



Prophecy

Consolidated Financial Statements

For the Half-Year Ended 31 December 2017

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Review of Operations & Results of Operations For the Half Year Ended 31 December 2017

This report should be read in conjunction with the 30 June 2017 Annual Financial Report of the consolidated entity.

1	Summary of results	% change	Direction	\$
	Revenue from continuing ordinary activities	24%	up	5,886,484
	Profit from continuing ordinary activities before tax attributable to members	413%	up	386,948
	Profit from continued and discontinued ordinary activities after tax attributable to members	35%	down	79,282
	Profit from continued and discontinued ordinary activities attributable to members (after non controlling interests)	29%	down	90,308

The Directors have decided not to pay an interim dividend for the half.

2 Explanatory information

For the six months to 31 December 2017, Prophecy has posted a profit before tax of \$387k. This compares with a profit of \$75k before tax for the same period last year.

Revenues for the six months to 31 December 2017 were \$5.89 million – up 24% from the same period last year which recorded revenues of \$4.74 million.

The half year closed with a cash balance of \$2.3 million which was \$1.1 million higher than the cash balance at the same period last year.

3 Net Tangible Assets per Security

	2017 \$	2016 \$
Net Tangible Assets	(1,195,704)	(1,252,450)
Number of Securities	64,009,784	64,009,784
NTA per Security	(0.019)	(0.020)

4 Changes in Controlled Entities

The basis2 product was sold on 25 May 2017, thereby discontinuing its operations in the Legacy business segment.

The group disposed of the company Promadis Pty Ltd on 1 July 2017, thereby discontinuing its operations in the Legacy business segment.

The reviewed financial statements for the period ended 31 December 2017 are attached

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

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Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Review of Operations & Results of Operations

For the Half Year Ended 31 December 2017

FINANCIALS

Prophecy is pleased to announce final and audited results for FY18 H1 that show a strong improvement over the same period last financial year with a significantly increased contribution from eMite including consistent sales from the relationships with Genesys and Telstra and a few large enterprise deals.

The business achieved sales revenue of \$5,886,484 with EBIT of \$1,057,866 in H1 FY18.

FY17 figures for the same period and for the same businesses were \$4,735,250 in revenue and \$665,692 in EBIT

This represents overall revenue growth of 24% against the same period last year for the combined businesses and an increase of 59% in EBIT vs H1 2017.

While this is a pleasing result, no dividend will be declared for this half.

Segment revenue breakdowns are as follows:

- Snare revenue \$3,539,976 vs \$3,329,457 in H1 FY17 an increase of 6% on the same period last year
- eMite revenue \$1,772,113 vs \$911,466 in H1 FY18 an increase of 94% on the same period last year
- Legacy revenue of \$574,395 vs \$494,327 in H1 FY17 an increase of 16% on the same period last year

Cash balance is AUD\$2.3 million up from \$1.1 million at the same time last year.

Prophecy Group continues to be debt free.

Business Operations

Considerable effort has gone into streamlining and consolidation of business operations in the last year with the sales and marketing structure completely integrated across both product sets. Back office functions have been improved across the business and consolidations of business systems has also occurred.

Further work is being done to leverage the IP across remaining businesses and to share R&D resources where this makes sense from a product or financial perspective.

Combined support and ticketing system has been implemented for all product lines and we have added our initial support staff in Manila in the Philippines. Our Enterprise customers demand Enterprise level support.

Not only does this make us more efficient as a business but enables us to compete by delivering a better customer experience.

Markets

Prophecy Group now operates across three main solution areas leveraging the power of the Snare and eMite products:

- CX Intelligence – delivering real time operational insight for contact centres
- IT Operational Insight – delivering real time insight to IT Operations and IT Service Management
- Threat Intelligence and Enterprise Log Management – deliver Cyber Security leveraging Snare and eMite products

CX Intelligence

The eMite CX Intelligence platform enables customers to gain real time insight into their business operations, correlating and aggregating data from multiple systems like PureCloud by Genesys, CRM systems including Salesforce, ServiceDesk systems including ServiceNow and Workforce Management systems, into a single real time dashboard with advanced analytics. This year we have also added integration with Amazon Lex and presented alongside Amazon and Genesys at the Amazon Excite event in Las Vegas.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Review of Operations & Results of Operations

For the Half Year Ended 31 December 2017

We have increased coverage to include new sales resources in Australia covering APAC, in Sao Paulo, Brazil covering LATAM and in Indianapolis, USA to cover North America. Our focus now is to continue to drive the Genesys and Telstra relationships to ensure the eMite CX Intelligence platform is added to a high percentage of all new sales for PureCloud by Genesys and to address the opportunity for CX Intelligence for the approx. 9000 Genesys customers with on premise solutions.

These sales are generally subscription based sales for a fully hosted solution. Customer contracts are usually for one or two years with an annual or monthly payment as well as a flat set up fee to implement and configure the service. A typical sale for the CX Intelligence solution for PureCloud is approximately AUD\$28,000 per annum. We are starting to see larger deal sizes as we sell to customers with more contact centre agents. Our largest customer to date for this solution has 600 concurrent users on Genesys PureCloud.

Prophecy has sales resources in Australia, UK, USA and in Brazil covering North America, LATAM, APAC and Europe. Genesys sales teams sell eMite on Genesys contracts globally and maintain the contractual and billing relationship with the end customer. We also sell through a small number of Genesys partners who have a direct relationship with eMite including Telstra, Datacom, QPC and UCA.

IT Operational Intelligence

This is the backbone of the eMite business from before eMite was acquired by Prophecy. We continue to sell IT Ops dashboards and reporting collecting, correlating and aggregating data from multiple disparate systems and applications and delivering real time business value dashboards for IT departments to effectively run their operations. We continue to have success with bank and finance sector globally and have added a significant new banking customer in Malaysia in H1 FY18.

To date these sales have been primarily up front perpetual software licences and consulting services. A typical sale involves approximately AUD\$100,000 of consulting services and software licences of approximately AUD\$400,000.

Westpac in Australia, Singapore Stock Exchange in Singapore, DXC (ex CSC) and Cognizant are notable examples of this enterprise solution in use globally. Most sales are sold direct but we continue to work with partners on opportunities. Our goal is to develop a network of consulting services partners capable of delivering this solution worldwide.

Threat Intelligence & Log Management

Logging and Log Management is a foundational pillar in maintaining IT Cyber Security for government agencies and corporations. It's also a key requirement for achieving compliance with a range of compliance standards and regulations including PCI, GDPR, HIPAA and many others. Logging and Log Management continues to evolve and Snare is evolving to meet the new challenges in IT security.

Snare Logging enables our customers to collect, store, forward, filter sort and report on IT event logs for both real time and forensic purposes across multiple IT platforms. Supported platforms include many versions of Windows, Linux, Unix, OSX and across many types of devices including servers, desktops, domain controllers, firewalls, switches and routers and databases. The Snare platform includes agents for log collection, technology for forwarding and filtering logging data and Snare Server which is a reporting and storage platform operating as a SIEM for many customers.

Snare can also send logs to many Industry standard SIEMs or to multiple SIEMs as required.

Increasing Network Complexity and the requirements of logging for regulatory compliance continue to drive the log management market but growth is restrained by the availability of free and open source log management solutions. Snare capability is being expanded to capture the opportunity for cloud based logging and log management.

In Australia the new legislation for Mandatory Data Breach Notification that comes into effect on 22 February, 2018 is a good example of a driver for companies to ensure IT Logging is part of their IT Security arsenal.

A Snare sale can range from several hundred dollars up to several hundred thousand dollars with our average deal size being approximately \$10,000. This year we have also introduced professional services packages to complement the sale of Snare log management solutions.

Review of Operations & Results of Operations

For the Half Year Ended 31 December 2017

FY18 H2 will see new capability added to the Snare product family enabling the group to address new markets with higher value offerings and to compete in our competitive market. Significant effort has already been undertaken to integrate the eMite and Snare capability and this joined offering will be available in market in H2 FY18.

Prophecy sells Snare Log Management both direct and through partners. We have sales operations in Australia covering APAC, USA and in the UK covering Europe.

Outlook

The strategic imperatives for FY18 remain the same as communicated in the last Annual Report:

- Optimise sales and marketing coverage and capability
- Deliver product innovation
- Improve Customer experience
- Improve Business Operations.

The objective of these initiatives is to grow revenue and profit over the short to medium term and build an integrated business that can scale effectively as we deliver new offerings and look for future acquisitions.

We have made significant gains in all areas in the first half of the year and our focus is to continue to drive these initiatives to grow both revenues and profit for the remainder of the financial year. While subscription revenue builds we will see continued improvements in revenue and profit over the short and medium term. We expect to continue to invest appropriately in development of new product offerings and taking them to market globally including the expansion of direct and indirect sales channels.

We expect significant growth from North America with the CX Intelligence solution with Genesys over the next 12 months. The release of the new Snare capability in H2 will also see us expand our ability to sell and compete in new markets in the second half and into FY19.

Directors' Report

For the Half Year Ended 31 December 2017

The directors submit the financial report of the Group for the half year ended 31 December 2017.

1. General information

Information on directors

The names of each person who has been a director during the half year and to the date of this report are:

Ed Reynolds
Leanne R Challans
Matthew Michalewicz
Grant Miles

2. Operating results and review of operations for the half year

Review of operations

A review of the operations of the Group during the half year and the results of those operations is shown on page 1 of this report.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2017 has been received and can be found on page 5 of the consolidated financial report.

This report is signed in accordance with a resolution of the Board of Directors.

Director: 
Ed Reynolds

Director: 
Leanne R Challans

Dated this: 15th day of February 2018

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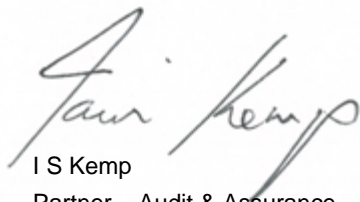
Auditor's Independence Declaration to the Directors of Prophecy International Holdings Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Prophecy International Holdings Ltd for the half-year ended 31 December 2017 I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 15 February 2018

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Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2017

	31 December 2017 \$	31 December 2016 \$
Revenue from continuing operations	5,886,484	4,735,250
Other income	24,830	33,334
Employee benefits expense	(3,312,044)	(3,099,663)
Depreciation and amortisation	(659,022)	(590,230)
Other expenses	(1,551,371)	(1,001,839)
Finance costs	(1,929)	(1,389)
Profit before income tax	386,948	75,463
Income tax expense	(310,117)	(321,149)
Profit from continuing operations	76,831	(245,686)
Profit from discontinued operations	2,451	367,701
Profit for the half year	79,282	122,015
Other comprehensive income, net of income tax		
Items that will be reclassified to profit or loss when specific conditions are met		
Exchange differences on translating foreign controlled entities	11,952	(46,188)
Other comprehensive income for the year, net of tax	11,952	(46,188)
Total comprehensive income for the year	91,234	75,827
Profit attributable to:		
Members of the parent entity	90,308	127,535
Non-controlling interest	(11,026)	(5,520)
	79,282	122,015
Total comprehensive income attributable to:		
Members of the parent entity	102,260	81,347
Non-controlling interest	(11,026)	(5,520)
	91,234	75,827
Earnings per share		
From continuing and discontinued operations:		
Basic earnings per share (cents)	0.14	0.20
Diluted earnings per share (cents)	0.14	0.20
From continuing operations:		
Basic earnings per share (cents)	0.12	(0.38)
Diluted earnings per share (cents)	0.12	(0.38)
From discontinued operations:		
Basic earnings per share (cents)	0.00	0.57
Diluted earnings per share (cents)	0.00	0.57

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Financial Position

As At 31 December 2017

	31 December 2017 \$	30 June 2017 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,303,646	3,316,579
Trade and other receivables	2,978,782	1,899,750
Work in progress	9,000	30,300
Current tax assets	119,806	-
Other assets	193,665	125,498
Non-current assets held for sale	-	121,625
TOTAL CURRENT ASSETS	5,604,899	5,493,752
NON-CURRENT ASSETS		
Trade and other receivables	7,219	7,320
Property, plant and equipment	252,040	265,976
Deferred tax assets	308,468	316,444
Intangible assets	17,045,033	17,284,972
TOTAL NON-CURRENT ASSETS	17,612,760	17,874,712
TOTAL ASSETS	23,217,659	23,368,464
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	667,357	891,643
Current tax liabilities	-	129,717
Employee benefits	616,366	757,113
Other financial liabilities	2,981,722	2,723,042
Liabilities directly associated with Non-current assets classified as held for sale	-	125,001
TOTAL CURRENT LIABILITIES	4,265,445	4,626,516
NON-CURRENT LIABILITIES		
Deferred tax liabilities	588,244	496,615
Employee benefits	123,233	95,830
TOTAL NON-CURRENT LIABILITIES	711,477	592,445
TOTAL LIABILITIES	4,976,922	5,218,961
NET ASSETS	18,240,737	18,149,503
EQUITY		
Issued capital	28,469,564	28,469,564
Reserves	(217,267)	(229,219)
Retained earnings	(9,775,535)	(9,865,843)
Total equity attributable to equity holders of the Company	18,476,762	18,374,502
Non-controlling interest	(236,025)	(224,999)
TOTAL EQUITY	18,240,737	18,149,503

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Changes in Equity For the Half-Year Ended 31 December 2017

31 December 2017

		Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
	Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017		28,469,564	(9,865,843)	(354,044)	124,825	(224,999)	18,149,503
Profit attributable to members of the parent entity		-	90,308	-	-	-	90,308
Profit attributable to non-controlling interests		-	-	-	-	(11,026)	(11,026)
Total other comprehensive income for the year		-	-	11,952	-	-	11,952
Dividends paid or provided for	3	-	-	-	-	-	-
Balance at 31 December 2017		28,469,564	(9,775,535)	(342,092)	124,825	(236,025)	18,240,737

31 December 2016

		Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
	Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016		28,469,564	(10,561,166)	(349,551)	124,825	(205,239)	17,478,433
Profit attributable to members of the parent entity		-	127,535	-	-	-	127,535
Profit attributable to non-controlling interests		-	-	-	-	(5,520)	(5,520)
Total other comprehensive income for the year		-	-	(46,188)	-	-	(46,188)
Dividends paid or provided for	3	-	(1,280,196)	-	-	-	(1,280,196)
Balance at 31 December 2016		28,469,564	(11,713,827)	(395,739)	124,825	(210,759)	16,274,064

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Cash Flows**For the Half-Year Ended 31 December 2017**

	31 December 2017 \$	31 December 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	5,088,853	6,801,165
Payments to suppliers and employees	(5,056,260)	(5,104,230)
Interest received	3,425	2,679
Income taxes paid	(439,482)	(453,835)
Net cash (used in)/provided by operating activities	<u>(403,464)</u>	<u>1,245,779</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(34,797)	(36,405)
Development expenditure	(370,718)	(394,394)
Net cash used by investing activities	<u>(405,515)</u>	<u>(430,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid by parent entity	-	(1,280,196)
Net cash provided by financing activities	<u>-</u>	<u>(1,280,196)</u>
Net increase/(decrease) in cash and cash equivalents held	(808,979)	(465,216)
Cash and cash equivalents at beginning of period	3,316,579	1,869,140
Effects of foreign exchange rates on overseas cash holdings	(203,954)	(165,040)
Cash and cash equivalents at end of the half year	<u>2,303,646</u>	<u>1,238,884</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2017

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2017 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Prophecy International Holdings Limited and Controlled Entities and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

2 Leasing Commitments

No new lease commitments have been entered into since June 2017

3 Dividends

No dividend proposed for the Half Year (2016: 0.0)

No Final fully franked ordinary dividend declared or paid for 2017 (2016: 2.0 cents per share)

	31 December 2017	31 December 2016
	\$	\$

- 1,280,196

4 Discontinued Operations

On 1 July 2017, the group disposed of the company Promadis Pty Ltd, thereby discontinuing its operations in the Legacy business segment.

As reported in the financial report for the year ended 30 June 2017, the group sold its basis2 product on 25 May 2017.

Financial information relating to the discontinued operations to the date of disposal is set out below.

The financial performance of the discontinued operations are analysed as follows:

	31 December 2017	31 December 2016
	\$	\$
Revenue	-	1,211,602
Employee benefits expense	-	(483,041)
Depreciation & amortisation	-	(229)
Other expenses	(925)	(360,631)
Gain on disposal of discontinued operations	3,376	-
	2,451	367,701

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Notes to the Financial Statements

For the Half-Year Ended 31 December 2017

5 Operating Segments

(a) Segment performance

	Legacy		Snare		eMite		Total	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
External sales	572,391	493,218	3,539,885	3,329,333	1,770,784	910,020	5,883,060	4,732,571
Other revenue	2,004	1,109	91	124	1,329	1,446	3,424	2,679
Total segment revenue	574,395	494,327	3,539,976	3,329,457	1,772,113	911,466	5,886,484	4,735,250
Segment operating profit	(341,180)	72,297	1,269,260	1,293,688	(541,132)	(1,290,522)	386,948	75,463

(b) Segment assets

	Legacy		Snare		eMite		Total	
	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June
	2017	2017	2017	2017	2017	2017	2017	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets	31,528,560	30,500,252	5,972,668	6,101,070	1,886,080	624,459	39,387,308	37,225,781

Notes to the Financial Statements

For the Half-Year Ended 31 December 2017

5 Operating Segments

(c) Reconciliations

Reconciliation of segment operating profit to the consolidated statement of profit or loss and other comprehensive income

The Board meets on a monthly basis to assess the performance of each segment, net operating profit does not include non-operating revenue and expenses such as dividends, fair value gains and losses.

	31 December 2017	31 December 2016
	\$	\$
Profit from continuing operations	386,948	75,463
Profit from discontinued operations	2,451	367,701
Income tax expense	(310,117)	(321,149)
Total net profit after tax	79,282	122,015

6 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)*	Percentage Owned (%)*
		31 December 2017	30 June 2017
Subsidiaries:			
Promadis Pty Ltd	Australia	-	100.0
Intersect Alliance Pty Ltd	Australia	100.0	100.0
Prophecy International Pty Ltd as trustee for CSP Unit Trust	Australia	100.0	100.0
Prophecy R&D Pty Ltd	Australia	100.0	100.0
Prophecy Americas Inc	United States	93.1	93.1
Prophecy Europe Limited	United Kingdom	100.0	100.0
eMite Pty Ltd	Australia	100.0	100.0

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

The Group disposed of the company Promadis Pty Ltd on 1 July, 2017 thereby discontinuing its operations in the Legacy Business segment.

7 Contingencies

There has been no change in contingent liabilities since the last annual reporting period.

8 Events Occurring After the Interim Period

No matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Prophecy International Holdings Limited and Controlled Entities

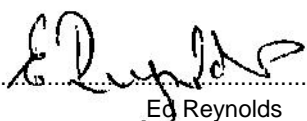
ABN: 16 079 971 618

Directors' Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 6-12 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. 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.

Director
Ed Reynolds

Director
Leanne R Challans

Dated this: 15th day of February 2018

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Independent Auditor's Review Report To the Members of Prophecy International Holding Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Prophecy International Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Prophecy International Holdings Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Liability limited by a scheme approved under Professional Standards Legislation.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prophecy International Holdings, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

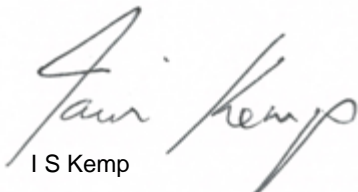
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 15 February 2018