$5,721,395). The average interest rate on all borrowings was approximately 11.6% per annum (2023: approximately 11.6% per annum). Profit or loss is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates. If interest rates were to increase or decrease by 1% per annum, the impact to profit and loss would be an increase or decrease to interest expense of \$71,636 (2023: +/- 1% impact +/- \$52,997).

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. Details of Loans receivable balances and Allowance for expected credit losses are provided in note 10.

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.

All cash deposits at 30 June 2024 and 30 June 2023 were with the Groups principal banker, The Commonwealth Bank of Australia.

Allowance for expected credit losses

The Group has recognised a loss of \$379,635 (2023: \$657,797) in profit or loss in respect of the expected credit losses for the year ended 30 June 2024.

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Note 22. Financial instruments (continued)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

| Consolidated | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|-----------------------|---------------------------|-----------|------------------|------------------|--------------------------------------|----------------|
| | 2024 % | 2023 % | 2024 \$ | 2023 \$ | 2024 \$ | 2023 \$ |
| Not overdue | 2.12435% | 12.42709% | 5,606,888 | 1,589,028 | 119,110 | 197,470 |
| 0 to 2 months overdue | 21.24346% | 24.85418% | 540,738 | 1,028,378 | 114,871 | 255,595 |
| 2 to 6 months overdue | 42.48692% | 49.70835% | 342,821 | 411,867 | 145,654 | 204,732 |
| | | | <u>6,490,447</u> | <u>3,029,273</u> | <u>379,635</u> | <u>657,797</u> |

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 | |
|--------------------------|--------------|------------|
| | 2024 \$ | 2023 \$ |
| Altor loan book facility | 1,276,966 | 2,312,605 |

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.

| Consolidated - 2024 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|---------------------------------------|-------------------------------------|----------------------|-----------------------------|-----------------------------|--------------------|--|
| Non-derivatives | | | | | | |
| Non-interest bearing | | | | | | |
| Trade and other payables | - | 119,312 | - | - | - | 119,312 |
| Loans | - | 110,000 | - | - | - | 110,000 |
| Interest-bearing - fixed rate | | | | | | |
| Loans (corporate facility) | 15.00% | 662,860 | - | - | - | 662,860 |
| Loans (loan book facility) | 11.50% | 1,118,149 | 10,282,108 | - | - | 11,400,257 |
| Convertible notes | 48.40% | 2,596,724 | - | - | - | 2,596,724 |
| Total non-derivatives | | <u>4,607,045</u> | <u>10,282,108</u> | - | - | <u>14,889,153</u> |
| Derivatives | | | | | | |
| Convertible note - conversion feature | - | 39,351 | - | - | - | 39,351 |
| Total derivatives | | <u>39,351</u> | - | - | - | <u>39,351</u> |

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Note 22. Financial instruments (continued)

| | 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 - 2023 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade and other payables | - | 590,824 | - | - | - | 590,824 |
| Loans | - | 110,000 | - | - | - | 110,000 |
| <i>Interest-bearing - fixed rate</i> | | | | | | |
| Loans (corporate facility) | 15.00% | 551,200 | - | - | - | 551,200 |
| Loans (loan book facility) | 11.50% | 596,550 | 5,634,808 | - | - | 6,231,358 |
| Convertible notes | 48.40% | 113,425 | 2,626,068 | - | - | 2,739,493 |
| Lease liability | 5.00% | 41,456 | - | - | - | 41,456 |
| Total non-derivatives | | 2,003,455 | 8,260,876 | - | - | 10,264,331 |
| Derivatives | | | | | | |
| Convertible note - conversion feature | - | - | 320,022 | - | - | 320,022 |
| Total derivatives | | - | 320,022 | - | - | 320,022 |

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

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 23. Fair value measurement

Fair value hierarchy

The following table details the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---|------------|------------|------------|----------|
| Consolidated - 2023 | | | | |
| Liabilities | | | | |
| Derivative liability - conversion feature | - | 320,022 | - | 320,022 |
| Total liabilities | - | 320,022 | - | 320,022 |
| Consolidated - 2024 | | | | |
| Liabilities | | | | |
| Derivative liability - conversion feature | - | 39,351 | - | 39,351 |
| Total liabilities | - | 39,351 | - | 39,351 |

There were no transfers between levels during the financial year.

Note 23. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2 and level 3

The Convertible Notes comprise a host debt instrument, a conversion feature to exchange a variable number of the entity's own equity instruments for a fixed amount of Convertible Notes, and bonus options. The bonus options can be settled by the entity exchanging a fixed number of the entity's own equity securities in return for a fixed amount of cash paid by the holder of the bonus options. In valuing the Convertible Notes at initial recognition we determined:

- (i) the fair value of the conversion feature of the Convertible Notes using a Monte Carlo Simulation Approach;
- (ii) the present value of the host debt contract with respect to market rates of return; and
- (iii) the residual value of the bonus options by deducting from the face value of the Convertible Notes the amounts determined in (i) and (ii).

The Monte Carlo Simulation Approach is adopted to re-value the derivative liability component of the Convertible Notes at each subsequent reporting date.

Note 24. Key management personnel disclosures

Directors

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

| | |
|---------------------------|------------------------|
| Benjamin William Harrison | Non-Executive Director |
| Jeremy Grant Loftus | Non-Executive Director |
| Michael Kane Davidson | 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 | |
|------------------------------|---------------------|----------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Short-term employee benefits | 510,077 | 601,680 |
| Post-employment benefits | 49,115 | 52,345 |
| Long-term benefits | 8,202 | 9,347 |
| Share-based payments | 100,000 | 66,276 |
| | <u>667,394</u> | <u>729,648</u> |

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PKF Brisbane Audit, the auditor of the Group:

| | Consolidated | |
|---|---------------------|----------------|
| | 2024 | 2023 |
| | \$ | \$ |
| <i>Audit services - PKF Brisbane Audit</i> | | |
| Audit or review of the financial statements | <u>75,000</u> | <u>106,500</u> |

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Note 26. Related party transactions

Parent entity

Propell Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Key management personnel

Disclosures relating to Directors and other KMP are set out in note 24 and the remuneration report included in the Directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

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.

Note 27. Parent entity information

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

Consolidated statement of profit or loss and other comprehensive income

| | 2024 | Parent | 2023 |
|----------------------------|-------------|--------|-------------|
| | \$ | | \$ |
| Loss after income tax | (1,311,962) | | (3,308,552) |
| Total comprehensive income | (1,311,962) | | (3,308,552) |

Consolidated statement of financial position

| | 2024 | Parent | 2023 |
|-----------------------------|--------------------|--------|--------------------|
| | \$ | | \$ |
| Total current assets | 247,450 | | 15,976 |
| Total assets | (480,734) | | 15,976 |
| Total current liabilities | 2,750,689 | | 2,218,067 |
| Total liabilities | 2,750,689 | | 3,489,614 |
| Net liabilities | <u>(3,231,423)</u> | | <u>(3,473,638)</u> |
| Equity | | | |
| Issued capital | 25,903,580 | | 24,409,451 |
| Convertible notes - equity | 337,856 | | 337,856 |
| Share-based payment reserve | 1,719,995 | | 1,659,947 |
| Accumulated losses | (31,192,854) | | (29,880,892) |
| Total deficiency in equity | <u>(3,231,423)</u> | | <u>(3,473,638)</u> |

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 2024 and 30 June 2023.

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Note 27. Parent entity information (continued)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policy information

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.
- 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 28. 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 | |
|------------------------------|---|--------------------|-----------|
| | | 2024 % | 2023 % |
| 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 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 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.

Propell Holdings Limited
Notes to the financial statements
30 June 2024

propell*

Note 30. Cash flow information

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

| | Consolidated | |
|---|---------------------|--------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Loss after income tax expense for the year | (2,376,087) | (4,480,995) |
| Adjustments for: | | |
| Depreciation and amortisation | 37,563 | 401,894 |
| Impairment of intangibles | - | 804,385 |
| Share-based payments | 265,048 | 52,742 |
| Capitalisation of finance costs | 958,411 | 476,755 |
| Fair value (gain)/loss on financial instruments | (280,671) | (581,057) |
| Unwinding of discount on convertible notes | 772,293 | 362,178 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in loans receivable | (3,762,416) | 1,845,344 |
| Decrease/(increase) in prepayments | 14,729 | (22,391) |
| Decrease/(increase) in other operating assets | 2,330 | (2,538) |
| Increase/(decrease) in trade and other payables | (468,977) | (231,247) |
| Increase/(decrease) in employee benefits | (1,273) | (116,834) |
| Increase/(decrease) other provisions | (2,068) | - |
| Net cash used in operating activities | <u>(4,841,118)</u> | <u>(1,491,764)</u> |

Changes in liabilities arising from financing activities

| Consolidated | \$ | Total |
|-------------------------|-------------------|-------------------|
| | \$ | \$ |
| Balance at 1 July 2022 | 6,612,267 | 6,612,267 |
| Borrowings | 226,755 | 226,755 |
| Convertible notes | 1,271,547 | 1,271,547 |
| Derivative liabilities | 320,022 | 320,022 |
| Lease liabilities | (98,742) | (98,742) |
| Balance at 30 June 2023 | 8,331,849 | 8,331,849 |
| Borrowings | 4,750,540 | 4,750,540 |
| Convertible notes | 658,866 | 658,866 |
| Derivative liabilities | (280,671) | (280,671) |
| Lease liabilities | (40,303) | (40,303) |
| Balance at 30 June 2024 | <u>13,420,281</u> | <u>13,420,281</u> |

Note 31. Earnings per share

| | Consolidated | |
|--|---------------------|--------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Loss after income tax attributable to the Owners of Propell Holdings Limited | <u>(2,376,087)</u> | <u>(4,480,995)</u> |

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Note 31. Earnings per share (continued)

| | Number | Number |
|---|--------------------|--------------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 176,916,368 | 120,355,520 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>176,916,368</u> | <u>120,355,520</u> |
| | Cents | Cents |
| Basic earnings per share | (1.34) | (3.72) |
| Diluted earnings per share | (1.34) | (3.72) |

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 32. Share-based payments

Ordinary shares

On 26 March 2024, the Company issued 20,500,000 ordinary shares to Equity Plan Services Pty Ltd, an employee remuneration trust plan administered by Equity Plan Management Pty Ltd. These shares were granted to existing Directors and employees of the Company as follows:

- 15,000,000 ordinary shares were granted to the Directors of the Company in lieu of salary payment for the 2024 calendar year. The fair value of these shares was assessed as \$0.01 per share, which was equivalent to the capital raising at that time.
- 5,500,000 ordinary shares were granted to employees in lieu of bonus payment for the year ended 30 June 2024. The fair value of these shares was assessed as \$0.01 per share, which was equivalent to the capital raising at that time.

Share options

Convertible Note holders and Lead Manager Options

On 8 April 2024, 7,600,000 options were granted to Reach Markets Pty Ltd (Lead Manager Options) as part compensation for the previous Placement and share purchase plan. The fair value of these options is \$39,255. The options expire on 8 April 2027 and have a \$0.03 exercise price. Upon grant, the options immediately vested and were exercisable.

On 2 May 2024, 3,610,660 options were granted to Reach Markets Pty Ltd (Lead Manager Options) as part compensation for the previous Placement share purchase plan. The fair value of these options is \$17,664. The options expire on 8 April 2027 and have a \$0.03 exercise price. Upon grant, the options immediately vested and were exercisable.

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Propell Holdings Limited
Notes to the financial statements
30 June 2024



Note 32. 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 shares 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 2024, no options were granted under the ESOP. During the prior financial year, 800,000 options were granted under the ESOP, all with a \$0.10 exercise price and an expiry of either 3 or 5 years.

The total expense from ESOP transactions during the year ended 30 June 2024 was nil (2023: \$52,742).

Set out below is a summary of all options over ordinary shares granted as share based payments during the year ended 30 June 2024 and the prior year:

| | Number of options 2024 | Weighted average exercise price 2024 | Number of options 2023 | Weighted average exercise price 2023 |
|---|------------------------------|---|------------------------------|---|
| Outstanding at the beginning of the financial year | 44,811,368 | \$0.17 | 13,003,245 | \$0.29 |
| Granted | 11,210,660 | \$0.03 | 32,308,123 | \$0.11 |
| Expired / Lapsed | <u>(7,100,000)</u> | \$0.37 | <u>(500,000)</u> | \$0.10 |
| Outstanding at the end of the financial year | <u>48,922,028</u> | \$0.11 | <u>44,811,368</u> | \$0.17 |
| Vested and exercisable at the end of the financial year | <u>48,922,028</u> | \$0.11 | <u>44,811,368</u> | \$0.17 |

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Propell Holdings Limited
Notes to the financial statements
30 June 2024



Note 32. Share-based payments (continued)

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 | 2024 Number | 2023 Number |
|------------|-------------|-------------------|-------------------|
| 01/12/2018 | 01/12/2023 | - | 1,100,000 |
| 07/04/2021 | 07/04/2024 | - | 2,000,000 |
| 07/04/2021 | 07/04/2024 | - | 4,000,000 |
| 01/10/2020 | 01/10/2024 | 5,433,333 | 5,433,333 |
| 01/10/2020 | 01/10/2024 | 1,403,245 | 1,403,245 |
| 22/02/2021 | 22/02/2026 | 3,500,000 | 3,500,000 |
| 21/09/2022 | 21/09/2025 | 8,174,790 | 8,174,790 |
| 30/06/2023 | 30/06/2025 | 500,000 | 500,000 |
| 30/06/2023 | 30/06/2028 | 300,000 | 300,000 |
| 28/02/2024 | 30/09/2024 | 16,100,000 | 16,100,000 |
| 28/02/2024 | 30/09/2025 | 2,300,000 | 2,300,000 |
| 08/04/2024 | 08/04/2027 | 7,600,000 | - |
| 02/05/2024 | 08/04/2027 | 3,610,660 | - |
| | | <u>48,922,028</u> | <u>44,811,368</u> |

The weighted average remaining contractual life of options over ordinary shares that were outstanding at the end of the financial year was 1.17 years (2023: 1.35 years).

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 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 |
|------------|-------------|------------------------------|-------------------|------------------------|-------------------|----------------------------|-----------------------------|
| 08/04/2024 | 08/04/2027 | \$0.01 | \$0.03 | 80.00% | - | 4.23% | \$0.005 |
| 02/05/2024 | 08/04/2027 | \$0.01 | \$0.03 | 80.00% | - | 4.23% | \$0.005 |

Volatility was determined with reference to the daily change in share price over the past 18 to 24 months using a standard deviation of 11.5%.

Comparative information presented above has been amended where inconsistencies were identified during the current year between the original agreements or contracts and the disclosures presented in the prior year annual report.

Propell Holdings Limited
Consolidated entity disclosure statement
As at 30 June 2024



Set out below are the entities that form part of the consolidated Group at the end of the financial year ended 30 June 2024.

| Entity name | Entity type | Place formed / Country of incorporation | Ownership interest % | Tax residency |
|---------------------------------|--------------------|--|-------------------------------------|----------------------|
| Propell Holdings Limited | Body corporate | Australia | 100.00% | Australia |
| Propell Services Pty Ltd | Body corporate | Australia | 100.00% | Australia |
| Propell IP Pty Ltd | Body corporate | Australia | 100.00% | Australia |
| Business and Capital Pty Ltd | Body corporate | Australia | 100.00% | Australia |
| BC Fund 2 Pty Ltd | Body corporate | Australia | 100.00% | Australia |
| BC Fund 3 Pty Ltd | Body corporate | Australia | 100.00% | Australia |

Propell Holdings Limited
Directors' declaration
30 June 2024



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 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

Benjamin William Harrison
Director

23 August 2024
Brisbane

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Independent Auditors' 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 Financial Report

Opinion

We have audited the accompanying 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 2024, 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 material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the financial report of Propell Holdings Limited 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 2024 and of its performance for the year ended on that date; 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 & 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 'Going concern' in the financial report that states the Group incurred a net loss after tax for the year ended 30 June 2024 of \$2,376,087 (2023 \$4,480,995) and reported a net assets

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deficiency of \$5,660,622 (2023: \$4,838,711 net asset deficiency). For the year ended 30 June 2024, the Group reported cash outflows from operating activities of \$4,841,118 (2023 \$1,491,764 outflows). These events or conditions, along with other matters as set forth in Note 2 'Going concern' indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Expected credit loss model

Why significant

As at 30 June 2024, the group recorded loan receivables of \$6,366,815 (30 June 2023: \$2,604,398) and a provision for expected credit loss ('ECL') of \$379,635 (30 June: \$657,797).

The ECL calculation is determined in accordance with AASB 9 *Financial Instruments* as disclosed in Note 2 and Note 10 to the financial statements.

The ECL model developed by management to determine expected credit losses requires significant judgement and assumptions to be made including:

- Establishing criteria for determining credit risk;
- Determination of parameters used in the ECL model in relation to probability of default and resultant losses or exposures;
- Consideration of future economic events that consider the impact on the ECL model of broader economic and other factors.

This is a key audit matter due to the material nature of the balance, the significant judgement and assumptions in the model, and significant audit efforts in testing the parameters, inputs and assumptions in the module.

How our audit addressed the key audit matter

Our audit procedures included, amongst others:

- Assessing the reasonableness of ECL rates by reviewing new loans and their collection status during the current year.
- Understanding and evaluating the design and implementation of controls in relation to the ECL model, and internal processes regarding managing credit risk.
- Testing samples of loan information included in the ECL model to source documentation
- 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 and exposure at default.
- Assessing the adequacy of the Group's disclosures on ECL provisions 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 2024 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.

Other Matter

The financial report of Propell Holdings Limited for the year ended 30 June 2023 was audited by another auditor who expressed an unmodified opinion on that report on 31 August 2023.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii. the consolidated entity disclosure statement that is true and correct and is free of 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 has 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 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 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 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 consolidated entity'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 consolidated entity'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 consolidated entity 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 consolidated entity to express an opinion on the group 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

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024. 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.

Opinion

In our opinion, the Remuneration Report of Propell Holdings Limited for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

PKF

PKF BRISBANE AUDIT

A handwritten signature in black ink, appearing to read 'Shaun Lindemann', written over a light blue horizontal line.

SHAUN LINDEMANN
PARTNER

BRISBANE
23 August 2024

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Shareholder Information

Propell Holdings Limited Shareholder information 30 June 2024

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The Shareholder information set out below was applicable as at 30 June 2024.

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 | 22 | - | - | - |
| 1,001 to 5,000 | 96 | 0.11 | - | - |
| 5,001 to 10,000 | 91 | 0.27 | - | - |
| 10,001 to 100,000 | 242 | 3.66 | 16 | 2.09 |
| 100,001 and over | 164 | 95.96 | 25 | 97.91 |
| | <u>615</u> | <u>100.00</u> | <u>41</u> | <u>100.00</u> |
| 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 |
| TOMANOVIC MULTIOWN PTY LTD | 55,000,000 | 19.76 |
| ADMAN LANES PTY LTD | 41,250,000 | 14.82 |
| EQUITY PLAN SERVICES PTY LTD | 20,500,000 | 7.37 |
| APPWAM PTY LTD | 11,000,000 | 3.95 |
| R MARKETS PTY LTD | 10,000,000 | 3.59 |
| MS EUN SOOK JEUNG | 7,000,000 | 2.51 |
| PLUTUS CAPITAL GROUP | 6,676,556 | 2.40 |
| MR DAVID FREDERICK OAKLEY | 5,989,883 | 2.15 |
| HENADOME PTY LTD | 5,310,350 | 1.91 |
| MR MICHAEL DAVIDSON | 5,245,162 | 1.88 |
| MR RICHARD MARC HUGHES & MRS SUSAN MAREE HUGHES | 5,000,000 | 1.80 |
| TZELEPIS NOMINEES PTY LTD | 4,000,000 | 1.44 |
| MR LEO RADOM & MRS FAYE RADOM | 4,000,000 | 1.44 |
| MR DOUGAL MALCOLM HENDERSON | 4,000,000 | 1.44 |
| JEUNG SUPER PTY LTD | 4,000,000 | 1.44 |
| ROBERT D MILLNER | 3,166,667 | 1.14 |
| GEOFF BROWN | 3,000,000 | 1.08 |
| TOWER 25 PTY LTD | 3,000,000 | 1.08 |
| MR HARLEY DALTON & MRS PRUDENCE DALTON | 2,000,000 | 0.72 |
| MR ANDREW JAMIESON GREVILLE & MRS LOUISE MARIE GREVILLE | 2,000,000 | 0.72 |
| | <u>202,138,618</u> | <u>72.64</u> |

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Propell Holdings Limited
Shareholder information
30 June 2024



Unquoted equity securities

Substantial holders

Substantial holders in the Company are set out below:

| | Ordinary shares | |
|----------------------------|-----------------|--------------------------|
| | Number held | % of total shares issued |
| TOMANOVIC MULTIOWN PTY LTD | 55,000,000 | 19.76 |
| ADMAN LANES PTY LTD | 41,250,000 | 14.82 |

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

There are no securities subject to voluntary escrow.

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