



Consolidated Financial Statements

For the Half-Year Ended 31 December 2022

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Results For Announcement to the Market For the Period Ended 31 December 2022

This report should be read in conjunction with the 30 June 2022 Annual Financial Report of the consolidated entity.

1	Summary of results	% change	Direction	\$
	Revenue from ordinary activities from continuing operations	19%	up	9,019,567
	Loss from ordinary activities before tax attributable to members	228%	up	(2,634,090)
	Loss from ordinary activities after tax	212%	up	(2,116,055)
	Loss from ordinary activities attributable to members (after non controlling interests)	199%	up	(2,120,281)

2 Dividends

No dividend has been declared for the half.

3 Explanatory information

For the six months to 31 December 2022, Prophecy has posted a loss before tax of (\$2,634k). This compares with a loss before tax of (\$802k) for the same period last year.

Revenues for the six months to 31 December 2022 were \$9.02 million – up 19% from the same period last year which recorded revenues of \$7.57 million.

The half year closed with a cash balance of \$9.8 million compared to \$10.7 million at the same period last year.

4 Net Tangible Assets per Security

	December 2022 \$	December 2021 \$
Net Tangible Assets (pre tax)	(5,602,008)	(7,677,539)
Net Tangible Assets (post tax)	(5,730,815)	(7,944,245)
Number of Securities	73,610,934	73,590,934
NTA per Security (pre tax)	0.076	0.104
NTA per Security (post tax)	0.078	0.108

Prophecy defines net tangible assets as net assets less intangible assets. A large proportion of Prophecy's assets are classified as intangible assets including goodwill, right of use assets and intellectual property. The company has elected to disclose net tangible assets both pre and post deferred tax balances. At 31st December 2022, the intangible assets have been excluded from the calculation of the net tangible assets, resulting in negative net tangible asset per security.

The reviewed financial statements for the period ended 31 December 2022 are attached.

Prophecy International Holdings Limited and Controlled Entities

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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 2022

Prophecy International Holdings Ltd is pleased to announce its half year results for the period ended 31 December 2022, confirming a record H1 for the Company with an 19% increase in revenue to \$9.0 million and a 33% increase in annualised recurring revenue (ARR) to \$20.6 million.

H1 Financial Highlights

- eMite revenue increased by 84% year-on-year (YoY) to \$5.4 million
- 219% YoY growth in Snare subscription sales in H1 FY23
- Legacy revenue of \$352k for the period
- Strong growth in recurring revenue growing total Company ARR to \$20.6 million (+33% YoY) as at 31 December 2022
- Efficient conversion of revenue into cash receipts, invoicing \$9.02M in H1 FY23. Although invoicing was down 5% YoY at a headline level, this reflects the impact of the Company transitioning Snare from a perpetual licence model to a recurring subscription licence model. Adjusting for this subscription transition, the Company's invoicing levels were similar to H1 FY22
- Healthy balance sheet with no debt and cash at bank of \$9.8 million. Had an anticipated payment from the ATO not been delayed until January, the Company's closing cash balance would have sat at \$10.2 million.

Performance	Result \$	Last Year \$	Change
Revenue	9,019,567	7,573,421	Up 19%
NPAT (Loss)	(2,116,055)	(678,653)	Up 212%
Cash Flow	(2,763,493)	868,453	Down 418%
Cash Balance	9,785,536	10,684,728	Down 8%
Debt	zero	zero	No change

In H1 FY22, Prophecy continued to focus on delivering organic growth through its two primary product lines, eMite and Snare.

eMite provides a SaaS-based real time and historical analytics platform, dashboards, wallboards, KPI and process orchestration products for Customer Experience and Contact (Call) Centre environments for customers in the Genesys, Amazon and Avaya ecosystems.

The Snare cybersecurity software suite is a highly scalable platform of Centralised Log Management and Security Analytics products, designed to enable customers to detect and manage cyber threats in real time and maintain regulatory compliance.

H1 FY23 saw a continued shift in the nature of the Company's revenue as Prophecy transitions the Snare business to a predominantly subscription-based model. It was in this context that Prophecy achieved new sales contracts of \$2.2 million in H1 FY23, which at the headline level represents YoY change of -40% but primarily reflects a decline in perpetual license sales as the Company continues to aggressively market subscription licensing to new customers and prospects. The benefit of this shift is continued expansion of the Company's base of annualised recurring revenue (ARR).

The Company continues to reap the benefits of having established a wholly owned subsidiary in the Philippines, Prophecy Software Solutions Philippines Inc, early in H1 FY23. This subsidiary delivers customer support, software development, cloud operations and end customer training capability for Prophecy globally across all product sets, and is delivering cost savings of approximately \$500k per annum compared to the previously outsourced services.

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Review of Operations & Results of Operations For the Half Year Ended 31 December 2022

Continued eMite Growth

eMite continues to grow through a primarily channel-driven sales model, with most sales coming through partners including Genesys, Amazon Web Services or through system integrators like ConvergeOne, Cognizant, NTT and Voice Foundry.

The eMite business continues to contribute strongly to Group momentum, with new eMite customer contracts signed during H1 FY23 with a diverse group of customers including sales to Next Holdings, Hawaiian Electric, Amica Mutual Insurance, the New Zealand Accident Compensation Commission, European car-as-a-service provider LeasePlan and US healthcare benefits administrator Nations Benefits.

The period saw Prophecy lap a particularly strong set of comparable sales which included the biggest contract in the Company's history (Humana). Excluding this contract, Prophecy delivered eMite 1CV sales growth of approximately 46% in H1 FY23. At the commencement of H2 FY23, eMite had an ARR of \$13.7 million.

In October 2022 Genesys announced the end of life and end of new development for a number of legacy platforms and products, including their leading on-premise solution "Engage". Prophecy believes that this should accelerate the migration to cloud solutions for a large proportion of their on-premise customers in the large enterprise and government sectors. Early indicators of this shift are positive, with a number of new large household names potential eMite clients coming into the sales pipeline within the first month of this announcement being made.

A number of significant large customers will be invoiced for their annual eMite subscription in H2 of FY23 and this will have a significant positive effect on cash collection and cash flow for the full year.

eMite Sales Highlights

- New eMite customer contracts signed during H1 FY23 covering more than 2,600 seats, with aggregate 1st year contract value (1CV) of more than \$1.9M
- In H1 FY23, eMite achieved growth in invoicing of 140% YoY to \$8.6 million
- With a 2023 eMite potential sales pipeline valued by the Company at \$12.2M, Prophecy holds a positive view for continued growth in this segment as a broader set of customers recognise eMite's ability to help businesses visualise and understand their customers' journey

Snare Performance

In H1 FY23, the Company signed new Snare contracts with more than 80 government and enterprise clients, generating sales of more than \$2.2M, including Kelley Services Group, Allens and the Australian Department of Defense.

During the period, 77% of Snare sales were made on a subscription basis rather than under a perpetual license model. This translated to 219% YoY growth in Snare subscription sales in H1 FY23.

The decrease in sales from H1 FY22 reflects the aforementioned transition of Snare from a perpetual licence model to a recurring subscription licence model, as well as no large US Government bids being awarded during the period. Prophecy is currently engaged in seven bids of this type and remains confident of its prospects closing a number of these opportunities.

Snare Sales Highlights

- During the period, 77% of Snare sales were made on a subscription basis rather than under a perpetual license model. This translated to 219% YoY growth in Snare subscription sales in H1 FY23
- Prophecy has identified a 2023 Snare potential sales pipeline valued at \$12.8M, evenly split between subscription and perpetual license opportunities

Snare Product

Significant new products were released for Snare in H1 FY23 including Snare Central 8.5. New capability includes Snare Management Centre - New capability to monitor and manage multiple remote Snare Central servers; Cyber Network Map – the first step to introducing comprehensive analytics capability inside Snare Central to enhance threat detection; Cloud Log Collection, enabling customers to collect log from physical devices and cloud services including Office 365 and Azure Cloud.

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Review of Operations & Results of Operations

For the Half Year Ended 31 December 2022

Legacy Products

Only 2 remaining customers exist on legacy products and both are in the process of migrating away from these very outdated platforms and products. While we continue to generate revenue from these legacy customers we expect this to effectively end during the course of this financial year.

Operational Highlights

Prophecy continues to enhance its business operations to meet significant global market opportunities. This has allowed the Company to deliver strong sales growth in H1 FY23, with the \$4.2m in new business achieved during the half-year across eMite 1CV sales, Snare perpetual and Snare subscriptions.

The half-year saw significant eMite customer wins across several of Prophecy's targeted geographies and sectors through both the Genesys and Amazon Connect ecosystems, including Health, Retail, Finance & Government with a selection of key customers detailed above.

A selection of the Company's larger sales of Snare to new and existing customers includes Wolf Creek Nuclear Operating Corporation, PSEG Long Island and Westinghouse. As demonstrated by these brands, Snare continues to appeal to a broad range of regulated industries including banking & finance, energy, oil, gas and utilities, retail and health as well as government.

The company holds a positive view for continued growth in customer activity on its eMite platform as its sales and marketing function boosts the recognition of eMite's ability to help businesses visualise and understand their customer's journey.

Prophecy maintains a positive view for continued growth in Snare's business as the market for flexible cybersecurity and compliance solutions continues to expand. With a strong and growing footprint with Military and Defense sectors in Australia, UK and the United States, and having invested in new sales resources to address the significant revenue growth opportunity in this segment, Prophecy is well-placed to deliver continued growth in Snare subscription sales as the Company addresses attractive new opportunities in the US and globally.

Partner Activity

During H1 FY23, Prophecy advised that the Company had signed a 5-year Master Supply Agreement (MSA) with Australian telecommunications leader Optus Networks Pty Ltd ("Optus"). The MSA allows for Prophecy to supply both eMite and Snare to Optus group companies and customers.

The first eMite deal under the MSA, with a key Optus government customer, has progressed to contract negotiation stage with Prophecy having received an initial order valued at \$50k during Q1 FY23. The initial opportunity to supply eMite to just one out of Optus' many customers has been estimated at approximately \$2 million over the next 3 years.

A pipeline of additional potential eMite and Snare deals have been identified through the partnership developed by the signing of the MSA. Prophecy is in ongoing dialogue relating to these pipeline opportunities and is pleased by the progress to date through this milestone partnership for the Company.

The Company also partnered with Fujitsu Australia Limited through a reseller agreement to enable Fujitsu to sell and deploy Snare software to their government and commercial customers in Australia. This agreement complements existing sales relationships with Fujitsu in Singapore and in the United Kingdom. Prophecy has identified potential for its agreement with Fujitsu to open opportunities to supply Snare to organisations responsible for the defense of Australia and its national interests.

Prophecy also signed a new partnership with IT and compliance services, product development and cybersecurity provider Novacoast in the US. Novacoast helps organisations find, create and implement solutions for a powerful security posture through advisory, engineering, development and managed services. This agreement is with the Managed Security Services (MSSP) division of Novacoast and is working on a plan to bring Snare software to the current Novacoast customer base across large commercial and government segments in the United States.

The Company also signed a new partnership in Japan, opening a significant new market for Snare, with Jupiter Technology Corp (JTC). Jupiter Technology, founded in 2001 is a leading provider of log and network management and security in Japan serving more than 5,000 customers. The company delivers a portfolio of management and security services providing localised support for its customers ranging from SMBs to large enterprises and the public sector.

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Review of Operations & Results of Operations For the Half Year Ended 31 December 2022

JTC brings a new opportunity with large enterprise customers in Japan looking to optimise their SIEM and achieve regulatory compliance. Since the partnership commenced, JTC has become Prophecy's registered distributor for Snare in Japan and has committed to provide in-country Japanese language sales, support and technical staff for Snare enterprise customers, of whom Prophecy now has approximately 20 in Japan.

Prophecy staff will exhibit alongside JTC personnel as part of Team Defence Australia on the Australia Pavilion at the Defence Security Equipment International (DSEI) show to be held in Chiba, Japan on 15–17 March 2023. Japan represents a strategic growth opportunity for Prophecy given the country's membership alongside Australia in the Quadrilateral Security Dialogue ("Quad") and in light of near-term growth in the Japanese defence budget, approved to increase by 20% in 2023 to a record 6.8 trillion yen (US\$55 billion).

Prophecy's presence at DSEI Japan is expected to be the first of several international defence export trade shows that will open up to the Company in 2023 thanks to its membership of Team Defence Australia.

Outlook

The Company's key priorities for H2 FY23 remain:

- Continue to expand sales and marketing to address growth opportunities in global markets
- Increase eMite sales to large Enterprise customers through both Genesys and Amazon Connect
- Increase penetration of Snare products with new and existing customers, focusing on opportunities for Snare in the Government & Defense segment in the USA
- Increase Snare partner revenue from Security services partners including MSSP's, Security Operation Centre (SOC) providers and Extended Detection and Response (XDR) platform providers
- Deliver the strong pipeline of product innovation already in progress for both Snare and eMite
- Continue the managed transition of the Snare business to recurring subscription-based licensing
- Identify and execute on acquisition opportunities to accelerate growth and increase capability, capacity and coverage

Healthy demand from customers and continued momentum in the new year provides the Company with confidence of delivering further business growth through FY23 and beyond. The growth of our business in H1 FY23 reflects our focus on helping customers to secure the enterprise, repel cyber threats and deliver valuable business insights. We are trusted by an increasingly broad spread of blue-chip clients across the banking, healthcare, government, defence, utilities, transport, manufacturing, retail and energy sectors, and our software products, eMite and Snare, are now deployed at more than 4,000 sites globally.

We will continue to deliver new capabilities, accelerating both Snare and eMite product roadmaps as we develop new revenue streams to complement existing products. We will continue our transition towards SaaS & subscription sales as we focus on driving organic growth through renewal, retention, upsell and cross sell, while proactively scanning the Australian market for potential M&A opportunities.

In cloud migration, eMite is riding a significant growth trend. We expect that hybrid and remote working will accelerate cloud migration for the next several years. With multi-year industry tailwinds ahead, strong market positions, and diverse streams of recurring revenue flowing from our essential service segments of cybersecurity and cloud contact centres, we look forward to delivering scalable and increasingly profitable growth in the year ahead.

Prophecy International Holdings Limited and Controlled Entities

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Directors' Report For the Half Year Ended 31 December 2022

The directors submit the financial report of the Group for the half year ended 31 December 2022.

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 in the review of operations and results of operations preceding 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 2022 has been received and can be found on page 6 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: 27th day of February 2023

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Auditor's Independence Declaration

To the Directors of Prophecy International Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Prophecy International Holdings Limited for the half-year ended 31 December 2022, 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



J L Humphrey
Partner – Audit & Assurance

Adelaide, 27 February 2023

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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 2022

	31 December 2022	31 December 2021 restated
	\$	\$
Revenue from continuing operations	9,019,567	7,573,421
Other income	2,280	194
Employee benefits expense	(6,669,708)	(4,918,183)
Depreciation and amortisation expense	(532,275)	(625,382)
Other expenses	(4,432,723)	(2,812,682)
Finance costs	(21,231)	(19,577)
Loss before income tax	(2,634,090)	(802,209)
Income tax expense	518,035	123,556
Loss for the half year	(2,116,055)	(678,653)
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	7,557	(88,862)
Other comprehensive income for the year, net of tax	7,557	(88,862)
Total comprehensive loss for the year	(2,108,498)	(767,515)
Loss attributable to:		
Members of the parent entity	(2,120,281)	(709,167)
Non-controlling interest	4,226	30,514
	(2,116,055)	(678,653)
Total comprehensive loss attributable to:		
Members of the parent entity	(2,112,724)	(798,029)
Non-controlling interest	4,226	30,514
	(2,108,498)	(767,515)
Earnings per share		
From continuing operations:		
Diluted earnings per share (cents)	(2.88)	(1.05)

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

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**Consolidated Statement of Financial Position
For the Half-Year Ended 31 December 2022**

	31 December 2022 \$	30 June 2022 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	9,785,536	12,987,942
Trade and other receivables	2,695,741	2,769,896
Financial assets	171,062	100,662
Contract assets	357,347	284,780
Current tax receivable	635,308	437,350
Other assets	2,170,185	1,821,511
TOTAL CURRENT ASSETS	15,815,179	18,402,141
NON-CURRENT ASSETS		
Trade and other receivables	8,307	8,170
Right to use assets	538,937	542,939
Property, plant and equipment	195,658	220,391
Deferred tax assets	764,133	576,665
Intangible assets	6,519,177	7,016,817
Other assets	1,270,458	1,202,783
TOTAL NON-CURRENT ASSETS	9,296,670	9,567,765
TOTAL ASSETS	25,111,849	27,969,906
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	1,533,634	1,635,694
Employee benefits	1,515,980	1,625,765
Contract liabilities	6,008,383	5,026,489
Lease liabilities	282,894	207,316
TOTAL CURRENT LIABILITIES	9,340,891	8,495,264
NON-CURRENT LIABILITIES		
Deferred tax liabilities	892,940	1,004,394
Employee benefits	172,065	133,301
Lease liabilities	326,153	407,363
Contract liabilities	1,719,678	3,172,364
TOTAL NON-CURRENT LIABILITIES	3,110,836	4,717,422
TOTAL LIABILITIES	12,451,727	13,212,686
NET ASSETS	12,660,122	14,757,220
EQUITY		
Issued capital	2 35,809,479	35,798,079
Reserves	(270,786)	(278,343)
Accumulated Losses	(22,688,188)	(20,567,907)
Total equity attributable to equity holders of the Company	12,850,505	14,951,829
Non-controlling interest	(190,383)	(194,609)
TOTAL EQUITY	12,660,122	14,757,220

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

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**Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2022**

31 December 2022

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	35,798,079	(20,567,907)	(403,168)	124,825	(194,609)	14,757,220
Loss attributable to members of the parent entity	-	(2,120,281)	-	-	-	(2,120,281)
Loss attributable to non-controlling interests	-	-	-	-	4,226	4,226
Total other comprehensive income for the year	-	-	7,557	-	-	7,557
Issue of shares	11,400	-	-	-	-	11,400
Balance at 31 December 2022	35,809,479	(22,688,188)	(395,611)	124,825	(190,383)	12,660,122

31 December 2021

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	28,501,869	(19,862,291)	(156,215)	124,825	(322,276)	8,285,912
Effect of restatement		1,008,542			83,024	1,091,566
Restated at 1 July 2021	28,501,869	(18,853,749)	(156,215)	124,825	(239,252)	9,377,478
Loss attributable to members of the parent entity	-	(709,167)	-	-	-	(709,167)
Loss attributable to non-controlling interests	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	(88,862)	-	30,514	(58,348)
Shares issued during the year	7,296,210	-	-	-	-	7,296,210
Balance at 31 December 2021	35,798,079	(19,562,916)	(245,077)	124,825	(208,738)	15,906,173

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

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Consolidated Statement of Cash Flows For the Half-Year Ended 31 December 2022

	31 December 2022	31 December 2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	8,552,455	9,122,413
Payments to suppliers and employees	(11,318,228)	(8,254,154)
Interest received	2,280	194
Net cash used in operating activities	<u>(2,763,493)</u>	868,453
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(27,297)	(44,037)
Payment for held-to-maturity investments	(70,400)	-
Net cash used in investing activities	<u>(97,697)</u>	(44,037)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	11,400	7,276,260
Payment of lease liabilities	(273,983)	(320,496)
Net cash used in financing activities	<u>(262,583)</u>	6,955,764
Effects of foreign exchange rates on overseas cash holdings	<u>(78,634)</u>	(222,855)
Net decrease in cash and cash equivalents held	<u>(3,202,407)</u>	7,557,325
Cash and cash equivalents at beginning of year	<u>12,987,943</u>	3,127,403
Cash and cash equivalents at end of the half year	<u>9,785,536</u>	10,684,728

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements For the Half-Year Ended 31 December 2022

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2022 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 2022, 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.

Estimates and judgements

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2022

2 Issued Capital

	31 December 2022	30 June 2022
	\$	\$
73,610,934 (June 2022: 73,590,934) Ordinary shares	35,809,479	35,798,079

(a) Ordinary shares

	31 December 2022	31 December 2022	30 June 2022	30 June 2022
	\$	No	\$	No
At the beginning of the reporting period	35,798,079	73,590,934	28,501,869	64,055,934
Issue of shares - placement	-	-	7,695,000	9,500,000
Issue of shares - employee share scheme	11,400	20,000	19,950	35,000
Share issue costs (net of tax)	-	-	(418,740)	-
At the end of the reporting period	35,809,479	73,610,934	35,798,079	73,590,934

3 Dividends

No Dividends were paid for the Half Year (H1 FY22 - Nil)

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Half-Year Ended 31 December 2022

4 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
	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
External sales	349,787	259,203	3,315,256	4,409,231	5,354,524	2,904,987	9,019,567	7,573,421
Other revenue	1,828	99	378	24	74	71	2,280	194
Total segment revenue	351,615	259,302	3,315,634	4,409,255	5,354,598	2,905,058	9,021,847	7,573,615
Segment operating profit	(1,404,102)	(1,108,985)	(1,166,170)	1,208,389	(63,818)	(901,613)	(2,634,090)	(802,209)

(b) Segment assets

	Legacy		Snare		eMite		Total	
	31 December	30 June 2022	31 December	30 June 2022	31 December	30 June 2022	31 December	30 June 2022
	2022	2022	2022	2022	2022	2022	2022	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets	1,903,508	5,019,619	8,663,619	8,836,597	13,780,619	13,537,025	24,347,746	27,393,241

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Notes to the Financial Statements For the Half-Year Ended 31 December 2022

(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 2022	31 December 2021
	\$	\$
Segment net operating loss	(2,634,090)	(802,209)
Income tax benefit	518,035	123,556
Total net loss after tax	<u>(2,116,055)</u>	<u>(678,653)</u>

5 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 31 December 2022	Percentage Owned (%)* 30 June 2022
Subsidiaries:			
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.

6 Contingencies

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

7 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

Notes to the Financial Statements For the Half-Year Ended 31 December 2022

8 Correction of Prior Period Error

During the year ended 30 June 2022, it was identified that certain incremental costs of obtaining contracts (sales commissions), had not been accounted for correctly in accordance with AASB 15 – Revenue from Contracts with Customers. Pursuant to AASB 15, the incremental costs of obtaining a contract are those that the entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example sales commission). As a consequence, sales commission expenses have been overstated with an understatement of prepaid expenses (cost to obtain customer contracts).

The following tables summarise the impacts on the group's financial statements.

Statement of financial position

Impact of correction

31 December 2021

	As previously reported	Adjustments	As restated
Other current assets	15,287,318	966,578	16,253,896
Other non current assets	9,022,621	856,135	9,878,756
Total assets	24,309,939	1,822,713	26,132,652
Deferred tax liabilities	339,944	481,889	821,833
Total liabilities	9,744,590	481,889	10,226,479
Retained earnings	(20,796,139)	1,233,223	(19,562,916)
Minority interest	(316,339)	107,601	(208,738)

Consolidated profit or loss

31 December 2021

Impact of correction

	As previously reported	Adjustments	As restated
Employee expenses	5,250,389	(332,206)	4,918,183
Loss before income tax	(1,134,415)	332,206	(802,209)
Income tax expense/benefit	206,504	(82,948)	123,556
Loss for year	(927,911)	249,258	(678,653)

Earnings per share has been updated to reflect the changes in reported results. There has been no impact on the Group's total operating, investing or financing cash flows as a result of the error.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Directors' Declaration

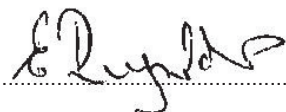
For the Half Year Ended 31 December 2022

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 7-14 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 2022 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



Director



Dated this 27th day of February 2023

Independent Auditor's Review Report

To the Members of Prophecy International Holdings 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 2022, 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, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Prophecy International Holdings Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Prophecy International Holdings Limited's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

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

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.

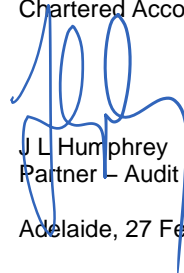
Auditor's responsibility

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 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 27 February 2023