Half year Report FY2024

propell*

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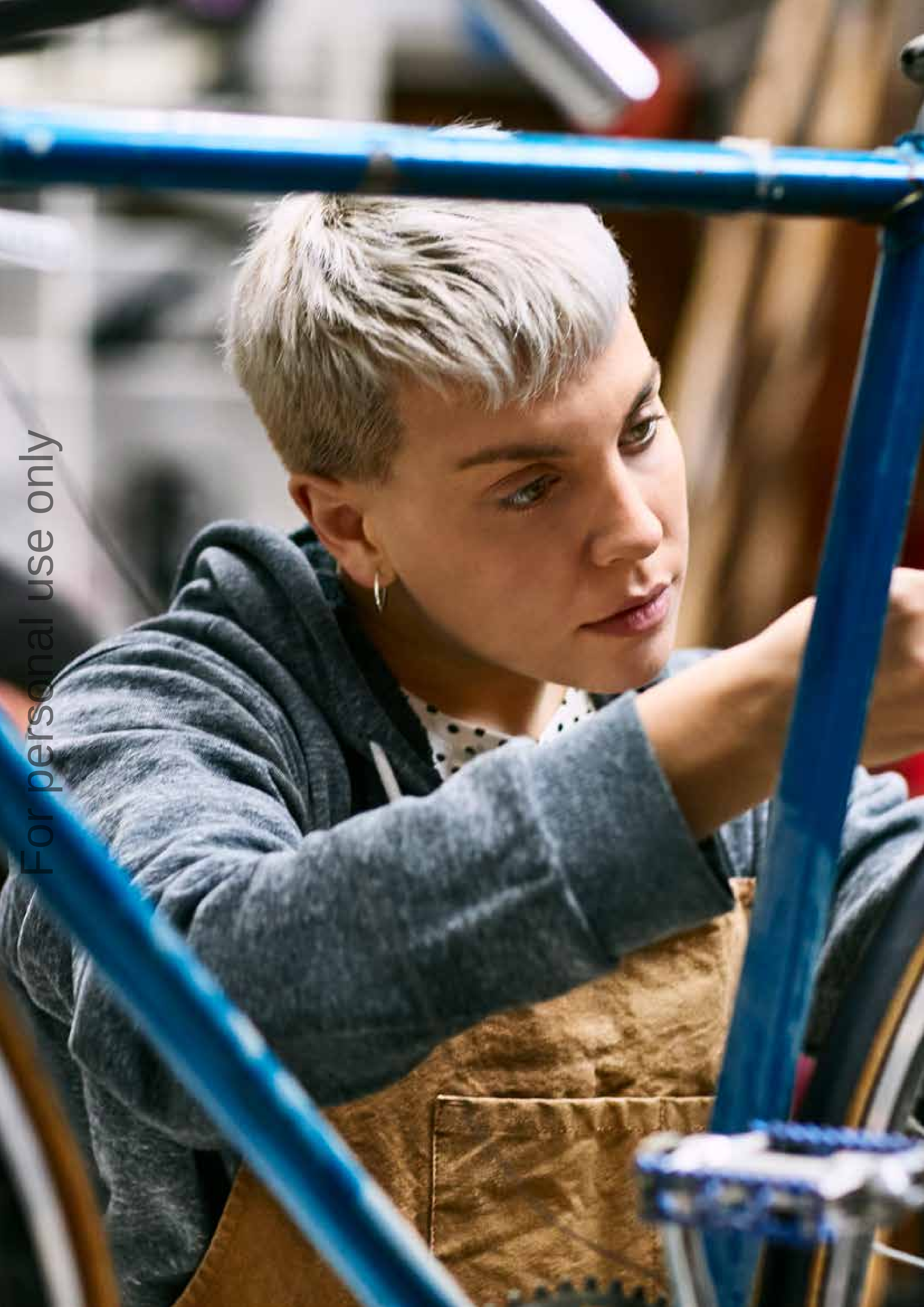

Appendix 4D

Propell Holdings Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Propell Holdings Limited
ACN:	614 837 099
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	55%	to	724,937
Loss from ordinary activities after tax attributable to the Owners of Propell Holdings Limited	down	47%	to	(916,573)
Loss for the half-year attributable to the Owners of Propell Holdings Limited	down	47%	to	(916,573)

	31 Dec 2023 Cents	31 Dec 2022 Cents
Basic earnings per share	(0.76)	(1.50)
Diluted earnings per share	(0.76)	(1.50)

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

Comments
The loss for the Group after providing for income tax amounted to $916,573 (31 December 2022: $1,741,414).

3. Net tangible assets

	Reporting period Cents	30 June 2023 Cents
Net tangible assets per ordinary security	(5)	(4)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Propell Holdings Limited for the half-year ended 31 December 2023 is attached.

12. Signed

Signed ______________________________ Date: 23 February 2024

Benjamin William Harrison
Director
Brisbane

Corporate Information

COMPANY SECRETARY

Adam Gallagher

REGISTERED OFFICE

Level 2, 15 Mayneview St, Milton QLD 4064

PRINCIPAL PLACE OF BUSINESS

Level 2, 15 Mayneview St, Milton QLD 4064

SHARE REGISTER

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

Telephone: 1300 554 474

AUDITOR

PKF Brisbane Audit
Level 2, 66 Eagle Street
Brisbane QLD 4000

STOCK EXCHANGE LISTING

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

Director's Report

Director's Report for the Half Year to 31 December 2023

Propell Holdings Limited
Directors' report
31 December 2023

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Group", the "Company" or "Propell") consisting of Propell Holdings Limited (referred to hereafter as the "parent entity") and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

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

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

Principal activities

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

Review of operations and likely developments

Overview

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

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

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

The significant accomplishments during the year are set out below.

Growth with a focus on profit

During the half year ended 31 December 2023, the Company experienced strong growth in average loan size, a key indicator of customer quality, which increased by approximately 50% to $36,000 (December 2022: $24,000).

In addition, the Company improved its lending margin by approximately 20% by increasing its weighted average customer pricing to 3.1% (December 2022: 2.6%).

Product and Technology

During the prior year, the Company completed development of the platform, allowing a shift in emphasis to growth, with the components in place to scale.

Expansion of acquisition channels

In the first half of FY24, the Company continued to grow its broker referral network, which has significantly accelerated the growth in inbound leads. Historically, the business has relied on digital marketing for lead generation. The Company views its newly established broker referral network as a key element in its pathway to profitability, providing higher speed to market and lower risk to margin.

Increase in wholesale facilities

During the prior year, the Company secured an increase in its wholesale facility limit from $5,000,000 to $7,500,000 while reducing the interest rate from 13% to 11.5%.

Reduction in cost base
During the prior year, Propell embarked on a cost-cutting initiative, leading to reductions across a number of areas, including local teams. These changes were driven by Propell's focus on achieving profitability sooner, together with structural change as a result of the completion of the Company's platform. These changes have led to a reduction in full-time headcount of around 71%, ensuring a more sustainable cost structure moving forward.

Financial Overview

During the half year, Propell continued to enhance its credit assessment criteria in response to rising arrears, tightening credit markets and deteriorating quality of credit applications.

To support and streamline Propell's more rigorous credit assessment criteria for credit applicants, Propell developed a new customer and broker interface whereby a larger set of customer information can be uploaded via a portal, including by connecting a range of cloud-based financial software systems, providing Propell's underwriting team with access to a larger range of data for the customer in an efficient manner.

While Propell's more rigorous credit assessment criteria has improved arrears, it has also resulted in a higher rate of declined applications and therefore slower loan book growth over the period, which represented a more sustainable approach in the current lending climate that delivers superior commercial outcomes.

Operating revenue for the first half was $465k, a 53% decrease on December 2022 operating revenue of $997k. Operating revenue excludes revenue from the fair value gain on revaluation of the Convertible Notes.

Operating costs (excluding depreciation, amortisation, impairment and finance costs) decreased 28% to $1,090k (December 2022: $1,517k) as the Company pursued cost optimisation initiatives to improve its net operating result while continuing to meet the needs of its customers and operating objectives.

Net cash used in operating activities improved from $1,610k in December 2022, to $314k in the first half.

The net loss after tax for the first half was $916,573 (December 2022: net loss of $1,741,414).

Outlook

The Company's recent revenue growth and substantial operating cost reductions reflect Propell's ability to grow without adding additional resources or compromising client experience.

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

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

The Company continues to actively pursue organic and acquisition opportunities to add to its product offering.

The focus areas for the remainder of the financial year include:
- **Lending capacity:** Obtain a new and increased wholesale funding facility to serve client demand.
- **Ability to fill capacity:** Boost lending growth through the Company's established broker referral network.
- **Operational margins:** Hold the cost base at current levels while scaling the business and customer base.

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

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

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

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

Matters subsequent to the end of the financial half-year
No matter or circumstance has arisen since 31 December 2023 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 except for:

- On 18 December 2023, the Company announced that it had received commitments for a share placement of 100 million shares at $0.01 per share to raise $1,000,000 before costs. The placement was subject to shareholder approval to be sought at a General Meeting on 2 February 2024. On 2 February 2024, the Company announced that the resolution to approve the issue of the placement shares was passed by Shareholders at the General Meeting.

- On 23 January 2024, the Company announced that it is in the process of raising additional capital via a Share Purchase Plan with an offer price of $0.01 per share. Pursuant to Exception 5, Listing Rule 7.2, the Company may issue up to a maximum of 36,106,656 shares, which at $0.01 per share would raise $361,066.

- As at the date of this report, Propell had received cash of $1,021,065 from the proceeds of the Placement and Share Purchase Plan.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Benjamin William Harrison
Director

23 February 2024
Brisbane

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2023, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

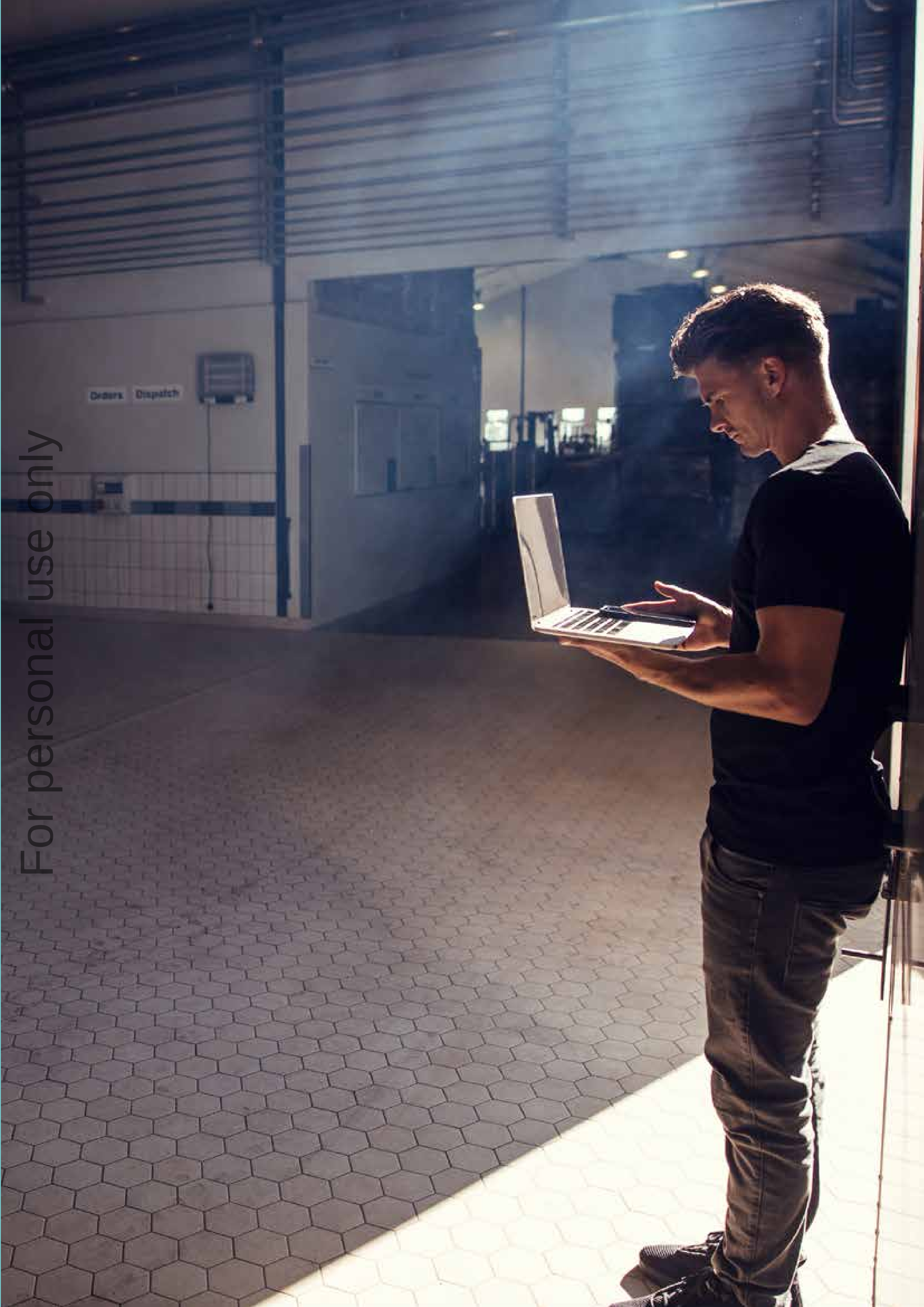
This declaration is in respect of Propell Holdings Limited and the entities it controlled during the half year.

PKF
PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

23 FEBRUARY 2024
BRISBANE

Financial Report for the Half year to 31 December 2023


Orders
Dispatch

Propell Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $	31 Dec 2022 $
Revenue			
Interest income	5	417,634	956,788
Lending fees		47,014	39,921
Other revenue		-	384
		464,648	997,093
Other income		-	63,368
Fair value gain on financial instruments	10	260,289	557,049
Total revenue		724,937	1,617,510
Expenses			
Professional fees		(351,489)	(190,194)
Employee benefits expense		(419,348)	(801,535)
Occupancy		1,246	(5,869)
Depreciation and amortisation expense	6	(36,692)	(268,092)
Loan impairment expense net of recoveries		190,082	(575,778)
Impairment of intangible assets	6	-	(435,814)
Marketing		(30,935)	(204,440)
Technology and platform costs		(129,334)	(200,434)
Loan assessment and processing		(84,202)	(54,122)
Payments processing		(628)	69,360
Other expenses		(75,311)	(130,181)
Finance costs	6	(704,899)	(561,825)
Total expenses		(1,641,510)	(3,358,924)
Loss before income tax expense		(916,573)	(1,741,414)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the Owners of Propell Holdings Limited		(916,573)	(1,741,414)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the Owners of Propell Holdings Limited		(916,573)	(1,741,414)
		Cents	Cents
Basic earnings per share	15	(0.76)	(1.50)
Diluted earnings per share	15	(0.76)	(1.50)

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

Propell Holdings Limited
Statement of financial position
As at 31 December 2023

propell*

	Note	Consolidated 31 Dec 2023 $	Consolidated 30 Jun 2023 $
Assets			
Current assets			
Cash and cash equivalents		641,148	645,626
Loans receivable	7	2,391,760	2,604,398
Other receivables		8,119	2,303
Other assets		55,393	38,947
Total current assets		3,096,420	3,291,274
Non-current assets			
Property, plant and equipment		1,083	2,542
Right-of-use assets		-	35,233
Total non-current assets		1,083	37,775
Total assets		3,097,503	3,329,049
Liabilities			
Current liabilities			
Trade and other payables		616,377	588,289
Borrowings	9	534,000	534,000
Lease liabilities		-	40,303
Convertible notes	10	59,733	320,022
Provisions		163,816	176,474
Total current liabilities		1,373,926	1,659,088
Non-current liabilities			
Borrowings	9	5,857,413	5,187,395
Convertible notes	10	1,568,575	1,271,547
Provisions		51,309	49,730
Total non-current liabilities		7,477,297	6,508,672
Total liabilities		8,851,223	8,167,760
Net liabilities		(5,753,720)	(4,838,711)
Equity			
Issued capital	11	24,409,451	24,409,451
Convertible notes - equity		337,856	337,856
Reserves		(1,858,022)	(1,859,586)
Accumulated losses		(28,643,005)	(27,726,432)
Total deficiency in equity		(5,753,720)	(4,838,711)

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

Propell Holdings Limited
Statement of changes in equity
For the half-year ended 31 December 2023

Consolidated	Issued capital $	Convertible Note $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2022	24,433,102	-	(2,032,907)	(23,245,437)	(845,242)
Loss after income tax expense for the half-year	-	-	-	(1,741,414)	(1,741,414)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(1,741,414)	(1,741,414)
Transactions with Owners in their capacity as Owners:					
Share-based payments (note 16)	-	-	162,354	-	162,354
Convertible notes (note 10)	-	237,289	-	-	237,289
Contributed equity transaction costs	(23,669)	-	-	-	(23,669)
Balance at 31 December 2022	24,409,433	237,289	(1,870,553)	(24,986,851)	(2,210,682)

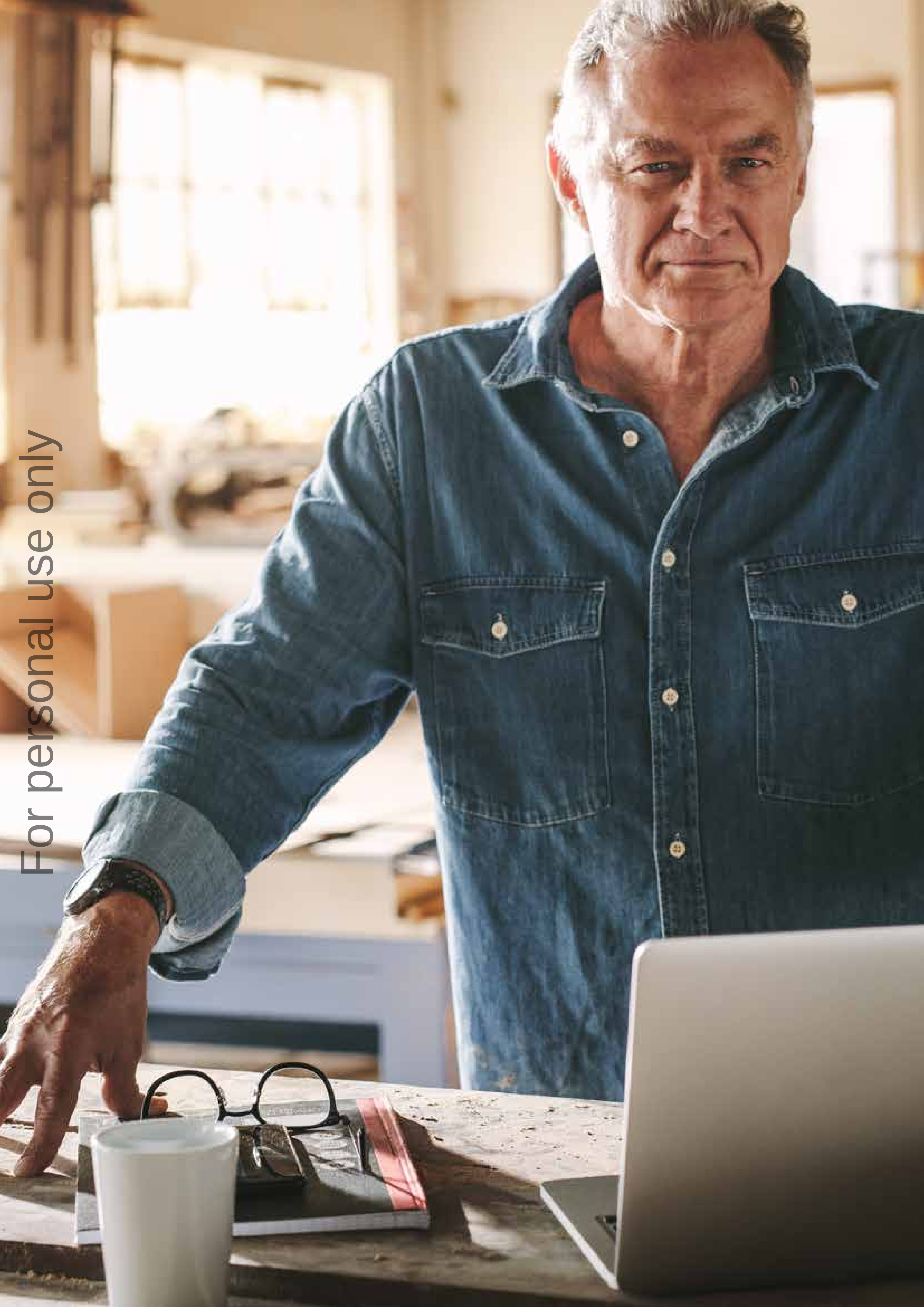
Consolidated	Issued capital $	Convertible Note $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2023	24,409,451	337,856	(1,859,586)	(27,726,432)	(4,838,711)
Loss after income tax expense for the half-year	-	-	-	(916,573)	(916,573)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(916,573)	(916,573)
Transactions with Owners in their capacity as Owners:					
Share-based payments (note 16)	-	-	1,564	-	1,564
Balance at 31 December 2023	24,409,451	337,856	(1,858,022)	(28,643,005)	(5,753,720)

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

Propell Holdings Limited
Statement of cash flows
For the half-year ended 31 December 2023

	Consolidated 31 Dec 2023 $	Consolidated 31 Dec 2022 $
Cash flows from operating activities		
Loan principal advanced to customers net of payments	228,044	(87,416)
Payments to suppliers and employees	(1,141,286)	(1,911,081)
Interest received	655,779	609,688
Finance costs	(56,712)	(220,901)
Net cash used in operating activities	(314,175)	(1,609,710)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	2,403
Net cash from investing activities	-	2,403
Cash flows from financing activities		
Proceeds from borrowings	350,000	-
Proceeds from borrowings - convertible notes	-	2,010,000
Repayment of borrowings	-	(250,000)
Repayment of lease liabilities	(40,303)	(47,532)
Net cash from financing activities	309,697	1,712,468
Net increase/(decrease) in cash and cash equivalents	(4,478)	105,161
Cash and cash equivalents at the beginning of the financial half-year	645,626	385,967
Cash and cash equivalents at the end of the financial half-year	641,148	491,128

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



Note 1. General information

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

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

Registered office	Principal place of business
Level 2 15 Mayneview Street Milton QLD 4064	Level 2 15 Mayneview Street Milton QLD 4064

Note 2. Significant accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Note 2. Significant accounting policy information (continued)

Financial Liabilities

Financial liabilities are initially measured at fair value

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

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

Classification of Debt and Equity Components

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

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

Transaction Costs

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

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

As disclosed in the financial statements, the Group reported a net loss of $916,573 (December 2022: $1,741,414 net loss) for the half year ended 31 December 2023 and a net cash outflow from operating activities of $314,175 (December 2022: $1,609,710 outflow). As at 31 December 2023 there is net asset deficiency of $5,753,720 (June 2023: $4,838,711 net asset deficiency) which would ordinarily give rise to uncertainty regarding the Group's ability to continue as a going concern.

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

Note 2. Significant accounting policy information (continued)

In making this assessment, the Board has considered the recently completed capital raising providing proceeds of $1,021,065 as at the date of this report (refer to note 14), ongoing cost management initiatives, expected improved recoveries from loan book receivables through more rigorous credit assessment processes, and forecast growth in the loan book to the facility limit of $7.5m.

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

Note 3. Critical accounting judgements, estimates and assumptions

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

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

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. When determining an appropriate allowance for expected credit losses at 31 December 2023, the Company undertook a detailed review of all outstanding loans receivables including consideration of the industry and region in which each customer operates, customer credit quality, and requests for deferred repayment periods. The Group updated its forward-looking assumptions including inflation, interest rate, unemployment and other macroeconomic impacts.

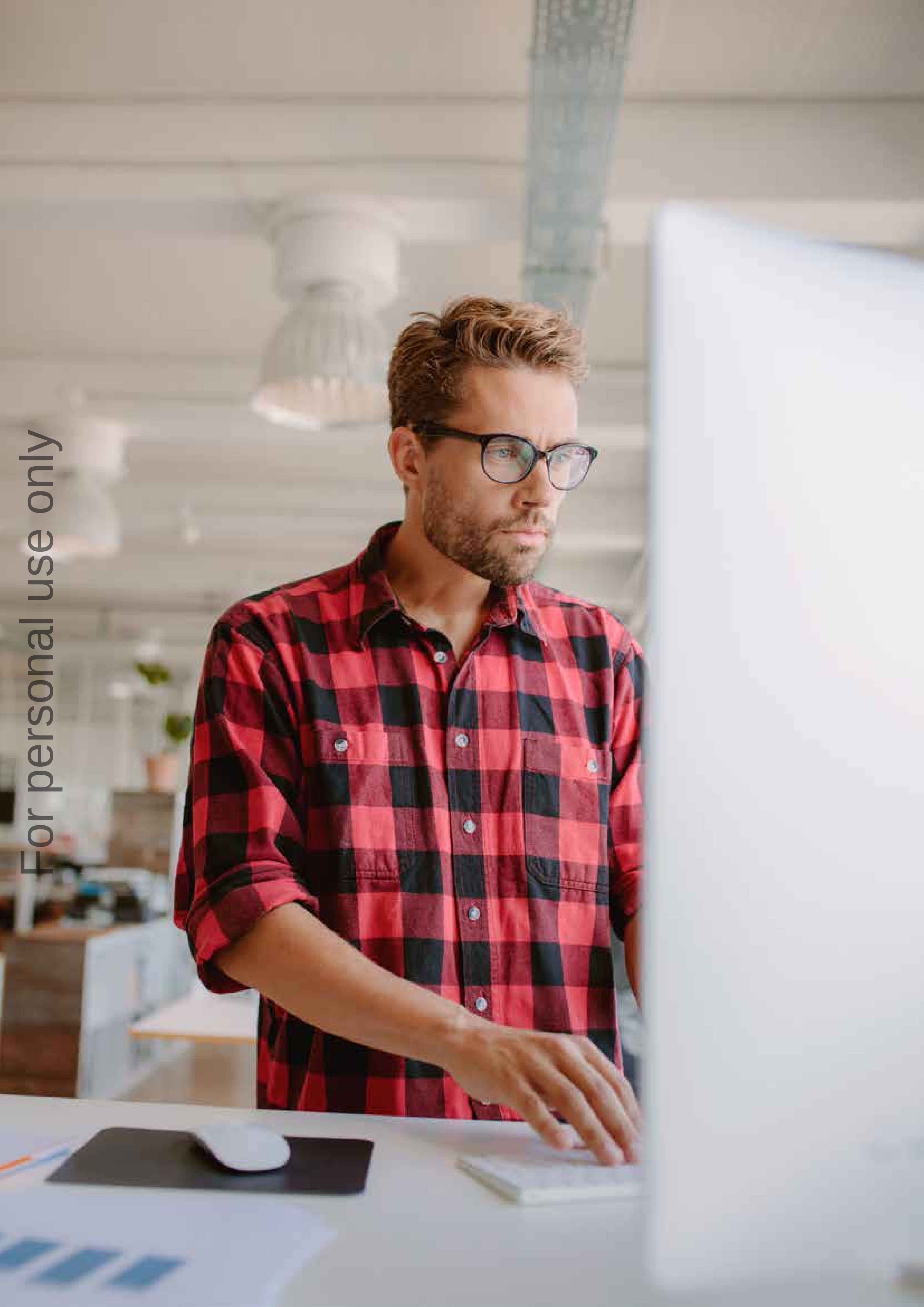
Note 4. Operating segments

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

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

Note 5. Interest income

	Consolidated	
	31 Dec 2023 $	31 Dec 2022 $
Interest on loans	394,631	955,570
Interest on trade finance	22,500	-
Interest on cash at bank and bank deposits	503	1,218
	417,634	956,788



Note 6. Expenses

	Consolidated 31 Dec 2023 $	Consolidated 31 Dec 2022 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Buildings right-of-use assets	35,233	47,320
Computer equipment	1,459	2,042
Total depreciation	36,692	49,362
Amortisation		
Propell platform	-	218,730
Total depreciation and amortisation	36,692	268,092
Impairment		
Propell platform	-	435,814
Finance costs		
Interest and finance charges paid/payable on Loan book facility	308,900	278,042
Interest and finance charges paid/payable on Corporate facilities	32,061	32,061
Interest and finance charges paid/payable on Convertible note (note 10)	353,740	238,170
Unwinding of the discount on lease liabilities	(1,046)	2,803
Amortised borrowing costs on Loan book facility	11,244	7,496
Other	-	3,253
Finance costs expensed	704,899	561,825
Superannuation expense		
Defined contribution superannuation expense	41,578	69,792

Note 7. Loans receivable

	Consolidated 31 Dec 2023 $	Consolidated 30 Jun 2023 $
Current assets		
Loans receivable before impairment	2,201,678	4,413,234
(Less): credit impaired	(288,033)	(1,518,173)
Plus/(less): movement in allowance for expected credit losses	478,115	(290,663)
Carrying amount	2,391,760	2,604,398

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

	Consolidated 31 Dec 2023 $	Consolidated 30 Jun 2023 $
Opening balance	657,797	367,134
Increase/(decrease) in provisions recognised	(478,115)	290,663
Closing balance	179,682	657,797

Note 7. Loans receivable (continued)

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

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

Allowance for expected credit losses
The Group has recognised a profit of $190,082 (June 2023: $1,808,836 loss) in profit or loss in respect of loan impairment expense for the half ended 31 December 2023. This profit comprises impairment of $288,033 (June 2023: $1,518,173) and the movement in the allowance for expected credit losses of $478,115 profit (June 2023: $290,663 loss). The decrease in credit impaired loans is a result of a decision by the Directors to tighten the Company's credit assessment criteria in response to rising credit losses in FY23, resulting in lower value of loans more than 180 days overdue.

Note 8. Intangibles

	Consolidated	
	31 Dec 2023 $	30 Jun 2023 $
Non-current assets		
Intellectual property - at cost	50,000	50,000
Less: Accumulated amortisation	(50,000)	(50,000)
	-	-
Customer list - at cost (business combination)	741,400	741,400
Less: Accumulated amortisation	(741,400)	(741,400)
	-	-
Propell platform - at cost (internally generated)	4,558,253	4,558,253
Less: Accumulated amortisation and impairment	(4,558,253)	(4,558,253)
	-	-
	-	-

Note 9. Borrowings

	Consolidated	
	31 Dec 2023 $	30 Jun 2023 $
Current liabilities		
Loans - Altor corporate facilities (secured)	534,000	534,000
Non-current liabilities		
Loans - Altor loan book facility (secured)	5,857,413	5,187,395

Altor loan book facility (secured)
This $7,500,000 facility (June 2023: $7,500,000) is provided for the sole purpose of providing funding for the Group's lending activities. The loan is secured over all present and future property of the Group's loan issuing special purpose entity BC Fund 2 Pty Ltd and its immediate parent Business & Capital Pty Ltd. The loan has a maturity date of 30 March 2025 and has an interest rate of 11.5% per annum (June 2023: 11.5% per annum), accruing daily and payable monthly in arrears.

Note 9. Borrowings (continued)

Altor corporate facilities (secured)

	Consolidated	
	31 Dec 2023	30 Jun 2023
	$	$
Altor AltFi Income Fund	424,000	424,000
Altor Private Equity Pty Ltd	110,000	110,000
	534,000	534,000

Altor AltFi Income Fund
This loan facility is for an amount not exceeding $424,000 and is subject to interest of 15% per annum payable. On 29 August 2023, the loan maturity date was extended to 1 October 2024 (June 2023: repayable at a date to be agreed by the parties).

Altor Private Equity Pty Ltd
This loan facility is for an amount not exceeding $110,000. On 29 August 2023, the loan maturity date was extended to 1 October 2024 (June 2023: repayable at a date to be 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	
	31 Dec 2023	30 Jun 2023
	$	$
Cash at bank	492,629	535,744
Loans receivable	2,391,760	2,604,398
	2,884,389	3,140,142

Financing arrangements

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

	Consolidated	
	31 Dec 2023	30 Jun 2023
	$	$
Total facilities		
Altor loan book facility	7,500,000	7,500,000
Altor corporate facilities	534,000	534,000
	8,034,000	8,034,000
Used at the reporting date		
Altor loan book facility	5,857,413	5,187,395
Altor corporate facilities	534,000	534,000
	6,391,413	5,721,395
Unused at the reporting date		
Altor loan book facility	1,642,587	2,312,605
Altor corporate facilities	-	-
	1,642,587	2,312,605

Note 10. Convertible notes

The embedded derivative component of the convertible notes has been revalued at 31 December 2023 in accordance with Accounting Standard AASB 9 'Financial Instruments'. Following the revaluation at 31 December 2023, the embedded derivative has been valued at $59,733 using the Monte Carlo Simulation Valuation Model. The fair values have been based on a closing company share price at 31 December 2023 of $0.011, volatility of 100%, and a risk-free rate of 3.906%.

A fair value gain of $260,289 has been recorded in respect to the derivative liability, being the movement in the fair values of the embedded derivative between 30 June 2023 and 31 December 2023.

	Financial liability - embedded derivative $	Financial liability - host debt $	Total Financial liabilities $	Convertible notes - equity $
1 July 2022	-	-	-	-
Issued during the period	857,709	889,233	1,746,942	263,058
Issue costs capitalised	-	(87,110)	(87,110)	(25,769)
Effective interest on convertible notes	-	143,462	143,462	-
Coupon paid	-	(23,699)	(23,699)	-
Fair value gain recognised	(557,049)	-	(557,049)	-
31 December 2022	300,660	921,886	1,222,546	237,289
1 July 2023	320,022	1,271,547	1,591,569	337,856
Issued during the period	-	-	-	-
Issue costs capitalised	-	-	-	-
Effective interest on convertible notes	-	353,740	353,740	-
Coupon paid	-	(56,712)	(56,712)	-
Fair value gain recognised	(260,289)	-	(260,289)	-
31 December 2023	59,733	1,568,575	1,628,308	337,856

Note 11. Issued capital

	Consolidated			
	31 Dec 2023 Shares	30 Jun 2023 Shares	31 Dec 2023 $	30 Jun 2023 $
Ordinary shares - fully paid	120,355,520	120,355,520	24,409,451	24,409,451

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
For details of options issued during the year as share based payments, refer to note 16.

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Note 11. Issued capital (continued)

Options on issue as at 31 December 2023:

Grant date	Expiry date	Exercise price	Number under option
01/10/2020	01/10/2024	$0.30	5,433,333
10/11/2020	01/10/2024	$0.20	1,403,245
07/04/2021	07/04/2024	$0.30	2,000,000
07/04/2021	07/04/2024	$0.40	4,000,000
08/02/2021	07/02/2024	$0.20	3,500,000
13/06/2022	12/06/2025	$0.10	500,000
23/08/2022	22/08/2025	$0.10	300,000
24/08/2022	24/08/2025	$0.10	8,174,790
01/12/2022	01/12/2025	$0.10	2,010,000
01/12/2022	01/12/2025	$0.08	16,100,000
01/01/2023	01/01/2026	$0.10	290,000
			43,711,368

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

Note 12. Dividends

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

Note 13. Contingent liabilities

There are no contingent liabilities or commitments as at the date of this financial report.

Note 14. Events after the reporting period

No matter or circumstance has arisen since 31 December 2023 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 except for:

- On 18 December 2023, the Company announced that it had received commitments for a share placement of 100 million shares at $0.01 per share to raise $1,000,000 before costs. The placement was subject to shareholder approval to be sought at a General Meeting on 2 February 2024. On 2 February 2024, the Company announced that the resolution to approve the issue of the placement shares was passed by Shareholders at the General Meeting.

- On 23 January 2024, the Company announced that it is in the process of raising additional capital via a Share Purchase Plan with an offer price of $0.01 per share. Pursuant to Exception 5, Listing Rule 7.2, the Company may issue up to a maximum of 36,106,656 shares, which at $0.01 per share would raise $361,066.

- As at the date of this report, Propell had received cash of $1,021,065 from the proceeds of the Placement and Share Purchase Plan.

Note 15. Earnings per share

	Consolidated 31 Dec 2023 $	Consolidated 31 Dec 2022 $
Loss after income tax attributable to the Owners of Propell Holdings Limited	(916,573)	(1,741,414)

Note 15. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	120,355,520	116,050,018
Weighted average number of ordinary shares used in calculating diluted earnings per share	120,355,520	116,050,018

	Cents	Cents
Basic earnings per share	(0.76)	(1.50)
Diluted earnings per share	(0.76)	(1.50)

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 16. Share-based payments

Share options

Employee Share and Option Plan ("ESOP")

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

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

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

During the half year ended 31 December 2023, no options (June 2023: 800,000) were granted under the ESOP.

The total expense from ESOP transactions during the half was $1,564 (December 2022: $162,354).

Set out below is a summary of all options over ordinary shares granted as share based payments during the half year ended 31 December 2023 and the prior period:

	Number of options 31 Dec 2023	Weighted average exercise price 31 Dec 2023	Number of options * 30 Jun 2023	Weighted average exercise price * 30 Jun 2023
Outstanding at the beginning of the financial half-year	23,278,035	$0.15	13,003,245	$0.29
Granted	-	$0.00	10,774,790	$0.10
Expired / Lapsed	(1,100,000)	$0.40	(500,000)	$0.10
Outstanding at the end of the financial half-year	22,178,035	$0.15	23,278,035	$0.15
Exercisable at the end of the financial half-year	21,378,035	$0.15	22,478,035	$0.15

Note 16. Share-based payments (continued)

The weighted average remaining contractual life of options over ordinary shares that were outstanding at the end of the half year was 1.31 years (June 2023: 1.35 years).

Fair value

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

For the options over ordinary shares that were granted as share based payments during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
23/08/2022	22/08/2025	$0.05	$0.10	75.00%	-	3.59%	$0.017
24/08/2022	24/08/2025	$0.04	$0.10	75.00%	-	3.68%	$0.017
01/12/2022	01/12/2025	$0.03	$0.10	80.00%	-	4.25%	$0.017
01/01/2023	01/01/2026	$0.03	$0.10	80.00%	-	4.25%	$0.005

In the Directors' opinion:

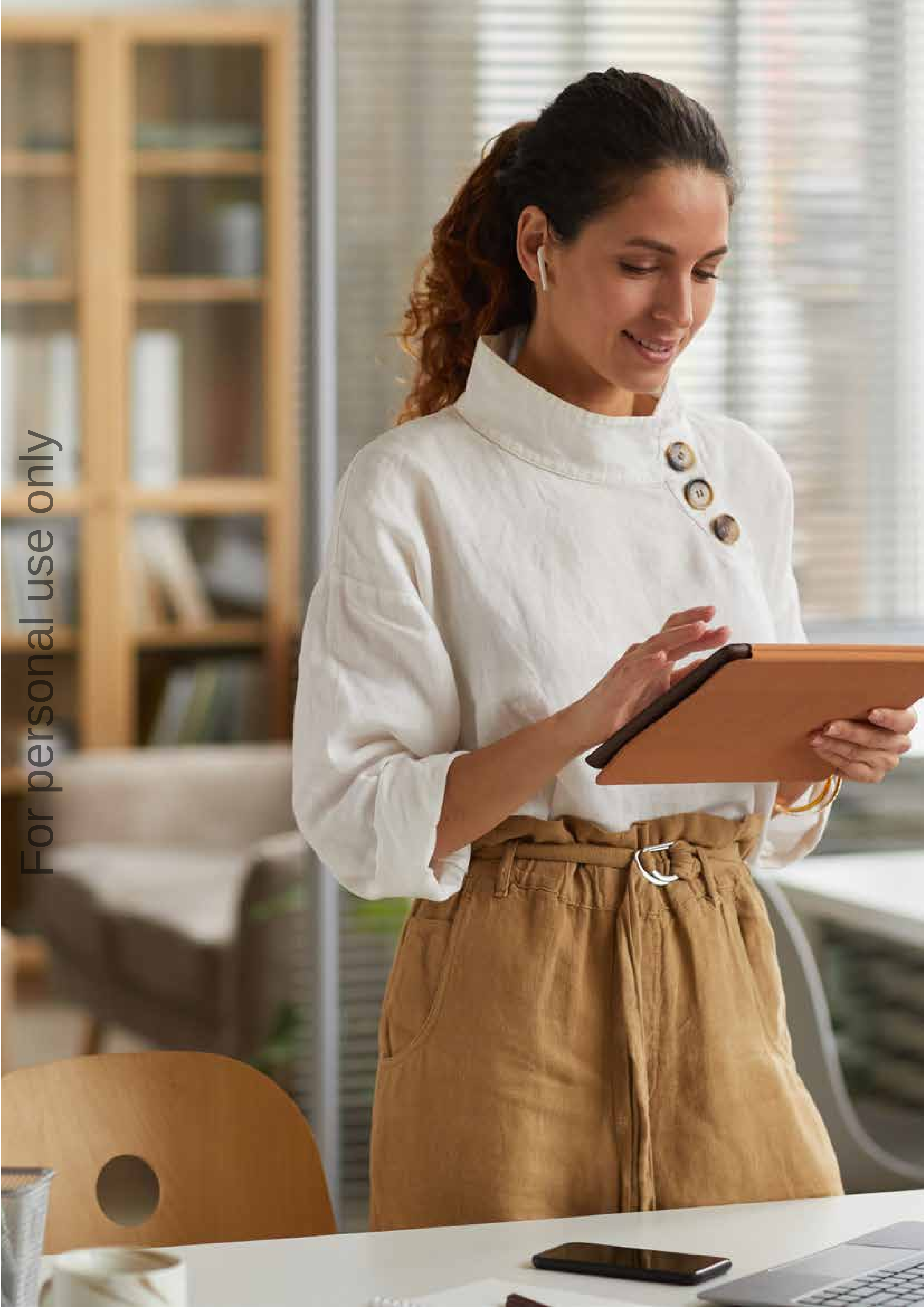
- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Benjamin William Harrison
Director

23 February 2024
Brisbane



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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF PROPELL HOLDINGS LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Propell Holdings Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023, and of its financial performance for the half-year ended on that date; and

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

Basis for Conclusion

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

Independence
In conducting our review, we have complied with the auditor independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

Responsibility of the Directors for the Financial Report

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

PKF

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PKF

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

23 FEBRUARY 2024
BRISBANE

propell*