



23 October 2023

Updated FY23 Annual Report

Locality Planning Energy Holdings Limited's (ASX: LPE) (the **Company** or **LPE**) updated 2023 Annual Report is attached. The only change is the addition of the Shareholder Information as required by ASX Listing Rule 4.10.

Authorised by Justin Pettett, Chairman.

For further information:

Elissa Hansen

Company Secretary

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LPE[®]

2023 Annual Report

**Locality Planning Energy
Holdings Limited**

ABN 90 147 867 301

Smarter, Friendlier, Better electricity provider

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What we do

LPE is an electricity provider to strata communities; leaders in innovation, with bespoke energy solutions, reducing community carbon footprints and energy bills with no upfront cost. Predominantly servicing the Queensland energy market, providing electricity, hot water, solar and battery systems, creating shareholder value through long term supply agreements that provide strong recurring revenue.



LPE understand that our customers have specific needs individual to them. We believe that together through our innovative thinking we can create resilient, sustainable communities of the future, providing transparent energy solutions that are easy and risk free for the communities we serve.



We achieve this by providing practical innovative solutions that adopt the latest renewable technologies, reducing grid dependency with behind the meter generation. We enable smarter and efficient water heating solutions, provide better EV charging options that are easy for the end user and not onerous on owners. We offer simple bills that are transparent and risk free for all stakeholders.



We are the leader in delivering embedded electricity networks, centralised hot water, behind the meter renewable energy generation, and EV charging solutions, for strata communities.

From concept through to delivery we manage every step, delivering a hassle-free result making it easy for the body corporate, with a transparent and risk-free service.

Performance Highlights



Improving operating performance in FY23, especially from the embedded network business, as the remaining balance of \$7m of the \$10m growth facility is deployed to fund capital works and acquire existing operations/billing agents, should facilitate the transition to profitability in FY24



Significant debt restructuring, which included financing the closed hedge position for \$17.8m, enabling all Blackrock related debt to be extinguished



Due to higher wholesale electricity costs re-contracted during the height of the electricity market crisis and associated bad debt write offs, exit payments to Blackrock, and restructuring costs, LPE booked a net loss of \$12.0m for FY23



Plans to exercise the option to acquire 50% of crypto-miner STAK Mining were dropped in late 2022 due to volatile crypto market conditions; LPE is continuing its discussions with Bundaberg BioHub to secure repayment of \$5.75m (capital works fund and continuing to accrue interest) during 1HFY24



Improving customer traction facilitated the high value-add contracted embedded network business meeting FY23's

\$40m

annualised revenue guidance, comprising \$38.6m in electricity sales, \$0.75m in accrued interest from the BioHub and \$0.65m in other interest and other items



Successfully acquiring All Power To You Pty Ltd (AP2U) in June 2023, boosting billable customers by circa

4,000

(+14%) to circa 32,000 at year's end, allowing LPE to generate higher customer receipts as FY24 progresses



Completed strategic transition, enabling a shift in resources to focus on

Creating value powering strata communities

to deliver sustainable results

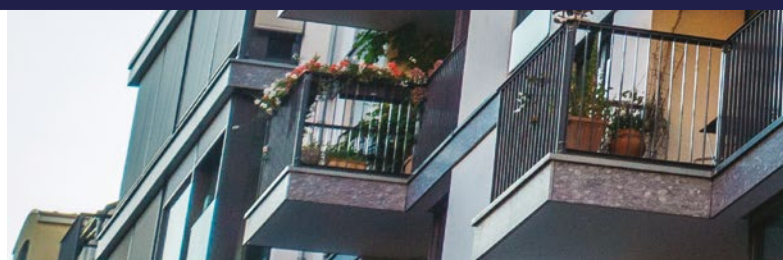


Chairman's Letter



At the conclusion of FY23, LPE's core embedded network business is well positioned to grow organically and through selective acquisition.

Justin Pettett
Chairman



Dear Shareholders,

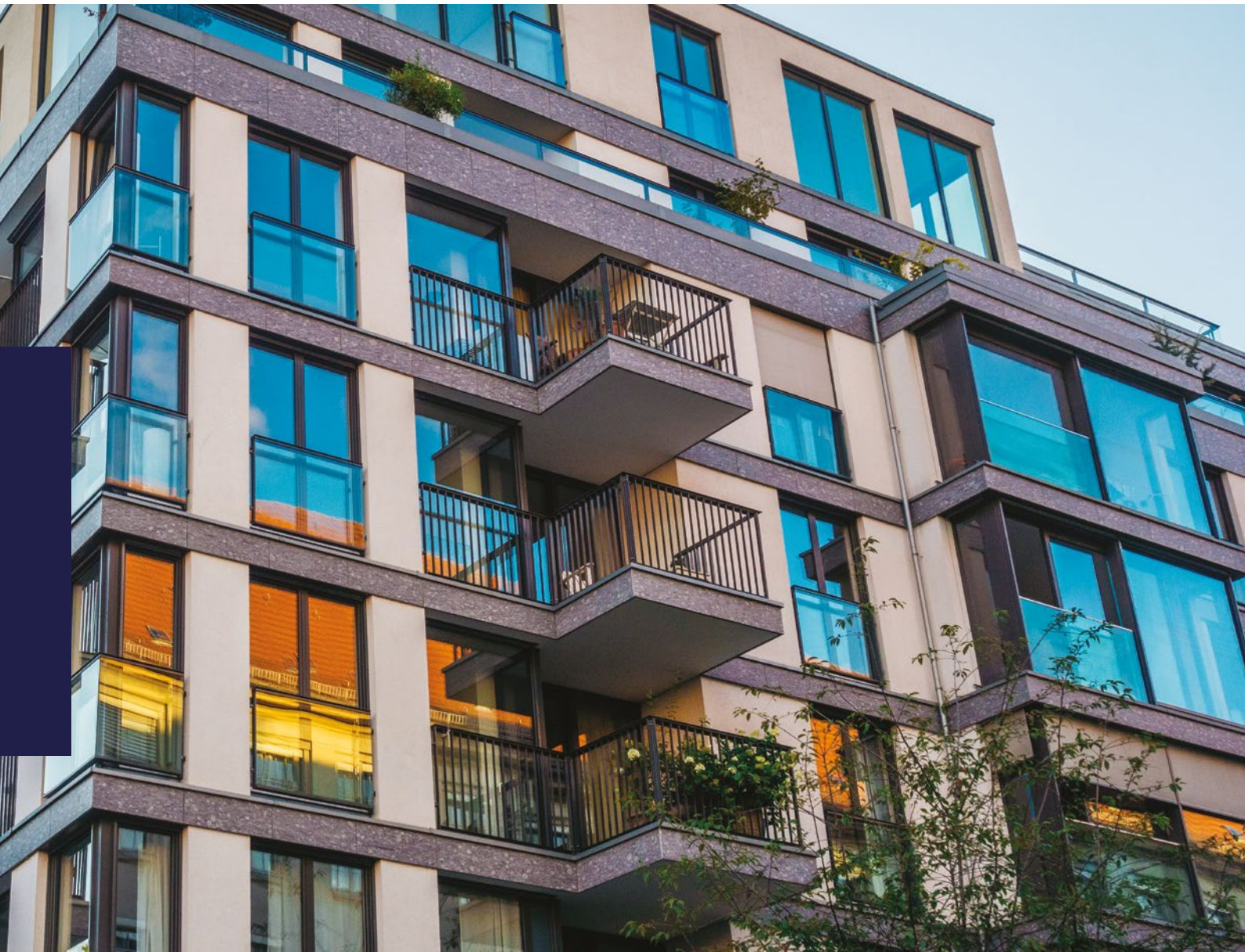
The fiscal year to 30 June 2023 (FY23) represented the most challenging in our 10-year history, as we successfully navigated through the wholesale electricity crisis which saw 9 authorised retailers fail. As a result, our operating platform has been transformed onto more stable foundations focused on the embedded network business.

Whilst unforeseen external factors adversely impacted LPE's business during FY23, we continued to respond proactively. Through making some decisive strategic calls in FY22 and executing on those decisions in FY23, the operating platform was protected. At the conclusion of FY23, LPE's core embedded network business is well positioned to grow organically and through selective acquisition. Moreover, we will see margin improvement in FY24, as higher wholesale electricity costs have now been factored into customer pricing schemes.

Overall, LPE produced a \$12m net loss in FY23, attributable to one-off charges comprising \$2.1m to close the Blackrock credit facility; \$2.6m in interest expenses; and \$7.3m from re-contracting electricity pricing schemes for some embedded network customers during the wholesale electricity market crisis in June-July 2022.

A key accomplishment during FY23 was successfully acquiring AP2U for \$900,000 in June 2023, as this boosted the customer base 14% to circa 32,000 and should generate at least \$500,000 in incremental revenues in FY24. More importantly, many of the newly acquired customers have long-term service contracts – ranging from 5-to-10 years – which delivers LPE a high-quality recurrent revenue stream.

A key focus for FY24 is to boost the quality of the customer base organically and through select acquisitions. As a result of debt restructuring exercises during FY23 and securing support from Roadnight Capital, LPE is well funded to progress expanding the customer base. The Company's cash reserves will be further strengthened on settlement of the Bundaberg BioHub \$5.75m in capital works funds.



FY24 has started on a positive cashflow note, as LPE received circa \$11m from the Queensland government as a 'cost-of-living rebate' which will be credited against customer accounts as they become due.

On behalf of the Board, our thanks to CEO Damien Glanville and his management team for steering LPE through some hazardous times in FY23 relatively unscathed. In addition, a huge thank you to our amazing staff for their tireless work effort throughout this intense period and to our shareholders for ongoing support.

The Board looks forward to delivering a turnaround year in FY24 and expanding LPE's customer footprint throughout Queensland as the preferred provider of electricity and utilities to strata communities.

Justin Pettett
Chairman

A key accomplishment during FY23 was successfully acquiring AP2U for \$900,000, as this boosted the customer base 14% to circa 32,000 and should generate at least

\$500,000
in incremental revenues in FY24.

CEO's Report



Successfully navigating through the past two years will serve LPE well into FY24 and beyond.

Damien Glanville
CEO

Dear Shareholders,

The dislocation in the wholesale energy market, which saw persistently high energy prices through much of 1HFY23, resulted in the Company undertaking a wholesale reorganisation that delivers several key benefits:

- Materially de-risked operating platform that is now focused on the core embedded network business;
- Iron clad strategy to grow the customer base, currently circa 32,000, organically and via select acquisition;
- Robust funding to support expanding the embedded network business;
- Streamlined cost structure that should enable a resumption of EBITDA margin expansion as FY24 progresses; and
- Clear path to profitability in FY24.

Without question, the challenges LPE faced during 1HFY23 managing change were immense, as it comprised exiting the retail business, while concurrently renegotiating wholesale energy agreements with embedded network customers.

Retail business exit

Although the decision to exit the retail business was taken in late FY22, an active off-boarding campaign was implemented to transition legacy customers to new service providers. This was an intense process, requiring continuous follow up communication, that took until 1QFY23 to close out.

At the same time, we had the difficult task of rapidly realigning the cost structure with a much lower revenue threshold to avoid material operating losses. Pleasingly, this has now been completed and all reorganisation related costs have been factored into FY23's accounts.

Strengthening core embedded network business

With many buildings wholesale energy agreements expiring during FY23, the team had to work extremely hard to protect the embedded network business from losing customers. This necessitated a delicate balance of explaining to customers (committees/corporate managers) face-to-face that while energy prices had tripled, LPE was prepared to smooth out the impact in return for agreeing to contract extensions. This proved to be a win-win strategy as there was no net erosion in the customer base, while there is scope in the contracts for LPE to claw back lost margin in future years.



The acquisition of All Power 2 You (AP2U), which boosted the customer base by 4,000 to >32,000 was an excellent outcome during a tough transitional period. It demonstrates that LPE has the foundations in place to grow the business via acquisition, complementing an already proven ability to expand organically.

Outlook

Successfully navigating through the past two years will serve LPE well into FY24 and beyond. The Company's core focus is profitably growing the customer base inside strata complexes, delivering smarter utility services from selling electricity/hot water systems; providing utility billing services; and, overall, creating sustainable communities of the future.

My sincere thanks to all of our dedicated LPE team members, who worked tirelessly to keep the operation running smoothly during a tough period, and ongoing support from shareholders. The group is now in a very strong position to transition to profitability during FY24.

Damien Glanville
CEO

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The acquisition of All Power 2 You (AP2U), which boosted the customer base by 4,000 to >32,000 was an excellent outcome during a tough transitional period.

Operating and Financial Review

Operating Results

LPE read the market signals correctly during mid-FY22 and, fortunately, was an early mover in making the tough decision to exit the cash intensive on-market retail business. More importantly, excellent risk management – through hedging against rising wholesale electricity prices – delivered a significant buffer of approximately \$6m to aid LPE's re-focus back to the core embedded network business.

In line with guidance, the reorganised business platform delivered revenues of \$40m during FY23 comprising \$38.6m in electricity sales, \$0.75m in accrued interest from the BioHub and \$0.65m in interest and other items. The overall loss for FY23 was \$12m primarily due to the Company's reorganisation and largely explained by one-off charges including \$7.3m for carrying high wholesale electricity costs through the financial year, \$2.1m to extinguish the Blackrock credit facility and \$2.6m in interest expenses.

As a result of right-sizing the business platform, operating costs were reduced by a significant 43% in FY23 to \$8.2m (FY22: \$14.7m). Notably, there was a material reduction in head count and associated costs resulting from exiting the on-market side of the industry to focus on the core embedded network business. In addition, shelving plans to move into the crypto arena should see \$5m plus \$750,000 in accrued interest flow back to LPE from the capital works funding during FY24 which will further bolster the Company's cash reserves.

The Board expects LPE to be profitable in FY24, which would represent a material turnaround compared to FY23's performance.

As a result of right-sizing the business platform, operating costs were reduced by a significant 43% in FY23 to

\$8.2m

(FY22: \$14.7m).

Financial Performance Summary

Sales for FY23 were \$38.6m, a decrease of 43% on FY22, due to LPE exiting the on-market retail business. Importantly, the high costs to service the on-market retail business have been largely eliminated and operating efficiencies increased. Drilling down, employee costs were cut 30% now the current team has been stabilised under the new structure. Elsewhere, IT and marketing costs were down a significant 65% and 46% respectively, due to the reorganisation.

For FY23, the net loss was primarily due to the requirement to re-contract electricity for some of LPE's embedded network customers, during the height of the wholesale electricity market crisis in June-July 2022. Due to significantly higher electricity costs and adverse impact on parts of the customer base, LPE agreed to subsidise the higher electricity charges in return for owner groups extending contract terms up to 10 years. This will enable LPE to recover the lost margin in subsequent years commencing in FY24, whilst stabilising the customer base.

LPE closed the fiscal year with \$1.5m in cash and cash equivalents and is well capitalised to fund growing its operations through FY24.

AP2U acquisition boosts billable customer base >32,000

During 4QFY23, LPE closed the All Power To You Pty Ltd (AP2U) acquisition which currently services >4,000 customers located in 44 strata communities throughout south-east Queensland. Notably, many of the new customers have long-term service contracts ranging from 5 to 10 years which delivers LPE a high-quality recurrent revenue stream.

The AP2U acquisition is expected to generate >\$500,000 annually and should be earnings enhancing as LPE's fixed costs are likely to remain relatively stable throughout FY24. In addition, bringing AP2U into the mix elevates LPE's totally embedded billable customer network by 14% to circa 32,000.

Bundaberg BioHub

The Board has been working with the Bundaberg BioHub to obtain early repayment of the \$5m capital works funds and accrued interest (originally due to be repaid in October 2023). The repayment was due to be made during 4QFY23 but remains outstanding.

LPE has notified Bundaberg BioHub it has until 30 September 2023 to pay all accrued unpaid interest and until 31 October 2023 to repay the \$5m capital works funds.

\$10m credit facility to grow embedded network business

During FY23, LPE secured a \$10m credit facility from funding partner, Roadnight Capital, to expand its embedded network customer base. The credit facility, which has a 3-year term, has been utilised to install and upgrade strata communities' capital works, whether it be switchboard or metering replacement or upgrades, centralised hot water systems and/or renewable generation at no upfront cost to the community, in return for long-term stable supply contracts.

Incrementally, LPE will continue to pursue acquisition opportunities (like AP2U) to further expand the embedded electricity network, centralised hot water customer base through existing retailers and billing agents looking to exit the industry or join forces with a well-established ASX-listed Queensland strata service provider.

Outlook

In FY24, the Board expects further organic and acquisition driven growth from the core embedded network business. LPE remains a prominent supplier for Queensland's strata communities through offering an innovative product suite and service to all decision makers and, importantly, to owners.

Overall, with a stronger operating platform, expanding customer base, normalising margins due to re-pricing in line with market and stable costs, the Board is optimistic LPE can successfully transition to profitability in FY24.



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During FY23, LPE secured a \$10m credit facility from funding partner, Roadnight Capital, to expand its embedded network customer base.

Directors' Report

Your directors submit the financial report of the consolidated entity (referred to hereafter as the Group or Consolidated Entity) consisting of Locality planning Energy Holdings Limited (referred to hereafter as the Company or LPE) and the entities controlled at the end of and during the year to 30 June 2023.

Directors and Company Secretary

The names of directors who held office during the year and up to the date of this report are:



Justin Pettett

Non-Executive Chairman

Justin is a co-founder of LPE and has over 22 years of ASX company experience having founded and helped companies from start-up to take over/acquisition/public-listing stage. He has a proven track record in identifying and maximizing business opportunities in the energy sector having led teams to deliver successful results, working closely with key stakeholders, investors and industry partners. Justin's ethos is to support the transition of fossil fuels to a dependable, renewable form of energy resource for future generations to come.



Damien Glanville

Managing Director and CEO

Damien has 19 years' experience in senior management, logistics, and Executive Director roles. He engineered the business cases for the deployment of the Sunshine Coast 16MW Solar Farm. Damien is co-founder and architect of the electricity retail model that successfully enabled LPE to obtain their Australian Energy Regulator Authorisation. Damien is the CEO of the LPE and the listed responsible person for the management components of the Australian Energy Regulator Authorisation to retail electricity.



Barnaby Egerton-Warburton

Non-Executive Director

Barnaby has over 25 years of trading, investment banking, international investment and market experience with positions at JP Morgan (New York, Sydney, Hong Kong) BNP Equities (New York) and Prudential Securities (New York). He is an experienced investment banker and corporate advisor, having held managing director and non executive director positions in the investment banking, technology and resource sectors. Mr. Egerton Warburton holds a degree in economics and is a graduate of the Australian Institute of Company Directors.



Kathryn Giudes

Non-Executive Director

Kathryn was previously the Senior Director of Xbox Games Marketplace, as well as the Microsoft Store online where she managed the profit and loss and global expansion in over 200 geographies, with both having an annual revenue budget in the mid US\$1 billion range. She holds a Bachelor of Science (BSc) in International Marketing from Oregon State University and Associate of Science (ASc) – Computer Science and Information Systems from Shoreline Community University. Kathryn is a member of the Australian Institute of Company Directors.

Directors' Report continued



Simon Tilley

Non-Executive Director

Simon has been working in the hospitality industry for over 30 years. He started his career in the USA and has been focussing his attention solely on hotels since 1996. Further, Mr Tilly is a passionate and focused business owner whose knowledge and experience allows him to continually raise the bar in customer experience.



David Jarjoura

Non-Executive Director

David has over 30 years of executive and non-executive board level experience in unlisted public, commercial and for purpose organisations across the retail, property, manufacturing, financial, legal, education and disability sectors.



Elissa Hansen

Company Secretary

Elissa has over 20 years' experience advising boards and management on corporate governance, compliance, investor relations and other corporate related issues. She has worked with boards and management of a range of ASX listed companies including assisting companies through the IPO process. Elissa is a Chartered Secretary who brings best practice governance advice, ensuring compliance with the Listing Rules, Corporations Act and other relevant legislation.

Director Meetings

Director	Board Meetings		Audit and Risk Committee Meeting		Nomination and Remuneration Committee Meeting	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Justin Pettett	12	12	3	3	1	1
Damien Glanville	12	12	–	–	–	–
Barnaby Egerton-Warburton	12	9	3	2	1	–
Kathryn Giudes	12	10	3	3	1	1
Simon Tilley	2	1	–	–	–	–
David Jarjoura	2	2	–	–	–	–

Remuneration Report (Audited)

The Company is committed to attracting and retaining the best people to work in the organisation, including directors and senior management. A key element in achieving that objective is to ensure that the Company can appropriately remunerate its key people.

Remuneration Practices

The Company has established a remuneration committee as a committee of the Board.

The primary purpose of the Committee is to support and advise the Board in fulfilling its responsibilities to shareholders by:

- a) reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- b) ensuring that the executive remuneration policy demonstrates a clear relationship between senior executive performance and remuneration;
- c) recommending to the Board the remuneration of executive Directors;
- d) fairly and responsibly rewarding executives having regard to the performance of the Company, the performance of the executive and the prevailing remuneration expectations in the market;
- e) reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- f) reviewing and approving the remuneration of the Chief Executive Officer and, as appropriate other senior executives; and
- g) reviewing and approving any equity based plans and other incentive schemes.

The remuneration committee shall have the right to seek any information it considers necessary to fulfil its duties, which includes the right to obtain appropriate external advice at the Company's expense.

The key management personnel (KMP) of Locality Planning Energy Holdings Limited and the consolidated entity includes the directors of the Parent Entity.

Remuneration Policy

The Board's policy for determining the nature and amount of remuneration for KMP of the Consolidated Group is based on the following:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board after professional advice is sought from independent external consultants.
- All KMP receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The remuneration committee reviews KMP packages annually by reference to the Consolidated Group's performance, executive performance, and comparable information from industry sectors.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment, and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties, and accountability. Independent external advice is sought when required.

At the 2022 Annual General Meeting (**AGM**), 98.98% of votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of the remuneration of key management personnel of LPE are set out in the following tables. The key management personnel of the Group consisted of the following directors of LPE:

- Justin Pettett, Non-Executive Chairman
- Damien Glanville, Managing Director and CEO
- Barnaby Egerton-Warburton, Non-Executive Director
- Kathryn Giudes, Non-Executive Director
- Simon Tilley, Non-Executive Director
- David Jarjoura, Non-Executive Director

Remuneration Report (Audited) continued

2023 Remuneration

	Short Term Employee Benefits	Post Employment Benefits	Long Term Employment Benefits	Equity based Payments	Total
	Salary & Fees	Superan- uation			
Directors					
Justin Pettett	\$220,000	–	–	\$20,518	\$240,518
Damien Glanville	\$442,242	\$25,292	\$44,973	\$20,517	\$533,024
Barnaby Egerton-Warburton	\$60,000	\$6,300	–	–	\$66,300
Kathryn Giudes	\$60,000	–	–	–	\$60,000
Simon Tilley ¹	–	–	–	–	–
David Jarjoura ¹	\$20,000	\$525	–	–	\$20,525
Executives					
Melissa Farrell ²	\$98,565	\$9,119	–	–	\$107,684
Total	\$900,807	\$41,236	\$44,973	\$41,035	\$1,028,051

Equity-settled benefits include the full assessed value of the performance rights issued in the year. These performance rights are at at-risk, and none have vested by year-end.

2022 Remuneration

	Short Term Employee Benefits	Post Employment Benefits	Long Term Employment Benefits	Equity Based Payments	Total
	Salary & Fees	Superan- uation			
Directors					
Justin Pettett	\$220,000	–	–	–	\$220,000
Damien Glanville	\$461,774	\$23,568	\$8,149	–	\$493,491
Melissa Farrell ³	\$318,992	\$23,568	\$2,235	–	\$344,795
Barnaby Egerton-Warburton	\$60,000	\$6,000	–	\$30,000	\$96,000
Kathryn Giudes ⁴	\$20,000	–	–	–	\$20,000
Executives					
Toby Mills ⁵	\$221,482	\$22,148	\$484	–	\$244,114
Total	\$1,302,248	\$75,284	\$10,868	\$30,000	\$1,418,400

Notes:

1. Appointed 17 May 2023.
2. Resigned as an executive 30 September 2022.
3. Resigned as a director 1 March 2022.
4. Appointed 3 March 2022.
5. Appointed 23 September 2021 and resigned on 1 July 2022.

Remuneration Report (Audited) continued

Equity Based Compensation

There were no shares or options issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023.

The terms and conditions of each grant of performance rights 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 Rights granted	Grant Date	Vesting date and exercisable date	Expiry Date	Share price hurdle for vesting	Fair value per right at grant date
Justin Pettett	3,500,000	19 December 2022	On achievement of milestones	19 December 2025	\$0.15	\$0.0367
Damien Glanville	3,500,000	19 December 2022	On achievement of milestones	19 December 2025	\$0.15	\$0.0367

Performance rights granted carry no dividend or voting rights.

Vesting of Performance Rights is subject to the Director's continued role with the Company and upon achievement of either of the following Performance Milestones within the 24-month period from issue:

- the volume-weighted average share price (VWAP) over any 10 consecutive day period (in aggregate) exceeding 15 cents per share, representing a 150% increase in share price from 22 November 2022; or
- net profit after tax being achieved from operations in any two consecutive 6-month reporting periods of more than \$1 million combined from and including 1 January 2023 (together the **Milestones**)

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Share Holdings

The number of shares in the Company held during the year ended 30 June 2023 by each director and other key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance 30 June 2022	Shares Acquired	Shares Disposed	Balance 30 June 2023
Directors				
Justin Pettett	9,409,102			9,409,102
Damien Glanville	8,400,995			8,400,995
Barnaby Egerton-Warburton	60,000			60,000
Kathryn Guides	–			–
Simon Tilley ¹	–			21,300,000
David Jarjoura ¹	–			200,000

1. Simon Tilley and David Jarjoura were appointed as directors on 17 May 2023.

Remuneration Report (Audited) continued

Option Holdings

The number of options over ordinary shares in the Company held during the year ended 30 June 2023 by each director and other key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance 30 June 2022	Options Acquired	Options Disposed	Balance 30 June 2023
Directors				
Justin Pettett	1,400,000			1,400,000
Damien Glanville	0			0
Barnaby Egerton-Warburton	1,000,000			1,000,000
Kathryn Guides	0			0
Simon Tilley ¹	–			0
David Jarjoura ¹	–			0
	2,400,000			2,400,000

1. Simon Tilley and David Jarjoura were appointed as directors on 17 May 2023.

Performance Right Holdings

The number of Performance Rights over ordinary shares in the Company held during the year ended 30 June 2023 by each director and other key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance 30 June 2022	Performance Rights Acquired	Performance Rights Disposed	Balance 30 June 2023
Directors				
Justin Pettett	0	3,500,000		3,500,000
Damien Glanville	0	3,500,000		3,500,000
Barnaby Egerton-Warburton	0			0
Kathryn Guides	0			0
Simon Tilley ¹	–			0
David Jarjoura ¹	–			0
		7,000,000		7,000,000

1. Simon Tilley and David Jarjoura were appointed as directors on 17 May 2023.

This concludes the remuneration report which has been audited.

Principal Activities of the Consolidated Entity

The principal activity of the consolidated entity is the sale of electricity and utility services to residential and commercial customers throughout the Australian National Electricity Market (NEM).

Dividends

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend since 30 June 2023 and to the date of this report.

Directors' Report continued

Shares under Option

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

Grant Date	Expiry Date	Exercise Price	Number under option
26 October 2023	26 October 2023	\$0.30	130,833,334
30 March 2022	30 March 2026	\$0.20	1,000,000
			131,833,334

No ordinary shares were issued on exercise of options during the year ended 30 June 2023 and up to the date of this report.

Shares under Performance Rights

Unissued ordinary shares under performance rights at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number under option
14 November 2022	1 January 2024	\$0.00	1,764,081
19 December 2022	19 December 2025	\$0.00	7,000,000
27 March 2023	1 January 2024	\$0.00	399,804
			9,163,885

2,487,541 ordinary shares were issued on exercise of performance rights during the year ended 30 June 2023.

Review of Activities and Business Strategies

An operating and financial review of the company during the financial year is contained on pages 8 to 9 of this report and forms part of the Director's Report. It includes a review of operations during the year, as well as the financial results and business strategies of the Company.

Changes in State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year.

Proceedings on Behalf of the Company

No person has applied under Section 237 of the Corporations Act for leave of the Court to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any other such proceedings during the year.

Non-Audit Services

Non-audit services have been provided during the year by the external auditor, Bentleys. Disclosure of the details of these services can be found in Note 24 of the Financial Statements.

Directors' Report continued

Auditor's Independence Declaration

A copy of the external auditor's declaration under Section 370C of the Corporates Act in relation to the audit for the financial year is attached to the Company's Financial Statements.

Indemnification and Insurance of Officers or Auditor

Each of the directors and the secretary of the Company have entered into a deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those directors and the secretary. The Company has insured all of the Directors and Officers of Locality Planning Energy Holdings Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances. The Company has not indemnified or insured its auditor.

Events Subsequent to Balance Date

There are no matters or circumstances that have arisen since the end of the year which significantly affected or could significantly affect the operations of the Consolidated Entity, the result of those operations or the state of affairs of the Consolidated Entity in future financial years.

Corporate Governance

A copy of Locality Planning Energy Holdings Limited's Corporate Governance Statement can be found on the Company's website at <https://investors.joinlpe.com.au/corporate-governance/>

Business Risks

The Company has identified the following risks as having the potential to materially affect LPE's ability to meet its business objectives:

Regulatory policy

LPE is exposed to regulatory policy change and government interventions. Changes in energy market design and climate change policies for example, have the potential to impact the financial outcomes of the Company. LPE contributes to policy process by actively participating in public policy debate, proactively engaging with policy makers and participating in public forums, industry associations and research.

Competition

LPE operates in a highly competitive industry which can put pressure on margins. Our strategy to mitigate this risk is to effectively build customer loyalty and trust by delivering an exceptional customer service experience based on openness and transparency, and by offering innovative energy solutions that come with longer length supply terms.

Changes in demand for energy

A decrease in demand for energy could possibly reduce LPE's revenues and adversely affect the Company's future financial performance. LPE cannot control the habits or consumption patterns of our customers, however LPE works to mitigate the impact of this risk by utilising data analytics to better predict customer demand.

Directors' Report continued

Technological developments/disruption

Technology is allowing consumers to understand and manage their electricity usage through smart appliances, having the potential to disrupt the Company's existing relationship with consumers. Advances in technology have the potential to create new business models and introduce new competitors. LPE actively monitors and participates in technological developments and is exploring investments in new innovative products to enhance customer experience and reduce cost to serve.

Cyber security

A cyber security incident could lead to disruption of critical business operations. It could also lead to a breach of privacy, and loss of and/or corruption of commercially sensitive data which could adversely affect customers. LPE regularly assesses its cyber security profile. All Employees undertake cyber awareness training, including how to identify scam emails and how to keep data safe.

Climate change

The ongoing decarbonisation of energy markets and the decreasing demand for fossil fuels provides both risks and opportunities for LPE. The Company is focused and committed to growth and innovation of its Solar products.

Company Health and Safety Policy

It is the responsibility of all employees to act in accordance with occupational health and safety legislation, regulations and policies applicable to their respective organisations and to use security and safety equipment provided.

Specifically, all employees are responsible for safety in their work area by:

- following the safety and security directives of management;
- advising management of areas where there is a potential problem in safety and reporting suspicious occurrences; and
- minimising risks in the workplace.

Environmental

Whilst it was not an environmental issue for the Company, under the renewable energy target, the Company is obliged to purchase and surrender an amount of large-scale generation certificates, and small-scale technology certificates, based on the volume of electricity the Company acquires each year.

Approval of Directors' Report

This Director's Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board this 25th day of August 2023.



Justin Pettett
Chairman

Independent Auditor's Declaration



LOCALITY PLANNING ENERGY HOLDINGS LIMITED

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys

Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants

Ashley Carle

Ashley Carle
Director

Brisbane
25 August 2023



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Financial Statements

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Electricity revenue	5a	38,582,426	68,600,739
Electricity cost of goods sold	5b	(37,662,193)	(56,854,785)
Unrealised gains/(losses) on derivatives		–	14,314,320
Gain from trading		920,233	26,060,274
Other income	5c	1,398,439	830,365
Total operating income		2,318,672	26,890,639
Impairment losses	5d	(1,033,272)	(2,612,920)
Financing expenses	5e	(4,874,815)	(3,449,454)
Other expenses	5f	(8,435,385)	(14,698,318)
Profit/(loss) before income taxes		(12,024,800)	6,129,947
Income tax benefit/(expense)	6	–	–
Net profit/(loss) for the period		(12,024,800)	6,129,947
Other comprehensive income		–	–
Other comprehensive income net of tax		–	–
Total comprehensive income for the year		(12,024,800)	6,129,947
Basic earnings per share (dollars per share)	17	(0.0683)	0.0572
Diluted earnings per share (dollars per share)	17	(0.0683)	0.0410

The Consolidated Statement of Profit or Loss and Other Comprehensive income should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	June 2023 \$	June 2022 \$
Current assets			
Cash and cash equivalents	22	1,545,946	3,137,913
Trade and other receivables	7	10,257,162	27,659,526
Site conversion receivables	7	1,086,431	1,226,793
GST receivable		94,744	659,297
Financial assets	8	5,110,000	3,000,000
Other current assets	9	268,035	445,510
Total current assets		18,362,318	36,129,039
Non-current assets			
Trade and other receivables	7	749,208	6,578,316
Site conversion receivables	7	3,136,193	2,712,974
Financial assets	10	212,312	5,212,312
Plant and equipment	11	230,177	316,241
Leasehold improvements	12	235,259	331,965
Intangibles	13	913,827	81,325
Right of use assets	14	472,515	664,472
Total non-current assets		5,949,491	15,897,605
TOTAL ASSETS		24,311,809	52,026,644
Current liabilities			
Trade and other payables		5,497,474	10,120,105
Employee entitlements – leave provisions		418,938	390,527
Lease liabilities		292,024	255,750
Provisions		39,694	36,085
Borrowings	15	4,981,390	20,025,025
Total current liabilities		11,229,520	30,827,492
Non-current liabilities			
Employee entitlements – leave provisions		87,871	99,583
Lease liabilities		493,110	785,552
Borrowings	15	3,723,670	20,201
Total non-current liabilities		4,304,651	905,336
TOTAL LIABILITIES		15,534,171	31,732,828
NET ASSETS		8,777,638	20,293,816
Equity			
Issued capital	16	54,705,664	54,298,849
Share option reserve		640,140	811,440
Accumulated losses		(46,568,166)	(34,816,473)
TOTAL EQUITY		8,777,638	20,293,816

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		57,886,327	67,795,250
Receipts from government grants		5,000	9,545
Payments to suppliers and employees		(45,986,599)	(78,796,755)
Interest received		856,234	692,026
Interest paid		(2,139,880)	(1,892,323)
Net cash provided by/(used in) operating activities	22	10,621,082	(12,192,257)
Cash flows from investing activities			
Receipt/(payment) for financial assets		2,890,000	(2,544,200)
Payment to acquire investments		–	(5,000,000)
Payment for plant and equipment		(23,834)	(54,747)
Proceeds from plant and equipment		32,282	–
Payment for leasehold improvements		–	(1,979)
Payment for intangibles		(900,000)	(70,700)
Net cash provided by/(used in) investing activities		1,998,448	(7,671,626)
Cash flows from financing activities			
Proceeds from issues of shares		–	13,832,150
Share issue costs		–	(766,664)
Financing costs paid	22	(2,448,595)	(699,355)
Proceeds from loans	22	20,898,941	6,327,294
Repayment of leases	22	(252,559)	(219,797)
Repayment of loans	22	(32,409,284)	(1,217,082)
Net cash provided by/(used in) financing activities		(14,211,497)	17,256,546
Net increase/(decrease) in cash and cash equivalents		(1,591,967)	(2,607,337)
Cash and cash equivalents opening balance		3,137,913	5,745,250
Cash and cash equivalents closing balance	22	1,545,946	3,137,913

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Issued capital \$	Options reserve \$	Accumulated losses \$	Totals \$
Balance at 1 July 2021	41,775,446	273,107	(40,946,420)	1,102,133
Issue of Share Capital	13,828,400	-	-	13,828,400
Capital Raising Costs	(1,304,997)	-	-	(1,304,997)
Issue of Share Capital (Options)	-	538,333	-	538,333
Profit/(Loss) after income tax	-	-	6,129,947	6,129,947
Balance at 30 June 2022	54,298,849	811,440	(34,816,473)	20,293,816
Balance at 1 July 2022	54,298,849	811,440	(34,816,473)	20,293,816
Issue of Share Capital	406,815	-	-	406,815
Capital Raising Costs	-	-	-	-
Expired Share Capital (Options)	-	(273,107)	273,107	-
Issue of Share Capital (Options)	-	101,807	-	101,807
Profit/(Loss) after income tax	-	-	(12,024,800)	(12,024,800)
Balance at 30 June 2023	54,705,664	640,140	(46,568,166)	8,777,638

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

For the year ended 30 June 2023

1. Reporting Entity

The financial statements of Locality Planning Energy Holdings Limited (“the Company”) for the year ended 30 June 2023 covers the Consolidated Entity consisting of Locality Planning Energy Holdings Limited and the entities it controlled from time to time throughout the year (“the Group” or “Consolidated Entity”) as required by the *Corporations Act 2001*. Locality Planning Energy Holdings Limited is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars, which is the functional currency.

The address of the Group’s registered office and principal place of business is Level 8, 8 Market Lane, Maroochydore, QLD, 4558.

2. Basis of Preparation

(a) Statement of Compliance

The Financial Report has been prepared in accordance with requirements of Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

This report is to be read in conjunction with any other public announcements made by the Group during the year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The accounting policies adopted are consistent with those of the previous financial year, unless stated otherwise.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis, modified, where applicable by the measurement at fair value of selected financial assets and liabilities.

(c) Use of Estimates and Judgements

The preparation of financial statements in conformity with AASB requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are outlined below:

Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Impairment of financial assets (trade receivables and financial assets) are assessed for impairment as described in Note 3G. Note 3H describes the process for assessing impairment for non-financial assets (property, plant and equipment, intangible assets and other assets).

Site Conversion Revenue

Site conversion revenue is recognised upon installation, however customers are able to make payment over a 5 to 15 year period. The Group has assessed that where this payment is deferred, the transaction contains a significant financing component and therefore the revenue must be adjusted for the effects of the time value of money. Judgement is therefore required to determine the amount of the consideration that relates to the site conversion revenue, and the amount relating to the financing of the purchase. See Note 3K for further details.

Notes to the Financial Statements continued

2. Basis of Preparation continued

(d) Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Group made a net loss after income tax for the year ended 30 June 2023 of \$12,024,800 (2022 net profit: \$6,129,947), and had net assets of \$8,777,638 (2022: \$20,293,816). Although net cash inflow from operations for the year was \$10,621,082 (2022 net outflow: \$12,192,257), \$15,915,650 was the cash inflow from the closing of the derivative position in FY22. Without the derivative receivable inflow, the net operating outflow would have been \$5,294,568. These factors, prima facie, indicated that there is material uncertainty on whether the Group will continue as a going concern.

The Group has \$1.5 million in unrestricted cash at 30 June 2023, and \$7 million available in an undrawn funding facility (\$10 million total facility less \$3 million drawdown). Additionally, approximately \$7.2 million of the FY22 loss involved subsidising the wholesale cost of energy for many customers. In return for subsidising the cost of goods, profitable customer contracts have been extended and this shortfall will be recovered in the coming years. The \$16 million received during FY23 from the closing of the derivative position is repaying borrowings. On this basis, the Group has prepared budgets and has determined it has sufficient net working capital to maintain continuity of normal business activity and pay its debts as and when they fall due, and therefore that it is appropriate to prepare the financial report on a going concern basis.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied by all entities in the Group.

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Locality Planning Energy Holdings Limited and its subsidiaries for the year ended 30 June 2023 ("the Group"). Subsidiaries are entities (including structured entities) over which the Group has control. The Group has control over 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 use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

(b) Income Tax

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Current and deferred tax is recognised in the profit or loss, except where it relates to items recognised in the other comprehensive income or directly in equity. In this case the tax is recognised in the other comprehensive income or directly in equity respectively.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or tax losses can be utilised. To the extent that any rebates are received from Government taxation authorities, they are recognised in profit or loss as an income tax benefit.

Notes to the Financial Statements continued

3. Significant Accounting Policies continued

(c) Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

All assets are depreciated on either a straight line basis or diminishing value basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate & Method
Plant and equipment	10-50% per annum straight line or diminishing value
Motor Vehicles	25% per annum, diminishing value

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

(d) Intangible Assets

Intangible assets include the cost of software development. Software has an estimated useful life of between three and ten years. It is assessed annually for impairment.

(e) Leasehold Improvements

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

(f) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(g) Impairment of Financial Assets

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which prescribes the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, and a provision matrix is used.

The "amounts written off" are all due to customers declaring bankruptcy, or term receivables that have now become unrecoverable.

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the Statement of Profit or Loss and Other Comprehensive Income.

(h) Impairment of Non-Financial Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Financial Statements continued

3. Significant Accounting Policies continued

(i) Share-based Payments

The Consolidated Entity may make share-based payments to directors, employees and suppliers. 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 fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a valuation which incorporates all market vesting conditions. 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.

(j) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(k) Revenue

Revenue for the Group can be categorised as follows:

- Supply of electricity; and
- Supply of embedded network or solar infrastructure (including installation).

Supply of electricity

Revenue from the supply of electricity is recognised as the customer obtains a benefit from the supply, which occurs over time as the customer consumes the electricity. Consumption is determined by meter readings. Between meter readings, consumption is estimated using industry and historical customer consumption patterns, along with consumption reports from the Group's suppliers.

Costs associated with the supply of the electricity are expensed over time in line with customers' consumption.

Supply of embedded network or solar infrastructure

The Group arranges to supply and install embedded network infrastructure on customers' premises. The performance obligation is the installation of the infrastructure, and therefore revenue is recognised at a point in time upon installation. Likewise, the Group arranges to supply and install solar infrastructure on customers' premises. The performance obligation is the installation of the infrastructure, and therefore revenue is recognised at a point in time upon installation.

Customers have the option to pay for the site conversion infrastructure over the life of a related electricity supply contract, ranging from 5 to 15 years. Therefore a significant financing component has been identified within these contracts. The revenue is therefore discounted to remove the financing component. Consideration receivable in respect of this revenue is recognised as 'Site conversion receivables' in the Statement of Financial Position. The financing component has been assessed by the Group at a rate between 10%-12% per annum, and this is recognised as interest revenue over time until the customer has paid all consideration.

Costs incurred to supply and install the site conversion infrastructure are expensed when the revenue is recognised, upon installation. For costs incurred on site conversions where the infrastructure has not yet been installed, and therefore no revenue yet recognised, the costs are capitalised within the inventory balance contained within 'Other Current Assets' in the Statement of Financial Position.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Notes to the Financial Statements continued

3. Significant Accounting Policies continued

(m) Issued Capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from equity.

(n) Earnings per Share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

(o) Leases

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(p) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Notes to the Financial Statements continued

3. Significant Accounting Policies continued

(p) Financial Instruments continued

Classification and subsequent measurement

Financial Liabilities

Financial liabilities are subsequently measured at:

- Amortised cost; or
- Fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- A contingent consideration of an acquirer in a business combination to which AASB 3 *Business Combinations* applies;
- Held for trading; or
- Initially designated at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- It is incurred for the purpose of repurchasing or repaying in the near term;
- Part of a portfolio where there is an actual pattern of short-term profit taking; or
- A derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

The Group recognises the financial derivative instruments at fair value through profit or loss.

Financial Assets

Financial assets are subsequently measured at:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- The contractual cash flow characteristics of the financial asset; and
- The business model for managing financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- The financial asset is managed solely to collect contractual cashflows; and
- The contractual terms within the financial asset give rise to cashflows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- The contractual terms within the financial asset give rise to cashflows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- The business model for managing the financial assets comprises both contractual cashflows and the selling of the financial asset.

Notes to the Financial Statements continued

3. Significant Accounting Policies continued

(p) Financial Instruments continued

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expire, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for 'Derecognition of financial assets':

- The right to receive cash flows from the asset has been expired or been transferred;
- All risk and rewards of ownership of the asset have been substantially transferred; and
- The Group no longer controls the asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(q) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Long-term employee benefits are only recognised to the extent that it is considered probable that employees will reach the eligible service period.

(r) New Accounting Standards Issued but not yet Applicable

A number of new standards and interpretations are effective for annual reporting periods beginning after 1 July 2023 and earlier application is permitted; however the Company has not early adopted the new or amended standards in preparing these financial statements. The new standards relate to very specific circumstances that are not applicable to the Group.

4. Segment Reporting

The Group has identified its operating segments as being the energy retail sector in Australia. Management currently identifies the energy retail sector as being the Group's sole operating segment.

There have been no changes in the operating segments during the year. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from the segment are equivalent to the financial statements of the Group as a whole.

Notes to the Financial Statements continued

5. Statement of Profit or Loss and Other Comprehensive Income

	Consolidated Entity	
	2023 \$	2022 \$
(a) Electricity Revenue		
Electricity sales	37,360,472	66,712,172
Site conversion sales	1,221,954	1,888,567
Total Electricity Revenue	38,582,426	68,600,739
(b) Electricity Cost of Goods Sold		
Energy usage charges	24,653,382	16,838,093
Network charges	7,757,742	29,373,948
Other COGS	4,114,619	8,926,987
Site conversion COGS	1,136,450	1,715,757
Total Electricity Cost of Goods Sold	37,662,193	56,854,785
(c) Other Revenue		
Interest revenue	1,393,439	820,820
Government grants	5,000	9,545
Total Other Revenue	1,398,439	830,365
(d) Impairment Losses		
Bad debts written off	1,205,588	702,322
Addition/(decrease) to provision for doubtful debt	(172,316)	1,910,598
Total Impairment Losses	1,033,272	2,612,920
(e) Financing Expenses		
Borrowing expenses	2,774,143	1,557,131
Interest on leases	91,182	110,287
Interest expense	2,009,490	1,782,036
Total Financing Expenses	4,874,815	3,449,454
(f) Other Expenses		
Bank fees	104,571	193,096
Depreciation and amortisation	407,864	490,104
Employee costs	5,175,671	7,351,997
Loss on disposal of assets	48,637	141,793
Information technology	872,922	2,556,628
Insurance	88,440	95,083
Marketing and advertising	369,686	691,146
Occupancy expenses	94,830	57,298
Other expenses	796,972	2,527,268
Professional costs	475,792	593,905
Total Other Expenses	8,435,385	14,698,318

Notes to the Financial Statements continued

6. Income Tax

	Consolidated Entity	
	2023 \$	2022 \$
Components of tax expense/(benefit) comprise:		
Current tax	-	-
Prior year tax	-	-
Deferred tax	-	-
Income tax expense/(benefit)	-	-
<i>Numerical reconciliation of income tax benefit to prima facie tax payable</i>		
Profit/(loss) from operations before tax for the year	(12,024,800)	6,129,947
The prima facie income tax benefit on loss before income tax at a tax rate of 30% (2022: 30%)	(3,607,440)	1,838,984
Tax effect amounts which are not (deductible)/taxable in calculating taxable income:	65,621	1,163
Deferred tax asset not brought to account	3,541,819	(1,840,147)
Total income tax benefit	-	-
<i>Net unrecognised deferred tax assets</i>		
Net deductible/(assessable) temporary differences	100,683	(126,975)
Unused tax losses	6,615,205	3,328,054
Net unrecognised deferred tax asset	6,715,888	3,201,079

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The consolidated entity has no franking credits.

Notes to the Financial Statements continued

7. Trade and Other Receivables

	Consolidated Entity	
	2023 \$	2022 \$
Current Trade and Other Receivables		
Trade receivables	5,160,741	8,248,449
Trade receivables expected credit losses	(1,206,179)	(1,249,969)
Hedging Counterparty receivables	5,547,828	20,531,835
Interest receivables	754,772	129,211
	10,257,162	27,659,526
Non Current Trade and Other Receivables		
Hedging Counterparty receivables	749,208	6,578,316
	749,208	6,578,316
Current Site Conversion Receivables		
Site conversion receivables	1,125,367	1,404,172
Site conversion receivables expected credit losses	(38,936)	(177,379)
	1,086,431	1,226,793
Non Current Site Conversion Receivables		
Site conversion receivables	3,336,110	3,938,696
Site conversion receivables expected credit losses	(199,917)	(1,225,722)
	3,136,193	2,712,974

Current trade receivables are not interest bearing and are generally receivable within 14 days.

The Group closed all financial derivative positions during the previous financial year, therefore the Hedging Counterparty receivables reflects the cash receivable from these closed positions.

	Opening Balance 1 July 2021	Net Measurement of loss allowance	Closing Balance 30 June 2022	Amounts written off
Lifetime Expected Credit Loss: Credit Impaired				
Current trade receivables	163,911	1,086,058	1,249,969	702,322
Current interest receivables	–	–	–	–
Current site conversion receivables	68,499	108,880	177,379	–
Non-Current site conversion receivables	510,062	715,660	1,225,722	–
	742,472	1,910,598	2,653,070	702,322

	Opening Balance 1 July 2022	Net Measurement of loss allowance	Closing Balance 30 June 2023	Amounts written off
Lifetime Expected Credit Loss: Credit Impaired				
Current trade receivables	1,249,969	(43,790)	1,206,179	1,205,588
Current interest receivables	–	–	–	–
Current site conversion receivables	177,379	(138,443)	38,936	–
Non-Current site conversion receivables	1,225,722	(1,025,805)	199,917	–
	2,653,070	(1,208,038)	1,445,032	1,205,588

The entity does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

Notes to the Financial Statements continued

7. Trade and Other Receivables continued

Collateral held as security

No collateral is held as security for any of the trade and other receivable balances.

Collateral pledged

No collateral has been pledged for any of the trade and other receivable balances.

8. Financial Assets

	Consolidated Entity	
	2023 \$	2022 \$
<i>At Amortised Cost</i>		
Term deposits	110,000	3,000,000
Investments	5,000,000	–
	5,110,000	3,000,000

LPE has entered into an agreement with Bundaberg BioHub Pty Ltd (BBH) and Stak Mining Pty Ltd (STAK) whereby LPE has funded \$5 million in capital works (Capital Works Fund) to facilitate the construction of the Bundaberg BioHub. The Capital Works Funds principal is expected to be repaid to the Company in October 2023. LPE will receive a 15% per annum margin on the Capital Works Funds, which was due to be paid quarterly, but has been re-negotiated to be paid in September 2023 (and recognised at Note 7 within interest receivable). This re-negotiated date was to align with BBH obtaining financing for further capital works.

The Capital Works Fund and interest payable is secured by a second mortgage over the property owned by BBH in Bundaberg East, and a general security over all the present and after-acquired personal and other property of the BBH. Given the existence of this security, the directors are of the opinion that this investment plus the related interest receivable is recoverable.

9. Other Current Assets

	Consolidated Entity	
	2023 \$	2022 \$
Prepayments	96,756	154,655
Environmental certificates	2,434	–
Inventory	168,845	290,855
	268,035	445,510

Environmental Certificates

Environmental certificates are classified into two certificate types, Large-scale Generation Certificates (LGCs) and Small-scale Technology Certificates (STCs).

LGCs and STCs are measured at fair value at the end of the financial year, with changes in fair value recognised in the statement of profit or loss and other comprehensive income. LGCs and STCs held at the end of financial year are valued at the market price on the measurement date.

Notes to the Financial Statements continued

10. Non-Current Financial Assets

	Consolidated Entity	
	2023 \$	2022 \$
<i>At Amortised Cost</i>		
Term deposits	212,312	212,312
Investments	–	5,000,000
	212,312	5,212,312

Term Deposits

Non-current financial assets in the form of term deposits are held as security for bank guarantees for various suppliers and hedging counterparties. The bank guarantees are not due to expire within the next 12 months, and as such have been classified as non-current.

	Consolidated Entity	
	2023 \$	2022 \$
Office Lease	212,312	212,312
	212,312	212,312

11. Plant and Equipment

	Consolidated Entity	
	2023 \$	2022 \$
Plant and equipment at cost	396,112	391,588
Accumulated depreciation	(240,425)	(184,807)
	155,687	206,781
Motor vehicles at cost	189,979	222,772
Accumulated depreciation	(115,489)	(113,312)
	74,490	109,460
	230,177	316,241

Notes to the Financial Statements continued

11. Plant and Equipment continued

Reconciliation

Reconciliations of the carrying amount of each class of plant and equipment between the beginning and the end of the financial year.

Plant and equipment

	Consolidated Entity	
	2023 \$	2022 \$
Balance at the beginning of the year	206,781	268,694
Additions	17,226	91,065
Depreciation	(60,007)	(101,519)
Disposals	(8,313)	(51,459)
Balance at the end of the year	155,687	206,781

Motor Vehicles

	Consolidated Entity	
	2023 \$	2022 \$
Balance at the beginning of the year	109,460	210,884
Additions	6,608	–
Depreciation	(23,945)	(52,721)
Disposals	(17,633)	(48,703)
Balance at the end of the year	74,490	109,460

12. Leasehold Improvements

	Consolidated Entity	
	2023 \$	2022 \$
Leasehold improvements at cost	484,273	484,273
Accumulated depreciation	(249,014)	(152,308)
	235,259	331,965

Reconciliation

Reconciliations of the carrying amount of leasehold improvements between the beginning and the end of the financial year.

Leasehold improvements

	Consolidated Entity	
	2023 \$	2022 \$
Balance at the beginning of the year	331,965	426,609
Additions	–	1,979
Depreciation	(96,706)	(96,623)
Disposals	–	–
Balance at the end of the year	235,259	331,965

Notes to the Financial Statements continued

13. Intangibles

	Consolidated Entity	
	2023 \$	2022 \$
Intangibles at cost	1,108,419	331,464
Intangibles work in progress	28,850	–
Accumulated amortisation	(223,442)	(250,139)
	913,827	81,325

Reconciliation

Reconciliations of the carrying amount of Intangibles between the beginning and the end of the financial year.

Intangibles

	Consolidated Entity	
	2023 \$	2022 \$
Balance at the beginning of the year	81,325	210,058
Additions	922,725	31,700
Amortisation	35,249	(49,620)
Disposals	(125,472)	(110,813)
Balance at the end of the year	913,827	81,325

14. Right-of-Use Asset

	Consolidated Entity	
	2023 \$	2022 \$
Right-of-use asset at cost	959,452	959,452
Accumulated amortisation	(486,937)	(294,980)
	472,515	664,472

Notes to the Financial Statements continued

14. Right-of-Use Asset continued

Reconciliation

Reconciliations of the carrying amount of Right-of-Use Assets between the beginning and the end of the financial year.

Right-of-Use assets

	Consolidated Entity	
	2023 \$	2022 \$
Balance at the beginning of the year	664,472	823,408
Additions	–	30,685
Depreciation	(191,957)	(189,621)
Balance at the end of the year	472,515	664,472

15. Borrowings

	Consolidated Entity	
	2023 \$	2022 \$
<i>Current</i>		
Insurance financing	–	43,827
Motor vehicle financing	20,201	38,049
Financing	–	2,000,000
Blackrock funding facility	–	17,943,149
Roadnight hedge facility	4,961,189	–
	4,981,390	20,025,025
<i>Non-current</i>		
Motor vehicle financing	–	20,201
Roadnight hedge facility	712,001	–
Roadnight growth facility	3,011,669	–
	3,723,670	20,201

The Group has two funding facilities from Roadnight Capital. The first is the hedge facility of \$5.8 million whereby the future cash flows from the closing of the hedge facility in June 2022 was received upfront and utilised to payout the Blackrock facility. The future hedging counterparty receivables will be used to pay down this debt. The second is a growth facility of \$10 million (\$3.1 million utilised) to fund site conversions and acquisitions. Both of these facilities are presented above net of borrowing costs.

Notes to the Financial Statements continued

16. Issued Capital

(a) Issued and paid up capital

	2023 Number	2022 Number
Ordinary shares fully paid no par value	178,156,277	171,168,736

(b) Movement in ordinary shares on issue

	Number	\$
Balance at 30 June 2022	171,168,736	54,298,849
Issued 28 September 2022	4,500,000	270,000
Issued 7 December 2022	2,487,541	136,815
Balance at 30 June 2023	178,156,277	54,705,664

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.

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.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Share buy-back

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

(c) Share options

	Expiry	Opening Number	Issued	Vested/ Lapsed	Closing Number	\$
Unlisted Options						
Issued 11/11/20 EX \$0.375	21/10/22	3,400,000	–	(3,400,000)	–	–
Issued 6/4/22 EX \$0.20	30/3/26	1,000,000	–	–	1,000,000	30,000
Issued 17/11/22	1/12/23	–	4,491,749	(2,727,668)	1,764,081	53,693
Issued 19/12/22	19/12/24	–	7,000,000	–	7,000,000	41,035
Issued 27/03/23	1/12/23	–	399,804	–	399,804	7,079
		4,400,000	11,891,553	(6,127,668)	10,163,885	131,807
Listed Options:						
Issued 26/10/21 EX \$0.30	26/10/23	15,000,000	–	–	15,000,000	–
Issued 26/10/21 EX \$0.30	26/10/23	3,333,334	–	–	3,333,334	133,333
Issued 06/04/22 EX \$0.30	26/10/23	75,000,000	–	–	75,000,000	–
Issued 06/04/22 EX \$0.30	26/10/23	37,500,000	–	–	37,500,000	375,000
Balance at 30 June 2023		130,833,334	–	–	130,833,334	508,333

Notes to the Financial Statements continued

16. Issued Capital continued

(c) Share options continued

The fair value of options is determined in accordance with the fair market value of the shares available at the issue date. The Black-Scholes option valuation method has been utilised for all tranches except the 19/12/22 tranche whereby the Monte-Carlo simulation was deemed more appropriate due to the conditions imposed on these performance rights. Some inputs require the application of judgement. The assumptions are set out below:

Unlisted Options:

	6/4/22	17/11/22	19/12/22*	27/3/22
Volatility	82.0%	87.0%	66.0%	87.0%
Risk-free interest rate	2.10%	3.20%	3.20%	2.80%
Expected life of share options (years)	4.00	1.00	2.00	0.70
Dividend Yield	0.00%	0.00%	0.00%	0.00%

Listed Options:

	26/10/21	6/4/22
Volatility	80.00%	82.00%
Risk-free interest rate	0.16%	2.10%
Expected life of share options (years)	2.00	1.60
Dividend Yield	0.00%	0.00%

The expected volatility and life of share options are based on historical data and current expectations and are not necessarily indicative of actual outcomes.

Capital risk management

The consolidated entity's objectives when managing capital are 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.

In common with many other listed companies, the parent raises finance for the consolidated entity's working capital and asset development activities.

The consolidated entity is not subject to externally imposed capital requirements.

17. Earnings per share

Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share

	2023 Number	2022 Number
Basic	175,956,259	107,076,998
Diluted	175,956,259	149,314,898

	2023 \$	2022 \$
Net profit/(loss) after tax used in calculating basic earnings per share	(12,024,800)	6,129,947
Basic earnings per share (dollars per share)	(0.0683)	0.0572
Net profit/(loss) after tax used in calculating diluted earnings per share	(12,024,800)	6,129,947
Diluted earnings per share (dollars per share)	(0.0683)	0.0410

Notes to the Financial Statements continued

18. Controlled Entities

Investment in controlled entities	Country of incorporation	Class of shares	% of ownership 2023	% of ownership 2022
Locality Planning Energy Pty Ltd	Australia	Ord	100%	100%
All Power to You Pty Ltd	Australia	Ord	100%	0%
Locality Embedded Networks Pty Ltd	Australia	Ord	100%	100%
LPE Generate Pty Ltd	Australia	Ord	100%	100%

Business Acquisition

On 1 June 2023, Locality Planning Energy Pty Ltd acquired 100% of the shares of All Power to You (AP2U), a utility management company with circa 4,000 customers for \$900,000. This was purchased to acquire the customer contracts in place, which was not recognised in the statement of Financial Position at acquisition date.

The Company applied the concentration test and deemed it be a reasonable assessment for the portfolio of contracts be deemed "a group of similar identifiable assets" and as such treated the acquisition as an asset purchase and therefore business combination accounting has not been applied.

All Power To You Pty Ltd	
Statement of Financial Position as at 1 June 2023	
Current assets	
Cash and cash equivalents	18,045
Trade and other receivables	2,810
Total Assets	20,855
Current Liabilities	
Trade and other payables	14,706
Total Liabilities	14,706
Net Assets	6,149
Retained Earnings	6,149
Total Equity	6,149

Notes to the Financial Statements continued

19. Commitments

The Group has no material commitments that require reporting.

20. Contingent Liabilities and Assets

The Directors are not aware of any contingent liabilities or contingent assets that are likely to have a material effect on the results of the Group as disclosed in these financial statements (2022: nil).

21. Related Parties

Key management personnel compensation	2023	2022
	\$	\$
Short-term employee benefits	900,807	1,302,248
Post-employment benefits	41,236	75,284
Long-term benefits	44,973	10,868
Share based payments	41,035	30,000
	1,028,051	1,418,400

Other related party transactions

Director Kathryn Giudes is a director of STAK Mining Pty Ltd (refer to note 8).

David Jarjoura received an observer fee prior to appointment included in the short-term employee benefits above.

There were no other related party transactions.

Notes to the Financial Statements continued

22. Cash Flow Information

	Consolidated Entity	
	2023 \$	2022 \$
Reconciliation of cash flow from operations with profit/(loss) after tax		
Profit/(loss) after tax	(12,024,800)	6,129,947
Non-cash flows:		
Depreciation and amortisation	407,864	490,104
Non-cash share based payments	238,622	–
Loss on disposal of assets	48,637	141,793
Intangible asset write-off	54,974	69,182
Unrealised (gain)/loss on derivatives	–	(14,314,320)
Expenditure classified as financing activities	161,377	109,510
	(11,113,326)	(7,373,784)
Changes in operating assets and liabilities		
Decrease/(increase) in receivables	26,162,865	(1,900,786)
Decrease/(increase) in other assets	177,475	(4,118,511)
(Decrease)/increase in creditors and payables	(4,622,631)	1,108,530
Increase in employee entitlements	16,699	92,294
Net cash used in operating activities	10,621,082	(12,192,257)
Reconciliation of liabilities arising from financing activities		
Borrowings		
Opening balance	20,045,226	14,262,042
Non-cash changes	2,618,772	1,372,327
Cashflow	(13,958,938)	4,410,857
Closing balance	8,705,060	20,045,226
Lease Liabilities		
Opening balance	1,041,302	1,233,695
Non-cash changes	(3,609)	27,404
Cashflow	(252,559)	(219,797)
Closing balance	785,134	1,041,302
Cash and cash equivalents in the Consolidated Statement of Cash Flows include:		
Cash at bank	1,542,196	3,134,163
Cash on deposit	–	–
Restricted cash**	3,750	3,750
	1,545,946	3,137,913

** Restricted cash represents \$3,750 that the Company is holding as a deposit from CPS Capital for Broker Options.

Notes to the Financial Statements continued

23. Financial Instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability, and equity instrument are disclosed in Note 3 to the financial statements.

Financial risk management objectives

The financial risks of the Consolidated Entity include price risk, interest rate risk, liquidity risk and credit risk. The Consolidated Entity does not enter into or trade financial instruments, for speculative purposes.

Price risk

Price risk is the risk of changes to market prices in the supply of electricity. This risk applies to both the price at which the Company sells electricity to its customers and the price it pays for that electricity. The Company minimises wholesale price risk by using fixed price contracts where possible.

Interest rate risk

Interest rate risks are caused by fluctuations in interest rates which, in turn, are due to market forces.

The Consolidated Entity's main interest rate risk arises from cash and cash equivalents, and borrowings. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Consolidated Entity's profit or loss before taxes through the impact on cash and cash equivalents, and borrowings with a decrease or an increase of 1% in interest rates.

It is the policy of the Consolidated Entity to manage their risks by continuously monitoring interest rates.

	Consolidated Entity	
	2023 \$	2022 \$
Cash and cash equivalents	1,545,946	3,137,913
Borrowings	(8,705,060)	(20,045,226)
	(7,159,114)	(16,907,313)
Sensitivity		
Effect on profit or loss before taxes		
Increase 1%	(71,591)	(169,073)
Decrease 1%	71,591	169,073

Liquidity risk management

Liquidity risks are caused by the inability to raise the money needed to meet payment of liabilities as and when they fall due. The Consolidated Entity manages liquidity risk by maintaining reserves and by continually monitoring forecast and actual cash flows and cash balances.

At 30 June 2023 current assets exceed current liabilities by \$7,132,798 (2022: current assets exceeded current liabilities by \$5,301,547). Financial liabilities comprised trade payables, accruals and other payables. All trade payables and accruals have a contractual maturity of 6 months or less.

Notes to the Financial Statements continued

23. Financial Instruments continued

Credit risk management

In relation to financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under a contract or arrangements. Credit risk for the Consolidated Entity arises from cash and cash equivalents, term deposits, outstanding receivables and financial assets. The Consolidated Entity partially reduces credit risk by the use of direct debit facilities with its customers. In addition, the Company has the right to withhold the supply of electricity to secure payment. All cash and cash equivalents and term deposits are held with Australian regulated banks. The maximum exposure to credit risk is the carrying amount of the financial assets recognised in the Consolidated Statement of Financial Position.

Fair values

The carrying amounts of all financial assets and liabilities primarily comprising cash and cash equivalents, trade and other receivables, trade and other payables, employee entitlements, and loans approximate their fair value.

24. Auditors Remuneration

	Consolidated Entity	
	2023 \$	2022 \$
Amounts paid/payable for audit or review of the financial statements	75,311	90,679
Amounts paid/payable for tax and other services	3,600	5,250
	78,911	95,929

25. Subsequent Events

There are no matters or circumstances that have arisen since the end of the year which have significantly affected or could significantly affect the operations of the Consolidated Entity, the result of those operations or the state of affairs of the Consolidated Entity in future financial years.

Notes to the Financial Statements continued

26. Parent Entity Disclosures

The following information has been extracted from the books and records of the legal parent entity Locality Planning Energy Holdings Limited.

	2023 \$	2022 \$
Results of parent entity		
Profit/(loss) for the year	(5,070,592)	(4,043,914)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income/(loss) before tax	(5,070,592)	(4,043,914)
Income tax benefit	-	-
Total comprehensive income before tax	(5,070,592)	(4,043,914)
Financial position of parent entity at year end		
Current assets	20,785,112	31,843,644
Non current assets	-	5,000,000
Total assets	20,785,112	36,843,644
Current liabilities	5,130,459	20,350,691
Non current liabilities	3,723,670	-
Total liabilities	8,854,129	20,350,691
Net assets	11,930,983	16,492,953
Total equity of the parent entity comprising:		
Issued capital	54,705,664	54,298,849
Reserves	640,140	811,440
Accumulated losses	(43,414,821)	(38,617,336)
Total equity	11,930,983	16,492,953

Contingent liabilities

As at 30 June 2023, Locality Planning Energy Holdings Ltd is not aware of any contingent liabilities (2022: \$Nil).

Contractual commitments

At 30 June 2023, contractual commitments entered into by Locality Planning Energy Holdings Ltd is \$Nil (2022: \$Nil).

Guarantees

Locality Planning Energy Holdings Ltd has not entered into any guarantees, in the current or previous financial years, in relation to debts of its subsidiaries.

Directors' Declaration

The Directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position as at 30 June 2023 and performance for the year ended on that date of the consolidated entity.
2. The financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.
3. The Remuneration Report as set out in the Directors' Report complies with Section 300A of The *Corporations Act 2001*.
4. The Chief Executive Officer and Financial Controller have declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Australian Accounting Standards (including Australian Accounting Interpretations); and
 - (c) the financial statements and notes for the financial year give a true and fair view.
5. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Justin Pettett
Chairman

Dated: 25 August 2023

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Locality Planning Energy Holdings Limited (the Company) and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, notes to the financial statements comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year then ended; and
- (ii) 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 Australian Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 Group, 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.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 2(D) in the financial report, which indicates that the Group made a net loss after income tax of \$12,024,800 and without a \$15,915,650 inflow from closing of the derivatives position, cashflows from operating activities would have been an outflow of \$5,294,568. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.



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Independent Auditor's Report continued



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED

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.

Key Audit Matter	How our audit addressed the key audit matter
<p>1. Going Concern</p> <p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> History of losses after income tax. History of cashflow deficits from operating activities. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Obtaining cashflow forecasts for the Group. Reviewing the assumptions in the forecasts for reasonableness and consistency with our knowledge of the business.
<p>2. Recoverability of Bundaberg Biohub Pty Ltd ("BBH") Investment</p> <p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> The investment contributes to a significant portion of total current assets and total assets at 30 June 2023. Interest payments due were renegotiated during the year. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Reviewed the renegotiated terms, and the mortgage and general security deed entered into during the year. Performed title searches to confirm the existence of the mortgaged properties and the registration of the mortgage. Obtained information on the value of the mortgaged properties and secured assets. Reviewed correspondence between the Group the BBH management on the latest developments at BBH



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Independent Auditor's Report continued



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED

Key Audit Matter	How our audit addressed the key audit matter
<p>3. Recognition and Recording Revenue</p> <p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> Large volume of customers. The estimation and complexity required in determining the amount and timing of accrued but unbilled revenue. The estimation involved in determining the financing component of the embedded network revenue. The complexity of the billing system used by the organisation. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Testing key controls within the sales and accounts receivable process to ensure completeness and accuracy of sales invoices recorded in the ledger. Analytical procedures to identify unusual transactions or trends in sales data that may be indicative of material misstatement. Cut-off procedures to ensure that only sales related to the 2022-2023 financial year are recorded in these financial statements. Detailed recalculation of accrued and unbilled revenue. Reviewing the reasonableness of the financing component allocated by management to the embedded network revenue. Challenging managements' assumptions and estimates in relation to key inputs used in the calculation of unbilled revenue accruals and collectability of sales. These estimates are summarised in Note 2(C) to the financial statements.
<p>4. Valuation and Existence of Hedging Counterparty Receivables</p> <p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> The hedging counterparty receivables balance contributing towards a significant portion of total assets as at 30 June 2023 The receipt of these funds being a significant assumption in the cashflow forecasts of the company and its going concern assessment 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Recalculating the receivable by reference to the initial trade confirmations. Sighted recalculation performed by an independent third party Agreeing receipts expected during the year and post year-end to actual receipts.



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Independent Auditor's Report continued



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED

Key Audit Matter	How our audit addressed the key audit matter
<p>5. Existence and Valuation of Site Conversion Receivables</p>	
<p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> The site conversion receivables balance contributing towards a significant portion of total assets as at 30 June 2023. Given the long-term nature of these receivables, subject to a higher risk of impairment. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Testing contracts of new embedded network customers during the 2022-2023 financial year to ensure the site conversion receivable balance recognised is appropriately valued and free from material misstatement. Testing costs incurred to complete site conversion works on new embedded network customer premises, to ensure contracted receivables are not overstated or deemed uncollectable from date of recognition. Confirming new embedded network customer accounts during 2022-2023 are live and receiving energy during the period, to ensure existence of the new customers, existence of the site conversion works completed, and consequently existence of the site conversion receivables recognised in 2022-2023. Reviewing pre-existing embedded network customer accounts to ensure the customers continue to remain live, and that the corresponding site conversion receivable continues to be collectable.
<p>6. Valuation and Recognition of Share Options</p>	
<p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> The estimation and complexity required to determine the fair value of the share options. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Reviewing the models used to calculate the fair value and assessing the inputs as being reasonable. Reviewing the journal posted to recognise the share options to ensure the treatment is appropriate.



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Independent Auditor's Report continued



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED

Information Other than the Financial Report and Auditor's Report Thereon

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 2023, 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 has 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.



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Independent Auditor's Report continued



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED

As part of an audit in accordance with 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. 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 those charged with governance 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, related safeguards.



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Independent Auditor's Report continued



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED

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 the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Locality Planning Energy Holdings Limited, for the year ended 30 June 2023, 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

Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants

Ashley Carle
Director

Brisbane
25 August 2023



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Shareholder Information

Shareholder Information

Additional information required by Australian Securities Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 20 October 2023, is advised hereunder.

Stock Exchange Quotation

The Company's shares are quoted on the ASX under the code "LPE".

Classes of Securities

The Company has the following equity securities on issue:

- ASX quoted: 178,156,277 ordinary shares (**LPE**), each fully paid, held by 996 shareholders;
- ASX quoted: 130,833,334 options exercisable at \$0.30 and expiring 26 October 2023 (**LPEO**), held by 255 holders;
- Unlisted: 1,000,000 options exercisable at \$0.20 and expiring 30th March 2026, held by 1 holder; and
- Unlisted: 9,503,125 Employee Performance Rights held by 39 employees.

Voting Rights

The voting rights attaching to ordinary shares are set out in Clause 13.13 of the Company's Constitution and are summarised as follows:

- each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote (even though he or she may represent more than one shareholder); and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed proxy, attorney or representative, have one vote for the share.

Holders of options have no voting rights until such options are exercised.

Restricted Securities

There are no current restricted securities.

Unmarketable Holders

There are 513 shareholders holding less than a marketable parcel of shares based on the closing price of \$0.045 on 20 October 2023 representing a total of 1,384,397 shares.

On-market Buy-backs

There is no current on-market buy-back of any securities.

Corporate Governance Statement

The Corporate Governance Statement is available on the Company's website at <https://investors.joinlpe.com.au/corporate-governance/>

Shareholder Information continued

Distribution of Security Holders

Distribution of shares and the number of holders by size of holding are:

Range	Securities	%	No. of holders	%
100,001 and Over	164,806,000	92.51	182	18.27
10,001 to 100,000	12,039,693	6.76	294	29.52
5,001 to 10,000	622,671	0.35	82	8.23
1,001 to 5,000	592,826	0.33	197	19.78
1 to 1,000	95,087	0.05	241	24.20
Total	178,156,277	100.00	996	100.00
Unmarketable Parcels	1,384,397	0.78	527	52.91

Twenty Largest Shareholders (LPE)

Rank	Name	20 Oct 2023	%IC
1	FERNSHA PTY LIMITED	20,000,000	11.23
2	MR STANISLAV MICHAEL KOLENC	12,762,587	7.16
3	PETTETT PTY LTD	8,945,000	5.02
4	CITICORP NOMINEES PTY LIMITED	8,360,036	4.69
5	MR DAMIEN IAN GLANVILLE	8,000,000	4.49
6	NATIONAL NOMINEES LIMITED	7,550,000	4.24
7	FPMC PROPERTY PTY LTD	5,395,936	3.03
8	BEARAY PTY LIMITED	4,700,000	2.64
9	MR LESLIE PETER WOZNICZKA	4,518,502	2.54
10	MR MOHENDRA MOODLEY	4,500,000	2.53
11	JARWILL PTY LTD	3,738,003	2.10
12	BRIO CAPITAL MASTER FUND LTD	3,600,000	2.02
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,488,831	1.96
14	PROFESSIONAL PAYMENT SERVICES PTY LTD	2,936,000	1.65
15	SAHO NOMINEES PTY LTD	2,366,244	1.33
16	MR DUNCAN WILLIAM JONES	2,000,000	1.12
17	MR SAM APPLETON	1,997,655	1.12
18	PACIFIC CUSTODIANS PTY LIMITED	1,673,372	0.94
19	SANDHURST TRUSTEES LTD	1,499,282	0.84
20	MS ANA MARIA CHAVES	1,498,295	0.84
	Total	109,529,743	61.48
	Balance of register	68,626,534	38.52
	Grand total	178,156,277	100.00

Shareholder Information continued

Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act are:

Name	Number of Shares	Voting Power
Mr. Simon Tilley	21,300,000	11.96%
Fernsha Pty Limited	20,000,000	11.23%
Stan Kolenc	12,835,901	7.20%
Pettett Pty Limited	8,945,000	5.02%

Twenty Largest Optionholders (LPEO)

Rank	Name	20 Oct 2023	%IC
1	CELTIC CAPITAL PTY LTD	11,662,875	8.91
2	KUBERA CAPITAL PTY LTD	8,600,000	6.57
3	SANDTON CAPITAL PTY LTD	8,150,000	6.23
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,700,000	4.36
5	MRS SHARON LANA GILES	4,678,081	3.58
6	MS CHUNYAN NIU	4,568,528	3.49
7	SUNSET CAPITAL MANAGEMENT PTY LTD	3,924,082	3.00
8	BRIO CAPITAL MASTER FUND LTD	3,600,000	2.75
9	MS SIHOL MARITO GULTOM	3,094,950	2.37
10	MR PETER ANDREW PROKSA	3,000,000	2.29
11	BEARAY PTY LIMITED	2,700,000	2.06
12	THE TRUST COMPANY (AUSTRALIA) LIMITED	2,471,845	1.89
13	FERNSHA PTY LIMITED	2,045,000	1.56
14	NEWPORT TIMBER & TRADING PTY LTD	2,012,500	1.54
15	AUKERA CAPITAL PTY LTD	2,000,000	1.53
16	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,900,000	1.45
17	MR PETER ANDREW PROKSA	1,827,411	1.40
18	JINDABYNE CAPITAL PTY LTD	1,800,000	1.38
19	FRESH EQUITIES PTY LTD	1,666,667	1.27
20	MR ANANDA KATHIRAVELU	1,500,000	1.15
	Total	76,901,939	58.78
	Balance of register	53,931,395	41.22
	Grand total	130,833,334	100.00

Corporate Directory

Non-Executive Chairman

Mr Justin Pettett

Non-Executive Directors

Mrs Kathryn Giudes

Mr Barnaby Egerton-Warburton

Mr Simon Tilley

Mr David Jarjoura

Executive Director

Mr Damien Glanville

Company Secretary

Ms Elissa Hansen

Principal & Registered Office

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Auditors

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Lawyers

Holding Redlich

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Brisbane, QLD 4000

Phone +61 7 3135 0500

Share Registrar

Link Market Services Limited

10 Eagle Street
Brisbane, QLD 4000

Phone: + 61 1300 554 474

Stock Exchange Listing

Australian Securities Exchange

Code: LPE

localityenergy.com.au

