

propell*

Prospectus

Propell Holdings Limited

ACN 614 837 099

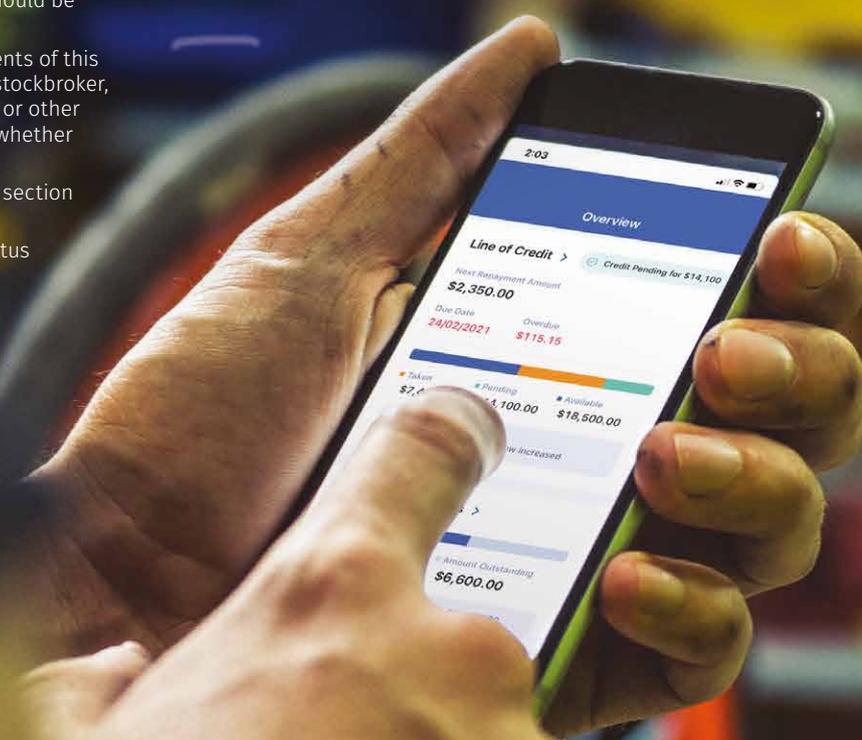
Prospectus for the offer of 25,000,000 Shares at an Offer Price of A\$0.20 per Share to raise A\$5,000,000

This Prospectus is important and it should be read in its entirety.

If you are in any doubt as to the contents of this Prospectus, you should consult your stockbroker, legal adviser, accountant, tax adviser, or other professional adviser before deciding whether to invest in Shares under the Offer.

This Prospectus is issued pursuant to section 710 of the *Corporations Act 2001* (Cth).

The securities offered by this Prospectus are considered to be speculative.



Lead Manager



Important Notices

The Offer

The offer (the **Offer**) contained in this prospectus (this **Prospectus**) is an offer to acquire 25,000,000 ordinary shares (**Shares**) in Propell Holdings Limited (ACN 614 837 099) (**Propell**, the **Company**, **we** or **us**) at an Offer Price of A\$0.20 per Share to raise A\$5 million. This Prospectus is issued by the Company for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**).

Lodgement and listing

This Prospectus is dated 26 February 2021 (**Prospectus Date**) and a copy of this Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The Company will apply to ASX Limited (**ASX**) for admission of the Company to the official list of the Australian Securities Exchange (the **Official List**) within seven days after the Prospectus Date. The fact that the ASX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Shares, the Offer or the Company.

ASIC, the ASX and their officers take no responsibility for the contents of this Prospectus or the merit of the investment to which this Prospectus relates.

Expiry Date

No Shares will be allotted or issued on the basis of this Prospectus after 13 months from the Prospectus.

Notice to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

This Prospectus is important and you should read it in its entirety, along with each of the documents incorporated by reference, prior to deciding whether to invest in the Company's Shares. There are risks associated with an investment in the Shares, and you must regard the Shares offered under this Prospectus as a speculative investment. Some of the risks that you should consider are set out in Section 10 (**Risk Factors**). You should carefully consider these risks in light of your personal circumstances including financial and taxation issues. There may also be additional risks that you should consider in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how to analyse or interpret it, you should seek professional guidance from your stockbroker, legal adviser, accountant, tax adviser, or other professional adviser

before deciding whether to invest in the Shares or participate in the Offer.

No person named in this Prospectus guarantees the Company's performance or any return on investment or any return of capital made pursuant to this Prospectus.

No offer where Offer would be illegal

This Prospectus does not constitute a public offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

There may be legal restrictions related to the distribution of this Prospectus (including in electronic form) outside Australia and therefore any person who resides outside Australia and who receives this Prospectus outside Australia should seek advice on, and observe, any such restrictions. Any person who has a registered address in any country outside of Australia and who receives this Prospectus may only apply for Shares if that person is able to reasonably demonstrate to the satisfaction of the Company that they may participate in the Offer relying on a relevant exception from, or are not otherwise subject to, the lodgement, filing, registration or other requirements of any applicable securities laws in the jurisdiction in which they have such registered address.

The Company will not offer to sell, nor solicit an offer to purchase, any securities in any jurisdiction where such offer, sale or solicitation may be unlawful. Any failure to comply with these restrictions may constitute violation of applicable securities laws.

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Notice to United States residents

The Shares being offered pursuant to this Prospectus have not been registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States (**US**) absent registration or an applicable exemption from registration under the US Securities Act and applicable US state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful.

Financial information and amounts

All financial amounts contained in this Prospectus are expressed in Australian Dollars (**Australian Dollars** or **A\$**), unless otherwise stated. Any discrepancies between totals and sums of components in figures and tables contained in this Prospectus are due to rounding.

Section 11 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 17.

Incorporation by reference

The Company's Corporate Governance Charter and associated policies is not contained in this Prospectus, but has been lodged with ASIC and is taken by law to be included in this Prospectus (refer to Section 14). If you are unsure whether you require the information contained in the Corporate Governance Charter and policies to decide whether or not to invest in the Company, it is recommended that you obtain a copy of the Corporate Governance Charter and policies. Copies of the Corporate Governance Charter and policies can be obtained during the application period free of charge by contacting the Company by email at investors@propellholdings.com or by downloading the Corporate Governance Charter and policies from the Propell Website at www.propellholdings.com.

Disclaimer

No person should rely on any information that is not contained in this Prospectus for making a decision as to whether to acquire Shares under the Offer. No person is authorised by the Company or the Lead Manager to give any information or make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation that is not contained in this Prospectus may not be relied on as having been authorised by the Company, its Directors or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the Prospectus Date.

This Prospectus may contain forward-looking statements concerning the Company's business, operations, financial performance and condition, as well as the Company's plans, objectives and expectations for its business, operations and financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions

that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates and projections about the Company's business and the industry in which the Company operates and Management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences between forward-looking statements and actual performance include, but are not limited to, the risks described in Section 10 (Risk Factors) of this Prospectus.

You are urged to consider the risk factors carefully for evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. The forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the information and risks the Company describes in the reports to be filed from time to time with the ASX after the Prospectus Date.

This Prospectus contains industry data and forecasts that were obtained from industry publications, third-party market research and publicly available information. These publications generally state or imply that the information contained in them has been obtained from sources believed to be reliable, but the Company has not independently verified the accuracy or completeness of such information. In addition, where a source has been identified in this Prospectus as the source for providing specific information included in the Prospectus, the author of that information has not given their consent to this information being included in the Prospectus and has not authorised or caused the issue of the Prospectus.

This Prospectus also includes trademarks, trade names and service marks that are the property of other organisations.

Exposure Period

The Corporations Act prohibits the Company from processing applications to subscribe for Shares under the Offer (**Application**) during the seven day period after the date of lodgement of this Prospectus (the **Exposure Period**).

This period may be extended by ASIC for a further seven days. This period is

an Exposure Period to enable market participants to examine this Prospectus prior to the raising of funds under the Offer. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

Electronic Prospectus

This Prospectus, with an accompanying Application Form, may be viewed online at the Propell Website, www.propellholdings.com. The Offers constituted by this Prospectus in electronic form are only available to Australian residents accessing an electronic version of this Prospectus in Australia. It is not available to persons in other jurisdictions. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. Until the Closing Date, a paper copy of this Prospectus (including an Application Form) will be provided free of charge upon request by contacting the Share Registry on +61 1800 990 475 or by emailing the Company at investors@propellholdings.com.au.

Privacy

By completing an Application Form, you consent to the collection, use and disclosure of your personal information as summarised below.

Collection of your personal information – We collect personal information about you so that we can administer our dealings with you, provide you with Company information, products and services, service your needs as a Shareholder (if you become one), carry out appropriate administration of your Application and deal with any requests that you may have. If we do not collect your personal information, we may be unable to deal with your request or provide you with services and benefits, and we may not be able to process your Application.

Disclosure of your personal information – We may disclose your personal information to third parties, such as our Share Registry, the Lead Manager, auditors, Management, legal and other professional advisors, service providers, suppliers, insurers, IT providers who run our IT services, payment processors who process payments, marketing providers who provide marketing and public relations services, and if we are required to by law.

Our privacy policy – Our privacy policy (the **Privacy Policy**), which may be found on the Propell Website, sets out our approach to the management of personal information. Subject to the *Privacy Act 1998* (Cth), you can have access to and seek correction of your personal and sensitive information.

The Privacy Policy contains information about how you can do this. The Privacy Policy also contains information about how you can make a complaint about a breach of privacy.

Propell Website

Any documents included on the Propell Website (and any reference to them) are provided for convenience only and none of the documents or other information on the Propell Website are incorporated by reference into this Prospectus. Any references to documents included on the Propell Website are provided for convenience only, and none of the documents or other information on the website is incorporated in this Prospectus by reference unless specified in this Prospectus.

Definitions and abbreviations

Defined terms and abbreviations used in this Prospectus and not otherwise defined herein are defined and explained in the Glossary in Section 18 (Glossary).

References to time

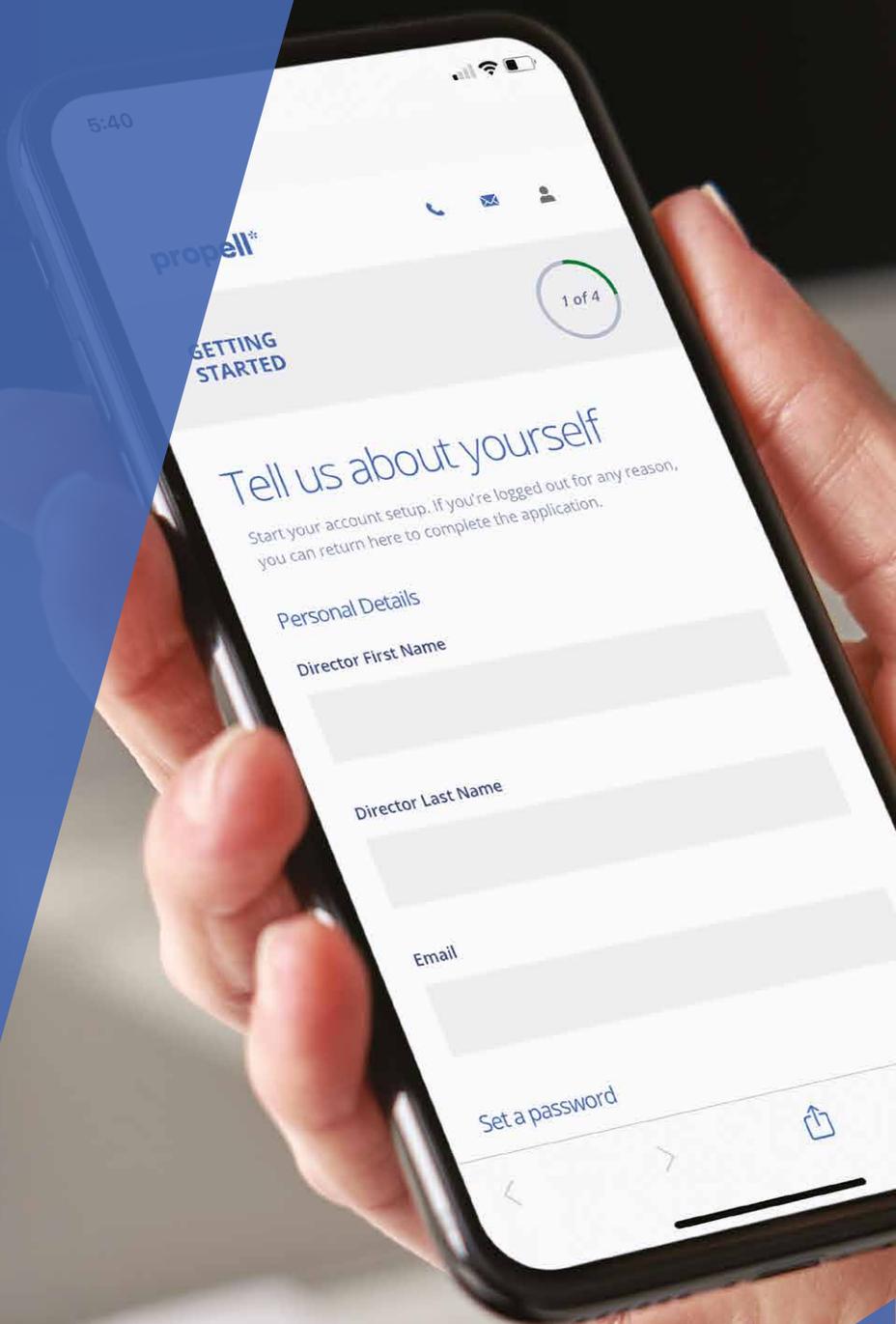
All references to time in this Prospectus refer to the time in Brisbane, Australia (AEST), unless stated otherwise.

Photographs and diagrams

Photographs used in this Prospectus that do not have any description are for illustration or design purposes only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the Company owns the assets shown. Similarly, any assets depicted in the photographs such as equipment, buildings or other property are not necessarily assets that are owned or used by the Company and have been included for presentation and illustrative purposes unless stated otherwise. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 26 February 2021.

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Key Offer Information

Key Offer dates

| | |
|--|---------------------------------|
| Lodgement of Prospectus with ASIC | Friday, 26 February 2021 |
| Opening Date of Offer | Thursday, 11 March 2021 |
| Closing Date of Offer | Friday, 26 March 2021 |
| Settlement Date of Offer | Friday, 26 March 2021 |
| Allotment Date of Shares | Wednesday, 31 March 2021 |
| Expected date for dispatch of holding statements | Friday, 2 April 2021 |
| Expected commencement of trading on ASX | Friday, 9 April 2021 |

Note: This timetable is indicative only. The Company, in consultation with the Lead Manager, reserves the right to vary any and all of the above dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before completion of the Offer, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before completion of the Offer, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

Key Offer Statistics

| | |
|--|------------------------|
| Offer Price per Share | A\$0.20 |
| Shares available under the Offer | 25,000,000 |
| Shares on issue prior to the Offer | 70,790,160 |
| Total number of Shares on issue following the Offer (on an undiluted basis) | 95,790,160 |
| Indicative Market Capitalisation of the Company at the Offer Price (on an undiluted basis) | A\$19.2 million |
| Indicative Enterprise Valuation of the Company at the Offer Price (on an undiluted basis) ¹ | A\$13.2 million |
| Options ² on issue at completion of the Offer | 25,596,725 |
| Gross proceeds from the Offer (before costs) | A\$5 million |

1. Includes Cash and Debt as at 31 Dec 2020.

2. For full terms and conditions of the Options see Section 15.4 of this Prospectus.

Key offer information

Pursuant to the Offer, Propell will raise A\$5 million. The funds received under the Offer will be used as follows:

Proposed Use of Funds

| Sources of funds | | |
|---|-----------------------|-------------|
| Existing cash ¹ | A\$1.0 million | 17% |
| Proceeds of the Offer | A\$5.0 million | 73% |
| Total sources of funds | A\$6.0 million | 100% |
| Use of funds | | |
| Development ² | A\$0.6 million | 10% |
| Marketing and customer acquisition ³ | A\$2.0 million | 33% |
| Working Capital ⁴ | A\$2.7 million | 45% |
| Costs of the Offer | A\$0.7 million | 12% |
| Total uses of funds | A\$6.0 million | 100% |

Notes:

1. Pro-forma existing cash as at 31 December 2020.
2. Includes costs related to Propell Platform development including product development, product and development team wages, consulting and vendor fees. Refer to Section 5.5 for further details.
3. Includes costs related to marketing (forecast 18% of use of funds) (including creative, paid media, digital marketing, paid search and retargeting and referral relationships), Customer acquisition (forecasting 80% of use of funds) and other (forecasting 2% of use of funds). Refer to Section 9.4 for further details.
4. Includes costs related to Processor partnerships, customer support team, funding costs related to the loan book, costs related to payroll excluding marketing, product, development and customer support staff.

The above table is a statement of current intentions as at the Prospectus Date. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of sales success, operational and development activities, regulatory developments, and market and general economic conditions. In light of this, the Board reserves its right to alter the way the funds are applied.

How to Invest: an application for Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 3.7 and on the Application Form.

1. Letter from the Chairman



26 February 2021

Dear Investors,

On behalf of the Company's Directors, it is my pleasure to invite you to become a shareholder of Propell.

Propell is a digital only, tailored finance Platform for the small to medium business segment. Propell's vision is to revolutionise how small to medium businesses manage and optimise cashflow by simplifying the entire transactional and lending process.

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

Propell has built a digital, cloud based, open API and data driven finance solution. The Platform has been entirely built, and is maintained, in-house, which provides full end-to-end capability across customer acquisition, origination, onboarding, servicing, support, offboarding and internal systems. The Platform offers tailored finance products to help small to medium businesses manage and optimise their cashflow. The Platform allows us to easily launch our own proprietary financial products or products of 3rd party providers.

Propell is live in the Australian market and currently offers two core proprietary products to Customers:

- (a) Lending Product – provides business owners with funding to grow their business which is facilitated through Propell's proprietary credit technology which enables an immediate loan decision for unsecured lines of credit.
- (b) Transactional Product – allows businesses to accept a variety of emerging payment methods as more traditional card-based payments are accepted online and instore.

Propell currently generates revenue through two main categories; net interest margin (received through the Lending Product) and transaction fees (received through the Transactional Product). Propell will look to diversify its product range and its revenue stream to underpin continued growth.

Propell is seeking to raise A\$5 million through the offer of 25,000,000 Shares at an Offer Price of A\$0.20 per Share. The Offer and proposed ASX Listing is an important step for Propell in allowing the company to fund the continued development of the Platform, new products and services, customer acquisition and marketing, general expenses and costs of the Offer.

The Offer will also provide a liquid market for Propell's Shares, provide access to capital markets, broaden the Company's shareholder base and provide Propell with the benefits of an increased profile as a listed entity.

The Offer will close at 5:00pm AEST on Friday, 26 March 2021, unless varied by the Company.

It is anticipated that the Company will be listed on ASX on or about Friday, 9 April 2021.

This Prospectus contains detailed information about the Offer and the financial position and performance, operations, management team and future plans of Propell.

There are a number of risks associated with an investment in the Company both specific to Propell and to its industry generally, Section 10 includes a description of the key risks associated with an investment in Propell and you should review this section in detail before deciding whether to invest.

I encourage you to read this Prospectus carefully and in its entirety before making your investment decision and, if required, consult with your stockbroker, solicitor, accountant or other independent professional adviser.

On behalf of the Directors, I invite you to consider this opportunity to invest in the Company and look forward to welcoming you as a shareholder.

Yours Sincerely,

Benjamin Harrison
Executive Chairman
Propell Holdings Limited



2. *Investment Overview*

2. Investment Overview

| Topic | Summary | For more information |
|---|--|----------------------|
| 2.1 Background | | |
| What is Propell? | <p>Propell Holdings Limited is an Australian incorporated, digital only, customer centric FinTech focused on payments and lending for the small to medium enterprise segment.</p> <p>Propell provides its Customers with an intelligent, digital financial Platform with multiple financial products to help them manage and optimise their cashflow.</p> <p>Current financial products include a lending product which provides business owners with funding all facilitated through Propell's proprietary credit technology and a Transactional Product to enable businesses to accept a variety of emerging payment methods online and instore.</p> <p>The Platform also provides users with real time actionable insights to manage and optimise their cashflow. Propell's purpose is to help SMEs manage and optimise their business with simple financial solutions.</p> | Section 5.1 |
| What industry does Propell operate in? | <p>The Company currently operates in the alternative finance and payments markets, as a digital alternative to traditional banking Platforms.</p> | Section 4 |
| Who is the Company's Target market? | <p>While the Company's products and services can be used by and meet the needs of the entire small to medium business segment, Propell specifically targets its financial products and services to small to medium businesses with revenue between A\$50,000 and A\$2 million (SME) as Propell considers the businesses in this sub-segment as currently not being as well serviced by traditional financial service providers.</p> <p>Refer to Section 4.5 for a discussion on Propell's competitors.</p> | Section 4.1 |
| Why is the offer being conducted? | <p>The Offer is being conducted by the Company to:</p> <ul style="list-style-type: none"> • provide Propell with the funds for the continual development of the Platform, new products and services, and growth opportunities; • fund the expansion of the Company's lending services; • fund marketing and customer acquisition activities to increase Propell's profile and acquire new Customers; • fund the operating costs of the Company; • provide a liquid market for the Company's Shares; • fund the costs of the Offer; • provide Propell with the benefits of an increased brand profile that arises from being a listed company; and • provide Propell with additional financial flexibility and access to capital markets, to assist in pursuing its growth strategy. | Section 3.1 |

2. Investment Overview

| Topic | Summary | For more information |
|---|--|---------------------------|
| <h3>2.2 Key Features of Propell's Business Model</h3> | | |
| <p>What is the Company's vision and strategy?</p> | <p>Propell's vision is to become the leading digital only finance Platform for SMEs.</p> <p>Through its Platform, Propell gives SMEs the products, support and insights to help manage and optimise their financial future.</p> | <p>Section 5.2</p> |
| <p>What is the nature of the Company's business?</p> | <p>Propell is a technology lead financial services company or "FinTech". Traditionally SMEs have to manage and deal with multiple different providers to access the same types of services as larger companies. Propell has developed a product to address these inefficiencies through an intelligent digital Platform solution that brings together a range of financial services and products including lending, transactional payments and real time business insights in one Platform.</p> <p>The Company has built a digital, cloud based, open API and data driven proprietary Platform. The Propell Platform can be easily accessed via smart device or online. Propell's Platform has been entirely built and is maintained in-house which provides full end-to-end capability across customer acquisition, origination, onboarding, servicing, support, offboarding and internal systems. The Propell Platform aims to be the overarching solution to the inefficiencies faced by SMEs that encompasses Propell's technology and processes. Customers are originated through a single digital application process which connects to various sources of customer data, to ensure a comprehensive and paperless process. Once a Customer is originated to the Propell Platform, the Customer has access to Propell's products and services. Importantly, there is no need to go to a bank branch to print out a form or interact with a human to access the Company's products and services.</p> <p>The Propell Platform delivers Propell's products and services which currently include a proprietary Lending Product and Transactional Product. However, Propell has the ability to integrate with third party providers to offer further products on the Platform which are not proprietary. The Lending Product provides Customers with an unsecured Line of Credit facility up to A\$100,000 with a six-month term to Customers which is facilitated through the product's Credit Decision Engine. SMEs have been traditionally underserved by banks and have found it increasingly difficult to gain access to capital.</p> <p>The Transactional Product is a simple and straightforward payments solution. The point of difference is that the Propell product can accept various non-traditional payment methods as well as valuable data which is collected from transactions and is then fed real time to an analytics dashboard which Propell's Customers can then view.</p> | <p>Section 5</p> |

| Topic | Summary | For more information |
|---|--|----------------------------|
| <p>How does the Company generate revenue and what are its key expenses?</p> | <p>In the short term, and to date, Propell has been focused on developing and building the Propell Platform and laying the foundations for the Company's growth. Limited marketing has been undertaken while the Propell Platform has been developed. Accordingly, the proceeds from the Offer will initially be used to scale the Platform.</p> <p>During the last two financial years (FY19 and FY20) the Company has generated approximately A\$0.75 million in revenue through transactional fees and interest income.</p> <p>Going forward, the Company anticipates generating revenue from a scalable model that sources revenue from two main categories:</p> <ul style="list-style-type: none"> • fees on funds drawn against Customers' lines of credit through the Lending Product; and • transaction fees when Customers accept transactions through the Transactional Product. <p>Propell is confident that these revenue streams will grow and diversify as new product initiatives are rolled out.</p> <p>Propell's key expenses include payment processing fees, marketing expenses, provisioning for expected credit losses, cost of funding the loan book, customer support, staff expenses and costs relating to technology development.</p> | <p>Section 11.4</p> |
| <p>What is the Company's growth strategy?</p> | <p>The Company is currently pursuing the following growth strategies:</p> <ul style="list-style-type: none"> • engaging in targeted marketing activities with the aim of growing its Customer base, lending book and transaction volumes; • undertaking additional technology development to increase the types and duration of new lending products; • undertaking additional technology development to increase the number of payment providers on the Transactional Product to allow SMEs to accept further payment types; • enhanced development of the finance insight tools to provide SMEs the ability to generate automated suggested actions to assist the Customer in managing and optimising their cashflow of their business; and • growth in international expansion through potential strategic partnerships. | <p>Section 5.5</p> |

2. Investment Overview

| Topic | Summary | For more information | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|----------------------|--------------------|---------------|---------------|---------------|---------|---------|---------|-----------------|-------------|-------------|-------------|---------------|--------------------|--------------------|--------------------|---------------------------------------|-----------|-------------|-------------|-------------|--------------------|--------------------|--------------------|---------------------|----------|-----------|-----------|------------------------------|-------------|-------------|-------------|-------------------------------------|--------------------|--------------------|--------------------|------------|
| What is the Company's historical financial performance and position? | <p>The table below sets out Propell's Pro Forma Historical consolidated statements of Profit or Loss and Other Comprehensive Income. It is intended as a summary only and should be read in conjunction with the discussion of pro forma historical financial performance from FY2018 to FY2020 as set out in section 11.</p> <table border="1"> <thead> <tr> <th>\$</th> <th>FY2018 A\$</th> <th>FY2019 A\$</th> <th>FY2020 A\$</th> </tr> </thead> <tbody> <tr> <td>Total Revenue</td> <td>371,398</td> <td>782,224</td> <td>592,954</td> </tr> <tr> <td>Operating Costs</td> <td>(1,938,305)</td> <td>(2,897,972)</td> <td>(2,133,102)</td> </tr> <tr> <td>EBITDA</td> <td>(1,566,907)</td> <td>(2,115,748)</td> <td>(1,540,148)</td> </tr> <tr> <td>Depreciation and Amortisation Expense</td> <td>(837,823)</td> <td>(1,019,354)</td> <td>(1,015,071)</td> </tr> <tr> <td>EBIT</td> <td>(2,404,730)</td> <td>(3,135,102)</td> <td>(2,555,219)</td> </tr> <tr> <td>Finance costs (net)</td> <td>(51,712)</td> <td>(131,475)</td> <td>(160,576)</td> </tr> <tr> <td>Net profit/(loss) before tax</td> <td>(2,456,442)</td> <td>(3,266,577)</td> <td>(2,715,795)</td> </tr> <tr> <td>Profit/(Loss) for the period</td> <td>(2,456,442)</td> <td>(3,266,577)</td> <td>(2,715,795)</td> </tr> </tbody> </table> | \$ | FY2018 A\$ | FY2019 A\$ | FY2020 A\$ | Total Revenue | 371,398 | 782,224 | 592,954 | Operating Costs | (1,938,305) | (2,897,972) | (2,133,102) | EBITDA | (1,566,907) | (2,115,748) | (1,540,148) | Depreciation and Amortisation Expense | (837,823) | (1,019,354) | (1,015,071) | EBIT | (2,404,730) | (3,135,102) | (2,555,219) | Finance costs (net) | (51,712) | (131,475) | (160,576) | Net profit/(loss) before tax | (2,456,442) | (3,266,577) | (2,715,795) | Profit/(Loss) for the period | (2,456,442) | (3,266,577) | (2,715,795) | Section 11 |
| \$ | FY2018 A\$ | FY2019 A\$ | FY2020 A\$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Revenue | 371,398 | 782,224 | 592,954 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating Costs | (1,938,305) | (2,897,972) | (2,133,102) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBITDA | (1,566,907) | (2,115,748) | (1,540,148) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Depreciation and Amortisation Expense | (837,823) | (1,019,354) | (1,015,071) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBIT | (2,404,730) | (3,135,102) | (2,555,219) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Finance costs (net) | (51,712) | (131,475) | (160,576) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net profit/(loss) before tax | (2,456,442) | (3,266,577) | (2,715,795) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Profit/(Loss) for the period | (2,456,442) | (3,266,577) | (2,715,795) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Who are the Company's competitors? | <p>Propell operates as a FinTech company with a focus on servicing SME customers through its Lending Product and Transactional Product. Accordingly, the Company competes with providers such as:</p> <ul style="list-style-type: none"> • Traditional banks who offer a variety of financial services across a range of client segments including SMEs. • Neobanks who are new entrants into the sector with a focus on providing banking solutions exclusively through digital channels. • Non-Bank lenders who offer a range of lending products and often specialise in the SME segment and offer a technology-led decisioning tool when assessing loan applications. • Payments businesses whereby there are a number of different solutions across the payments value chain including payment acceptance, processing and billing. | Section 4.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Topic | Summary | For more information |
|--|--|--|
| What is the Company's competitive position? | <p>Propell's strong competitive position is due to the Company's:</p> <ul style="list-style-type: none"> • Digital and relatively quick onboarding process onto its Platform; • Customer-centric focus, allowing for exceptional user experience; • Range of different products and services based specifically on the requirements of Customers; • Lending Product, which offers almost immediate loan decision on unsecured Lines of Credit; • Transactional Product, allowing businesses to meet their customer's demands by accepting various alternative payments; • Real time transaction data relayed into an analytics dashboard, allowing business owners to better understand their business; and • Unique ability to combine the benefits of both a Lending Product and Transactional Product to offer to its Customers in one Platform. | Section 4.5 |
| How does the Company expect to fund its operations? | <p>The Board considers that the net Proceeds of the Offer, together with current cash reserves and the Funding Arrangements with its Lender, will be sufficient to fund the Company's operational requirements, and also achieve its short-term growth strategy and business objectives.</p> <p>The Board will consider the use of further funding initiatives where appropriate to further accelerate growth or fund a specific project, transaction or expansion.</p> | Key Offer Information and Section 3.2 |
| What are the material contracts that will affect the Company's operations? | <p>The key contracts entered into by Propell and the Group which are material to the Propell Group's operations include:</p> <ul style="list-style-type: none"> • Lead Manager Mandate with PAC Partners Securities Pty Ltd; • Partner Agreement with IntegraPay; • Master Services Agreement with Suncorp Corporate Services Pty Ltd; • Loan Agreement, Origination Agreement and General Security Deed with the Lender; • Customer Finance Agreements; • Salesforce Master Services Agreement with Salesforce; and • Various Employment/Consultancy Agreements with staff and consultants; | Section 16 |

2. Investment Overview

| Topic | Summary | For more information |
|-------|---------|----------------------|
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2.3 Strengths

What are Propell's Strengths?

Large Addressable and Underserviced Market

Small and medium businesses accounted for over 2 million businesses in the Australian economy and contribute approximately 60% of Australia's GDP. The Australian small and medium businesses market continues to grow year on year and there is limited support from traditional providers such as banks. This provides a significant opportunity for Propell to target SMEs with their unique Platform.

Section 5

Experienced Management and Board

The Company has an experienced executive team that boasts extensive experience in corporate strategy, capital markets, payments and lending. The Board considers the management team as having an excellent combination of skills to assist the business in achieving its growth objectives. See Section 13 for further details.

Modern and Modular Technology

The Platform is built on modern "state-of-the-art" programming as opposed to legacy technology systems. It does not use inflexible code base which can limit development of the Platform. The Platform also uses microservices architecture which allows flexible delivery based on different products, customers, industry and regional requirements.

Data Driven Origination and Risk Assessment with Proven Results

Propell uses a data driven approach to originating and assessing the credit risk of Customers. Since early 2018 the Lending Product has approved loans in excess of A\$16 million in loans to Customers as at 31 December 2020. The actual loss rate over the total loan book is approximately 4.1% which includes the impact of COVID-19. Please see Section 7.7 for further details.

Please see Strengths in Section 5.4 for further details.

| Topic | Summary | For more information |
|-------|---------|----------------------|
|-------|---------|----------------------|

2.4 Summary of Key Investment Risks

What are the key risks for the Company?

There are a number of risks associated with an investment in the Company, the industry in which it operates and an investment in Shares more generally that may affect the Company's financial performance, financial position, cash flows, distributions, growth prospects and Share price.

Section 10

This section setting out some of the risks is a summary only. Further details about the key risks listed below and other risks associated with an investment in Propell are set out in Section 10.

Potential investors should consider an investment in the Company as speculative and should consult their professional advisors before deciding whether to apply for Shares under the Offer.

Customers Failing to Repay their Financial Obligations to the Company

The Lending Product derives its revenue and cash flows from receiving the interest and any other fees owing under the Customer Finance Agreement with the Propell Customer. If Propell Customers do not fulfil their financial obligations, the Company may experience a decrease in revenue, increase expenses (impairment and funding costs), and/or resulting in a decrease in operating cash flows received. Please see Section 7.7 for further details.

The effect of Customers failing to repay their financial obligations to the Company could have potential flow on effects regarding the Company's ability to repay the Lender. This risk is discussed further below.

Default or breaches under the Company's Funding Arrangements leading to loss of current available funding

The Company has current Funding Arrangements with the Lender, which requires Propell to comply with certain obligations and restrictions under those funding arrangements. If Propell does not comply with its obligations (whether as a result of its own actions or arising from factors outside of Propell's control), Propell may:

- (1) be unable to draw on the Loan Agreement to originate new loans or extend existing loans; and
- (2) be in default under the terms of the Funding Arrangements and be required by Altor to repay any outstanding amounts immediately.

This would have a material impact to Propell's revenue, overall financial position, impact growth and the value of the Shares and potentially Propell's ability to operate. In particular, the Company's ability to offer the Lending Product would be adversely affected.

The Company is actively pursuing potential back-up or replacement funding arrangements should additional or alternate funding be required to operate the business.

2. Investment Overview

| Topic | Summary | For more information |
|--|--|----------------------|
| What are the key risks for the Company? continued | <p data-bbox="387 477 1209 510">Inability to Access Alternative Debt Funding on Favourable Terms</p> <p data-bbox="387 517 1209 887">The loss or material limitation to one or more of Propell's funding sources (including the Funding Arrangements with The Lender) may limit Propell's ability to write new loans and continue to fund current loans under the Lending Product. If Propell fails to maintain its current Funding Arrangements, the Company would be required to seek out alternative debt funding in order to continue to offer the Lending Product to current Customers. Further, in order to expand the Company's Loan Book to new Propell Customers, it will require additional loan funds either from The Lender under the Funding Arrangements or from a third party. There is no guarantee that Propell will be able to access alternative funding and accordingly there is a risk that this may have a material impact on Propell's ability to offer the Lending Product.</p> <p data-bbox="387 898 1209 1115">Additionally, if Propell receives alternative funding, there is no guarantee that such funding arrangements will be on the same or similar terms to the current Funding Arrangement with The Lender. In circumstances where Propell is required to enter into alternative funding arrangements which are not considered to be on favourable terms to the Company, Propell's profitability and its ability to provide loans (and therefore generate revenue) in the future may be adversely affected.</p> <p data-bbox="387 1126 1209 1283">In addition, the potential increase in costs of funding and loss of revenue may also mean that Propell's capital requirement may need to increase to fund loans. If Propell is unable to fund loans, existing Customers and new Customers may move to a competitor which may adversely affect the financial performance of the Company.</p> <p data-bbox="387 1317 1209 1350">Defects with the Propell Platform and Credit Assessment Tool</p> <p data-bbox="387 1357 1209 1574">As the Company's Platform is complex, they may have errors or defects that users identify and experience, which could harm the Company's reputation and business. Web and App-based products frequently contain undetected errors when first introduced or when new versions or enhancements are released. This may affect the retention of Customers and attraction of new Customers and impact the financial performance of the Company.</p> <p data-bbox="387 1608 1209 1641">Future Capital Risk</p> <p data-bbox="387 1648 1209 1968">As a fast growing business, Propell is likely to require additional debt and equity capital in the future to pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances. Propell's growth initiatives include growth of the Loan Book, technology investment, new product offerings, and further funding for the Company's expansion. Whilst some of the proceeds raised from the Offer will be utilised for this, further funding is expected to be required in the medium term. A failure to raise incremental debt and/or equity capital in the medium term could have a material adverse effect on Propell's business, financial condition, operating and financial performance, and/or growth.</p> | Section 10 |

| Topic | Summary | For more information |
|--|---|--------------------------|
| <p>What are the key risks for the Company? continued</p> | <p>Credit Assessment Risks</p> <p>There is a risk that Propell’s credit systems and process will not produce an accurate evaluation of a customer’s credit risk.</p> <p>This may be 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. If the above risks eventuate, this may impact the Propell Customer’s ability to comply with their financial obligations which could in turn impact Propell’s obligations to its financier. This could have a material effect on Propell’s financial performance and ultimately the value of Shares.</p> <p>Regulatory Compliance and Changes to the Regulatory Environment</p> <p>Propell is subject to a range of laws, regulations and industry compliance requirements in the jurisdictions in which it currently operates. A summary of current regulatory developments in the financial service industry is set out in section 4.6. Failure to comply with laws, regulations and industry compliance requirements (including in other jurisdictions in which Propell may operate in the future), or appropriately respond to any changes, could adversely impact Propell’s reputation and financial performance.</p> <p>Development of New Products and Services</p> <p>When developing a new product or service, the Company may encounter delays in development, an inability to create a cost-effective commercial product or a lack of support by new or existing customers for the product or service. There is no guarantee that any newly developed product or service will be successful or profitable in either of the Company’s business lines.</p> <p>Furthermore, research and development is often uncertain and there is a risk that investment in a new development may yield unexpected results, no results or negative results. There is a risk that investment in research and development may not generate an above-cost return.</p> <p>Competitive Market with a Range of Alternative Products</p> <p>The lending sector is a very competitive market as there are a variety of alternative lending solutions. In addition to other online balance sheet and marketplace lenders, the Company also competes with bank loans, debtor financing, equipment financing, credit cards and invoice financing.</p> <p>There is the possibility that 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. The Company’s direct competitors include other FinTech or online lending businesses who may look to take market share from the Company through aggressive marketing.</p> | <p>Section 10</p> |

2. Investment Overview

| Topic | Summary | For more information |
|--|---|----------------------|
| What are the key risks for the Company? continued | <p data-bbox="387 477 1209 510">Reliance on Third Parties and Contractual Risk</p> <p data-bbox="387 517 1209 763">The operations of the Company are supported by various material contracts that are summarised in Section 16. The success of the Company's operations is heavily reliant upon the counterparties to its material contracts continuing to meet their obligations under those contracts. The failure of counterparties to perform their obligations as prescribed in the material contracts, or the termination of the material contracts, may have an adverse impact upon the financial performance of the Company.</p> <p data-bbox="387 779 1209 931">The Company relies on the payment processing capability of a number of third parties. These third parties provide clearing and settlement services. Failure of these third parties or termination of commercial agreements with these third parties may have an adverse impact on the ability of the Company's products to service customers and generate revenue.</p> <p data-bbox="387 969 1209 1003">Economic Factors and COVID-19</p> <p data-bbox="387 1010 1209 1223">Once Propell becomes a listed company, it will become subject to general market conditions and risks inherent to all entities whose securities are publicly listed on a securities exchange. General economic conditions (both domestically and internationally), long-term inflation rates, exchange rate movements, interest rate movements and movements in the general market for ASX and internationally listed securities may adversely affect the market price of the Company's Shares.</p> <p data-bbox="387 1238 1209 1451">The full impact of the COVID-19 pandemic is inherently uncertain and there is a risk that the economic and financial markets and business conditions could further weaken. This could result in borrower default on existing loans. There is a risk that worsening economic conditions driven by COVID-19 could impact on the demand for Propell's products. This could impact Propell's future financial performance and the price or value of the Shares.</p> <p data-bbox="387 1489 1209 1523">Security Breaches</p> <p data-bbox="387 1529 1209 1776">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 Propell Platform at risk. Any unidentified vulnerability could make any of the Company's Platforms unavailable for an unspecified period of time, which may significantly impact the operations of the company and affect its operating and financial performance. The Company may also incur scrutiny as well as financial and/or operating penalties from regulators.</p> <p data-bbox="387 1792 1209 2013">The Company has existing policies and procedures in respect of security procedures, automated and manual protections, encryption systems and staff screening to minimise the risk of a security breach. If the Company's efforts to combat any malicious attack are unsuccessful or if the Propell Platform has actual or perceived vulnerabilities, the Company's business reputation and brand name may be harmed, which may have a material adverse effect on the Company's operational and financial performance.</p> | Section 10 |

| Topic | Summary | For more information |
|--|--|--------------------------|
| <p>What are the key risks for the Company? continued</p> | <p>Protection of Intellectual Property</p> <p>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. In addition, there is a risk that the validity, ownership or authorised use of intellectual property relevant to Propell’s business may be challenged by third parties.</p> <p>Any such breaches or the introduction of competing technologies could take away from Propell’s competitive position, which could have a material adverse impact on Propell’s business and financial performance.</p> <p>Rate of Propell Customer Adoption, Ability to Scale and Key Personnel</p> <p>The ability of Propell to increase revenue and achieve profitability is dependent on its ability to scale its business in its key markets.</p> <p>The ability to scale Propell’s business is dependent on a number of factors, including its ability to onboard new SMEs, attract new customers and encourage repeat business and develop new technologies to enhance Customer experience. Failure to expand in this way may materially and adversely impact Propell’s ability to increase revenue, achieve economies of scale, optimize its systems and expand its operations, all of which may have a negative impact on Propell’s profitability.</p> <p>Propell relies heavily on its existing key management personnel and the departure of key management personnel could negatively affect Propell’s ability to effectively execute its growth strategy and affect future operating and financial performance. In addition, Propell is reliant upon growing its staff numbers in order to maintain and develop its product and services.</p> <p>Loss of Customers</p> <p>In addition, to attracting new customers through marketing and adoption strategies, the revenue of the Company is dependent upon Customers and their continued use of the Platform. Accordingly, the Company must ensure that they continue to use the Propell Platform for current and future product offerings by the Company. If the Company fails to retain its Customers, this is likely to affect the financial performance of the Company.</p> <p>Limited Trading History</p> <p>Although the Company believes that its proposed operations and business model will be successful on the basis of its success to date, the experience of its key personnel in the industry and the key areas of differentiation between Propell and its competitors, the Company is a start-up company with limited trading history and any number of factors could adversely affect the operations and business model of Propell.</p> | <p>Section 10</p> |

2. Investment Overview

| Topic | Summary | For more information |
|-------|---------|----------------------|
|-------|---------|----------------------|

2.5 Directors and Key Employees

| | | |
|--|--|------------|
| Who are the Directors of the Company? | <p>The Board of Directors comprises:</p> <ul style="list-style-type: none"> • Benjamin Harrison (Executive Chairman) • David Brennan (Executive Director) • Jeremy Loftus (Executive Director) | Section 13 |
| Who are the key members of Management? | <p>Management comprises:</p> <ul style="list-style-type: none"> • Benjamin Harrison (Executive Chairman) • Michael Davidson (Chief Executive Officer) • David Brennan (Executive Director) • Jeremy Loftus (Chief Financial Officer) • Shawn Loy (Chief Technology Officer) | Section 13 |

2.6 Key People, Interests and Benefits

| Who are the significant Existing Shareholders of the Company and what will their interests be after completion of the Offer? | <p>The current significant Shareholders of the Company and their interests on completion of the Offer (assuming that no Options are exercised and the Shareholders do not apply for Shares under the Offer) is set out below:</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>Number of Shares</th> <th>% holding before Offer</th> <th>% holding after Offer</th> </tr> </thead> <tbody> <tr> <td>Atlantic Capital Holdings Pty Ltd</td> <td>4,666,666</td> <td>6.6%</td> <td>4.9%</td> </tr> <tr> <td>Other existing shareholders</td> <td>66,123,492</td> <td>93.4%</td> <td>69.0%</td> </tr> <tr> <td>New shareholders</td> <td>25,000,000</td> <td>N/A</td> <td>26.1%</td> </tr> </tbody> </table> | Shareholder | Number of Shares | % holding before Offer | % holding after Offer | Atlantic Capital Holdings Pty Ltd | 4,666,666 | 6.6% | 4.9% | Other existing shareholders | 66,123,492 | 93.4% | 69.0% | New shareholders | 25,000,000 | N/A | 26.1% | Section 13 | | | | |
|--|---|------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------|------------------------|------------------------|-----------------------------|------------|---------------|-----------|----------------------|------------|------|---------------|------------|---|------|------|------------|
| Shareholder | Number of Shares | % holding before Offer | % holding after Offer | | | | | | | | | | | | | | | | | | | |
| Atlantic Capital Holdings Pty Ltd | 4,666,666 | 6.6% | 4.9% | | | | | | | | | | | | | | | | | | | |
| Other existing shareholders | 66,123,492 | 93.4% | 69.0% | | | | | | | | | | | | | | | | | | | |
| New shareholders | 25,000,000 | N/A | 26.1% | | | | | | | | | | | | | | | | | | | |
| What are the Director shareholdings? | <p>The Directors are expected to hold a direct or indirect interest in the following Securities on completion of the Offer (assuming that no Options are exercised and the Directors do not apply for Shares under the Offer).</p> <table border="1"> <thead> <tr> <th>Director</th> <th>Shares</th> <th>Options</th> <th>% holding before Offer³</th> <th>% holding after Offer³</th> </tr> </thead> <tbody> <tr> <td>Benjamin Harrison</td> <td>2,806,134¹</td> <td>1,661,227¹</td> <td>4.9%</td> <td>3.7%</td> </tr> <tr> <td>David Brennan</td> <td>1,403,568</td> <td>280,714²</td> <td>1.9%</td> <td>1.4%</td> </tr> <tr> <td>Jeremy Loftus</td> <td>200,000</td> <td>–</td> <td>0.2%</td> <td>0.2%</td> </tr> </tbody> </table> <p>1. Benjamin Harrison holds a beneficial interest in, and is the Chief Investment Officer of Altor Capital which manages, the ACM EGF Pty Ltd <Altor Growth Fund> (ACMEGF) which holds Options and Shares however Mr Harrison does not control the exercise of the rights to vote attached to any of those securities or dispose any of those securities held by ACMEGF. Mr Harrison will be issued 540,387 options after the Prospectus Date and before Completion of the Offer.</p> <p>2. Mr Brennan will be issued 280,714 options after the Prospectus Date and before Completion of the Offer.</p> <p>3. % Holding based on fully diluted basis.</p> | Director | Shares | Options | % holding before Offer ³ | % holding after Offer ³ | Benjamin Harrison | 2,806,134 ¹ | 1,661,227 ¹ | 4.9% | 3.7% | David Brennan | 1,403,568 | 280,714 ² | 1.9% | 1.4% | Jeremy Loftus | 200,000 | – | 0.2% | 0.2% | Section 13 |
| Director | Shares | Options | % holding before Offer ³ | % holding after Offer ³ | | | | | | | | | | | | | | | | | | |
| Benjamin Harrison | 2,806,134 ¹ | 1,661,227 ¹ | 4.9% | 3.7% | | | | | | | | | | | | | | | | | | |
| David Brennan | 1,403,568 | 280,714 ² | 1.9% | 1.4% | | | | | | | | | | | | | | | | | | |
| Jeremy Loftus | 200,000 | – | 0.2% | 0.2% | | | | | | | | | | | | | | | | | | |

| Topic | Summary | For more information | | | | | | | | | | | | | | | |
|---|--|--|--|--|---------------------------------------|---|------------------------------|------------------------------|---------------|--|--------------------------------------|---------------|--|------------------------------|-------------------|--------------|---------------------|
| What significant benefits are payable to the Directors? | The Company has paid or agreed to pay the following remuneration to its Board prior for the financial year ending 30 June 2021: | Section 13.4 and 13.6 | | | | | | | | | | | | | | | |
| | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e0e0e0;">Director</th> <th style="background-color: #e0e0e0;">Remuneration/Fees</th> <th style="background-color: #e0e0e0;">Other</th> </tr> </thead> <tbody> <tr> <td>Benjamin Harrison (Riverfire Capital Ventures Pty Ltd)</td> <td>A\$72,000/annum¹</td> <td>Nil</td> </tr> <tr> <td>David Brennan</td> <td>A\$180,000/annum (excluding superannuation)²</td> <td>Nil</td> </tr> <tr> <td>Jeremy Loftus</td> <td>A\$180,000/annum (excluding superannuation)³</td> <td>Nil</td> </tr> </tbody> </table> | | Director | Remuneration/Fees | Other | Benjamin Harrison (Riverfire Capital Ventures Pty Ltd) | A\$72,000/annum ¹ | Nil | David Brennan | A\$180,000/annum (excluding superannuation) ² | Nil | Jeremy Loftus | A\$180,000/annum (excluding superannuation) ³ | Nil | | | |
| | Director | | Remuneration/Fees | Other | | | | | | | | | | | | | |
| | Benjamin Harrison (Riverfire Capital Ventures Pty Ltd) | | A\$72,000/annum ¹ | Nil | | | | | | | | | | | | | |
| David Brennan | A\$180,000/annum (excluding superannuation) ² | Nil | | | | | | | | | | | | | | | |
| Jeremy Loftus | A\$180,000/annum (excluding superannuation) ³ | Nil | | | | | | | | | | | | | | | |
| 1. Based on Benjamin Harrison working 4 days per month at a day rate of A\$1,500. | | | | | | | | | | | | | | | | | |
| 2. Mr Brennan typically works only 1 day per week meaning his pro-rata annual remuneration would be A\$36,000 (excluding superannuation). | | | | | | | | | | | | | | | | | |
| 3. Based on the annualised rate of Jeremy Loftus working full-time. Jeremy Loftus has the flexibility to work less than this and therefore his remuneration is reduced on a pro-rata basis. | | | | | | | | | | | | | | | | | |
| What escrow arrangements will be in place as at completion of the Offer? | <p>Each Escrowed Shareholder has entered into a Voluntary Escrow Deed with the Company under which they will be prevented from dealing with tranches of their Escrowed Shares during the applicable Escrow Period.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e0e0e0;">Shareholder</th> <th style="background-color: #e0e0e0;">Escrowed Shares on completion of the Offer</th> <th style="background-color: #e0e0e0;">Escrowed Shares on completion of the Offer (%)</th> </tr> </thead> <tbody> <tr> <td>Directors and Management¹</td> <td>4,671,610</td> <td>4.9%</td> </tr> <tr> <td>Remaining Large Shareholders</td> <td>16,228,761</td> <td>16.9%</td> </tr> <tr> <td>Other Existing Escrowed Shareholders</td> <td>18,638,123</td> <td>19.6%</td> </tr> <tr> <td>Total Escrowed Shares</td> <td>39,538,494</td> <td>41.4%</td> </tr> </tbody> </table> <p>1. This includes Benjamin Harrison, David Brennan, Jeremy Loftus and Michael Davidson. Directors may also be subject to additional ASX escrow. Refer to Section 13.10 for Additional Information on Related Parties.</p> <p>Escrowed Shareholders are subject to the escrow restrictions set out in the Voluntary Escrow Deeds commencing on the date of Listing and expiring on the relevant Escrow Release Date, being:</p> <ul style="list-style-type: none"> • in respect of the Tranche 1 Restricted Shares (being 50% of the Escrowed Shares at the date of the relevant Voluntary Escrow Deed), the date which is 6 months after the date of Listing; and • in respect of the Tranche 2 Restricted Shares (being the remaining 50% of the Escrowed Shares at the date of the relevant Voluntary Escrow Deed), the date which is 12 months after the date of Listing. | Shareholder | Escrowed Shares on completion of the Offer | Escrowed Shares on completion of the Offer (%) | Directors and Management ¹ | 4,671,610 | 4.9% | Remaining Large Shareholders | 16,228,761 | 16.9% | Other Existing Escrowed Shareholders | 18,638,123 | 19.6% | Total Escrowed Shares | 39,538,494 | 41.4% | Section 15.3 |
| Shareholder | Escrowed Shares on completion of the Offer | Escrowed Shares on completion of the Offer (%) | | | | | | | | | | | | | | | |
| Directors and Management ¹ | 4,671,610 | 4.9% | | | | | | | | | | | | | | | |
| Remaining Large Shareholders | 16,228,761 | 16.9% | | | | | | | | | | | | | | | |
| Other Existing Escrowed Shareholders | 18,638,123 | 19.6% | | | | | | | | | | | | | | | |
| Total Escrowed Shares | 39,538,494 | 41.4% | | | | | | | | | | | | | | | |

2. Investment Overview

| Topic | Summary | For more information |
|---|---|----------------------|
| What escrow arrangements will be in place as at completion of the Offer? continued | <p>In addition to the voluntary Escrowed Shares, there are compulsory escrow arrangements under the ASX Listing Rules. Shares and Options held by certain Directors, the Lead Manager and Existing Shareholders immediately prior to completion of the Offer may also be subject to escrow arrangements in the period immediately following completion of the Offer as required by the ASX Listing Rules.</p> <p>The Escrowed Shares and any shares escrowed under the Listing Rules will comprise approximately 51% of the total Shares on issue at completion of the Offer.</p> <p>The Company's free float at the time of Listing will not be less than 20% for the purposes of the Listing Rules.</p> | Section 15.3 |
| What Corporate Governance Policies does the Company have in place? | A summary of the Corporate Governance policies adopted by the Company are set out in Section 14. | Section 14 |
| Are there any significant related party transactions? | <p>Since incorporation, the Company has entered into a number of transactions with related parties which have been entered into before the Company became a public company or have proceeded on either an "arm's length" basis, constitute reasonable remuneration or been approved by Shareholders in general meeting. These transactions encompass:</p> <ul style="list-style-type: none"> • the issue of Shares, Options and convertible notes to Directors of the Company, their associated entities and other related parties; • a services agreement for director related services with Riverfire Venture Capital Pty Ltd (a company associated with Benjamin Harrison) and Benjamin Harrison; • an employment agreement for services as an executive director with David Brennan; • Director Letters of Appointment; • Directors' Deeds of Access and Indemnity; • Executive agreements for CFO services with Jeremy Loftus and Executive Director services with David Brennan. <p>The Company also has a number of intragroup agreements with other entities within its Group, including in respect of the provision of employees, intellectual property and loan origination and management.</p> | Section 13.10 |

2.7 Summary of the Offer and the Proposed Use of Funds Raised

| | | |
|---------------------------------------|--|------------------|
| Who is the issuer of this Prospectus? | Propell Holdings Limited ACN 614 837 099. | |
| What is the Offer? | <p>This Offer is an invitation to participate in the initial public offering of Shares in the Company.</p> <p>The Company is undertaking a public offer of 25,000,000 Shares at an Offer Price of A\$0.20 per Share to raise A\$5 million.</p> | Section 3 |

| Topic | Summary | For more information | | | | | | | | | | | | |
|---|---|-----------------------|-------------|-----------------------------------|-----|---|-----|------------------------------|-----|--------------------|-----|--------------|------------|-------------------------------------|
| What will the Market Capitalisation of the Company be upon Listing on the ASX? ³ | The indicative Market Capitalisation at the Offer Price of the Company on Listing is expected to be approximately A\$19.2 million. | Key Offer Information | | | | | | | | | | | | |
| How is the Offer structured? | <p>The Offer will consist of:</p> <ul style="list-style-type: none"> the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and a number of other authorised jurisdictions to apply for Shares; the Retail Offer comprising: <ul style="list-style-type: none"> the Broker Firm Offer, which is open to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their broker; and the Chairman's List Offer, which is open to persons who have received a Chairman's List Invitation. | Section 3 | | | | | | | | | | | | |
| What is the proposed use of funds raised under the Offer? | <p>The Offer is expected to raise A\$5 million. In conjunction with existing cash reserves of A\$1 million as at 31 December 2020 the funds received under the Offer are expected to be applied as follows:</p> <table border="1"> <thead> <tr> <th>Use of proceeds</th> <th>A\$ million</th> </tr> </thead> <tbody> <tr> <td>Platform development¹</td> <td>0.6</td> </tr> <tr> <td>Marketing and customer acquisition²</td> <td>2.0</td> </tr> <tr> <td>Working Capital³</td> <td>2.7</td> </tr> <tr> <td>Costs of the Offer</td> <td>0.7</td> </tr> <tr> <td>Total</td> <td>6.0</td> </tr> </tbody> </table> <p>1. Includes costs related to Propell Platform development including product development, product and development team wages, consulting/vendor fees. Refer to Section 5.5 for further details.</p> <p>2. Includes costs related to marketing (forecast 18% of use of funds) (including creative, paid media, digital marketing, paid search and retargeting and referral relationships), Customer acquisition (forecasting 80% of use of funds) and other (forecasting 2% of use of funds). Refer to Section 9.4 for further details.</p> <p>3. Includes costs related to Processor partnerships, customer support team, funding costs related to the loan book, costs related to payroll excluding marketing, product, development and customer support staff.</p> | Use of proceeds | A\$ million | Platform development ¹ | 0.6 | Marketing and customer acquisition ² | 2.0 | Working Capital ³ | 2.7 | Costs of the Offer | 0.7 | Total | 6.0 | Key Offer Information and Section 3 |
| Use of proceeds | A\$ million | | | | | | | | | | | | | |
| Platform development ¹ | 0.6 | | | | | | | | | | | | | |
| Marketing and customer acquisition ² | 2.0 | | | | | | | | | | | | | |
| Working Capital ³ | 2.7 | | | | | | | | | | | | | |
| Costs of the Offer | 0.7 | | | | | | | | | | | | | |
| Total | 6.0 | | | | | | | | | | | | | |
| Will the Company be adequately funded after completion of the Offer? | <p>The Board believes that the Company's current cash reserves plus the net Proceeds of the Offer will be sufficient to fund the Company's short-term growth strategy and business objectives.</p> <p>The Board will continue to consider the use of further and alternate funding initiatives where appropriate to further accelerate growth or fund a specific project, transaction or expansion.</p> | Section 3.2 | | | | | | | | | | | | |

3. Market Capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue at completion of the Offer.

2. Investment Overview

| Topic | Summary | For more information |
|---|--|--|
| Will the Shares be quoted on the ASX? | <p>The Company will apply to ASX within seven days of the Prospectus Date for Official Quotation of all Shares on the ASX under the ticker PHL.</p> <p>Completion of the Offer is conditional on ASX approving that application.</p> <p>If approval is not given within three months after such an application is made, the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> | Section 3.10 |
| Is the Offer underwritten? | No, the Offer is not underwritten. | Section 16.1 |
| What is the allocation policy applicable to the Offer? | <p>The allocation of Shares between the Institutional Offer and the Broker Firm Offer will be determined by the Company in consultation with the Lead Manager, having regard to the allocation policy outlined in Section 3.6.</p> <p>With respect to the Broker Firm Offer, it will be a matter for the Broker to determine how it allocates Shares amongst its eligible clients.</p> <p>The final allocation of Shares under the Chairman's List Offer will be determined by the Lead Manager and the Company in their discretion.</p> <p>The Company has absolute discretion regarding the level of scale-back and the allocation of Shares under the Offer (if any).</p> | Section 3.6 |
| What is the minimum Application under the Offer? | Applications must be for a minimum of 10,000 Shares (A\$2,000), and thereafter in multiples of 2,500 Shares (A\$500). | See "Application Form" |
| When will I receive confirmation that my Application has been successful? | Holding statements, confirming Applicants' allocations under the Offer, are expected to be dispatched to Shareholders on Friday, 2 April 2021. | Key Offer Information and Section 3.7 |
| Is there any brokerage, commission or stamp duty payable by Applicants? | No brokerage, commission or stamp duty is payable by Applicants on acquisitions of Shares under the Offer. | Sections 3.5 and 15.8 |
| What are the tax implications of investing in the Company? | A summary of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 15.6. The taxation implications of investing in Shares will depend on an investor's individual circumstances. Applicants should obtain their own tax advice or financial planning advice prior to investing. | Section 15.6 |
| What is the Company's dividend policy? | The Company does not intend to declare a dividend in the coming financial year. The Company may distribute dividends in the future based on future growth prospects and capital requirements. | Section 15.7 |

| Topic | Summary | For more information |
|---|--|----------------------|
| How can I apply for Shares? | <p>Eligible investors may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p> | Section 3.7 |
| Can the Offer be withdrawn? | <p>The Company reserves the right not to proceed with the Offer at any time before the issue and transfer of Shares to successful Applicants.</p> <p>If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.</p> | Section 3.9 |
| Where can I find more information about this Prospectus or the Offer? | <p>Questions relating to Applications for Shares can be directed to the Share Registry, Link Market Services, on 1800 990 475 (within Australia) or +61 1800 990 475 (outside of Australia) between 9:00am and 5:00pm AEST, Monday to Friday.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Propell is a suitable investment for you, you should seek professional guidance from your accountant, financial advisor, tax advisor, stock broker, lawyer or other professional advisor before deciding whether to invest in the Shares.</p> | |



3. Details of the Offer

3. Details of the Offer

3.1 Overview

The Company is undertaking a public offer of 25,000,000 Shares at A\$0.20 per Share to raise A\$5 million.

This Offer comprises the issue of Shares by the Company in conjunction with an application for admission of the Company to the Official List of the ASX. This Prospectus invites Applications for Shares under the Offer at the Offer Price of A\$0.20 per Share.

3.2 Purpose of the Offer and Proposed Sources and Uses of Funds

The Offer is being conducted by the Company to:

- provide Propell with the funds for the continual development of the Platform, new products and services, and growth opportunities;
- fund the expansion of the Company's lending services;
- fund marketing and customer acquisition activities to increase Propell's profile and acquire new Customers;
- fund the operating costs of the Company;
- provide a liquid market for the Company's Shares;
- fund the costs of the Offer;
- provide Propell with the benefits of an increased brand profile that arises from being a listed company; and
- provide Propell with additional financial flexibility and access to capital markets, to assist in pursuing its growth strategy.

The proposed sources and uses of funds associated with the Offer are as follows:

| Sources of funds | A\$ million | % |
|-------------------------------|--------------|-------------|
| Existing cash ¹ | \$1.0 | 17% |
| Proceeds of the Offer | \$5.0 | 83% |
| Total sources of funds | \$6.0 | 100% |

| Uses of funds | A\$ million | % |
|---|--------------|-------------|
| Development ² | \$0.6 | 10% |
| Marketing and customer acquisition ³ | \$2.0 | 33% |
| Working Capital ⁴ | \$2.7 | 45% |
| Costs of the Offer | \$0.7 | 12% |
| Total uses of funds | \$6.0 | 100% |

Notes:

1. Existing cash pro-forma as at 31 December 2020.
2. Includes costs related to Propell Platform development including product development, product and development team wages, consulting/ vendor fees. Refer to Section 5.5 for further details.
3. Includes costs related to marketing (forecast 18% of use of funds) (including creative, paid media, digital marketing, paid search and retargeting and referral relationships), Customer acquisition (forecasting 80% of use of funds) and other (forecasting 2% of use of funds). Refer to Section 9.4 for further details.
4. Includes costs related to its Processor partnership, customer support team, funding costs related to the loan book, costs related to payroll excluding marketing, product, development and customer support staff.

The above table is a statement of current intentions as at the Prospectus Date. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of sales success, operational and development activities, regulatory developments, and market and general economic conditions. In light of this, the Board reserves its right to alter the way the funds are applied.

3. Details of the Offer

The Board believes that the Company's current cash reserves, its cash flow from existing operations, plus the net Proceeds of the Offer will be sufficient to fund the Company's short-term business objectives. The Board will continue to consider the use of further and alternate funding initiatives where appropriate to further accelerate growth or fund a specific project, transaction or expansion.

3.3 Capital Structure

The capital structure of the Company at the Prospectus Date and following completion of the Offer will be as follows:

| Shareholder | Number of Securities held prior to the Offer | % held prior to the Offer | Securities held after the Offer | % held after Offer |
|--|--|---------------------------|---------------------------------|--------------------|
| Existing Shareholders | 70,790,160 | 100% | 70,790,160 | 73.1% |
| New investors under the Offer | - | N/A | 25,000,000 | 26.1% |
| Total (undiluted basis) | 70,790,160 | 100% | 95,790,160 | 100.0% |
| Existing Option Holders | 19,596,725 | | 25,596,725 | |
| Total (fully diluted share capital) | 90,386,885 | | 121,386,885 | |

Note:

1. For terms of the Options see Section 15.4 of this Prospectus. Also see Section 13.6 for Directors' and officers' interests.

3.4 Structure of the Offer

The Offer will consist of:

- (a) the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and a number of other authorised jurisdictions to apply for Shares; and
- (b) the Retail Offer, comprising:
 - (1) the Broker Firm Offer, which is open to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their broker; and
 - (2) the Chairman's List Offer, which is open to persons in Australia who have received a Chairman's List Invitation.

The Lead Manager and the Company will determine the allocation of Shares between the Institutional Offer, Broker Firm Offer and the Chairman's List Offer. Consideration will be given to the allocation policy outlined in Section 3.6.

3.5 Terms and Conditions of the Offer

| Topic | Summary |
|---|--|
| What is the type of security being offered? | Fully paid ordinary Shares in the capital of Propell Holdings Limited. |
| What are the rights and liabilities attached to the securities? | A description of the rights and liabilities attaching to the Shares is set out in Sections 15.1 and 15.2. |
| What is the Offer Price? | A\$0.20 per Share. |
| What is the Offer Period? | The key dates, including details of the Offer Period relating to each component of the Offer, are set out in the Key Offer Information of this Prospectus. |

| Topic | Summary |
|---|---|
| Is the Offer underwritten? | No the Offer is not underwritten. |
| Is there a minimum subscription under the Offer? | The Company is seeking to raise A\$5 million under the Offer. |
| What is the minimum and maximum Application size under the Offer? | <p>Applications under the Offer must be for a minimum of A\$2,000 worth of Shares and in multiples of A\$500 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Offer.</p> <p>The Lead Manager and the Company reserve the right to treat any Applications under the Retail Offer that are from persons who they believe may be Institutional Investors as bids in the Institutional Offer.</p> <p>The Lead Manager and the Company also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p> |
| When will I receive confirmation that my Application has been successful? | It is expected that initial holding statements will be dispatched by standard post on or about Friday, 2 April 2021. |
| When are the Shares expected to commence trading? | <p>It is expected that trading of the Shares on the ASX will commence on or about Friday, 9 April 2021 on a normal settlement basis.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, even if such person received confirmation of allocation from the Propell Offer Information Line, a broker or otherwise.</p> |
| Are there any escrow arrangements? | Yes. Details are provided in Section 3.12. |
| Are there any tax considerations? | Yes. Refer to Section 15.6. |
| Are there any brokerage, commission of stamp duty considerations? | No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. |
| What should I do with any enquiries? | <p>All enquiries in relation to this Prospectus should be directed to the Propell Offer Information Line on 1800 990 475 (within Australia) or from 9.00am until 5.00pm AEST, Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Propell is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p> |

3. Details of the Offer

3.6 Allocation Policy

The Company, in consultation with the Lead Manager, will determine the allocation of Shares between the Institutional Offer and the Retail Offer.

The allocation of Shares under the Institutional Offer will be determined by the Company in consultation with the Lead Manager.

For Broker Firm Offer participants, applicable brokers will decide how they allocate Shares among their retail clients, and such brokers (and not the Company nor the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from their broker receive applicable Shares.

The allocation of Shares under the Chairman's List Offer will be determined by the Company and Lead Manager.

The Company and the Lead Manager have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application or bid, or allocate fewer Shares than the number, or the equivalent dollar amount than applied or bid for.

3.7 How to Apply Under the Offer

(a) The Institutional Offer

The Lead Manager has separately advised Institutional Investors of the Application procedures for the Institutional Offer.

(b) The Chairman's List Offer

The Chairman's List Offer consists of an invitation to persons who have received a Chairman's List Invitation. The Lead Manager will separately advise the applicable persons of the Application procedures under the Chairman's List Offer.

(c) Broker Firm Offer

Who may apply?

The Broker Firm Offer is open to persons who have received an allocation from their broker and who are residents of Australia. If your broker has a firm allocation and has offered you an allocation, then you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your broker to determine whether your broker may allocate Shares to you under the Broker Firm Offer.

How to apply?

Investors who have received an allocation of Shares in the Broker Firm Offer must follow instructions provided by their broker.

Those Applicants must complete the Application Form at the back of this Prospectus. By making an Application, you declare that you were given a copy of this Prospectus, together with an Application Form. Please contact your broker if you require further instructions.

Any Application Form must be stamped by a broker so that the correct allocation of Shares is received.

How to pay?

Applicants under the Broker Firm Offer should make payments in accordance with the directions of the broker from whom they received an allocation.

Timing for Applications and confirmation

Applicants under the Broker Firm Offer should send their completed Application Form and Application Monies to their broker by the Closing Date.

The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your broker in connection with your Application.

Closing Date for receipt of Applications

The Offer opens on Thursday, 11 March 2021 at 9.00am AEST and is expected to close on Friday, 26 March 2021 at 5.00pm AEST. Propell may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Your broker may also impose an earlier Closing Date.

Applicants applying for Shares under the Broker Firm Offer are encouraged to submit an Application Form and Application Monies to their broker as early as possible in advance of the Closing Date and to allow a sufficient period for mail processing time.

How to obtain a copy of this Prospectus

Please contact your broker for instructions. You may also obtain a copy of this Prospectus as follows:

- (1) You can download a copy at www.propellholdings.com; or
- (2) Request a copy from the Share Registrar, Link Market Services, by calling the Propell Offer Information Line on 1800 990 475 (within Australia).

While you may obtain a copy of these documents as set out above, your Application will not be accepted under the Broker Firm Offer if it is not lodged through your broker.

3.8 Fees and Costs Associated with the Offer

No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

The total estimated costs to the Company in connection with the Offer, including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses are currently estimated to be approximately A\$0.7 million.

3.9 Application Monies

The broker, the Share Registry or the Lead Manager, will hold all Application Monies in trust in a separate account, until Shares are issued to successful Applicants.

Application Monies will be refunded to the extent that an Application is rejected or scaled back, or the Offer is withdrawn. No interest will be paid on refunded amounts. The Company will retain any interest earned on Application Monies.

3.10 Trading on ASX

No later than seven days after the Prospectus Date, the Company will apply to ASX for admission to the Official List and for the Shares to be granted Official Quotation by ASX. The Company is not currently seeking a listing of its Shares on any other stock exchange.

The admission of the Company to the Official List of ASX and Official Quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered for subscription under the Offer.

The ASX takes no responsibility for the contents of this Prospectus.

If permission for quotation of the Shares is not granted within three months after the Prospectus Date, all Application Monies will be refunded without interest as soon as practicable.

Subject to ASX granting approval for the Company to be admitted to the Official List, the Company will procure the issue of Shares to successful Applicants as soon as practicable after the Closing Date. Holding statements confirming Applicants' allocations under the Offer are expected to be sent to successful Applicants on or around Friday, 2 April 2021.

Trading of Shares on the ASX is expected to commence on a normal T + 2 settlement basis.

If you sell Shares before receiving an initial holding statement, you may contravene the ASX Listing Rules and do so at your own risk, even if you have obtained details of your holding from your broker or Propell's Offer Information Line.

3. Details of the Offer

3.11 CHESS and Issuer Sponsored Holdings

The Company will apply to participate in CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

Following completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister.

The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

3.12 Escrow Arrangements

(a) Voluntary Escrow Deeds

Each of the Escrowed Shareholders has entered into a Voluntary Escrow Deed with the Company under which they will be prevented from dealing with tranches of their Escrowed Shares during the applicable Escrow Period, subject to certain permitted exceptions as set out below. The reason for the voluntary escrow arrangements is to promote investor confidence in the Company and an orderly market.

In addition to the voluntary Escrowed Shares, there are compulsory escrow arrangements under the ASX Listing Rules. Shares and Options held by certain Directors, the Lead Manager and Existing Shareholders immediately prior to completion of the Offer may also be subject to escrow arrangements in the period immediately following completion of the Offer as required by the ASX Listing Rules.

The Escrowed Shares and any shares escrowed under the Listing Rules will comprise approximately 51% of the total Shares on issue at completion of the Offer. The Company's free float at the time of Listing will not be less than 20% for the purposes of the Listing Rules.

| Shareholder | Escrowed Shares on completion of the Offer | Escrowed Shares on completion of the Offer (%) |
|---------------------------------------|--|--|
| Directors and Management ¹ | 4,671,610 | 4.9% |
| Remaining Large Shareholders | 16,228,761 | 16.9% |
| Other Existing Escrowed Shareholders | 18,638,123 | 19.6% |
| Total Escrowed Shares | 39,538,494 | 41.4% |

Note:

1. This includes Benjamin Harrison, David Brennan, Jeremy Loftus and Michael Davidson. Directors may also be subject to additional ASX escrow. Refer to Section 13.10 for Additional Information on Related Parties.

(b) Terms of the Voluntary Escrow Deeds

The terms of each Voluntary Escrow Deed are as follows:

(Escrow Period) the relevant Escrowed Shares will be subject to the restrictions imposed by the Voluntary Escrow Deed during the **Escrow Period**, which commences on the date of Listing, and expires on (the relevant **Release Date**):

- (1) in respect of 50% of the Escrowed Shares (Tranche 1 Escrowed Shares), the date which is 6 months after the date of Listing; and
- (2) in respect of the remaining 50% of the Escrowed Shares (Tranche 2 Escrowed Shares), the date which is 12 months after the date of Listing.

(Restrictions during Escrow Period) during the relevant Escrow Period, the Escrowed Shareholder must not (Deal):

- (1) sell, assign, transfer or otherwise Dispose of any legal, beneficial or economic interest in the Escrowed Shares;
- (2) create, or agree to create, a security interest over any of the Escrowed Shares or any legal, beneficial or economic interest in any of the Escrowed Shares;
- (3) enter into any option which, if exercised, requires the Escrowed Shareholder to sell, assign, transfer or otherwise Dispose, of any of the Escrowed Shares; or
- (4) do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares or any legal, beneficial or economic interest in any of the Escrowed Shares.

(Exceptions) during the relevant Escrow Period, the Escrowed Shareholder may Deal in any of its Escrowed Shares if the Dealing arises solely as a result of, among other matters:

- (1) the acceptance of a bona fide third party takeover bid made under Chapter 6 of the Corporations Act in respect of the Shares, provided that the holders of at least half of the Shares that are not subject to any Voluntary Escrow Deed, and to which the offers under the bid relate, have accepted an offer under the takeover bid;
- (2) the transfer or cancellation of the Escrowed Shares as part of a scheme of arrangement under Part 5.1 of the Corporations Act, provided, in each case, that if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with such a takeover bid or scheme of arrangement (including because the takeover bid does not become unconditional), then the Escrowed Shareholder agrees that the restrictions applying to the Escrowed Shares under the Voluntary Escrow Deed will continue to apply;
- (3) a requirement of law (including an order of a court of competent jurisdiction); or
- (4) a Dealing in connection with an equal access share buy-back, equal capital return, or equal capital reduction effected in accordance with the Corporations Act.

(c) Mandatory Escrow

In addition, the ASX may, as a condition of granting the Company's application for Official Quotation of its Shares, classify certain Shares of the Company as restricted securities. If so, prior to Official Quotation of the Company's Shares, the holders of the Shares that are to be classified as restricted securities will be required to enter into appropriate restriction agreements with the Company.

It is anticipated as at the Prospectus Date that the following securities will be subject to ASX escrow for the periods described in the following table:

| Category | Securities | Percentage of Share Capital | Period of Escrow |
|------------------------|-------------------|------------------------------------|-------------------------|
| Seed Investors | 7,052,615 | 7.4% | 12 months |
| Pre-IPO Investors | 2,716,666 | 2.8% | 12 months |
| Directors ¹ | 4,305,502 | 4.8% | 24 months |
| Total | 14,074,783 | 15.0% | |

Note:

1. Refer to Section 13.10 for additional information on related parties.

3. Details of the Offer

3.13 Overseas Distribution

No action has been taken to register or qualify the offer of Shares under this Prospectus, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia.

Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on acquisition or distribution of this Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

3.14 Discretion Regarding the Offer

The Company may, in consultation with the Lead Manager, withdraw the Offer, or any part of it, at any time before the allotment of Shares to successful Applicants in the applicable part of the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded. No interest will be paid on unsuccessful Applications.

The Company also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

3.15 Questions or Further Information

If you have any queries in relation to this Prospectus, including how to complete the Application Form or how to obtain additional copies, then you can:

- (1) Call the Propell Offer Information Line on 1800 990 475 (within Australia) or +61 1800 990 475 (outside Australia) between 9:00am and 5:00pm AEST during the Offer Period, Monday to Friday; or
- (2) Visit the Propell Website to download an electronic copy of this Prospectus.

If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial advisor or other independent professional advisor before deciding whether to invest.



4. *Industry Background*

4. Industry Background

Propell operates in the small and medium-sized business segment.

This Section 4 contains an overview of:

- (a) Australian small and medium-sized businesses (refer to Section 4.1);
- (b) the problems faced by small and medium-sized businesses (refer to Section 4.2);
- (c) the opportunity and key trends of the small and medium-sized businesses market (refer to Sections 4.3, 4.4); and
- (d) the competitive and regulatory dynamics in the market Propell operates in (refer to Sections 4.5 and 4.6).

4.1 What is a Small to Medium-sized Business and How Large is the Market?

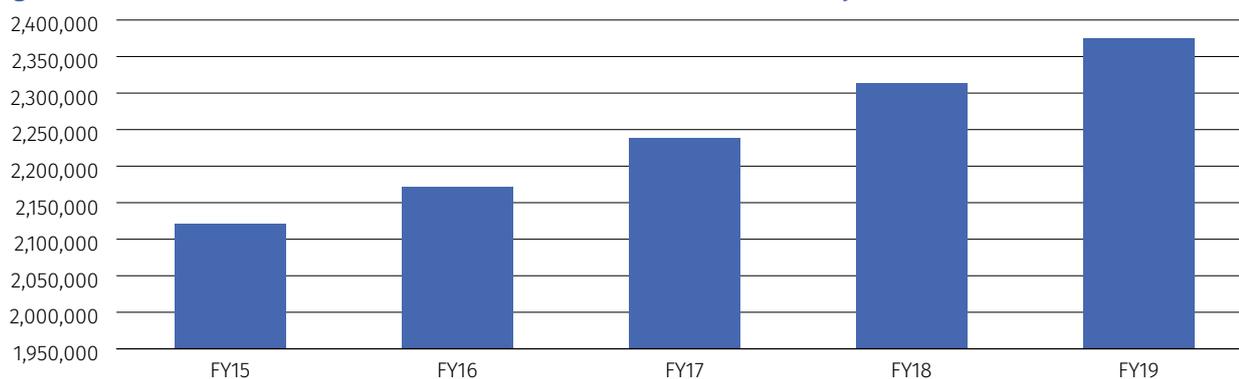
Propell targets small to medium businesses with an annual turnover of A\$50,000 to A\$2 million (**SME**). However, there are a number of definitions for a small to medium business with the key differentiator being the number of employees and turnover.

Different financial system regulators have used different definitions for small to medium businesses⁴. For example:

- (a) The Australian Tax Office (**ATO**) defines a small business as those with revenue of less than A\$2 million.
- (b) Reserve Bank of Australia (**RBA**) defines small businesses as those with loans below A\$2 million.
- (c) APRA define small businesses as those with revenue below A\$50 million.
- (d) The Australian Bankers' Association has recently stated that lenders see a small business as one with 20 or fewer employees and an annual turnover of less than A\$5 million and small business loans are those under A\$3 million in value.
- (e) The *Australian Small Business and Family Enterprise Ombudsman Act 2015* (Cth) defines an SME as a business that employs less than 100 employees or a business that has less than A\$5 million of annual turnover.

There were approximately 2,375,753 Australian businesses as at June 2019 which had a 4-year compound annual growth rate (**CAGR**) of 2.87%⁵. Small to medium businesses with a turnover of between A\$50,000 to A\$5,000,000 represented approximately 1,711,750 or 72.05% of all Australian businesses⁵. Small to medium businesses have had a slightly higher growth than all Australian businesses with a 2.95% 4-year CAGR⁵. The size of the small to medium business market that Propell is targeting (i.e. between A\$50,000 and A\$2 million) is approximately 1.6 million.

Figure 4.1 – Total number of Australian businesses at end of each financial year (FY15 – FY19)⁵

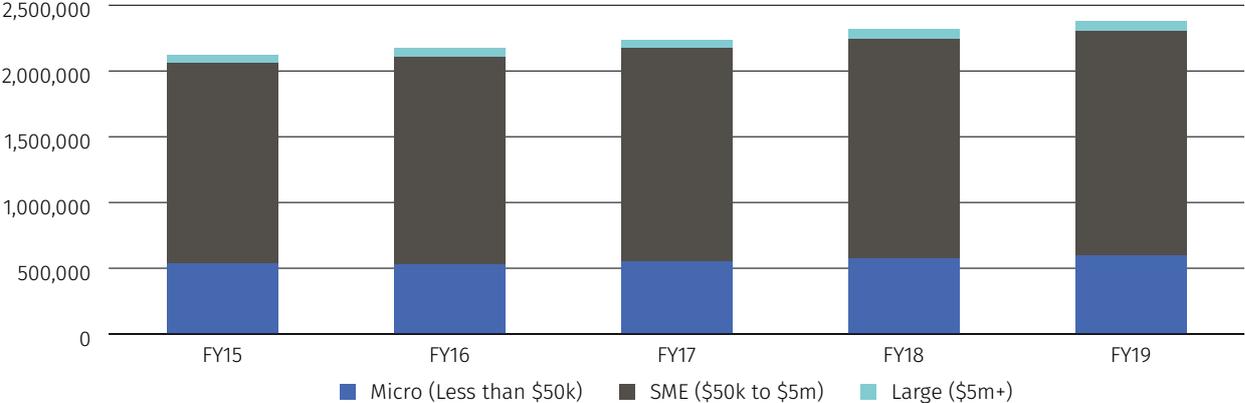


Small to medium businesses in the Australian economy contribute the majority of Australia's GDP and jobs.

4. Productivity Commission – Competition in the Australian Financial System, Inquiry Report January 2018, page 436. NB: Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus.

5. Based on Australian Bureau of Statistics data – Counts of Australian Businesses, Including Entries and Exits, June 2015 to June 2019. Released 20 Feb 2020. NB: Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus.

Figure 4.2 – Segmentation of all Australian businesses by Annual Turnover (FY15 – FY19)⁶



Australia has a diverse range of businesses operating in various sectors with the largest industries by number of businesses being construction, professional services, and real estate as illustrated in Figure 4.3.

Figure 4.3 – Segmentation of Australian Businesses by Industry Classification⁶

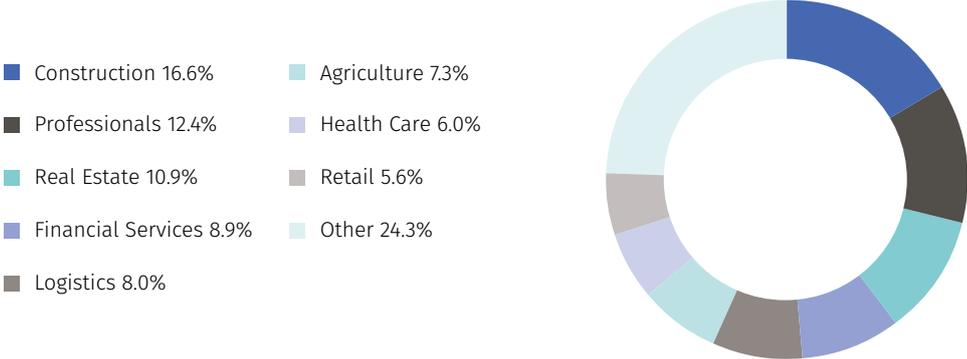
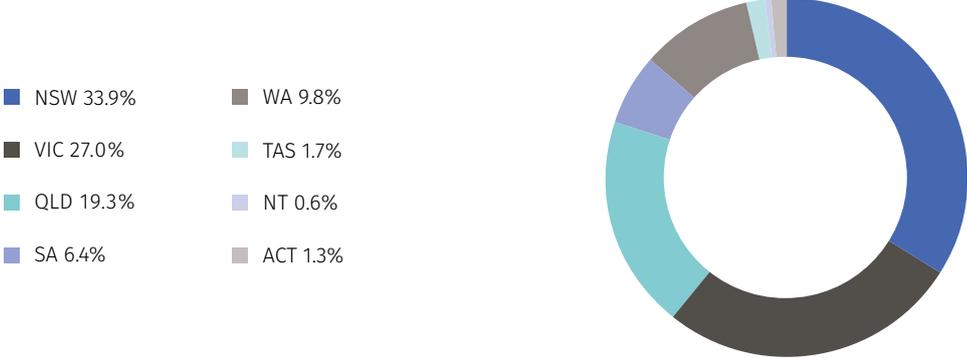


Figure 4.4 – Segmentation of Australian Businesses by Geography⁶



6. Based on Australian Bureau of Statistics data – Counts of Australian Businesses, Including Entries and Exits, June 2015 to June 2019. Released 20 Feb 2020. NB: Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus.

4. Industry Background

4.2 Problems Faced by Small to Medium Business

Small to medium businesses face a number of difficulties in managing their business including support from traditional banks, being time-poor, struggling to manage finances and patching a number of business solutions together.

Banks Are Not Providing Adequate Support

Australia's larger banks have historically been the main provider of financial services and products to SME customers. However, the appetite from the banks to focus on servicing the small to medium businesses segment is declining as a result of several factors, including profitability, legacy technology and processes.

(a) Profitability

As a customer segment, small to medium businesses-focused banks' profitability has lagged behind those that specialise in other customer segments⁷. This is because there is often a higher spread in credit quality amongst their loan portfolios as well as additional servicing costs. This creates a greater cost for banks in managing small to medium businesses customers and has resulted in banks focusing less on servicing the SME segment⁷. This leaves small to medium businesses being underserved and seeking alternative solutions.

(b) Legacy Technology and Processes

Banks are coming under significant pressure from new market entrants such as FinTechs, which have been able to leverage technology to create a competitive edge. This is drastically different from financial institutions whose technology is dated and has previously been pieced together over the years by outsourcers⁸. This makes traditional banks heavily reliant on third party providers and makes it very difficult for them to upgrade their core legacy bank Platforms without significant costs⁸.

As a result, traditional banks are failing to meet the basic financial services requirements of small to medium businesses customers. As a result of the long onboarding processes and unsuitable inefficient banking products, small to medium businesses are having to perform hours of backend administration on multiple products which results in inefficient operations and the time of owners being spent on activities that are not core to the business.

These legacy processes translate to lending where the process to obtain finance is lengthy and onerous⁹. Small to medium businesses find it difficult to compare lending products across banks given the reluctance of banks to provide them with advice on obtaining finance⁹. Businesses often have to provide banks with a large amount of information and documentation and then banks have a lengthy process to undertake their credit checks and then extend a loan. The time obstacle of obtaining funding through banks is to the detriment of a small to medium businesses if the use of funding is required immediately for near term growth initiatives.

Business Owners Struggle to Manage Finances and Cash Flow

A primary challenge for small to medium business owners is that they generally lack resources and qualified personnel. This is a result of limited resources where specific functions such as finance, where small to medium businesses do not have specific personnel employed. Therefore, it is often the business owner who takes on the responsibility of financial management and not every owner is financially sophisticated enough to understand the fundamentals of their business including cashflow management. Cashflow management is an inhibitor of growth and can result in missed opportunities, poor relationships with suppliers, employee morale, stress and solvency.

7. McKinsey & Company – Beyond banking: How banks can use ecosystems to win in the SME market. NB: Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus.

8. EY – Upgrading Legacy Banking Platforms, Bank Governance Leadership Network 2019. NB: Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus.

9. Reserve Bank of Australia 2020 – Access to Small Business Finance. Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus. The RBA does not endorse the use, reproduction, publication, communication of this information.

Small to Medium Businesses are Cobbling Solutions Together

The emergence of financial ecosystems has attracted small to medium businesses given their ability to offer a broad range of financial services that needed¹⁰. This is drastically different from what small to medium businesses have historically experienced. A business owner’s typical day comprises building the core business and maintaining client relationships to generate further business. In addition, there are administrative activities such as accounting, payroll, creditor management, financing, taxation planning and managing payments. These activities often have different service providers meaning there are multiple applications which act independent of each other. As a result, business owners must collate these data sources to get a clear view on the performance of their business which is a difficult process.

4.3 Propell’s Opportunity – Size of Market

Propell’s Platform is targeting a number of underlying financial services and product offerings including lending and payments.

(a) Lending Opportunity

There are no authoritative published sources that act as a proxy for the size of the small to medium businesses lending market opportunity in Australia. Therefore, we have collected publicly available information and combined it with internally generated data and insights to reach a potential market opportunity for Propell.

Of the approximate 2.4 million businesses in Australia, Propell aims to target the lending products to those with annual turnover of between A\$50,000 and A\$2 million which equates to a target market of approximately 1.6 million businesses. The Company’s average loan size is approximately A\$10,000. Propell estimates the market opportunity for lending in Australia for Propell is in excess of A\$16 billion.

Figure 4.6 – Size of the Lending Opportunity



10. McKinsey & Company – Beyond banking: How banks can use ecosystems to win in the SME market. NB: Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus.

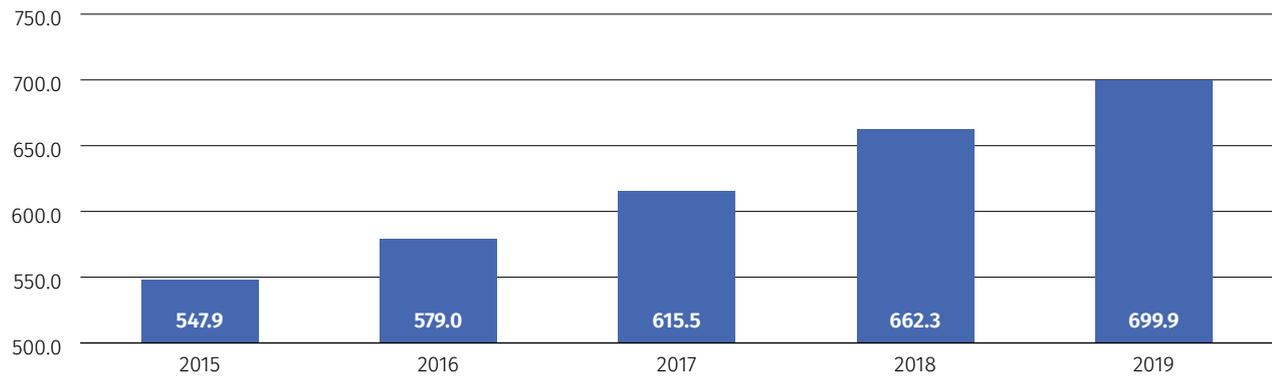
4. Industry Background

(b) Size of the Transactional Solutions Opportunity

(1) Australian Transaction Value of Card Payments

The total transaction value of card payments in Australia (inclusive of debit card, credit card and prepaid cards) was approximately A\$700 billion in calendar year 2019¹¹. The transaction value of card payments has significantly grown in recent years with a 6.31% CAGR from 2015 to 2019¹¹.

Figure 4.7 – Annual Transaction Value of Card Payments from 2015 – 2019 (A\$b)

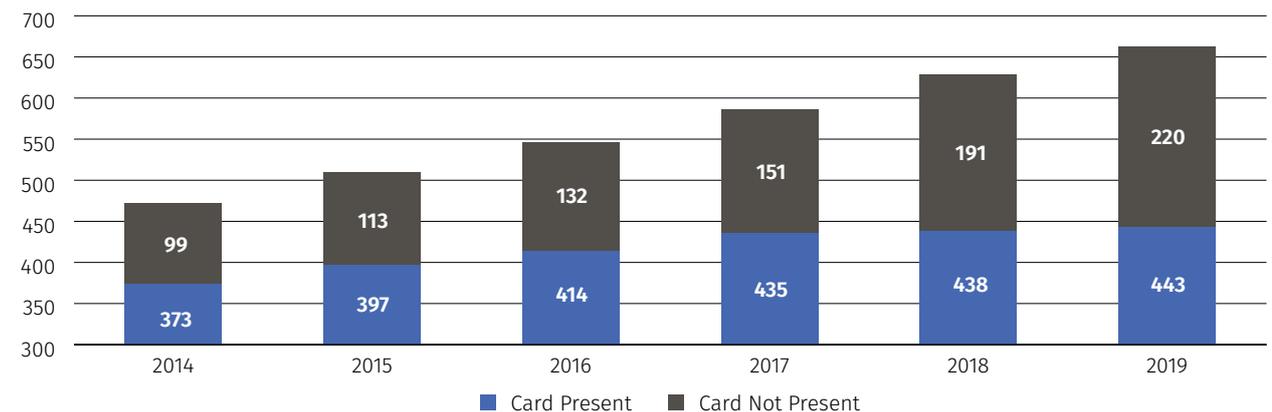


(2) Card-present vs Card-not-present

A card-not-present (**CNP**) transaction occurs when neither the cardholder nor the card is physically present at the time of transaction. These types of transactions are common for orders that happen remotely including over the internet, phone or by mail.

A transaction is only considered to be card-present if payment details are captured in person. This will include the cardholder physically presenting their card to a card reader.

Figure 4.8 – Annual Transaction Value Segmented by Card-Present and CNP from 2014-2019 (A\$b)¹¹



¹¹. Reserve Bank of Australia – Payments Data NB: Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus. The RBA does not endorse the use, reproduction, publication, communication of this information.

4.4 Key Sector Trends

There are a number of industry tailwinds that are supporting Propell's growth strategy, namely:

(a) FinTechs Competing with Banks

SMEs are often dissatisfied with their financial services provider and in particular with traditional financial service providers.

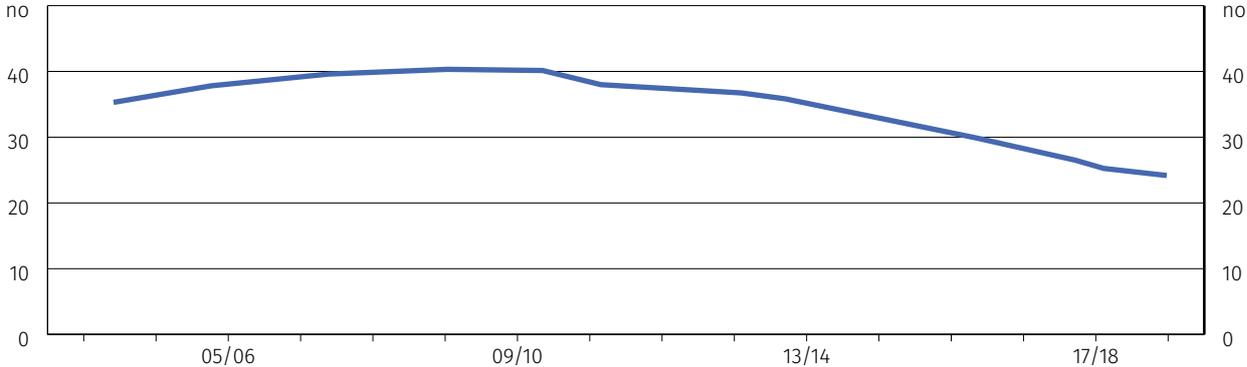
The lack of loyalty to banks has created an opportunity for new entrants such as Propell. FinTechs like Propell are entering the market with innovative service models, delivering a banking ecosystem targeting customers' fundamental needs in a single easy-to-use service.

(b) The Cashless Economy and Emerging Alternative Payment Methods

The payments market is set to continue to grow as consumers turn away from cash payments:

The number of electronic transactions has grown compared to the number of ATM withdrawals by Australians. The trend of Australians withdrawing cash from ATM has trended downwards as shown in Figure 4.9. The average Australian would go to an ATM approximately 40 times a year in the late 2000s¹². This has decreased significantly to approximately 25 times a year in 2017/18¹². Alternatively, the number of electronic transactions is growing strongly, where the average Australian would make 100 electronic transactions per year in the 2000s compared to 500 electronic payments a year in 2018¹².

Figure 4.9 – ATM Cash Withdrawals per Capita¹²

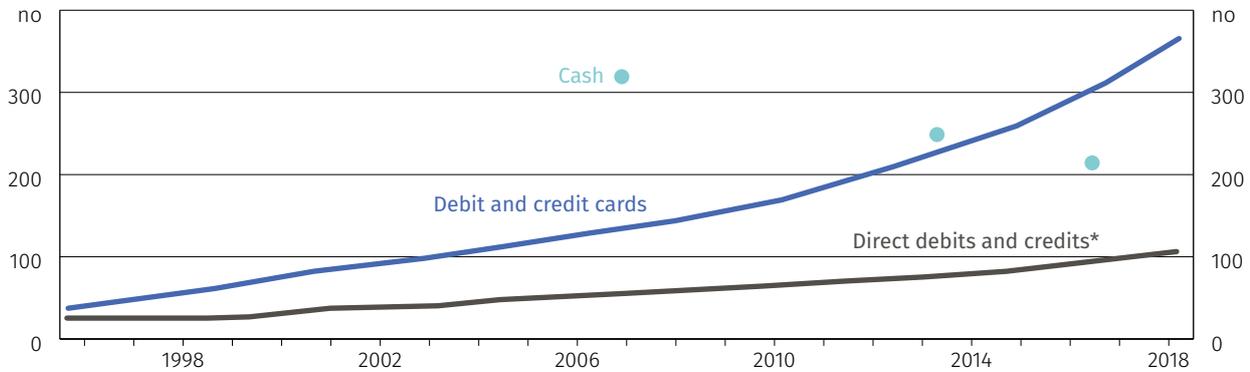


Sources: ABS; RBA.

12. Reserve Bank of Australia – A Journey Towards a Near Cashless Payments System. Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus. The RBA does not endorse the use, reproduction, publication, communication of this information.

4. Industry Background

Figure 4.10 – Transactions per Capita (Rolling Annual Sum)¹³

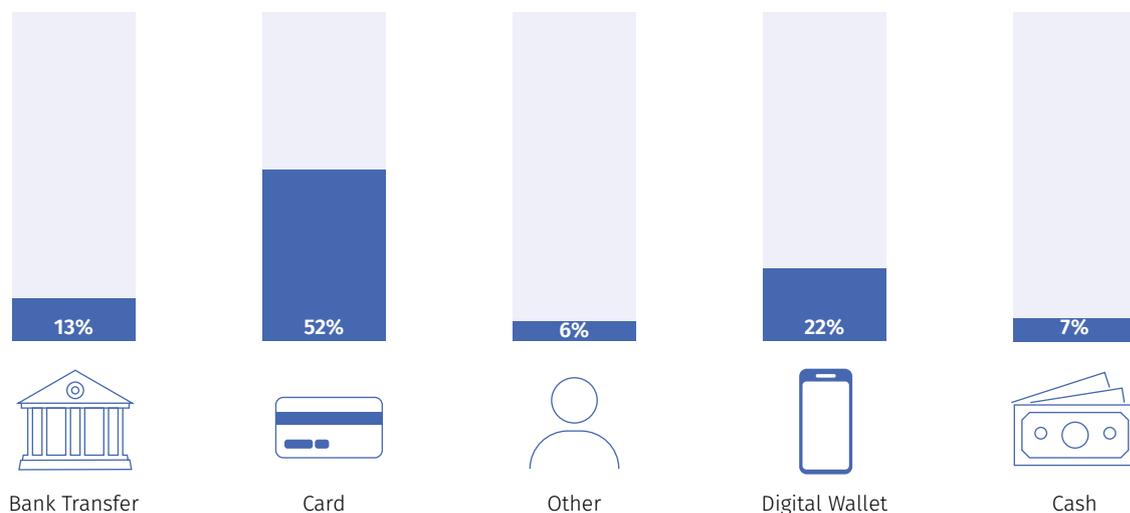


* Adjusted for a reporting change in May 2018, which decreased the number of direct credit and direct debit payments.

Sources: ABS; AusPayNet; Colmar Brunton; Ipsos; RBA; Roy Morgan Research.

The traditional payment methods of cash, debit cards and credit cards continue to be used across the payments value chain. However, there has been a shift away from certain payment methods such as cash and credit cards as a result of the digitalised economy and the impact of the COVID-19 pandemic. In addition, the emergence of alternative payment methods such as digital wallets as well as Buy Now Pay Later (BNPL) providers continue to grow as result of the COVID-19 global pandemic.

Figure 4.11 – E-Commerce Payment Methods Split by Value (%)¹⁴



(c) The Future of Banking: Artificial Intelligence, Digitalisation and Open Banking

Many believe the future of banking will be less complicated and be more deeply connected with its customers and solve new kinds of problems that traditional financial services have not offered¹⁵. The pace of innovation in the financial services industry is increasing exponentially with established business models such as banks being disrupted by technologies including artificial intelligence, digital commerce and APIs which have provided reduced infrastructure and software costs.

13. Reserve Bank of Australia – A Journey Towards a Near Cashless Payments System. Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus. The RBA does not endorse the use, reproduction, publication, communication of this information.

14. J.P. Morgan 2019 Payment Trends – Global Insights Report. NB: Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus.

15. PWC – The Future of Banking in Australia. NB: Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus

This technological transformation has been driven by the evolving dynamics of society which has included the impact of millennials and Gen Z. Millennial owners make up 1 in 5 of Australian small to medium businesses and have a natural relationship with technology¹⁶. A recent survey showed that 63% of millennial owned small to medium businesses would not exist without the internet¹⁶. Traditional financial service providers are struggling to adapt to the digital economy as a result of their legacy systems which is restricting digitalisation without a significant cost burden.

Access to more data and advanced analytics will allow risk management processes to be continually improved and at a lower cost. Small to medium businesses are attracted to financial ecosystems which can offer a broad range of services needed which is not just limited to traditional banking product in a single integrated Platform. As a result, this provides a solution to time-poor small to medium business owners as it reduces the amount of time spent searching for other products and services. Market players who can offer such an integrated Platform solution are likely to be favoured by customers which will create new revenue streams.

4.5 Propell's Competitive Landscape

Propell operates in the small business lending and payments market in Australia. Our competitors include:

(a) Traditional Banks

Traditional banks offer a variety of financial services across a range of client segments including SMEs. They can offer business customers a number of credit products such as unsecured and secured lending, overdrafts and credit cards. Traditional banks provide the majority of debt funding to Australian businesses. However, there are limitations to small to medium businesses gaining access to debt funding through traditional banks as detailed in Section 4.2.

Traditional banks can also provide small to medium businesses with products across transactional banking and payments.

Examples of traditional banks include the Big Four Banks, being Commonwealth Bank, ANZ, Westpac and NAB. Other banks include Bendigo Bank, Bank of Queensland and Suncorp Bank.

(b) Neobanks

There are a number of new banking entrants including Judo Bank and Volt. Neobanks provide banking services to customers, however, often exclusively through digital channels compared to traditional banks which have brick and mortar branches. The services offered by neobanks include a broad range of deposit, lending, and other ancillary banking products.

Neobanks are relatively new to the Australian market following restricted ADI licences being granted by APRA in May 2018.

(c) FinTech Non-Bank Lenders

There are a variety of non-bank lenders that offer a range of lending products including secured and unsecured loans, debtor finance, invoice finance, equipment finance and other sources of debt funding. These lenders often specialise in the SME segment and seek to offer a technology-led credit decisioning model as well as an improved customer experience. Competitors in this space as an example include Prospa, Moula, GetCapital and OnDeck.

(d) FinTech Payments Businesses

There are a number of payments businesses that offer a range of payment solutions across the value chain as explained in section 8.3. Payments solutions can be diverse and can range from payment processing, international money transfers and payments, and billing Platform payment acceptance.

¹⁶. NAB – MTM Whitepaper. NB: Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus.

4. Industry Background

4.6 Current Regulatory Environment

As at the Prospectus Date, Propell does not consider its core business activities to be regulated in the same way as traditional banks. However, government regulation in Propell's industry is subject to change, and Investors should have regard to the risks outlined in Section 10 and particularly the regulatory risks set out in more detail in Section 10.2. In undertaking its core business activities, the Company must have regard to a number of key legal and regulatory requirements, which include (but are not limited to) those set out below:

(a) Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF)

The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF Act**) aims to prevent money laundering and terrorism financing by regulating the financial sector and other industries and business (**Reporting Entities**) that provide Designated Services (as that term is defined in the AML/CTF Act). The Australian Transaction Reports and Analysis Centre (**AUSTRAC**) oversees the compliance of Australian businesses that offer Designated Services.

Propell is a Reporting Entity because it provides a Designated Service to Propell Customers.

As a Reporting Entity, Propell must, amongst other things:

- (1) register with AUSTRAC and provide prescribed enrolment details within 28 days of providing or commencing to provide a Designated Service;
- (2) carry out an assessment of any AML/CTF risks in its business, having regard to customer profiles, jurisdictions and specific product/channel risks;
- (3) adopt and maintain an AML/CTF program that complies with the AML/CTF Act and is overseen by the Board to manage AML/CTF risks;
- (4) undertake customer due diligence (including identification and verification) prior to providing a Designated Service, including applying customer identification procedures to all its customers, also known as 'know your customer' (**KYC**) procedures and continuing to monitor customers and their transactions throughout the customer's lifecycle;
- (5) appointing a person at the management level within the reporting entity as the AML/CTF compliance officer, responsible for managing compliance with the AML/CTF obligations;
- (6) monitor transactions to detect unusual activity and report on these to AUSTRAC; and
- (7) submit an annual compliance report to AUSTRAC.

(b) Australian Prudential Regulation Authority

The Australian Prudential Regulation Authority (**APRA**) regulates the banking industry and ensures participants comply with the *Banking Act 1959* (Cth). The Company is not licensed by APRA. The Company considers that it is not currently required to be regulated by APRA as it does not participate in securitised lending or hold deposits on behalf of Propell Customers, and is therefore not subject to ongoing supervision.

APRA has existing powers to make rules addressing the financial stability risks introduced by non-ADI lenders. While no active regulation of non-ADI lenders is currently mandated, APRA may choose to use this power and impose rules where it considers there to be a risk to the stability of Australia's financial system. This may include a requirement to hold minimum levels of capital to support lending activity, or restrictions on specific types of lending activities.

If the Company's business activities change, or laws, rules, or regulations change, Propell may be required to meet different obligations, depending on the scope of these changes.

(c) Corporations Act

The Corporations Act sets out a number of key areas of law that apply to participants in the financial technology industry. These include:

- (1) Australian Financial Services Licence (**AFSL**). Many participants in the financial services industry are required to hold an AFSL. This requires such participants to comply with a range of obligations relating to disclosure that must be made to clients, dispute resolution processes, compliance arrangements etc. As the Company currently does not itself provide any transactional or processing products, but rather these services are entirely outsourced, the Company's Processors holds the required AFSL and therefore the Company believes that, based on its current activities, it is not required to directly hold an AFSL. In respect of the Transactional Product (see section 8 below) provided to Propell Customers, the Processor holds the required AFSL;
- (2) Financial product disclosure: The Corporations Act regulates what forms of disclosure must be made when financial products are offered. The Company is not required to prepare any product disclosure statements (as defined in Chapter 7 of the Corporations Act) in connection with its current Platform; and
- (3) Australian Credit Licence (**ACL**): Certain kinds of credit contracts require Australian credit licences to be held. The Company considers that it is not currently required to hold an ACL as it is not a provider of consumer credit activities for personal, domestic or household purposes for a fee.

If the Company's business activities change, or laws or regulations change, it may be required to re-assess its obligations, including the requirement to hold an AFSL or ACL, depending on the scope of these changes.

(d) Unfair Contract Terms

If certain terms in a contract to which the legislation applies are found to be unfair, the Australian Consumer Law protects small business from unfair terms in standard form contracts (**UCT**). This includes contract where at least one party is a small business. The Company considers that it is in compliance with UCT requirements.

In 2016, section 23 of the ACL was extended to protect small business from unfair terms in standard form contracts. The change was also reflected in the equivalent Section 12BF of the *Australian Securities and Investments Commission Act 2001* (Cth). The revision required online business lenders to review their standard form contracts, and to ensure compliance by 12 November 2016.

If terms are found to be unfair, they are void and cannot be relied upon. As part of a broad industry-wide review, ASIC has been reviewing standard form small business lending contracts. As part of that review, ASIC issued Report 565 Unfair contract terms and small business loans in March 2018, which outlined the changes that the four major banks had made to their small business loan contracts, to reduce the risk of non-compliance with the unfair contract terms law.

In light of, the recent regulatory focus of these requirements Propell conducts regular reviews of its loan contract terms against UCT requirements.

(e) Privacy Act

The *Privacy Act 1988* (Cth) (**Privacy Act**) regulates the collection and use of personal information. The Privacy Act outlines thirteen Australian Privacy Principles which apply to private sector organizations. It regulates the privacy component of consumer credit reporting system, tax file numbers and health and medical research.

Propell is regulated by the Privacy Act, including the Australian Privacy Principles, with respect to credit reporting and the collection, storage and disclosure of personal information. Propell's obligations include:

- (1) collecting, using, disclosing, managing and dealing with personal and sensitive information in line with the Privacy Act;
- (2) complying with the Australian Privacy Principles;
- (3) taking reasonable steps to protect personal information from unauthorised access or disclosure;
- (4) having and publishing a privacy policy as well as implementing practices, procedures and systems to mitigate privacy risk; and
- (5) adhering to mandatory reporting obligations under the notifiable data breach scheme (to the Australian Information Commission and individuals).

4. Industry Background

(f) Australian Financial Complaints Authority

The Australian Financial Complaints Authority (**AFCA**) scheme commenced on 1 November 2018. As a customer complaint body, AFCA offers an independent dispute resolution service for financial services complaints from small businesses and consumers. AFCA replaces the Financial Ombudsman Service and the Credit and Investments Ombudsman, as well as the Superannuation Complaints Tribunal. The Company, through its subsidiary, Business and Capital Pty Ltd, is a member of AFCA.

(g) Australian Finance Industry Association (AFIA) Online Small Business Lenders' Code of Lending Practice

The AFIA Online Small Business Lenders Code of Lending Practice (**Code**) has been in effect since 30 June 2018 with signatories required to demonstrate compliance by 31 December 2018. The Code sets out a series of obligations for the provision of online small business loans, including:

- (1) Loan summary: Provision of a clear, concise loan summary sheet with every loan contract, including key features of the loan contract in non-technical language;
- (2) Standard pricing comparison document: Provision of a standardised pricing disclosure tool including key metrics such as the loan amount, disbursement amount, total repayment amount, term, total cost of credit, annual percentage rate and total interest percentage;
- (3) Dispute resolution: Code signatories must adhere to prompt and fair resolution of complaints, including providing Customers with access to internal and external dispute resolution processes (such as the AFCA);
- (4) Legal and regulatory compliance: Signatories are required to attest to adherence with relevant legislative and regulatory guidelines such as the ASIC Act including in relation to unfair contract terms, the Privacy Act and Anti-Money Laundering laws; and
- (5) Assessment of financial circumstances of applicant: Before providing a loan, Signatories must form the view that an applicant has the capacity to repay, by assessing information provided by the applicant in response to inquiries.

The Company considers that its operations are in compliance with the Code.

(h) ASIC and the ACCC's Debt Collection Guideline: for collectors and creditors

Collection activities must adhere to the requirements of the Privacy Act regarding the handling of a customer's personal and credit information as well as other consumer protection laws such as the ASIC Act and Australian Consumer Law. There is also ASIC Regulatory Guide 96 Debt Collection guideline, jointly developed by the Australian Competition and Consumer Commission and ASIC, which provides guidance on what should and should not be done to minimise the risk of breaching Commonwealth consumer protection laws that may apply when undertaking debt collection activities.

4.7 Key recent developments

(a) Royal Commission

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was established in December 2017 to investigate misconduct in the banking, superannuation and financial services industry in Australia. The Commissioner's final report was published in February 2019, along with the Australian Government's response to the Royal Commission's recommendations.

The Australian Government has committed to take action on the Royal Commission. It has implemented or commenced implementation action in relation to a number of the recommendations directed to it and released an Implementation Roadmap in August 2019 indicating indicative timelines for the implementation of recommendations and additional commitments.

Of relevance to the Company were recommendations related to small and medium-sized enterprise lending, which include:

- (1) expansion of the definition of a small business to include any business with less than 100 full-time equivalent employees where the loan applied for is below A\$5 million;
- (2) no extension of consumer credit laws under the *National Consumer Protection Act 2009* (Cth) to cover small businesses;

- (3) no changes to existing guarantor laws in relation to owners or directors of small business; and
- (4) a paper was released on Credit for Small Business. The recommendations of the paper suggested more specific requirements for entities assessing a customer's ability to repay a loan. Propell may have to extend its credit assessments beyond just the business and on to the individuals.

(b) APRA

The powers held by APRA apply to registerable entities with Financial Sector (Collection of Data Act) 2001 (FSCODA). The Company is not an entity registered with FSCODA. However, APRA has existing powers to make rules addressing the financial stability risks introduced by non-ADI lenders. While no active regulation of non-ADI lenders is currently mandated, APRA may choose to use this power and impose rules to ensure the stability of Australia's financial system.

The Productivity Commission Inquiry Report Competition in the Australian Financial System was handed to the Australian Government on 29 June 2018 and tabled on 3 August 2018. In the report, the Commission criticised the lack of competition in the Australian financial services market and made recommendations including:

- (1) banning interchange fees and investigating whether regulation of Merchant Service Fees is necessary;
- (2) mandating least-cost routing;
- (3) adjusting risk weightings applied to SME lending not secured residentially;
- (4) designating a 'Competition Champion' among financial regulators (recommending that the ACCC becomes a permanent member of the Council of Financial Regulators); and
- (5) the ACCC undertaking five-yearly market studies on the effect of vertical and horizontal integration on competition in the financial system. The report also highlights that improved access to data under Open Banking may erode the informational advantage of the larger, more traditional banking institutions.

(c) Australian Business Securitisation Fund

In November 2018, the Treasurer, the Hon. Josh Frydenberg MP announced the Australian Business Securitisation Fund (**ABSF**) to unlock a competitive funding source for smaller lenders, allowing them to compete with the major banks and on-lend to small and medium-sized businesses on more competitive terms. The Australian Business Securitisation Fund (ABSF) Act 2019 received royal assent on 5 April 2019. The legislation establishes the ABSF to increase the availability and reduce the cost of finance to small and medium enterprises by making targeted interventions in the SME securitisation market. The ABSF Act also establishes the ABSF special account, credits the ABSF special account with A\$2 billion between 1 July 2019 and 1 July 2023, and provides a framework for investing funds of the ABSF in authorised debt securities. The legislation provides for the first tranche of A\$250 million of funds to be made available for investment by the ABSF from 1 July 2019. The Australian Office of Financial Management (**AOFM**) is currently developing a number of principles to act as assessment criteria against which investment proposals will be evaluated.

(d) ASIC

In December 2019, ASIC held a public consultation process and updated its guidance in respect of the application of responsible lending obligations. Although there have not been changes to the National Consumer Credit Protection Act (**NCCP Act**), the guidance signals ASIC's approach to determining whether automated credit assessment systems meet responsible lending requirements.

The ASIC guidance generally confirms that automated systems (including algorithms and benchmarks based on data inputs from internal and external sources) to assess an applicant's creditworthiness comply with responsible lending obligations. These systems must be tested prior to implementation and retested at regular intervals to ensure the decisions made using the systems are appropriate. In addition, the system must be capable of identifying situations that require further inquiries or verification steps and either completing those additional steps or referring the application for manual consideration, and maintaining a meaningful record of the assessment.

Benchmarks must be up-to-date and realistic figures and periodically reviewed. Buffers should reflect the likelihood that many consumers would be expected to have a higher level of expenses. In addition, enquiries must be made to ascertain whether the consumer has any kinds of expenses that are not included and reasonable steps taken to verify those expenses.

4. Industry Background

In light of these developments, Propell has reviewed its credit assessment processes (including the Credit decision Engine) and considers that it is compliant with the NCCP Act and updated ASIC guidance.

In April 2019, legislation was passed requiring product issuers (including consumer credit providers) to assess the target market for products and ensure distribution is consistent with the determined target market, and giving ASIC powers to intervene in relation to certain financial and credit products, including to prohibit the offering of such products. As at the Prospectus Date, only the product intervention powers in the legislation have taken effect, with the design and distribution obligations expected to take effect at a later date. Following the legislation taking effect, credit providers will need to assess the target market for their credit products and may be required to make changes to the distribution strategy and disclosure documents used to distribute these products to ensure continuous compliance with the updated legislative changes including the anticipated design and distribution changes under the NCCP Act.

As a result of these potential changes, Propell will need to assess the target market for its Lending Product and may be required to make changes to the distribution strategy and disclosure documents used to distribute these products. Propell is required to take reasonable steps to determine its target market and distribute consistently with those determinations and continue to ensure that credit products offered by Propell do not cause significant consumer detriment. Propell intends to monitor this regulatory development and ASIC guidance on the use of these powers to assess any impact of these powers on its business and product expansion plans.

(e) Consumer Data Rights

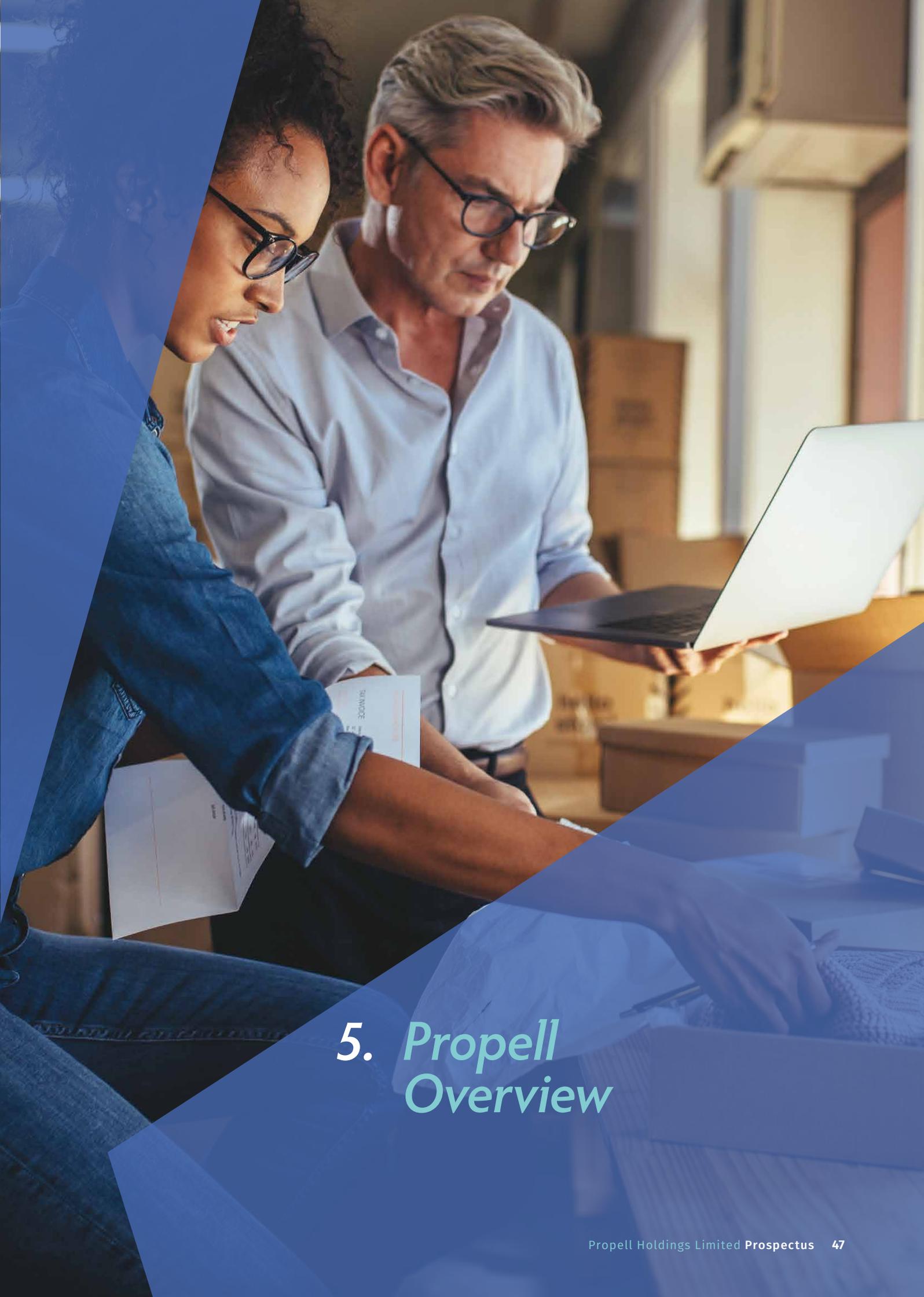
Following a review into Open Banking in 2017, the Australian Government decided to legislate a Consumer Data Right (CDR) across multiple industries. This will provide consumers with greater control over their data and their right to share it with authorised trusted recipients, initially in the banking industry, but then also potentially in the energy and telecommunications industries. The CDR aims to improve the ability to compare and switch between products and services by mandating companies to share product and customer data with accredited third parties at a customer's request, such that those third parties can use the data to provide products and services back to those customers. The aim of the CDR is to encourage competition between service providers and reduce barriers to entry, leading to better customer outcomes and increased innovation. The Treasury Laws Amendment (Consumer Data Right) Bill 2019 was introduced to Parliament in February 2019 but lapsed at dissolution in April 2019. The subsequent submission of the Bill in July 2019 was passed in August 2019. The CDR's application in the banking sector, more commonly referred to as Open Banking, is expected to improve transparency of product and service options across the industry, reduce barriers for new entrants, and facilitate customer choice between an increased set of financial service providers.

(f) Comprehensive Credit Reporting

Since July 2018, ANZ, Commonwealth Bank, NAB, and Westpac have been subject to mandatory Comprehensive Credit Reporting (CCR). CCR goes beyond the previous law and requires banks to share more comprehensive information about individual consumers to licensed credit providers in order to make a more balanced assessment of a borrower's credit history. This information may include: information about an individual's current loans or credit facilities, including the balances, an individual's repayment history and information about an individual's bank and other accounts, including the identity of the institution where the account is held and the number of accounts held. The additional information made available through CCR may allow lenders access to increased disclosure on a small business owners' individual credit information, which could be used as part of the lender's assessment of the creditworthiness of their business.

(g) New Payments Platform

Launched in February 2018, the New Payments Platform facilitates real-time payments in Australia. Specifically, it enables instant settlement of financial transfers between customers, assuming both of their financial institutions are connected to the NPP. The NPP enables a range of additional functionality, such as simple addressing ('PayID') and the ability to affix more detailed description text to each transaction. The NPP has been designed in a manner that will allow for continuing development of new features and services (known as overlays). The NPP is maintained by NPP Australia Limited, which is mutually owned by 13 participating financial institutions, including the four major banks and the Reserve Bank of Australia. Authorised deposit-taking institutions can connect directly to the NPP.



5. Propell Overview

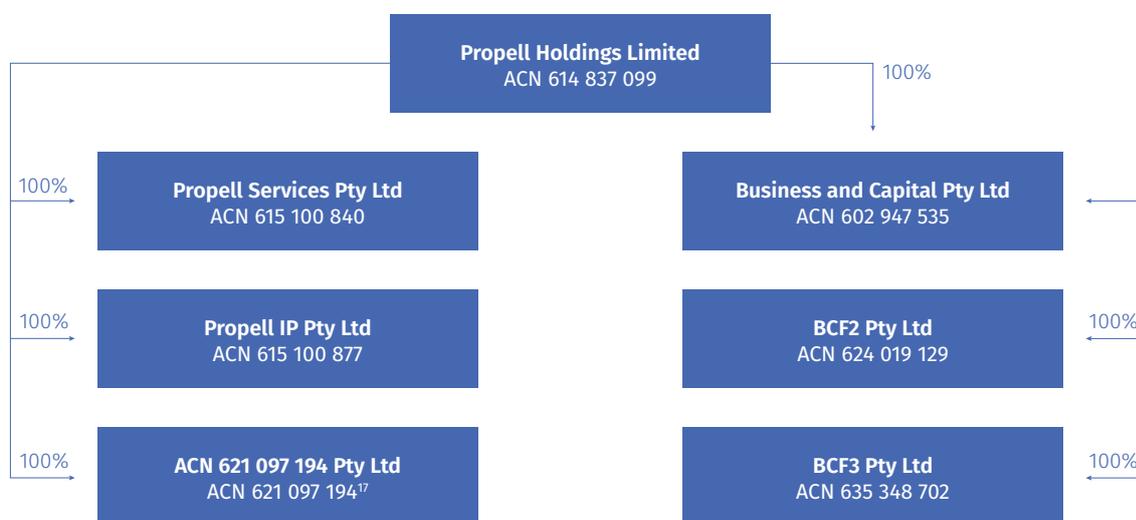
5. Propell Overview

5.1 Who is Propell?

Propell is an Australian incorporated, revenue generating, digital only, customer centric FinTech focused on curating multiple finance products and services for the small business segment.

Propell's purpose is to help its Customers run their business with simple financial solutions. Propell currently provides its Customers with a digital Platform with a number of financial products, comprising the Lending Product and Transactional Product. In the future, the Propell Platform will aim to provide Customers with real time business insights, including sign-up application insights to provide feedback on why the Customer was approved or declined, ongoing business checks, and actionable insights to manage and optimise their cashflow.

Figure 5.1 – Propell Corporate Structure¹⁷



5.2 Vision and Purpose

Propell's vision is to become the leading global digital only finance Platform for small to medium businesses.

While the Company's products and services can meet the needs of the entire small to medium business segment, Propell targets a segment of those small to medium businesses that are not as well serviced by traditional providers (refer to Section 4.5 for a discussion on Propell's competitors).

Through its Propell Platform, Propell allows small to medium businesses to take control of their financial future. Based on feedback from Customers currently utilising the Propell Platform, small to medium businesses want a simple, easy to access and use financial services Platform that allows them to manage and optimise their cashflows.

Traditionally, SMEs have to manage and deal with multiple different providers to access financial products and services. Propell has developed a Platform that brings together a range of financial services and products into one consolidated and easy-to-access Platform.

17. The Company is in the process of deregistering ACN 621 097 194. As at the date of this Prospectus this process is ongoing. ACN 621 097 194 Pty Ltd is a dormant entity and has no assets or liabilities.

5.3 Corporate History

| Year | Milestone |
|----------------|---|
| September 2016 | Business founded and incorporated. |
| November 2016 | Acquired transactional and payments technology. Propell acquired by way of share acquisition, transactional and payments technology. The consideration offered under the acquisition was Propell Shares. |
| January 2018 | Seed capital raising via the issue of convertible notes. Propell raised approximately A\$3 million via the issue of convertible notes to fund product development, working capital and marketing. The convertible notes converted to Shares in January 2019. |
| September 2018 | Completes the acquisition of lending technology through Business and Capital Pty Ltd. In September 2018, Propell completed the acquisition of 100% of the shares in Business and Capital Pty Ltd in exchange for Propell Shares, which founded the Company's Lending Product. |
| March 2019 | Seed capital raising via the issue of convertible notes. Propell raised \$1.5 million via the issue of convertible notes to fund product development, working capital and marketing. The convertible notes converted Shares in October 2020 upon Propell completing its pre-IPO capital raising. |
| Early 2020 | Launches Platform into market which combines Lending Product and Transactional Product. Propell combines its Payment Product with its newly acquired Lending Product into a single platform and branded the Platform under the "Propell" brand name. |
| October 2020 | Completes pre-IPO raising in advance of IPO. Propell raised A\$1.1 million via the issue of Shares to fund customer acquisition and costs of the Offer. |

(a) What does Propell do?

Propell is a technology lead financial services company or "FinTech". Traditionally small business has had to manage and deal with multiple providers to access the same types of services as larger companies. Propell has developed a product to address these inefficiencies through an intelligent digital Platform solution that brings together a range of financial services and products including lending, transactional payments and real time business insights in one Platform.

The Company has built a digital, cloud based, open API and data driven proprietary Platform. The Propell Platform can be easily accessed via smart device or online. Propell's Platform has been entirely built and is maintained in-house which provides full end-to-end capability across customer acquisition, origination, onboarding, servicing, support, offboarding and internal systems. The Propell Platform aims to be the overarching solution to the inefficiencies faced by SMEs that encompasses Propell's technology and processes. Customers are originated through a single digital application process which connects to various sources of customer data, to ensure a comprehensive and paperless process. Once a Customer is originated to the Propell Platform, the Customer has access to Propell's products and services. Importantly, there is no need to go to a bank branch to print out a form and interact with a human to access the Company's products and services.

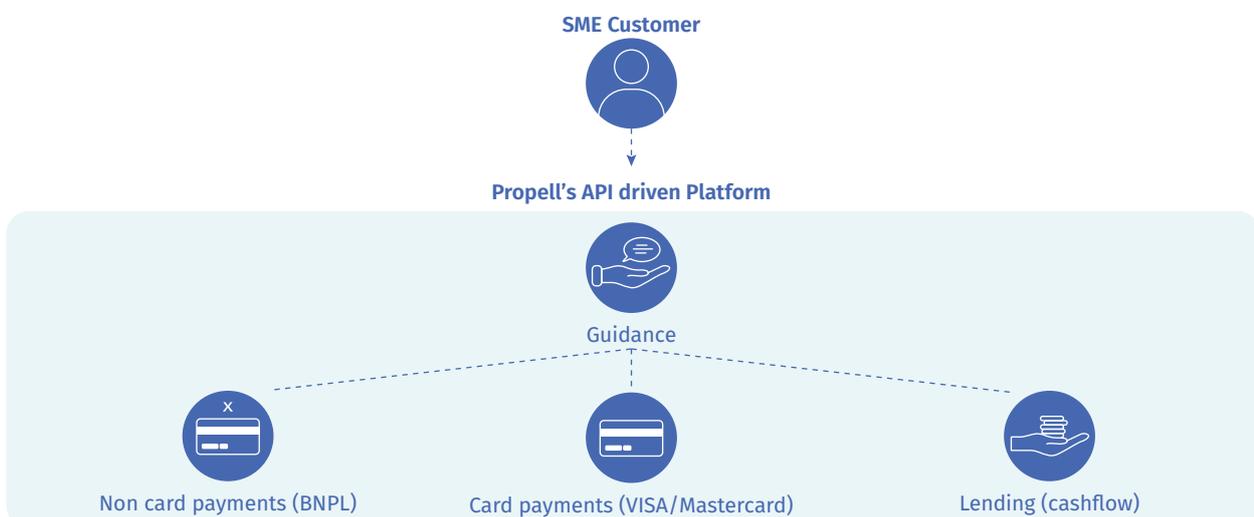
5. Propell Overview

The Propell Platform delivers Propell’s products and services which currently include a proprietary Lending Product and Transactional Product. However, Propell has the ability to integrate with third party providers to offer further products on the Platform which are not proprietary. The Lending Product provides Customers with an unsecured Line of Credit facility up to A\$100,000 with a six-month term to Customers which is facilitated through the product’s Credit Decision Engine. SMEs have been traditionally underserved by banks and have found it increasingly difficult to gain access to capital.

The Transactional Product is a simple and straightforward payments solution. The point of difference is that the Propell product can accept various non-traditional payment methods as well as collecting valuable data from transactions and is then fed real time to an analytics dashboard which Propell’s Customers can then view.

| Propell Offerings | Traditional Bank Offerings |
|---|---|
| ✓ Online and quick onboarding of Propell Customers onto the Platform. | ✗ Long application processes due to the traditional banks’ legacy issues. |
| ✓ Ability to curate financial services and products for Customers. | ✗ Simple offering that provides limited access to choice. |
| ✓ A Transactional Product that can accept non-traditional payment methods such as BNPL providers. | ✗ Typically, Transactional Products offered by banks can only accept standard debit and credit cards. |
| ✓ Immediate loan decisioning via the Lending Product. | ✗ Loan applications can take weeks to be processed and funds can take weeks to show up in a small to medium business’ bank account. |
| ✓ Data rich Platform providing Customers with valuable insights into their business. | ✗ Limited to no value add. Traditional banks often have a very one-dimension service offering. |
| ✓ Proactive Platform identifying problems and areas of interest as they come to light. | ✗ Reactive Platform. |
| ✓ Open API technology is open and flexible to change. | ✗ Banks are restricted through legacy technology stacks. |

Figure 5.2 – Illustration of Propell’s Digital Platform



The products and services available on the Propell Platform currently include:

- (1) The Lending Product, which, subject to the satisfaction of the approval criteria detailed in section 7.5, provides unsecured lines of credit to Customers through its Credit Decision Engine. Small to medium businesses have traditionally been underserved by banks and have found it increasingly difficult to gain access to capital (see Section 7 for further details).
- (2) The Transactional Product, which is a simple and straightforward payments solution for Customers. The point of difference to the Company's Transactional Product is that it can accept various non-traditional payment methods (see Section 8 for further details).
- (3) Business insights data using advances in access to customer data & technology including machine learning and artificial intelligence. This information is fed real time to an analytics dashboard which Propell Customers can view and track how their business transacts with their end customers.
- (4) Over time Propell will connect additional products and services into the Platform (refer Section 5.5 for growth). The architecture of the Propell Platform has been built for multiple products and services to be "plug-in" either proprietary or from third parties.

5.4 Propell's Strengths

(a) Large Addressable and Underserved Market

Small and medium business accounted for over 2 million businesses in the Australian economy and contribute approximately 60% of Australia's GDP¹⁸. The Australian market continues to grow year on year and there is limited support from traditional providers such as banks. This provides a significant opportunity for Propell to target SMEs.

(b) Experienced Management and Board

The Company has an experienced executive team that boasts experience in corporate strategy, capital markets, payments and lending. The Board considers the management team as having an excellent combination of skills to assist the business in achieving its growth objectives. See section 13 for further details.

(c) Modern and Modular Technology

The Propell Platform is built on modern "state-of-the-art" programming as opposed to legacy technology systems. It does not use inflexible code base which can limit development of the Platform. The Propell Platform also uses microservices architecture which allows flexible delivery based on different products, customers, industry and region requirements.

(d) Data Driven Origination and Risk Assessment with Proven Results

Propell uses a data driven approach to originating and assesses the credit risk of Customers. Since early 2018 the Lending Product has approved loans in the value of in excess of A\$16 million to Customers as at 31 December 2020. The actual loss rate over the total loan book is approximately 4.1% which includes the impact of COVID-19. Please see section 7.7 and section 11.4 for further details of loss rate.

(e) Scalable

The technology underpinning the Propell Platform is built to be scalable. The advantages of this include being able to undertake marketing to, and onboarding of Customers with minimal increase in human resources to support growth. The technology underpinning the Propell Platform, requires no payment hardware and as a result can be more easily launched into new jurisdictions.

18. NAB – MTM Whitepaper. NB: Third party information sources have not consented to the inclusion of this statement (or any other statement attributed to them) in this Prospectus.

5. Propell Overview

5.5 Growth Strategy

Propell have a number of key strategic initiatives which will increase the number of product offerings on the Platform to drive Customer growth.

These strategic initiatives are summarised below:

(a) Expansion of lending products

Propell will aim to develop its own new lending products as well as partner with third party alternative lenders who offer differentiated lending products. Instead of developing the technology required for a different type of credit, Propell will partner with these lenders through integrations on the Propell Platform through which Propell can generate revenue. Lending products that Propell is looking to add to the Propell Platform in the immediate term include a 12-month cashflow lending product. The Company has allocated approximately A\$0.2 million for this development.

(b) Expansion of Payment Providers

The Company plans to build out its Transactional Product to allow Customers to accept different payment types.

Increasing the number of accepted payment types will provide Customers with greater flexibility in getting paid. This is to provide more choice to the underlying customers of Customers so they can seamlessly transact with any payment method. This includes BNPL and new digital payment methods. The Company plans to connect a greater number of third parties throughout the Platform which will empower Customers to improve their user experience with their end customer. The Company has allocated approximately A\$0.15 million for this expansion.

(c) Enhancing development of finance insight tools

Propell will also continue to invest in technology and its Platform to increase its value proposition to Customers. Propell will continue to develop the Platform and target the ability to generate automated actionable insights to manage and optimise their cashflow. Current initiatives in development include:

- (1) Sign-up application insights to provide feedback on why Customers were approved or declined, to assist the Customer make changes to manage and optimise their cashflow;
- (2) Ongoing business health check to provide average deposit trends, future cashflow issues and peer benchmarking; and
- (3) Actionable insights to assist with Customers with improving their financial position in the most effective and efficient way.

The Company has allocated approximately A\$0.15 million for this initiative.

(d) International Expansion

While the Company's current operations are limited to the Australian market, the user-friendly interface and availability of features of the Propell Platform has the potential for application to other international jurisdictions, in particular those markets which are supportive of the adoption of smartphone applications and technical innovation.

Propell will assess entry into new markets over the medium-to-long term on a case-by-case basis. Overseas expansion would involve potential barriers to entry including regulatory requirements, different banking methods, different competitors and different commercial and retail practices which the Company will need to assess when considering an entry into those markets. Overseas expansion may require updating or the modification of the Propell Platform or proposed future products to meet market conditions in those jurisdictions. Propell's current priority is the development of its current Propell Platform for the Australian market.

The Company has allocated approximately A\$0.1 million for this strategy.

5.6 Material Risk Management

The key material risk categories in our Risk Management Framework includes strategic risk, credit risk, operational risk, and compliance risk.

| Risk | Description |
|------------------|---|
| Strategic Risk | Strategic Risk as presented by the business environment Propell operates in. The strategic choices and the ability to execute on these strategies will influence the success of the business. There are no formal policies that govern strategic risk, however, there is ongoing strategic planning that governs the development and management of Propell's strategy. |
| Credit Risk | <p>The goal of credit risk management is to ensure Propell adequately balances the rate of return and credit risk exposure of its Loan Book.</p> <p>There are credit policies and procedures in place when assessing applications for lines of credit. The assessment of these risks is conducted by the Credit Decision Engine which gathers data, synthesises it and then makes a decision to an applicant.</p> <p>The interest rate the Customer pays when they make a drawdown is determined by a matrix utilising a calculated Risk Tier and their credit score.</p> <p>The Loan Book is managed to ensure collection policies are adhered to.</p> |
| Operational Risk | Comprehensive policies are in place in the Company to help identify problems early and then implement succession plans to ensure business continuity. |
| Compliance Risk | <p>Propell is committed to complying with all internal and external obligations.</p> <p>We have appropriate policies and procedures in place to comply with all applicable laws and regulations, including the AML/CTF Act and Australian Consumer Law. See section 4.6 for further details.</p> <p>We are a technology company and understand the risks in being a digitalised lending product provider which holds customers information and the associated cyber risk. We place a high importance on ensuring the safety of customer information and network security.</p> |

5.7 Propell's Customers

The Propell Platform aims to achieve growth by focusing on SMEs within two specific target markets:

- (a) SMEs that are currently not serviced by the traditional banking sector:
 - (1) General trading history of between 12 months and 60 months; and
 - (2) Looking to improve cashflow by increasing payment acceptance as well as access to working capital.
- (b) Established SMEs
 - (1) Immediate requirement for working capital (ability to purchase materials or stock, equipment, marketing collateral); and
 - (2) Can be serviced by the traditional banks but the typical application and credit assessment Geographic Distribution.

Customer take-up by Australian state has been proportionate to the general Australian population distribution. The figure below outlines the current Customer split by geography.

5. Propell Overview

Figure 5.2 – Propell Customer by Geography¹⁹

Propell have a diverse customer base by geography with the majority of Propell’s customers being in NSW, VIC and QLD.

Propell Customers by State

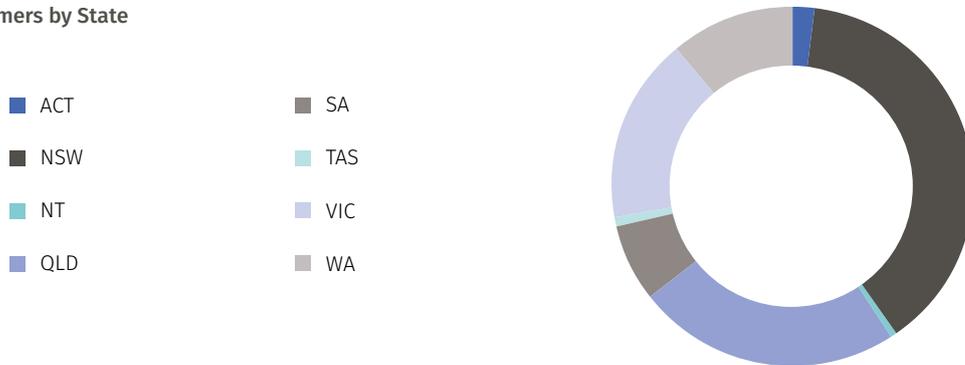


Figure 5.3 – Propell Customer by Industry

Propell has serviced small and medium businesses from more than 25 industries.

Propell Customers by Industry

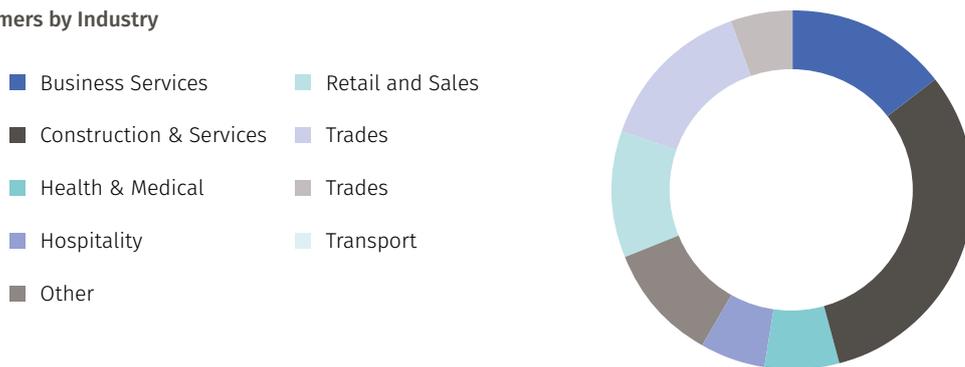


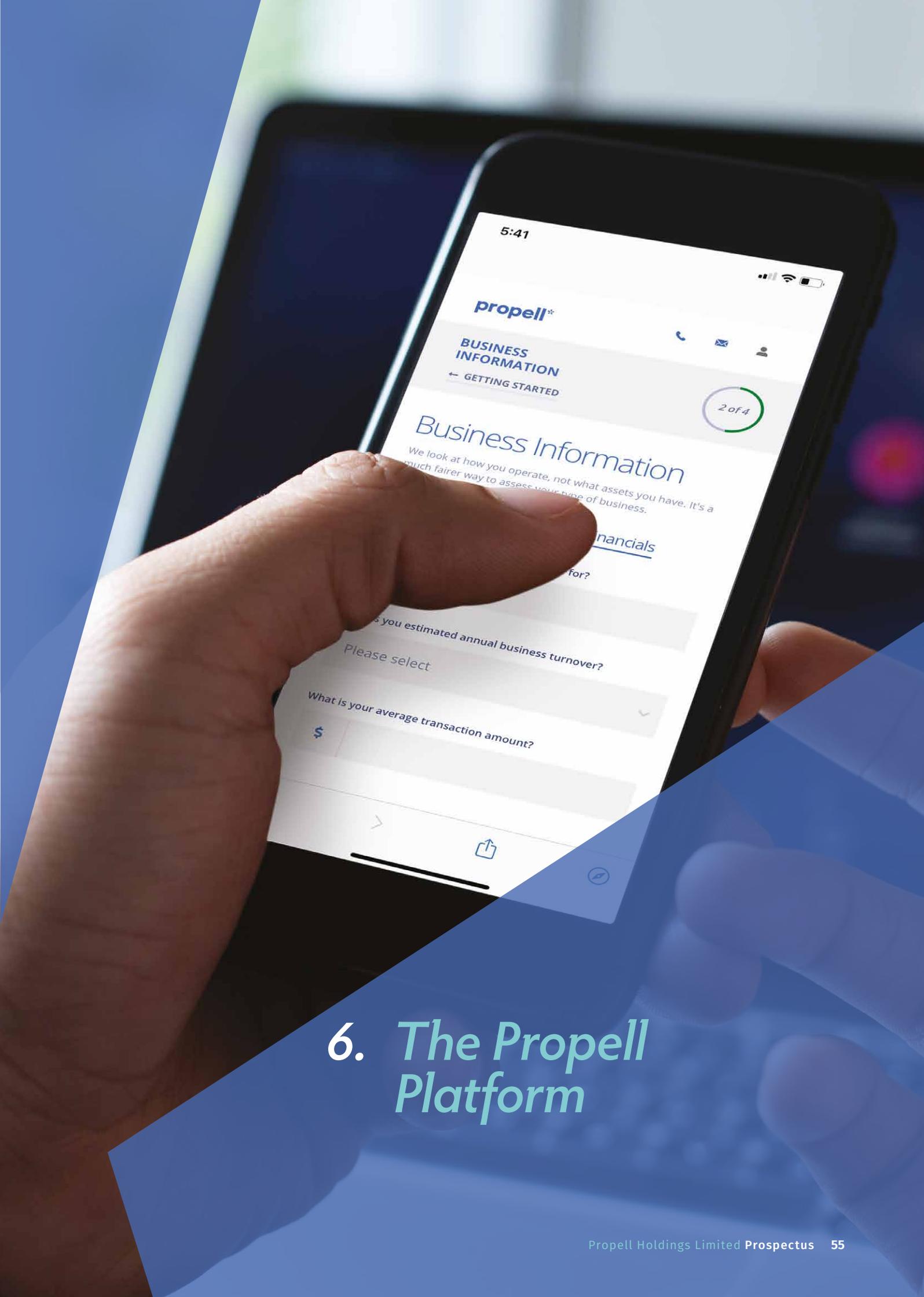
Figure 5.4 – Propell Customer by Operating Duration

Propell has a diverse customer base by operating duration with the majority of Propell’s customers operating for 3 years or more.

Propell Customers by Industry



19. Customer data as at 21 February 2021.



6. The Propell Platform

6. The Propell Platform

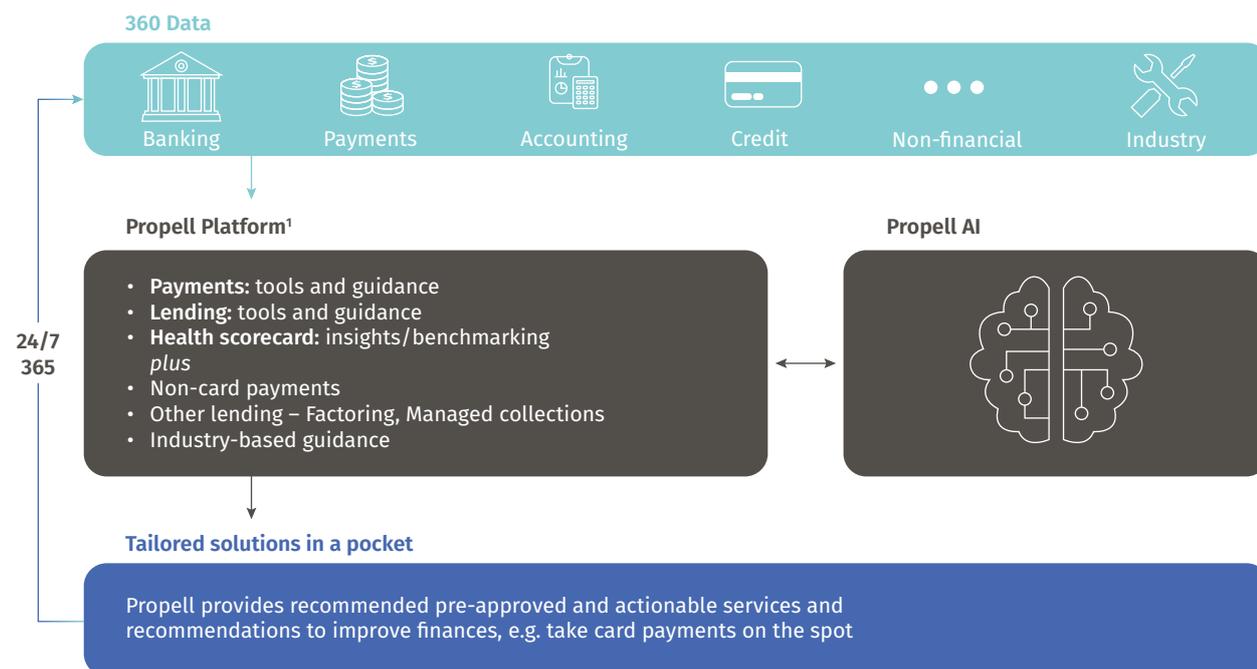
The Company has built a digital, cloud based, open API and data driven proprietary Platform. The Propell Platform can be easily accessed via smart device or online. The Propell Platform has been entirely built and is maintained in-house which provides full end-to-end capability across customer acquisition, origination, onboarding, servicing, support, offboarding and internal systems. The Propell Platform aims to be the overarching solution to the inefficiencies faced by small business that encompasses Propell's technology and processes. Customers are originated through a single digital application process which connects to various sources of customer data, to ensure a comprehensive and paperless process. Once a Customer is originated to the Propell Platform, the Customer has access to Propell's products and services. Importantly, there is no need to go to a bank branch to print out a form or interact with a human to access the Company's products and services.

The Propell Platform delivers Propell's products and services which currently include a proprietary Lending Product and Transactional Product. However, Propell has the ability to integrate with third party providers to offer further products on the Platform which are not proprietary.

6.1 Propell Platform Overview

The Propell Platform provides an overarching solution that encompasses the Company's technology and processes. The Propell Platform is cloud based, API driven and combines a number of technology enabled financial solutions for its Customers.

Figure 6.1 – Illustration of the Propell Platform



Note:

1. Health scorecard feature in final development.

6.2 Platform Features

| Feature | Description |
|--|---|
| Single Customer Touch Point, 100% Digital Application, Automated Contracting and Term Acceptance (in market) | The Propell Platform offers a simple and quick onboarding process which has a single touch point and an application process which is 100% digital. The Propell Platform provides for automated contracting and term acceptance from the customer. |
| Risk Management Processes Enhanced by Data Capture and Analysis (in market) | The Propell Platform captures numerous data points to provide its Customers with insights into their own business. However, this data can also be leveraged for Propell's own risk management processes to ensure it is minimising risk when onboarding Customers and lending funds. |
| Scalable, Extensive and Micro-service-based Infrastructure (in market) | The Propell Platform has been built-in house and has been developed in a way that provides ultimate flexibility, multi-redundancy and is instantaneously scalable. |
| Integrated CRM (in market) | The Company has a deeply integrated CRM capability stitching together all components in the Platform for single-Customer view. |
| Business Insights (ongoing development) | <p>Propell is developing tools to guide Customers to manage their money simply and quickly. Propell is leveraging the 360 degree assessment to deliver on financial insights capability.</p> <p>The Propell Platform will act as an automated finance manager allowing Customers to be able to plug in their data and develop a tailored overview of the business and its characteristics:</p> <ul style="list-style-type: none"> • Suggest pre-approved tools, services, and actions that Customers can take immediate action on; and • Continue working 24/7/365 to understand the business and suggest improvements. |

6.3 Propell Platform Value Proposition

| Value Proposition | Description |
|--|---|
| Simple, fast, and secure online application | There is a simple online application (origination) which can be completed in less than 10 minutes. |
| Fast decision | A decision is almost immediate for the Lending Product, and only a few days for the Transactional Product. |
| More comprehensive (and paperless), insightful and fair assessment | A deeper analysis is achieved since assessment is performed using live digital ID and banking data. |
| Ability to provide useful business insights | The business analysis is performed initially during assessment, but this functionality will continue to develop over time which will provide Customers with useful business insights. |
| Opportunity for future approval | Ongoing analysis can enable Customers, previously not yet qualified, to become eligible for approval at a later date. |
| Focus on customer satisfaction | There is a friendly Australian based contact centre with a focus on customer satisfaction. |
| Customer portal and native mobile applications | A portal (dashboard) and mobile apps allows the Customer to provide an in-depth summary of their Line of Credit and payment status. |

6. The Propell Platform

6.4 Customer Experience

The Propell Platform has a simple and quick onboarding process allowing Customers to utilise Propell's core offerings including the ability to gain access to funding or transact with their customers. Propell's Customer experience includes:

(a) Easy and fast application and decision

- (1) **Origination** – Seamless origination process via the Propell Platform as shown in Figure 6.3.
- (2) **Decision/Approval and Onboarded Timeframe** – Immediate decisioning for the Lending Product and a few days to be approved onto the Transactional Product.
- (3) **Funded and Active** – Subject to the satisfaction of the approval criteria detailed in section 7.5, Customers of the Lending Product can be onboarded and have funds drawn in their bank account within a couple of days. Customers can be onboarded onto the Transactional Product within days compared to up to weeks with banks.

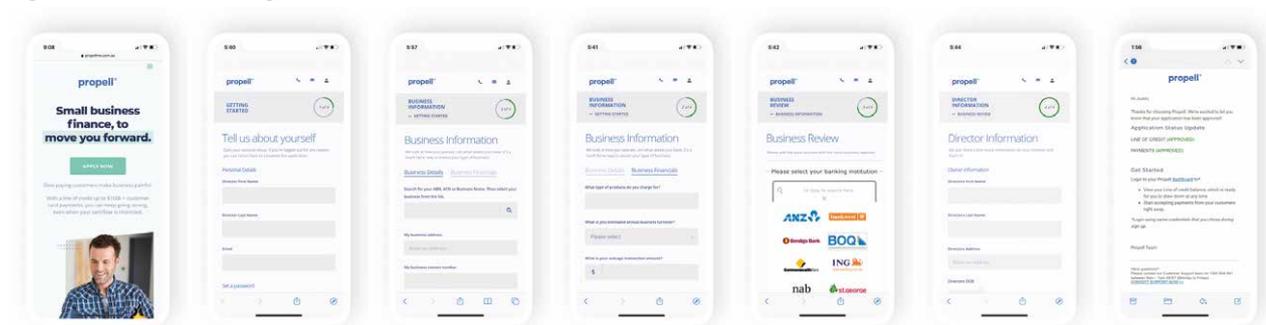
(b) Paperless application

Propell's digital KYC and AML process means no paperwork is required from the Customer.

(c) Leading Customer Support Team

The Propell Platform is automated which minimises the requirement of human support. However, Propell have a customer support team which are "first rate" to ensure our customers are supported.

Figure 6.3 – Onboarding Process



6.5 Intellectual Property

Propell has developed its own proprietary technology using contemporary and proven technologies and are partnered with best-in-class technology providers.

The Propell Platform is built on the following key principles:

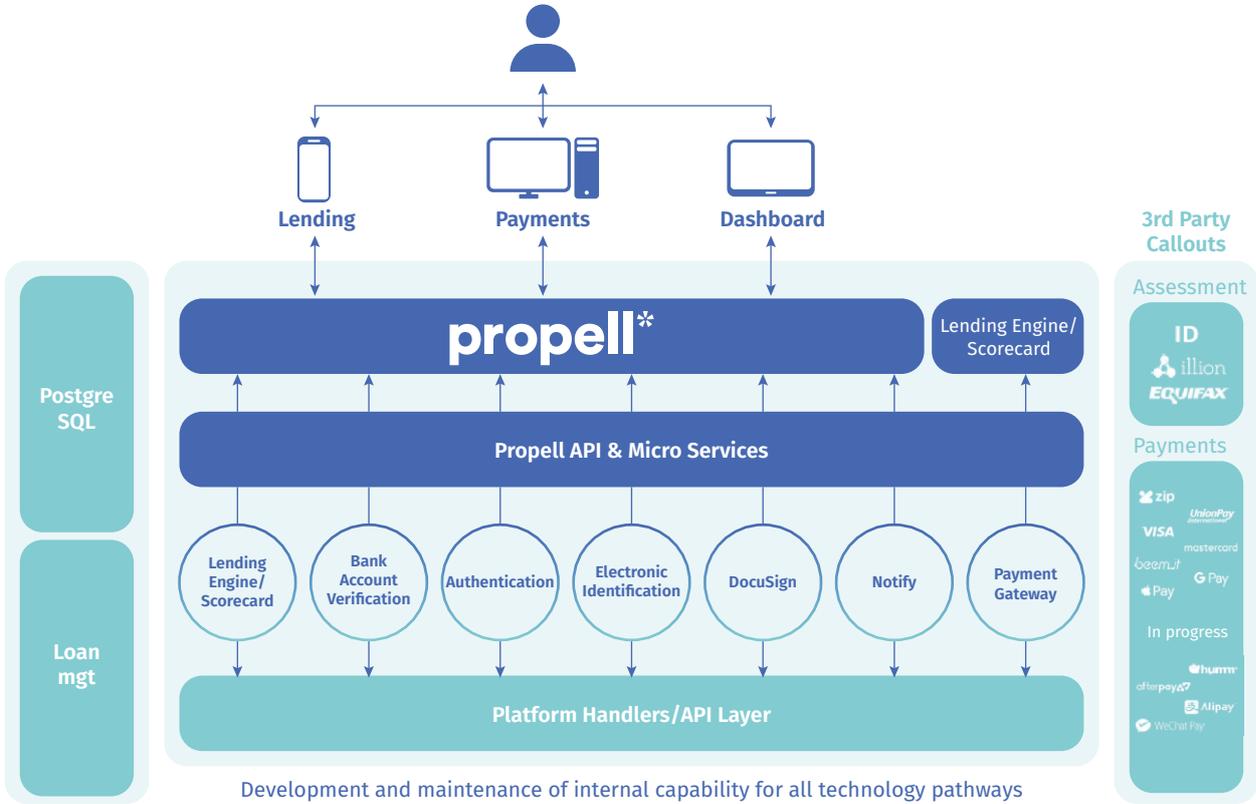
- (a) Customer experience lead thinking in developed technology solutions;
- (b) Enabling architecture through the use of modularisation and services flexibility options;
- (c) Open integration, simplifying and streamlining integration needs;
- (d) Security first mindset in delivered solutions;
- (e) Ensure continual and where possible automated data driven decisioning improvements for customer onboarding and credit decisioning; and
- (f) Agile and flexible to rapidly build or reconfigure products and services.

The Propell Platform comprises of internally developed and specific configured Salesforce solution hosted on Amazon Web Services (AWS) cloud-based technologies. The infrastructure is based upon a microservice architecture to support scalability and speed which allows Propell to align costs and service to support Customers demand through AWS dynamic scaling up and down technologies.

The core technologies that support the Propell Platform are:

- (a) React JavaScript – supports customer centric and fully responsive origination and dashboard interfaces;
- (b) Swift and Java/Kotlin – Native mobile application technologies for iOS and Android exploiting full capabilities of the mobile devices for Customers;
- (c) Ruby on Rails – Delivers our integration/API layer of the Platform;
- (d) Auth Identity and Authorisation – Best of breed security approach;
- (e) PostgreSQL – Core data layer; and
- (f) Salesforce – CRM, loan origination engine, servicing, and collections.

Figure 6.4 – Illustration of Propell’s Platform Architecture



Agile development

Propell utilises proven agile development methodologies to deliver new products and services to Propell Customers. The Propell Platform is integrated with the operations of the business allowing Propell to rapidly build and or reconfigure capabilities to enable Propell to execute on its growth strategies while also increasing the speed of value delivery.

Trademark application submitted

The Company has applied for trademark protection of the Propell logo in Australia. Once registered, the trademark will be capable of renewal indefinitely for as long as it is used. Any future expansion into new international markets may risk conflict with other similar or competing trademarks, which may require the Company to consider rebranding the Propell Platform and products in those jurisdictions.

The Company has registered the domain name www.propellme.com and various other domains relating to the brand.

The Company’s intellectual property is otherwise generally protected by copyright and trademark laws, and by contractual and common law confidentiality obligations in Australia.



7. Lending Product

7. Lending Product

7.1 Overview

Subject to the satisfaction of the approval criteria detailed in section 7.5, the Lending Product provides Customers with an unsecured Line of Credit facility up to A\$100,000 with a 6-month term utilising the credit assessment capabilities of Propell's Credit Decision Engine.

7.2 Product Features

The credit facility provided to Customers through the Lending Product has the following key terms:

| | |
|--|--|
| Purpose | Assist Customers with working capital and growth initiatives by providing short term funding. |
| Loan Type | Line of Credit. |
| Principal Amount | A\$2,000 to A\$100,000. |
| Loan Term | 6 Months. |
| Repayment Terms | Customers agree under the Customer Finance Agreement, a pre-agreed repayment schedule. Customers have the flexibility to repay the loans at any time prior to maturity without additional cost. |
| Payment Profile, Rates and Fees | Customers only pay for drawn funds with no line fees. Pricing is based on credit quality with Annual Simple Interest Rate range as low as 16% and as high as 47% on an annualised basis, assuming a Customer borrows twice over a 12 month period ²⁰ . Month 1 and 2 fees are based on credit assessment and range between 2% and 9.75% of drawn funds. The Monthly fee for months 3 to 6 is fixed at 1% per annum or per month of drawn funds. |
| Security | Unsecured. |

Propell's Lending Product has the following key features:

| Feature | Description |
|-------------------------------------|--|
| Credit Models | The Lending Product has a proprietary credit model allowing for immediate loan decisioning where Customers provide the required information. |
| Contract Generation | Contract generation is automated. |
| Loan Management System (LMS) | LMS to manage the Loan Book of the Platform. |
| Automated Marketing Engine | The Marketing Engine allows for a greater understanding of the Customers the Company targets which then assists Propell to acquire and retain Customers. |
| Bank Feed Integration | A third-party partner is used to connect Customers' business transaction accounts with the Platform and these transactions are used as part of the initial and ongoing credit assessments. |
| Collections Engine | The Lending Product has a Collections Engine in place to undertake loan management. |

20. Average Simple Interest Rate is total interest as a percentage of the original loan amount. Simple Interest Rate.

7. Lending Product

7.3 Value Proposition

As set out in detail in section 4.2, small and medium businesses often have difficulty obtaining funding from traditional financial institutions such as banks or otherwise and often cannot quickly gain access to funding to meet short-term requirements.

As a result, Propell has developed a Lending Product that aims to help SMEs quickly gain access to capital. Propell's Lending Product offers the following customer value proposition:

| Value Proposition | Description |
|----------------------------------|--|
| Immediate loan decision | The Company's proprietary technology allows for an immediate loan decision upon application (assuming the Customer provides all relevant information). |
| Line of Credit | Customers are offered a Line of Credit through the Platform which they can draw down on and pay back monthly over a 6-month term. |
| Pay only for what businesses use | Customers will only pay interest on the amount they draw down and not on the total Line of Credit. |
| No security required | Customers are offered unsecured Lines of Credit. |
| Focus on customer satisfaction | Propell has an Australian based contact centre for Customers to contact with a focus on customer satisfaction. |

7.4 Customer Experience

The customer experience can be described through the various phases of credit decision, funding, and collections processes involved in the Lending Product.

(a) Credit Decision

The entire loan decision process is 100% online and automated. The Customer will link their business bank account and other data sources required to assess the application through the Company's proprietary credit decision technology.

The time to an overall decision can be immediate upon submission of the application (provided the relevant data is provided by the Customer). The information is based on access to real time business data and subject to the credit assessment. Approved Customers will qualify for a Line of Credit up to A\$100,000. The size of the loan approved is determined by the Customer's capacity to repay the loan over the 6-month term. The Customer capacity to repay is determined by Company's proprietary Credit Decision Engine. The Customer has the flexibility to draw their approved Line of Credit in minimum tranches of A\$1,000. The size of the facility provided and the applicable interest rate is determined by the Lending Product's technology using a matrix that utilises credit risk factors.

(b) Funding a Customer

An approved Customer can draw down on a Line of Credit the same day the application is approved with transfer of funds taking between 1 to 3 days depending on the bank institution.

When the Customer selects to draw down from their account, the loan agreement is automatically generated and signed electronically. Following a final compliance audit, the funds are submitted to the Customer's nominated bank account.

(c) Collections

Propell has a robust, fair, and automated collections process. The Company has open channels of communication with Customers with a priority to understand their current business challenges and provide them with the assistance they need to meet their repayment requirements. Collections are underpinned by a regular communication strategy prior to and following the Customer's collection due dates. The key features of the Company's collections process include:

- (1) Collections are managed as part of the daily process.
- (2) the Platform has systematic and automated notification communications (via electronic email) in place to update the Customer on the timing for repayments.
- (3) Legal enforcement procedures are in place to be utilised if required.
- (4) Collections are supported by a dedicated and trained collections team.

7.5 Credit Decision Engine Technology

The technology behind the Lending Product provides a simple and digitalised way to access capital. The Lending Product breaks the Credit Decision Engine Process into three sections:

- (a) **Data Collection:** Propell has a network of API connections that capture the applicant's financial institution and their transactional data. This allows Propell to collect a number of data points to help come to a decision on providing credit to a customer.
- (b) **Data Synthesis:** The data points collected are processed and analysed through the Lending Product's proprietary technology.
- (c) **Decision:** After the data is synthesised, the lending decision is determined. A Line of Credit of between A\$2,000 and A\$100,000 is offered to Approved Customers with the interest rate calculation being determined by a matrix utilising a calculated Risk Tier and credit information.

Propell's technology utilises risk-based pricing when assessing the cash flow of a business and this is completed real time by connecting a business' financial applications to the Propell application. It is a proven, scalable, and cloud-based lending technology that has been developed in-house with an end-to-end loan management system. The Lending Product's loan management system is built specifically to comply with our current and future market lending requirements.

A Customer's Line of Credit and interest rate (applicable to any new loans) are reassessed nightly, and any improvements are automatically available to the customer to draw upon.

Minimum approval criteria include:

- (a) a minimum trading history of 12 months;
- (b) a minimum annual revenue of A\$120,000;
- (c) no unpaid defaults; and
- (d) a minimum average account balance (**ADB**) for the connected business' transaction account.

7.6 Funding Arrangements

The Lending Product is currently supported by a secured loan facility provided by Altor Capital Management Pty Ltd (**Altor**). The key terms of the loan facility (**Funding Arrangements**) are provided in the material contracts section (Section 16.4).

BC Fund 2 Pty Ltd (BCF2) is a special purpose vehicle wholly owned by Business and Capital Pty Ltd (B&C), as subsidiary of Propell. B&C is the originator for entry into Customer Finance Agreements under the Lending Product and the receivable component of the Customer Finance Agreement is transferred to BCF2, with B&C retaining the role of the manager of the Customer Loan Agreements.

7. Lending Product

The loan facility provided by Altor funds the purchase of new loans originated by the Company. Advances may be called upon at any time during the term of the Loan Agreement up to the total of the Loan Amount. There are various conditions precedent prior to the drawdown of funds from the Funding Arrangements and funds must be solely used for the purpose of providing the funding necessary to make payments under a Customer Finance Agreement to a Propell Customer. The Company have obligations to the Lender with regards to how they manage Customer Finance Agreements including collections. Once a receivable has been repaid under a Customer Finance Agreement, Propell must repay the amount to the Lender. For further details on the Facility, refer to Section 16.4.

| Features | Description |
|----------------|--|
| Facility limit | A\$2 million. |
| Maturity | March 2023. |
| Purpose | To fund the loans originated by the Lending Product. |
| Structure | Bankruptcy remote special vehicle. |
| Rate | 13% per annum on funds drawn under the Facility. |

7.7 Default Rates – Creditor and Portfolio Management

Propell have a comprehensive credit policy which includes creditor and portfolio management to reduce risk exposure and default rates. Propell ensures that all applications through the Platform meet current business policy and objectives and ensure there is a reduction in the associated default rates and subsequent action by the collections team, by ensuring only quality applications are approved for funding.

Once a Customer has drawn funds and signed the Customer Finance Agreement, the Propell team is required to complete a number of processes to ensure the business performance is improved or remains at the same at the time of qualification. These checks may include:

- (1) Check the business bank account is authorised for continued assessment of the health of the business;
- (2) Check previous payment history should the customer have an existing loan;
- (3) Check the Tier Rate has not deteriorated since qualifying; and
- (4) Check the business is trading.

If a Customer defaults on their loan, Propell undertakes an enforcement and recovery process. Generally, between the intervals of issuing arrears letters, statutory notices and waiting for prescribed time periods to lapse, the defaulting Customer is given ample opportunity to make arrangements for payment and bring the loan back up to date. When it is determined the defaulting Customers intention is clearly not to pay and no payment plan is made, then an enforcement action will commence to recover funds.

Credit losses occur when Customers do not pay Propell back over the duration of their loan facility. Propell provision for expected credit loss which represents the value of loans written off in a period and the movement in our loan impairment provision over a given period. The Company currently provisions 4.5% of the principal amount to not be recovered. At 30 June 2020, Propell's lifetime Loss Rate was 4.1%. The Loss Rate represents the principal not ultimately recovered on a given cohort, divided by the cohort's original loan principal amount. Our Provision Rate is currently high than the current Loss Rate.

There was an increase of provisions for expected credit losses from FY18 to FY19 as the Company's loan book grew. There was a further increase of provisions of approximately 64% from FY19 to FY20 as the Company took a more conservative approach to the loan book following COVID-19. Refer to Section 11.4 for further details on how Propell recognises credit losses.

7.8 Propell Customer Terms – Customer Finance Agreement

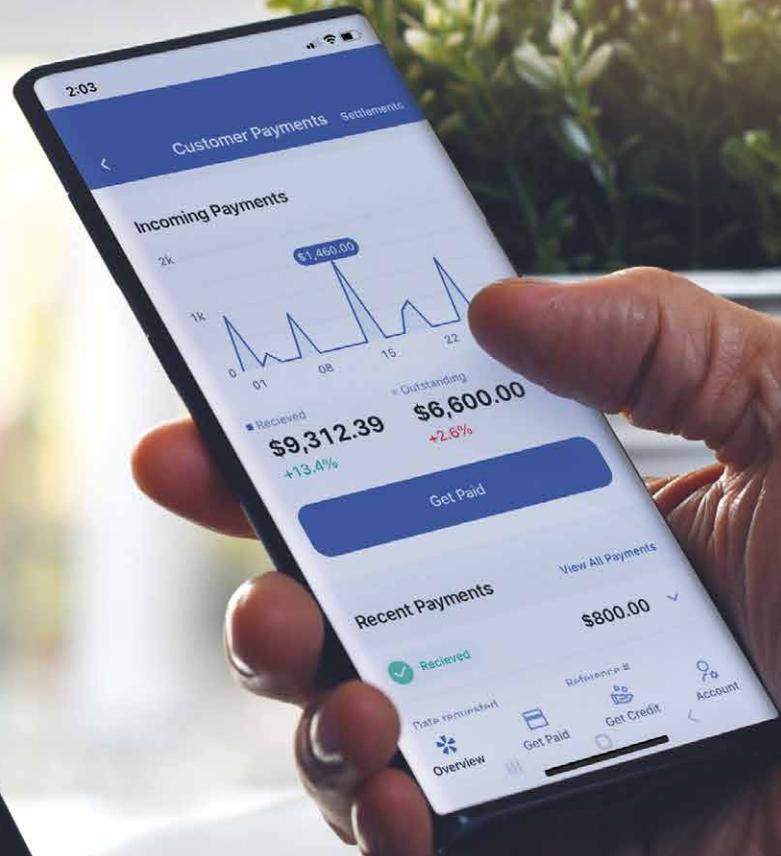
Propell enters into a standard loan agreement (**Customer Finance Agreement**) with every Customer who borrows. The Customer Finance Agreement has a six-month term, and the Customer is required to make minimum monthly repayments. Propell enters into a Customer Finance Agreement with a Customer each time they draw down on funds.

Funding any Lines of Credit under the Customer Finance Agreement is conditional on providing all necessary documentation and evidence being provided by the Customer to Propell to establish the Customer's credit worthiness and obtaining a satisfactory credit report in respect of the Customer.

The Customer warrants that the funds advanced under Customer Finance Agreement will be used by the Customer solely or predominantly for business purposes or investment purposes (other than an investment in residential property) and acknowledges that by making such declarations the loan is treated as a loan to which section 5(1)(b) of the National Credit Code does not apply.

Under the Customer Finance Agreement, the Customer must make minimum monthly repayments together with the monthly fee. Any subsequent Lines of Credit will incur an interest charge thirty days from the date of drawdown of the subsequent loan. All amounts outstanding under the Customer Finance Agreement are due and payable on the final scheduled payment date.

More details in relation to the terms of the Customer Finance Agreement are provided in the material contracts section (Section 16.5).



8. Transactional Product

8. Transactional Product

The Transactional Product is a simple payments solution for SMEs which allows users of the Transactional Product to accept various non-traditional payment methods from their customers and collects data from those transactions which is fed real time to an analytics dashboard. These two key features are the main points of difference of Propell's product offering compared to its competition.

Propell believes that SMEs have been underserved by traditional financial service providers as they often are not being able to obtain merchant services as easily as larger organisations. Propell considers SMEs are being pressured to seamlessly offer all standard payment types to their customers such as card, debit and BNPL and accordingly Propell has developed the Transactional Product to assist SMEs to provide these payment solutions through a simple Platform.

8.1 Transactional Product Features

Propell's Transactional Product has a unique and innovative transactional offering which provides its SME customers with the following:

- (a) a payment solution that enables Customers to accept payments from their customers by way of traditional scheme payments (VISA, Mastercard, AMEX) to alternative payments (for example BNPL);
- (b) an ability to accept payments either through their customer dashboard or request payment from their customers via a secure link on their mobile phone; and
- (c) an analytics dashboard which captures the transactional data and provides this information users of the Transactional Product in real time.

The key features of the Transactional Product are set out in the table below.

| Transaction Product Feature | Description |
|--------------------------------------|--|
| Facilitates Multiple Payment Methods | Platform is built to accept all payment types including credit, debit, BNPL and other forms of digital payments. |
| Analytics Dashboard | Shows the real time data relayed from transactions allowing business owners to understand their customers and evaluate their business more efficiently. Propell's technology compared to standard payment data allows Customers to leverage off this data to make more informed decisions. |
| Paid Next Day | The funds from payments processed through the Transactional Product are paid to the Customer the next business day. |
| Bank Agnostic | Customers are able to link their settlement account with the variety of existing third-party payment processors they use. This allows the ability for multiple payment gateways to be seamlessly integrated through the point of sales system and be integrated into one account. |

8. Transactional Product

Propell’s Transactional Product offers Customer’s the following value proposition.

| Value Proposition | Description |
|---|---|
| Digital, seamless, and quick Onboarding process | Customers are onboarded onto the Transactional Product in days compared to up to weeks with a traditional bank. |
| Can Accept Various Payment Types | <p>The Company will continue to build out its tender strategy, through its Processor partner, but have the following payment types integrated onto its smart device and mobile product:</p> <ul style="list-style-type: none"> • Credit and debit cards • EFTPOS • BNPL (feature in final development and not currently in market) |

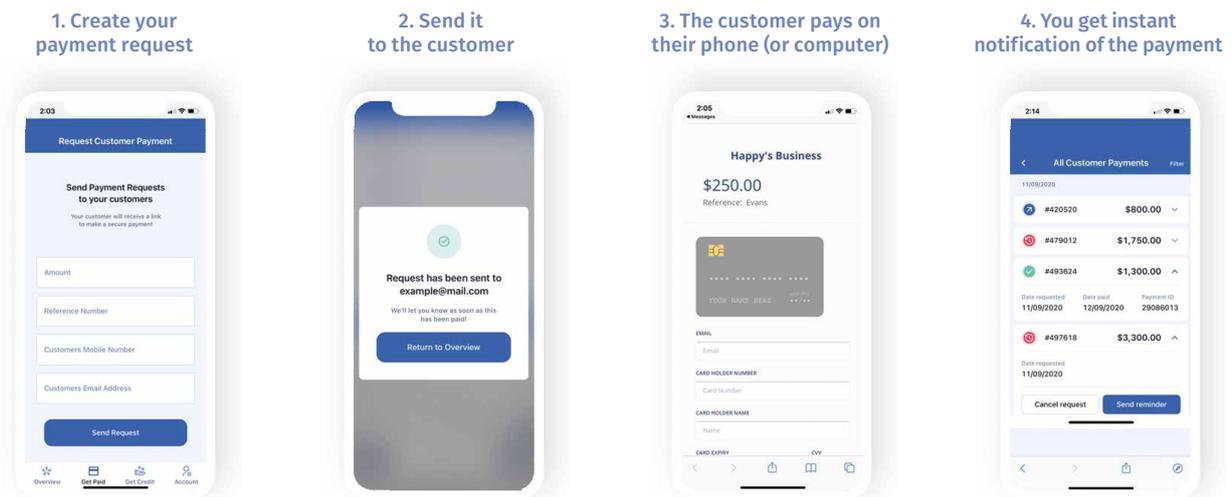
8.2 Customer Experience

As noted above, Customers can be onboarded onto the Transactional Product within days compared to some traditional providers which can take up to weeks. Once using the Transactional Product, Customers are able to facilitate a quick and seamless payment from their own underlying customers through the following methods:

- (a) sending a payment link to their customers, on which they can pay quickly, easily, and securely via a wide range of payment methods, listed above; or
- (b) via phone payments, which can be processed easily and securely via their personalised dashboard.

Propell Customers then also have the ability to manage, follow up and gain insights into their customers payments instantly via the Propell dashboard.

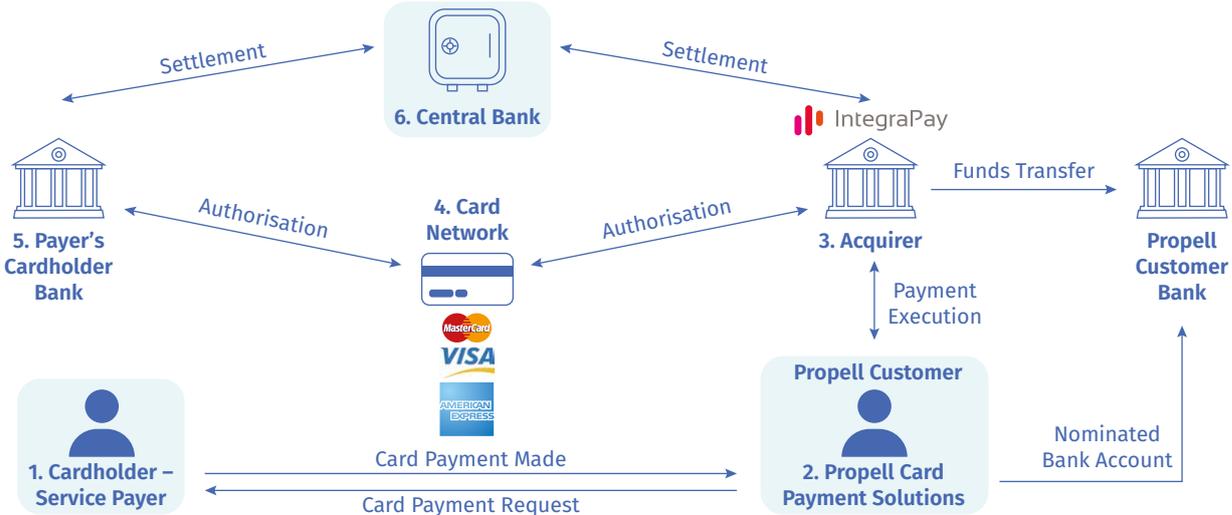
Figure 8.1 – Propell Transactional Product Customer Experience



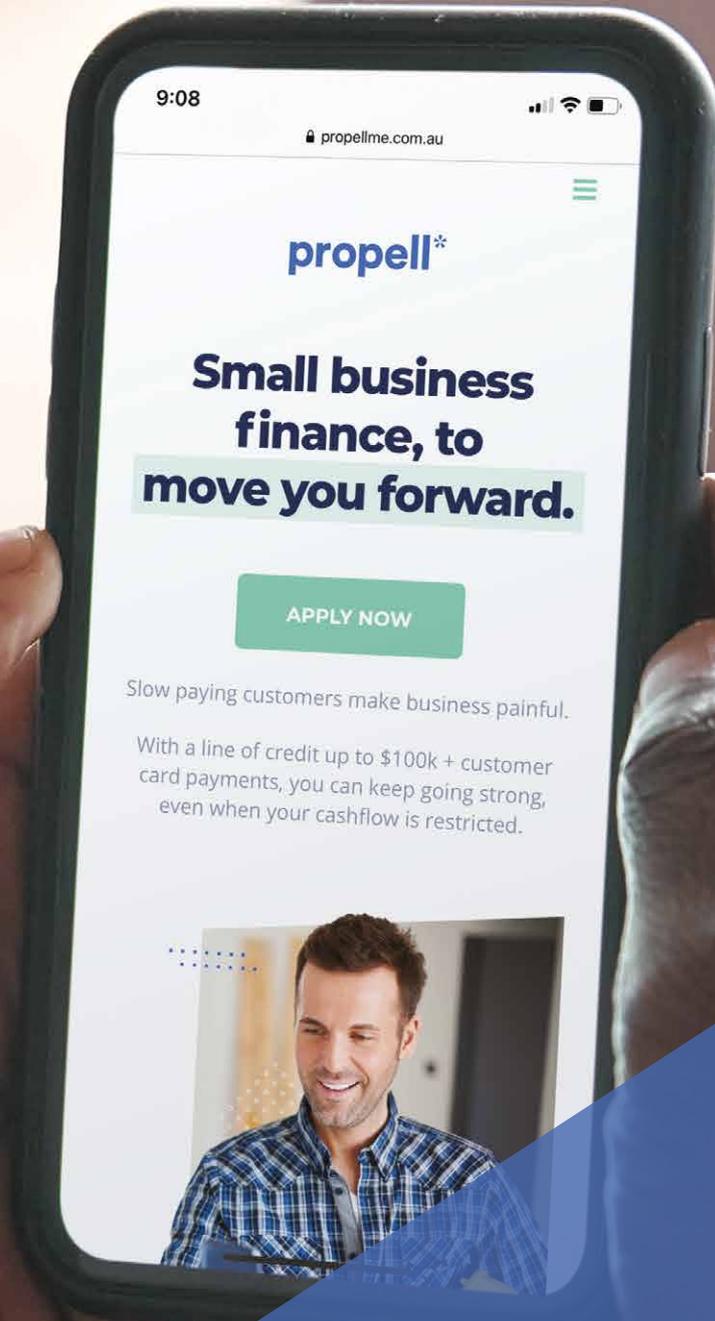
8.3 Card Payments Value Chain

Figure 8.2 – Illustration of Participants in the Card Payments Value Chain

Propell has developed proprietary technology architecture to support facilitation of payments through its Processor. The below image and table set out the key components and process involved in facilitating the payments through the Transactional Product:



| Step | Participant | Role |
|------|---|--|
| 1 | Cardholder | The cardholder will purchase goods and services from merchants (i.e., groceries from a supermarket) and may interact via a number of channels described as: <ul style="list-style-type: none"> • ‘card present’ where a card, mobile phone or any other device containing the card virtually is physically presented and interacts with the acceptance device such as a payment terminal; or • ‘card not present’ where the cardholders’ card details are remotely accepted, such as through eCommerce or a telephone order transaction. |
| 2 | Merchant or SME | Accepts payments from cardholders (see step #1 above with the example of the Grocery store) in exchange for goods and services. |
| 3 | Merchant Acquirer | The merchant acquirer provides the service to the Merchant to be able to accept electronic payments typically via the provision of acceptance facilities such as a terminal or online gateway. The merchant acquirer organises the routing of the transactions to the scheme (step #4) for authorisation with the issuer (step #5). The merchant acquirer performs due diligence on the merchant to mitigate counterparty risk as well as fraud risk. |
| 4 | Scheme | The scheme maintains the rules and connectivity between the merchant acquirers and the issuer. The scheme performs clearing and settlement functions. |
| 5 | Issuer | Issues cards (including debit, prepaid cards, and credit) to cardholders (step #1) as instruments to access funds in the cardholders’ account. Issuers authorise merchant acquirers via the schemes to accept payments from cardholders on behalf of the merchant. |
| 6 | Central Bank (Reserve Bank of Australia) | Enables the transfer of funds to the merchant acquirer from the issuer via the Reserve Bank of Australia’s Information and Transfer System. |



9. *Business Model*

9. Business Model

9.1 Business Model

Propell generates revenue from its Lending Product and Transactional Product which are currently in the market and allow Customers:

- (a) to accept various non-traditional payment methods from their customers and collects data from those transactions which is fed real time to an analytics dashboard; and
- (b) access an unsecured Line of Credit facility up to A\$100,000 with a 6-month term (provided the credit assessment criteria are satisfied).

Propell derives revenue through the transaction fees generated through the Transactional Product and interest payable in respect of funds advanced through the Lending Product.

Further, as part of Propell's growth strategy, Propell proposes to diversify and add to the current revenue model by including Software as a Service (**SaaS**) revenues through the use of the Platform. Under this revenue model Propell would change a monthly fee to Customers to access additional products and services that aren't related to the Lending Product or Transactional Product. These may include but not be limited to Business Insights which is current in development by the Company (refer section 6.2 for further details on the Business Insights feature).

In addition, Propell are seeking to integrate third party lending products onto the Platform where Propell will receive commission-based revenue.

9.2 Revenue Sources

| Item | Description |
|------------------|---|
| Transaction Fees | For every transaction processed through the Transactional Product, customers are typically charged a percentage of the transaction value which ranges between 0.75% and 5%. This range is determined by assessing various factors of a Customer's application including industry, business size, transactional volume, average transaction size and risk profile. |
| Interest Revenue | The Company earns interest revenue from the Lending Product. The fee structure for interest revenue is as follows: <ul style="list-style-type: none">(a) Month 1 and 2 fees (Simple Interest Rate) are based on the credit assessment and can range between 2% – 9.75% of the Principal as a one-time fee depending on credit quality of the Customer.(b) Month 3 to 6 are based on a fee of 1% of the principal per month. |
| Late Payments | If the required payment has not been met by the Customer after 5 days past the due date, the customer will be charged a late fee. |

9. Business Model

9.3 Attributable Costs

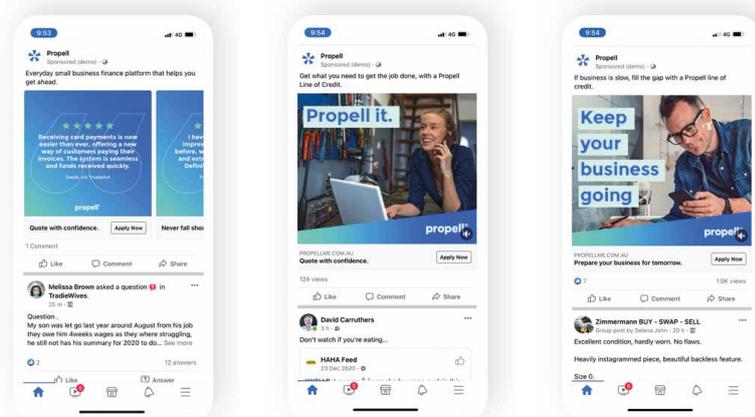
| Item | Description |
|-------------------------|--|
| Interest Costs | The Company incurs costs associated with the Lending Product in regard to the interest expense associated with the Funding Facility, processing and settling loans which are often associated with collections and customer support. The Company also recognises costs for any write off for the losses on loans. |
| Processing Costs | Transactions processed are charged by the Company's partners. These fees range depending on the tender type. |
| Technology Development | The Company is technology focused and will continue investing capital in the development of its Platform to continue bringing innovative solutions to Customers. |
| Advertising & Marketing | These costs are associated in Customer acquisition for the Company through a variety of market channels such as direct, indirect sales etc. |
| Payroll | The Company incurs costs in relation to the payroll for its staff. |

9.4 Go to Market and Customer Acquisition

Propell's go to market strategy to date has involved utilising digital and social channels.

As a digital product, we are focusing on a variety of digital market and social media channels to drive growth and customer acquisition. Propell deploys ads and marketing content on multiple digital channels including social media and other ad networks. The Company drives Customer registrations, through our sign-up process, as well as promoting its brand through boosted posts. Ads and content are tested with different demographics and cohorts to optimise performance and acquisition costs. Digital marketing provides a scalable and wide-reaching customer acquisition channel for the Company. The Company has allocated approximately A\$2m towards marketing and customer acquisition initiatives.

Figure 9.1 – Screenshots of Propell Marketing Campaigns





10. *Risk Factors*

10. Risk Factors

10.1 Introduction

This Section 10 seeks to address the various potential risks associated with an investment in the Company.

An investment in the Company is subject to risk factors which are specific to the Company and its business activities as well as the risks associated with any equity investment by nature. Exposure to any of the risks in this Section 10 may have a material adverse effect on the Company's business, growth prospects, operating and financial performance, financial condition and/or the value of its Shares.

The risks potentially associated with a shareholder's investment in the Company include, but are not limited to, the risks identified in this Section 10. Additional risks that the Company thinks may be immaterial, or are currently unaware of, also have the potential to cause material adverse effects on the Company. Accordingly, the risks identified in this section 10, are not an exhaustive list of risks associated with Propell or the industry in which it operates, or an investment in the Shares either now or in the future.

Potential investors should read this Prospectus in its entirety and be satisfied that they have a sufficient understanding of all matters addressed herein, as well as understanding their own investment objectives and financial circumstances before considering whether the Shares are a suitable investment. Potential investors who do not understand the whole or part of the Prospectus should consult their professional advisers (stockbroker, accountant, lawyer, financial advisor or other independent professional adviser) before deciding whether to apply for shares.

10.2 Business Specific Risks

(a) Customers failing to repay their financial obligations to the Company

The Company's Lending Product derives its revenue and cash flows from interest and any fees owing under the Customer Finance Agreement with the Customer. If Customers delay or do not fulfil their repayment obligations under the Customer Finance Agreement, the Company may experience a decrease in revenue and an increase in expenses (impairment and funding costs), which may result in a decrease in operating cash flows. As a result, the Company's business, growth, financial condition, operating and financial performance as well as the availability and cost of funding may be adversely affected.

Potential reasons why a Customer may not meet their financial obligations to Propell include:

- (1) The Customer's business' financial performance has deteriorated. For example, the business may be experiencing financial difficulty, be insolvent or have low cash flow. Alternatively, the Customers may prioritise other financial payments ahead of their obligations to Propell (for example paying their supplier first).
- (2) The downturn in the general economy may result in a deterioration of the financial health of Customers which may result in their inability to meet their outstanding obligation to Propell.
- (3) Propell may fail to appropriately judge risk in assessing a customer's ability to repay their obligations. This includes the risk that the Company's credit risk assessment process may fail to adequately assess the impact of volatile and worsening economic conditions on credit risk. Consequently, money may be lent to Customers who may be unable to fulfil their obligation and as a result, Propell may have to impair loans reducing their net profit and operating cash flows.

Propell does not require security on loans to Customers and as a result, it may affect the recourse that Propell has against a Customer including the ability to enforce a contract and successfully recover the monies owed by the Customer, particularly in circumstances where third parties have security over a Customer's assets. In addition, pursuing payment from customers through legal claims may not be commercially viable if the outstanding loan amount has less value than the legal costs that may be incurred.

Macroeconomic activities such as an economic downturn in Australia or globally may result in the deterioration of the financial position of Propell Customers, which could lead to borrower default. The ongoing COVID-19 pandemic has led to increased unemployment levels, deteriorating household income and worsening financial performance of many businesses throughout Australia and worldwide. As a result, Propell could experience increased levels of Customer default and bad debt which could impacts it future financial performance. Please see Section 7.7 for further details.

The effect of Customers failing to repay their financial obligations to the Company could have potential flow on effects regarding the Company's ability to repay the Lender. This risk is discussed further below.

(b) Default or breaches under the Company's funding arrangements leading to loss of current available funding

The Company has current Funding Arrangements with the Lender, which requires Propell to comply with certain obligations and restrictions under those funding arrangements. If Propell does not comply with its obligations (whether as a result of its own actions or arising from factors outside of Propell's control), Propell may:

- (1) be unable to draw on the Loan Agreement to originate new loans or extend existing loans;
- (2) be in default under the terms of the Funding Arrangements and be required by Altor to repay any outstanding amounts immediately.

This would have a material impact to Propell's revenue, overall financial position, impact growth and the value of the Shares and potentially Propell's ability to operate. In particular, the Company's ability to offer the Lending Product would be adversely affected.

The Company is actively pursuing potential back-up or replacement funding arrangements should additional or alternate funding be required to operate the business.

(c) Inability to Access Alternative Debt Funding on Favourable Terms

The loss or material limitation to one or more of Propell's funding sources (including the Funding Arrangements with Altor) may limit Propell's ability to write new loans and continue to fund current loans under the Lending Product. If Propell fails to maintain its current Funding Arrangements, the Company would be required to seek out alternative debt funding in order to continue to offer the Lending Product to current Propell customers. Further, in order to expand the Company's Loan Book to new Propell Customers, it will require additional loan funds either from Altor under the Funding Arrangements or from a third party. There is no guarantee that Propell will be able to access alternative funding and accordingly there is a risk that this may have a material impact on Propell's ability to offer the Lending Product.

Additionally, if Propell receives alternative funding, there is no guarantee that such funding arrangements will be on the same or similar terms to the current Funding Arrangement with Altor. In circumstances where Propell is required to enter into alternative funding arrangements which are not considered to be on favourable terms to the Company, Propell's profitability and its ability to provide loans (and therefore generate revenue) in the future may be adversely affected.

In addition, the potential increase in costs of funding and loss of revenue may also mean that Propell's capital requirement may need to increase to fund loans. If Propell is unable to fund loans, existing Customers and new Customers may move to a competitor which may adversely affect the financial performance of the Company.

(d) Defects with Propell Platform and credit assessment tool

The Company is heavily dependent upon computer systems and the Internet to perform its operations. As Propell's products are complex, they may have errors or defects that users identify and experience, which could harm the Company's reputation and business.

Web and App-based products frequently contain undetected errors when first introduced or when new versions or enhancements are released. This may affect the retention of Customers and attraction of new Customers if they experience technical issues and delays in the service being provided. Accordingly, this may impact the financial performance of the Company.

The Company, for the most part, depends on the ability of its Customers to access the Internet. Access is provided by various types of entities in the Internet access marketplace. The Company has little to no control over these entities and has little to no control over its Customer's ability to access the Internet. Should any of these entities disrupt, restrict or affect the cost of access to the Company's products, usage and adoption of the Company's products may decline. This may have an adverse impact on the financial performance of the Company, and adversely impact the reputation of the Company and its products.

Specifically, the Company's ability to provide immediate credit decisions is highly reliant on the uninterrupted operation of its credit process technology. Loss of data is a significant risk for the Company given that it gains multiple data points from the Customer in respect of the operations of a business. These data points can then

10. Risk Factors

be used in the lending business to obtain a more accurate credit risk profile of that business. If Propell cannot gain access to this data, Propell may not be able to make informed credit decisions which may adversely affect the profitability of the loans the Company issues.

Failure in the Company's technology (including any cyberattack or security breach) may significantly damage the Company's reputation, its ability to service customers quickly which is a value proposition for the Company, its ability to make informed credit decisions and its ability to generate new customers as well as retain existing customers. Any of these outcomes may have a materially adverse impact on the Company's business, growth prospects, operating and financial performance.

(e) Future Capital Risk

As a fast growing business, Propell is likely to require additional debt and equity capital in the future to pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances. Propell's growth initiatives include growth of the Loan Book, technology investment, new product offerings, and further funding for the Company's expansion. Whilst some of the proceeds raised from the Offer will be utilised for this, further funding is expected to be required in the medium term. A failure to raise incremental debt and/or equity capital in the medium term could have a material adverse effect on Propell's business, financial condition, operating and financial performance, and/or growth.

(f) Credit Assessment Risks

There is a risk that Propell's credit systems and process will not produce an accurate evaluation of a customer's credit risk. This may be 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.

If the above risks eventuate and the credit assessment is incorrect, this may lead to Customers failing to fulfil their financial obligations. This may have a material effect on Propell's financial performance, its ability to repay funding and ultimately the value of Shares.

(g) Regulatory compliance and changes to the regulatory environment

Propell is subject to a range of laws, regulations and industry compliance requirements in the jurisdictions in which it currently operates. A summary of current regulatory developments in the financial service industry is set out in section 4.6. Failure to comply with laws, regulations and industry compliance requirements (including in other jurisdictions in which Propell may operate in the future), or appropriately respond to any changes, could adversely impact Propell's reputation and financial performance.

In addition, the Company's business activities are subject to laws and regulations including the AML/CTF Act, FSCODA and the Privacy Act. Any failure to comply with applicable laws, regulation or codes of conduct may result in civil penalty proceedings and other legal or regulatory sanctions. Any regulatory change regarding Fee Disclosure could force the Company to explain the cost of its financing products in greater detail. Disclosing sensitive information like this may have an adverse effect on the perception of distributors or borrowers of the cost of the Company's products compared to other products.

The lending industry is also currently under heightened political and regulatory scrutiny, with public demands for service providers to lift standards of compliance. As a result, regulators are showing an increased interest in this industry, and it is expected that either changes to laws, regulations or industry compliance standards will continue.

This environment creates uncertainty around the future regulator treatment of Propell's current and proposed products, practices and procedures. Regulators may also take a different view to Propell on how certain regulations apply to, and the suitability of, Propell's current and proposed products, practices and procedures (including, for example, a requirement to hold an Australian Financial Services Licence).

In addition, regulators could require that changes are made to Propell's products, its business model or its offering to customers. Costs associated with any compliance breach or any changes to Propell's business model or its offering to customers may have a material adverse effect on Propell's business, financial condition, operating and financial performance, the value of the Shares and/or shareholder returns.

(h) Development of new products/services and competition

When developing a new product or service, the Company may encounter delays in development, an inability to create a cost-effective commercial product or a lack of support by new or existing customers for the product or service. There is no guarantee that any newly developed product or service will be successful or profitable in either of the Company's business lines.

Propell operates in a competitive environment in which systems and practices are subject to continual development and improvement and new or rival offerings emerge periodically. There is a risk that new entrants or existing competitors may deliver a superior solution and Customer experience offering to that currently offered by Propell. In turn, Propell may be required to charge lower fees to remain competitive, or invest in additional marketing or product development initiatives, which would decrease profitability, even where its market share remains unchanged. These outcomes may have a material adverse effect on Propell's business, financial condition, operating and financial performance, and/or growth.

Furthermore, research and development is often uncertain and there is a risk that investment in a new development may yield unexpected results, no results or negative results. There is a risk that investment in research and development may not generate an above-cost return.

(i) Competitive Market with a Range of Alternative Products

The lending sector is a very competitive market as there are a variety of alternative lending solutions. In addition to other online balance sheet and marketplace lenders, the Company also competes with bank loans, debtor financing, equipment financing, credit cards and invoice financing.

There is the possibility that 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. The Company's direct competitors include other FinTech or online lending businesses who may look to take market share from the Company through aggressive marketing.

The transactional banking industry in which the Company also operates is subject to increasing domestic and global competition and is fast-paced and constantly changing. The Company may have no influence or control over the activities or actions of its competitors and other industry participants, whose activities or actions may positively or negatively affect the operating and financial performance of the Company.

Competitors may have significant additional experience and/or resources to develop competing products which may adversely affect the Company's financial position and future performance. For example, new third-party technologies may be more advanced than the Company's technologies, which could adversely affect the Company's revenue and financial performance.

(j) Reliance on Third Parties and Contractual Risk

The operations of the Company are supported by various material contracts that are summarised in Section 16. The success of the Company's operations is heavily reliant upon the counterparties to its material contracts continuing to meet their obligations under those contracts. The failure of counterparties to perform their obligations as prescribed in the material contracts, or the termination of the material contracts, may have an adverse impact upon the financial performance of the Company.

The Company relies on the payment processing capability of a number of third parties. These third parties provide clearing and settlement services. Failure of these third parties or termination of commercial agreements with these third parties may have an adverse impact on the ability of the Company's products to service customers and generate revenue.

There is no guarantee that the Company will be able to contemplate all scenarios that may be important to a specific contract and there is no guarantee that a contract will be adequately drafted to address a specific scenario. In addition, there is no guarantee that the Company would be successful in attempting to enforce any of its contractual rights through legal action. There is no guarantee that pursuing a claim for breach of contract will be commercially appropriate.

Some of the infrastructure required by Propell to facilitate the conduct of transactions is provided by third parties who deliver the requisite expertise to undertake the processing transactions performed through the Transaction Product. The loss of Propell's key partners (for example expiry of the Partner Agreement with IntegraPay) may materially and adversely impact its operations, revenue and profitability, and increase expenses to sign up new partners to replace those lost.

10. Risk Factors

(k) COVID-19

Events related to the Coronavirus pandemic (COVID-19) have resulted in significant market volatility. There is continued uncertainty as to ongoing and future response of government and authorities globally as well as a likelihood of an Australia economic downturn of unknown duration of severity. As such, the full impact of COVID-19 to consumer behaviour, suppliers, employees and the Company are not fully known. Given this, the impact of COVID-19 could potentially be materially adverse to the Company's financial and/or operational performance. Further, any government or industry measures may adversely affect our operations and are likely beyond our control. In compliance with its continuous disclosure obligations, we will continue to update the market in regard to any material impact of COVID-19 on our business.

Further, Propell's business depends on consumer spending, which has been, and may continue to be, impacted by the outbreak of COVID-19. The extent of any ongoing impact of COVID-19 on Propell's business will depend on future developments, including the duration and future spread of the outbreak within Australia and New Zealand, and the related impact on general economic conditions, consumer confidence and discretionary spending, all of which are highly uncertain. COVID-19 has also resulted in increased unemployment and heightened job insecurity. Therefore, there is a risk that Customers may cease to be able to make debt repayments in the event of job loss or unemployment, or if JobKeeper or JobSeeker payments cease or become less generous. This may increase Propell's potentially doubtful debts, which will negatively impact Propell's financial position.

Further, due to COVID-19, the State and Federal Governments have imposed social-distancing restrictions which have, and may continue to, disrupt the operations of our business. There is a risk that social-distancing restrictions persist, potentially resulting in an increasing reliance on technology to communicate with employees which may impact on our ability to attract and motivate employees, in particular new team members.

(l) 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 Propell Platform at risk. Any unidentified vulnerability could make the Company's Platform unavailable for an unspecified period of time, which may significantly impact the operations of the company and affect its operating and financial performance. The Company may also incur scrutiny as well as financial and/or operating penalties from regulators.

The Company has existing policies and procedures in respect of security procedures, automated and manual protections, encryption systems and staff screening to minimise the risk of a security breach. If the Company's efforts to combat any malicious attack are unsuccessful or if the Propell Platform has actual or perceived vulnerabilities, the Company's business reputation and brand name may be harmed, which may have a material adverse effect on the Company's operational and financial performance.

With regards to data privacy, the Company's operations are generally governed by contractual limitations, for example promises and representations that the Company makes in its privacy policy. There is a risk that state and/or federal regulators could take action against the Company if its privacy policy contains a material statement that is untrue or a material omission. State and/or federal regulators could also take action against the Company if the Company violates any state and/or federal privacy or data protection laws or regulations.

Given the nature of Propell's business, Propell collects and holds a significant amount of personal information about Propell Customers. Propell's systems, or those of its third-party service providers, may fail, or be subject to disruption as a result of external threats or system errors. Cyber-attacks could also compromise or breach the safeguards implemented by Propell to maintain confidentiality in such information. While Propell is engaged in ongoing review and implementation of strengthened cybersecurity and data protection measures, there is no guarantee that these measures will offer adequate protection against the risk of cyber-attacks.

Cyber incidents may result from deliberate attacks or unintentional events. The Company could be adversely impacted as a result of successful cyber-attacks against, or security breakdowns of, the Company or its third-party service providers. As a result, the Company may incur substantial costs to prevent cyber incidents and to remedy any damage caused by a cyber incident (which may include damage to the Company's reputation as a result of any cyber-attack). While the Company has security measure in place, there is no guarantee that certain risks have been adequately prepared for or identified. Furthermore, the Company cannot directly control any cybersecurity plans and systems administered by third-party service providers.

(m) Protection of intellectual property rights

The Company has intellectual property rights which are important assets to the Company.

The operation of the Propell Platform is supported by intellectual property developed by or on behalf of the Company in conjunction with third party software developers. There is a risk that other companies or individuals may claim an interest in intellectual property used by the Company for the Propell Platform, in particular in relation to the use of open source code. Defending claims made by other parties seeking to establish intellectual property rights may adversely affect the Company.

The Company may also need, at potentially significant cost to the Company, to develop new technology and intellectual property to support the continued operation of the Propell Platform. In the continued development of the Propell Platform and the development of new products, the Company may rely upon a combination of assignment agreements, confidentiality agreements and licence arrangements to secure protection of its current and new intellectual property, however, events outside of the Company's control could pose a threat to the Company's intellectual property.

In addition, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights, particularly in respect of software, are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to the Company in every country that it conducts its business. Accordingly, the Company may not be able to prevent third parties from infringing or misappropriating its intellectual property.

There is no guarantee that third parties or employees will not breach confidentiality agreements or infringe or misappropriate the Company's intellectual property. If the Company fails to adequately protect its intellectual property rights, competitors may gain access to its intellectual property, which may cause significant damage to the brand and a deterioration in the goodwill of the Company.

There is a risk that competitors may be able to work around the protections afforded by the Company's intellectual property rights, or independently develop technologies or competing electronic products that do not infringe the Company's intellectual property rights. This may have an adverse impact on the Company's financial position.

In addition, the Company may be required to incur significant expenses in monitoring and protecting its intellectual property rights. The Company may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company, effect the efficiency of management and otherwise damage the business of the Company.

Unauthorised use of the Company's brand or intellectual property by third party products or services may not only result in potential revenue loss, but also have an adverse impact on the Company's brand value and the market perception of the quality of its products. Further, in circumstances where the Company's trademark applications are ultimately rejected by the relevant Intellectual Property Office, the Company may be forced to rebrand or trade without registered trademark protection, which could cause loss in the form of legal fees.

There is no guarantee that the Company will be able to register or otherwise protect new intellectual property it develops in the future.

(n) Rate of Propell Customer adoption, ability to Scale and key personnel

The ability of Propell to increase revenue and achieve profitability is dependent on its ability to scale its business in its key markets.

The ability to scale Propell's business is dependent on a number of factors, including its ability to onboard new customers, attract new customers to Propell and encourage repeat business and develop new technologies to enhance Customer experience. Failure to expand in this way may materially and adversely impact Propell's ability to increase revenue, achieve economies of scale, optimize its systems and expand its operations, all of which may have a negative impact on Propell's profitability.

Propell relies heavily on its existing key management personnel and the departure of key management personnel could negatively affect Propell's ability to effectively execute its growth strategy and affect future operating and financial performance. In addition, Propell is reliant upon growing its staff numbers in order to maintain and develop its product and services.

10. Risk Factors

(o) Management of future growth

The Company intends to enter a period of rapid growth and plans to increase the number of its employees, add to its Management team and expand the scope of its supporting infrastructure. This growth may result in new and increased responsibilities for Management and may place a significant strain on the Company's Management and its existing operations. There is also a risk that Propell may not be able to attract sufficient numbers of skilled staff in the periods required to achieve its intended growth.

The Company may be required to continue to implement new systems and improve its current systems in a timely manner to accommodate any increase in customers and operating scale. A failure to accommodate growth may adversely affect the Company's operating and financial performance.

(p) Loss of Customers

In addition to attracting new customers through marketing and adoption strategies, the revenue of the Company is dependent upon Customers and their continued use of the Platform. Accordingly, the Company must support its Customers to ensure that they continue to use the Propell Platform for current and future product offerings by the Company. If the Company fails to retain its Customers, this is likely to affect the financial performance of the Company.

(q) Reserve Bank of Australia Cash Rate

The cash rate set by the Reserve Bank of Australia is a key driver for wholesale funding in the Australian market. The cash rate has been very low in recent years which has allowed low rates for wholesale funding. However, the current Governor of the Reserve Bank of Australia, Phillip Lowe, believes that it is likely that interest rates will increase in the medium term.

Any increase in the cash rate can be expected to increase the Company's cost of funding. This may adversely affect the Company because an interest rate change cannot be passed onto existing loans which may result in a decrease in the Net Interest Margin. Alternatively, the Company may look to pass on any increases in interest rates to new loan originations which may reduce the demand for these loans, causing less opportunity to originate loans. This may have an adverse effect on the financial performance of the Company.

(r) Reputational risks

The Company operates in an online and fast changing sector. Poor feedback from Customers through word of mouth or online through forums and social media may have an adverse impact on the Company's reputation and consequently, its ability to generate revenue. Additionally, the financial services industry is heavily regulated and therefore any complaints by Customers may lead to additional regulatory scrutiny and increased compliance, which may adversely impact the Company's operations, growth prospects as well as financial performance.

(s) Mergers & Acquisitions Risk

In pursuing the Company's business strategy, the Company may evaluate opportunities and complete mergers, acquisitions, divestments or strategic investments in related businesses, technologies or products. The process of completing any of the above strategies, as well as the process of integrating a new acquisition, may disrupt the operations of the Company. There is a large variety of risks associated with the above strategies, most notably the risk that all or part of the investment is lost. There is no guarantee that the completion of any of the above strategies will have a positive impact on the financial performance of the Company.

(t) Personnel Risk

The Company's success depends upon its ability to identify, attract, motivate and retain suitably qualified management and other personnel. There is a risk that integral personnel may leave the Company, which may be costly and affect the productivity of the business for any period of time. Integral personnel may leave the Company for a variety of reasons, including, but not limited to, poor financial performance, lack of incentives, continued lack of business growth, a poor work environment or personal reasons. It may be impossible or very difficult for the Company to control the departure and turnover of its personnel. The loss of any key executive or personnel may have an adverse impact on the Company's ability to maintain operating performance and growth.

Although the key personnel of the Company have a considerable amount of experience, there is no guarantee that they will be able to achieve their objectives outlined in this Prospectus. There is no guarantee the key personnel of the Company will be able to deliver strong financial performance.

10.3 Investment Specific Risks

(a) Economic Factors

The Company will become subject to market risk once it becomes a publicly listed company on the ASX. As a result, the price of the Company's Shares may fluctuate for reasons not explained by the fundamental operations and activities of the Company.

The price of the Company's Shares quoted on the ASX may rise and fall and may trade below or above the offer price due to many factors which include, but are not limited to, the following:

- (1) The number of potential buyers and sellers of Shares on the ASX at any given time;
- (2) Any fluctuations in the domestic and international market for listed stocks;
- (3) General economic conditions including interest rates, inflation rates, unemployment rates, exchange rates, commodity and oil prices, and changes to government monetary, fiscal or regulatory policies, legislation or regulation;
- (4) Recommendations by brokers or analysts;
- (5) Inclusion in, or removal from, market indices;
- (6) Nature of the markets in which the company operates;
- (7) Global tensions, acts of terrorism and hostilities; and
- (8) General operational and business risks.

The factors listed above may adversely affect the price at which the Shares of the Company trade. There is no guarantee that the price of the Company's Shares will increase following the listing on the ASX, even if the Company's operations, financial performance or growth prospects are performing beyond the expectations outlined in this Prospectus.

Both domestic and international economic conditions may adversely impact the price of Shares after listing as well as the Company's ability to pay dividends. The Company is unable to forecast the market price for Shares and they may trade on the ASX at a price that is below or above the offer price listed in this Prospectus.

(b) Liquidity

There is currently no market in which the Company's Shares may be sold. From the date the Company lists, there is no certainty that there will be an active market that will develop or that the price of the Shares will increase above the offer price in this Prospectus. The events relating to the COVID-19 pandemic have recently resulted in a decline to general economic conditions and created significant volatility to the market including the prices of shares trading on the ASX. These factors may cause the Shares to trade at prices above or below the price at which the Shares are being offered under this Prospectus.

Low liquidity in the listing of the Company's Shares means that there may be limited prospective buyers and sellers of the Shares on the ASX at any time. If the Shares of the Company remain illiquid, there is a risk that shareholders will be unable to realise their investment in the Company. As a result, this may increase volatility of the market price of the Shares, prevent investors from acquiring more shares and prevent investors from selling their shareholdings at a fair market value below what they had purchased them for.

Escrowed Shareholders have entered into Voluntary Escrow Deeds with the Company with respect to their Shareholdings whereby, at completion of the Offer, approximately 41.3% of the Shares on issue will not be able to be traded until the relevant escrow periods have expired (a summary of the voluntary escrow arrangements is set out at section 3.12). This is in addition to any mandatory escrow requirements imposed by Chapter 9 of the ASX Listing Rules.

Given the number of Shares restricted from trading, there will only be liquidity with respect to approximately 58.7% of the Shares on issue at completion of the Offer until such time as the applicable escrow periods end.

10. Risk Factors

(c) Limited Trading History

Although the Company believes that its proposed operations and business model will be successful on the basis of its success to date, the experience of its key personnel in the industry and the key areas of differentiation between Propell and its competitors, the Company is a start-up company with limited trading history and any number of factors could adversely affect the operations and business model of Propell.

Given the Company's limited trading history, there is no guarantee that the proposed marketing and customer adoption strategies of Propell will be successful to achieve a sizeable adoption rate by Customers of its products and/or market share.

(d) Litigation Risk

All industries, including the payments industry, may be subject to legal claims whether or not they have merit. The Company maintains Directors' and Officers' liability insurance. The Company has also provided an indemnity for each Director to the maximum extent permitted by law, against any liability for legal costs incurred in respect of liability incurred by them, as or by virtue of their holding office as, and acting in the capacity of, an officer of the Company, except where the liability arises out of conduct involving lack of good faith or in breach of the law. Such claims could have an adverse effect on the Company's business, operating or financial performance.

Further, the Company may be subject to other claims and disputes in the course of its business, including employment disputes, contractual disputes, indemnity claims and occupational and personal claims. Such litigation, claims and disputes, including the costs of settling claims and operational impacts, could cause the Company to incur unforeseen loss, costs or expenses (including loss, cost or expense that is not covered by insurance policies), could occupy a significant amount of management's time and attention and could materially adversely affect the Company's business, operating and financial performance. In addition, even if the Company was to ultimately prevail in any such litigation, claim or dispute, it could suffer reputational damage, which could have an adverse effect on the Company's business, operating or financial performance.

(e) Escrow Risk

Escrowed Shareholders will be able to sell their Escrowed Shares once they are released from their respective Voluntary Escrow Deeds described in Section 15.3. There will be no restrictions under the Voluntary Escrow Deeds upon sale of the Escrowed Shares once the relevant Escrow Period ends.

Existing Shareholders may not be long-term holders of Shares. A significant sale of Shares by some or all Existing Shareholders, or the perception that such sale may occur at the end of an Escrow Period, could adversely impact the price of Shares. Conversely, the absence of any significant sell down of Escrowed Shares may cause or contribute to a diminution in the liquidity of the market for the Shares.

(f) Shareholder Dilution

The Company may decide to issue more shares in the future to raise proceeds for growth for reasons which may include, but are not limited to, growing the loan book, funding acquisitions, research and development or, debt repayments.

The Company is subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it can issue within a 12-month period (exceptions apply). If the Company decides to issue more Shares in the future, shareholders' interest may be diluted and shareholders may experience a decline in the value of their equity.

(g) Taxation Changes

Taxation laws in Australia, and their interpretation by the Commissioner of Taxation, the relevant tribunals and the Courts of Law, are subject to regular change. Changes in taxation law relating to but not limited to transfer pricing, GST, stamp duties and employment taxes may impact the tax liabilities attached to shareholder returns, the Company, the level of dividend imputation or the tax treatment of a shareholder's investment in the Company.

The tax information provided in this Prospectus coincides with the current taxation law at the time of the issue of this Prospectus. Taxation law is frequently changed and the status of key tax reforms remains unclear at this point of time.

Taxation authorities may also review the taxation treatment of transactions entered into by the Company which may give rise to additional tax liabilities for the Company if the interpretation by the company of the taxation laws is different to that of the Commissioner of Taxation in Australia. To minimise this risk, the Company obtains expert advice from external sources on the application of the tax laws to its operations when applicable.

All potential investors in the Company are urged to obtain independent taxation advice about the consequences of acquiring Shares.

(h) Force majeure events

Acts of terrorism, an outbreak of international hostilities, natural disasters, including but not limited to, floods, outbreaks of disease, earthquakes, fires and tornadoes, labour strikes, civil wars and other force majeure events may directly or indirectly affect the operational and financial performance of the Company. This is not an exhaustive list of force majeure events that may affect the Company. There is no guarantee the Company can obtain insurance for these events and, if the Company does obtain insurance, there is no guarantee the Company will receive an insurance payout upon the occurrence of one or more of these events.

(i) Speculative nature of investment

Generally speaking, investment is speculative in nature and there are many factors, not limited to the risks mentioned above, that may affect the performance of the Company's shares. The Shares carry no guarantee in respect of profitability, dividends, return on capital or trading price. The principal risk relating to the purchase of shares is that the purchaser may incur a loss on their investment or not receive anticipated returns. More specifically, these risks are that:

- (1) The purchaser is only able to sell the shares at a loss;
- (2) The purchaser is unable to sell the shares;
- (3) The Company is placed into receivership or liquidation making it reasonably foreseeable that the purchaser could receive none, or only some, of their initial investment; and
- (4) The Company fails to generate sufficient profits in order to pay dividends.

In the event of the Company's insolvency, the holders of fully paid ordinary shares would not normally be liable to pay money to any person as a consequence of the Company's insolvency. An exception exists where a distribution, such as a dividend, has been made to shareholders in circumstances where the Company was unable, at the time the distribution was made, to meet the solvency test set out in the Corporations Act. In that case, a liquidator may call for a return of such distributions.

In the event the Company is put into liquidation or wound up, all its creditors are entitled to be paid in priority to any return of capital to shareholders. Once all creditors have been paid, shareholders rank equally amongst themselves, and are entitled to share in the distribution of any remaining assets in proportion to their shareholding.



11. *Financial Information*

11. Financial Information

11.1 Introduction

This Section sets out the Historical Financial Information and Pro forma Historical Financial Information (**Financial Information**). All Financial Information set out in this Section has been prepared by Management and adopted by the Directors and should be read in conjunction with the other information contained in this Section, the Independent Limited Assurance Report included in Section 12, the risk factors included in Section 10 and other information contained in the Prospectus. Investors should be aware that past performance is not an indication of future performance. Investors are urged to read all of this information in full.

Propell was incorporated on 15 September 2016. The financial information for Propell Holdings Limited and controlled entities (**Propell** or the **Group**) set out in this Section 11 includes:

(a) Historical Financial Information

The Historical Financial Information provided in this Prospectus comprises:

- (1) Audited consolidated statements of profit or loss and other comprehensive income for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
 - (2) Audited consolidated statements of cash flow for the years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
 - (3) Audited consolidated statement of financial position as at 30 June 2020,
- collectively referred to as the Historical Financial Information.

(b) Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information provided in this Prospectus comprises:

- (1) Pro forma consolidated statement of profit or loss and other comprehensive income for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- (2) Pro forma consolidated summary of operating cashflows for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- (3) Pro forma Statement of Financial Position as at 30 June 2020 showing the impact of the pro forma adjustments as if they had occurred at 30 June 2020,

hereafter referred to as the Pro Forma Historical Financial Information.

Due to its nature, the Pro forma Historical Financial Information does not represent Propell's actual or prospective financial performance, cash flow or financial position.

The Financial Information has been prepared on the bases set out in Section 11.2 of this Prospectus.

No forecast financial information has been provided for the Group.

11.2 Basis of Preparation of the Historical Financial Information Background

(a) Overview

The Historical Financial Information included in this Section 11 has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations and other authoritative pronouncements) adopted by the Australian Accounting Standards Board and the Corporations Act.

The Historical Financial Information has been reviewed and reported on by Pitcher Partners Corporate Finance Limited whose Independent Limited Assurance Report is provided in Section 12. Pitcher Partners Corporate Finance Limited completed their reviews in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information. Investors should note the scope and limitations of this report. The Historical Financial Information has been prepared for the purpose of the Offer.

11. Financial Information

The Historical Financial Information of the Group has been extracted from the audited financial statements for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 which were audited by Pitcher Partners Queensland Partnership. An unmodified audit opinion including an emphasis of matter in relation to going concern was issued for the three years noted above.

The significant accounting policies adopted in the preparation of the Financial Information are set out in Section 17 and have been consistently applied throughout the financial periods presented in this Prospectus, unless otherwise stated. The Group 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. Any new or amended Accounting standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The new accounting standard AASB 16 Leases, was adopted by Propell on 1 July 2019, and as such was not applied to the Historical Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2018 and 30 June 2019. The effect of AASB 16 Leases has been adjusted in the Pro Forma Historical Financial Information.

Other major new accounting standards which came into effect during the historical periods presented were AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers, both adopted from 1 July 2018. Whilst AASB 9 and AASB 15 resulted in changes in the Group's accounting policies, the impact of the changes on the results of the Group reported for the historical periods presented was not material. Accordingly, no adjustments have been made to the Pro Forma Historical Financial Information.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information adjusted for certain transactions and pro forma adjustments as described further below. It has been prepared solely for inclusion in this Prospectus and in accordance with the recognition and measurement principles specified in Australian Accounting Standards, as described above, and it includes adjustments which reflect the impact of certain transactions as if they occurred on or before 1 July 2017 in the case of the consolidated statements of Profit or Loss and Other Comprehensive Income, and as at 30 June 2020 in the case of the consolidated statement of financial position.

The Historical Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act. Significant accounting policies applied to the Historical Financial Information are noted in Section 17.

(b) Historic Financial Information/Treatment of Acquisition of Business and Capital Pty Ltd

The Historical Financial Information has been extracted from the audited financial statements of Propell covering the years ended 30 June 2018, 30 June 2019 and 30 June 2020 which were audited by Pitcher Partners Queensland Partnership (ABN 84 797 724 539) in accordance with Australian Auditing Standards. Where an entity or business has been acquired, its operating results have been included in the statutory financial statements from the date control was established. Propell acquired Business and Capital Pty Ltd (more than 12 months before lodgement) on 25 February 2018. Pro forma adjustments have not been made to reflect inclusion of Business and Capital for the period from 1 July 2017 to the date of acquisition. It is noted by the Directors that where this non-inclusion is relevant to financial results during the year ended 30 June 2018, relevant commentary has been included within the Management Discussion and Analysis.

(c) Critical Accounting Judgements and Estimates

Preparing financial statements in accordance with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Propell and that are believed to be reasonable under the circumstances. Propell makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in the significant accounting policies of Propell set out in Section 17.

The areas involving significant estimates and assumptions include:

Expected credit losses

The allowance for Expected Credit Losses (**ECL**) assessment requires a degree of estimation and judgement and is modelled using assumptions in relation to the ECL, including 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. During the current period the Group has also considered the impact of COVID-19 in measuring ECL. The actual credit losses in future years may be higher or lower.

Deferred Taxation Accounting

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets are recognised for deductible temporary differences where management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

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

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

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

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

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

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

11. Financial Information

Impairment

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment and future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined.

The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a minimum period of 1 year (maximum of five years). Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using an average growth rate of 25% (2019: 25%) for cash flows in year two to five and which is based on the historical average and a terminal value growth rate of 1.0% (2019: 1.0%) a discount rate of 17% (2019: 17%) to determine value-in-use.

Capitalisation of Development Costs

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

Accounting for and validity of R&D Tax Claims

Propell accounts for R&D Tax Claims under the "Government Grant Approach" and the basis of recognition relates to whether there is a reasonable expectation that the entity will be able to realise the benefit and whether this amount can be reliably estimated. The application of the R&D provisions requires a level of judgement and the maintenance of appropriate records to support amounts claimed. The Directors are of the view that Propell is in accordance with the R&D incentive requirements.

11.3 Pro Forma Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

Table 11A presents the Pro Forma Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

| Table 11A | | 30-Jun-18 A\$ | 30-Jun-19 A\$ | 30-Jun-20 A\$ |
|--|---|--------------------|--------------------|--------------------|
| Revenue from contracts with customers | 1 | 77,463 | 116,550 | 95,332 |
| Revenue from sale of hardware | 2 | 150,908 | 2,114 | 3,750 |
| Fee revenue – small business financing | 3 | 30,806 | 284,428 | 258,402 |
| Other revenue | | 125 | 141 | 2,360 |
| Government grants | 4 | 112,096 | 378,991 | 233,110 |
| | | 371,398 | 782,224 | 592,954 |
| Cost of sales | | (140,211) | (1,950) | (238) |
| Provision for expected credit loss expense | | (21,634) | (113,469) | (186,034) |
| Loan processing costs | | (24,485) | (74,119) | (78,825) |
| Payments processing costs | | (107,706) | (118,198) | (87,284) |
| Technology costs | | (28,529) | (131,926) | (46,425) |
| Marketing expenses | | (60,893) | (241,055) | (88,845) |
| Employee benefits expense | | (905,129) | (1,222,107) | (939,300) |
| Professional fees | | (401,617) | (674,813) | (478,839) |
| Lease costs including outgoings | | (103,075) | (158,704) | (126,675) |
| Depreciation and amortisation expense | 5 | (837,823) | (1,019,354) | (1,015,071) |
| Other expenses | | (145,026) | (161,631) | (100,637) |
| EBIT | | (2,404,730) | (3,135,102) | (2,555,219) |
| Finance costs (net) | 6 | (51,712) | (131,475) | (160,576) |
| Net profit/(loss) before tax | | (2,456,442) | (3,266,577) | (2,715,795) |
| Income tax expense | | – | – | – |
| Profit/(Loss) for the period | | (2,456,442) | (3,266,577) | (2,715,795) |

Notes:

- Revenue from contracts with customers** – represents revenue generated from the Transactional Product which includes enterprise sales revenue from licensing components of the Platform to third parties.
- Revenue from sale of hardware** – represents revenue received from the sale of payment hardware to Customers.
- Fee revenue** – small business financing – represents interest and fee income from loans to Customers.
- Government grants** – represents R&D refunds which relate the technology development of the Platform.
- Depreciation and amortisation** – includes the amortisation of finite life intangibles including capitalised system development costs, intellectual property, and that in relation to Right of use assets under AASB 16.
- Finance costs (net)** – represents the cost of carrying the warehouse funding facility via the Funder.

11. Financial Information

11.4 Management Discussion and Analysis

(a) Key Elements of Operating Results and Their Drivers

Below is a discussion of Propell's revenue and expenses and the main factors which affected Propell's operating and financial performance during the period of the Historical Financial Information.

The discussion is intended to provide a brief summary only and does not detail all the factors that had an impact on the historical operating and financial performance, or everything which may impact Propell's operations and financial performance in the future. Unless otherwise stated, all financial information presented in this Section 11.4, and the related commentary, is on a pro forma basis. The information in this Section 11.4 should be read in conjunction with the risk factors set out in Section 10 and other information contained in this Prospectus.

(b) Revenue

We earn revenue primarily from loan interest income and fees paid by Customers to whom we provide loans.

Loan interest income is recognised on an effective interest method over the life of the loan, in accordance with Australian Accounting Standards. We use the effective interest method to appropriately apportion loan repayments over the life of the loan between the portfolio income recognised and principal repayments.

Where a customer misses a payment, late fees may be applied, which is recognised outside of the effective interest method.

The key drivers of loan interest income revenue are:

- (1) the volume of loan originations; and
- (2) the return we generate on those originations, through the interest that we charge, and fees incurred, including, processing fees and late fees.

An additional source of revenue and income is from the acquiring of SMEs credit, debit, prepaid and non-card transactions made by their customers.

The key drivers of payments income revenue are:

- (1) the continued growth in our Customer base, reflecting greater focus on acquisition, new value-adding products launched supporting the SME sector; and
- (2) the level of merchant service fees and other fees which are based on contracted rates with each Customer and are applied based on either transaction value or number of transactions.

Revenue from sale of hardware as reduced over the period as the Company relies less on hardware and utilises its pay to phone technology which allows Customer to accept payment direct to their smart devices without the use of traditional payment hardware.

Revenue from customer contracts (which includes merchant services fees and licenses fees have remained relatively consistent over the historical period.

Lending revenue increased from FY18 to FY19 as loan book increased on the back of small marketing initiatives. Lending revenue fell slightly in FY20 as the Company halted lending to new customers during the last quarter of FY20 due to COVID-19. The Company continued to support existing customers over this time through allowing further borrowing and repayment extensions to existing loans.

(c) Expenses

We present our operating expense categories within the income statements on a nature basis. The categories used are cost of sales, loan provisioning, loan processing costs, payment processing costs, technology development, marketing, employment, professional fees, lease costs, other expenses and financing costs.

- (1) Cost of sales includes the direct cost of purchasing payment hardware from third party providers.
- (2) Provisioning for expected credit loss represent the value of loans written off in a period and the movement in our loan impairment provision over a given period. We currently provision 4.5% (Provision Rate) of the principal amount to not be recovered. At 30 June 2020 our lifetime Loss Rate was 4.1%. The Loss Rate represents the principal not ultimately recovered on a given cohort, divided by the cohort's original loan principal amount. Our Provision Rate is current higher than the current Loss Rate.
- (3) Loan and processing costs includes the direct costs associated with credit assessment for loan approval, ongoing credit review and collection.
- (4) Payment Processing costs represent the direct costs associated with processing payments through the Platform. These are fees payable to our Processor.
- (5) Technology costs include costs in relation to the enhancement of existing technologies as well as costs associated with research and development of new technologies. This predominantly comprises employee expenses for our engineering, product, research and development functions.
- (6) Marketing costs include SEO and SEM costs as well as costs incurred to acquire and market to our Customers, including advertising and referral costs.
- (7) General & administrative costs include costs in relation to the general operations of the business such as rent and office expenses. They also include employee costs relating to customer service, credit assessment, loan processing, payments, finance and risk and legal.
- (8) Employee costs represent costs for customer service, credit assessment, loan processing, payments, finance and risk and legal.
- (9) Professional fees represent costs for third party consultants, and professional services fees (accounting etc).
- (10) Lease costs represent rent and office expenses.
- (11) Other costs represent sundry costs unable to be allocated into one of the above categories.
- (12) Financing costs represents the interest charges related to our Funding Facilities. The Company has two different types of Funding Facilities:
 - (A) A warehouse facility which is our primary source of funding for loan originations. The cost of these facilities is driven by the interest rate incurred on drawn and undrawn balances and the size of the loan book being funded.
 - (B) The Company also utilises R&D funding which assists with funding working capital requirements related to R&D activities.

Costs from the purchase of payment hardware has fallen over the period, matching the fall in revenue.

Loan processing costs increased from FY18 to FY19 and have remained constant in FY20 consistent with the growth in the loan book.

Provisioning from expected credit losses increased from FY18 to FY19 as the loan book increased, there was a further increase of provisions of approximately 64% from FY19 to FY20 as the Company took a more conservative approach to the loan book following COVID-19. The Group has taken an additional provision on COVID-19 affected loan receivables where normal loan repayments have not resumed which has resulted in an increase in the provision as at the report date.

Other key costs have reduced significantly from FY19 to FY20 as the Company looked to rationalise its operations in Perth and relocated these services to one office in Brisbane. This rationalisation resulted in a reduction in employee and consultant costs, marketing, and technology. The Company anticipates lease costs and outgoings to fall further in future years as the Perth office lease has ended.

11. Financial Information

11.5 Pro Forma Adjustments to the Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

The tables below set out the pro forma adjustments made to the Historical Revenue, and NPAT respectively for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

Pro forma adjustments to Historical Revenue

| Table 11B | | 30-Jun-18 A\$ | 30-Jun-19 A\$ | 30-Jun-20 A\$ |
|------------------------------|---|------------------|------------------|------------------|
| Pro forma revenue | | 371,398 | 782,224 | 592,954 |
| Commission/consulting income | 1 | 211,792 | 22,590 | – |
| Sublease revenue | 2 | 30,514 | 207,115 | 154,829 |
| Jobkeeper/cashflow boost | 3 | – | – | 202,000 |
| Gain on debt forgiveness | 4 | – | – | 60,779 |
| Gain on disposal of business | 5 | 284,739 | – | – |
| Historical revenue | | 898,443 | 1,011,929 | 1,010,562 |

Notes:

1. Previously Propell's business model included material sales commissions/consulting income this has been excluded as these activities are no longer carried out by the Company.
2. Revenue was previously received in relation to a sublease arrangement with non-related third party which is not ongoing.
3. Income from Jobkeeper/cashflow boost has been excluded on the basis this is non-recurring and no material changes occurred to the cost structure.
4. During FY20, a component of accrued interest on an Altor R&D loan facility was forgiven.
5. Propell exited a non-operating subsidiary on 1 July 2017 which resulted in a non-recurring gain which has been excluded.

Pro forma adjustments to Historical NPAT

| Table 11C | | 30-Jun-18 A\$ | 30-Jun-19 A\$ | 30-Jun-20 A\$ |
|------------------------------------|---|--------------------|--------------------|--------------------|
| Pro forma NPAT | | (2,456,442) | (3,266,577) | (2,715,795) |
| Revenue pro formas | | 527,045 | 229,705 | 417,608 |
| Cost of sales (consulting) | | (141,783) | – | – |
| Change in fair value – derivatives | 1 | – | (2,037,659) | – |
| Convertible note interest | 2 | (7,579) | (214,286) | (187,316) |
| Convertible note raising costs | 3 | (50,006) | (79,455) | – |
| AASB 16 Leases | 4 | 2,231 | (38,952) | – |
| Listed company costs | 5 | 250,000 | 250,000 | 250,000 |
| Share-based payments | 6 | 47,303 | 100,000 | 100,000 |
| Historical NPAT | | (1,829,231) | (5,057,224) | (2,135,503) |

Notes:

1. Fair value adjustment from convertible notes during FY19 which were converted to equity during October 2020.
2. Interest related to the convertible notes which were converted to equity during October 2020.
3. Costs incurred in relation to the issue of convertible notes.
4. Impact of the adoption of AASB 16 Leases on a retrospective basis.
5. Estimate of incremental costs to operate as a listed business including board, registry, ASX fee and incremental professional fees.
6. Estimate of incremental share-based payments to be expensed on annual basis.

11.6 Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

Table 11D presents the Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

| Table 11D | | 30-Jun-18 (Audited) A\$ | 30-Jun-19 (Audited) A\$ | 30-Jun-20 (Audited) A\$ |
|--|---|-------------------------------|-------------------------------|-------------------------------|
| Revenue from contracts with customers | 1 | 77,463 | 116,550 | 95,332 |
| Revenue from sale of hardware | 2 | 150,908 | 2,114 | 3,750 |
| Fee revenue – small business financing | 3 | 30,806 | 284,428 | 258,402 |
| Other revenue | | 527,170 | 229,846 | 217,968 |
| Government grants | 4 | 112,096 | 378,991 | 435,110 |
| | | 898,443 | 1,011,929 | 1,010,562 |
| Cost of sales | | (140,211) | (1,950) | (238) |
| Provision for expected credit loss expense | | (21,634) | (113,469) | (186,034) |
| Loan processing costs | | (24,485) | (74,119) | (78,825) |
| Payments processing costs | | (107,706) | (118,198) | (87,284) |
| Technology costs | | (28,529) | (131,926) | (46,425) |
| Marketing expenses | | (60,893) | (241,055) | (88,845) |
| Employee benefits expense | | (857,826) | (1,122,107) | (839,300) |
| Professional fees | | (343,406) | (504,268) | (228,839) |
| Lease costs including outgoings | | (135,879) | (297,242) | (126,675) |
| Depreciation and amortisation expense | 5 | (806,716) | (982,499) | (1,015,071) |
| Change in fair value – derivatives | | – | (2,037,659) | – |
| Other expenses | | (145,026) | (161,631) | (100,637) |
| EBIT | | (1,773,868) | (4,720,194) | (1,787,611) |
| Finance costs (net) | 6 | (55,363) | (337,030) | (347,892) |
| Net profit/(loss) before tax | | (1,829,231) | (5,057,224) | (2,135,503) |
| Income tax expense | | – | – | – |
| Profit/(Loss) for the period | | (1,829,231) | (5,057,224) | (2,135,503) |

Notes:

- Revenue from contracts with customers – represents revenue generated from the Transactional Product which includes enterprise sales revenue from licensing components of the Platform to third parties.
- Revenue from sale of hardware – represents revenue received from the sale of payment hardware to Customers.
- Fee revenue – small business financing – represents interest and fee income from loans to Customers.
- Government grants – represents R&D refunds which relate the technology development of the Platform.
- Depreciation and amortisation – includes the amortisation of finite life intangibles including capitalised system development costs, intellectual property, and that in relation to Right of use assets under AASB 16.
- Finance costs (net) – represents the cost of carrying the warehouse funding facility via the Funder.

11. Financial Information

11.7 Pro Forma Historical Summary of Operating Cashflows

Table 11E presents the Historical Summary of Operating Cashflows for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

| Table 11E | 30-Jun-18 A\$ | 30-Jun-19 A\$ | 30-Jun-20 A\$ |
|--|--------------------|--------------------|------------------|
| Cash flow from operating activities | | | |
| Receipts from customers | 502,288 | 252,922 | 235,459 |
| Operating grant receipts | 344,869 | 453,889 | 190,865 |
| Payments to suppliers and employees | (2,101,260) | (2,730,675) | (1,652,436) |
| Fee revenue and interest received | 4,823 | 281,151 | 256,074 |
| Finance costs | (9,899) | (74,560) | (125,369) |
| Loan principal advanced to customers net of payments | (384,242) | (327,354) | 97,518 |
| Pro forma net cash (used in) operating activities | (1,643,421) | (2,144,627) | (997,889) |

11.8 Pro Forma Adjustments to the Historical Consolidated Statement of Cashflows

Table 11F presents the pro forma adjustments made to Operating Cashflows respectively for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

| Table 11F | 30-Jun-18 A\$ | 30-Jun-19 A\$ | 30-Jun-20 A\$ |
|---|--------------------|--------------------|------------------|
| Pro forma net cash (used in) operating activities | (1,643,421) | (2,144,627) | (997,889) |
| Revenue pro formas – customers | 242,306 | 229,705 | 154,829 |
| Revenue pro formas – grants | – | – | 122,000 |
| Cost of sales (consulting) | (141,783) | – | – |
| Convertible note raising costs | (50,006) | (79,455) | – |
| AASB 16 Leases | (32,804) | (138,538) | – |
| Listed company costs | 250,000 | 250,000 | 250,000 |
| Historical net cash (used in) operating activities | (1,357,708) | (1,882,915) | (471,060) |

11.9 Historical Consolidated Statements of Cashflow

Table 11G presents the Historical Consolidated Statements of Cash Flows for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

| Table 11G | 30-Jun-18 (audited) A\$ | 30-Jun-19 (audited) A\$ | 30-Jun-20 (audited) A\$ |
|--|-------------------------------|-------------------------------|-------------------------------|
| Cash flow from operating activities | | | |
| Receipts from customers | 744,594 | 482,627 | 390,288 |
| Operating grant receipts | 344,869 | 453,889 | 312,865 |
| Payments to suppliers and employees | (2,075,853) | (2,698,668) | (1,402,436) |
| Fee revenue and interest received | 4,823 | 281,151 | 256,074 |
| Finance costs | (9,899) | (74,560) | (125,369) |
| Loan principal advanced to customers net of payments | (384,242) | (327,354) | 97,518 |
| Net cash (used in) operating activities | (1,375,708) | (1,882,915) | (471,060) |
| Cash flow from investing activities | | | |
| Payment for property, plant and equipment | – | (2,048) | – |
| Payments for intangibles | (757,288) | (452,595) | (420,025) |
| Payment for business acquisition | (220,805) | – | – |
| Net cash outflow from sale of business | (4,883) | – | – |
| Repayment of related party loans | 137,083 | – | – |
| Receipts from sub-lessee | – | – | 36,190 |
| Net cash (used in)/provided by investing activities | (845,893) | (454,643) | (383,835) |
| Cash flow from financing activities | | | |
| Proceeds from share issues | – | 1,325,000 | – |
| Capital raising costs | – | (55,000) | – |
| Proceeds from borrowings | – | 2,759 | 2,418 |
| Repayment of borrowings | – | – | (3,057) |
| Repayment of related party loans | – | (24,878) | – |
| Repayment of leases | – | – | (140,125) |
| Proceeds from borrowings – convertible notes | 2,211,482 | 500,000 | 558,000 |
| Proceeds from borrowings – Altor loan | 478,713 | 795,000 | 591,000 |
| Repayment of borrowings – Altor loan | (20,000) | (145,513) | (150,000) |
| Net cash provided by financing activities | 2,670,195 | 2,397,368 | 858,236 |
| Reconciliation of cash | | | |
| Cash at Beginning of the financial year | 7,741 | 456,335 | 516,145 |
| Net increase in cash held | 448,594 | 59,810 | 3,341 |
| Cash at the end of financial year | 456,335 | 516,145 | 519,486 |

11. Financial Information

11.10 Historical and Pro Forma Consolidated Statements of Financial Position

Table 11H presents the summary Historical Consolidated Statement of Financial Position as at 30 June 2020. It shows the pro forma adjustments that have been made to the Historical Consolidated Statement of Financial Position as at 30 June 2020 to calculate the Pro Forma Statement of Financial Position as at 30 June 2020. These adjustments reflect certain subsequent events and Completion of the Offer, as if the Offer had occurred as at 30 June 2020. The Pro Forma Consolidated Statement of Financial Position below is provided for illustrative purposes only and is not represented as being necessarily indicative of the Group's view of its future financial position.

11.11 Historical and Pro Forma Historical Consolidated Statements of Financial Position

| Table 11H | 30-Jun-20 Actual (audited) A\$ | Subsequent Events (reviewed) 1 | IPO Adjustments (reviewed) 2 | Pro Forma (reviewed) A\$ |
|--------------------------------------|---|---|---------------------------------------|--------------------------------|
| Current Assets | | | | |
| Cash and cash equivalents | 519,486 | 1,901,700 | 4,202,222 | 6,623,408 |
| Receivables | 339,698 | – | – | 339,698 |
| Other assets | 119,079 | 133,933 | – | 253,012 |
| Total Current Assets | 978,263 | | | 7,216,118 |
| Non-Current Assets | | | | |
| Intangible assets | 1,144,430 | – | – | 1,144,430 |
| Lease assets | 26,102 | – | – | 26,102 |
| Property, plant and equipment | 2,163 | – | – | 2,163 |
| Total Non-Current Assets | 1,172,695 | | | 1,172,695 |
| Total Assets | 2,150,958 | | | 8,388,813 |
| Current Liabilities | | | | |
| Payables | 942,341 | (80,000) | (38,611) | 823,730 |
| Lease liabilities | 36,576 | – | – | 36,576 |
| Borrowings | 1,458,446 | (922,326) | – | 536,120 |
| Provisions | 139,714 | – | – | 139,714 |
| Other financial liabilities | 453,429 | (453,429) | – | – |
| Other liabilities | 59,428 | – | – | 59,428 |
| Total Current Liabilities | 3,089,934 | | | 1,595,568 |
| Non-Current Liabilities | | | | |
| Borrowings | 1,072,600 | – | – | 1,072,600 |
| Provisions | 22,062 | – | – | 22,062 |
| Other liabilities | 70,408 | – | – | 70,408 |
| Total Non-Current Liabilities | 1,165,070 | | | 1,165,070 |
| Total Liabilities | 4,255,004 | | | 2,760,638 |
| Net Assets/(Liabilities) | (2,104,046) | 3,491,388 | 4,240,833 | 5,628,175 |
| Equity | | | | |
| Share capital | 15,218,211 | 3,762,943 | 4,033,325 | 23,104,479 |
| Reserves | (2,890,867) | 133,933 | 593,777 | (2,163,157) |
| Accumulated losses | (14,431,390) | (405,488) | (386,269) | (15,223,147) |
| Total Equity | (2,104,046) | 3,491,388 | 4,240,833 | 5,628,175 |

Notes:

1. Subsequent Events

Set out below are the material transactions that have occurred since 30 June 2020 and the impact on the Statement of Financial Position as if they had occurred as at 30 June 2020.

- (a) In July 2020 the parent entity drew down an additional A\$33,000 from the Funding Arrangements with Altor;
- (b) Up to September 2020 parent entity issued a further 410,000 unsecured convertible notes to raise A\$410,000. Additionally, a further 50,000 unsecured convertible notes were issued in lieu of a cash payment of A\$50,000 to a contractor and A41,000 were issued to employees and directors as part of remuneration. A further conversion feature derivative liability of A\$214,714 was recognised;
- (c) On 16 October 2020 all convertible notes outstanding were converted to ordinary shares at a conversion price of A\$0.105, representing a 30% discount to the pre-IPO capital raise of A\$0.15 per share. As a result, 14,847,612 ordinary shares were issued. Prior to conversion a further A\$317,388 of amortisation on the convertible note liability was recognised;
- (d) In October 2020 the parent entity conducted a placement of ordinary shares at A\$0.15 per share including a 1 for 2 attaching option exercisable at A\$0.30 with a 4-year expiry. 10,516,666 ordinary shares and 5,258,333 options were issued under this offer to raise A\$1,577,500 cash (before costs). An additional 200,000 ordinary shares and 100,000 attaching options were issued to a private equity funder in lieu of cash payment and 150,000 ordinary shares and 75,000 attaching options were issued to an employee as part of their remuneration;
- (e) The September 2020 convertible note raise and October 2020 placement attracted a 6% fund raising fee which amounted to A\$118,800; and
- (f) On 10 November 2020, 1,403,245 warrants were issued to a private capital funder as consideration to extend the offer of financing of the loan book of a subsidiary. The warrants are exercisable at A\$0.20 per option with a 4-year expiry. The warrants were valued using a Binomial pricing model assuming a stock price of A\$0.15 per share (in line with pre-IPO capital raise), risk free interest rate of 0.23%, dividend yield of \$nil, expected life of 4 years and volatility of 100%. The value of A\$133,933 has been recognised as pre-paid borrowing costs.

2. Impact of the offer

Set out below are the transactions that will be undertaken on completion of the Group's Initial Public Offering as if they had occurred as at 30 June 2020.

- (a) A capital raising of 25,000,000 Shares (at A\$0.20 per Share) to raise A\$5,000,000 cash before costs in accordance with this Prospectus.
- (b) Costs of the capital raising and listing, comprising cash fees of A\$797,778 and the fair value of options to be issued of A\$593,777. Depending on the nature of the cost, the capital raising fees were split with between expenses through the Profit & Loss (A\$386,269) and those charged to Share Capital (A\$966,675). The Lead Manager will be issued with two series of options under the Lead Manager Mandate; 1. 2,000,000 options with a strike price of A\$0.30 per option and an expiry date of 3 years from date of issue. 2. 4,000,000 options with a strike price of A\$0.40 per option and an expiry date of 3 years from date of issue. The options were valued using a Binomial pricing model assuming a stock price of A\$0.20 per Share, risk free interest rate of 0.20%, dividend yield of \$nil, expected life of 3 years and volatility of 100%.

Effect of Pro Forma Adjustments on Statement of Financial Position line items:

Cash and cash equivalents

| Table 111 | Note | Pro Forma A\$ |
|--|------|------------------|
| Balances at 30 June 2020 | | 519,486 |
| <i>Subsequent Events:</i> | | |
| Drawdown on Altor loans | (a) | 33,000 |
| Convertible note issue | (b) | 410,000 |
| Share Placement | (d) | 1,577,500 |
| Share placement and convertible note costs | (e) | (118,800) |
| <i>IPO Adjustments:</i> | | |
| Shares issued under this Prospectus | (g) | 5,000,000 |
| Costs of the offer | (h) | (797,778) |
| Pro Forma balance | | 6,623,408 |

11. Financial Information

Other assets

| Table 11J | Note | Pro Forma A\$ |
|--------------------------------|------|------------------|
| Balance at 30 June 2020 | | 119,079 |
| <i>Subsequent Events:</i> | | |
| Prepaid borrowing costs | (f) | 133,933 |
| Pro Forma balance | | 253,012 |

Payables

| Table 11K | Note | Pro Forma A\$ |
|--|------|------------------|
| Balance at 30 June 2020 | | 942,341 |
| <i>Subsequent Events:</i> | | |
| Convertible note issue | (b) | (50,000) |
| Share placement | (d) | (30,000) |
| Offer costs recoverable GST (estimate) | (h) | (38,611) |
| Pro Forma balance | | 823,730 |

Borrowings – current

| Table 11L | Note | Pro Forma A\$ |
|-----------------------------------|------|------------------|
| Balance at 30 June 2020 | | 1,458,446 |
| <i>Subsequent Events:</i> | | |
| Drawdown on Altor loans | (a) | 33,000 |
| Convertible note issue | (b) | 286,286 |
| Amortisation of convertible notes | (c) | 317,388 |
| Conversion of convertible notes | (c) | (1,559,000) |
| Pro Forma balance | | 536,120 |

Other financial liabilities

| Table 11M | Note | Pro Forma A\$ |
|---------------------------------|------|------------------|
| Balance at 30 June 2020 | | 453,429 |
| <i>Subsequent Events:</i> | | |
| Convertible note issue | (b) | 214,714 |
| Conversion of convertible notes | (c) | (668,143) |
| Pro Forma balance | | - |

Share capital

| Table 11N | Note | Pro Forma Number | Pro Forma A\$ |
|--|-------------|-------------------------|----------------------|
| Balance at 30 June 2020 | | 45,075,883 | 15,218,211 |
| <i>Subsequent Events:</i> | | | |
| Conversion of convertible notes | (c) | 14,847,612 | 2,227,143 |
| Share placement | (d) | 10,866,666 | 1,630,000 |
| Share placement and convertible note costs | (e) | – | (94,200) |
| <i>IPO Adjustments:</i> | | | |
| Shares issued under this Prospectus | (g) | 25,000,000 | 5,000,000 |
| Costs of the Offer | (h) | – | (966,675) |
| Pro Forma balance | | 95,790,161 | 23,014,479 |

Reserves

| Table 11O | Note | Pro Forma A\$ |
|--------------------------------|-------------|----------------------|
| Balance at 30 June 2020 | | (2,890,867) |
| <i>Subsequent Events:</i> | | |
| Prepaid borrowing costs | (f) | 133,933 |
| <i>IPO Adjustments:</i> | | |
| Costs of the Offer | (h) | 593,777 |
| Pro Forma balance | | (2,163,157) |

Accumulated losses

| Table 11P | Note | Pro Forma A\$ |
|--|-------------|----------------------|
| Balance at 30 June 2020 | | (14,431,390) |
| <i>Subsequent Events:</i> | | |
| Convertible notes issue | (b) | (41,000) |
| Amortisation of convertible notes | (c) | (317,388) |
| Share placement | (d) | (22,500) |
| Share placement and convertible note costs | (e) | (24,600) |
| <i>IPO Adjustments:</i> | | |
| Costs of the Offer | (h) | (386,269) |
| Pro Forma balance | | (15,223,147) |

11. Financial Information

11.12 Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk

Propell is exposed to interest rate risk arising from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The primary financial liabilities impacted by interest rate movements include cash balances, loans and borrowings. Interest rate exposure is monitored and analysed, and consideration is given to potential renewals of existing positions, uses of funds and alternative financing options as well as the mix of fixed and variable interest rates.

11.13 Dividend Policy

The Group plans to invest all cash flow into the business in order to maximise growth. Accordingly, no dividends are expected to be paid in the foreseeable future following the Group's Listing on ASX.

The payment and amount of any potential future dividends declared by the Group are subject to the discretion of the Directors and will depend upon, among other things, the Group's earnings, financial position, tax position and capital requirements.

It is the Directors' intention to review this policy from time to time and commence the payment of a regular dividend once the Group is able to generate a substantial and sustainable level of cash flow, after allowing for capital expenditure and other commitments.

The Directors note that as the Group may be eligible for the research and development (R&D) refundable tax offset under Division 355 of the ITAA 1997, that special rules are enforced to ensure this amount is not immediately clawed back as a result of the entity becoming liable to franking deficit tax, due to a debit normally arising at the time of receiving a refund of income tax. The franking debt that usually arises when a refund of income tax is received is effectively deferred (deferred franking debits) in relation to refundable R&D tax offset amounts.

A corporate tax entity receiving the R&D refundable tax offset will not record any franking credit in its franking account for either future PAYG instalments, or payments of income tax until such time as any prior deferred franking debits are effectively offset by these types of franking credits. Other types of franking credits are not affected by these rules.

11.14 Research and Development Tax Incentive

Propell has made a claims under the research and development tax incentive provided by the Australian Government (R&D Incentive). The R&D Incentive allows eligible entities to claim a refundable tax offset at the rate of 43.5% where its turnover is less than A\$20 million. The R&D Incentive is claimed by way of self-assessment by Propell. Propell's research and development activities have been assessed by Management and professional advisers to determine the appropriate level of the R&D Incentive that should be claimed.

11.15 Segment Information

Propell Group manages its operations as a single business operation and there are no parts of the business that qualify as an operating segment under AASB 8 Operating Segments.

11.16 No Forecasts

The industries that Propell operate in are inherently uncertain. Consequently, there are significant uncertainties associated with forecasting future revenues and expenses associated with Propell's proposed activities.

The Directors have considered the matters details in ASIC's Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of Propell are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

The Directors consequently believe that, given there are inherent uncertainties, it is not possible to include reliable forecasts in this Prospectus.



12. *Investigating Accountant's Report*

12. Investigating Accountant's Report



26 February 2021

The Directors
Propell Holdings Limited
Level 11
82 Eagle Street
Brisbane Qld 4000

Dear Sirs,

Pitcher Partners Corporate Finance Limited

ABN 99 054 784 619
AFS LICENCE NO.255516

Real Estate
Licence (QLD) No. 3668087

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL FINANCIAL INFORMATION AND PRO FORMA FINANCIAL INFORMATION

Introduction

This report has been prepared at the request of the directors of Propell Holdings Limited ("Propell" or "the Company") to report on certain financial information to be included in the Prospectus for an Initial Public Offering ("the Offer") on ASX Limited.

Expressions and terms defined in the Prospectus have the same meaning in this report.

Scope

Historical Financial Information

Pitcher Partners Corporate Finance Limited has been engaged by the Directors to review the Propell:

- audited historical Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- audited historical Statements of Cash flows the years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
- audited historical Statements of Financial Position as at 30 June 2020;

as set out in Tables 11D, 11G and 11H of the Prospectus (together, the 'Historical Financial Information').

The Historical Financial Information has been extracted from the audited financial statements of Propell as at, and for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, which were audited by Pitcher Partners Partnership (ABN 84 797 724 539) in accordance with Australian Auditing Standards. Pitcher Partners Partnership issued unmodified opinions, which included emphasis of matter paragraphs with respect to going concern, in each of the respective financial reports.

The Historical Financial Information is presented in the Prospectus is in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards ('AAS') and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro forma Financial Information

Pitcher Partners Corporate Finance Limited has been engaged by the Directors to review:

- pro forma historical Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- pro forma historical Summary of Operating Cash flows the years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
- pro forma historical Statement of Financial Position, shown with pro forma adjustments to show the effect of certain subsequent events and transactions related to the capital raising and listing as if they had occurred at 30 June 2020, ("Pro Forma Historical Financial Information");

as set out in Tables 11A, 11E and 11H respectively (together referred to as the "Pro forma Financial Information").

Brisbane Sydney Newcastle Melbourne Adelaide Perth

Pitcher Partners is an association of independent firms.

Liability limited by a scheme approved under Professional standards Legislation.

Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.



The pro forma Historical Financial Information has been derived from the Historical Financial Information, after adjusting for the effects of Proforma adjustments described in Tables 11B, 11C, 11F, and 11H of the Prospectus (the 'Proforma Adjustments').

The pro forma Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS, which are consistent to International Financial Reporting Standards, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect the impact of certain transactions as if they occurred as at 30 June 2020.

Due to its nature, the Proforma Financial Information does not represent Propell's actual or prospective financial position. The Proforma Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information and the Pro forma Financial Information, including the selection and determination of Pro forma Adjustments made to the Historical Financial Information and included in the Pro forma Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information, and the Pro forma Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Historical Financial Information and Pro forma Financial Information

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, and Pro forma Financial Information based on the procedures performed and the evidence we have obtained.

Our procedures did not involve updating or re-issuing any previously issued audit report, nor issuing standalone review opinions on un-audited information, used as a source of the financial information.

Conclusions

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information comprising:

- audited historical Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- audited historical Statements of Cash flows the years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
- audited historical Statements of Financial Position as at 30 June 2020;

are not prepared and presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 11.2 of the Prospectus.

Pro forma Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Proforma Financial Information comprising:

- pro forma historical Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- pro forma historical Summary of Operating Cash flows the years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
- pro forma historical Statement of Financial Position, shown with pro forma adjustments to show the effect of certain subsequent events and transactions related to the capital raising and listing as if they had occurred at 30 June 2020, ("Pro Forma Historical Financial Information");

are not prepared and presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 11.2 of the Prospectus.

12. Investigating Accountant's Report



Prospective investors should be aware of the material risks and uncertainties relating to an investment in Propell, which are detailed in Section 10 of the Prospectus. Accordingly, prospective investors should have regard to the risk factors set out in Section 10 of the Prospectus.

We disclaim any assumption of responsibility for any reliance on this report, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Propell, that all material information concerning the prospects and proposed operations of Propell has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restrictions on Use

Without modifying our conclusions, we draw attention to the Important Notices of the Prospectus, which describes the purpose of the Historical Financial Information, and the Pro forma Financial Information, being for inclusion in the Prospectus. As a result, the Limited Assurance Report may not be suitable for use for another purpose.

Consent

Pitcher Partners Corporate Finance Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Liability

The liability of Pitcher Partners Corporate Finance Limited is limited to the inclusion of this report in the Prospectus. Pitcher Partners Corporate Finance Limited makes no representation regarding, and has no liability for any other statement or other material in, or any omissions from the Prospectus.

Disclosure of Interest

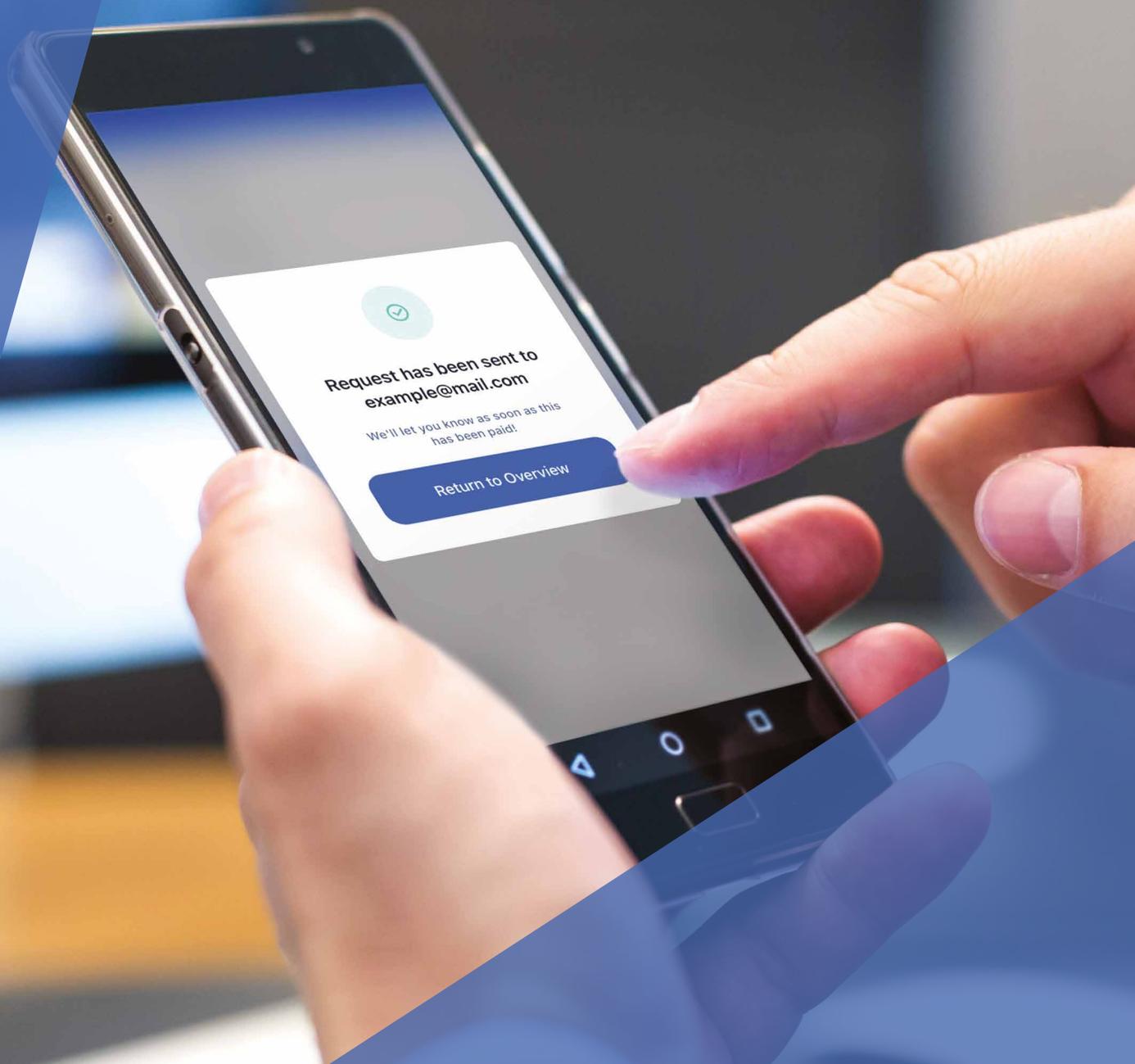
Pitcher Partners Corporate Finance Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received. Pitcher Partners Partnership (ABN 84 797 724 539) is the auditor of Propell.

Yours faithfully

PITCHER PARTNERS CORPORATE FINANCE LIMITED

A handwritten signature in black ink, appearing to read "Warwick Face", written over a horizontal line.

Warwick Face
Executive Director
Authorised Representative of
Pitcher Partners Corporate Finance Limited



13. *Board and Senior Management*

13. Board and Senior Management

13.1 Board of Directors

The Directors bring relevant experience and skills to the Board, including industry and business knowledge, financial management and corporate governance experience.

As at the Prospectus Date, the Company has not appointed any non-executive Directors as it believes that given the size and scale of its operations, the absence of non-executive directors will not be detrimental to the Company or its Shareholders.

The Company may consider appointing a non-executive director in the future when the Company is of sufficient size and having regard to the scale and nature of its activities.

Details of the Directors' remuneration and interests of the Company are set out below.

Table 13a



Benjamin Harrison
Executive Chairman

Mr Harrison has vast experience in advising and investing in companies. Benjamin Harrison is the Chief Investment Officer of the Altor Capital, a boutique alternative investment manager and corporate advisory firm. At Altor Capital, Mr Harrison advises and assists Altor Capital primarily 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.

Mr Harrison holds a Bachelor of Science and Masters of Applied Finance and Investment.



David Brennan
Executive Director

David graduated university with a Bachelor of Commerce. After roles in corporate finance and events management industry David returned to his long-term interest in the financial industry.

In 2013, David and his team entered the Australian Credit market and built a highly efficient full service online loan origination Platform to allow underserved Australian customers fast and frictionless access to personal finance.

David has been at the forefront of the Australian FinTech Industry, introducing a previously unseen level of technology integrated directly into the online loan decisioning process whilst always focusing on the most enhanced user experience for the customers.

As Executive Director he provides strategic advice on lending and assists with the corporate strategy of the Company.

In July 2015, David was announced as the AICM Western Australian, Young Credit Professional of the Year.

In 2015, David was nominated for the Business News 40 under 40 award and the WAtoday entrepreneurs and innovators award.

David will be an executive and will not be considered independent.

Table 13a



Jeremy Loftus
Finance Director

Jeremy has been qualified as a CPA for over seventeen years. He has been working in online lending since 2017 as CFO and Company Secretary covering SME lending and consumer lending.

Prior to Propell, Jeremy has over 12 years' experience in senior finance roles including working as CFO for several ASX listed companies. He has worked across various industries including electronics, online media, pharmaceutical and FMCG with experience in both manufacturing and wholesale environments.

As Finance Director, he is responsible for the management and administration of all aspects relating to both internal and external accounting and reporting and is focused on enabling and delivering the full range of financial, commercial and compliance activities the business required.

Jeremy will be an executive and will not be considered independent.

13.2 Management

Management comprises the following:

Table 13b



Michael Davidson
Chief Executive Officer

Michael found his passion for technology and small enterprise early in his telco career in Australia and the UK. He has been CEO of Propell since foundation having grown the business from payments into alternative finance. Michael was integral in securing service provider deal with large Australian banks.



Jeremy Loftus
Finance Director

See above.



Shawn Loy
Chief Technology Officer

Shawn has over 20 years' global experience in technology generating real business value through varying IT executive and management positions. He oversaw the launch of a new digital banking platform across three major clients, including core banking, internet banking and loan origination services and led the IT transformation at QTMB (now RACQ Bank).

13. Board and Senior Management

13.3 Director Disclosures

No Director has been the subject of (or was a director of a company that has been subject to) any legal or disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant to the performance of their role with the Company or which is relevant to an investor's decision as to whether to subscribe for Shares under the Offer.

Jeremy Loftus was a former company secretary and David Brennan was a former director of Enably Pty Ltd at the time that receivers were appointed to the affairs of the company on 15 September 2017. By way of a creditors voluntary winding up, the directors of the company appointed a liquidator on 8 August 2019. Other than as noted above, no Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after which they ceased to be an officer.

13.4 Directors' Fees

(a) Non-Executive Directors

The Constitution of the Company provides that the amount of fees payable to Non-Executive Directors must be a fixed sum, be determined by the Company in a general meeting, and must only be increased by resolution of the Company. The aggregate maximum remuneration currently determined by the Company is A\$500,000 per annum (**NED Fee Pool**). Following admission to the Official List of ASX, the NED Fee Pool must only be increased by Shareholder approval. Additionally, Non-Executive Directors will be entitled to be reimbursed for all travelling and other properly incurred expenses in connection with any meeting of Directors, any meeting of a committee of the Board, and otherwise in the execution of their duties as Non-Executive Directors. If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Non-Executive Director, the Company may remunerate that Non-Executive Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to non-executive Directors.

As mentioned above, as at the date of this Prospectus, the Company has not appointed any non-executive Directors as it believes that given the size and scale of its operations, the absence of non-executive directors will not be detrimental to the Company or its Shareholders.

The Company may consider appointing a non-executive director in the future when the Company is of sufficient size and having regard to the scale and nature of its activities.

(b) Executive Directors

The Constitution provides that remuneration of any executive Director may from time to time be fixed by the Directors. The remuneration may be by way of salary or commission or participation in profits but may not be by commission on, or a percentage of, operating revenue.

At present, the Board is constituted by three executive Directors. Each Director has been engaged by the Company pursuant to a Director Appointment Letter (set out at section 16 below) and by service agreement, the terms of which are summarised in 16 of this Prospectus. The Board has agreed that executive Directors shall not be paid Director fees in addition to their salary packages set forth in their respective contracts.

13.5 Disclosure of Interests

(a) Directors' Remuneration

The Company has paid or agreed to pay the following remuneration to its Board prior for the financial year ending 30 June 2021. The remuneration outlined in the table below represents total cash remuneration.

Table 13c: Summary of current Board remuneration and compensation

| Director | Remuneration | Description of Services |
|-------------------|--|--|
| Benjamin Harrison | Approximately A\$72,000/annum ¹ | Executive Chairman |
| David Brennan | A\$180,000/annum (excluding superannuation) ² | Executive Director |
| Jeremy Loftus | A\$180,000/annum (excluding superannuation) ³ | Executive Director and Chief Financial Officer |

Notes:

1. Based on Benjamin Harrison working 4 days per month at a day rate of A\$1,500.
2. Mr Brennan typically works only 1 day per week meaning his pro-rata annual remuneration would be A\$36,000 (excluding superannuation).
3. Based on the annualised rate of Jeremy Loftus working full-time. Jeremy Loftus has the flexibility to work less than this and therefore his remuneration is reduced on a pro-rata basis.
4. See section 16 for further remuneration details.

These payments are considered to be reasonable remuneration for the purposes of section 211 of the Corporations Act and as such, member approval of the transactions has not been sought.

(b) Directors' Interests

Each Director's relevant interest in securities of the Company as at the Completion of the Offer is set out in Table 13d below:

| Director | Shares | Options ¹ | % Holding ⁴ |
|--------------------------------|-----------|----------------------|------------------------|
| Benjamin Harrison ² | 2,806,134 | 1,661,227 | 4.9% |
| David Brennan ³ | 1,403,568 | 280,714 | 1.9% |
| Jeremy Loftus | 200,000 | – | 0.2% |

Notes:

1. Options have various exercise prices and expiry dates. For details on Options on issue see Section 15.4.
2. Benjamin Harrison holds a beneficial interest in, and is the Chief Investment Officer of Altor Capital which manages, the ACM EGF Pty Ltd <Altor Growth Fund> (ACMEGF) which holds Options and Shares however Mr Harrison does not control the exercise of the rights to vote attached to any of those securities or dispose any of those securities held by ACMEGF. Mr Harrison will be issued 540,387 options after the Prospectus Date and before Completion of the Offer.
3. Mr Brennan will be issued 280,714 options after the Prospectus Date and before Completion of the Offer.
4. % Holding based on fully diluted basis.

The Shares held by each of the Directors will be subject to the voluntary escrow arrangements and mandatory escrow arrangements set out in section 3.12 of this Prospectus.

13. Board and Senior Management

13.6 Directors' Interests and Remuneration

Other than set out below or elsewhere in this Prospectus:

- (a) no Director or proposed Director has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce him or her to become, or to qualify him or her as, a Director or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer; and
- (b) none of the following persons:
 - (1) a Director or proposed Director of the Company;
 - (2) each person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
 - (3) a promoter of Propell; or
 - (4) an underwriter to any part of the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the any part of Offer,

holds or held at any time during the last two years before the Prospectus Date, an interest in:

- (A) the formation or promotion of the Company;
- (B) property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offer; or
- (C) the Offer,

or was at any time paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, for services provided by such person in connection with the formation or promotion of the Company or the Offer.

13.7 Executive Remuneration

(a) David Brennan (Executive Director)

The Company has entered into an agreement with David Brennan, for the purposes of discharging his role as Executive Director of the Company (**Brennan Agreement**). The Brennan Agreement is summarised in section 16.8. Under the Brennan Agreement, Mr Brennan is entitled to remuneration of A\$180,000 per annum (excluding superannuation, to be calculated at 9.5%). Mr Brennan typically works only 1 day per week meaning his pro-rata annual remuneration would be A\$36,000 (excluding superannuation).

Mr Brennan is entitled to participate in the Company's ESOP.

Mr Brennan also holds a relevant interest in 280,714 Options exercisable at A\$0.30 and expiring 12 months from date of issue.

(b) Jeremy Loftus (Executive Director)

The Company has entered into an agreement with Jeremy Loftus, for the purposes of discharging his role as CFO of the Company (**CFO Agreement**). The CFO Agreement is summarised in section 16.9. Under the CFO Agreement, Mr Loftus is entitled to remuneration of A\$180,000 per annum (excluding superannuation, to be calculated at 9.5%).

Mr Loftus is entitled to participate in the Company's ESOP.

Mr Jeremy Loftus has also entered into a letter of appointment with the Company dated 12 September 2018 formalising his appointment as a Director of the Company on and from 13 September 2018, however this does not provide for any remuneration to be paid to Mr Loftus other than provided for in the CFO Agreement.

(c) Benjamin Harrison (Executive Chairman)

The Company has entered into an agreement with Riverfire, a company associated with Mr Benjamin Harrison, and Mr Harrison, for the purposes of discharging his role as Executive Chairman of the Company (**Executive Chairman Agreement**).

The Executive Chairman Agreement is summarised in section 16.10.

Under the Executive Chairman Agreement, Riverfire is entitled to a fee of A\$1,500 per day (plus GST).

Mr Harrison also holds a relevant interest in 540,387 Options exercisable at A\$0.30 and expiring 12 months from date of issue. In addition, Mr Harrison holds a beneficial interest in 1,100,000 Options exercisable at A\$0.40 and expiring on 1 December 2023 and 20,840 Options exercisable at A\$0.30 and expiring 12 months from date of issue.

Mr Harrison is entitled to participate in the Company's ESOP.

Benjamin Harrison is the Chief Investment Officer of the Altor Capital Pty Ltd group entities (**Altor Group**). Mr Harrison is not a director of, nor does he not own or control any Altor Group entities. However, Mr Harrison, as a consultant of the Altor Group may be entitled to remuneration under his relevant engagement agreement.

13.8 Deeds of Access, Indemnity and Insurance for Directors

The Company has entered into a deed of access, indemnity and insurance with each Director to provide indemnification, including advancement of expenses incurred in legal proceedings to which the Director was, or is threatened to be made, a party by reason of the fact that such Director is or was a Director, officer, employee or agent of the Company, provided that such Director acted in good faith and in a manner that the Director reasonably believed to be in, or not opposed to, the Company's best interests. The deed of access, indemnity and insurance also contains the Director's rights to Board papers.

At present, there is no pending litigation or proceeding involving a Director or officer for which indemnification is sought, nor is the Company aware of any threatened litigation that may result in claims for indemnification.

The Company maintains insurance policies that indemnify its Directors and officers against various liabilities that might be incurred by any Director or officer in his or her capacity as such.

13.9 Employee Share and Option Plan

The Company has adopted an employee share and option plan (**ESOP**) to assist in the motivation, retention reward of senior executives and other employees that may be invited to participate in the ESOP from time to time. The ESOP was adopted on 20 October 2020. The ESOP is designed to align the interests of employees with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company.

The ESOP provides flexibility for the Company to grant Shares or Options as incentives, subject to the terms of individual offers and the satisfaction of performance and vesting conditions determined by the Board from time to time.

A summary of the key terms of the ESOP are as follows (defined terms have the meaning given to them in the ESOP which is available for inspection upon request, see Section 13.9):

- (a) The ESOP is to extend to eligible employees of the Company or an associated body corporate of the Company as the Board may in its discretion determine.
- (b) The total number of Securities which may be offered by the Company under this Plan shall not at any time exceed 5% of the Company's total issued Shares when aggregated with the number of Securities issued or that may be issued as a result of offers made at any time during the previous 3 year period under:
 - (1) an employee incentive scheme covered by ASIC CO 14/1000; or
 - (2) an ASIC exempt arrangement of a similar kind to an employee incentive scheme.
- (c) The Shares are to be issued at a price determined by the Board.
- (d) The Options are to be issued for no consideration.
- (e) The exercise price of an Option is to be determined by the Board at its sole discretion.
- (f) The Option Commencement Date will be any such date or dates with respect to the Options or tranches of Options (as the case may be) as may be determined by the Board prior to the issuance of the relevant Options.

13. Board and Senior Management

- (g) The Option Period commences on the Option Commencement Date and ends on the earlier of:
 - (1) the expiration of such period nominated by the Board at its sole discretion at the time of the grant of the Option but being not less than 2 years; or
 - (2) if an Eligible Person's employment or engagement with the Company ceases because of an Uncontrollable Event, the earlier of:
 - (A) the expiry of the Option Period; or
 - (B) 1 month (or such other period as the Board shall, in its absolute discretion, determine) from the date on which the Eligible Person ceased that employment or engagement; or
 - (3) if an Eligible Person's employment or engagement with the Company ceases because of a Controllable Event:
 - (A) the expiry of the Option Period; or
 - (B) the Business Day after the expiration of 7 days, or any longer period which the Board may determine, after the Eligible Person ceases to be employed or engaged by the Company or an Associated Body Corporate of the Company; or
 - (C) the Eligible Person ceasing to be employed or engaged by the Company or an Associated Body Corporate of the Company due to fraud, dishonesty or being in material breach of their obligations to the Company or an Associated Body Corporate.
- (h) Eligibility to participate is determined by the Board. Eligibility is restricted to Eligible Persons (or their Eligible Associates where applicable) of the Company or an Associated Body Corporate of the Company. The Board is entitled to determine:
 - (1) subject to the terms of the ESOP, the total number of Shares and Options to be offered in any one year to Eligible Persons or Eligible Associates;
 - (2) the Eligible Persons to whom offers will be made; and
 - (3) the terms and conditions of any Shares and Options granted, subject to the ESOP.
- (i) In respect of Options, Option holders do not participate in dividends or in bonus issues unless the Options are exercised.
- (j) Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
- (k) In the event of a pro rata issue (except a bonus issue) made by the Company during the term of the Options the Company may adjust the exercise price for the Options in accordance with a specified formula.
- (l) The Board has the right to vary the entitlements of Participants to take account of the effect of capital reconstructions, bonus issues or rights issues.
- (m) The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.
- (n) The Board may impose as a condition of any offer of Shares and Options under the ESOP any restrictions on the transfer or encumbrance of such Shares and Options as it determines.
- (o) The Board may vary the ESOP.
- (p) The ESOP is separate to and does not in any way form part of, vary or otherwise affect the rights and obligations of a participant under the terms of his or her employment or arrangement.

- (q) At any time from the date of an offer of Shares or Options until the acceptance date of that offer, the Board undertakes that it shall provide information as to:
- (1) the current market price of the Shares; and
 - (2) the acquisition price of the Shares or Options offered where this is calculated by reference to a formula, as at the date of the Offer,
- to any Participant within three Business Days of a written request to the Company from that Participant to do so.
- (r) Any Offer made pursuant to this ESOP will specify whether subdivision 83A-C of the applicable Tax Laws applies to that Offer such that any tax payable by a Participant under the Offer will be deferred to the applicable deferred taxing point described in that subdivision.

13.10 Related Party Transactions

Chapter 2E of the Corporations Act governs related party transactions with respect to public companies. Related parties include Directors and entities controlled by Directors. Related party transactions require Shareholder approval unless they fall within one of the exceptions in Chapter 2E. Transactions entered into by proprietary companies are not regulated by Chapter 2E.

The Company was registered as a public company on 15 September 2016. Transactions that may be captured under Chapter 2E of the Corporations Act in the two years prior to the Prospectus Date are set out below.

(a) Issue of Securities

Securities have been, or are expected to be, issued to the Directors in the following manner:

| Director | Number of Securities | Date of issue | Issue Price | Purpose |
|-------------------|----------------------|-----------------------|-------------|--|
| Benjamin Harrison | 561,227 ¹ | Proposed to be Issued | A\$0.30 | Issued to pre-IPO Existing Shareholders. |
| David Brennan | 280,714 ¹ | Proposed to be Issued | A\$0.30 | Issued to pre-IPO Existing Shareholders. |
| Jeremy Loftus | 200,000 ² | 1 October 2020 | A\$0.105 | Bonus paid in lieu of cash. |

Note:

1. These Options have not been issued, but are expected to be issued prior to the issue of Shares under this Prospectus.
2. The issue was considered by the Board to be reasonable remuneration for the purposes of Chapter 2E of the Corporations Act and, as such, Shareholder approval was not required.

Since 1 March 2019, the Company has undertaken a number of capital raisings to sophisticated and professional investors. Shares under some or all of these raisings were acquired by related parties on the same terms and at the same issue price as all other investors under those offers. Additionally, shares were issued to some or all of these related parties in consideration for the acquisition of shares held in Business and Capital by those related parties on the same terms and at the same issue price as all other shareholders of Business and Capital and Options were granted to some of these related parties in connection with seed capital raisings and were issued on the same terms and at the same time as Options granted to other seed capital Shareholders.

Having regard to the circumstances at the time of the issue of these securities, including the terms on which the same securities were issued to non-associated shareholders at the same time, the structure of the Company's prior raisings, the financial position of the Company when these securities were issued and the manner in which pricing for those transactions was discovered, the Board considers that the issue of past securities to those related parties constitute reasonable arm's length transactions for the purposes of Section 211 of the Corporations Act or otherwise fall within the exceptions outlined in Chapter 2E.

13. Board and Senior Management

(b) Services Agreement with Riverfire Capital Ventures

The Company entered into the Executive Chairman Agreement with Riverfire and Benjamin Harrison (please refer to section 16.10). The Board considers that the terms of the Executive Chairman Agreement and any financial benefit conferred on Riverfire or Benjamin Harrison in connection with this agreement constitute reasonable remuneration for the purposes of section 211 of the Corporations Act, or otherwise falls within the exceptions outline in Chapter 2E of the Corporations Act and as such, Shareholder approval was not required.

(c) Executive Employment Agreement with David Brennan and Jeremy Loftus

The Brennan Agreement and CFO Agreement (please refer to section 16.8 and section 16.9). The Board considers that the terms of the agreements and any financial benefit conferred in connection with the agreements constitute reasonable remuneration for the purposes of section 211 of the Corporations Act or otherwise falls within the exceptions outline in Chapter 2E of the Corporations Act and as such, Shareholder approval was not required.

(d) Director Letters of Appointment

Each Director has been engaged by the Company pursuant to a Director Appointment Letter (set out at section 16 below). The Board has agreed that the executive Directors shall not be paid Director fees in addition to their salary packages set forth in their respective contracts. In any event, the Board considers that to the extent there is any financial benefit conferred on the Directors under the Director Appointment Letters, this constitutes reasonable remuneration for the purposes of section 211 of the Corporations Act, or otherwise falls within the exceptions outline in Chapter 2E of the Corporations Act and as such, Shareholder approval was not required.

(e) Directors' Deeds of Access and Indemnity

The Company has entered into Deeds of Access and Indemnity with each Director. The terms of these agreements are set out in Section 16.13. The benefits conferred under the Deeds of Access and Indemnity meet the requirements of section 212 of the Corporations Act and as such, Shareholder approval has not been obtained nor is required.

(f) ESOP

The Company adopted its ESOP on 20 October 2020. A summary of the ESOP is set out in section 13.9. The Board considers that the issue of any securities under the ESOP constitutes reasonable remuneration for the purposes of section 211 of the Corporations Act, or otherwise falls within the exceptions outlined in Chapter 2E of the Corporations Act.



14. *Corporate Governance*

14. Corporate Governance

14.1 Incorporation of corporate governance material

For the purposes of this Prospectus, the Company also relies upon the provisions in section 712 of the Corporations Act which enables the Company to incorporate material by reference into this Prospectus. Accordingly rather than contain all the information that may be required to be set out in a standard document of this type in relation to the corporate governance practices of the Company, it incorporates by reference the Corporate Governance Charter of Propell adopted on 18 February 2021 (**Corporate Governance Charter**) and lodged with the ASIC on or about the Prospectus Date.

The Corporate Governance Charter can be obtained, at no cost, from the Company's registered office and is also available on the Propell Website.

The following summary is provided pursuant to section 712(2) of the Corporations Act.

14.2 General

To the extent applicable, commensurate with the Company's size and nature, the Company has adopted The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition) (**Recommendations**). The Directors will seek, where appropriate, to provide accountability levels that meet or exceed the Recommendations, which are not prescriptions, but guidelines.

The Company's main corporate governance policies and practices are outlined below.

14.3 Board of Directors

The Board oversees the Company's business and is responsible for the overall corporate governance of the Company. It monitors the operational, financial position and performance of the Company and oversees its business strategy, including approving the strategy and performance objectives of the Company.

The Board is committed to maximising performance and generating value and financial returns for Shareholders. To further these objectives, the Board has created a framework for managing the Company, including the adoption of relevant internal controls, risk management processes and corporate governance policies and practices which the Board believes are appropriate for the business and which are designed to promote the responsible management and conduct of the Company.

A Director may seek independent advice, including legal advice, where he or she believes it is necessary to properly discharge his or her duties as a Director. The Company will pay for the reasonable cost of this advice provided that the Director has obtained prior written approval of the Chairperson (including for the cost of the advice).

14.4 Composition of the Board

The Board is currently comprised of 3 executive Directors, including the Executive Chairman. Biographies of the Directors are provided in Section 13.1.

As at the Prospectus Date, the Company has not appointed any non-executive Directors as it believes that given the size and scale of its operations, the absence of non-executive directors will not be detrimental to the Company or its Shareholders.

The Company may consider appointing a non-executive director in the future when the Company is of sufficient size and having regard to the scale and nature of its activities.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to adequately govern the Company's activities determined within the limitations imposed by the Constitution.

In assessing the independence of Directors, the Company has regard to Principle 2 of the Recommendations. The Company's Corporate Governance Charter sets out further matters that the Board will consider when determining the independence of Directors of the Company.

Each Director has confirmed to the Company that he anticipates being available to perform his duties as a non-executive Director or executive Director, as applicable, without constraint from other commitments.

14.5 Nominations Committee

The Board has not formally established a nominations committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of a nominations committee. The Board considers that it is able to deal efficiently and effectively with Board composition and succession issues without establishing a separate nominations committee and in doing so, the Board will be guided by the Corporate Governance Charter which can be accessed on the Propell Website. The Company will review this position annually and determine whether a nominations committee needs to be established.

14.6 Remuneration Committee

The Board has not formally established a remuneration committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of a remuneration committee. The Board considers that it is able to deal efficiently and effectively with remuneration issues and will initially comprise the remuneration committee. In doing so, the Board will be guided by the Corporate Governance Charter which can be accessed on the Propell Website. The Company will review this position annually and determine whether a remuneration committee needs to be established.

14.7 Identification and Management of Risk

The Board has not formally established an audit and risk committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of an audit and risk committee. The Board considers that it is able to efficiently and effectively oversee, without establishing a separate audit and risk committee, the corporate reporting process, and the Company's risk management framework.

In doing so, the Board will be guided by the Corporate Governance Charter, which can be accessed on the Propell Website. The Company will review this position annually and determine whether an audit and risk committee needs to be established.

14.8 External Audit

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

The Board will be responsible for:

- (a) considering and implementing the appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- (b) monitoring and reviewing the external auditor's independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements and the performance of the external auditor; and
- (c) developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provisions of non-audit services by the external audit firm and making recommendations on any proposal by the external auditor to provide non-audit services.

14.9 Corporate Ethics and Continuous Disclosure Policy

The Company is committed to the establishment and maintenance of appropriate ethical standards. Accordingly, the Company has adopted a corporate ethics policy (**Corporate Ethics Policy**) and a corporate code of conduct (**Code of Conduct**). The Code of Conduct establishes the principles and responsibilities to which the Company is committed with respect to both its internal dealings with employees and consultants, and external dealings with Shareholders and the community at large.

14. Corporate Governance

To assist Directors in discharging their duty to the Company in compliance with the relevant laws to which they are subject, the Company has adopted a Corporate Ethics Policy. The Corporate Ethics Policy sets out rules binding Directors in respect of:

- (a) a Director's legal duties as an officer of the Company;
- (b) a Director's obligations to make disclosure to the ASX and the market generally; and
- (c) dealings by Directors in shares in the Company.

Alongside the Corporate Ethics Policy, the Code of Conduct sets out the standard which the Board, Management and employees of the Company are encouraged to comply with when dealing with each other, Shareholders and the broader community.

The responsibilities contained within the Code of Conduct include:

- (a) to conduct business with honesty, integrity and fairness;
- (b) to comply with all relevant laws and regulations applicable to it;
- (c) compliance with the applicable legal rules regarding privacy, privileges, private and confidential information; and
- (d) compliance with the laws and regulations of the countries in which its businesses operate and acting in an ethical manner, consistent with the principles of honesty, integrity, fairness and respect.

14.10 Diversity Policy

The Company respects and values the competitive advantage of diversity 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.

In accordance with recommendation 1.5 of the Recommendations, the Company has adopted a diversity policy and will implement that Recommendation in a number of ways, including by:

- (a) being attuned to diverse strategies to deliver the Company's objectives with respect to diversity;
- (b) being attuned to diverse corporate, business and market opportunities;
- (c) adding to, nurturing and developing the collective relevant skills, and diverse experience and attributes of personnel within the Company; and
- (d) ensuring that the Company's culture and management systems are aligned with and promote the attainment of recommendation 1.5.

14.11 Anti-Bribery and Corruption Policy

The Company has adopted an Anti-bribery and Corruption Policy to establish controls to ensure compliance with all applicable anti-corruption laws and regulations, and to ensure that the Company conducts business in a socially responsible manner.

The Company and the Board take a zero-tolerance approach to corruption and are committed to acting professionally, ethically and with integrity in all of the Company's business dealings and relationships. This extends to implementing and enforcing effective systems to counter Corruption.

The Anti-Bribery and Corruption Policy imposes various obligations and responsibilities upon Company Personnel and Associated Persons' (as those terms are defined in the Anti-Bribery and Corruption Policy), the Board and the Company to ensure:

- (a) neither Associated Persons nor Company Personnel engage in bribery;
- (b) the giving and receiving of gifts and hospitality is limited to circumstances where it is proportionate and reasonable; and
- (c) the giving of charitable and political contributions made on behalf of the Company is limited to strict circumstances and always with the approval from the Board having regard to stringent considerations.

14.12 Share Trading Policy

The Company has adopted a trading policy which is intended to ensure that persons who are discharging managerial responsibilities including but not limited to Directors, do not abuse, and do not place themselves under suspicion of abusing Inside Information that they may be thought to have, especially in periods leading up to an announcement of the Company.

Under the terms of the trading policy, a Restricted Person must not deal with Securities of the Company unless a clearance to deal is obtained in accordance with the Trading Policy or the dealing is an Excluded Dealing. Further, a Restricted Person must not deal with Securities of the Company if such a dealing would involve:

- (a) use of inside information;
- (b) short-term selling;
- (c) short selling; or
- (d) hedging transactions.

14.13 Related Party Policy

The Company has adopted a Related Party Policy to:

- (a) record the Company's commitment to complying with all related party transaction requirements under the Corporations Act and the Listing Rules;
- (b) set out a framework for obtaining approvals for all related party transactions; and
- (c) establish a clear process to comply with the Company's related party transaction obligations.

In summary, the Related Party Policy requires that all related party transactions must be:

- (1) notified to the Company Secretary (prior to their execution);
- (2) on arm's length terms; and
- (3) approved by the Board.

Related party transactions not on arm's length terms must be approved by the Company's shareholders.

14.14 Whistleblower Policy

The Company is committed to the highest standards of conduct and ethical behaviour in all of its business activities and to promoting and supporting a culture of honest and ethical behaviour, corporate compliance and good corporate governance across the Company. As part of that commitment, the Company has adopted a separate Whistleblower Policy, in compliance with applicable laws and practices.

In supporting the Company's corporate governance practices, the Policy has various objectives and purposes, including to:

- (a) encourage disclosures of wrongdoing;
- (b) help deter wrongdoing, in line with the Company's risk management and governance framework;
- (c) provide transparency around the Company's framework for receiving, handling and investigating disclosures;
- (d) meet the Company's legal and regulatory obligations;
- (e) provide a process for investigating and dealing with disclosures and how the Company will support disclosers and protect them from detriment; and
- (f) align with the Recommendations.

The Whistleblower Policy is intended to supplement all applicable laws, rules and other corporate policies including, without limitation, the Company's Corporate Code of Conduct and Anti-Bribery and Corruption Policy.

14. Corporate Governance

14.15 Compliance with Recommendations

The table below summarises how the Company complies with the ASX Principles, and in the case of non-compliance why not. The Board is of the view that with the exception of the departures from the ASX Guidelines noted below it otherwise complies with all of the ASX Guidelines.

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|------------------|---|---------------------|---|
| 1 | Lay solid foundations for management and oversight | | |
| 1.1 | A listed entity should disclose: (a) the respective roles and responsibilities of the Board and Management; and (b) those matters expressly reserved to the Board and those delegated to Management. | Yes | The Company's Board Charter sets out (amongst other things): (a) the roles and responsibilities of the Board and of management; and (b) the matters expressly reserved to the Board and those delegated to management. A copy of the Board Charter is available on the Company Website. |
| 1.2 | A listed entity should: (a) undertake appropriate checks before appointing a Director or senior executive or putting forward someone for election as a Director; and (b) provide security holders with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a Director. | Yes | Prior to the appointment of a person as a Director, or putting forward to Shareholders a candidate for election as a Director, the Company undertakes checks which it believes are appropriate to verify a Director's character, experience, education, criminal record and bankruptcy history (including for new Directors). The Company will ensure that all material information in its possession relevant to a Shareholder's decision whether to elect or re-elect a Director, including the information referred to in Recommendation 1.2, is provided to shareholders in any Notice of Annual or Extraordinary General Meeting. |
| 1.3 | A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment. | Yes | Each Director and senior executive of the Company has an agreement in writing with the Company which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities and (to the extent applicable) the matters referred to in the commentary to Recommendation 1.3. |

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|------------------|---|---------------------|---|
| 1.4 | The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. | Yes | <p>The responsibilities of the Company Secretary are set out in the Board Charter. The Company Secretary has a direct line of reporting to the Chairperson and is responsible for:</p> <ul style="list-style-type: none"> (a) advising and supporting the Chairperson and the Board and its committees to manage the day to day governance framework of the Company; (b) assisting with Board effectiveness by monitoring whether applicable Board and committee policies, procedures and charters are followed and coordinating timely completion and despatch of Board agendas and papers; and (c) assisting with all matters to do with the proper functioning of the Board including advising on governance matters and assisting with induction and professional development of Directors. |
| 1.5 | <p>A listed entity should:</p> <ul style="list-style-type: none"> • have and disclose a diversity policy; • through its Board or a committee of the Board set measurable objectives for achieving gender diversity in the composition of its Board, senior executives and workforce generally; and • disclose in relation to each reporting period: <ul style="list-style-type: none"> (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; and (3) either the respective proportions of men and women on the Board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes) or, if the Company is a relevant employer" under the <i>Workplace Gender Equality Act 2012</i> (Cth), the Company's most recent "Gender Equality Indicators", as defined in and published under that Act. | Yes | <p>The Company seeks to treat everyone with fairness and respect which includes valuing diversity and difference and acting without prejudice. The Company believes that decision-making is enhanced through diversity and supports and encourages diversity at all levels of the organisation in accordance with the Company's Diversity Policy.</p> <p>A copy of the Diversity Policy is available on the Company Website.</p> <p>The Board assesses any measurable objectives for achieving gender diversity and annually reviews any such objectives and the Company's progress towards achieving them. The Board reports at least annually on the relative proportion of women and men appointed or employed within the Company group.</p> <p>The Diversity Policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board is developing objectives regarding gender diversity and aims to achieve these objectives over the next five years as Director and senior executive positions become vacant and appropriately qualified candidates become available. Disclosure of measurable objectives, progress and respective proportions will be disclosed in the Annual Report.</p> |

14. Corporate Governance

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|------------------|---|---------------------|--|
| 1.6 | <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and</p> <p>(b) disclose for each reporting period whether a performance evaluation was undertaken in accordance with that process during or in respect of that period.</p> | No | <p>The Board Charter details the Company's commitment, responsibility and process to evaluate the performance of the Board, individual Directors, the Chairperson and Committees of the Board. The Board Charter is available on the Company Website.</p> <p>The Board did not conduct a Board performance evaluation during the last 12 months.</p> <p>The Company believes that the small size of the executive team and the current scale of the Company's activities makes the establishment of a formal performance evaluation procedure unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board. In the normal course of events the Board reviews performance of the Management, Directors and the Board as a whole. Achievement of goals and business development and compliance issues are evaluated regularly on an informal basis.</p> |
| 1.7 | <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose for each reporting period whether a performance evaluation was undertaken in accordance with that process during or in respect of that period.</p> | No | <p>The Board did not conduct a performance evaluation of senior executives during the last 12 months and has not adopted a performance evaluation policy.</p> <p>The Company believes that the small size of the executive team and the current scale of the Company's activities makes the establishment of a formal performance evaluation procedure unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board. In the normal course of events the Board reviews performance of the Management, Directors and the Board as a whole. Achievement of goals and business development and compliance issues are evaluated regularly on an informal basis.</p> |

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|-------------------------|---|----------------------------|---|
| 2 | Structure the Board to be effective and add value | | |
| 2.1 | <p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent Directors; and</p> <p>(2) is chaired by an independent Director;</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | No | <p>The Board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new Directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process.</p> <p>The Board Charter sets out the processes the Company employs as regard appointments to the Board and matters regarding successions. The Board Charter is available on the Company Website.</p> |

14. Corporate Governance

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|------------------|--|---------------------|--|
| 2.2 | A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. | No | <p>Details of the current Directors, their skills, experience and qualifications is set out in the Prospectus. These details, plus a record of attendance at meetings, will be included in the Directors' Report within the Annual Report in future. No specific skills matrix is currently prepared and disclosed as the Company does not believe its current size and scale warrants that level of detail.</p> <p>The Board regularly evaluates the mix of skills, experience and diversity at Board level. The Board believes that a highly credentialed Board, with a diversity of background, skills and perspectives, will be effective in supporting and enabling delivery of good governance for the Company and value for the Company's shareholders.</p> <p>At the date of this Prospectus, the Board comprises three Directors from diverse backgrounds with a range of business experience, skills and attributes. Biographical information on each Director is contained in the Annual Report and on the company's website.</p> <p>Details of the current Directors, their skills, experience and qualifications are set out in the Prospectus. These details, plus a record of attendance at meetings, will be included in the Directors' Report within the annual report in the future.</p> |
| 2.3 | <p>A listed entity should disclose:</p> <p>(a) the names of the Directors considered by the Board to be independent Directors;</p> <p>(b) if a Director has an interest, position or relationship that might cause doubts about the independence of a Director but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position or relationship in question and an explanation of why the Board is of that opinion; and</p> <p>(c) the length of service of each Director.</p> | Yes | <p>The Board comprises the following Directors:</p> <p>(a) Benjamin Harrison (Executive Chairman) – appointed 30 September 2016;</p> <p>(b) David Brennan (Executive Director) – appointed 7 September 2018; and</p> <p>(c) Jeremy Loftus (Executive Directors) – appointed 13 September 2018.</p> <p>The Board of the Company does not consist of a majority of independent Directors. The Board will consider appointing further independent Directors in the future when the Company is of sufficient size and having regard to the scale and nature of its activities. In the meantime, the Company believes that given the size and scale of its operations, non-compliance by the Company with this recommendation will not be detrimental to the Company or its Shareholders.</p> |

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|-------------------------|---|----------------------------|---|
| 2.4 | The majority of the Board should be independent Directors. | No | On the basis of the above information detailed in recommendation 2.3, the Company is of the view that the Board does not consist of a majority of independent Directors. The Board will consider appointing independent Directors in the future, when the Company is of sufficient size and having regard to the scale and nature of its activities. In the meantime, the Company believes that given the size and scale of its operations, non-compliance by the Company with this recommendation will not be detrimental to the Company or its Shareholders. |
| 2.5 | The chair of the Board should be an independent Director and, in particular, should not be the same person as the CEO of the entity. | No | The Chairperson of the Board is not an independent Director, however the Chairperson is not the CEO of the Company. The Board will consider appointing an independent Chairperson in the future when the Company is of sufficient size and having regard to the scale and nature of its activities. In the meantime, the Company believes that given the size and scale of its operations, non-compliance by the Company with this recommendation will not be detrimental to the Company or its Shareholders. |
| 2.6 | A listed entity should have a program for inducting new Directors and for periodically reviewing whether there is a need for existing Directors to undertake professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. | Partially | Under the Company's Board Charter, all new Directors are given a thorough briefing by the Chairperson and/or Secretary on key Board issues and provided with appropriate background documentation, including the Company's financial, strategic, operational and risk management position, their rights, duties and responsibilities, and the role of the Board the Board committees. The Board will periodically review whether there is a need for existing Directors to undertake professional development to develop and maintain the skills and knowledge needed to perform their roles as Directors effectively. |
| 3 | Instil a culture of acting lawfully, ethically and responsibly | | |
| 3.1 | A listed entity should articulate and disclose its values. | Yes | The Company's Board Charter and Code of Conduct articulates and discloses its values. The Company's Board Charter and Code of Conduct is available on the Company Website. |

14. Corporate Governance

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|------------------|---|---------------------|---|
| 3.2 | <p>A listed entity should:</p> <p>(a) have and disclose a code of conduct for its Directors, senior executives and employees; and</p> <p>(b) ensure that the Board or a committee of the Board is informed of any material breaches of that code.</p> | Yes | <p>The Company has a Code of Conduct that sets out the standards of behaviour expected of all its employees, Directors, officers, contractors and consultants. The Code of Conduct is available on the Company Website.</p> <p>Any breach of compliance with the Code of Conduct is to be reported directly to the chief executive officer, managing director or Chairperson as appropriate.</p> |
| 3.3 | <p>A listed entity should:</p> <p>(a) have and disclose a Whistleblower Policy; and</p> <p>(b) ensure that the Board or a committee of the Board is informed of any material incidents reported under that policy.</p> | Yes | <p>The Company has a Whistleblower Policy available on the Company Website. Any material incidents reported under that policy are reported to the Board.</p> |
| 3.4 | <p>A listed entity should:</p> <p>(a) have and disclose an anti-bribery and corruption policy; and</p> <p>(b) ensure that the Board or a committee of the Board is informed of any material breaches of that policy.</p> | Yes | <p>The Company has an Anti-bribery and Corruption Policy available on the Company Website. Any material incidents reported under that policy are reported to the Board.</p> <p>Under the Anti-bribery and Corruption Policy, all Company Personnel must report any actual or suspected improper conduct or other violation of this Policy to the relevant person identified in this Policy, being the Board or the Company Secretary.</p> |

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|------------------|--|---------------------|---|
| 4 | Safeguard the integrity of corporate reports | | |
| 4.1 | <p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</p> <p>(2) is chaired by an independent Director, who is not the chair of the Board; and</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | No | <p>The Board has not formally established an audit and risk committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of an audit and risk committee.</p> <p>The Board considers that it is able to efficiently and effectively oversee, without establishing a separate audit and risk committee, the corporate reporting process, and the Company's risk management framework.</p> <p>In doing so, the Board will be guided by the Corporate Governance Charter, which can be accessed on the Propell Website. The Company will review this position annually and determine whether an audit and risk committee needs to be established. The Company believes that given the size and scale of its operations, non-compliance by the Company will not be detrimental to the Company.</p> |

14. Corporate Governance

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|------------------|---|---------------------|--|
| 4.2 | The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | Yes | The Board is to receive a declaration in the form set out in Recommendation 4.2 from its CEO and Chief Financial Officer in relation to the financial statements. |
| 4.3 | A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor. | Yes | The Company ensures that any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor undergoes review by the Reporting Group (being the Directors, Managing Director or CEO, CFO and Company Secretary). The Reporting Group is responsible for reviewing, assessing and recommending release to the Board for all financial statements and reports which are required to be publicly released. The review should include a discussion with management and the external auditors of accounting issues and board policies. |
| 5 | Make timely and balanced disclosure | | |
| 5.1 | A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under ASX Listing Rule 3.1. | Yes | The Company has a Continuous Disclosure and Communications Policy that outlines the processes to be followed by the Company to ensure compliance with its continuous disclosure obligations and the corporate governance standards applied by the Company in its communications to the market. The Continuous Disclosure and Communications Policy is available on the Company Website. |
| 5.2 | A listed entity should ensure that its Board receives copies of all material market announcements promptly after they have been made. | Yes | Under the Company's Board Charter, the Board is responsible for overseeing the continuous disclosure process to ensure timely and balanced disclosures and ensuring that the Company has an effective process for communicating with shareholders, other stakeholders and the public. |

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|-------------------------|---|----------------------------|--|
| 5.3 | A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation. | Yes | Under the Company's Continuous Disclosure and Communications Policy, any materials distributed at analyst and media briefings will be lodged with ASX at the time of the briefing, and at investor meetings, the Company will not disclose any information that a reasonable person might regard as being price sensitive unless such information has previously been released to the market through the ASX or is otherwise already in the public domain. |
| 6 | Respect the rights of security holders | | |
| 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | Yes | Information about the Company and its operations is available on the Company Website. Information about the Company's corporate governance (including links to the Company's corporate governance policies and charters) can be accessed from the Company Website. |
| 6.2 | A listed entity should have an investor relations program that facilitates effective two-way communication with investors. | Yes | The Company has a Continuous Disclosure and Communications Policy that outlines the processes followed by the Company to ensure communication with shareholders and the investment community is effective, consistent and adheres to the principles of continuous disclosure. The Continuous Disclosure and Communications Policy is available on the Company Website. |
| 6.3 | A listed entity should disclose how it facilitates and encourages participation at meetings of security holders. | Yes | The Continuous Disclosure and Communication Policy sets out the policies and processes the Company has in place to facilitate and encourage participation at meetings of Shareholders. |
| 6.4 | A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. | No | <p>The Company's Constitution states that a poll may be demanded, before any vote on a resolution is taken, or before the voting results on a show of hands is declared or immediately after the voting results on a show of hands are declared.</p> <p>The Company's Constitution also provides that the Chairperson has charge of the general conduct of a general meeting of Shareholders, and may require adoption of any procedure which is in the Chairman's opinion necessary or desirable, including the proper and orderly casting or recording of votes at the general meeting of Shareholders.</p> <p>The Company considers that these requirements adequately protect the interests of Shareholders.</p> |

14. Corporate Governance

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|------------------|---|---------------------|---|
| 6.5 | A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Yes | The Company gives Shareholders the option to receive communications from, and send communications to, the Company and its Share Registry electronically, as provided for in the Company's Continuous Disclosure and Communication Policy. |
| 7 | Recognise and manage risk | | |
| 7.1 | <p>The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent Directors; and</p> <p>(2) is chaired by an independent Director;</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> | No | <p>The Board has not formally established an audit and risk committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of an audit and risk committee.</p> <p>The Board considers that it is able to efficiently and effectively oversee, without establishing a separate audit and risk committee, the corporate reporting process, and the Company's risk management framework.</p> <p>In doing so, the Board will be guided by the Corporate Governance Charter, which can be accessed on the Propell Website. The Company will review this position annually and determine whether an audit and risk committee needs to be established. The Company believes that given the size and scale of its operations, non-compliance by the Company will not be detrimental to the Company.</p> |

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|-------------------------|---|----------------------------|--|
| 7.2 | <p>The Board or a committee of the Board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p> | No | <p>The Company's Risk Management Policy sets the framework for risk management and review of the risk management framework every two years. The Risk Management Policy has been described in recommendation 7.1.</p> <p>Since incorporation the Board has not completed a structured review of the Company's risk management framework and key corporate risk in accordance with the Audit and Risk Committee Charter.</p> <p>The Board as a whole addresses individual risks as required on an ongoing basis.</p> |
| 7.3 | <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving the effectiveness of its governance, risk management and internal control processes.</p> | No | <p>The Company is committed to understanding and managing risk and to establishing an organisational culture that ensures risk management is included in all activities, decision making and business processes. The company does not have a formal internal audit function due to its size and business needs.</p> <p>Under the Company's Audit and Risk Committee Charter, the Board is charged with the review of the Company's internal controls, A copy of the Company's Audit and Risk Committee Charter and the Risk Management Policy is available on the Company Website.</p> |
| 7.4 | <p>A listed entity should disclose whether it has any material exposure to environmental or social risks and if it does, how it manages or intends to manage those risks.</p> | Yes | <p>The Company's Risk Management Policy acknowledges that it has an obligation to Shareholders, employees, contractors, and other stakeholders to oversee the establishment and implementation of a risk management strategy, and monitor, review and evaluate the risk management and internal control systems for the Company.</p> |

14. Corporate Governance

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|------------------|---|---------------------|---|
| 8 | Remunerate fairly and responsibly | | |
| 8.1 | <p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent Directors; and</p> <p>(2) is chaired by an independent Director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | No | <p>Given the current size of the Board, the Company does not have a remuneration committee. The Board considers that it is able to deal efficiently and effectively with remuneration issues and will initially comprise the remuneration committee. In doing so, the Board will be guided by the Board Charter, which is available on the Company Website.</p> <p>The Board as a whole reviews remuneration levels on an individual basis. In doing so, the Board will balance a number of factors, including the Company's desire to attract and retain high quality directors and senior executives, incentive structures, and the implications for the Company's reputation and standing if it is seen to pay excessive remuneration.</p> |
| 8.2 | A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives. | Yes | <p>The remuneration of the Directors of the Company is set out in section 13.7 (Directors and Key Management) of this Prospectus.</p> <p>The Company's policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of executive Directors and other senior executives will be set out in the Remuneration Report contained in each Annual Report.</p> |

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) | Explanation |
|-------------------------|--|----------------------------|--|
| 8.3 | <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p> | Yes | The Company's Trading Policy contains a "hedging transactions" section, in which it is noted that Key Management Personnel and their closely related parties should not deal in securities in the Company or enter into hedging transactions to limit his or her exposure in respect of any unvested entitlement to Securities he or she receives under any equity based remuneration scheme of the Company. |



15. Additional Information

15. Additional Information

15.1 Constitution and Rights Attaching to Shares

The Company's constitution (the **Constitution**) is of the kind usually adopted by a public company, with certain provisions taking effect once (and for so long as) the Company is listed on the ASX. A summary of the rights attaching to Shares under the Constitution is set out below. The summary is qualified by the full terms of the Constitution (copies of the Constitution may be inspected or provided on request to the Company Secretary). These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory, ASX Listing Rules and common law requirements. This summary is not intended to be exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

15.2 Rights Attaching to Shares in the Company

(a) ASX Listing Rules

To the extent of any inconsistency between the Constitution and the ASX Listing Rules, the ASX Listing Rules prevail and the Directors are required to take any steps necessary to give effect to the same.

(b) Voting

At a general meeting of the Company on a show of hands, every member present in person, or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every Share held by them.

(c) Dividends

The Shares will rank equally with all other issued Shares in the capital of the Company and will participate in dividends out of profits earned by the Company from time to time. Subject to the rights of holders of Shares of any special preferential or qualified rights attaching thereto, the profits of the Company are divisible amongst the holders of Shares in proportion to the Shares held by them irrespective of the amount paid up or credited as paid up thereon. The Directors may from time to time pay to Shareholders such interim dividends as in their judgement the position of the Company justifies.

(d) Winding up

Upon paying the Application Monies, Shareholders will have no further liability to make payments to the Company in the event of the Company being wound up pursuant to the provisions of the Corporations Act.

(e) Transfer of securities

Generally, the Shares in the Company will be freely transferable, subject to satisfying the usual requirements of security transfers on the ASX. The Directors may decline to register any transfer of Shares but only where permitted to do so under its Constitution or the ASX Listing Rules.

(f) Sale of non-marketable holdings

- (1) The Company may take steps in respect of non marketable holdings of Shares in the Company to effect an orderly sale of those Shares in the event that holders do not take steps to retain their holdings.
- (2) The Company may only take steps to eliminate non marketable holdings in accordance with the Constitution and the ASX Listing Rules.
- (3) For more particular details of the rights attaching to Shares in the Company, investors should refer to the Constitution of the Company.

15. Additional Information

15.3 Escrow Arrangements

Each Escrowed Shareholder has entered into a Voluntary Escrow Deed with the Company under which they will be prevented from dealing with tranches of their Escrowed Shares during the applicable Escrow Period, subject to certain permitted exceptions as set out in section 3.12 of this Prospectus. The reason for the voluntary escrow arrangements is to promote investor confidence in the Company and an orderly market.

In addition to the voluntary Escrowed Shares, there are compulsory escrow arrangements under the ASX Listing Rules. Shares and Options held by certain Directors, the Lead Manager and Existing Shareholders immediately prior to completion of the Offer may also be subject to escrow arrangements in the period immediately following completion of the Offer as required by the ASX Listing Rules.

The Escrowed Shares and any shares escrowed under the Listing Rules will comprise approximately 51% of the total Shares on issue at completion of the Offer. The Company's free float at the time of Listing will not be less than 20% for the purposes of the Listing Rules.

See section 3.12 for further details on the voluntary escrow arrangements.

In addition, the ASX may, as a condition of granting the Company's application for Official Quotation of its Shares, classify certain Shares of the Company as restricted securities. If so, prior to Official Quotation of the Company's Shares, the holders of the Shares that are to be classified as restricted securities will be required to enter into appropriate restriction agreements with the Company. See section 14.12 for further details.

15.4 Options

At the Prospectus Date, the Company has or has agreed to issue, 25,596,725 Options over Shares as follows:

| Number | Issue Date | Exercise Price | Vesting Conditions | Expiry Date |
|------------------------|---|----------------|--|-----------------------------------|
| 252,448 ¹ | Various | A\$0.48 | Nil | 1 April 2021 |
| 3,130,000 ¹ | 22 February 2021 | A\$0.20 | Vesting over 12 months at 50% on each six month anniversary of issue until fully vested. | 22 February 2025 |
| 370,000 ¹ | 22 February 2021 | A\$0.20 | Vesting over 24 months at 25% on each six month anniversary until fully vested. | 22 February 2025 |
| 1,100,000 | 1 December 2018 | A\$0.40 | Nil | 1 December 2023 |
| 1,403,245 | 1 October 2020 | A\$0.20 | Nil | 1 October 2024 |
| 5,433,333 | 1 October 2020 | A\$0.30 | Nil | 1 October 2024 |
| 7,907,699 ² | Issued on completion of the Offer. | A\$0.30 | Nil | 12 months from the date of issue. |
| 2,000,000 ³ | Issued on completion of the Offer pursuant to Lead Manager Mandate. | A\$0.30 | Nil | 3 years from the date of issue. |
| 4,000,000 ³ | Issued on completion of the Offer pursuant to Lead Manager Mandate. | A\$0.40 | Nil | 3 years from the date of issue. |

Notes:

- Options issued in relation to Propell's ESOP.
- A number of these options are still to be issued but will in any case be issued prior to the issue of securities under this Prospectus.
- See Section 16.1 for terms of the Lead Manager Mandate.

15.5 Litigation

As at the Prospectus Date, the Company is not involved in any material litigation or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against Propell.

15.6 Taxation Implications of Investing Under the Offer

The following general taxation comments consider the Australian taxation implications for Australian tax residents only. The tax implications for holders of Shares in the Company relate to the receipt of dividends and potential gains on the disposal of Shares.

The comments do not purport to provide tax advice to any particular investor and should not be relied upon as the tax position of each investor may vary depending on the specific circumstances of the investor. The Company recommends that each investor seeks their own independent income tax advice based on their particular circumstances. All current or potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares.

To the maximum extent permitted by law, the Company, its officers, Directors, and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of acquiring or disposing of Shares issued under this Prospectus.

15.7 Dividends

Companies which are Australian resident taxpayers can issue dividends to Shareholders on a fully franked or partly franked basis. This means that a company, as a result of paying company tax in Australia, can allocate the tax paid to its Shareholders by issuing franking credits attached to the dividend received by Shareholders.

Until such time as the Company begins to earn sufficient revenue in Australia to derive franking credits on tax paid in Australia, any dividends issued by the Company will be issued as an unfranked dividend only.

15.8 Disposal of Shares

(a) Profit Making Intention

Any gain derived by Shareholders who acquire their Shares as part of a business or with a view of profit, may be assessable as ordinary income for Australian taxation purposes. Correspondingly, any loss made on disposal may be deductible. In this scenario, the transaction would not be subject to the Capital Gains Tax (CGT) provisions and the general CGT discount concession would not be available. Each investor should seek independent advice as to whether the gain would be considered ordinary income.

(b) Capital Gains Tax

The disposal of Shares by a Shareholder would be a CGT event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Shares (broadly, the amount paid to acquire the Shares plus any transaction costs incurred in relation to the acquisition or disposal of the Shares). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the Shares.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for more than 12 months prior to the CGT event. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustee (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses. A capital loss will be realised where the reduced cost base of the Shares exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

15. Additional Information

(c) Goods and Services Tax (GST)

No GST should be payable in respect of the acquisition or disposal of the Shares. Further, no GST should be payable in respect of dividends paid.

(d) Stamp Duty

On the issue or allotment of the Shares as part of the offer, no stamp duty should be payable. No stamp duty should be payable in respect of the acquisition or disposal of the Shares that are quoted on the ASX at the time of the Listing.

15.9 Interests of Experts, Advisers and Remuneration

Other than as set out below, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

- (a) has or had at any time during the two years preceding the Prospectus Date, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or
- (b) has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

15.10 ASIC Relief and Exemptions

The Company has relied on regulatory relief from the Corporations Act in relation to the Voluntary Escrow Agreement section 609(13A), section 609(13C) and section 609(13D) of the Corporations Act, introduced by ASIC Class Order [CO 13/520] as amended by the ASIC Corporations (Amendment) Instrument 2020/721 issued on 27 August 2020.

15.11 Professional Advisers

Propell has engaged the following professional advisers:

- (a) HopgoodGanim Lawyers has acted as Australian Legal Advisor to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately A\$150,000 (excluding disbursements and GST), for these services. Further amounts may be paid to HopgoodGanim Lawyers in accordance with time-based charges;
- (b) Pitcher Partners Corporate Finance Limited has acted as the Australian Investigating Accountant and has prepared the Investigating Accountant's Report. Pitcher Partners Queensland Partnership has acted as the Auditor. The Company has paid, or agreed to pay, approximately A\$155,000 (excluding disbursements and GST) for these services;
- (c) PAC Partners Securities Pty Limited has acted as Lead Manager in relation to the Offer. The Company has paid, or agreed to pay, approximately A\$300,000 of the Offer Proceeds for these services; and
- (d) These amounts, and other expenses of the Offer, will be paid out of funds raised under the Offer or cash otherwise available to Propell.

15.12 Costs of the Offer

The total estimated costs to the Company in connection with the Offer, including advisory, legal, accounting, tax, listing and administrative fees, as well as printing, advertising and other expenses, are currently estimated to be approximately A\$0.7 million as follows:

| Item of Expenditure | Amount of Expenditure (excluding GST) |
|-----------------------------|---------------------------------------|
| ASX and ASIC fees | A\$100,000 |
| Legal and Due Diligence | A\$150,000 |
| Accounting | A\$155,000 |
| Lead Manager Fees | A\$300,000 |
| Other capital raising costs | A\$10,000 |
| Printing and registry costs | A\$20,000 |
| TOTAL | A\$735,000 |

15.13 Consents

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in this Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent. None of the parties referred to below has caused the issue of this Prospectus.

| Name of Entity | Named as | Reports or statements |
|--|--------------------------|--|
| HopgoodGanim Lawyers | Legal Advisor | – |
| Pitcher Partners Corporate Finance Limited | Investigating Accountant | Investigating Account's Report in Section 12 |
| Pitcher Partners Queensland Partnership | Audit | – |
| PAC Partners Securities Pty Limited | Lead Manager | – |
| Link Market Services Limited | Share Registrar | – |

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors of the Company, persons named in this Prospectus with their consent as proposed Directors of the Company, any Underwriters, persons named in this Prospectus with their consent as having made a statement in this Prospectus and persons involved in a contravention in relation to this Prospectus, with regard to misleading or deceptive statements made in this Prospectus. Although the Company bears primary responsibility for this Prospectus, other parties involved in the preparation of this Prospectus can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to above, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described above.

15. Additional Information

15.14 Liability of Other Persons Named in this Prospectus

Notwithstanding that they may be referred to elsewhere in this Prospectus:

- (a) HopgoodGanim Lawyers are named in the Corporate Directory as Solicitors to the Issue. They have been involved in the process of reviewing this Prospectus for consistency with the material contracts. In doing so, they have placed reasonable reliance upon information provided to them by the Company and other third parties. They do not make any other statement in this Prospectus.
- (b) Pitcher Partners Corporate Finance Limited are named in the Corporate Directory as Investigating Accountants to the Company. They were involved in the preparation of the Investigating Accountants Report set out in 12 of this Prospectus. In doing so, they have placed reasonable reliance upon information provided to them by the Company and other third parties. They do not make any other statement in this Prospectus.
- (c) Pitcher Partners Queensland Partnership are named in the Corporate Directory as Auditor to the Company. In doing so, they have placed reasonable reliance upon information provided to them by the Company and other third parties. They do not make any other statement in this Prospectus.
- (d) PAC Partners Securities Limited are named in the Corporate Directory as Lead Manager to the Company. In doing so, they have placed reasonable reliance upon information provided to them by the Company and other third parties. They do not make any other statement in this Prospectus.
- (e) Link Market Services Limited (Link) has given its written consent to be named as the Share Registrar in the form and context in which it is named and has not withdrawn its consent prior to lodgement of this Prospectus within ASIC. Link has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus.
- (f) There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.
- (g) There are statements contained in this Prospectus which have been sourced from third parties as described in the footnotes to Sections 2 and 3 of this Prospectus. The sources and authors of these statement have not given their consent to the inclusion of that statement in this Prospectus and have not authorised or caused the issue of this Prospectus.

15.15 Working Capital Statement

The Board believes that the Company's current cash reserves, plus the net proceeds of the Offer will be sufficient to fund the Company's stated business objectives. These business objectives comprise:

- (a) Growing its lending book and its transaction volumes; and
- (b) Building out technology and features to diversify into additional business verticals beyond lending and transactions.

The Board will consider the use of further equity funding or placements if appropriate to further accelerate growth or fund a specific project, transaction or expansion.

15.16 Subsequent Events

There has not arisen, at the Prospectus Date any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company to affect substantially:

- (a) the operations of the Company;
- (b) the results of those operations; or
- (c) the state of affairs of the Company.

15.17 Inspection of Documents

Copies of following documents may be inspected free of charge at the registered office of the Company and at the offices of HopgoodGanim Lawyers, Level 8, 1 Eagle Street, Brisbane QLD 4000, during normal business hours:

- (a) the Material Contracts in Section 16 of this Prospectus;
- (b) the Constitution of the Company;
- (c) the consents referred to in Section 15.13 of this Prospectus; and
- (d) the Corporate Governance Charter.

15.18 Governing Law

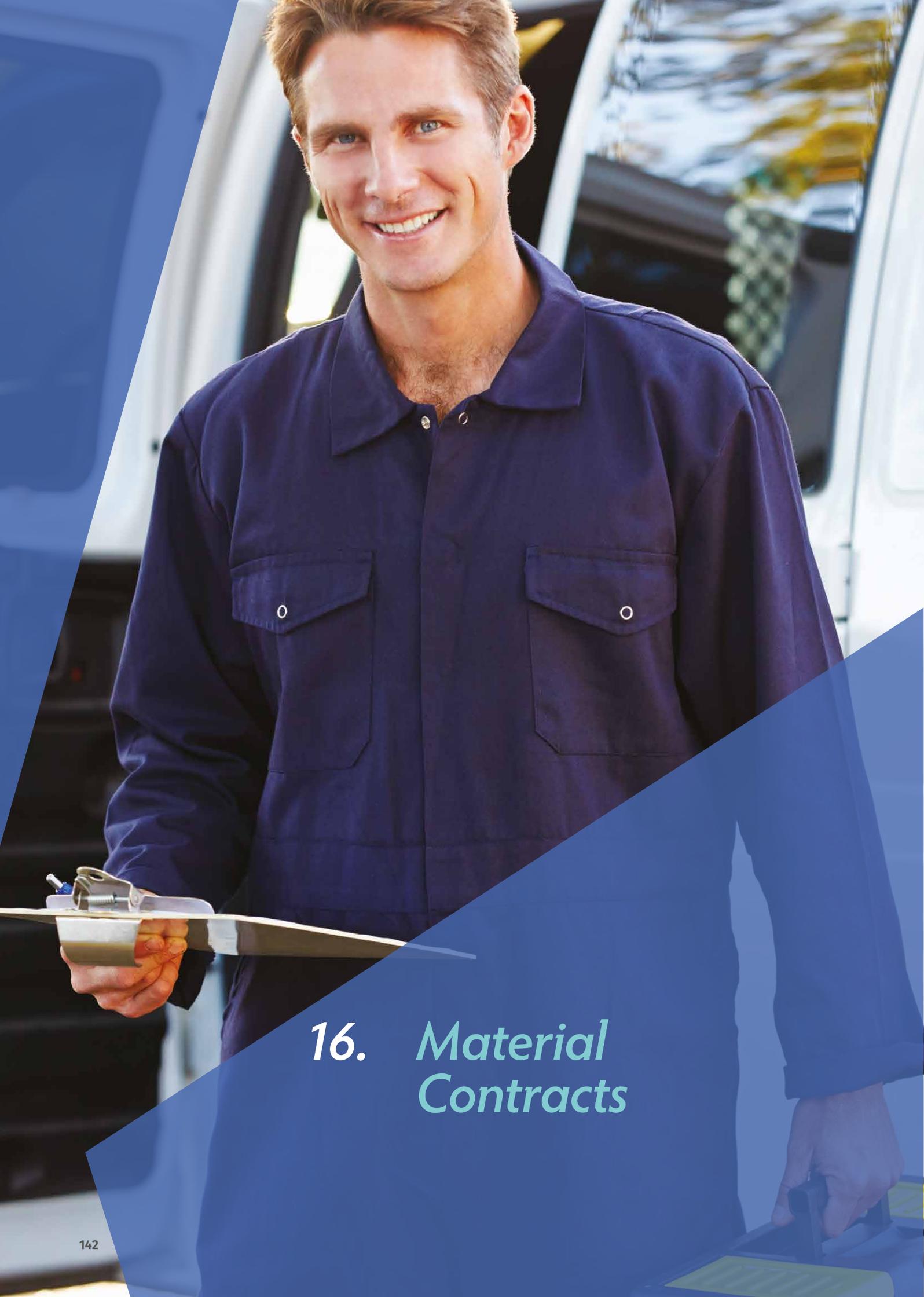
This Prospectus and (unless otherwise specially stated) the contracts that arise from the acceptance of the Applications are governed by the laws applicable in Queensland and each Applicant submits to the exclusive jurisdiction of the courts of Queensland.

15.19 Consent to Lodgement

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of the Prospectus and issue of the Prospectus and has not withdrawn that consent.



Benjamin Harrison
Director
Propell Holdings Limited



16. *Material Contracts*

16. Material Contracts

The Board considers that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisors would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This Section 16 contains a summary of the material contracts and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

16.1 Lead Manager Mandate

Propell has entered into a letter agreement dated 18 January 2021 (**Lead Manager Mandate**) with respect to the engagement of PAC Partners Securities Pty Ltd (the **Lead Manager**) as Lead Manager in relation to the Offer.

The Company has agreed, pursuant to the terms of the Lead Manager Mandate, to pay the Lead Manager:

- (a) a management fee of 2% of gross proceeds raised (plus GST);
- (b) a selling fee of 4% of gross proceeds raised (plus GST); and
- (c) upon successful completion of the Offer, the Lead Manager (or its nominee) will also be issued with:
 - (1) 2 million options having a A\$0.30 exercise price and expiry date of 3 years from date of issue; and
 - (2) 4 million options having a A\$0.40 exercise price and expiry date of 3 years from date of issue.

These options will be unlisted (but transferable).

The Lead Manager Mandate operates until terminated by the Company or the Lead Manager in accordance with the terms of the engagement. It contains other standard terms customary to lead management mandates.

Either the Company or the Lead Manager can terminate the engagement at any time by written notice to the other party.

Subject to the successful completion of the Offer, the Lead Manager will have a first right of refusal for 12 months following completion of the Offer, to act as the Company's sole lead manager and bookrunner in undertaking further equity capital financing (**Financing**) as required by the Company on agreed and competitive arms-length market terms and conditions and containing such other terms and conditions as mutually agreed. The Company agrees that post-Financing, it will not issue any Shares for a period of 6 months (except for an issue on conversion of a pre-existing convertible security) without the prior agreement of the Lead Manager.

16.2 IntegraPay – Partner Agreement (Integrated payment solution)

Propell's wholly-owned subsidiary, Propell Services, has entered into a Partner Agreement dated 11 September 2017 with IntegraPay Pty Ltd (**IntegraPay**)(**Partner Agreement**).

Under the Partner Agreement, Propell Services becomes an Integrated Partner with IntegraPay – entitling the Propell Platform to link to IntegraPay's payment systems (**Payment System**) via the IntegraPay API. This provides Customers with access to an integrated payment solution.

The Partner Agreement contains provisions regulating integration of the Propell Platform with the Payment System. Customers will then enter into separate client services agreements directly with IntegraPay under which the Customer will receive a licence to use the Payment System.

The Partner Agreement had an initial term of 2 years commencing from 11 September 2017 with two option periods of one year each exercisable by either party (**Initial Term**). The Partner Agreement is currently in the final year of the Initial Term. Unless either party terminates the Partner Agreement before it expires on 10 September 2021, the Partner Agreement will automatically continue for a further period of 12 months.

The cost of accessing the Payment System will be covered by fees charged by IntegraPay directly to the Customers. IntegraPay and Propell Services have agreed on a wholesale base rate that is provided to Propell Services, based on fees/charges that IntegraPay imposes on Customers. To the extent that the transaction fees charged by IntegraPay to the Customer exceeds this wholesale base rate, that excess amount will be shared between IntegraPay and Propell Services. No additional fee is payable by Propell Services for the delivery of standard general support, developer support and emergency support services by IntegraPay under the Partner Agreement. However, if additional services are required by Propell Services, these will be charged by IntegraPay at either an agreed standard rate or at a charge

16. Material Contracts

to be otherwise agreed between Propell Services and IntegraPay having regard to the nature of the support required. The base wholesale rate to be provided by IntegraPay to Propell Services is to be reviewed annually.

The other key terms of the Partner Agreement are set out below:

- (a) IntegraPay retains ownership of the Payment System and regulates its use and functionality, including its right to alter/upgrade the Payment System.
- (b) Propell Services must comply with reasonable instructions and guidelines from IntegraPay in relation to marketing of its relationship with IntegraPay.
- (c) Propell Services must comply with reasonable instructions from IntegraPay in relation to its marketing activities and targeting of Customers, with IntegraPay having sole responsibility for assessment and acceptance of Customers that it will enter into a client service agreement with.
- (d) Propell Services must provide the training to Customers to ensure they have the capabilities to access the Payment System.
- (e) Each party indemnifies the other for losses arising from a breach of warranty due to the party in breach being negligent or because of an intentional act or omission of the party in breach of the Partner Agreement.
- (f) Each party indemnifies the other against losses arising directly or indirectly from or in connection with any breach of the agreement, claims resulting from modifications to or misuse of the Payment System or intellectual property rights or their use in a manner not contemplated by the agreement or any failure by Propell Services to comply strictly with the requirements specified in any technical documentation relating to the Payment System which results in any breach of confidentiality and any unauthorised access to the Payment System where the Partner was negligent or because of a deliberate act or omission.
- (g) IntegraPay is not liable for loss arising from:
 - (1) interruption between IntegraPay and Propell Platform;
 - (2) debits to incorrect accounts due to information supplied by Propell Services, a Client or a Customer;
 - (3) delays in new/corrected information being received by IntegraPay;
 - (4) bank fees and charges incurred as a result of the circumstances identified under this clause;
 - (5) misuse or theft of a Direct Debit Request or information contained in a Direct Debit Request regardless of how such event occurs; or
 - (6) any failure of the Payment System or its operations/processes as a consequence of:
 - (A) accident, neglect or misuse by Propell Services, a Client or a Customer;
 - (B) failure of any computer system; or
 - (C) input of incorrect information in the Payment System by Propell Services, a Client or a Customer, unless arising as a result of negligence or an intentional act or omission on the part of IntegraPay.
- (h) Neither party is liable for consequential loss except in relation to:
 - (1) infringement of intellectual property rights;
 - (2) wilful, fraudulent or criminal misconduct;
 - (3) a breach of warranties; or
 - (4) as otherwise specified in the Partner Agreement.
- (i) The Partner Agreement does not grant either party any right to the intellectual property of the other.
- (j) All rights, title and interests in the IntegraPay payment system and any work developed or created by IntegraPay under the Partner Agreement in relation to its intellectual property rights is the property of IntegraPay.
- (k) All rights, title and interests developed or created by Propell Services under the Partner Agreement in relation to its intellectual property rights is the property of Propell Services.
- (l) IntegraPay can assign by providing notice to Propell Services. Propell Services may only assign with prior consent of IntegraPay, not to be unreasonably withheld.

- (m) Either party may terminate in the event of a breach of a material term that is capable of remedy and is not remedied within 30 days of receiving notice of the breach.
- (n) Either party may terminate immediately:
 - (1) where the other party experiences an Insolvency Event;
 - (2) on the occurrence of fraud; or
 - (3) where a breach of a material term by the other party that is not capable of remedy.
- (o) IntegraPay may suspend access circumstances such as where:
 - (1) The Partner is in material breach of the agreement;
 - (2) advice to do so by a merchant acquirer;
 - (3) a service relied upon by the Payment System is unavailable;
 - (4) Propell Services or a Customer is unable to meet obligations in relation to transaction claims, chargebacks or fees; or
 - (5) IntegraPay have reasonable grounds to suspect any of (i) – (iii) above.

16.3 Suncorp Corporate Services – Master Services Agreement

Propell's wholly-owned subsidiary, Propell Services has entered into an Master Services Agreement (**MSA**) executed on 9 January 2018 with Suncorp Corporate Services Pty Ltd (**Suncorp**).

The MSA is a general agreement which governs the relationship of the parties and sets out the rights and obligations of each party. Where Suncorp wishes to acquire services, the MSA provides a process whereby the parties enter into an order which details the services to be provided by Propell Services (**Specific Services**). The MSA sets out the general administrative services (account management, management reporting) to be provided by Propell Services for the efficient provision of the Specific Services. The execution of an order for Specific Services creates a binding contract consisting of the terms of that order, any document incorporated by reference and the terms of the MSA.

Propell has previously undertaken Specific Services under the MSA. At the date of this Prospectus Propell is not providing any Specific Services to Suncorp under the MSA.

Suncorp may terminate the MSA immediately if one of a number of default events occur and either party may terminate if the other party commits a non-remedial breach or upon an insolvency event in relation to the other party.

16.4 Funding Arrangements with the Lender

Business and Capital Pty Ltd (**B&C**) and BC Fund 2 Pty Ltd (**BCF2**) (a special purpose vehicle wholly owned by Business and Capital Pty Ltd a subsidiary of Propell) entered into a set of agreements with Altor Capital Management Pty Ltd (**Lender or Altor**) dated on or about 17 March 2018 to facilitate a loan of funds to be applied for the Lending Product (as described in Section 7.6) (**Funding Arrangements**).

The Funding Arrangements comprise:

- (a) a Loan Agreement (**Loan Agreement**), under which the Lender provides a loan of funds to BCF2, with a guarantee provided by B&C (being an absolute, unconditional and irrevocable guarantee of the performance of the Loan Agreement by BCF2);
- (b) an Origination and Servicing Agreement (**Origination Agreement**) under which:
 - (1) B&C is appointed as the originator for the entry into of Customer Finance Agreements under the Lending Product; and
 - (2) the receivable component of the Customer Finance Agreement is transferred to BCF2, with B&C retaining the role of the manager of the Customer Loan Agreements; and
- (c) a General Security Deed (**General Security Deed**) under which both B&C and provide a first ranking security over all present and after-acquired property of each company to secure the money advanced under the Loan Agreement.

16. Material Contracts

Loan Agreement

The key terms of the Loan Agreement are:

| Key term | Description |
|---------------|---|
| Loan Amount | A\$1.25 million (this Loan Amount will increase to A\$2.0 million on and from 1 March 2021) |
| Term | 30 March 2023 (Maturity Date) |
| Interest Rate | 13% per annum accruing daily and payable monthly |
| Repayment | On the Maturity Date or the full amount of an advance may be paid on an interest payment date |

Advances may be called upon at any time during the term of the Loan Agreement up to the total of the Loan Amount.

Drawdown under the Loan Agreement are subject to a number of conditions precedent including:

- a verification certificate (in the form contained in the Loan Agreement) in relation to both BC Fund SPV and BC being provided to the Lender;
- executed originals of each transaction document listed in the Loan Agreement being provided to the Lender;
- if required, evidence that any taxes payable in connection with entry into a transaction document has been paid;
- certified copies of all authorisations necessary to enable B&C and BCF2 to enter into and perform its obligations under the relevant transaction document;
- any information required by the Lender to enable it to meet any anti-money laundering and counter-terrorism financing laws and “know your customer requirements”; and
- such other documents as the Lender may require.

Drawdown under the Loan Agreement must be used solely for the purpose of providing the funding necessary for B&C to make payments under a Customer Finance Agreement to a Propell Customer (for more information on the Customer Finance Agreement between Propell and the Propell Customers refer to section 16.5). An advance under the Loan Agreement will only be made where the Customer and the Customer Finance Agreement meet the eligibility criteria which include, amongst other things:

- the terms of the Customer Finance Agreement must be 6 months or less;
- the amount of financial accommodation provided under the Customer Finance Agreement must be less than or equal to A\$100,000;
- interest under the Customer Finance Agreement is calculated at a rate not less than 2% per annum above the Interest Rate (as prescribed by the Loan Agreement);
- the customer being an Australian resident or if it is a corporation, is incorporated in Australia; and
- payments under the Customer Finance Agreement must be made on a scheduled basis and not less than monthly.

In addition, under the Loan Agreement, B&C and BCF2 have obligations to the Lender with regards to how they manage Customer Finance Agreements, including to:

- manage and administer with the degree of diligence, care and skill expected of an appropriately qualified and prudent originator and servicer of assets in the nature of the Customer Finance Agreements;
- use reasonable endeavours to collect payments under the Customer Finance Agreements;
- take appropriate action to recover late or unpaid payments (to be undertaken promptly and in accordance with the approved Credit Lending Policy);
- terminate or accept the repudiation of Customer Finance Agreement;
- enforce all rights in relation to each Customer Finance Agreement and any guarantee or security held (to be undertaken promptly and in accordance with the approved Credit Lending Policy);

- (f) comply with the approved Credit Lending Policy for each Customer Finance Agreement and not implement any change to the Credit Lending Policy without the prior approval of the Lender;
- (g) enter into Customer Finance Agreements in the approved form and to not amend, vary or replace any Finance Agreement without the consent of the Lender (except to extend a repayment date by not more than 60 days if consistent with the approved Credit Lending Policy);
- (h) provide copies of Customer Finance Agreements to the Lender upon request;
- (i) maintain a specified account for payments under the Customer Finance Agreements and ensure that Propell Customers enter into direct debit or automated payment arrangements to that account;
- (j) not create any security interest over the Customer Finance Agreements or payments under those agreements;
- (k) notify the Lender promptly in the event of payment default by Propell Customers and bad debts;
- (l) provide regular weekly and monthly reporting to the Lender with respect to the Customer Finance Agreements, payment receipts and outstanding payments;
- (m) permit the Lender, after giving reasonable notice, access to premises and financial records to conduct monitoring and audit activities for compliance with the transaction documents, including access on an annual basis by an independent auditor appointed by the Lender (at the Lender cost, unless the access/audit arises due to an existing or potential Event of Default or identifies an existing or potential Event of Default).

The Loan Agreement and General Security Deed otherwise contain the usual representations, warranties, undertakings and covenants for secured loan arrangements, including prohibitions in relation to indebtedness, creation of security interests, provision of financial accommodation and the disposal of secured property beyond recognised permitted indebtedness, security interests, financial accommodation and disposals or as otherwise approved by the Lender. These prohibitions do not prevent actions contemplated by the transaction documents, actions between B&C and BCF2, any financial indebtedness incurred by B&C in its ordinary course of business, disposal of assets in the ordinary course of business or any disposal of revolving assets.

The Origination Agreement also contains obligations owed by B&C to BCF2 in relation to the entry into and management of Finance Agreements, which reflect the obligations owed by B&C and BCF2 to the Lender under the Loan Agreement.

If an Event of Default occurs, Altor may provide notice that its obligation to provide advances under the Loan Arrangement is terminated and the principal outstanding and unpaid interest is due and payable. It is an event of default under the Loan Agreement if, amongst other matters (**Event of Default**):

- (a) B&C and/or BCF2 fail to pay an amount that is due and payable by it;
- (b) B&C and/or BCF2 fail to comply with their obligations under a transaction document and the Lender considers the failure cannot be remedied or where capable of remedy is not remedied within 5 Business Days;
- (c) an insolvency event occurs in respect of B&C and/or BCF2; and
- (d) a representation, statement or warranty by B&C and/or BCF2 is materially incorrect or materially misleading.

Upon an Event of Default or if there is non-payment of an amount that is due and payable under the transaction documents or an insolvency event occurs in relation to B&C or BCF2, the General Security Deed is also capable of enforcement by the Lender against either or both of B&C and BCF2. In such event, the Lender can appoint a receiver, who will have the usual powers available to a receiver, including to manage, possess and control the secured property, exercise rights and remedies available to the Lender, to carry on business, to sell or deal with the secured property, to enforce contracts, and to receive money payable to BCF2 and B&C from the secured property. Where a breach occurs, the Lender may also elect to remedy the breach themselves (without limitation of any other rights) or exercise any powers that might be exercised by a receiver (even if a receiver is not appointed).

In addition, in the event that a default reflects a default by B&C in its performance of the Origination Agreement (and in other circumstances, such as insolvency), BCF2 is required to give notice to the Lender and Altor may direct BCF2 to remove B&C as the servicer (and appoint a back-up servicer) and terminate B&C's rights under that agreement.

16. Material Contracts

Under the Loan Agreement, BCF2 indemnifies the Lender against all losses (including loss of profit), liabilities, costs, expenses and taxes that the Lender incurs in connection with a number of circumstances arising from the loan arrangements, including:

- (a) as a result of an Advance being repaid or becoming due for repayment other than on an Interest Payment Date for that Advance or any other amount not being paid on its due date including as a result of Altor cancelling, terminating or altering any swap or other arrangement or liquidating or re-employing deposits to fund the Advance or other payment;
- (b) the transactions contemplated by the transaction documents (limited to direct losses, excluding loss of profit);
- (c) Events of Default; and
- (d) breaches of obligations under a Customer Finance Agreement.

B&C provides an unconditional indemnity to the Lender against all loss suffered due to any obligations in respect of the guaranteed money are unenforceable or the guaranteed money is not recoverable from BCF2 or is repaid or restored after it has been recovered.

In addition, BCF2 and B&C also indemnify the Lender (and its authorised representatives, agents, receivers and attorneys) against all losses, liabilities, costs, expenses and taxes that the Lender incurs directly or indirectly in the exercise or attempted exercise of any powers, rights, discretions or remedies (express or implied) vested in them under the General Security Deed and in connection with all proceedings, expenses, claims or demands in relation to anything done or omitted in any way relating to secured property.

16.5 Customer Finance Agreements

The form of Customer Finance Agreement entered into with Propell Customers of the Lending Product contains the following key terms:

- (a) a six-month term;
- (b) the Propell Customer warrants that the funds advanced will be used by the Propell Customer solely or predominantly for business purposes or investment purposes (other than an investment in residential property) and acknowledges that by making such declarations the loan is treated as a loan to which section 5(1)(b) of the National Credit Code does not apply;
- (c) the Propell Customer must make minimum monthly repayments together with the monthly fee as specified in the schedule to the Customer Finance Agreement (as determined by the Company);
- (d) the outstanding balance may be paid in full at any time or a payment greater than the minimum monthly payment can be made without penalty (except that a higher monthly payment will not alter the subsequent minimum monthly amounts);
- (e) all amounts outstanding are due and payable on the final scheduled payment date;
- (f) fees are payable (as specified in the schedule to the Customer Finance Agreement) for late payments and dishonoured/returned payments;
- (g) representations and warranties are given by the Propell Customer in relation to financial and other information provided, financial status, conduct and continuation of business operations and other such matters;
- (h) payment terms with respect to the use of direct debit arrangements;
- (i) events of default relating to the Propell Customer including failure to make payments (after 30 days' notice to remedy), other defaults under the Customer Finance Agreement (upon expiry of a remedy period), default under other loan or security arrangements which may affect the Propell Customers ability to perform its obligations, specified events of insolvency, material changes to ownership/business structure without Propell's consent; the sale of assets outside of the ordinary course of business without Propell's consent – upon which the outstanding balance of the loan and all other monies due will become immediately due and payable upon expiration of a remedy period (where applicable) or otherwise on demand;
- (j) disputes may be referred to either the internal or external dispute resolution procedures available to Propell users or otherwise referred to mediation then (if required) arbitration under the rules of the Resolution Institute; and
- (k) provision is made for an unconditional and irrevocable guarantee to be provided by an individual for a corporate Propell Customer.

16.6 Salesforce Master Services Agreement

Propell, via its subsidiary, Propell Services, has entered into a services agreement with SFDC Australia Pty Ltd, trading as Salesforce (**Salesforce**) dated on or about 8 September 2020 for the provision of Customer Relationship Management (**CRM**) software programs (**Salesforce Master Services Agreement**).

As part of the CRM programs, Salesforce provides the following a number of subscription services:

- (a) Sales and Service Cloud – Enterprise Edition; and
- (b) Sandbox.

The services are purchased for the 12 months from 9 September 2020 until 8 September 2021 although will automatically roll over for an additional 12 months if neither party gives notice at least 30 days before the end of the term. The Salesforce Master Services Agreement is on global standard market terms published by Salesforce online.

16.7 CEO Agreement with Michael Davidson

Michael Davidson has entered into an employment agreement with Propell Services dated 29 March 2017, under which Mr Davidson agrees to provide services as the Chief Executive Officer of Propell Services (**CEO Agreement**).

Under the terms of the CEO Agreement:

- (a) Mr Davidson receives remuneration of A\$180,000 per annum (plus superannuation), to be reviewed annually;
- (b) the CEO Agreement commenced on 29 March 2017, and continues until terminated;
- (c) Propell Services will reimburse Mr Davidson for such expenses (as deemed by Management) to be reasonably and necessarily incurred in performing his duties as CEO;
- (d) Mr Davidson is required to maintain confidentiality of certain confidential information;
- (e) Propell Services or Mr Davidson may terminate the CEO Agreement at any time by giving the relevant notice period under applicable legislation. Instead of providing notice, Propell Services may provide payment in lieu of notice for the notice period not provided; and
- (f) Propell Services may terminate the CEO Agreement without prior notice and with no liability to make further payment (other than in respect of amounts accrued up to the termination date) for serious misconduct.

16.8 Employment Agreement with David Brennan (Executive Director)

David Brennan has entered into an employment agreement with Propell Services dated 24 July 2019 (**Brennan Agreement**) under which Mr Brennan agrees to provide services as an Executive Director of Propell Services.

Under the terms of the Brennan Agreement:

- (a) Mr Brennan receives remuneration of A\$180,000 per annum, plus superannuation;
- (b) the Brennan Agreement commenced on 1 July 2019, and continues until terminated;
- (c) Propell Services will reimburse Mr Brennan for all ordinary and necessary expenses properly incurred in performing his duties as Executive Director;
- (d) either Propell Services or Mr Brennan may terminate the Brennan Agreement by giving three months' written notice. Instead of providing notice, Propell Services may provide payment in lieu of notice for the notice period not provided;
- (e) Propell Services may terminate the Brennan Agreement immediately and with no liability to make further payment (other than in respect of amounts accrued up to the termination date) for serious misconduct; and
- (f) Mr Brennan has the ability to work less than full time hours in accordance with his employment with Propell Services. His remuneration is adjusted accordingly on a pro-rata basis.

Mr Brennan has also entered into a Director Appointment Letter with the Company dated 4 September 2018 formalising his appointment as a Director of the Company on and from 7 September 2018. The Director Appointment Letter is in standard form and details the nature of Mr Brennan's appointment and his duties.

16. Material Contracts

16.9 CFO Agreement with Jeremy Loftus (Chief Financial Officer)

Jeremy Loftus has entered into an employment agreement with Propell Services dated 24 July 2019 (**CFO Agreement**), under which Mr Loftus agrees to provide services as the Chief Financial Officer of Propell Services.

Under the terms of the CFO Agreement:

- (a) Mr Loftus receives remuneration of A\$180,000 per annum, plus superannuation;
- (b) the CFO Agreement commenced on 1 July 2019, and continues until terminated;
- (c) Propell Services will reimburse Mr Loftus for all ordinary and necessary expenses properly incurred in performing his duties as Chief Financial Officer;
- (d) either Propell Services or Mr Loftus may terminate the CFO Agreement by giving three months' written notice. Instead of providing notice, Propell Services may provide payment in lieu of notice for the notice period not provided; and
- (e) Propell Services may terminate the CFO Agreement immediately and with no liability to make further payment (other than in respect of amounts accrued up to the termination date) for serious misconduct.
- (f) Mr Loftus has the ability to work less than full time hours in accordance with his employment with Propell Services. His remuneration is adjusted accordingly on a pro-rata basis.

Mr Jeremy Loftus has also entered into a Director Appointment Letter with the Company dated 12 September 2018 formalising his appointment as a Director of the Company on and from 13 September 2018. The letter of appointment is in standard form and details the nature of Mr Loftus' appointment and his duties.

16.10 Riverfire Capital Ventures – Benjamin Harrison (Executive Chairman)

The Company has entered into a services agreement dated 1 September 2018 (as varied on 27 October 2020) with Mr Benjamin Harrison and Riverfire Capital Ventures Pty Ltd (**Riverfire**), a company associated with Mr Harrison (**Executive Chairman Agreement**), to provide services to the Company associated with management of the execution of any capital raising initiative or corporate action contemplated by the Company, together with such other services as are required by the Company within the expertise of RCV, including corporate governance, strategy, and other activities not associated with capital raising or corporate action, including through the appointment of Mr Harrison as an officer of the Company.

The Executive Chairman Agreement commenced on 1 September 2018 and has been extended to continue until 30 June 2022 unless the agreement is terminated earlier in accordance with the terms of the Executive Chairman Agreement.

The Executive Chairman Agreement contains standard indemnities for this type of agreement.

Under the Executive Chairman Agreement, Riverfire is entitled to a fee of A\$1,500.00 per day (plus GST). The Company shall reimburse Riverfire for all reasonable and necessary expenses incurred in the performance of the services under the Executive Chairman Agreement.

Either the Company or Riverfire can terminate the Executive Chairman Agreement by giving one month's notice in writing or by giving immediate notice in the event of a breach. The Company also has immediate rights to terminate the Executive Chairman Agreement in identified circumstances.

Mr Harrison has also entered into a Director Appointment Letter with the Company dated 30 September 2016 formalising his appointment as a Director of the Company on and from 15 September 2016. The Director Appointment Letter appointment is in standard form and details the nature of Mr Harrison's appointment and his duties.

16.11 CTO Agreement with Cabalina Park Pty Ltd (Mr Shawn Loy)

Propell Services has entered into a services agreement with Cabalina Park Pty Ltd (**Cabalina**) dated 13 March 2020, under which Cabalina agrees to provide the services of Mr Shawn Loy (**CTO Services**), in the role of the Chief Technology Officer (**CTO Agreement**).

Under the terms of the CTO Agreement:

- (a) the CTO Agreement commenced on 16 March 2020 and continues until terminated;
- (b) Cabalina and Mr Loy agree to provide the CTO Services on the basis of 2 days (**Contract Days**) per week (unless otherwise agreed in writing);
- (c) Cabalina receives a contracting fee of A\$1,300 per Contract Day, plus GST;
- (d) Propell Services will reimburse Cabalina for expenses, including travel or any out of pocket expenses, that were required to be incurred by Cabalina or Mr Loy in the course of performing their role under the CTO Agreement;
- (e) the CTO explicitly provides that nothing in the CTO Agreement constitutes Cabalina or Mr Loy being an agent, employee or partner of Propell Services;
- (f) either Propell Services or Cabalina may terminate the CTO Agreement by giving two weeks written notice. Instead of providing notice, Propell Services may provide payment in lieu of notice for the notice period not provided; and
- (g) Propell Services may terminate the CTO Agreement immediately if at any time it is dissatisfied with Mr Loy's conduct or performance.

16.12 Company Secretary Agreement with Famile Pty Ltd

Famile Pty Ltd (**Famile**) has entered into an engagement letter agreement (**Company Secretary Agreement**) with the Company dated 8 September 2020, under which Famile has agreed to provide company secretarial services to the Company and its related entities.

Under the Company Secretary Agreement, Famile agrees to provide company secretarial services that are standard for a company secretary of an ASX-listed entity.

The services contemplated by the Company Secretary Agreement remain effective unless Famile advises of its amendment or replacement, or the Company terminates the Company Secretary Agreement in writing.

Under the Company Secretary Agreement, Famile charges a fee A\$3,000 per month (plus GST) for the provision of its services for the initial twelve months of the engagement the Company.

The Company also agrees to undertake to add Famile's representative, Adam Gallagher to the Company's Directors and Officers Insurance policy.

The Company Secretary Agreement may be terminated by either party giving 30 days' written notice to the other. Famile shall be entitled to be paid for work that has been completed or expenses incurred.

Neither Famile nor the Company will disclose confidential information about the other without the other's consent. Confidential information includes but is not limited to any template documents, information, trade secrets, methodologies or documents that are not in the public domain. Exceptions to these are disclosures to legal advisers, disclosures required by law and disclosures necessary for the proper performance of the services and as set out in the Company Secretary Agreement.

16.13 Deeds of Access and Indemnity

Each of the Directors and the Company Secretary of the Company have entered into a Deed of Access and Indemnity with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors and the Company Secretary, and to effect and maintain insurance in respect of the Directors and the Company Secretary and provide certain indemnities to each of the Directors and the Company Secretary, to the extent permitted by law.



17. *Significant Accounting Policies*

17. Significant Accounting Policies

17.1 Significant Accounting Policies

The financial information is for the entity Propell Holdings Ltd as an individual entity and Propell Holdings Ltd and its Consolidated Entity.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial information contained in Section 11. The accounting policies have been consistently applied unless otherwise stated.

The financial information is in compliance with the recognition and measurement requirements of Australian Accounting Standards – Reduced Disclosure Requirements, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

17.2 Basis of Preparation of the Financial Information

(a) Historical Cost Convention

The financial information has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Going Concern

The financial information has been prepared on a going concern basis.

(c) Principles of Consolidation

Propell consolidates the financial statements of the Company and its subsidiaries (for this purpose, collectively the “Consolidated Entity”).

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Consolidated Entity and are de-recognised from the date that control ceases.

Non-controlling interests in the result of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

17.3 Foreign Currency Translations and Balances

(a) Functional and Presentation Currency

The financial statements of each entity within the Consolidated Entity are measured using the currency of the primary economic environment in which that entity operates (i.e. the functional currency). The consolidated financial statements are presented in Australian Dollars which is the Consolidated Entity’s functional and presentation currency.

(b) Transactions and Balances

Transactions in foreign currencies of entities within the Consolidated Entity are translated into the functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re statement are recognised as revenues and expenses for the financial year.

17. Significant Accounting Policies

Entities that have a functional currency different from the presentation currency are translated as follows:

- (1) Assets and liabilities are translated at the closing rate on reporting date;
- (2) Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- (3) All resulting exchange differences are recognised in other comprehensive income.

(c) Revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Income Tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Financial Instruments

Non-Derivative Financial Instruments

Non derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including intercompany balances and loans from or other amounts due to Director related entities.

Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

17.4 Property, Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

(a) Plant and Equipment

Plant and equipment is measured on a cost basis.

(b) Depreciation

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

| Class of Fixed Asset | Depreciation Rates | Depreciation Basis |
|----------------------------|--------------------|--------------------|
| Office equipment at cost | 25% | Straight line |
| Computer equipment at cost | 25% | Straight line |

17.5 Research and Development Expenditure

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

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; the entity has sufficient resource; and intent to complete the development and its costs can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of its estimated useful life commencing when the intangible asset is available for use. The asset carrying value is reviewed for impairment annually and amounts are written off to the extent that realisable future benefits are considered to be no longer probable.

Other development expenditure is recognised as an expense when incurred.

17.6 Impairment of Non-financial Assets

Intangible assets not yet ready for use are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

For an asset measured at cost, an impairment loss is recognised in profit or loss where the carrying amount of the asset exceeds its recoverable amount.

17.7 Employee Benefits

(a) Short term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

17. Significant Accounting Policies

(b) Long term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

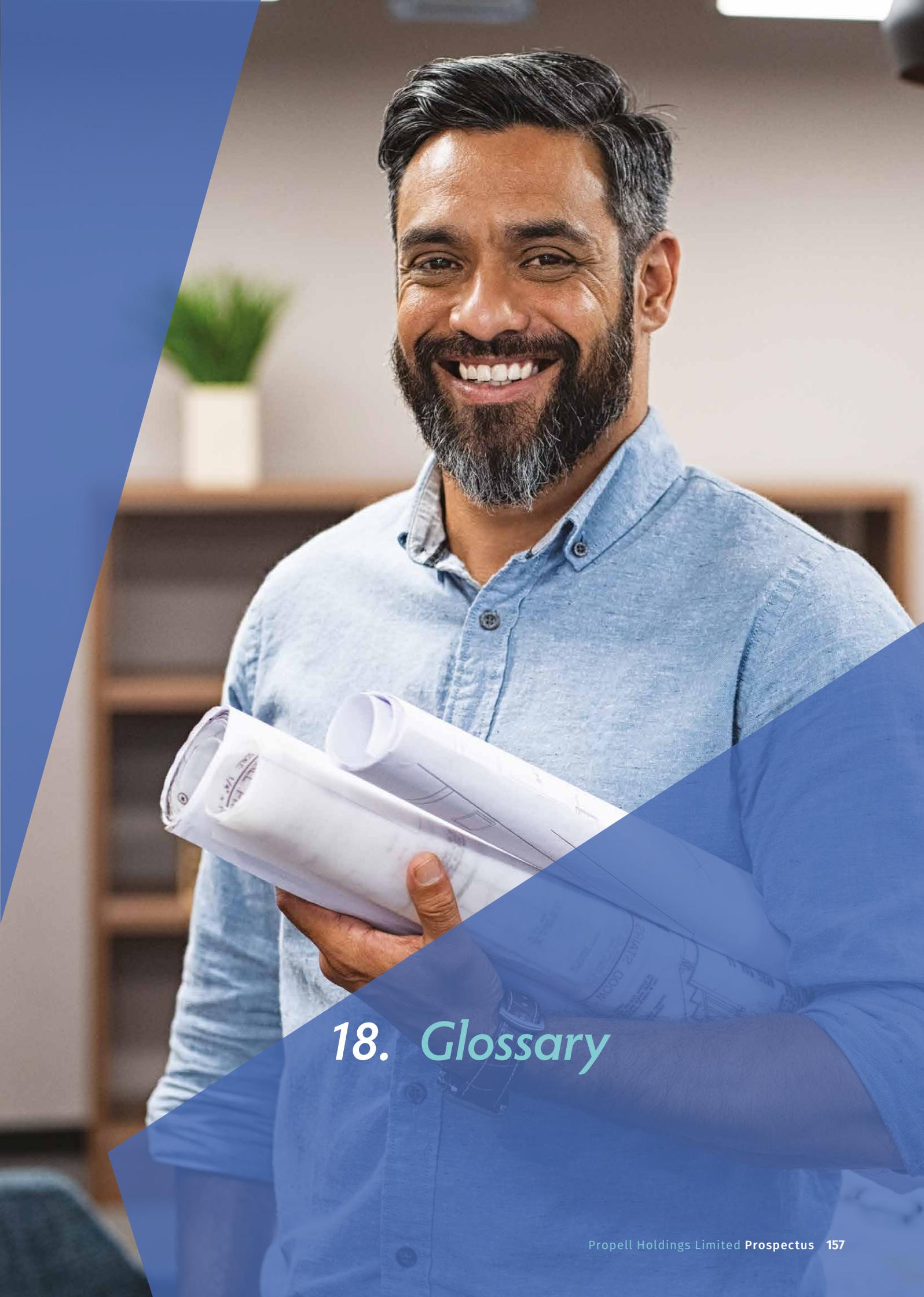
17.8 Goods and Services Tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

17.9 Comparatives

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



18. *Glossary*

18. Glossary

| Term | Definition |
|------------------------------------|---|
| A\$ | Australian Dollars. |
| ADI | Authorised Deposit-Taking Institution. |
| AEST | Australian Eastern Standard Time. |
| Allotment Date | The date on which Shares are allotted under the Offer. |
| AML | Anti-Money Laundering. |
| Altor Capital | Altor Capital Pty Ltd (ACN 604 311 720) or, where the context requires, the investment business it and its subsidiaries operates. |
| Analytics Dashboard | The Analytics Dashboard is the Dashboard accessed through the Transactional Product which allows SMEs to review their transactions and gain insights to their business. |
| API | Application Programming Interface. |
| Applicant | A person applying for Shares offered by this Prospectus. |
| Application(s) | A valid application to subscribe for a specified number of Shares under the Offer. |
| Application Form | The form to be completed by Applicants as provided at the end of this Prospectus. |
| Application Monies | Monies that are payable in accordance with the terms of the Offer by an Applicant when submitting an Application. |
| APRA | Australian Prudential Regulation Authority. |
| ASIC | Australian Securities and Investments Commission. |
| ASX | ASX Limited (ABN 98 008 624 691) or the securities exchange it operates, as the context requires. |
| ASX Listing Rules or Listing Rules | The Official Listing Rules of the ASX as amended or waived from time to time. |
| ASX Settlement | ASX Settlement Pty Limited (ABN 98 008 504 532). |
| ASX Settlement Operating Rules | The operating rules of ASX Settlement Pty Limited. |
| ATM | Automated Teller Machine. |
| Big Four Banks | ANZ, CBA, NAB and Westpac. |
| Board | The Board of Directors of the Company. |
| BNPL | Buy Now Pay Later. |
| Broker Firm Offer | The Offer under this Prospectus to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their broker. |
| business day | Has the meaning ascribed to it in the ASX Listing Rules. |
| CAGR | Compound Annual Growth Rate. |

| Term | Definition |
|--|--|
| Card-not-present (CNP) | A card-not-present transaction occurs when neither the cardholder nor the credit card is physically present at the time of transaction. |
| CEO | Chief Executive Officer. |
| CFO | Chief Financial Officer. |
| CGT | Capital Gains Tax. |
| Chairman's List Invitation | An invitation under this Prospectus to selected investors in Australia nominated by the Chairman of the Company to participate in the Chairman's List Offer on a firm basis up to the allocation of Shares nominated by the Chairman of the Company. |
| Chairman's List Offer | The Offer under this Prospectus to persons who receive a Chairman's List Invitation. |
| CHESS | The Clearing House Electronic Sub-Register System of share transfers operated by ASX Settlement. |
| Closing Date | The date on which the Offer closes, being the date set out in the "Key Dates" section of this Prospectus (or such other date as determined by the Board). |
| Company or Propell | Propell Holdings Limited ACN 614 839 099. |
| Company Secretary | The company secretary of the Company. |
| Consolidated Entity | The Company and its subsidiaries. |
| Constitution | The Constitution of the Company as amended from time to time. |
| Corporate Governance Policies | The corporate governance policies of the Company referred to in section 13 of this Prospectus and accessible on the Propell Website. |
| Corporate Governance Principles and Recommendations | The corporate governance principles and recommendations of the ASX Corporate Governance Council as at the Prospectus Date. |
| Corporations Act | The <i>Corporations Act 2001</i> (Cth). |
| Credit Decision Engine | The technology incorporated into the Lending Product that assesses SME loan applications. |
| CRM | Customer relationship management which is the process of managing interactions with existing as well as past and potential customers. |
| Customer | means a customer of Propell that has successfully completed the Company's onboarding process. |
| Directors | Each of the directors of the Company from time to time. |
| ESOP | The Employee Share Option Plan implemented by the Company. |
| Enterprise Value | Is calculated as the Market Capitalisation, minus pro forma net cash. Refer to Key Offer Information for more detail. |
| Escrowed Shareholders | All Existing Shareholders who have entered into Voluntary Escrow Deeds. |

18. Glossary

| Term | Definition |
|-----------------------------------|--|
| Escrowed Shares | The Shares held by the Escrowed Shareholders that are subject to the Voluntary Escrow Deeds. |
| Existing Shareholders | A holder of Shares as at the Prospectus Date. |
| Exposure Period | The period of 7 days commencing on the date of lodgement of this Prospectus with ASIC, which may be extended by ASIC for up to a further 7 days. |
| FinTech | Technology and innovation that aims to compete with traditional financial methods in the delivery of financial services. |
| Funding Arrangements | The funding arrangements currently in place with the Lender, comprising the Loan Agreement, the Origination Agreement and the Security Deed. |
| Funding Limit | The maximum amount of funds that the Lending Product can draw on. |
| GDP | Gross Domestic Product. |
| Group | Propell and each of its subsidiaries. |
| GST | Goods and Services Tax. |
| HIN | Holder Identification Number. |
| Historical Financial Information | Has the meaning given in Section 11. |
| Institutional Investors | Investors who are: <ul style="list-style-type: none"> (a) persons in Australia who are wholesale clients under section 761G of the Corporations Act and either “professional investors” or “sophisticated investors” under sections 708(11) and 708(8) of the Corporations Act; or (b) institutional investors in certain other jurisdictions, as agreed by the Company and the Lead Manager, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one which the Company is willing in its discretion to comply). |
| Institutional Offer | The invitation to certain Institutional Investors to apply for Shares under this Prospectus, as described in section 3.4. |
| Investigating Accountant | Pitcher Partners Corporate Finance Ltd. |
| IntegraPay | Means IntegraPay Pty Ltd. |
| Investigating Accountant’s Report | The Investigating Accountant’s Report prepared by the Investigating Account and set out in section 12. |
| IPO | Initial Public Offering. |
| KYC | Know Your Client. |
| Lead Manager | PAC Partners Securities Pty Ltd ACN 623 653 912. |
| Lender or Altor | Altor Capital Management Pty Ltd ACN 616 053 653. |

| Term | Definition |
|--|---|
| Lending Product | Means the lending technology, software and product. |
| Listing | Admission of the Company to the Official List of the ASX. |
| Line of Credit | The maximum amount a Lending Product customer can access. |
| Loan Book | The total value of receivables from Customers. |
| m | Million. |
| Management | The Company's management team. |
| Market Capitalisation | Is calculated as the total number of Shares on issue following the Offer multiplied by the Offer Price. |
| Non-Executive Director | A non-executive director of the Company who does not form part of Management. |
| Offer | The offer made under this Prospectus of 25,000,000 Shares at an Offer Price of A\$0.20 per Share to raise A\$5 million. |
| Offer Period | The period during which the Offer is open, being from the Opening Date to the Closing Date. |
| Offer Price | A\$0.20 per Share. |
| Official List | The Official List of ASX. |
| Official Quotation | Official quotation in the market operated by the ASX of the Shares for trading on the ASX. |
| Opening Date | The date the Offer opens, being the date set out in the "Key Dates" section of this Prospectus (or such other date as determined by the Board). |
| Options | An option to acquire a Share. |
| Privacy Act | <i>Privacy Act 1988</i> (Cth). |
| Privacy Principles | Australian Privacy Principles as contained in the Privacy Act. |
| Proceeds of the Offer or Offer Proceeds | The money raised by the Company pursuant to the Offer, which is expected to be A\$5 million. |
| Processor | IntegraPay or such other company engaged by the Company from time to time to provide the services of "Processor" as described in Section 8.3. |
| Propell Platform or Platform | The Propell digital banking Platform including the Transactional Product and Lending Product. |
| Propell Customer or Customer | A SME that either uses the Lending Product or the Transactional Product. |
| Propell Website | www.propellholdings.com or a subdomain or subdirectory thereof. |
| Prospectus | This Prospectus, for the issue of 25 million Shares. |
| Prospectus Date | Friday, 26 February 2021. |

18. Glossary

| Term | Definition |
|---|---|
| Retail Investors | An investor who is not an Institutional Investor. |
| Retail Offer | The Broker Firm Offer and the Chairman's List Offer. |
| Risk Management Framework | As set out in section 5. |
| Risk Tier | The Risk Tier is governed by the Credit Model which consumes several parameters such as Equifax Score, ADB, and Industry. The Credit Model determines the score for the customer and the Tier is calculated from there. |
| Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry | A royal commission established on 14 December 2017 by the Australian government pursuant to the Royal Commissions Act 1902 to inquire into and report on misconduct in the banking, superannuation and financial services industry. |
| SaaS | Software as a Service. |
| Shareholders | Holder of Shares in the Company. |
| Shares | Fully paid ordinary shares in the capital of the Company. |
| Share Registry or Link | Link Market Services Limited ACN 083 214 537. |
| SME | Small to medium sized enterprises with annual turnover of A\$50,000 to A\$2 million. |
| Sophisticated Investors | Investors who are persons in Australia who are "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) of the Corporations Act. |
| SRN | Security Registration Number. |
| Terms of Service | The customer agreement with every Customer who registers to use the Propell Platform. |
| Term | Refers to the maximum length of time a Lending Customer has to repay their Line of Credit. |
| Transactional Product | Means the transactional technology, software and product set out in section 8. |
| Voluntary Escrow Deeds | Means the voluntary escrow deeds entered into between the Company and each of the Escrowed Shareholders as described in section 3.12. |

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Propell Holdings Limited ("Propell") Shares. Further details about the Shares are contained in the Prospectus dated 26 February 2021 issued by Propell Holdings Limited. The Prospectus will expire after 13 months from the date of the Prospectus. While the Prospectus is current, Propell Holdings Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 2,500 Shares. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Propell Holdings Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Propell Holdings Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Propell Holdings Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

| Type of Investor | Correct Form of Registration | Incorrect Form of Registration |
|---|---|--|
| Individual Use given names in full, not initials | Mrs Katherine Clare Edwards | K C Edwards |
| Company Use Company's full title, not abbreviations | Liz Biz Pty Ltd | Liz Biz P/L or Liz Biz Co. |
| Joint Holdings Use full and complete names | Mr Peter Paul Tranche & Ms Mary Orlando Tranche | Peter Paul & Mary Tranche |
| Trusts Use the trustee(s) personal name(s) | Mrs Alessandra Herbert Smith <Alessandra Smith A/C> | Alessandra Smith Family Trust |
| Deceased Estates Use the executor(s) personal name(s) | Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C> | Estate of late Harold Post or Harold Post Deceased |
| Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation | Mrs Sally Hamilton <Henry Hamilton> | Master Henry Hamilton |
| Partnerships Use the partners' personal names | Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C> | Fred Smith & Son |
| Long Names | Mr Hugh Adrian John Smith-Jones | Mr Hugh A J Smith Jones |
| Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s) | Mr Alistair Edward Lilley <Vintage Wine Club A/C> | Vintage Wine Club |
| Superannuation Funds Use the name of the trustee of the fund | XYZ Pty Ltd <Super Fund A/C> | XYZ Pty Ltd Superannuation Fund |

Put the name(s) of any joint Applicant(s) and/or account description using <> as indicated above in designated spaces at section C on the Application Form.

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 - E** Please enter your postal address for all correspondence. All communications to you from Propell Holdings Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
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 - H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
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CORRECT FORMS OF REGISTRABLE NAMES

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Put the name(s) of any joint Applicant(s) and/or account description using <> as indicated above in designated spaces at section C on the Application Form.

Corporate Directory

Directors

Benjamin Harrison
David Brennan
Jeremy Loftus

Company Secretary

Adam Gallagher

Registered Office

Level 11, 82 Eagle Street,
Brisbane QLD 4000

Website

www.propellholdings.com

Lead Manager

PAC Partners Securities Pty Ltd

Level 10, 330 Collins Street
Melbourne VIC 3000

Legal Advisor

HopgoodGanim Lawyers

Level 8 Waterfront Place, 1 Eagle Street
Brisbane QLD 4000

Investigating Accountant

Pitcher Partners Corporate Finance Limited

Level 38, 345 Queen Street
Brisbane QLD 4000

Auditor

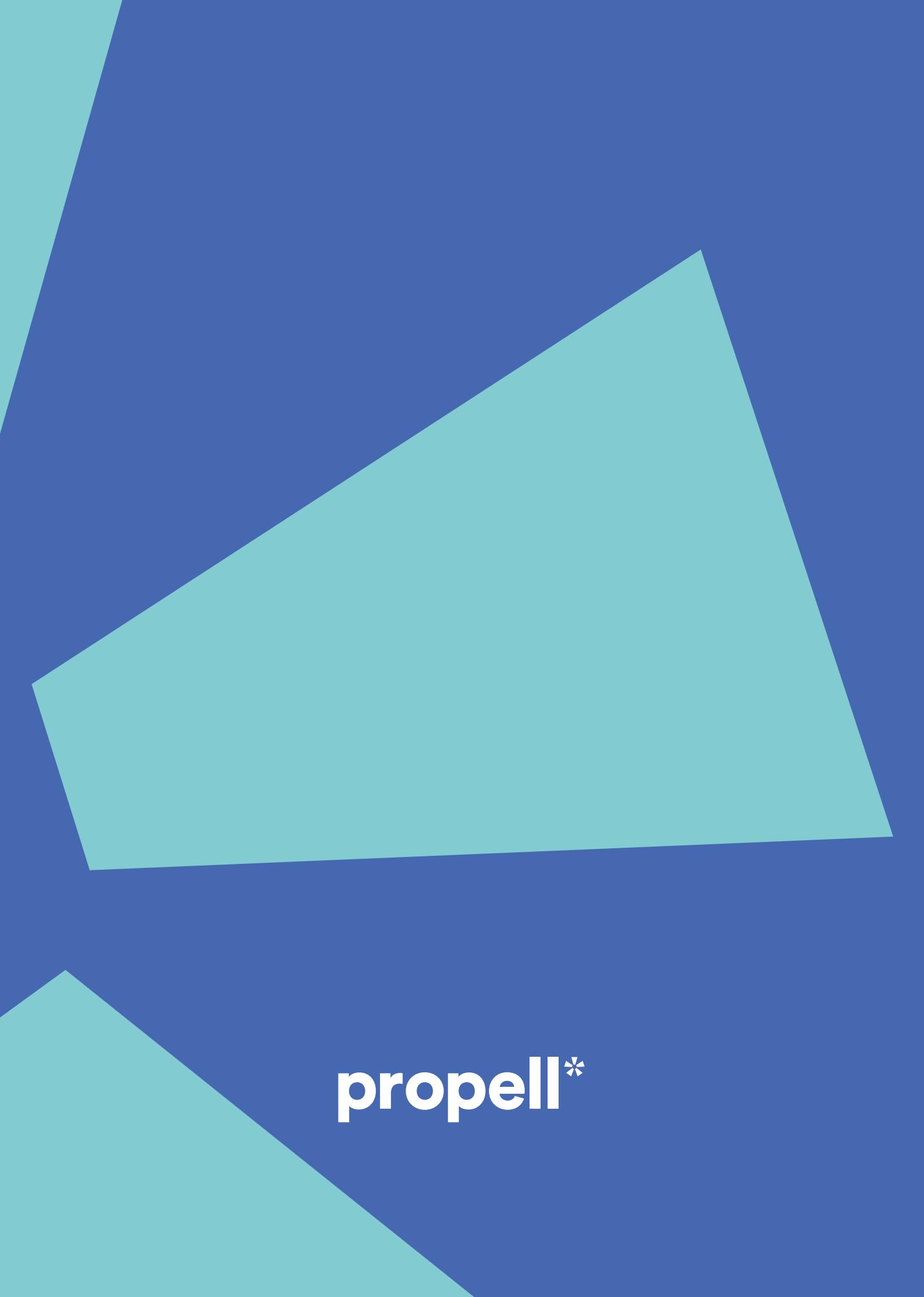
Pitcher Partners Queensland Partnership

Level 38, 345 Queen Street
Brisbane QLD 4000

Share Registry

Link Market Services

Level 21, 10 Eagle Street,
Brisbane QLD 4000

The background consists of several overlapping geometric shapes. A large, dark blue shape covers most of the upper and right portions of the frame. A large, teal-colored shape is positioned in the center, overlapping the blue one. Another teal shape is in the bottom-left corner, also overlapping the blue one. The overall composition is modern and minimalist.

propell*