Company Announcement 23rd November, 2018

PROPHECY INTERNATIONAL HOLDINGS LIMITED AGM 2018

CHAIRMAN AND CEO REPORT TO SHAREHOLDERS

Thank you Ed and I am pleased to be able to present the results for FY18 and to give an update on activities since the close of the financial year.

I have a few areas to cover but I would like to re-iterate the highlights from FY18.

- Snare sales transactions up from 462 in FY17 to 547 new business sales in FY18
- New business sales contract values up by 1.94% for Snare year on year from AUD$4.658M to AUD$4.748M
- eMite sales up from 47 transactions to 110 transactions in FY18 – a 134% increase.
- Value of sales contracts up from AUD$1.016M in FY17 to AUD$3.092M in FY18 - a 204% increase
- Contact Centre agent licenses sold for eMite grew from 1,340 in FY17 to 6,060 in FY18 – a 352% increase
- We also increased revenue from the Managed Security Service Provider (MSSP) segment for Snare by 65%

Another significant milestone last year was the eMite solution winning the AppFoundry Partner of the Year for Genesys. This was presented at CX18 the Genesys global customer event in Nashville where eMite was a Gold Sponsor and exhibitor.

Probably the most significant event was the increase in revenue by eMite moving from $2.058M in FY17 to $3.267M in FY18 an increase of 58%.

As I move to the next slide you will see the breakdown in more detail.

Overall revenue from Sales (not including revenue from the divestment of the legacy businesses) was up 16.2% to $10.612M from $9.188M

eMite revenue was up 58.8% and Snare revenue was up 4.4%.

Legacy revenue is now only coming from the eFoundation product from a small number of customers and this remains flat as no new activity is being undertaken with these products.

As an Australian technology company exporting Australian developed IP to the world we continue to be very proud that over 75% of our revenue is generated offshore. As you can see the majority of the revenue is coming from the USA and this geography is our strongest growth market. This has been driven primarily by our investments in sales resources in the US for eMite. In fact our growth in the US was 24.4% last year.

We have seen a small increase from Europe and Asia and Australia has remained basically flat.

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As a result we will continue to invest in our US based operations as that's where our biggest opportunity is. In the last year we have had Peter Barzen taking a leadership role in the development of the eMite business in the US in addition to leading the Snare team and starting in January 2018 we have hired both a sales and a technical resource to drive this US revenue for eMite and invested in more in country support resources to address our growing customer base.

The total pipeline for eMite is at present in excess of $10M and over 65% of that is from the USA.

After the divestment of the legacy businesses last year we are left with two primary product lines in eMite and Snare.

Over the last 18 months both these products have gone through a brand modernisation and have new branding and logos, new websites and collateral. This has allowed us to start driving new outbound campaigns to our customers and to new markets.

The eMite product is primarily focussed in IT Operations and the Contact Centre market with the vast majority of our effort being focussed in the contact centre market with our CX Intelligence offering.

The Global Contact Centre Software market is currently worth approximately USD$29B per annum. The cloud contact centre software market is a subset of the broader market but is the fastest growing segment and is currently worth approximately USD$8B per annum.

This segment is growing at more than 20% CAGR.

Snare operates in the Cyber Security markets. Last year our product suite only allowed us to play in the Logging and Log Management market – this is a USD$1.2B market.

However, with our new product offerings we can now also compete in the SIEM and Security Analytics market which is worth another USD$2.1B per year.

The 3 biggest technology drivers of IT spend for companies are currently Big Data/Analytics, Cloud and Cyber Security and Snare and eMite enable us to play in all 3 of these areas.

As shown in our revenue breakdown by region we are a truly global company.

Our locations show where we have operations. All of our IP and software development is done in Australia from our Sydney and Adelaide locations. We have sales and support in the USA, primarily in Denver, Colorado but we also have staff in Indianapolis and Utah and EMEA is served by our team in the UK.

This year we have also added sales into Canada and Brazil and have expanded our global support capability in Manila in the Philippines to include Japanese speaking support.

Due to this we have added our first Japanese customer for eMite. A large global insurance company with a significant presence in Japan and we look forward to driving significant new business from Japan.

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This brings us to our product offerings. As outlined last year we have expanded our eMite for Contact centre platform to include "productised" offerings for Genesys PureConnect and PureEngage to complement the Pure Cloud solution that we had in market at the start of the year.

These solutions deliver a true CX Intelligence platform. (CX means Customer Experience) and brings together both real time and historical reporting and dashboards for Omni-channel contact centres. This means we can report in real time on voice, chat, email and text as well as bringing in other data sources such as sales data from Salesforce, service ticket data from systems like ServiceNow, Zendesk or Cherwell and many other systems, including customer surveys, headset data and sentiment analysis among others to deliver a true end to end view of a person's interactions with our customers.

A simple example of this might be a call centre is conducting inbound and outbound sales and they want to see how many calls that were logged as sales calls actually turned into a sales opportunity and closed resulting in revenue. We bring these two data sets together in a single set of information so a customer can track a call all the way through to revenue but more importantly determine metrics like what the average talk time per sale was, benchmark their reps against each other, determine the cost per sale, correlate the positive customer feedback from their NPS survey systems with sales data and many others

The vast majority of these CX Intelligence solutions are sold as a true SaaS offering but we also can deploy on premise for customers that don't want a cloud based solution.

Our relationship with Genesys has continued to strengthen over the last year and I am proud to announce that we have now sold in excess of 10,000 contact centre seats for our CX intelligence solution.

We have also deployed our solution to customers for PureCloud, PureConnect and PureEngage.

This year we have also delivered partner training to both Genesys and a number of Genesys partners in Australia and in the USA.

If you have not had a chance to look at the video from our Australian partner training on the eMite website I would highly recommend that you do.

The Genesys ecosystem is important to eMite as we can now address the entire installed base of Genesys customers with a high value CX Intelligence offering. In October this year Genesys released their Premium Apps offering for their most important partners and I am pleased to announce that eMite is a founding Premium App partner for Genesys. This partnership enables one click installation of the eMite application from inside the Genesys PureCloud service – effectively making real time analysis instantly available while our system polls the historical data from the database in the background.

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Last year we were heavily focussed on the PureCloud segment, but we now have partners that are targeting all the offerings from Genesys, including PureConnect and PureEngage. As you can see from this slide the larger numbers of customers and seats are in the on-premise segments with Genesys even though PureCloud is the fastest growing.

As we sell based on the number of contact centre seats – our deal size increases as we sell to bigger customers with more agents answering calls.

Our average deal size across all deals that we have closed to date is approximately $18,800 for 12 months and our forward looking pipeline is currently averaging approximately $53,000 due to the numbers of larger deals in the pipeline, particularly for PureConnect and PureEngage customers. Some of these number in the thousands of seats rather than the 65 seat average that we have realised to date.

Our largest customers at this point have approximately 800 seats on PureCloud.

We continue to see good sales momentum with the CX Intelligence solution with 83 new customers added in FY18 – for context in FY17 we sold a total of 22 new deals. These sales are both net new to eMite and Genesys or can be existing Genesys customers that need improved analytics capability or want a true CX Intelligence platform to combine data from their other systems with the contact centre data into a single view.

As mentioned, the pipeline for eMite is now over $10M and in the first quarter of the new year we have added an average 9.5 new customers per month representing an average of 600 seats per month through Genesys or their partners.

The product has also further matured and we have added integrations to on board data from applications including Salesforce, Voci, Survey Dynamix, Verint, Call Journey and Plantronics to name a few.

The customers that have taken up eMite include significant global brand names including Novartis, AXA and Canon.

One of our key strategies has been to achieve scale through partners. Recruiting, onboarding, training and activating partners does take some effort but for long term growth it is the best approach.

We have created a significant partner ecosystem for eMite and this continues to grow with a number of new partners in the pipeline.

I am also pleased to announce that since the last AGM we have added a number of new sales and service partners including QPC and Dimension Data in Australia, CPI.Solutions, ConvergeOne, AVDS in the US and have signed a global technology alliance with Plantronics to provide analytics for their head set data.

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As mentioned previously we have also conducted partner training sessions in Australia and in the US and are looking to continue increasing the capability of our partners.

We have also created a new style of partner agreement with a select few partners to enable them to use our SDK to build new adaptors for our eMite platform. This means that we can leverage the deep domain expertise of these partners to bring even more value to our joint customers. For some partners we will also certify their adaptors as an official eMite solution and sell their adaptor through the rest of our partner ecosystem and directly to our customers.

I want to tun now to our Snare offering.

At this time last year we had the Snare Agents and Snare Server in market and we also gave a sneak peek at some new technology that we were working on. I am pleased to announce that we have completed the development of the new offerings and they are now in market and we have signed our first customers.

By combining the eMite and Snare products we have been able to launch 2 new offerings into market.

- Snare Analytics – a Security analytics product that takes the log data from Snare and other Syslog sources and performs real time and historical analysis across log data.

- Snare Threat Management or Threat Intelligence – a new, next generation SIEM solution that further extends Snare Analytics to include other security data sources like logs from Office 365, AWS, Azure, Back up, OS Patching, Application White Listing, LDAP, Active Directory and from third party threat data sources in the STIX/TAXII format amongst many others.

Both these offerings combine the power of Snare logging agents with eMite's powerful data collection, indexing and KPI engine and dashboarding capability. We have also built "augmented intelligence" into the platform in the form of powerful pre-built KPI's and Dashboards to deliver "out of the Box" capability for IT Security.

Sold under the Snare brand it now allows us to compete with other SIEM and Security Analytics vendors and offer a more complete solution to our customers. For a mid market customer we now view Snare Analytics as a compete Threat Detection offering and but we also see our technology complementing other players in the market and we take pride in being platform agnostic and "playing well with others".

These offering are being sold both direct and through our partner channel. I have mentioned before that the Managed Security Service Provider (MSSP) segment grew by 65% for us in the last year and we see this as an increasingly important channel for Snare.

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In addition to our important existing partners we have added Virtual Armour, Carbon Helix and ITVizz as new Snare partners this year. We are also working with a number of other global software vendors to collaborate with our new analytics capability.

Importantly we have also extended our existing NTT relationship from one that was primarily North America focussed to a true global agreement incorporating more NTT subsidiaries around the globe.

I'm very pleased to announce that we have managed to increase the number of Snare sales last year to 547 up from 462 the year before – an 18.4% increase. However the down side to this was the decrease in average deal size for Snare prior to the release of Snare Analytics. This is an indicator of the commoditisation of simple log collection and log transport and also indicates that the competitors in the SIEM and Security Analytics market were providing log collection tools "at no additional cost" as part of their solution.

The other important stat is that these sales represented over 170,000 snare agents deployed across customers' systems to help protect their IT environments from business risk and to achieve regulatory compliance.

We are proud of the customers that have chosen Snare including the logos that you see on this slide. Some of the biggest companies and government agencies in the world choose Snare.

One of the reasons that we were able to increase sales in FY18 was that we made changes to the way we develop software inside Prophecy for Snare and released significant new functionality. The Snare development team now run an Agile development approach and in fact we now run agile development across our development teams in both Sydney and Adelaide.

These changes have enabled us to bring new product to market faster and we have a significant roadmap of new functionality in development that will be released over the course of the next year.

In FY18 we released File Integrity Monitoring (FIM) to complement our existing capability in File Activity Monitoring (FAM) and this week we have released our Registry Integrity Monitoring (RIM).

We also released our binary distribution capability to enable "in place updates" of our software, launched V5 of our Server Agent for Linux and we have also just released an Agent that combines both Windows or Linux with Epilog for flat text file logs.

We have also released a version of our agent for NCR ATM's and achieved Veracode Certification for our Windows Agent software giving our customers comfort that there are no vulnerabilities in the software introducing risks or threats into their network from our products.

The most significant release was of course Snare Analytics and Snare Threat Management as part of the new upgrades for Snare Server.

Snare Analytics was officially launched this year at Tech in Government event in Canberra in the 2nd week of August and followed shortly after at the Gartner Security and Risk Summit in Sydney. Since then we have built a pipeline in excess of $1M and signed our first customers including a large bank in Canada, a pharmaceutical company in the US, a manufacturing company in Norway and a secure document production facility in Europe.

One of these implementations has been completed and the others are in progress.

One of the key data points for this offering is that our average deal size increases from approximately $14K for just Snare Agents to approximately $70k when a customer buys Snare Analytics. We have a customer base of over 2,700 active customers and there is a significant opportunity in upgrading our existing customers to Snare Analytics.

Last year we talked about our key strategies for growth being Product Innovation, Optimising Sales and Marketing – both coverage and capacity, improving our Customer Experience – driving retention and upselling into our base; as well as looking to improve the operations of the business by consolidation and automation bringing operational efficiency.

I am pleased to be able to show solid progress across all these areas. We have strong products and operate in growing markets, the operations of the business continue to improve and we continue to attract some of the biggest customers and partners from around the globe. We have a strong growth opportunity in front of us and we now need to ensure that we execute against that opportunity.

I would like to thank our investors for their continued support.