

Annual Report 2021



Propell Group Limited
ACN 000 000 000

propell*



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Large Target Market



2.1m

SMEs in Australia

1m⁺

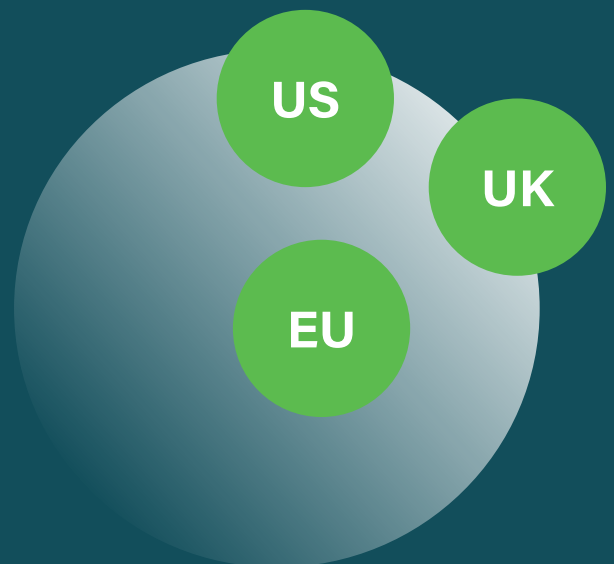
loans of <\$2m

55m⁺

SMEs in key Western markets

300m⁺

SMEs globally



Common problems faced by SMEs

- #1 Cashflow represents the most common problem
- #2 Limited financial knowledge & experience
- #3 Difficulty accessing financial products & services

Propell is bringing these services together in one place with ‘smarts’

TOOLS & SERVICES

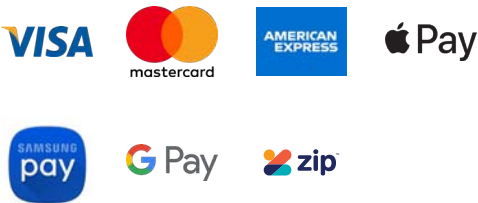
Propell Business Insights

LENDING

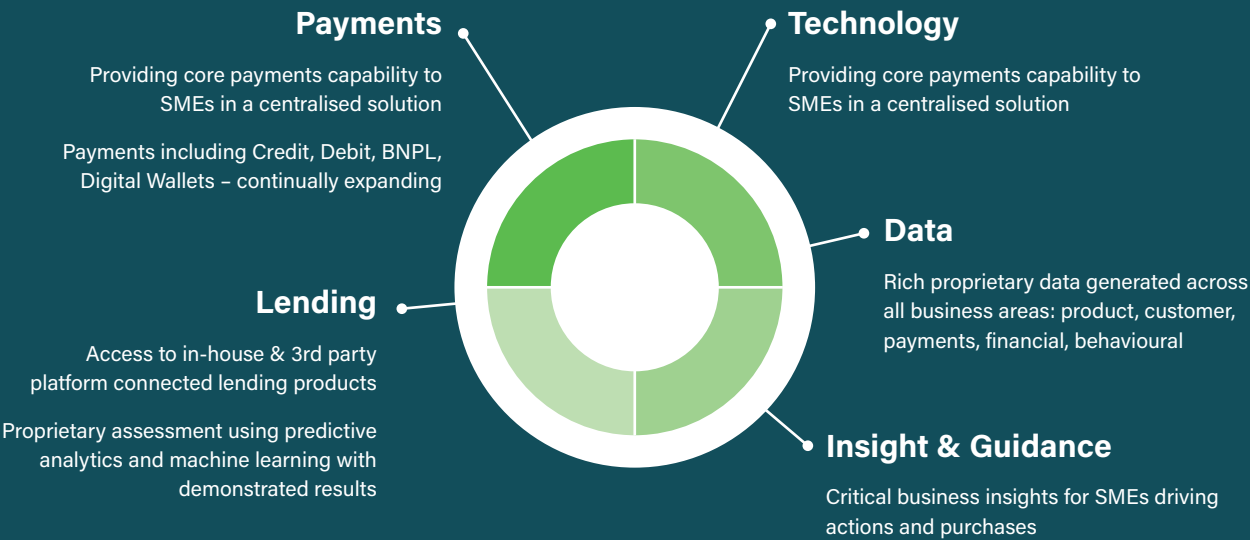
Propell 6 month LOC

PAYMENTS

Including



The Propell platform is a unique proposition for SMEs



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*

Performance Highlights

150%⁺

Customer growth on platform since IPO

4.5*

Customer rating on Trust Pilot

+64

Net Promoter Score

#1



Winner finder.com.au Award for Best B2B Innovation in 2021

Delivering on well defined growth strategy

Increasing customer numbers & revenue

Phase 3

- Business insights with automated guidance
- Longer duration, larger sized lending
- Customer present payments incl. terminals
- Additional payments schemes BNPL's, AMEX, International, Digital Wallets
- Business Account Cards

Phase 2

- Business insights with automated guidance
- Longer duration, larger sized lending
- Customer present payments incl. terminals
- Additional payments schemes BNPL's, AMEX, International, Digital Wallets
- Business Account Cards

Phase 1

- Business insights beta launch
- Invoice payments
- Zip BNPL

Since IPO

Next 12 months

12-24 months

“Over the past 12 months, the Company has made significant progress in building out our Platform and its features... the success of this approach is shown in the growth across all key metrics including, revenue, customer numbers and loans.”

Benjamin William Harrison
Chairman



Chairman Report

Dear fellow Shareholders,

On behalf of the board, it is my pleasure to present the 2021 Annual Report for Propell Holdings Limited (ASX: PHL), our first as a publicly listed company following our listing on the Australian Securities Exchange (ASX) in April 2021.

OVERVIEW

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 with products including funds for operating and growth (lending) and broad payment acceptance (instant payment receipts).

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

Our Platform is completely digital, cloud-based and data driven, and offers tailored finance products. It allows us to easily launch our own proprietary financial products or products of third-party providers.

FY21 PROGRESS

Over the past 12 months, the Company has made significant progress in building out our Platform and its features, allowing us to attract new customers and increase revenue per customer as new features gain traction. The success of this approach is shown in the growth across all key metrics including, revenue, customer numbers and loans.

We have also made a significant investment in our people. The team now sits at 15 and covers key areas across marketing, client support, risk and technology development. I would like to take this opportunity to thank and acknowledge everyone in the Propell team for their efforts, in particular Michael Davidson and Jeremy Loftus.

IPO AND CAPITAL RAISING

Propell successfully raised A\$5 million through its Initial Public Offer (IPO) ahead of its ASX listing. This was an important step for Propell in allowing the company to fund the continued development of our Platform, new products and services, customer acquisition and marketing.

Propell has a well-defined strategy to continue to attract new customers and further enhance the Platform by adding additional proprietary and third-party products to underpin growth in both overall revenues and revenue per customer. There exists a strong pipeline of new products, and we expect to launch two of these over the next 12 months.

On behalf of the Directors, I thank our Shareholders for your ongoing support and look forward to keeping you updated on the Company's progress.

Yours Sincerely,



Benjamin Harrison
Executive Chairman

Date **29th September 2021**
Location **Brisbane**

CEO Report

"There were many significant achievements during FY21 however one of my highlights was the successful launch of our digital, cloud based, open API and data driven Platform – The Propell Platform."

Michael Davidson

Chief Executive Officer



CEO Report

Dear fellow shareholders,

It is my pleasure to present to you the Propell Annual Report for FY21.

When we began this journey in 2016, we had a vision to become the leading digital only finance Platform for SMEs. Through the Platform, Propell provides SMEs with the products, support and insights to help manage and optimise their financial future.

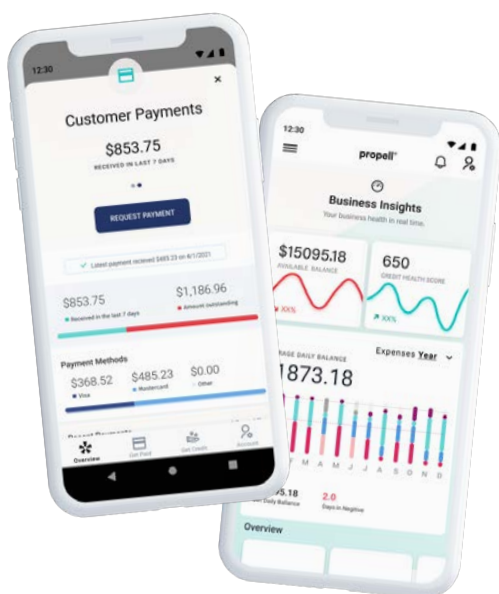
There were many significant achievements during FY21 however one of my highlights was the successful launch of our digital, cloud based, open API and data driven Platform – ‘The Propell Platform’. This digital finance offering provides our customers with an intelligent solution with multiple financial products to help them manage and optimise their cashflow.

Our current products include a lending product and a transactional product to enable businesses to accept a variety of emerging payment methods online and instore. In addition, the Platform provides users with real time actionable insights to manage and optimise their cashflow.

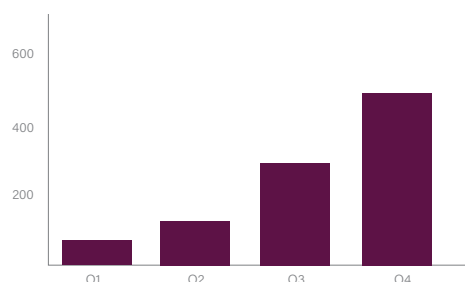
Another key development was the initial public offering in April 2021 that successfully raised \$5 million from investors. The Company received outstanding support and significant oversubscriptions from new and existing institutional, professional, and retail investors.

The funds raised as part of the IPO are being invested in the continual development of the Platform, new products and services and growth opportunities. Furthermore, we are focused on marketing and customer acquisition activities to increase Propell's profile and acquire new customers, as well as funding the operating costs of the company to assist in pursuing our growth strategy.

We have a well-defined growth strategy and a vision to create a Platform that delivers an experience and service not currently available to small businesses, and I believe we are making good progress on this strategy.



776% growth in platform customers



During FY21, we successfully achieved record growth in key metrics through the final months of the financial year, ending the period with 782 total customers, up from 430 upon listing in April 2021. A focus during the second half was the migration of customers from Propell's previous separate product offerings

onto the Propell Platform, with 520 customers using the Platform by the end of the period.

Growth in new loans was also strong, with total lending and average loan sizes increasing consistently throughout the year.

Additional investment in marketing and customer acquisition, using funds raised in the IPO, have supported the growth in these key metrics.

During FY21, there were also several operational highlights which have strengthened the Platform.

The first was the successful launch of the invoice payments capability on the Propell Platform, allowing SME customers to accept instant online invoice payments by embedding a payments capability directly into their invoices.

This new feature further strengthens Propell's core proposition to SME customers and complements the current payment products, offering a more universal payment option to assist customers in managing and optimising their cashflow. We are confident that this new feature will drive significant growth in transaction volumes.

The second was the launch of Business Insights in June 2021, to further support customers to manage and optimise their finances. This first stage of Business Insights represents the foundation of a premium subscription offering that will ultimately deliver business health-checks incorporating external data sources, comparisons and 360° insights. This includes a customer dashboard of relevant analysis including, for example, average daily balances and credit scores.

Business Insights will be provided to all customers that join the Platform, delivering on Propell's mission of supporting businesses in achieving their goals irrespective of their stage of development. Business Insights will support growth in total customers on the Platform, providing a rapidly growing group of engaged, relevant customers for current product utilisation as well as future product launches.

A key strategy for Propell is to strengthen its transactional

product to allow customers to seamlessly accept all standard payment types from their end customers, including credit cards, debit and now buy-now-pay-later (BNPL) through the Propell Platform.

We have a strong pipeline of initiatives to further grow and develop the Propell Platform and ultimately to deliver value for you, the shareholders.

I take this opportunity to acknowledge the dedication and commitment of the entire Propell team throughout what has been an extraordinary year. I also thank the Propell Board for their guidance and counsel during FY21.

Regards,



Michael Davidson
CEO

Date **29th September 2021**
Location **Brisbane**

Director's Report





Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Propell Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

DIRECTORS

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

- Benjamin William Harrison Chairman
- David Lindsay Brennan
- Jeremy Grant Loftus
- Courtney Liam John Keim (resigned 1 October 2020)

PRINCIPAL ACTIVITIES

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

Review of Operations and Likely Developments

To be read in conjunction with the CEO Report.

Propell is focused on delivering intelligent finance solutions for improving small-medium enterprise (SME) cashflow. Currently, several different tools exist for financial managers of SMEs. Propell's digital platform offers tailored finance products to help SMEs manage their financial operations.

Current tools offered by Propell include lending for operating growth, instant payment receipts, business insights and buy-now-pay-later (BNPL). Multiple additional products are also under development. Propell delivers these products through extensive customer data coupled with its platforms artificial intelligence (AI) engine, automating assessment and delivery of the products to customers 100% digitally.

[Propell lists on the ASX](#)

Propell conducted an initial public offering (IPO) during the period that raised \$5m from investors, listing on the Australian Securities Exchange (ASX) on 14 April 2021. The offer comprised the issue of 25 million new shares at a price of \$0.20 per share, valuing the company at \$19.2 million upon listing. The Company received outstanding support and significant oversubscriptions from new and existing institutional, professional and retail investors.

Funds from the IPO are being deployed to execute the Company's growth strategy, with entry into new industry verticals, new products and geographic expansion as well as additional spending on digital marketing channels for customer acquisition.

[Growth in key customers & loans metrics with momentum continuing into FY22](#)

Loan originations in the first half of the year were materially impacted by the ongoing effect of COVID-19 on the SME economy, however the Group saw a strong rebound in loan originations towards the end of the year, supported by increased investment in marketing and customer acquisition, utilising funds raised in the IPO.

Propell achieved strong growth in its key metrics through the final months of the financial year, ending the period with 782 total customers, up from 430 upon listing in April 2021. A focus during the last 2 quarters was the migration of customers from Propell's previous separate product offerings onto the Propell Platform, with 520 customers using the Platform by the end of the period.

Growth in loans originated was strong in the last quarter, exceeding \$800,000, a 80.5% increase on Q3 FY21. Average loan size, a key indicator of customer quality, also increased significantly late in the year.

The resurgence of COVID-19 at the end of the financial year and the extended lockdowns in New South Wales and Victoria have somewhat dampened the origination momentum in the start of the 2022 financial year, as the Group has assumed a more cautious position to lending with increased scrutiny and approval review, as well as reduced marketing spend in impacted regions.

Financial Overview

Total Revenue for the year was \$684,754, a 32% decline on FY20, through COVID-19 impacting lending and reduced marketing. It is worth noting that interest revenue lags loan originations, with interest revenue from the increased originations towards year end to flow into FY22.

Net cash used in operating activities increased to \$3,107,599 in FY21, compared to \$471,060 in FY20, with increased loans advanced to customers, and payments for increased marketing expenses and IPO costs incurred in the year. The sublease revenue ceased during the 2021 financial year.

The net loss after tax for the year was \$4,340,283 (FY20 loss: \$2,135,503 million).

New products added to the Propell platform

During April 2021, Propell announced the launch of an instant invoice payment capability to complement existing payment products on the Propell Platform. This capability allows SME customers to accept instant online invoice payments by embedding a payment option directly into the electronic invoice issued to end customers. It also allows seamless integration with Xero's cloud-based accounting software to incorporate a 'pay now' feature into their invoices. Invoices account for a large share of Propell's customer transactions and the feature has broadened the payment acceptance capability. SME customers are charged a fixed percentage fee for processing payments received via this feature.

In June, Propell launched its Business Insights tool to further support customers to manage and optimise finances. This first stage of Business Insights represents the foundation of a premium subscription offering that will deliver business health-checks incorporating external data sources, comparisons and 360° insights. This includes a customer dashboard of relevant analysis including, for example, average daily balances and credit scores. Business Insights is being provided to all customers that join the Platform, delivering on Propell's mission of supporting businesses in achieving their goals irrespective of their stage of development.

The addition of Business Insights supports growth in total customers on the Propell Platform, providing a rapidly growing group of engaged, relevant customers for current product utilisation as well as future product launches.

Subsequent to the end of the financial year, Propell announced it has partnered with leading Buy Now Pay Later (BNPL) provider Zip Co Limited, giving those on the Propell Platform access to a BNPL offering for the first time. The partnership is in line with Propell's strategy to allow customers to seamlessly accept all standard payment types through the Propell Platform. Adding Zip to the offering gives Propell's customers greater flexibility in getting paid, thus improving the user experience and cashflow.

Management team strengthened with key appointments

Propell announced several key appointments during the year to position the business strongly as it moves through an important growth period.

In June, Brett Wayne joined the leadership team as Chief Financial Officer, a role in which he will be responsible for financial management, risk management and corporate strategy as Propell executes on its growth ambitions. Brett is a highly experienced and strategic finance executive having spent over 20 years in the financial services and insurance sectors across Europe and Australia.

The Company also made several appointments to strengthen the team including a product manager to support the delivery of the product roadmap, a digital marketing specialist, a lending manager and senior IT developers to accelerate the development of the Platform.

DIVIDENDS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- In October 2020, the Group's convertible notes were converted to ordinary shares, resulting in the issuance of 14,847,611 ordinary shares;
- In November 2020, the Group raised \$1,580,000 through the placement of 10,516,666 ordinary shares and 5,433,333 attaching options to sophisticated investors;
- In November 2020, The Group issued 1,403,245 warrants to a private equity funder as consideration for extending the offer of financing a loan book; and
- The Company issued a prospectus dated 26 February 2021 for the issue of 25,000,00 shares at \$0.20 per ordinary share to raise \$5,000,000, and Propell Holdings Limited listed on the Australian Stock Exchange on 14 April 2021.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

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

INDEMNITY AND INSURANCE OF OFFICERS

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

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and officers of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

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

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

AUDITOR

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

Information on Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Full Board		Nomination & Remuneration Committee		Audit & Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Benjamin Harrison	4	4	-	-	-	-
David Brennan	4	4	-	-	-	-
Jeremy Loftus	4	4	-	-	-	-

Held: represents the number of meetings held during the time the Director held office.

The directors met at least weekly in formal due diligence (DD) meetings through the duration of the IPO preparation to April 2021. The DD meetings included discussion on the general items that would be otherwise tabled in board meetings. Board decisions were predominantly recorded in circular resolutions in the financial year. Since completion of the IPO preparation in March 2021, with the subsequent quotation of the Company's securities commencing in mid-April 2021, the board reverted to regular formal monthly board meetings.

There were no Board committee meetings held in the year ended 30 June 2021 and the Board fulfilled the committee functions. This will change in 2022 financial year as the committee are established.

COMPANY SECRETARY

Adam Gallagher

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

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

DIRECTORS



Benjamin William Harrison
Executive chairman

Qualifications: Bachelor of Science, Masters of Applied Finance and Investment

Experience and expertise: Mr Harrison has vast experience in advising companies. Ben is the Chief Investment officer of Altor Capital, a boutique alternative investment manager and corporate advisory firm, where he advises and assists in the venture capital and private equity sectors in Australia.

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

Other current directorships: Change Financial Limited (CCA.ASX)

Former directorships (last 3 years): Nil

Interests in shares: 2,918,134 ordinary shares, 1,640,387 options



David Lindsay Brennan
Executive director

Qualifications: Bachelor of Commerce

Experience and expertise: David is an experienced FinTech entrepreneur having founded and provided shareholders with successful exits for several Australian FinTech companies focused on secured and unsecured SME and Consumer lending. Core to his expertise is a proven track record of building the underlying technology, product development and customer acquisition strategies to support the operational lending business.

Other current directorships: Nil

Former directorships (last 3 years): Nil

Interests in shares: 3,403,568 ordinary shares, 634,314 options



Jeremy Grant Loftus
Executive director

Qualifications: Bachelor of Commerce, CPA

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

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

Other current directorships: Nil

Former directorships (last 3 years): Nil

Interests in shares: 200,000 ordinary shares

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

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

Remuneration Report (Audited)

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

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

Name	Position	Term as KPM
Directors		
Benjamin William Harrison	Executive Chair	
David Lindsay Brennan	Executive Director	
Jeremy Grant Loftus	Executive Director	
Former Directors		
Courtney Liam John Keim	Executive Director	to 1 October 2020
Executives		
Michael Kane Davidson	Chief Executive	

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel



PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

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

- Competitiveness and reasonableness
- Acceptability to Shareholders
- Performance linkage / alignment of executive compensation
- Transparency

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

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

The reward framework is designed to align executive reward to Shareholders' interests. The Board have considered that it should seek to enhance Shareholders' interests by:

- Having economic profit as a core component of plan design
- Focusing on sustained growth in Shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- Attracting and retaining high calibre executives

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

- Rewarding capability and experience
- Reflecting competitive reward for contribution to growth in Shareholder wealth
- Providing a clear structure for earning rewards

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

Non-executive Directors remuneration

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in Shareholders value relative to the entire market and the increase compared to the Group's direct competitors. The Board in fulfilling the duties of a Nomination and Remuneration Committee in accordance with the Company's Remuneration Charter reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2021.

Use of remuneration consultants

No external remuneration consultants were engaged during the financial year ended 30 June 2021.

DETAILS OF REMUNERATION

Amounts of remuneration

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

Year 2021

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

Year 2020

		Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	Total
Executive Directors							
Benjamin Harrison	50,960	-	-	-	-	-	50,960
David Brennan	101,769	-	-	8,550	6,000		116,319
Jeremy Loftus	73,529	-	-	6,051	4,837		84,417
Courtney Keim	16,154	-	-	1,535		-	17,689
Other Key Management Personnel							
Michael Davidson	140,184	-	-	13,159	11,925	-	165,268
	382,596	-	-	29,295	22,762	-	434,653

Salary and fees includes the movement in the annual leave provision. Share based payments includes the expense for ordinary shares, convertible notes and options granted to KMPs as part of their remuneration. The value of the options is calculated as at the grant date. The amounts disclosed as part of remuneration for the financial year have been determined by amortising the grant date value on a straight-line basis over the period from grant date to vesting date. No options or rights were granted to KMP during the year ended 30 June 2020. Fees relating to Benjamin Harrison are paid to Riverfire Capital Ventures Pty Ltd, a personal services company of which Mr Harrison is the sole Director, in return for it arranging for the provision of his services to the Company.

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

	Fixed remuneration		Performance related	
	2021	2020	2021	2020
Executive Directors				
Benjamin Harrison	100%	100%		
David Brennan	100%	100%		
Jeremy Loftus	65%	100%	35%	
Other Key Management Personnel				
Michael Davidson	60%	100%	40%	

SERVICE AGREEMENTS

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

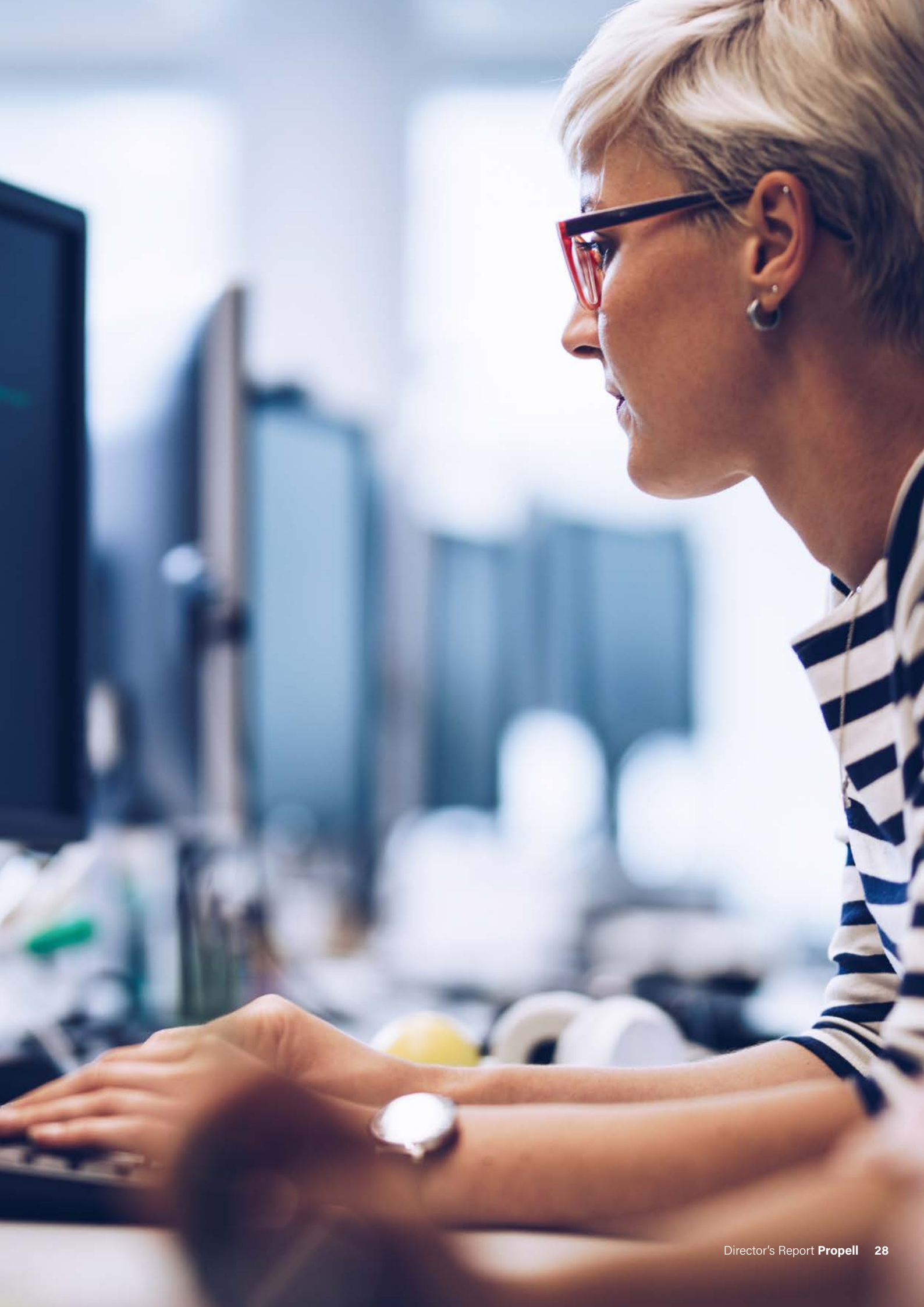
Name	Benjamin Harrison
Title	Executive Chair
Agreement commenced:	1 September 2018
Term of agreement:	to 30 June 2022
Details:	Executive Chairman services agreement with an associated entity, Riverfire Capital Ventures Pty Ltd, for a fee of \$1,500 per day. Termination without breach by either party, giving one month's notice in writing.

Name	David Brennan
Title	Executive Director
Agreement commenced:	24 July 2019
Term of agreement:	Three months written notice.
Details:	Employment agreement with remuneration of \$180,000 per annum plus superannuation. Mr Brennan has the ability to work less than full time hours with his remuneration adjusted accordingly on a pro rata basis.

Name	Jeremy Loftus
Title	Executive Director
Agreement commenced:	24 July 2019
Term of agreement:	Three months written notice.
Details:	Employment agreement with remuneration of \$180,000 per annum plus superannuation. Mr Loftus has the ability to work less than full time hours with his remuneration adjusted accordingly on a pro rata basis.

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

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



SHARE-BASED COMPENSATION

Issue of shares

Details of shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Date	Shares	Fair value per share	Issue price
Michael Davidson	30 November 2020	150,000	\$0.15	-

Options

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

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Michael Davidson	1,000,000	08/02/2021	08/02/2021	07/02/2024	\$0.20	\$0.074
Michael Davidson	500,000	08/02/2021	08/08/2021	07/02/2024	\$0.20	\$0.074
Michael Davidson	500,000	08/02/2021	08/02/2022	07/02/2024	\$0.20	\$0.074

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

Details of options over ordinary shares granted, vested and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted \$	Value of options vested \$	Number of options lapsed
Michael Davidson	21 October 2016	Various	-	-	-	147,449
Michael Davidson	1 February 2017	Various	-	-	-	90,253
Michael Davidson	8 February 2021	8 February 2021	1,000,000	74,300	74,300	-
Michael Davidson	8 February 2021	8 August 2021	500,000	37,150	-	-
Michael Davidson	8 February 2021	8 February 2022	500,000	37,150	-	-

Convertible notes

Details of convertible notes issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Value of notes issued \$
Jeremy Loftus	21,000
Michael Davidson	20,000

All of the above notes converted to ordinary shares during the year ended 30 June 2021.

Additional information

The earnings of the Group for the three years to 30 June 2021 are summarised below:

	FY21 \$	FY20 \$	FY19 \$
Total revenue	684,754	1,006,917	1,019,283
EBITDA *	(2,577,348)	(913,975)	(1,830,792)
Loss after tax	(4,340,283)	(2,135,503)	(5,057,224)
STI cash bonus paid as a % of available	-	-	-
LTI achieved	-	-	-

* EBITDA represent Earnings before Corporate Interest, Tax, Depreciation, Amortisation, Impairment, Share-Based Payments and Fair Value Movements.

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

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

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ balance at resignation	Balance at the end of the year
<i>Ordinary shares</i>					
Benjamin Harrison	2,806,134	-	112,000	-	2,918,134
David Brennan	3,171,569	-	231,999	-	3,403,568
Jeremy Loftus	-	200,000	-	-	200,000
Courtney Keim	265,240	-	-	(265,240)	-
Michael Davidson	225,632	340,476	-	-	566,108
	6,468,575	540,476	343,999	(265,240)	7,087,810

Option holding

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

	Balance at the start of the year	Granted *	Exercised	Expired/ forfeited at resignation/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Benjamin Harrison	1,100,000	561,227	-	-	1,661,227
David Brennan	-	634,314	-	-	634,314
Jeremy Loftus	-	-	-	-	-
Courtney Keim	-	53,048	-	(53,048)	-
Michael Davidson	237,702	2,188,222	-	(237,702)	2,188,222
	<u>1,337,702</u>	<u>3,436,811</u>	<u>-</u>	<u>(290,750)</u>	<u>4,483,763</u>

* Apart from 2,000,000 options granted to Michael Davidson as part of the ESOP, all other options were granted to KMP as shareholders.

Other transactions with key management personnel and their related parties

Sublease rent revenue from an entity that Jeremy Loftus is a director of was \$23,212 in the current year (2020: \$80,455 related to David Brennan). The amount receivable in relation to the rent at 30 June 2021 was nil (2020: \$8,736).

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
01/12/2018	01/12/2023	\$0.40	1,100,000
01/10/2020	01/10/2024	\$0.30	5,433,333
10/11/2020	10/11/2024	\$0.20	1,403,245
06/04/2021	06/04/2022	\$0.30	7,907,699
07/04/2021	07/04/2024	\$0.30	2,000,000
07/04/2021	07/04/2024	\$0.40	4,000,000
08/02/2021	07/02/2024	\$0.20	3,500,000
10/05/2021	10/05/2026	\$0.20	500,000
			<u>25,844,277</u>

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

Shares issued on the exercise of options

There were no ordinary shares of Propell Holdings Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Proceedings on behalf of the Company

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

Non-audit services

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

	Consolidated	
	2021	2020
	\$	\$
Accounting assistance	-	20,300
Independent limited review for IPO	45,000	-
	<u>45,000</u>	<u>20,300</u>

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including independence standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Pitcher Partners

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

Auditor's independence declaration

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

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

On behalf of the Directors



Benjamin William Harrison
Director

Corporate Governance Statement 2021

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

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

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

The Corporate Governance Charter is available from the Company and is available on its website at www.propellholdings.com.

This statement was authorised for issue by the Board on 29 September 2021.



PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Board and management functions

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

In summary the responsibilities of the Propell Board include:

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

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

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

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

1.2 Appointment of Directors

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

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

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

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

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

1.3 Written Agreements

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

1.4 Company Secretary

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

1.5 Diversity

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

In summary

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

The Company established a formal diversity policy during the second half of the 2021 financial year. Due to its recent establishment and the limited number of personnel employed by the Company and the nature of its current activities, the 2022 financial year will be the first year in which the Company will report against this policy.

With respect to gender diversity, Management will develop measurable objectives for approval by the Board, set targets and periodically report against those targets.

Propell aims to achieve an appropriate mix of diversity on its Board, in senior management and throughout the organisation.

The Board of Propell has three Directors, all of which are male. The senior executive comprising the CEO, CFO and CTO are also all male. As at 30 June 2020 there were 17 employees, of which three are female. There is one female employee in the six-person management team.

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

1.6 & 1.7 Board & Executive Performance Evaluation

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

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

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

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

A performance evaluation of the Board, its committees, Directors (including the Chairman) and executives takes place during each annual reporting period in accordance with the process detailed within this statement. The respective processes for the board and executive was carried out during the 2021 financial year.

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

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE.

2.1 Nomination Committee

The Company 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 this Committee. The Board considers that it is able to deal efficiently and effectively with Board composition and succession issues without establishing a separate Nomination Committee and in doing so, the Board will be guided by the Nomination Charter set out in the Corporate Governance Charter and summarised below in regard to board succession.

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

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

2.2 Skills matrix

The Board has identified the skills and competency of each Board member. It has elected not to adopt Recommendation 2.2 as it considers that its current practices of identifying skills and competency are an efficient means of meeting the needs of the Company, particularly having regard to the fact that Propell is a relatively small publicly listed Company by comparison to other listed entities which is reflected by the size of its operations, Board structure and composition.

2.3 Composition of the Board

The Board is currently comprised of three directors in total. During the 2021 financial year each of the Directors were deemed to be executive due to having a contractual relationship for services in addition to their director appointments.

Mr Ben Harrison was involved in managing the IPO process including coordinating the Company's external advisors. Mr Harrison has relevant skills and experience to undertake these additional duties.

Mr Jeremy Loftus fulfilled the main finance functions of the Group until the appointment of a CFO in June 2021 following which he has assisted with the handover, and it is anticipated that he will then continue as a non-executive director.

Mr David Brennan has a long history with the business as one of the original founders and provides his industry experience and knowledge for the benefit of the management team.

The level of Director involvement reflects a small board of three in a small company that is growing quickly and successfully undertook an IPO process during the 2021 financial year where each director was required to fulfill duties to support the company according to their skillset. During the 2022 financial year as further key executive appointments are made, it is anticipated that each of the existing directors will transition to non-executive.

The profiles of the Directors, their tenure, skills, experience and expertise are set out in the Directors' Report of the 2021 Annual Report.

2.4 Independence

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

independent of management, that is a non-executive Director; and free from any business or other relationship that could materially interfere, or could reasonably be perceived to materially interfere, with the exercise of his or her unfettered and independent judgement.

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

The Board has made its own assessment to determine the independence of each Director. It is the Board's view that none of the directors can be deemed independent due to having an executive role in the group.

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

2.6 Induction program & professional development

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

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

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

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

3.1 Induction program

The Board has an approved a Code of Conduct which applies to all Directors, executives, management and employees without exception.

The Code of Conduct is included in the Corporate Governance Charter that is available on the Company's website. In summary, the code is designed to ensure that:

- high standards of corporate and individual behaviour are observed by all Directors, executives, management and employees in the context of their respective roles and the performance of their duties with the Company.
- Directors, executives, management and employees are aware of their responsibilities to the Company under the terms of their appointment or contract of employment; and
- all of the stakeholders of the Company can be guided by the stated values and policies of the Company.

In summary, the Code provides that all Directors and senior executives must:

act honestly, in good faith and in the best interests of the Company;

- use due care, skill and diligence in fulfilling their duties;
- use the power of their position for a proper purpose, in the interest of the Company;
- not make improper use of information acquired by virtue of their position;
- not allow personal interest, or those of associates, to conflict with the interest of the Company;
- exercise independent judgement and actions;
- maintain the confidentiality of Company information acquired by virtue of their position; not engage in conduct likely to discredit the Company; and
- comply at all times with both the spirit and the letter of the law, as well as, policies of the Company.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 Audit Committee

In the 2021 financial year, the responsibilities of the Audit Committee were carried out by the Board. For the 2022 financial year, the Company has established an Audit & Risk Committee that consists of two directors. The Chairman of the Audit & Risk Committee is Mr Jeremy Loftus, who is not an independent director however he is not the Chairman of the Company.

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

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

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

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

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

4.2 CEO and CFO Declaration

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

The consolidated financial statements for each half year and full financial year present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with accounting standards; and

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

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

4.3 External auditor attendance at AGM

The Company ensures that the lead audit partner or their representative attends the AGM in order to be available to answer questions from shareholders pertaining to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Written disclosure policy

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

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

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



PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

6.1 Company & governance information

The Company provides general and current information regarding its purpose, board and leadership and its activities on its website at www.propellholdings.com. The Company's Corporate Governance Charter is also publicly available on the site <https://propellholdings.com/corporate-governance/>.

6.2 Investor relations program

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

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

6.3 Security holder participation at meetings

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

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

GM process by:

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

6.4 Electronic communication

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

PRINCIPLE 7: RECOGNISE AND MANAGE RISK.

7.1 & 7.2 Risk Committee & review

In the 2021 financial year, the responsibilities of a Risk Committee were carried out by the Board. For the 2022 financial year, the Company has established an Audit & Risk Committee that consists of two directors. The Chairman of the Audit & Risk Committee is Mr Jeremy Loftus, who is not an independent director however he is not the Chairman of the Company.

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

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

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

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

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

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

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

7.3 Internal audit function

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

7.4 Economic, Environmental or Social Sustainability

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

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY.

8.1 Remuneration Committee

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

8.2 Non-Executive Director & Executive Remuneration

The aggregate remuneration of non-executive Directors is approved by shareholders.

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

Non-executive Directors of Propell as applicable, are:

not entitled to participate in performance-based remuneration practices unless approved by shareholders.

Currently remunerated by means of payment of cash benefits in the form of Directors' fees or alternatively by issue of securities in lieu of cash benefits provided it is approved by shareholders.

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

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

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

At the 2020 Annual General Meeting security holders approved the Employee Share Option Plan (ESOP) which provides the Board with the discretion to grant equity to eligible Directors (subject to shareholder approval), executives and consultants for the purpose of incentivising them and aligning their interests with those of shareholders.

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

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

8.3 Hedging arrangements

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

Financial Statements

FY2020

Auditor's Independence Declaration



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

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2021, to the best of my knowledge and belief there have been:

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

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

Pitcher Partners

PITCHER PARTNERS

J. Evans

JASON EVANS

Partner

Brisbane, Queensland
29 September 2021

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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NIGEL FISCHER	PETER CAMENZULI	KYLIE LAMPRECHT	BRETT HEADRICK	COLE WILKINSON	JEREMY JONES	JAMES FIELD	ROBYN COOPER	CHERYL MASON	MURRAY GRAHAM
MARK NICHOLSON	JASON EVANS	NORMAN THURECHT	WARWICK FACE	SIMON CHUN	TOM SPLATT	DANIEL COLWELL	FELICITY CRIMSTON	KIERAN WALLIS	ANDREW ROBIN

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2021

	Note	Consolidated 2021 \$	2020 \$
Revenue			
Interest income	5	133,358	260,920
Payments revenue		15,835	87,086
Lending fees		22,588	8,193
Rent sublease		34,668	154,829
		<u>206,449</u>	<u>511,028</u>
Other income	6	478,305	495,889
Total revenue		<u>684,754</u>	<u>1,006,917</u>
Expenses			
Professional fees		(253,253)	(131,441)
Employee benefits expense		(1,274,013)	(839,301)
Occupancy		(49,245)	(126,675)
Depreciation and amortisation expense	7	(535,914)	(1,015,071)
Loan impairment expense		(252,117)	(179,871)
Impairment of assets	7	(250,000)	-
Marketing		(759,599)	(88,845)
Technology and platform costs		(161,637)	(253,626)
Loan assessment and processing		(29,418)	(10,729)
Payments processing		(1,025)	(56,049)
Initial public offering costs		(469,971)	-
Other expenses		(176,432)	(95,402)
Finance costs	7	(812,413)	(345,410)
Total expenses		<u>(5,025,037)</u>	<u>(3,142,420)</u>
Loss before income tax expense		(4,340,283)	(2,135,503)
Income tax expense	8	<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the Owners of Propell Holdings Limited	24	(4,340,283)	(2,135,503)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the Owners of Propell Holdings Limited		<u>(4,340,283)</u>	<u>(2,135,503)</u>
		Cents	Cents
Basic earnings per share	35	(6.25)	(4.74)
Diluted earnings per share	35	(6.25)	(4.74)

The prior year earnings per share has been adjusted for the 2:1 share consolidation that occurred on 29 November 2019.

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	9	3,769,202	519,510
Loans receivable	10	793,139	230,245
Other receivables	12	5,300	109,413
Other assets	13	19,203	119,079
Total current assets		<u>4,586,844</u>	<u>978,247</u>
Non-current assets			
Property, plant and equipment	14	11,508	2,163
Right-of-use assets	11	-	26,102
Intangibles	15	1,013,120	1,144,430
Total non-current assets		<u>1,024,628</u>	<u>1,172,695</u>
Total assets		<u>5,611,472</u>	<u>2,150,942</u>
Liabilities			
Current liabilities			
Trade and other payables	16	939,222	942,323
Borrowings	17	537,751	1,458,448
Lease liabilities	18	-	36,576
Derivative financial instruments	19	-	453,429
Provisions	20	201,638	156,897
Other liabilities	21	42,245	42,245
Total current liabilities		<u>1,720,856</u>	<u>3,089,918</u>
Non-current liabilities			
Borrowings	17	1,572,600	1,072,600
Provisions	20	41,042	22,062
Other liabilities	21	28,164	70,408
Total non-current liabilities		<u>1,641,806</u>	<u>1,165,070</u>
Total liabilities		<u>3,362,662</u>	<u>4,254,988</u>
Net assets/(liabilities)		<u>2,248,810</u>	<u>(2,104,046)</u>
Equity			
Issued capital	22	23,142,910	15,218,211
Reserves	23	(2,122,427)	(2,890,867)
Accumulated losses	24	(18,771,673)	(14,431,390)
Total equity/(deficiency)		<u>2,248,810</u>	<u>(2,104,046)</u>

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2021

	Issued capital \$	Reserves \$	Retained profits \$	Total deficiency in equity \$
Consolidated				
Balance at 1 July 2019	15,218,211	(2,890,867)	(12,295,887)	31,457
Loss after income tax expense for the year	-	-	(2,135,503)	(2,135,503)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,135,503)	(2,135,503)
Balance at 30 June 2020	15,218,211	(2,890,867)	(14,431,390)	(2,104,046)
	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Consolidated				
Balance at 1 July 2020	15,218,211	(2,890,867)	(14,431,390)	(2,104,046)
Loss after income tax expense for the year	-	-	(4,340,283)	(4,340,283)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,340,283)	(4,340,283)
<i>Transactions with Owners in their capacity as Owners:</i>				
Contributions of equity, net of transaction costs (note 22)	5,645,056	-	-	5,645,056
Share-based payments (note 36)	52,500	768,440	-	820,940
Conversion of notes	2,227,143	-	-	2,227,143
Balance at 30 June 2021	23,142,910	(2,122,427)	(18,771,673)	2,248,810

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	Consolidated 2021 \$	2020 \$
Cash flows from operating activities			
Loan principal advanced to customers net of payments		(785,033)	97,518
Payments to suppliers and employees		(2,848,475)	(1,402,436)
Interest received		103,380	256,074
Receipts from customers		93,772	390,288
Finance costs		(187,304)	(125,369)
Operating grant receipts		516,061	312,865
Net cash used in operating activities	34	(3,107,599)	(471,060)
Cash flows from investing activities			
Payments for property, plant and equipment	14	(12,619)	-
Payments for intangibles	15	(625,228)	(420,025)
Receipts from sub-lease		9,429	36,190
Net cash used in investing activities		(628,418)	(383,835)
Cash flows from financing activities			
Proceeds from issue of shares	22	6,577,745	-
Capital raising costs		(500,089)	-
Proceeds from borrowings		537,941	593,418
Proceeds from borrowings - convertible notes		410,000	558,000
Repayment of borrowings		(3,312)	(153,057)
Repayment of lease liabilities		(36,576)	(140,125)
Net cash from financing activities		6,985,709	858,236
Net increase in cash and cash equivalents		3,249,692	3,341
Cash and cash equivalents at the beginning of the financial year		519,510	516,169
Cash and cash equivalents at the end of the financial year	9	3,769,202	519,510

The above statement should be read in conjunction with the accompanying notes

Notes

Note 1. General Information

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

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

Registered office

Level 11
82 Eagle Street
Brisbane QLD 4000

Note 2. Significant Accounting Policies

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

New or amended Accounting Standards and Interpretations adopted

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

Going concern

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

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 and pay debts as they fall due. In making this assessment, the Board has considered the following key factors:

- The Group raised \$5m via an initial public offering on 10 March 2021.
- The Group has excess net equity of \$2.25m at 30 June 2021.
- At 30 June 2021 the Group has access to unrestricted cash of \$3.77m.
- Budget and cash flow forecasts have been prepared which extend to 30 September 2022. These demonstrate the Group will have access to sufficient liquid resources to meet forecast.

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

Basis of preparation

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

International Accounting Standards Board ('IASB').

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Propell Holdings Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Propell Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

Revenue recognition

The Group recognises revenue as follows:

Interest

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

Revenue from contracts with customers

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

- i) identify the contract with a customer;
- ii) identify the performance obligations in the contract;
- iii) determine the transaction price which takes into account estimates of variable consideration and the time value of money;
- iv) allocate the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- v) recognise revenue when or as each performance obligation is satisfied. Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments.

Lending fees

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

Payments revenue

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

Government grants

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

Income tax

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

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

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

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

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

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

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

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Loans & receivables

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

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

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

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

Derivative financial instruments

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

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

Property, plant and equipment

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

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

Leasehold improvements	3 years
Computer equipment	3 years

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

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

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

Right-of-use assets

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

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

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

Research and Development Costs

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

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

Intangible assets

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

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer list

The customer list acquired in a business combination is amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Software

Costs incurred in acquiring or developing IT software are initially recognised as an intangible asset, and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, software costs recognised as an intangible asset are measured at cost, less accumulated amortisation and any accumulated impairment losses. The loan management system and technology platform intangible assets are being amortised over their estimated useful lives of 5 years and 1 year respectively

Impairment of non-financial assets

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

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

Borrowings

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

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in Shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Lease liabilities

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

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

Finance costs

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

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

Share-based payments

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

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

Fair value measurement

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

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

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

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

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

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

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

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

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

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

Comparatives

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The new accounting standards and interpretations that are relevant to the activities of the Group are not expected to have a material impact.

Note 3. Critical Accounting Judgements, Estimates and Assumptions

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

COVID-19

The continuance of the COVID-19 pandemic through the current financial year, and particularly the recent emergence of the Delta variant in Australia, has had a significant economic impact as restrictions have been imposed on both individuals and businesses in an attempt to limit the spread of the virus. The ongoing pandemic has also increased the level of estimation uncertainty in the preparation of these financial statements.

The estimation uncertainty is associated with:

- (i) the extent and duration of the disruption to businesses arising from the actions by Governments, businesses and consumers to contain the spread of the virus;
- (ii) the extent and duration of any economic downturn. This includes the disruption to capital markets, deteriorating availability of credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and
- (iii) the effectiveness of Government and central bank measures that have been, and will be, put in place to support businesses and consumers through this disruption and any economic downturn.

The combination of these factors has had an impact on the Group, such as on the recoverability of the loans and receivables, and new lending volumes. Whilst the specific areas of judgement noted under critical accounting estimates will not change, the impact of COVID-19 has resulted in the application of further judgement within some of the areas identified. The Group has assessed the impact of COVID-19 in preparing its financial statements with the key areas being Expected Credit Losses and Impairment of Intangible Assets.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Details of the assumptions used in determining the fair value are provided in note 36.

Allowance for expected credit losses

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

Estimation of useful lives of assets

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

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

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

Income tax

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Income Tax Consolidation Imacts from the Acquisition of the Busienss & Capital Group

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

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

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

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

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

Recovery of deferred tax assets

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation. Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Validity of research & development tax claims

The Group 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.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Capitalisation of development costs

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

Note 4. Operating Segments

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

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

Note 5. Interest income

	Consolidated 2021 \$	Consolidated 2020 \$
Interest on loans	131,337	258,402
Interest lease receivable	40	1,318
Interest on cash at bank and bank deposits	1,981	1,200
	<u>133,358</u>	<u>260,920</u>

Note 6. Other income

	Consolidated 2021 \$	Consolidated 2020 \$
Government grants	478,305	435,110
Gain on interest forgiven	-	60,779
Other income	<u>478,305</u>	<u>495,889</u>

Included in Grants in the current year is of government received due to COVID-19 for wages \$253,350 (2020: \$102,000). 2020 included \$100,000 in cash boost payments. Also included are ATO Research and Development tax incentives of \$224,955 (2020: \$233,110).

Note 7. Expenses

	Consolidated	
	2021	2020
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	2,163	8,649
Buildings right-of-use assets	26,102	104,980
Computer equipment	1,111	-
Total depreciation	29,376	113,629
<i>Amortisation</i>		
Loan management system	304,521	295,559
Customer list	185,350	185,858
Technology platform	-	420,025
Intellectual property	16,667	-
Total amortisation	506,538	901,442
Total depreciation and amortisation	535,914	1,015,071
<i>Impairment</i>		
Loan management system	250,000	-
<i>Finance costs</i>		
Interest and finance charges paid/payable on Altor Loan book facility	148,841	136,435
Interest and finance charges paid/payable on Altor Corporate facilities	63,440	27,948
Unwinding of the discount on lease liabilities	155	5,116
Unwinding of the discount and arrangement costs on convertible notes	339,618	182,316
Expense of previously capitalised finance arrangement costs for unused facility	246,140	-
Other	14,219	(6,405)
Finance costs expensed	812,413	345,410
<i>Superannuation expense</i>		
Defined contribution superannuation expense	106,211	97,336

Note 8. Income tax

	Consolidated 2021 \$	2020 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(4,340,283)	(2,135,503)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(1,128,474)	(587,263)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	103,828	-
Government grants	(58,488)	(91,606)
Research and development expenditure	23,732	115,507
Derivatives	77,101	43,262
Capital raising costs	(26,005)	-
Sundry items	1,788	(1,917)
	(1,006,518)	(522,017)
Derecognition of deferred tax	976,562	522,017
Adjustment recognised for prior periods	29,956	-
Income tax expense	-	-
	Consolidated 2021 \$	2020 \$
<i>Deferred tax assets not recognised</i>		
Temporary differences	571,724	84,873
Operating tax loss	2,129,932	1,005,472
Capital tax loss	107,899	107,899
Total deferred tax assets not recognised	2,809,555	1,198,244

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

Note 9. Cash and cash equivalents

	Consolidated 2021 \$	2020 \$
<i>Current assets</i>		
Cash at bank	3,769,202	403,932
Cash on deposit	-	115,578
	3,769,202	519,510

Cash on deposit was held as security for bank guarantees. The bank guarantees were released during the current year.

Note 10. Loans receivable

	Consolidated	
	2021	2020
	\$	\$
<i>Current assets</i>		
Loans receivable	996,203	353,001
Less: Allowance for expected credit losses	(203,064)	(122,756)
	<u>793,139</u>	<u>230,245</u>

Loan receivables and allowance for expected credit losses

The Group provides short term loans to companies in the small 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 – 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. Loans under caveat are assessed on an ongoing basis to determine whether the value of the assets pledged as security is sufficient to recover the balance outstanding. Where this is no longer considered to be the case, the loan receivable is written off.

The loan receivables of the Group are short term in nature and have a contractual life of 6 months when originated. As such, the loan receivables outstanding as at 30 June 2020 will have been either repaid, refinanced or written off during the course of the current financial year, with the remaining few loans on current payment plans.

Note 10. Loans receivable (continued)

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 \$252,117 (2020: \$179,871) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

The continuance of the COVID pandemic through the current financial year, and particularly the recent emergence of the Delta variant in Australia, has had a significant economic impact as restrictions have been imposed on both individuals and businesses, particularly in New South Wales and Victoria, in an attempt to limit the spread of the virus. The ongoing pandemic has also increased the level of estimation uncertainty in the preparation of these financial statements.

The estimation uncertainty is associated with:

- (i) the extent and duration of the disruption to businesses arising from the actions by Governments, businesses and consumers to contain the spread of the virus;
- (ii) the extent and duration of any economic downturn. This includes the disruption to capital markets, deteriorating availability of credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and
- (iii) the effectiveness of Government and central bank measures that have been, and will be, put in place to support businesses and consumers through this disruption and any economic downturn.

The combination of these factors has had an impact on the Group, such as on the recoverability of the loans and receivables, and new lending volumes as the Group tightened its credit lending criteria.

When determining an appropriate allowance for expected credit losses at 30 June 2021, 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 due to recent COVID lockdowns. When setting the expected credit loss allowance, the Group has analysed and given higher weighting to COVID impacted credit loss rates from the preceding 12 months.

	Carrying amount 2021 \$	Expected loss rate 2021 %	Expected credit loss 2021 \$
not overdue	656,195	3.8%	25,207
0 to 60 days overdue	118,802	67.5%	80,191
60 days to 180 days overdue	136,121	66.1%	89,910
over 180 days overdue	85,085	9.1%	7,756
	<u>996,203</u>		<u>203,064</u>

Note 10. Loans receivable (continued)

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

	Consolidated	
	2021	2020
	\$	\$
Opening balance	122,756	21,996
Additional provisions recognised	252,117	179,871
Receivables written off during the year as uncollectable	(171,809)	(84,906)
Recoveries of previously written off amounts	-	5,795
Closing balance	203,064	122,756

	Consolidated	
	2021	2020
	\$	\$
Loans receivable by state		
New South Wales	479,718	141,010
Queensland	216,312	78,206
Victoria	103,208	79,705
Western Australia	86,554	44,729
South Australia	71,479	9,351
Northern Territory	18,833	-
Australian Capital Territory	14,423	-
Tasmania	5,676	-
	996,203	353,001

	Consolidated	
	2021	2020
	\$	\$
Loans receivable by industry sector		
Construction, renovation & maintenance	174,486	51,236
Retail	121,179	37,537
Hospitality & tourism	115,133	75,530
Trade & services	101,503	15,276
Medical, health & care services	98,489	-
Industrial & manufacturing	69,066	18,806
Business management & services	55,664	9,044
Wholesale	51,638	29,005
Professional, scientific & technical services	45,477	-
IT & communications services	35,689	16,877
Personal & community	34,587	46,006
Education & training	17,267	3,179
Administration, security, safety & cleaning services	16,467	-
Sales & brokers	17,137	14,871
Trucking, transport & logistics	12,468	1,048
Engineering & mechanical	9,771	-
Other	20,182	34,586
	996,203	353,001

Note 11. Right-of-use assets

	Consolidated	
	2021	2020
	\$	\$
<i>Non-current assets</i>		
Land and buildings - right-of-use	-	131,082
Less: Accumulated depreciation	-	(104,980)
	-	26,102

The lease over office premises ended during the current year. Since then, the business has leased office premises on a short term contract.

Reconciliations

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

Consolidated	Premises \$
Balance at 1 July 2019	-
Implementation of AASB16	131,082
Depreciation expense	(104,980)
Balance at 30 June 2020	26,102
Depreciation expense	(26,102)
Balance at 30 June 2021	-

Note 12. Other receivables

	Consolidated	
	2021	2020
	\$	\$
<i>Current assets</i>		
Other receivables	5,300	99,984
Lease receivable	-	9,429
	5,300	109,413

Refer to note 26 for further information on financial instruments.

Note 13. Other assets

	Consolidated 2021 \$	2020 \$
<i>Current assets</i>		
Prepayments	19,203	6,809
Deferred borrowing costs	-	112,270
	<u>19,203</u>	<u>119,079</u>

The prepaid borrowing costs relating to the provision of a loan facility by a third party to fund the future loan book, have been written off as the facility was not required and not utilised.

Note 14. Property, plant and equipment

	Consolidated 2021 \$	2020 \$
<i>Non-current assets</i>		
Leasehold improvements - at cost	-	22,357
Less: Accumulated depreciation	-	(20,194)
	<u>-</u>	<u>2,163</u>
Computer equipment - at cost	12,619	2,048
Less: Accumulated depreciation	(1,111)	(2,048)
	<u>11,508</u>	<u>-</u>
	<u>11,508</u>	<u>2,163</u>

Reconciliations

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

Consolidated	Leasehold improvements \$	Computer equipment \$	Total \$
Balance at 1 July 2019	10,812	-	10,812
Depreciation expense	<u>(8,649)</u>	<u>-</u>	<u>(8,649)</u>
Balance at 30 June 2020	2,163	-	2,163
Additions	-	12,619	12,619
Depreciation expense	<u>(2,163)</u>	<u>(1,111)</u>	<u>(3,274)</u>
Balance at 30 June 2021	<u>-</u>	<u>11,508</u>	<u>11,508</u>

Note 15. Intangibles

	Consolidated	
	2021	2020
	\$	\$
<i>Non-current assets</i>		
Intellectual property - at cost	50,000	50,000
Less: Accumulated amortisation	(16,667)	-
	<u>33,333</u>	<u>50,000</u>
Customer list - at cost (business combination)	741,400	741,400
Less: Accumulated amortisation	(618,003)	(432,653)
	<u>123,397</u>	<u>308,747</u>
Technology platform - at cost (internally generated)	1,766,441	1,766,441
Less: Accumulated amortisation	(1,766,441)	(1,766,441)
	<u>-</u>	<u>-</u>
Loan management system - at cost (internally generated)	2,053,548	1,467,397
Less: Accumulated amortisation	(986,235)	(681,714)
Less: Accumulated impairment	(250,000)	-
	<u>817,313</u>	<u>785,683</u>
Intangibles work in progress - at cost (internally generated)	39,077	-
	<u>1,013,120</u>	<u>1,144,430</u>

Reconciliations

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

	Customer list	Loan management system	Technology platform	Intellectual property	Work in progress	Total
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	494,605	1,081,242	-	50,000	-	1,625,847
Additions	-	-	420,025	-	-	420,025
Amortisation expense	(185,858)	(295,559)	(420,025)	-	-	(901,442)
Balance at 30 June 2020	308,747	785,683	-	50,000	-	1,144,430
Additions	-	586,151	-	-	39,077	625,228
Impairment losses	-	(250,000)	-	-	-	(250,000)
Amortisation expense	(185,350)	(304,521)	-	(16,667)	-	(506,538)
Balance at 30 June 2021	<u>123,397</u>	<u>817,313</u>	<u>-</u>	<u>33,333</u>	<u>39,077</u>	<u>1,013,120</u>

Note 15. Intangibles (continued)

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	
	2021	2020
	\$	\$
Intangibles are allocated to the following cash generating units (CGU):		
Lending	979,787	1,094,430
Payments	33,333	50,000
	<u>1,013,120</u>	<u>1,144,430</u>

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 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% (2020: 25%) for cash flows in year two to five, which is based on the historical average, a terminal value growth rate of 1% (2019: 1%) and a pre-tax discount rate of 20.1% (2020: 20.1%) to determine value-in-use.

Sensitivity of assumptions in value calculation

Assumption	Assumption change %	Value sensitivity \$
Discount rate	1%	(118,345)
Discount rate	(1%)	135,323
Revenue margin	1%	1,437,215
Revenue margin	(1%)	(1,437,215)
Credit loss %	1%	(1,013,123)
Credit loss %	(1%)	1,013,123
Lending growth rate	1%	54,022
Lending growth rate	(1%)	(56,395)

Note 16. Trade and other payables

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Trade payables	471,661	327,656
Accrued expenses	282,541	387,686
Interest payable	136,774	105,193
BAS payable	48,246	121,788
	<u>939,222</u>	<u>942,323</u>

Refer to note 26 for further information on financial instruments.

Note 17. Borrowings

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Loans - Altor corporate facilities (secured)	534,000	501,000
Loan - Premium funding (unsecured)	3,751	2,122
Convertible notes (unsecured)	-	955,326
	<u>537,751</u>	<u>1,458,448</u>
<i>Non-current liabilities</i>		
Loans - Altor loan book facility (secured)	<u>1,572,600</u>	<u>1,072,600</u>

Refer to note 26 for further information on financial instruments.

Convertible notes (unsecured)

The notes were convertible to fully paid ordinary shares, either upon a qualifying capital raising or change in control or upon the maturity date of 30 June 2020. The conversion rate was determined with reference to the transaction price or an independent valuer's price of the business. The convertible notes were not redeemable, other than upon an insolvency event and non-interest bearing. As the convertible notes were to be converted to a variable number of shares, the financial instrument is considered a liability.

During the year an additional 410,000 unsecured convertible notes were issued to raise \$410,000. Additionally, a further 50,000 unsecured convertible notes were issued in lieu of a cash payment of \$50,000 to a contractor and 41,000 were issued to employees and directors as part of remuneration. The conversion feature relating to these notes was valued at \$214,714. Fund raising costs of \$24,600 were offset against the liability.

On 18 October 2020, the convertible notes outstanding were converted to ordinary shares at a conversion price of 10.5 cents, being a 30% discount to the fair value. Included in the value recognised in equity is the principle outstanding of \$1,559,000 and the fair value of the convertible note derivative of \$668,143. During the year an additional \$22,230 of funding raising costs were offset against the liability (2020: \$30,000) and \$43,077 deferred borrowing costs were amortised up to conversion (2020: \$30,000).

Altor Loan book facility (secured)

This \$2,000,000 facility (2020: \$1,000,000) 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 23 March 2023 and has an interest rate of 13% per annum, accruing daily and payable monthly in arrears.

Altor R&D loan facilities

	Consolidated	
	2021	2020
	\$	\$
Altor AltFi Income Fund	424,000	391,000
Altor Private Equity Pty Ltd	<u>110,000</u>	<u>110,000</u>
	<u>534,000</u>	<u>501,000</u>

Note 17. Borrowings (continued)

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 Tax Office for Development Tax Incentives for approved R&D activities. The loan is repayable upon receipt of the payable from the Australia Tax 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 Tax Office for Development Tax Incentives for approved R&D activities. The loan is repayable upon receipt of the payable from the Australia Tax Office or such later date agreed by the parties.

Assets pledged as security

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

	Consolidated	
	2021	2020
	\$	\$
Cash at bank	84,801	343,182
Cash on deposit	-	115,578
Loans receivable	793,139	230,245
Other receivable	3,010	12,729
Lease receivable	-	9,429
Intangible asset	940,710	1,094,430
	<u>1,821,660</u>	<u>1,805,593</u>

Financing arrangements

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

	Consolidated	
	2021	2020
	\$	\$
Total facilities		
Loans	<u>2,537,751</u>	<u>1,575,722</u>
Used at the reporting date		
Loans	<u>2,110,351</u>	<u>1,575,722</u>
Unused at the reporting date		
Loans	<u>427,400</u>	<u>-</u>

The unused facility relates the Altor Loan book facility.

Note 18. Lease liabilities

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Lease liability	-	36,576

Note 19. Derivative financial instruments

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Conversion feature of convertible notes	-	453,429

The conversion feature derivative liability of the convertible notes represents an embedded derivative financial instrument in the host debt contract. The conversion feature represented the company's obligation to issue ordinary shares upon exercise of the conversion feature at a discount to the fair value of the equity instrument. The embedded conversion derivative is carried in the statement of financial position at their estimated fair value at the end of each reporting period, with any unrealised gains or losses reflected in the statement of profit or loss and other comprehensive income.

On 16 October 2020 all convertible notes outstanding were converted to ordinary shares at a conversion price of 10.5 cents, representing a 30% discount to the pre-IPO capital raise of 15 cents per share. As a result, 14,847,611 ordinary shares were issued.

Refer to note 26 for further information on financial instruments.

Note 20. Provisions

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Annual leave	201,638	139,714
Lease make good	-	17,183
	<u>201,638</u>	<u>156,897</u>
<i>Non-current liabilities</i>		
Long service leave	<u>41,042</u>	<u>22,062</u>

Note 21. Other liabilities

	Consolidated 2021 \$	2020 \$
<i>Current liabilities</i>		
Subsidies and grants received in advance	42,245	42,245
<i>Non-current liabilities</i>		
Subsidies and grants received in advance	28,164	70,408

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

Note 22. Issued capital

	2021 Shares	Consolidated 2020 Shares	2021 \$	2020 \$
Ordinary shares - fully paid	95,790,160	45,075,883	23,142,910	15,218,211

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	90,151,671		15,218,211
Share consolidation (2:1)	29 November 2019	(45,075,788)	\$0.00	-
Balance	30 June 2020	45,075,883		15,218,211
Conversion of notes	16 October 2020	14,847,611	\$0.10	2,227,143
Share issue	30 November 2020	10,516,666	\$0.15	1,577,745
Share-based payment	30 November 2020	150,000	\$0.15	22,500
Share-based payment	30 November 2020	200,000	\$0.15	30,000
Share issue	10 March 2021	25,000,000	\$0.20	5,000,000
Share issue costs incurred in the year		-	\$0.00	(932,689)
Balance	30 June 2021	95,790,160		23,142,910

On 16 October 2020, the convertible notes outstanding were converted to ordinary shares at a conversion price of 10.5c per share.

On 30 November 2020, the company undertook a 15 cent placement to sophisticated investors. The placement also had an attaching one for two option. A total of \$1,577,745 cash was raised, with 10,516,666 ordinary shares and 5,433,333 options issued. Refer to note 36 for option details.

On 30 November 2020, the company issued 150,000 ordinary shares to a lender in lieu of cash settlement for extending a facility and 200,000 ordinary share to the Group's Chief Executive officer in lieu of a bonus payment.

On 10 March 2021, the company undertook an initial public offering, placing 25,000,000 ordinary shares at 20 cent each.

Note 22. Issued capital (continued)

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

On 30 November 2020, the Company conducted a a 15 cent placement of ordinary shares to sophisticated investors that also had an attaching one for two option. a total of 5,433,333 options were issued with a 30 cent strike price and a 3 year expiry.

On 6 April 2021, 7,907,699 options with a 1 year expiry and \$0.30 exercise price were issued to existing shareholders who agreed to the placement of their shares in the Company into 1 and 2 year escrows.

For details of other options and warrants issued during the year as share based payments, refer to note 36.

Options and warrants in issue at 30 June 2021:

Grant date	Expiry date	Exercise price	Number under option
01/12/2018	01/12/2023	\$0.40	1,100,000
01/10/2020	01/10/2024	\$0.30	5,433,333
10/11/2020	10/11/2024	\$0.20	1,403,245
06/04/2021	06/04/2022	\$0.30	7,907,699
07/04/2021	07/04/2024	\$0.30	2,000,000
07/04/2021	07/04/2024	\$0.40	4,000,000
08/02/2021	07/02/2024	\$0.20	3,500,000
10/05/2021	10/05/2026	\$0.20	500,000
			<u>25,844,277</u>

Share buy-back

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

Capital risk management

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

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

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

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

Note 23. Reserves

	Consolidated 2021 \$	2020 \$
Share-based payment reserve	1,397,106	628,666
Subsidiary interest reserve	(3,519,533)	(3,519,533)
	<u>(2,122,427)</u>	<u>(2,890,867)</u>

Share-based payments reserve

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

Subsidiary interest reserve

This reserve is used to record transactions with non-controlling interests that result in a change in the Group's interest in a subsidiary that do not result in a loss of control. There was no non-controlling interests in 2021 and 2020.

Movements in reserves

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

	Share option reserve \$	Subsidiary interest reserve \$	Total \$
Balance at 1 July 2019	628,666	(3,519,533)	(2,890,867)
Balance at 30 June 2020	628,666	(3,519,533)	(2,890,867)
Share based payments	768,440	-	768,440
Balance at 30 June 2021	<u>1,397,106</u>	<u>(3,519,533)</u>	<u>(2,122,427)</u>

Note 24. Accumulated losses

	Consolidated 2021 \$	2020 \$
Accumulated losses at the beginning of the financial year	(14,431,390)	(12,295,887)
Loss after income tax expense for the year	<u>(4,340,283)</u>	<u>(2,135,503)</u>
Accumulated losses at the end of the financial year	<u>(18,771,673)</u>	<u>(14,431,390)</u>

Note 25. Dividends

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

Note 26. Financial instruments

Financial risk management objectives

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

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

Derivatives

The Group does not enter into any derivative contracts for trading. The only derivative the Group has had over the current and prior years, is the Convertible note embedded derivative, which was extinguished upon conversion on 16 October 2020.

Derivatives are classified as Level 2 in the fair value hierarchy.

Market risk

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

Foreign currency risk

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

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from loans receivable, long-term borrowings and cash deposits. Instruments obtained at variable rates expose the Group to interest rate risk. Instruments obtained at fixed rates expose the Group to fair value interest rate risk. For the year end 30 June 2021, all of the Group's borrowings were at fixed interest rates (2020: all). Details of the Group's borrowing facilities are set out in Note 17.

The Group's Loans receivable all have fixed interest rates and 6 month maturities.

As at 30 June 2021, the Group had cash and cash equivalents of \$3,769,202 (2020: \$519,510). The average interest rate on all deposits was 0.01% (2020: 0.01%). Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. If interest rates were to increase or decrease by 0.05%, the impact to profit and loss would be an increase or decrease to interest revenue of \$1,885.

Credit risk

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

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

Note 26. Financial instruments (continued)

Generally, receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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

All cash deposits at 30 June 2021 were with the Group's principal banker, The Commonwealth Bank of Australia.

Liquidity risk

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

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

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2021	2020
	\$	\$
Loans	427,400	-

All of the undrawn loan capacity relates to the Altor Loan book facility.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2021						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	939,222	-	-	-	939,222
Loans	-	110,000	-	-	-	110,000
<i>Interest-bearing - fixed rate</i>						
Loans	13.44%	648,545	1,721,588	-	-	2,370,133
Total non-derivatives		1,697,767	1,721,588	-	-	3,419,355

Note 26. Financial instruments (continued)

Consolidated - 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	942,323	-	-	-	942,323
Loans	-	110,000	-	-	-	110,000
<i>Interest-bearing - fixed rate</i>						
Loans	13.54%	1,640,627	-	-	-	1,640,627
Lease liability	-	36,731	-	-	-	36,731
Total non-derivatives		2,729,681	-	-	-	2,729,681

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

Fair value of financial instruments

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

Note 27. Key management personnel disclosures*Directors*

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

Benjamin William Harrison	Executive Director
David Lindsey Brennan	Executive Director
Jeremy Grant Loftus	Executive Director
Courtney Liam John Keim to 1 October 2020	Executive Director

Other key management personnel

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

Michael Kane Davidson	Chief Executive Officer
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Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated 2021 \$	2020 \$
Short-term employee benefits	357,554	382,596
Post-employment benefits	24,458	29,295
Long-term benefits	7,000	22,762
Share-based payments	181,159	-
	<u>570,171</u>	<u>434,653</u>

Note 28. Remuneration of auditors

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

	Consolidated	
	2021	2020
	\$	\$
<i>Audit services - Pitcher Partners</i>		
Audit or review of the financial statements	80,000	92,000
<i>Other services - Pitcher Partners</i>		
Accounting assistance	-	20,300
	80,000	112,300
<i>Other services</i>		
Independent limited review for IPO	45,000	-

Note 29. Contingent liabilities

A bank guarantee provided to lessors of \$110,769 at 30 June 2020 was released during the year upon the termination of the related lease.

Note 30. Related party transactions

Parent entity

Propell Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021	2020
	\$	\$
Other transactions:		
Sublease to an entity related to key management personnel	23,212	80,455

Note 30. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2021	2020
	\$	\$
Current receivables:		
Trade receivables from entity related to key management personnel	-	8,736

Loans to/from related parties

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

Terms and conditions

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

Note 31. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2021	2020
	\$	\$
Loss after income tax	(3,758,719)	(1,063,001)
Total comprehensive income	(3,758,719)	(1,063,001)

Statement of financial position

	Parent	
	2021	2020
	\$	\$
Total current assets	3,662,259	189,518
Total assets	3,662,259	189,518
Total current liabilities	813,443	2,275,123
Total liabilities	813,443	2,275,123
Equity		
Issued capital	23,142,910	15,218,211
Share-based payment reserve	1,397,106	628,666
Accumulated losses	(21,691,200)	(17,932,482)
Total equity/(deficiency)	2,848,816	(2,085,605)

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Note 31. Parent entity information (continued)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

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

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

Note 32. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Propell Services Pty Ltd	Australia	100%	100%
Propell IP Pty Ltd	Australia	100%	100%
A.C.N. 621 097 194 Pty Ltd	Australia	-	100%
Business and Capital Pty Ltd	Australia	100%	100%
BC Fund 1 Pty Ltd	Australia	-	100%
BC Fund 2 Pty Ltd	Australia	100%	100%
BC Fund 3 Pty Ltd	Australia	100%	100%

The dormant subsidiaries; A.C.N. 621 097 194 Pty Ltd and BC Fund 1 Pty Ltd were wound up during the financial year.

Note 33. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 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 34. Cash flow information

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

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax expense for the year	(4,340,283)	(2,135,503)
Adjustments for:		
Depreciation and amortisation	535,914	1,015,071
Impairment of non-current assets	250,000	-
Share-based payments	479,340	-
Unwinding of the discount on convertible notes	296,541	157,316
Expense of previously capitalised funding costs	133,117	9,153
Change in operating assets and liabilities:		
Decrease/(increase) in loans receivable	(562,894)	356,772
Decrease in receivables	94,684	8,333
Increase in other operating assets	(12,394)	(48,895)
Increase/(decrease) in trade and other payables	(3,101)	189,998
Increase in other provisions	80,904	31,757
Decrease in other operating liabilities	(59,427)	(55,062)
Net cash used in operating activities	<u>(3,107,599)</u>	<u>(471,060)</u>

Non-cash investing and financing activities

	Consolidated	
	2021	2020
	\$	\$
Shares issued on conversion of notes	2,227,143	-
Options issued for payment of share issue costs	432,600	-
	<u>2,659,743</u>	<u>-</u>

Note 35. Earnings per share

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax attributable to the Owners of Propell Holdings Limited	<u>(4,340,283)</u>	<u>(2,135,503)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>69,431,702</u>	<u>45,075,883</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>69,431,702</u>	<u>45,075,883</u>

Note 35. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(6.25)	(4.74)
Diluted earnings per share	(6.25)	(4.74)

The prior year earnings per share has been adjusted for the 2:1 share consolidation that occurred on 29 November 2019.

Options and other potential equity securities on issue at the end of the year have not been included in the determination of diluted earnings per share, as the Group has incurred a loss for the period and they are therefore not dilutive in nature.

Note 36. Share-based payments

Ordinary shares

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

Share options & warrants

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

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

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 3-6 months after the option holder ceases employment depending on the circumstances as set on the plan. The employee is also not permitted to dispose of any Share issued upon exercise of the options within 12 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 made to shareholders generally and option holders do not participate in dividends or in bonus issues unless the options are exercised and the resultant shares are issued prior to the record date.

During the year ended 30 June 2021, 4,000,000 options were granted under the ESOP (2020: nil), all with a \$0.20 exercise price and a 3 to 5 year expiry (weighted average life of 3.3 years). 252,446 options that were previously issued under a previous ESOP, expired in the year.

The total expense from ESOP transactions this year ended 30 June 2021 was \$201,970.

Note 36. Share-based payments (continued)

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

	Number of options 2021	Weighted average exercise price 2021	Number of options * 2020	Weighted average exercise price * 2020
Outstanding at the beginning of the financial year	1,352,446	\$0.41	3,441,659	\$0.43
Granted	11,403,245	\$0.29	-	\$0.00
Expired / Lapsed	(252,446)	\$0.48	(736,767)	\$0.48
Consolidation	-	\$0.00	(1,352,446)	\$0.00
Outstanding at the end of the financial year	<u>12,503,245</u>	\$0.30	<u>1,352,446</u>	\$0.41
Exercisable at the end of the financial year	<u>10,083,245</u>	\$0.31	<u>1,352,446</u>	\$0.41

* Adjusted for the 2:1 consolidation that occurred on 29 November 2019

Set out below are the share based payment options and warrants exercisable at the end of the financial year:

Grant date	Expiry date	2021 Number	2020 Number
21/10/2016	01/04/2021	-	162,193
01/02/2017	01/04/2021	-	90,253
01/09/2018	01/12/2023	1,100,000	1,100,000
10/11/2020	10/11/2024	1,403,245	-
07/04/2021	07/04/2024	2,000,000	-
07/04/2021	07/04/2024	4,000,000	-
08/02/2021	07/02/2024	3,500,000	-
10/05/2021	10/05/2026	500,000	-
		<u>12,503,245</u>	<u>1,352,446</u>

The weighted average share price during the financial year from initial public offering to 30 June 2021 was \$0.18 (2020: unlisted).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.63 years (2020: 2.92 years).

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
10/11/2020	10/11/2024	\$0.15	\$0.20	100.00%	-	0.23%	\$0.095
07/04/2021	07/04/2024	\$0.20	\$0.30	79.00%	-	0.10%	\$0.081
07/04/2021	07/04/2024	\$0.20	\$0.40	79.00%	-	0.10%	\$0.068
08/02/2021	07/02/2024	\$0.15	\$0.20	89.00%	-	0.10%	\$0.074
10/05/2021	10/05/2026	\$0.14	\$0.20	77.00%	-	0.66%	\$0.076

Note 36. Share-based payments (continued)

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.

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

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



Directors' Declaration

In the Directors' opinion

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'Benjamin William Harrison', with a large stylized 'B' at the start.

Benjamin William Harrison
Director

Date **29th September 2021**
Location **Brisbane**



Independent Auditor's Report

to the Members of Propell Holdings Ltd



Level 38, 345 Queen Street
Brisbane, QLD 4000

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Propell Holdings Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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MARK NICHOLSON

PETER CAMENZULI
JASON EVANS

KYLE LAMPRECHT
NORMAN THURECHT

BRETT HEADRICK
WARWICK FACE

COLE WILKINSON
SIMON CHUN

JEREMY JONES
TOM SPLATT

JAMES FIELD
DANIEL COLWELL

ROBYN COOPER
FELICITY CRIMSTON

CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN

Key audit matter	How our audit addressed the matter
Going concern Refer to Note: Significant accounting policies	
<p>At the date of this report the Group remains in the development and growth phase of operations that have resulted in operating losses and operating cash outflows for a number of years.</p> <p>The Directors have adopted the going concern basis of preparation in preparing the Financial Statements, having prepared detailed cash flow forecasts for a period of at least 12 months from the date these Financial Statements were approved.</p> <p>The Director's assessment of the Group's ability to continue as a going concern was assessed as a key audit matter as it requires significant judgement in determining key assumptions supporting the expected future cash flows, including but not limited to:</p> <ul style="list-style-type: none"> • forecast growth of the loan book and related revenue growth; • forecast development expenditure on the Group's platform; and • forecast operating expenses. 	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Understanding and evaluating relevant controls over the Group's assessment of going concern and compilation of cash flow forecasts; • Checking to satisfy ourselves that the cash flow forecast is approved by the Board and that it has been subject to the appropriate review and approval processes and controls; • Discussing with those charged with governance their funding, business and cash flow strategy for the period at least 12 months from date of signing the financial report; • Understanding the Directors' assumptions for forecast cash outflows during the period under review; • Assessing the sensitivity of the cash flow forecast where loan book growth is delayed or does not occur within expected timeframes; • Assessing the ability of the Group to access sufficient funding to support the loan book growth; • Understanding and evaluating the ability of the Group to scale back future expenditure over the next 12 months, if required; and • Assessing the appropriateness of the disclosure included in the financial report.
Expected credit loss provisioning Refer to Note 10: Loans receivable	
<p>As at 30 June 2021, the Group recognised \$203,064 of expected credit losses (ECL) provisions in accordance with AASB 9 <i>Financial Instruments</i> as disclosed in Note 3 and Note 10 of the financial report.</p> <p>The ECL model developed by management to determine expected credit losses require significant judgement and assumptions to be made including:</p> <ul style="list-style-type: none"> • Selection of criteria for identifying a significant increase in credit risk; • Selection of parameters used in the model in relation to probability of default, and loss given default and exposure at default; and • Forward economic scenarios that consider the impact on expected credit losses of potential macro-economic events including the impact of COVID-19 related economic downturn. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Understanding and evaluating the design and implementation of controls in relation to the ECL model; • Testing the data inputs in calculating the probability of default and loss given default, as well as agreeing a sample of loan information to source documentation; • Assessing the provisioning methodology with reference to relevant accounting standards and market practices; • Evaluating the reasonableness of management's significant assumptions and judgements in the selection of parameters and criteria used in the ECL model in relation to the calculation of probability of default, loss given default, exposure at default and significant increase in credit risk due to macro-economic events; and

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- Reviewing the adequacy of the Group's disclosures on ECL provisions to ensure compliance with Australian Accounting Standards.

Effective interest rate

Refer to Note 10: Loans receivable

The Group reported interest income of \$131,337 in the year to 30 June 2021 and net loans receivable of \$793,139 at 30 June 2021. Interest income received from loan receivables is determined using the effective interest rate (EIR) method in accordance with AASB 9 Financial Instruments. The loans receivable balance is measured and presented at amortised cost using the effective interest rate method.

The Group's disclosure over the effective interest rate is disclosed in Note 2 of the financial report.

Our procedures included, amongst others:

- Assessing the Group's accounting policy for revenue recognition with reference to the relevant accounting standards;
- Evaluating the design and implementation of controls relating to the calculation of the EIR;
- Agreeing a sample of data inputs used in calculating the EIR to underlying source data such as signed loan agreements and bank statements;
- Assessing the accuracy and completeness of interest income by recalculating interest income under the EIR method; and
- Reviewing the adequacy of the Group's disclosures regarding EIR to ensure compliance with Australian Accounting Standards.

Capitalisation and valuation of loan management system

Refer to Note 15: Intangibles

The Group has loan management system intangible assets (LMS) of \$817,313 as at 30 June 2021. These assets relate primarily to internally developed software to operate and manage the Propell Platform.

The capitalisation of LMS costs involves significant judgement; including:

- Whether the costs incurred relate to research costs which are required to be expensed or development costs that are eligible for capitalisation;
- The assessment of the useful life of the asset and the timing of amortisation; and
- The assessment of future economic benefits and recoverability of the capitalised LMS.

Due to the evolution of Group's business plans and other economic factors, there is an impact on the carrying value of the LMS resulting in possible indicators of impairment. The assessment for potential impairment requires a range of subjective assumptions about future performance, including growth rates, revenue margins, credit loss percentage and discount rate.

Our procedures included, amongst others:

- Assessed the Group's policy of capitalisation for compliance with Australian Accounting Standards;
- Conducted inquiries with the Chief Technology Officer to understand development activities and their feasibility;
- For a sample of LMS costs, testing whether the additions were appropriately supported to payroll records or third party documentation and attributed to development activities;
- Considering of the appropriateness of the amortisation period of the LMS;
- Understanding and evaluating the design and implementation of management's processes and controls relevant to the assessment of impairment of the LMS;
- Checking management's impairment calculations for accuracy;
- Critically assessing the reasonableness of key assumptions, considering supporting documentation and historic performance, where available;
- Performing sensitivity analysis on key assumptions used in management's calculations; and
- Reviewing the adequacy of the Group's disclosures on LMS capitalisation and impairment to ensure compliance with Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

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concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 31 of the directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Propell Holdings Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Pitcher Partners

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
29 September 2021



Shareholder Information

The Shareholder information set out below was applicable as at 20 September 2021.

Distribution of equitable securities

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

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	18	2.41	2	1.47
1,001 to 5,000	142	18.98	7	5.15
5,001 to 10,000	111	14.84	4	2.94
10,001 to 100,000	321	42.91	80	58.82
100,001 and over	156	20.86	43	31.62
	748	100.00	136	100.00
Holding less than a marketable parcel	-	-	-	-

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
Adman Lanes Pty Ltd	10,369,048	10.82
Tomanovic Multiown Pty Ltd	5,000,000	5.22
Altor Capital	3,175,215	3.31
Plutus Capital Group	2,395,143	2.50
CS Third Nominees Pty Ltd	2,081,000	2.17
Brennan Super Fund (WA) Pty Ltd	2,000,000	2.09
Angora Lane Super Fund	1,958,033	2.04
Mr Tom Koutsoupas	1,630,278	1.70
Mr Andrew Burns	1,509,761	1.58
Mr Jeffery McCarthy	1,506,503	1.57
Mr David Brennan	1,403,568	1.47
HSBC Custody Nominees (Australia) Ltd	1,376,211	1.44
Tell Corporation Pty Ltd	1,300,000	1.36
Mr Brett Hales	1,068,436	1.12
Sixth Erra Pty Ltd	1,059,592	1.11
Sinclair Superannuation Fund	1,041,667	1.09
PAC Partners	958,000	1.00
Scintilla Strategic Investments Ltd	938,036	0.98
Jamelco Pty Ltd	902,999	0.94
Blighon Pty Ltd	902,527	0.94
	42,576,017	44.45

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	25,344,277	136

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares % of total shares issued
Number held	
Adman Lanes Pty Ltd	10,369,048 10.82
Tomanovic Multiown Pty Ltd	5,000,000 5.22

Voting rights

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

Ordinary shares

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

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

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary shares - 6 month escrow	13 October 2021	16,880,394
Ordinary shares - 12 month escrow	06 April 2022	16,984,595
Ordinary shares - 24 month escrow	06 April 2023	4,305,502
		<hr/> 38,170,491 <hr/>

propell*