

Release Date: 18 September 2024

ASX Release

Powerhouse Ventures Limited ("PVL" or the "Company")
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STRATEGY UPDATE:

The Board of Powerhouse Ventures Limited (**PVL or the Company**) presents the following update on its strategy attached as part of this release.

If there are any questions regarding this update, shareholders are welcome to contact the Company at info@phvl.com.au. As always, we are grateful for our shareholder support.

James Kruger
Executive Chairman

ENDS

Authorised by the Board of Powerhouse Ventures Limited

About Powerhouse Ventures Limited:

Powerhouse is an investment company seeking to advance emerging intellectual property (principally originating from Australian scientists, engineers and institutions) into globally impactful businesses. The focus sectors are Electrification & Decarbonisation, Next Generation Computing, Space technologies, and Healthcare and Wellness.

Powerhouse has an existing active portfolio and strong pipeline of early stage to mature businesses across its focus segments. It has developed a unique network and broad base of skillsets to help its portfolio businesses expand and commercialise.

Forward Looking Statements:

All statements other than statements of historical fact including, without limitation, statements regarding projections, future plans and objectives of PVL, are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'anticipate', 'believe', 'could', 'estimate', 'expect', 'future', 'intend', 'may', 'opportunity', 'plan', 'in principle', 'potential', 'project', 'seek', 'will' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions and assumptions regarding future events. Such forward-looking statements are not guarantees of future performance. They involve risks, uncertainties, assumptions and other important factors, many of

which are beyond the control of the Company, its Directors and Management of PVL that could cause PVL's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by these forward-looking statements will actually occur and investors are cautioned not to place any reliance on these forward-looking statements. PVL does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained above, except where required by applicable law and securities exchange listing requirements.



powerHouse

PVL 2.0

Aliwa Acquisition and Strategy

ASX Announcement

18 September 2024

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Introduction

ASX:PVL

- 120,743,176 shares @ \$0.052 p/share implying \$6.28m market capitalisation
- Cash and listed assets of \$2.8m and investments of \$8.4m (unaudited) as at 17 Sept 2024
- PVL trades at a significant discount to NTA

Presentation Contents

1. PVL State of Play
2. Proposed acquisition of Aliwa Funds Management
3. Board and management team
4. The Opportunity is now in Risk Assets

ASX:PVL (unaudited as at 17 September 2024)

Shares on Issue	120.74m
Current Price	\$0.052
Market Capitalisation	\$6.28m
Cash & Listed Assets	\$2.82m
Enterprise Value	\$3.46m
Investments in portfolio assets	\$8.38m

Future only

Section 1

PVL – State of Play

PVL 1.0 State of Play

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In the 2022 strategic review (ASX Placement Announcement 04/02/2022 and Strategy Update 24/06/2024), we committed to 3 limbs of strategy:

1. Reduce Cash Burn
2. Invest Strategically
3. Expand Horizons

The board is focused on reducing the NTA valuation gap and providing a pathway to creating short and long-term shareholder value beyond the confines of its balance sheet.



On Cash Burn: The board has recently implemented a number of cost reductions through the streamlining of company secretarial and registry services with Xcend. The audit processes post transition to an Australian corporate entity is also becoming smoother. Recent investment success with shorter-term listed assets has reduced net cash burn.



On Investing Strategically: Over the last 12 months, PVL made one new longer duration investment only. This was a highly compelling carbon project developer and PVL is taking a more active role and receiving additional founder equity. The deal was supported by an experienced consortium including a boutique natural capital investment firm and a globally experienced, Singapore-based commodities trading house.



On Expanding Horizons: With recent board changes, stability in our asset base, and success in recent investment strategies, we have opened the pathway for PVL to build a more sustainable and scalable platform. The proposed acquisition of Aliwa Funds Management allows PVL to reposition itself with a talented team, reliable infrastructure, better balance sheet diversification, and much-needed scalability.

Outside of this, PVL has been focused on maintaining balance sheet integrity given obvious market sentiment. With recent board changes, we have been able to apply our technical edge into pursuing shorter duration opportunities so as to compliment the longer duration portfolio.

PVL 1.0 State of Play - structural limitations

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- 1 As a listed business with cash burn at or above \$400k p.a, and small balance sheet, PVL is sub-scale (cost as % of assets on the balance sheet is too high)
- 2 Long duration (period of gestation from investment to liquidity) assets combined with a minimum fixed cost base creates a sub-scale trap
- 3 PVL therefore trades at a significant discount to NTA (current market capitalisation of \$6.28m compared to combined cash and financial assets of \$11.2m)
- 4 PVL cannot open capital allocation pathway for broader teams, infrastructure, capabilities, or investments
- 5 PVL is currently confined to the success of its long duration balance sheet; it needs the ability to be self-sustaining and drive value to shareholders beyond this
- 6 Limited opportunity for commercial alignment and key performance metrics with board and key staff
- 7 PVL equity story would benefit from better diversification and improved liquidity profile over its asset book

PVL therefore needs broader strategic alignment with the capital markets beyond long duration asset positions



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Section 2

PVL 2.0 Proposed Acquisition of Aliwa Funds Management

Rationale for Buying a Funds Management Platform

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- 1 Capital markets alignment – opportunity to utilise fund vehicles for broader investment activity with an incentivised team and additional track record; new commercial structures to raise new capital
- 2 Better diversification and liquidity profile vis-a-vis the current static asset book
- 3 Strong and flexible balance sheet to support further investments and/or other accretive capital management initiatives
- 4 Leverage and ability to capitalise on the risk/reward opportunity set presenting itself right now in micro-cap stocks and risk asset landscape
- 5 A broader investment platform allows for broader auxiliary revenue opportunities into PVL - by helping an expanded network of investee companies with investor relations & advisory services to compliment the new active sponsorship and balance sheet investing
- 6 Close the NTA discount and opportunity for market to re-rate PVL equity to reflect a premium for the funds management business
- 7 Potential to identify fragmented and subscale fund managers that make strategic sense to acquire

Acquisition Proposal – Who, Why, Why Now?

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Who is Aliwa Funds Management

Aliwa Funds Management is a boutique Australian funds management business based out of Brisbane, currently with one dual-mandate fund covering 80% listed microcap and 20% private asset opportunities. The group has achieved ~20% p.a performance in the fund over its 5-and-a-half-year track record investing across technology, resources, industrials and energy transition.

Why ?

The acquisition of Aliwa Funds Management gives PVL a base from which to grow a funds management division. Aliwa Funds Management has robust fund administration and trustee infrastructure. The existing investment team has key client, deal flow and market relationships as well as a base of c. \$23m in FUM. The single fund product it manages will be restructured and repositioned into two funds - a listed microcap fund and an unlisted venture capital fund.

Why Now ?

We have not diluted shareholder capital for 2.5 years while waiting for the right strategy to potentially lift out of the PVL 1.0 structural limitations described earlier. Throughout the significant risk-off period, we have increased NTA (size and quality) despite operating costs. PVL Assets and Aliwa unlisted portfolio are comparable, well-marked, and can be combined to achieve appropriate scale and platform to launch an unlisted tech-based fund.

Acquisition Terms of Aliwa Funds Management

Commercial Terms

PVL has entered into a binding (subject to shareholder approval) heads of agreement with Aliwa Funds Management to acquire the business for \$500,000 upfront in an all-scrip deal at 4 cents (approximating the 60 and 90 day VWAP).

A further \$224,000 in scrip at \$0.04 is payable based on an earnout on the proviso that there is \$20m+ FUM retention over 18 months.

A final contingent earnout is a fixed share (65%) of any paid performance fees (if any) based on audited delivery of performance revenue up to end of Financial Year 2026. This contingent earn-out is subject to a cap in value of \$650,000 and will be paid in scrip (price being 85% of VWAP of PVL's Shares on the ASX in the 45 trading days preceding 30 June 2026) provided that the PVL shares are then trading at or above 8 cents. If PVL share price is below 8 cents then this final contingent earnout share (if any) may be paid as cash, subject to the ASX Listing Rules.

A key condition precedent to the proposed transaction is the restructure of the current fund into Burleigh Ventures (private asset fund) and Aliwa Alpha Fund (listed ASX microcap fund) as well the funds undertaking a commercial reset.

David McNamee is a related party to this proposed transaction and become the Chief Investment Officer & Portfolio Manager within Powerhouse Ventures.

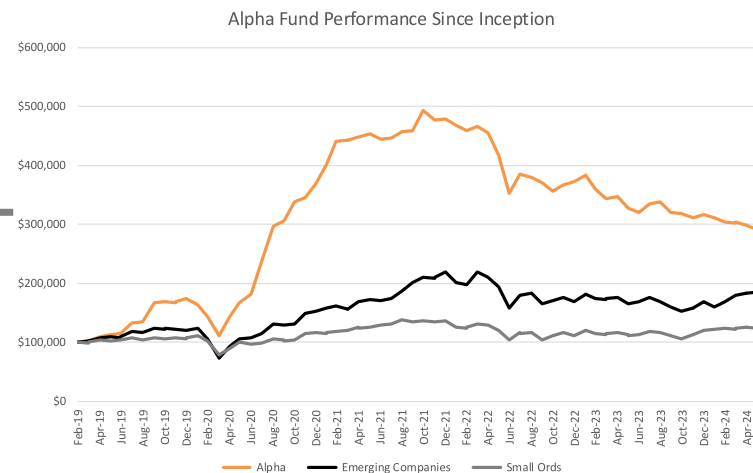


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The Aliwa Microcap Alpha Fund

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The acquisition comes with an existing investment team, David McNamee and William Cunning, with experience across the underserved Australian listed microcap space. The team have achieved more than 20% p.a over a 5.5 year period.



Mandate

The Aliwa Alpha fund focuses on the most populated sector of the ASX; companies under \$500m market cap. The fund aims to generate above-benchmark returns through investing in businesses with a strong perceived risk-reward asymmetry whilst being sector-agnostic. The fund is expected to predominantly hold ASX-listed businesses however will, at times, maintain a portion of the portfolio in cash or unlisted, pre-IPO investments.

Process

The Alpha fund investment team takes a bottom-up investing approach as follows;

1. Identifying new opportunities of interest through proprietary screening methods and extensive broker network
2. Deep financial, company and industry analysis
3. Ongoing management meetings to answer questions and stress-test assumptions
4. Identification of key catalysts for entry and exits and points to test our expectations
5. Initial investment followed by ongoing due diligence

Performance

~20% P.A. since inception.

Benchmark

RBA cash rate + 2% adjusted monthly.

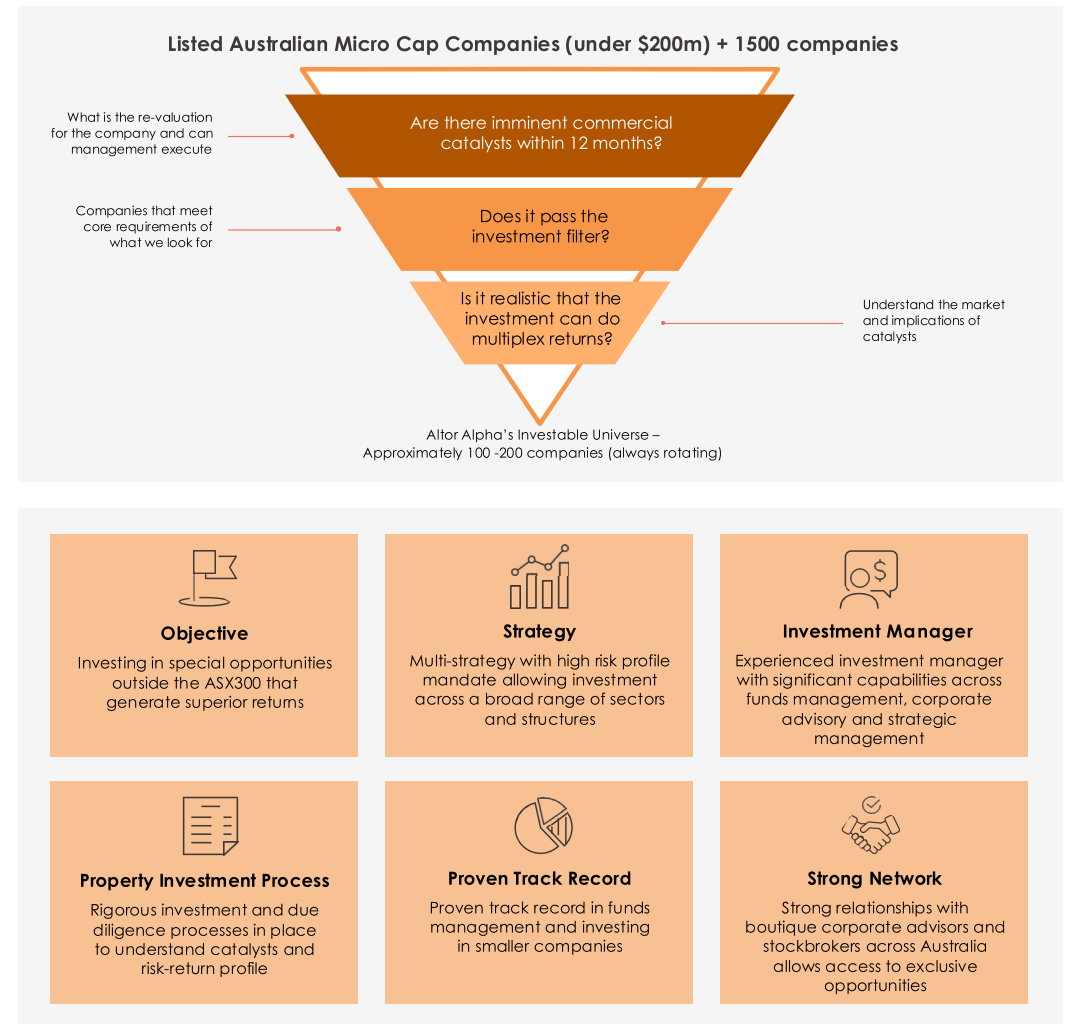
Fees

1.5% management fee + 20% performance fee on returns generated above benchmark. Subject to high watermark.

The Aliwa Microcap Alpha Fund

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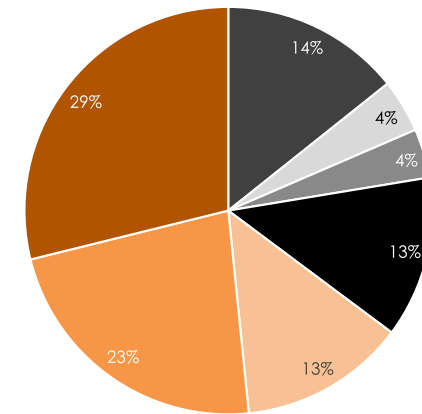
- Over its 5 + year track record, the Aliwa Alpha fund has developed a successful process and investment strategy to identify significantly undervalued microcap equities on the ASX.
- Through a proprietary screening system and extensive broker and information network, the team identifies and works through an investible universe of over 500 companies to find undervalued opportunities.
- The team undertake due diligence of shortlisted companies and extensive financial modelling to ascertain the quality of earnings, strength of the balance sheet and identify important financial distinctions that the team believes the market will appreciate, avoiding value traps.
- Once the opportunities join the stable, the team will remain actively engaged in helping and providing strategic, financial and capital markets advice to investee company management. The manager will actively seek to introduce them to merger opportunities, potential capital raising partners, and complimentary opportunities that may assist them to grow faster.



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Aliwa private assets and PVL investments may combine into Burleigh Ventures

- Burleigh Ventures will focus on investing in the most exciting real technology businesses across; quantum computing, satellite technologies, clean energy, future building materials and more.
- The fund aims to capitalize on the current climate of very low risk appetite, leaving limited professional competition in the space and companies with limited access to capital. The fund will take a 3–5-year horizon on a broadly illiquid asset profile with a view to exits in underlying investments predominantly through IPO's, a Secondary deal, or a sale of the business.
- The proposed investment team will show a significant track record in the space generating returns of ~20% p.a.
- Burleigh Ventures is a platform offering PVL optionality to consider transitioning directly held assets into a unitholding, with better risk-adjusted returns for shareholders.
- Where this makes sense for PVL shareholders, PVL's unitholding will have exposure to a larger fund with superior and immediate scale, a broader investment team, more capital and a more diversified portfolio.
- Any such potential switch of directly held assets would reduce the weighting of PVL's top position (currently 23%) and increase the spread and diversity of its exposures (currently 11 positions) while also shortening the duration and time to liquidity events of the assets.
- Further, Burleigh Ventures will have scale, expertise, and position size relevance to maximise prospects for secondary sales of positions prior to final liquidity event, which may further benefit PVL's balance sheet.
- The Current private assets of Aliwa and PVL sit well together – see diagram.



- Aerospace and Defence
- Green energy
- Scientific Materials
- Building Products
- Healthcare
- Battery technology
- Technology



Burleigh Ventures

A new Venture Capital Fund managed by experience venture capitalist Doron Eldar with support from PVL broader investment team.

Access to US, Israel and other global markets through highly experienced global VC operative.

Over the next 12 months, the PVL team will be developing an exciting Venture Capital division to be run by Doron Eldar. Doron is a seasoned entrepreneur and venture capitalist with over ten years of senior leadership experience in deploying new business models and formulating corporate strategies. As a Partner at the Southern Israel Bridging Fund, he specializes in identifying and nurturing high-potential companies with breakthrough technologies, providing both financial and strategic support to founders. Doron will bring not only his significant experience to the existing combined portfolio but also a significant pipeline of global opportunities for unit holders and PVL shareholders.



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Mandate

Burleigh Venture Partners will focus on on deep technology in the environmental, sustainability, Health Tech, AI, Quantum Computing, and Nano tech domains primarily in Seed to A stage companies. The target initial ticket size for each company in the fund ranges from A\$1-2m with a further budget of c. A\$2-4m of additional capital to support growth. Beyond just providing financial support, BVP aims to add value to its portfolio companies through strategic advice, network connections, market access, and operational support.

Process

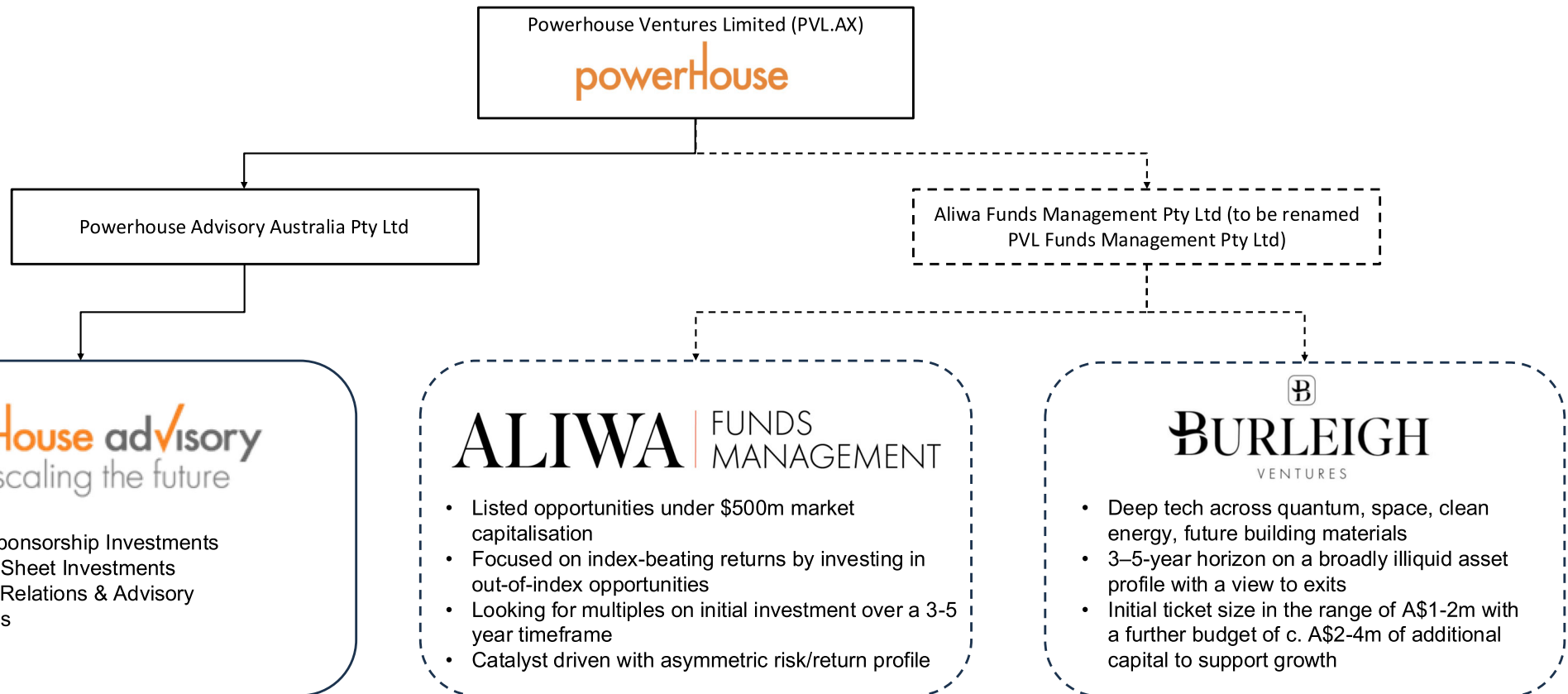
1. The identification of businesses with an exceptional team with deep experience in the given sector
2. Understand the underpinning technology and confirm its high barrier to entry and difficulty of its replicability
3. Understand and stress-test the commercial viability of the technology and TAM and garner potential future revenue and earnings
4. Enter at an attractive valuation pursuant to the risk and stage of the business
5. Add value through strategic advice, network connections, market access and operational support
6. Identify and capitalise on exit opportunities to capitalise on investment uplift

FUM and investor type

Targeting initial funds under management of ~\$15m for HNWI individuals, financial advisors and fund-of-fund entities.

PVL 2.0 proposed structure

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Proposed to acquire / develop

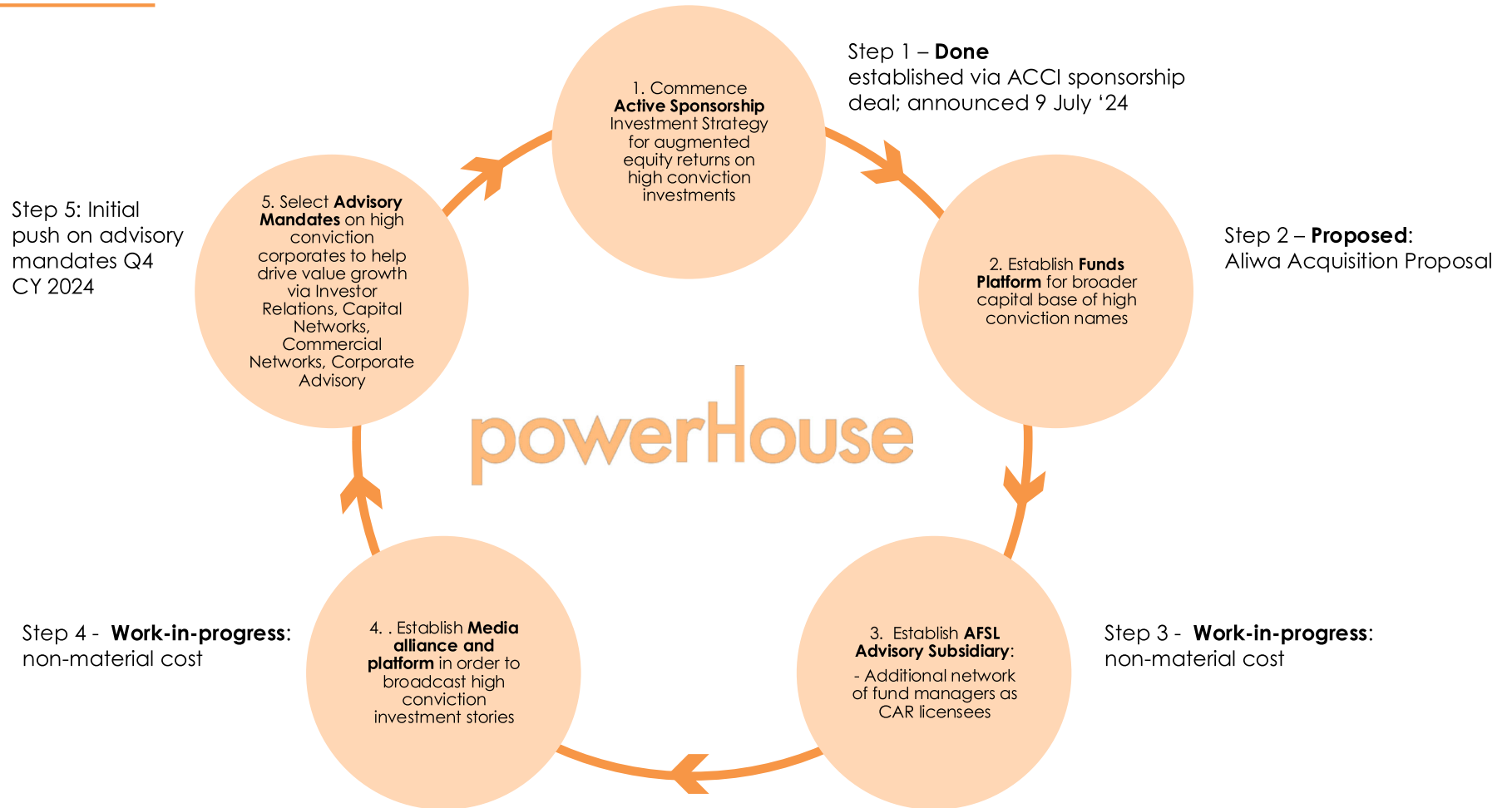
Synergies of Acquisition – Opportunity of PVL 2.0

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- 1 Additional capital for investment activity and carried interest (performance based) without further equity dilution at listed topco level
- 2 Creation of a platform to grow fund products across additional sectors and opportunities that make strategic and cultural fit
- 3 Enhance equity story to mix of annuity and performance-based income in conjunction with better liquidity and risk adjusted PVL balance sheet returns
- 4 Enable cohesive and aligned platform to help our investments perform better via advisory, consultancy and other financial licensed activities

PVL 2.0 Value Flywheel – Broader strategy and steps

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Section 3

Board and Management Team

Proposed board and management team

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James Kruger
Executive Chairman & CEO

James has over 25 years global commodities & investment banking experience, including roles as Global General Counsel for Macquarie Securities Group and Head of Prudential for Macquarie's Asian Investment Banking division. From 2017-2020 James was the Chairman of the USD\$300m Macquarie Innovation Partners GP and has been PVL chairman since January 2022.



David McNamee
Chief Investment Officer & Portfolio Manager

David is the Portfolio Manager of the Aliwa Alpha Fund and is a highly experienced investor and adviser with a track record in performance, deal sourcing and commercial negotiations. Spending 5 years at Bell Potter Securities, David specialised in smaller market capitalisation company deals particularly technology. David then served as a Director and Associate Portfolio Manager for Scintilla Strategic Investments, a leading microcap investment manager.



Doron Eldar
Non Executive Director

Doron Eldar is a seasoned entrepreneur and venture capitalist with over ten years of senior leadership experience in deploying new business models and formulating corporate strategies. As a Partner at SIBF VC, he specializes in identifying and nurturing high-potential companies with breakthrough technologies, providing both financial and strategic support to founders.



Geoffrey Nicholas
CFO & Operations

Geoffrey Nicholas serves as the Chief Financial Officer of Powerhouse Ventures Ltd., where he brings a wealth of experience in business acquisitions and operational management. His role involves overseeing financial strategies and contributing to the company's growth initiatives.



William Cunning
Investment Manager

William has worked with the Aliwa Alpha fund for over years and has prior experience in small and mid-cap equities across both tech and industrials. Prior to working at the Alpha Fund, William spent 3 years at a boutique research firm providing stock coverage to Australia's top small and mid-cap institutional fund managers. Before entering financial markets, William worked in technology consulting at Gartner International and ran operations and analysis at a successful Brisbane based SaaS startup.



Ben Hodge
Advisory Services

Ben Hodge has a diverse and accomplished background in business and technology. He has led, founded, and successfully exited businesses in the IT and medical devices industries, showcasing his entrepreneurial skills and ability to navigate complex technological sectors. For the past 2 and a half years, ben has acted as Investment officer at PVL and provided research and analytical capabilities to the PVL investment team.

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Section 4

The Opportunity is now in Risk Assets

Risk Assets – Now is the time to invest

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1. Risk assets have faced a historic stretch of underperformance over the past 3 years with sentiment now turning.
2. Market segment is expressing key markers you would expect to see during the bottom of the cycle. Lack of liquidity, zero immediacy to deploy capital, extreme fear, aversion to risk, withdrawal of institutional mandates and money, cost cutting, insolvencies, major board and management changes and severely depressed share prices. Meanwhile these companies are fundamentally progressing, and markets are ever more reliant on new technologies and innovation.
3. In Australia, institutional money has broadly left the microcap end of the market due to liquidity constraints and prolonged poor performance whilst the number of companies in the smaller end of the market with functioning, revenue-generating models (defined as >\$5m revenue) has increased by ~50% since 2019 following a record level of small-company IPO's in 2021 and a wholesale reduction in company values since then.
4. There will be winners and losers during this washout. With PVL 2.0 we have the ability to identify winners, get better investment terms and company engagement given the vacuum of capital due to investor sentiment.
5. Risk/reward given fundamental progress and downside protection due to depressed valuations – now is the time to be deploying capital.

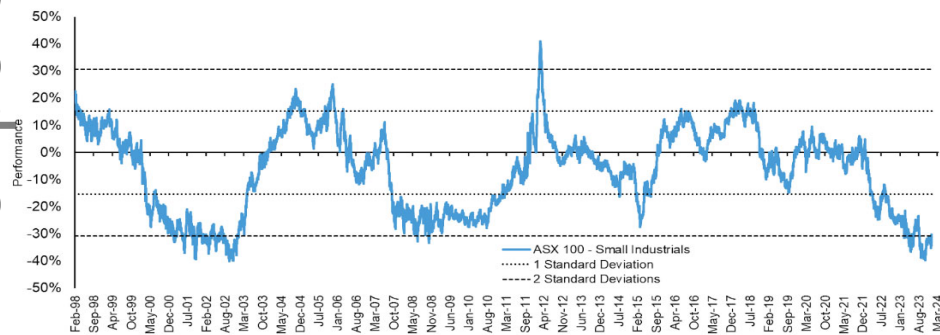


Figure 1: Rolling 3-year Relative Performance: ASX 100 (Large Caps) v Small Cap Industrials.

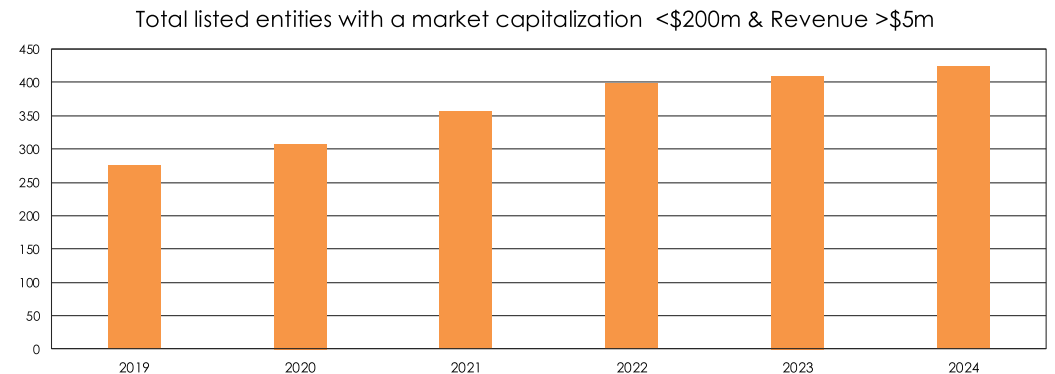


Figure 2: Total number of ASX listed companies \$<200m mc and >\$5m revenue

The VC Environment – Challenges and Opportunities

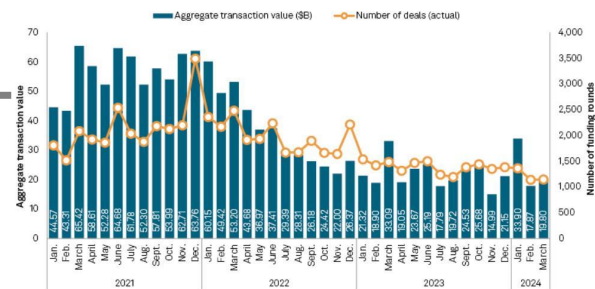
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The venture capital (VC) industry has experienced notable changes from 2021 to 2024, shaped by economic fluctuations, technological advancements, and shifts in investor behavior. Here are a few key points describing the evolution of the VC industry over these years:

Economic Climate and Investment Trends

- 2021:** The year was marked by a surge in VC funding, driven by a rebound from the COVID-19 pandemic, with a focus on technology and healthcare sectors.
- 2022:** Investments began to slow down due to rising interest rates and inflation concerns, leading to more cautious spending and valuation adjustments.
- 2023:** The market saw further correction, with a significant drop in funding levels as economic uncertainties persisted and the fallout from overly optimistic valuations in prior years became evident.
- 2024:** There has been a gradual recovery with a focus on sustainable and profitable growth rather than the growth-at-all-costs model. Emphasis on sectors like AI, biotechnology, and green technologies has intensified.

Global PE/VC investments through rounds of funding, 2021–2024 YTD*
Monthly aggregate values



Data compiled April 5, 2024.
* Year-to-date through March 31, 2024.
PE/VC = private equity or venture capital.
Analysis includes global rounds of funding announced between Jan. 1, 2021, and March 31, 2024, where the buyer/investor is or includes a private equity or venture capital firm. Excludes terminated deals and debt funding rounds.
Source: S&P Global Market Intelligence.
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- IPO window has closed
- Strategic buyers with substantial cash balances are in the market
- Attractive multiples environment for buyouts and rollups
- M&A will be the main alternative for exits in 2023



Source: Pitchbook



Source: Goldman Sachs

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Contact

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