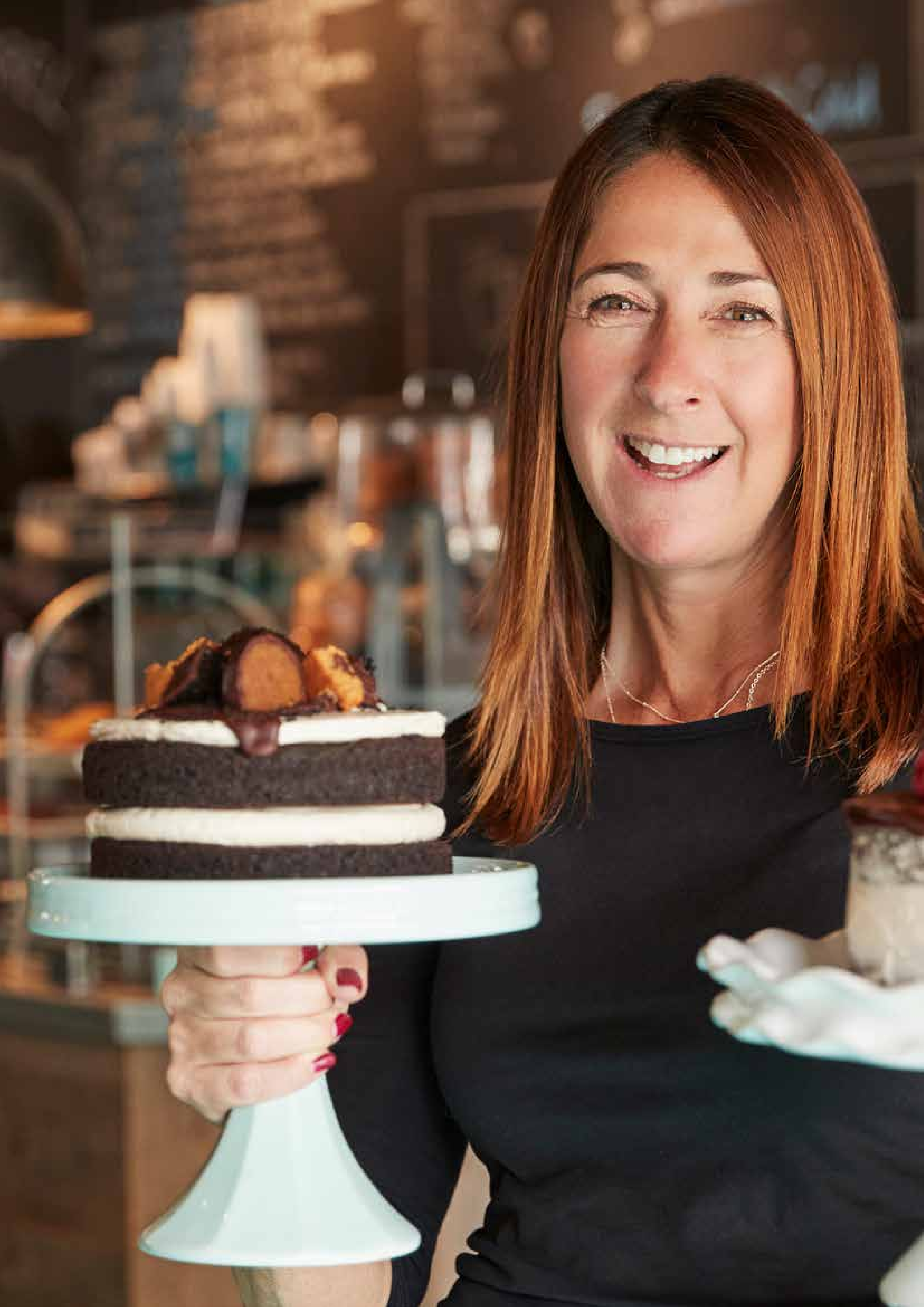
Half Year Report

31 December 2022

propell



Contents

Appendix 4D

Propell Holdings Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Propell Holdings Limited
ACN:	614 837 099
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	386%	to	1,617,510
Loss from ordinary activities after tax attributable to the Owners of Propell Holdings Limited	down	22%	to	(1,741,414)
Loss for the half-year attributable to the Owners of Propell Holdings Limited	down	22%	to	(1,741,414)

	31 Dec 2022 Cents	31 Dec 2021 Cents
Basic earnings per share	(1.50)	(2.34)
Diluted earnings per share	(1.50)	(2.34)

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

Comments
The loss for the Group after providing for income tax amounted to $1,741,414 (31 December 2021: $2,244,105).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(2)	(2)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. This includes an emphasis of matter paragraph on page 37.

11. Attachments

Details of attachments (if any):

The Interim Report of Propell Holdings Limited for the half-year ended 31 December 2022 is attached.

12. Signed

Signed ______________________________ Date: 28 February 2023

Benjamin William Harrison
Director
Brisbane

Corporate Information

COMPANY SECRETARY
Adam Gallagher

REGISTERED OFFICE
Level 11, 82 Eagle Street
Brisbane QLD 4000

PRINCIPAL PLACE OF BUSINESS
Level 2, 307 Queen St
Brisbane QLD 4000

SHARE REGISTER
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

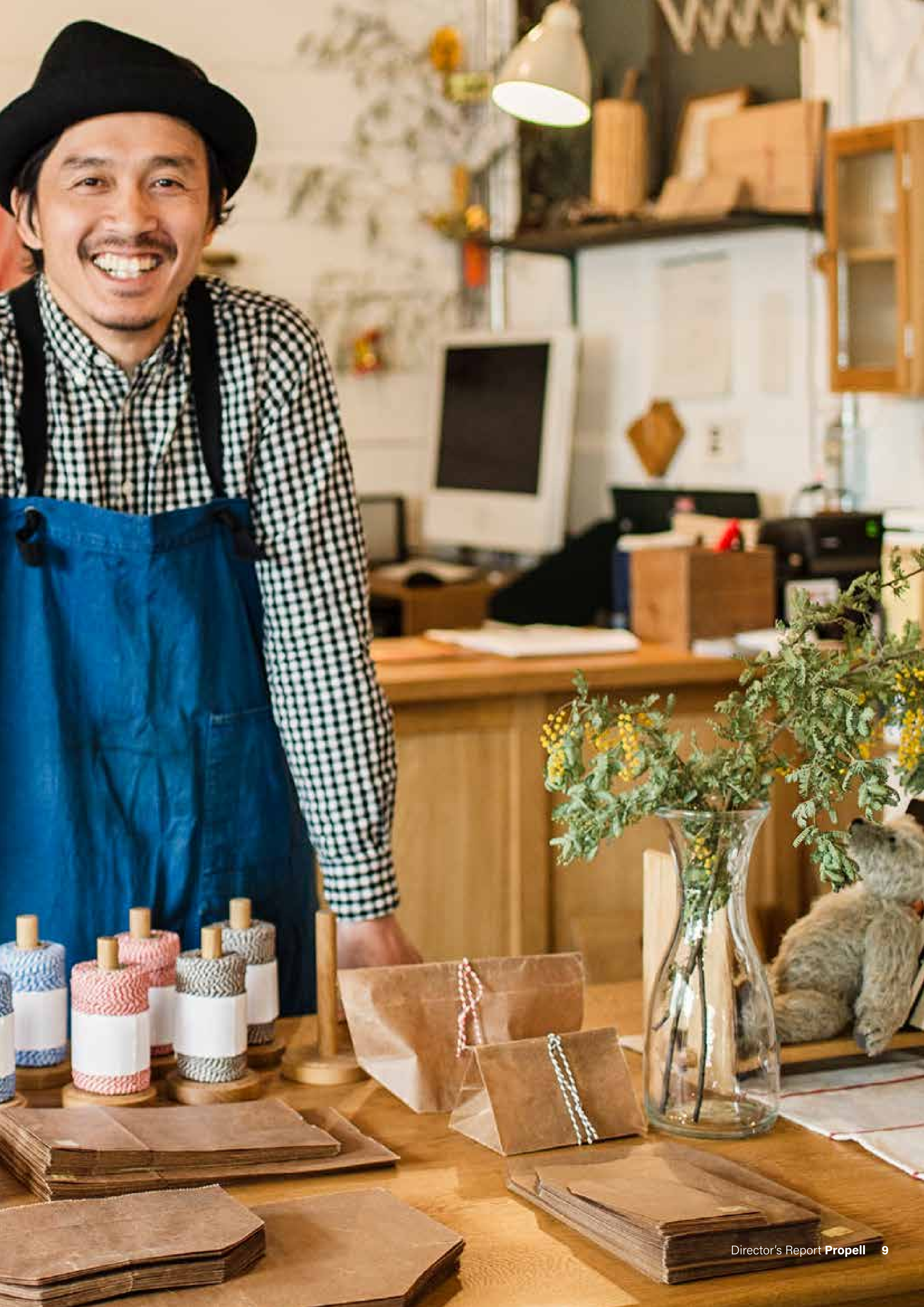
Telephone: 1300 554 474

AUDITOR
Pitcher Partners
Level 38, 345 Queen Street
Brisbane QLD 4000

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

propell*

Director’s Report



Director's Report for the Half Year to 31 December 2022

Propell Holdings Limited
Directors' report
31 December 2022

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Propell Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

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

Benjamin William Harrison (Chairman)
Jeremy Grant Loftus
Michael Kane Davidson

Principal activities

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

Review of operations and likely developments

Overview

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

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

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

The significant accomplishments during the half year are set out below.

Growth with a focus on profit

In H1 of FY23, the Company experienced robust growth in its customer base and enhanced credit quality of new customers. The number of platform customers rose by more than 20% during the half, reaching more than 2,600, a remarkable increase of 362% compared to the previous year. Moreover, the average drawdown during the half was the highest to date, exceeding $24,000.

During the half, the Company improved its lending margin by 4.5% by reducing its wholesale borrowing cost from 13% to 11.5% while increasing in its weighted average customer pricing by 2% points.

Product and Technology

During the half, the Company completed development of the Platform, allowing a shift in emphasis to growth, with the components in place to scale.

Expansion of acquisition channels

The newly established broker referral network is anticipated to significantly accelerate the growth in inbound leads. Historically, the business has relied on digital marketing for lead generation. The Company views its newly established broker referral network as a key element in its pathway to profitability, providing higher speed to market and lower risk to margin.

Increase in wholesale facilities

During the half, the Company secured an increase in its wholesale facility limit from $5,000,000 to $7,500,000 while reducing the interest rate from 13% to 11.5% (subject to the terms outlined in the ASX announcement dated 17 August 2022).

Financial Overview
The Company's significant growth in customers and lending resulted in a 324% increase in interest revenue for the first half of the 2023 financial year.

Operating costs (excluding depreciation, amortisation, impairment and finance costs) decreased 23% as the Company pursued cost optimisation initiatives to improve its net operating result while continuing to meet the needs of its customers and operating objectives.

The half year result includes a one-off revenue of $557,049 from the fair gain on revaluation of the Convertible Notes and a one-off expense of $435,814 for impairment of intangible assets.

Net cash used in operating activities improved from $2,015,103 in the first half FY22, to $1,428,031 in H1 FY23.

The net loss after tax for the half year was $1,741,414 (December 2021: net loss of $2,244,105).

Outlook
Propell's revenue growth and cost-cutting measures during the half demonstrate the Company's ability to achieve growth without requiring additional resources. The Company's strong net interest margins, along with its ability to expand its loan book quickly and maintain a low operating cost base, positions Propell well for future growth.

The Company has implemented a broker referral network to support the growth of its loan book and is actively pursuing discussions with wholesale funding providers to secure additional funds to meet anticipated demand.

The Company's focus for the remainder of the financial year includes:
1. Obtaining a new wholesale facility to support client demand,
2. Leveraging the broker referral network to boost lending growth,
3. Maintaining operational margins at current levels while scaling the business, and
4. Broadening the lending product offering to attract new clients.

The achievement of these goals, in combination with the Company's improved operating metrics, should pave the way for profitability as the loan book continues to grow at attractive margins.

Propell's Board remains committed to its long-term goal of becoming the go-to finance solution for small businesses, providing a single place where businesses can manage their entire financial life in a simple, convenient, and 100% digital way, free from the constraints of traditional banks. The Company aims to reach 100,000 clients within five years.

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

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

Matters subsequent to the end of the financial half-year
In January 2023, the Group raised capital of $290,000 through the issue of Convertible Notes. As at 31 January 2023, the Group had raised a total of $2,300,000 from the issue of Convertible Notes.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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

Propell Holdings Limited
Directors' report
31 December 2022

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

____
Benjamin William Harrison
Director

28 February 2023
Brisbane

Auditor's Independence Declaration

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

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

Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2022, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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

Pitcher Partners

PITCHER PARTNERS

DAN COLWELL
Partner

Brisbane, Queensland
28 February 2023

Financial Report for the Half-year to 31 December 2022

Propell Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 $	 31 Dec 2021 $
Revenue			
Interest income	5	956,788	295,480
Lending fees		39,921	16,440
Other revenue		384	45
		997,093	311,965
Other income		63,368	21,120
Fair value gain/(loss) on financial instruments	10	557,049	-
Total revenue		1,617,510	333,085
Expenses			
Professional fees		(190,194)	(226,354)
Employee benefits expense		(801,535)	(926,634)
Occupancy		(5,869)	(7,932)
Depreciation and amortisation expense	6	(268,092)	(313,256)
Loan impairment expense net of recoveries		(575,778)	(148,081)
Impairment of intangible assets	6	(435,814)	-
Marketing		(204,440)	(467,948)
Technology and platform costs		(200,434)	(188,274)
Loan assessment and processing		(54,122)	(28,025)
Payments processing		69,360	(1,051)
Other expenses		(130,181)	(117,727)
Finance costs	6	(561,825)	(151,908)
Total expenses		(3,358,924)	(2,577,190)
Loss before income tax expense		(1,741,414)	(2,244,105)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the Owners of Propell Holdings Limited		(1,741,414)	(2,244,105)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the Owners of Propell Holdings Limited		(1,741,414)	(2,244,105)
		Cents	Cents
Basic earnings per share		(1.50)	(2.34)
Diluted earnings per share		(1.50)	(2.34)

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

Propell Holdings Limited
Statement of financial position
As at 31 December 2022

	Note	Consolidated 31 Dec 2022 $	Consolidated 30 Jun 2022 $
Assets			
Current assets			
Cash and cash equivalents		491,128	385,967
Loans receivable	7	4,363,185	4,449,742
Other receivables		6,078	4,750
Other assets		39,819	16,556
Total current assets		4,900,210	4,857,015
Non-current assets			
Property, plant and equipment		5,128	9,572
Right-of-use assets		81,782	129,102
Intangibles	8	454,098	1,108,642
Total non-current assets		541,008	1,247,316
Total assets		5,441,218	6,104,331
Liabilities			
Current liabilities			
Trade and other payables		837,037	863,081
Borrowings	9	534,000	534,000
Lease liabilities		91,512	98,742
Convertible notes	10	300,660	-
Provisions		209,759	274,879
Other liabilities		7,041	42,245
Total current liabilities		1,980,009	1,812,947
Non-current liabilities			
Borrowings	9	4,699,396	5,000,000
Lease liabilities		-	40,303
Convertible notes	10	921,886	-
Provisions		50,609	68,159
Other liabilities		-	28,164
Total non-current liabilities		5,671,891	5,136,626
Total liabilities		7,651,900	6,949,573
Net liabilities		(2,210,682)	(845,242)
Equity			
Issued capital	11	24,409,433	24,433,102
Convertible notes - equity		237,289	-
Reserves		(1,870,553)	(2,032,907)
Accumulated losses		(24,986,851)	(23,245,437)
Total deficiency in equity		(2,210,682)	(845,242)

Propell Holdings Limited
Statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Issued capital $	Convertible Note $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2021	23,142,910	-	(2,122,427)	(18,771,673)	2,248,810
Loss after income tax expense for the half-year	-	-	-	(2,244,105)	(2,244,105)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(2,244,105)	(2,244,105)
Transactions with Owners in their capacity as Owners:					
Share-based payments (note 15)	-	-	73,467	-	73,467
Balance at 31 December 2021	23,142,910	-	(2,048,960)	(21,015,778)	78,172

Consolidated	Issued capital $	Convertible Note $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2022	24,433,102	-	(2,032,907)	(23,245,437)	(845,242)
Loss after income tax expense for the half-year	-	-	-	(1,741,414)	(1,741,414)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(1,741,414)	(1,741,414)
Transactions with Owners in their capacity as Owners:					
Share-based payments (note 15)	-	-	162,354	-	162,354
Convertible notes (note 10)	-	237,289	-	-	237,289
Contributed equity transaction costs	(23,669)	-	-	-	(23,669)
Balance at 31 December 2022	24,409,433	237,289	(1,870,553)	(24,986,851)	(2,210,682)

Propell Holdings Limited
Statement of cash flows
For the half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 $	Consolidated 31 Dec 2021 $
Cash flows from operating activities			
Loan principal advanced to customers net of payments		(87,416)	(205,584)
Payments to suppliers and employees		(1,911,081)	(1,895,137)
Interest received		609,688	267,755
Receipts from customers		-	16,401
Finance costs		(220,901)	(198,538)
Net cash used in operating activities		(1,609,710)	(2,015,103)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,683)
Payments for intangibles	8	-	(443,227)
Proceeds from disposal of property, plant and equipment		2,403	-
Net cash from/(used in) investing activities		2,403	(444,910)
Cash flows from financing activities			
Proceeds from borrowings		-	350,000
Proceeds from borrowings - convertible notes		2,010,000	-
Repayment of borrowings		(250,000)	(3,751)
Repayment of lease liabilities		(47,532)	(10,580)
Net cash from financing activities		1,712,468	335,669
Net increase/(decrease) in cash and cash equivalents		105,161	(2,124,344)
Cash and cash equivalents at the beginning of the financial half-year		385,967	3,769,202
Cash and cash equivalents at the end of the financial half-year		491,128	1,644,858

Note 1. General information

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

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

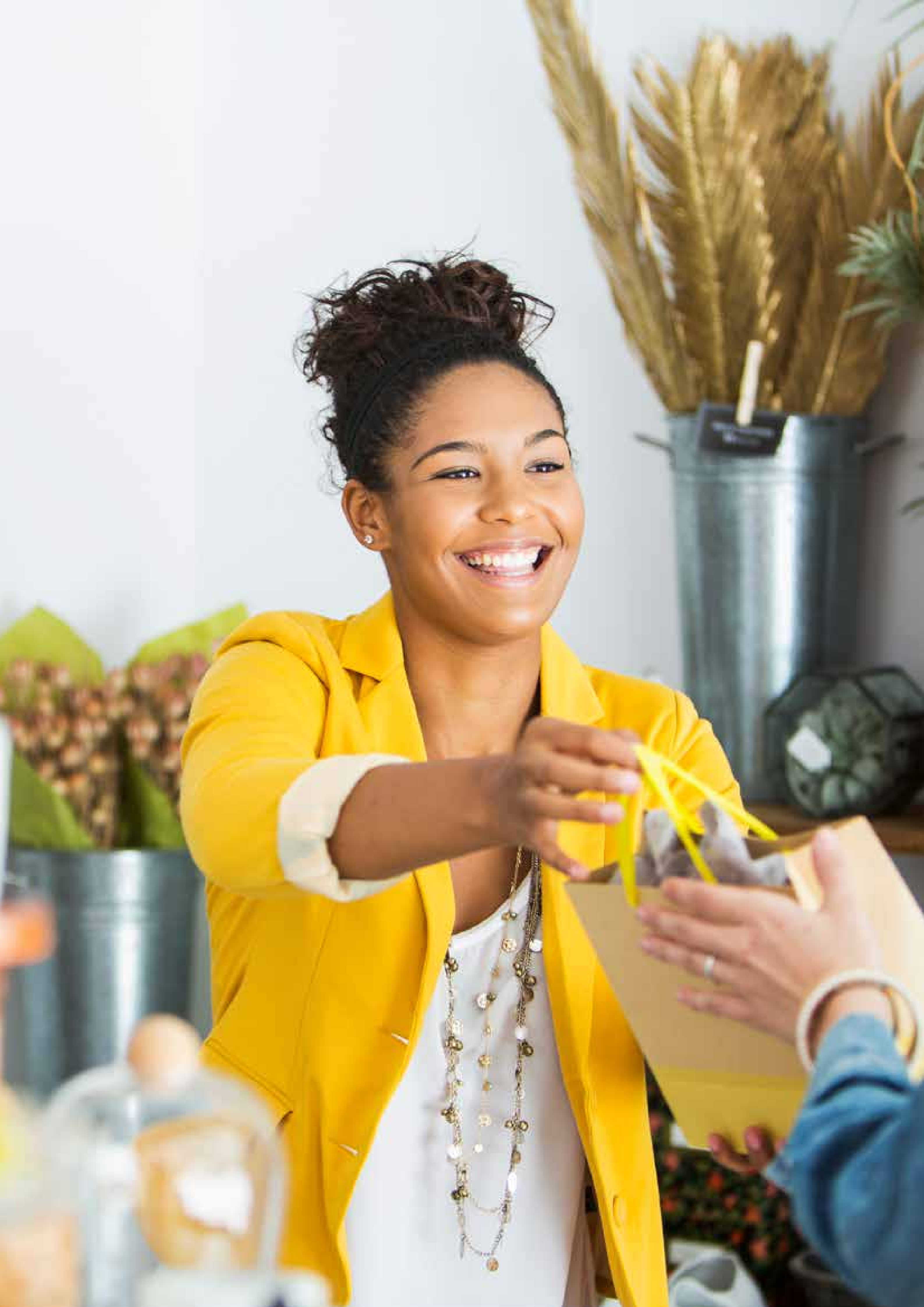
Registered office	Principal place of business
Level 11 82 Eagle Street Brisbane QLD 4000	Level 2 307 Queen St Brisbane QLD 4000

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.



Note 2. Significant accounting policies (continued)

Financial Liabilities

Financial liabilities are initially measured at fair value

Financial liabilities including trade and other payables, loans and borrowings, deferred contingent considerations and the debt component of convertible notes are measured subsequently at amortised cost. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities at FVTPL are initially measured at fair value and subsequently measured at fair value at each reporting date. Any gains or losses arise on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Classification of Debt and Equity Components

Convertible loan notes issued by the group are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of an amount of cash for a variable number of the Company's own equity instruments is considered a financial liability. The conversion features that fail the equity classification are accounted for as derivative financial liabilities and are accounted for separately from their host debt component. Derivative financial liabilities are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

A conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is considered an equity component. The conversion feature classified as equity is not required to be revalued at each reporting date.

Transaction Costs

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components (if any) in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

New or amended Accounting Standards and Interpretations adopted

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

Going concern

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

Note 2. Significant accounting policies (continued)

As disclosed in the financial statements, the Company made a net loss of $1,741,414 (31 December 2021: $2,244,105 net loss) for the half year ended 31 December 2022 and reported a net asset deficiency of $2,210,682 (30 June 2022: $845,242 net asset deficiency) and a net cash outflow from operating activities of $1,428,031 (31 December 2021: $2,015,103 outflow). The factors that contributed to this position include:

· Significant investment in the development of Propell's Platform to ensure Propell is Australia's first and only all-in-one finance platform for SMEs.

· Customer acquisition expenditure that resulted in a 20% increase in customers during the half and threefold increase in loan revenue.

· One-off costs to rationalise the Company's cost base, which provides a pathway to profitability.

The net asset deficiency reported at 31 December 2022 would ordinarily give rise to uncertainty regarding the Company's ability to continue as a going concern.

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

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

● At 31 December 2022, the Group had access to unrestricted cash of $491,128.

● On 13 July 2022, the Company received capital commitments of $2,300,000 via a Convertible Note issue, of which $2,010,000 had been received at the date of this report and the remaining $290,000 was received in January 2023.

● A budget and cash flow forecast has been prepared, which extends beyond 31 March 2024. This demonstrates that the Group will have access to sufficient liquid resources to fund its obligations for a period greater than twelve months from the date of this report.

● The Company's cash flow forecast demonstrates that the following measures will enable the Company to generate net cash inflows within six months from the date of this report:
- On 24 August 2022, Propell's wholesale facility increased from $5,000,000 to $7,500,000, which supports the Company's forecast growth in lending and revenue. As at 31 December 2022, $2,750,000 of this facility was undrawn.
- The twelve-month loan product, which launched in January 2022 and resulted in significant lending and revenue growth in the second half of FY2022, continues to receive strong uptake from customers.
- On 24 August 2022, the interest rate that applies to the Company's wholesale debt facility decreased from 13% to 11.5%, which has improved Propell's gross margin.
- As at the date of this report, Propell had completed its investment in development of the Propell Platform, which has significantly reduced the Company's development costs.
- As at the date of this report, the Company had announced a reduction in its headcount that will result in ongoing salary cost savings of approximately 30%, with no reduction in Propell's capacity to rapidly scale customers numbers and lending, while maintaining its customer service standards.

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

Should the above actions not generate the expected cash flows, the Group would need to raise additional debt or equity capital to fund the ongoing operations. The ability to generate sufficient cash inflows to fund the ongoing operations is subject to material uncertainty which would cast significant doubt as to whether the Group would be able to meet its debts as and when they fall due, and therefore continue as a going concern. The Group may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements.

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

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Note 3. Critical accounting judgements, estimates and assumptions

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Fair Value Measurements and Valuation Processes
The group measures certain assets and liabilities at fair value for financial reporting purposes. In estimating the fair value of these assets and liabilities, the group uses market- observable data to the extent it is available. Where market-observable data is not available, the group engages qualified third- party values to assist with the valuation and work closely with management to establish the appropriate valuation techniques and inputs to the valuation model. Key inputs to the valuation model for valuation of derivatives embedded in convertible notes recognised as financial liability include the company's share price, volatility and the risk-free rate. Refer to note 10 for further details.

Note 4. Operating segments

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

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

Note 5. Interest income

	Consolidated	
	31 Dec 2022 $	31 Dec 2021 $
Interest on loans	955,570	294,511
Interest on cash at bank and bank deposits	1,218	969
	956,788	295,480

Note 6. Expenses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	$	$
Loss before income tax includes the following specific expenses:		
Depreciation		
Buildings right-of-use assets	47,320	19,981
Computer equipment	2,042	2,306
Total depreciation	49,362	22,287
Amortisation		
Propell Platform	218,730	165,088
Customer list	-	92,548
Intellectual property	-	33,333
Total amortisation	218,730	290,969
Total depreciation and amortisation	268,092	313,256
Impairment		
Propell Platform	435,814	-
Finance costs		
Interest and finance charges paid/payable on Loan book facility	278,042	114,421
Interest and finance charges paid/payable on Corporate facilities	32,061	32,061
Interest and finance charges paid/payable on Convertible note (note 10)	238,170	-
Unwinding of the discount on lease liabilities	2,803	2,018
Amortised borrowing costs on Loan book facility	7,496	-
Other	3,253	3,408
Finance costs expensed	561,825	151,908
Superannuation expense		
Defined contribution superannuation expense	69,792	91,139

Note 7. Loans receivable

	Consolidated	
	31 Dec 2022	30 Jun 2022
	$	$
Current assets		
Loans receivable	4,748,499	4,816,876
Less: Allowance for expected credit losses	(385,314)	(367,134)
	4,363,185	4,449,742

Note 7. Loans receivable (continued)

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

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

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

The Group has recognised a loss of $416,417 (30 June 2022: $522,009) in profit or loss in respect of loan impairment expense for the half year ended 31 December 2022.

When determining an appropriate allowance for expected credit losses at 31 December 2022, the Company undertook a detailed review of all outstanding loans receivables including consideration of the industry and region in which each customer operates, customer credit quality, and requests for deferred repayment periods. The Group updated its forward-looking assumptions including inflation, interest rate, unemployment and other macroeconomic impacts.

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

	Consolidated	
	31 Dec 2022 $	30 Jun 2022 $
Opening balance	367,134	203,064
Additional provisions recognised through profit or loss	416,417	522,009
Receivables written off during the year as uncollectable	(398,237)	(357,939)
Closing balance	385,314	367,134

Note 8. Intangibles

	Consolidated	
	31 Dec 2022	30 Jun 2022
	$	$
Non-current assets		
Intellectual property - at cost	50,000	50,000
Less: Accumulated amortisation	(50,000)	(50,000)
	-	-
Customer list - at cost (business combination)	741,400	741,400
Less: Accumulated amortisation	(741,400)	(741,400)
	-	-
Propell Platform - at cost (internally generated)	4,763,006	4,733,069
Less: Accumulated amortisation	(3,623,094)	(3,374,427)
Less: Accumulated Impairment	(685,814)	(250,000)
	454,098	1,108,642
	454,098	1,108,642

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

Consolidated	Customer list $	Intellectual property $	Propell Platform $	Work in progress $	Total $
Balance at 1 July 2022	-	-	1,108,642	-	1,108,642
Impairment losses	-	-	(435,814)	-	(435,814)
Amortisation expense	-	-	(218,730)	-	(218,730)
Balance at 31 December 2022	-	-	454,098	-	454,098

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

	Consolidated	
	31 Dec 2022	30 Jun 2022
	$	$
Intangibles are allocated to the following cash generating units (CGU):		
Propell Platform - financial services to Australian small businesses	454,098	1,108,642

The recoverable amount of a CGU is based on value in use calculations.

The value in use calculations are based on management's best estimate of the projected cash flows for the next two years. The present value of future cash flows has been calculated using a terminal value growth rate of 1% (June 2022: 1%) and a pre-tax discount rate of 17.2% (June 2022: 17.2%).

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Note 8. Intangibles (continued)

Directors and management have assessed reasonable possible changes in key assumptions. The impact of such changes is as follows:

Assumption	Assumption change %	Resulting impairment $
Discount rate	1%	(132,195)
Lending margin	(1%)	(23,101)
Credit loss %	1%	(541,008)
Lending growth rate	(1%)	(16,652)

Note 9. Borrowings

	Consolidated	
	31 Dec 2022 $	30 Jun 2022 $
Current liabilities		
Loans - Altor corporate facilities (secured)	534,000	534,000
Non-current liabilities		
Loans - Altor loan book facility (secured)	4,750,000	5,000,000
Capitalised borrowing costs	(50,604)	-
	4,699,396	5,000,000

Altor loan book facility (secured)
This $7,500,000 facility (June 2022: $5,000,000) is provided for the sole purpose of providing funding for the Group's lending activities. The loan is secured over all present and future property of the Group's loan issuing special purpose entity BC Fund 2 Pty Ltd and its immediate parent Business & Capital Pty Ltd. The loan has a maturity date of 30 March 2025 and has an interest rate of 11.5% per annum (30 June 2022: 13% per annum), accruing daily and payable monthly in arrears.

Altor corporate facilities (secured)

	Consolidated	
	31 Dec 2022 $	30 Jun 2022 $
Altor AltFi Income Fund	424,000	424,000
Altor Private Equity Pty Ltd	110,000	110,000
	534,000	534,000

Altor AltFi Income Fund
This loan facility is for an amount not exceeding $424,000 and is subject to interest of 15% per annum payable. This loan is secured over future amounts to be received from the Australian Taxation Office for Development Tax Incentives for approved R&D activities. The loan is repayable upon receipt of the tax incentive from the Australian Taxation Office or such later date agreed by the parties.

Altor Private Equity Pty Ltd
This loan facility is for an amount not exceeding $110,000. This loan is secured over future amounts to be received from the Australian Taxation Office for Development Tax Incentives for approved R&D activities. The loan is repayable upon receipt of the tax incentive from the Australian Taxation Office or such later date agreed by the parties.

Note 9. Borrowings (continued)

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

	Consolidated	
	31 Dec 2022 $	30 Jun 2022 $
Cash at bank	407,673	153,293
Loans receivable	4,363,185	4,449,742
Other receivable	-	2,510
Intangible asset	454,098	545,194
	5,224,956	5,150,739

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

	Consolidated	
	31 Dec 2022 $	30 Jun 2022 $
Total facilities		
Loans	8,034,000	5,534,000
Used at the reporting date		
Loans	5,284,000	5,534,000
Unused at the reporting date		
Loans	2,750,000	-

The unused facility relates the Altor Loan book facility.

Note 10. Convertible notes

During the period, the company issued convertible notes with an aggregate principal amount of $2,010,000 and a variable exercise price between $0.03 and $0.07, which mature on 28 February 2025. The notes are convertible at the option of the note holder into ordinary shares at a conversion price of 80% of the 30-day volume weighted average price (VWAP) at any time after the date of issue and up the maturity date.

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

On initial recognition, the convertible notes included a debt component reported as a financial liability measured at amortised cost, a conversion option considered an embedded derivative measured at FVTPL and an equity component.

The embedded derivative component has been revalued at 31 December 2022 in accordance with Accounting Standard AASB 9 Financial Instruments. Following the revaluation at 31 December 2022, the embedded derivative has been valued at $300,660 using the Monte Carlo Simulation Valuation Model. The fair values have been based on a closing company share price at 31 December 2022 of $0.028, volatility of 80%, and a risk-free rate of 3.431%.

A fair value gain of $557,049 has been recorded in respect to the derivative liability, being the movement in the fair values of the embedded derivative between issue date and 31 December 2022.

Note 10. Convertible notes (continued)

	Financial liability - embedded derivitive $	Financial liability - host debt $	Total Financial liabilities $	Converible notes - equity $
1 July 2021	-	-	-	-
Issued during the period	-	-	-	-
Issue costs capitalised	-	-	-	-
Effective interest on convertible notes	-	-	-	-
Coupon paid	-	-	-	-
Fair value gain recognised	-	-	-	-
31 December 2021	-	-	-	-
1 July 2022	-	-	-	-
Issued during the period	857,709	889,233	1,746,942	263,058
Issue costs capitalised	-	(87,110)	(87,110)	(25,769)
Effective interest on convertible notes	-	143,462	143,462	-
Coupon paid	-	(23,699)	(23,699)	-
Fair value gain recognised	(557,049)	-	(557,049)	-
31 December 2022	300,660	921,886	1,222,546	237,289

Note 11. Issued capital

	Consolidated			
	31 Dec 2022 Shares	30 Jun 2022 Shares	31 Dec 2022 $	30 Jun 2022 $
Ordinary shares - fully paid	120,355,520	120,355,520	24,409,433	24,433,102

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

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

Options and warrants
For details of options and warrants issued during the year as share based payments, refer to note 15.

Note 11. Issued capital (continued)

Options and warrants on issue as at 31 December 2022:

Grant date	Expiry date	Exercise price	Number under option
01/12/2018	01/12/2023	$0.40	1,100,000
01/10/2020	01/10/2024	$0.30	5,433,333
10/11/2020	01/10/2024	$0.20	1,403,245
07/04/2021	07/04/2024	$0.30	2,000,000
07/04/2021	07/04/2024	$0.40	4,000,000
08/02/2021	07/02/2024	$0.20	3,500,000
13/06/2022	12/06/2025	$0.10	500,000
23/08/2022	22/08/2025	$0.10	300,000
21/09/2022	21/09/2025	$0.10	8,174,790
31/12/2022	31/12/2025	$0.10	2,010,000
			28,421,368

In line with the Convertible Note agreement, 14,070,000 bonus options are to be issued to Convertible Note holders at an exercise price of $0.08 and an expiry date of 30 August 2024.

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

Note 12. Dividends

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

Note 13. Contingent liabilities

A bank guarantee totalling $55,079 has been provided to the lessor as security for the Group's obligations in the office premises lease (30 June 2022: $55,079).

Note 14. Events after the reporting period

In January 2023, the Group raised capital of $290,000 through the issue of Convertible Notes. As at 31 January 2023, the Group had raised a total of $2,300,000 from the issue of Convertible Notes.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 15. Share-based payments

Share options & warrants

Note 15. Share-based payments (continued)

Lender, Lead Manager and Arranger Options

On 21 September 2022, 3,500,000 options were granted to Altor Capital Management Pty Ltd (Lender Options) as part of the reduction in its Wholesale Funding interest rate from 13% to 11.5%. The cost of these options of $58,100 was recognised as borrowing costs and offset against the Altor loan book liability.

On 24 August 2022, 1,424,790 options were granted to Reach Markets Pty Ltd (Lead Manager Options) as part compensation for the previous Entitlement Offer and Placement. The cost of these options of $23,669 was recognised as capital raising costs and offset against issued capital.

On 30 August 2022 and 1 December 2022, 1,760,000 and 250,000 options were granted respectively to Reach Markets Pty Ltd (Arranger Options) as part compensation for arranging convertible note drawdowns. The cost of these options of $33,666 was recognised as part of the convertible note.

All options have a 3 year expiry and $0.10 exercise price. Upon grant, the options immediately vested and were exercisable.

Employee Share and Option Plan ("ESOP")

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

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

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

During the half year ended 31 December 2022, 3,550,000 options were granted under the ESOP, all with a $0.10 exercise price and a 3-year expiry.

The total expense from ESOP transactions during the half year ended 31 December 2022 was $162,354 (31 December 2021: $73,467).

Set out below are summaries of all warrants and options granted as share based payments:

	Number of options 31 Dec 2022	Weighted average exercise price 31 Dec 2022	Number of options * 30 Jun 2022	Weighted average exercise price * 30 Jun 2022
Outstanding at the beginning of the financial half-year	13,003,245	$0.29	12,503,245	$0.30
Granted	10,484,790	$0.10	500,000	$0.10
Expired / Lapsed	(500,000)	$0.10	-	$0.00
Outstanding at the end of the financial half-year	22,988,035	$0.22	13,003,245	$0.29
Exercisable at the end of the financial half-year	22,278,035	$0.22	12,093,245	$0.30

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.94 years (2022: 1.89 years).

Note 15. Share-based payments (continued)

Fair value

For the options and warrants granted as share based payments during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
23/08/2022	22/08/2025	$0.05	$0.10	80.00%	-	3.28%	$0.017
21/09/2022	21/09/2025	$0.05	$0.10	80.00%	-	3.28%	$0.017
21/09/2022	21/09/2025	$0.05	$0.10	80.00%	-	3.28%	$0.017
31/12/2022	31/12/2025	$0.05	$0.10	80.00%	-	3.30%	$0.017

The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date based on the best estimate of the number of options that are expected to eventually vest.

Propell Holdings Limited
Directors' declaration
31 December 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and

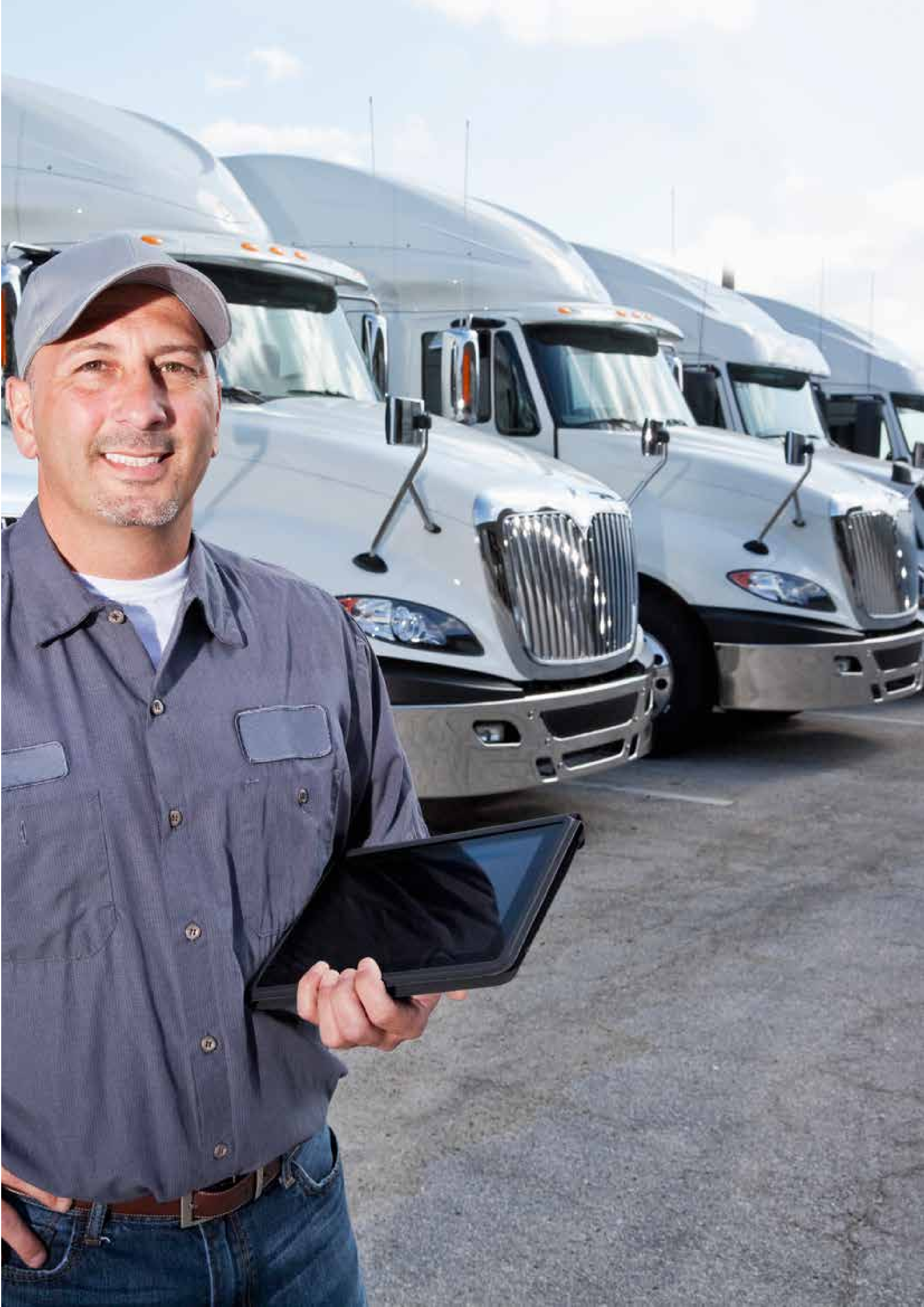
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

____
Benjamin William Harrison
Director

28 February 2023
Brisbane



Independant Auditor's Review Report

PITCHER PARTNERS

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Independent Auditor's Review Report to the Members of Propell Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Propell Holdings Limited, (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Propell Holdings Ltd does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

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

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Pitcher Partners

PITCHER PARTNERS

DAN COLWELL
Partner

Brisbane, Queensland
28 February 2023

propell*