

Listings Compliance  
Attention: Ms Karina So

**Reference: 73677**

Delivered via email to: [ListingsComplianceSydney@asx.com.au](mailto:ListingsComplianceSydney@asx.com.au)

## Request for information

The Board of Propell Holdings Limited (**Propell, the Company or PHL**) is pleased to provide its responses to each of the following questions and requests for information set in the letter received by the Company from the ASX on 11 May 2023:

*1. In regard to the \$7,500,000 Altor Facility (described in paragraphs A, B, C and D):*

Background information: The disclosure of the lending facility relates to the funding for investing cash flows. The Company has reported on its debt facilities in a consistent manner since listing in April 2021 and believes that the facilities are correctly disclosed as required in the completion of the Appendix 4C.

*1.1 Can the Altor Facility be used for any of the expenses described in paragraph F?*

No. Without Altor's consent, the facility can only be used for its primary purpose, being to fund the Company's investing activities. However, the Company has sought permission from Altor to expand its usage, if needed, until such time as new funding is secured which may include the additional funding noted in the response to Question 3 below.

*1.2 What proportion of PHL's expenses can be funded by the Altor Facility? Please provide details of any further expense items that cannot be funded under the terms of the Altor Facility.*

N/A

*2. Does PHL expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?*

No, it does not. Propell's cash loss in Q3 FY23 was \$383k, which was a 23% improvement QoQ and a 56% improvement on PCP. The improved operating result reflects the trending growth in customer revenue and the cost savings associated with the recent cost optimisation initiatives. These factors are expected to continue to reduce the net operating cash loss in future quarters. Propell's net operating cash loss (from ordinary operations) in Q4 FY23 is expected to be approximately \$200k.

*3. Has PHL taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?*

Yes, Propell has taken steps to raise additional capital to fund its ongoing operations.

As noted in the Q3 commentary released 28 April 2023, at 31 March 2023, the Company had received \$2.3m of the capital, with a further \$0.5m expected to be raised in Q4 FY23. The headroom of \$2.75m in the Company's debt facility, together with the remaining \$0.5m in the convertible note facility, will enable the Company to continue its operations and to meet its business objectives.

*4. Does PHL expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

Based on responses given to Question 3 above, Propell is confident that it will be able to continue its operations and meet its business objectives.

*5. At the date of this letter, and given PHL's current level of operations and net cash flows, does PHL expect to have sufficient funding to continue operating? Please provide the basis for this view.*

Yes, based on the improving net cash flows generated from operating activities (outlined in the response to Question 2) and the funds available through Propell's wholesale funding facility (outlined in the response to Question 1.1).

*6. Does PHL consider that the financial condition of PHL is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion, commenting specifically on the following:*

*6.1 PHL's net operating cash outflow of \$383,000 in the quarter ended 31 March 2023 and net comprehensive loss of \$1,741,414 for the half year ending 31 December 2022.*

As outlined in the response to Question 2, PHL has improved its net cash flows from operating activities by increasing customer revenue and reducing its cost base following recent cost optimisation initiatives. On a business-as-usual basis PHL expects its cash loss from operating activities to reduce to approximately \$200k in Q4 FY23 and continue to improve thereafter.

*6.2 PHL's cash and cash equivalents at 31 March 2023 of \$289,000, which given PHL's net operating cash outflow of \$383,000 suggests PHL has an estimated 0.75 quarters of funding available.*

Based on the results of the cost optimisation initiatives, trending revenue growth and raising the additional \$500,000 under the existing convertible note facility (as noted in the Q4 commentary) it is expected that PHL will have sufficient funding to continue its operations and meet its business objectives.

*6.3 The material uncertainty regarding PHL's ability to continue as a going concern raised by PHL's auditors in the auditor's half-year review (paragraph E).*

PHL has demonstrated an ability to grow its customer base and revenue while reducing its cost base, with no loss of operating capability. PHL's auditors raised noted going concern in each of its audit opinions for the financial reports for the periods ending 31 December 2021, 30 June 2022 and 31 December 2022. With reference to the external

funding reliance noted in the auditor's comments, Propell has historically demonstrated that it can raise capital to fund its growth and operations as required.

For the reasons given above, PHL considers that its financial condition is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2

*7. Please provide any other information that PHL considers may be relevant to ASX forming an opinion on whether PHL is complying with Listing Rule 12.2.*

There is no further information that may be publicly released at this time with regard to ASX's consideration of whether PHL is complying with Listing Rule 12.2.

*8. Do the directors of PHL consider that PHL is a going concern? Please provide the basis for this view.*

Yes, the directors of PHL consider that PHL is a going concern. PHL continues to meet its obligations as they fall due and continues to meet its ongoing business objectives. Based on the responses given to questions 3 and 6 above the Directors believe that PHL will continue to a going concern.

*9. Please confirm that PHL is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.*

Yes, the Company is compliant with Listing Rule 3.1 and is not aware of any material information or other information about its financial condition that has not already been announced to the market that should be given to ASX in accordance with Listing Rule 3.1.

*10. Please confirm that PHL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PHL with delegated authority from the board to respond to ASX on disclosure matters.*

The Company confirms that its responses to the questions above have been authorised and has been approved by its Board of Directors in accordance with its published continuous disclosure policy.



11 May 2023

Reference: 73677

Mr Adam Gallagher  
Company Secretary  
Propell Holdings Limited  
Level 11, 82 Eagle Street  
Brisbane QLD 4000

By email

Dear Mr Gallagher

**Propell Holdings Limited ('PHL'): Appendix 4C Query**

ASX refers to the following:

- A. PHL's announcement titled "Quarterly Activities/Appendix 4C Cash Flow Report" for the quarter ending 31 March 2023 lodged on the ASX Market Announcements Platform ('MAP') on 28 April 2023 (the '**March Appendix 4C**'), which disclosed (relevantly, emphasis added):
- i. *"Propell held cash on hand of approximately \$289,000 as at 31 March 2023... **The headroom of \$2.75m in the Company's debt facility, together with the remaining \$0.5m in the convertible note facility, will enable the Company to continue its operations and to meet its business objectives.**"*
  - ii. At Item 7.5, 'Unused financing facilities available at quarter end' of \$2,750,000, from *"a **\$7.5m wholesale facility with a private investment firm, Altor Capital Management Pty Ltd** ("Altor"). The facility has an interest rate of 11.5% and a maturity date of 30 March 2025. The facility is secured over Propell's Loans and Advances. (the '**Altor Facility**)"*
  - iii. At Item 8.4 that PHL had a 'Total available funding' of \$3,039,000 (being cash at hand of \$289,000 and unused finance facilities of \$2,750,000 as disclosed in item 8.3.
  - iv. At Item 8.5, that PHL had an estimated 7.9 quarters of funding remaining, calculated as the total available funding disclosed in Item 8.4 divided by PHL's net cash used in operations of \$383,000 in the quarter.
- B. PHL's prospectus dated 26 February 2021 and lodged on MAP on 9 April 2021 (the '**Prospectus**'), which disclosed under Section 16.4 'Funding Arrangements with the Lender' on pages 145 and 146 (relevantly, emphasis added):
- "[PHL] entered into a set of agreements with Altor Capital Management Pty Ltd (Lender or Altor)... Drawdown under the Loan Agreement **must be used solely for the purpose of providing the funding necessary for B&C to make payments under a Customer Finance Agreement to a Propell Customer...**"*
- C. PHL's annual report for the year ended 30 June 2022 and lodged on MAP on 20 September 2022 ('**2022 Annual Report**'), which disclosed under Note 17 'Borrowings' to the consolidated financial statements (relevantly, emphasis added):
- "Altor loan book facility (secured)  
This \$5,000,000 facility (2021: \$2,000,000) is **provided for the sole purpose of providing funding for the Group's lending activities**. The loan is secured over all present and future property of the Group's loan issuing special purpose entity BC Fund 2 Pty Ltd and its immediate parent Business & Capital Pty Ltd. The loan has a maturity date of 30 March 2025 (2021: 23 March 2023) and has an interest rate of 13% per annum, accruing daily and payable monthly in arrears."*

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- D. PHL's announcement titled "Further Increases Wholesale Facility to Support Growth" and lodged on MAP on 17 August 2022 which disclosed that the wholesale facility with Altor had increased to \$7,500,000 but the terms of the loan remain consistent with the terms of the existing facility.
- E. The Independent Auditor's Review Report by PHL's auditor, Bakertilly, included in PHL's half yearly report and accounts for the half year ended 31 December 2022 and lodged on MAP on 28 February 2023 ('**2023 Half Yearly Report**'), which disclosed:
- "Material Uncertainty Related to Going Concern*
- We draw attention to Note 2 "Going concern" in the Interim Financial Report. The conditions disclosed in Note 2 indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter."*
- F. PHL's 2023 Half Yearly Report which disclosed the following material expenses for the half year ended 31 December 2022:
- i. Professional fees
  - ii. Employee benefits expense
  - iii. Marketing
  - iv. Technology and platform costs
- G. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- H. Listing Rule 12.2, which states:
- "An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing."*
- I. Section 14 of Guidance Note 14, which states:
- "Any forward looking statements in an announcement... must be based on reasonable grounds or else by law they will be deemed to be misleading."*

### Request for information

Having regard to the above, ASX asks PHL to respond separately to each of the following questions and requests for information:

1. In regards to the \$7,500,000 Altor Facility (described in paragraphs A, B, C and D):
  - 1.1 Can the Altor Facility be used for any of the expenses described in paragraph F?
  - 1.2 What proportion of PHL's expenses can be funded by the Altor Facility? Please provide details of any further expense items that cannot be funded under the terms of the Altor Facility.
2. Does PHL expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

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3. Has PHL taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successfully?
  4. Does PHL expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
  5. At the date of this letter, and given PHL's current level of operations and net cash flows, does PHL expect to have sufficient funding to continue operating? Please provide the basis for this view.
  6. Does PHL consider that the financial condition of PHL is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion, commenting specifically on the following:
    - 6.1 PHL's net operating cash outflow of \$383,000 in the quarter ended 31 March 2023 and net comprehensive loss of \$1,741,414 for the half year ending 31 December 2022.
    - 6.2 PHL's cash and cash equivalents at 31 March 2023 of \$289,000, which given PHL's net operating cash outflow of \$383,000 suggests PHL has an estimated 0.75 quarters of funding available.
    - 6.3 The material uncertainty regarding PHL's ability to continue as a going concern raised by RSH's auditors in the auditor's half-year review (paragraph E).
  7. Please provide any other information that PHL considers may be relevant to ASX forming an opinion on whether PHL is complying with Listing Rule 12.2.
  8. Do the directors of PHL consider that PHL is a going concern? Please provide the basis for this view.
  9. Please confirm that PHL is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
  10. Please confirm that PHL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PHL with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9.00 AM AEST Tuesday, 16 May 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PHL's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require PHL to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office.

### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in PHL's securities under Listing Rule 17.3.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to PHL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that PHL's obligation

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to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

**Release of correspondence between ASX and entity**

Although ASX does not currently intend to release a copy of this letter, your reply and any other related correspondence between us to the market, we nonetheless reserve the right to do so under listing rule 18.7A.

**Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Regards

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**Karina So**  
Adviser, Listings Compliance