



Consolidated Financial Statements

For the Half-Year Ended 31 December 2023

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Results for Announcement to the Market For the Half Year Ended 31 December 2023

This report should be read in conjunction with the 30 June 2023 Annual Financial Report of the consolidated entity.

| 1 | Summary of results | % change | Direction | \$ |
|---|---|----------|-----------|-------------|
| | Revenue from ordinary activities from continuing operations | 27% | up | 11,490,321 |
| | Loss from ordinary activities before tax attributable to members | 12% | down | (2,312,094) |
| | Loss from ordinary activities after tax | 21% | down | (1,677,789) |
| | Loss from ordinary activities attributable to members (after non controlling interests) | 21% | down | (1,683,416) |

2 Dividends

No dividend has been declared for the half.

3 Explanatory information

For the six months to 31 December 2023, Prophecy has posted a loss before tax of (\$2,312k). This compares with a loss before tax of (\$2,634k) for the same period last year.

Revenues for the six months to 31 December 2023 were \$11.49 million – up 27% from the same period last year which recorded revenues of \$9.02 million.

The half year closed with a cash balance of \$9.9 million compared to \$9.8 million at the same period last year.

4 Net Tangible Assets per Security

| | December 2023 \$ | December 2022 \$ |
|------------------------------------|------------------------|------------------------|
| Net Tangible Assets (pre tax) | (3,892,166) | (5,602,008) |
| Net Tangible Assets (post tax) | (3,361,237) | (5,730,815) |
| Number of Securities | 73,615,934 | 73,610,934 |
| NTA per Security (pre tax) | 0.053 | 0.076 |
| NTA per Security (post tax) | 0.046 | 0.078 |

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.

The reviewed financial statements for the period ended 31 December 2023 are attached.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Contents

For the Half Year Ended 31 December 2023

| | Page |
|--|-------------|
| Consolidated Financial Statements | |
| Review of Operations and Results of Operations | 1 |
| Directors' Report | 5 |
| Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 | 6 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 7 |
| Consolidated Statement of Financial Position | 8 |
| Consolidated Statement of Changes in Equity | 9 |
| Consolidated Statement of Cash Flows | 10 |
| Notes to the Financial Statements | 11 |
| Directors' Declaration | 14 |
| Independent Auditor's Review Report | 15 |

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 2023

Prophecy International Holdings Ltd is pleased to announce its half year results for the period ended 31 December 2023 (H1 FY24), confirming a record H1 for the Company with a 27% increase in revenue to \$11.5M and a 21% increase in annualised recurring revenue (ARR) to \$24.9M.

H1 Financial Highlights

- Revenue up 27% on previous corresponding period (PCP) to \$11.5M in H1 FY24 – a record H1 for the company (H1 FY23 - \$9.0M)
- 21% annualised recurring revenue growth on PCP to \$24.9 million as at 31 December 2023
 - 25% increase on PCP of emite ARR to \$16.9M
 - 75% increase on PCP in Snare subscriptions to \$5.4M, as Snare continues to transition its revenue model towards primarily recurring subscription sales
- Invoicing up 21% on PCP to \$10.95M in H1 FY24 to continue efficient conversion of revenue into cash receipts
- Market tailwinds positive for continued expansion in Cloud Data Management, CX Analytics and Cyber Security
- Closing cash balance of \$9.9M as at 31 Dec 2023

| Performance | Result \$ | Last Year \$ | Change |
|--------------|--------------|-----------------|-----------|
| Revenue | 11,490,321 | 9,019,567 | Up 27% |
| NPAT (Loss) | (1,677,789) | (2,116,055) | Down 21% |
| Cash Flow | (1,351,173) | (2,752,093) | Up 51% |
| Cash Balance | 9,853,831 | 9,785,536 | Up 1% |
| Debt | zero | zero | No change |

In H1 FY24, Prophecy continued to focus on delivering organic growth through its two primary product lines, emite and Snare.

Emite is the Company's full featured SaaS-based analytics platform targeted at the Customer Experience (CX) market. Emite helps Prophecy's customers understand their CX operations and customers, enabling them to optimise their operations and provide differentiated service to their customers by breaking down data silos and making all CX data available for analysis, visualisation and reporting as they need it.

Snare is the Company's cybersecurity software product line. Through Snare, the Company provides critical government recommended or mandated security controls, including cyber threat detection, security information and event management (SIEM), alerting, forensics and centralised log management.

Consistent sales growth continues to underpin growth in the Company's base of ARR. As at 31 December 2023, the Company's base of ARR had grown to \$24.9M, up 21% YoY.

The Snare business continues to transition well to a primarily subscription-based model, with Snare subscription revenue up 75% YoY. Although this change impacts revenue recognition and invoicing cashflow, the subscription model has been received well by customers and enhances the sustainability and scalability of Prophecy's business model.

Prophecy continues to efficiently convert revenue into cash receipts, invoicing \$10.95M in H1 FY24, +21% YoY.

The Company remains debt free with adequate financial flexibility to pursue its growth objectives.

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 2023

Emite Sales and Operational Highlights

Emite has an almost 100% channel-based go-to-market strategy driven by key partnerships with Genesys and Amazon Connect from AWS. The Company has also developed relationships with many implementation partners, resellers and system integrators including Telstra, Optus, NTT, BT, ConvergeOne and Kerv. As a product that can be delivered either by SaaS or deployed on-premise, we host our SaaS customers globally on both AWS and Oracle Cloud, and emite continues to be a Platinum AppFoundry partner for Genesys.

Prophecy's focus on international marketing through both the Genesys and Amazon Connect contact centre technology ecosystems continues to deliver growth in contracted sales for emite.

Prophecy's release in June 2023 of an Integration Platform as a Service (iPaaS) solution for emite enables the Company to address more of the CX marketplace, include other vendor tools with Genesys and Amazon Connect and open this new integration capability to the entire CX ecosystem.

In H1 FY24, the Company signed new eMite customer contracts with aggregate 1st year contract value of \$3.15M, representing a 66% increase on PCP. This included upsells to Humana and Airbnb, plus sales to a broad range of high-profile new customers, including several organisations across the Middle East:

- Australian Tax Office
- Service NSW
- Colonial First State
- Cochlear
- Macy's
- Just Eat Takeaway.com – emite's first significant direct customer contract (i.e. not through Prophecy's channel partnerships with Genesys and Amazon Connect) and an early paying customer of emite for its new iPaaS solution
- NZ Inland Revenue (NZ Govt)
- Abu Dhabi Commercial Bank (UAE)
- Al Hilal Islamic Bank (UAE)
- Dubai Health Authority (UAE)
- Dallah Health (Saudi Arabia)
- Motorizzazione Civile de Roma (Italian Govt)

Snare Sales and Operational Highlights

In H1 FY24, the Company signed new Snare contracts with enterprise clients headlined by:

- Investcorp (UK financial services)
- Gibson Dunn (US legal services)
- Verizon
- Charles Schwab
- Broadview Federal Credit Union
- Ineos Europe
- Occidental Petroleum
- The Office of the Israeli Prime Minister

Many regulation and compliance mandates call for strong security monitoring tools, and Snare helps customers achieve regulatory compliance in areas like Sarbanes Oxley, NERC, HIPAA, PCI DSS and more.

These new customer engagements generated sales of \$1.86M and indicate the breadth of Snare's appeal across a range of global regulated and critical industries, including banking & finance, energy, oil, gas and utilities, retail and health as well as government.

The YoY decrease in Snare new sales contracts reflects a lengthening of the sales cycle with government customers, as well as the continued strategic shift towards subscription-based engagements. During the period, 61% of new Snare sales were made on a subscription basis rather than under a perpetual license model. This translated to 75% YoY growth in Snare subscription sales in H1 FY24.

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 2023

Legacy Products

Only 2 customers remain on legacy products and both are in the process of migrating away from these outdated platforms and products. The revenue from these legacy customers will end in FY24.

Partner Activity

During H1 FY24, Oracle commenced promotion of Snare and emite to its customers and partners through its Global Co-Sell Program. The partnership provides Prophecy with privileged access to more than 430,000 Oracle customers and has begun to accelerate Prophecy's global business development.

During the period Prophecy also finalised a strategic partnership with Devo Technology ("Devo"), a US-based security data analytics company with operations in North America, Europe and Asia Pacific. Through this collaboration, Devo will adopt Snare as its new endpoint agent to enhance data coverage and visibility across the Devo Security Data Platform.

For Prophecy, this partnership marks the commencement of its ability to offer ingestion-based pricing for Snare, opening the potential for Prophecy to secure additional partnerships with original equipment manufacturers and managed security service providers through an ingestion-based pricing offer. Furthermore, access to Snare will now be included with all new and existing Devo subscriptions. This presents a significant revenue opportunity for Prophecy without the need to complete conventional buying cycles.

An increasing amount of Prophecy's new business is being driven by previously announced Snare channel partners, including Fujitsu UK, NTT globally, Verizon and Novacoast in the US and Jupiter Technology Corp in Japan.

As part of the Company's selection by the Australian Government Department of Defence Export Office as part of Team Defence Australia, Prophecy exhibited on the Australia Pavilion at the Defence Security Equipment International (DSEI) UK show in October 2023. DSEI brings the global defence and security community together to innovate, partner and share knowledge under one roof.

The Company was also proud to sponsor the Innovate Cybersecurity Summit in Scottsdale, Arizona in October 2023, the premier cybersecurity show for CISOs.

Outlook

The growth of Prophecy's business in H1 FY24 reflects the Company's 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.

Healthy demand and continued momentum with customers provides the Company with confidence of delivering further business growth through H2 FY24 and beyond.

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.

Prophecy has identified a 2024 Snare potential sales pipeline (unweighted) valued at \$15.3M. Beyond this pipeline, Snare remains an active member of various consortia in a number of large bids for US Federal and Defence contracts that are yet to be awarded. 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 2024 emite potential sales pipeline (unweighted) valued by the Company at \$10.0M, Prophecy holds a positive view for continued growth in this segment as a broader set of customers recognise emite's ability to help businesses manage their data in the cloud and visualise and understand their customer's journey.

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

ABN: 16 079 971 618

Review of Operations & Results of Operations

For the Half Year Ended 31 December 2023

Prophecy's key focus areas for 2024 include the following priorities:

- 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 and to expand into the broader CX market space outside Genesys and Amazon
- 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 System Integrators, 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

Directors' Report

For the Half Year Ended 31 December 2023

The directors submit the financial report of the Group for the half year ended 31 December 2023.

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 2023 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 2024

Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3
170 Frome Street
Adelaide SA 5000
GPO Box 1270
Adelaide SA 5001
T +61 8 8372 6666

Auditor's Independence Declaration

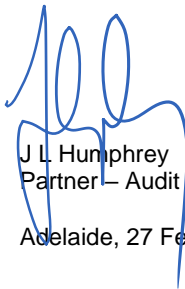
To the Directors of Prophecy International Holdings Limited

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 2023. 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 2024

www.grantthornton.com.au
ACN-130 913 594

Grant Thornton Audit Pty Ltd ACN 130 913 594 a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389. 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

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 2023

| | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Revenue from continuing operations | 11,490,321 | 9,019,567 |
| Other income | 150,469 | 2,280 |
| Employee benefits expense | (7,850,876) | (6,669,708) |
| Depreciation and amortisation expense | (455,271) | (532,275) |
| Other expenses | (5,616,991) | (4,432,723) |
| Finance costs | (29,746) | (21,231) |
| Loss before income tax | (2,312,094) | (2,634,090) |
| Income tax expense | 634,305 | 518,035 |
| Loss from continuing operations | (1,677,789) | (2,116,055) |
| Loss for the half year | (1,677,789) | (2,116,055) |
| 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 | 150,191 | 7,557 |
| Other comprehensive income for the year, net of tax | 150,191 | 7,557 |
| Total comprehensive loss for the year | (1,527,598) | (2,108,498) |
| Loss attributable to: | | |
| Members of the parent entity | (1,683,416) | (2,120,281) |
| Non-controlling interest | 5,627 | 4,226 |
| | (1,677,789) | (2,116,055) |
| Total comprehensive loss attributable to: | | |
| Members of the parent entity | (1,533,225) | (2,112,724) |
| Non-controlling interest | 5,627 | 4,226 |
| | (1,527,598) | (2,108,498) |
| Earnings per share | | |
| From continuing operations: | | |
| Diluted earnings per share (cents) | (2.29) | (2.88) |

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**For the Half-Year Ended 31 December 2023**

| | 31 December 2023 \$ | 30 June 2023 \$ |
|---|---------------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 9,853,831 | 11,735,885 |
| Trade and other receivables | 4,032,804 | 3,942,699 |
| Financial assets | 102,644 | 100,400 |
| Contract assets | 343,306 | 139,325 |
| Other assets | 2,607,697 | 2,238,018 |
| TOTAL CURRENT ASSETS | 16,940,282 | 18,156,327 |
| NON-CURRENT ASSETS | | |
| Trade and other receivables | 8,228 | 8,488 |
| Right to use assets | 1,035,952 | 1,259,353 |
| Property, plant and equipment | 226,865 | 278,772 |
| Deferred tax assets | 547,295 | - |
| Intangible assets | 5,644,327 | 6,061,490 |
| Other assets | 1,096,800 | 1,201,313 |
| TOTAL NON-CURRENT ASSETS | 8,559,467 | 8,809,416 |
| TOTAL ASSETS | 25,499,749 | 26,965,743 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | 3,475,871 | 1,842,422 |
| Employee benefits | 1,800,583 | 1,717,466 |
| Contract liabilities | 7,348,081 | 8,479,845 |
| Lease liabilities | 401,654 | 429,826 |
| TOTAL CURRENT LIABILITIES | 13,026,189 | 12,469,559 |
| NON-CURRENT LIABILITIES | | |
| Deferred tax liabilities | - | 116,297 |
| Employee benefits | 136,948 | 174,994 |
| Lease liabilities | 680,983 | 884,231 |
| Contract liabilities | 1,083,185 | 1,217,806 |
| TOTAL NON-CURRENT LIABILITIES | 1,901,116 | 2,393,328 |
| TOTAL LIABILITIES | 14,927,305 | 14,862,887 |
| NET ASSETS | 10,572,444 | 12,102,856 |
| EQUITY | | |
| Issued capital | 2 35,813,779 | 35,809,479 |
| Reserves | (322,413) | (465,490) |
| Accumulated Losses | (24,739,777) | (23,056,361) |
| Total equity attributable to equity holders of the Company | 10,751,589 | 12,287,628 |
| Non-controlling interest | (179,145) | (184,772) |
| TOTAL EQUITY | 10,572,444 | 12,102,856 |

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 2023

31 December 2023

| | Ordinary Shares | Accumulated Losses | Foreign Currency Translation Reserve | Option Reserve | Non- controlling Interests | Total |
|---|--------------------|-----------------------|---|-------------------|----------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2023 | 35,809,479 | (23,056,361) | (632,264) | 166,774 | (184,772) | 12,102,856 |
| Loss attributable to members of the parent entity | - | (1,683,416) | - | - | - | (1,683,416) |
| Loss attributable to non-controlling interests | - | - | - | - | 5,627 | 5,627 |
| Total other comprehensive income for the year | - | - | 150,191 | - | - | 150,191 |
| Share based payment transactions | - | - | - | (7,114) | - | (7,114) |
| Issue of shares | 4,300 | - | - | - | - | 4,300 |
| Balance at 31 December 2023 | 35,813,779 | (24,739,777) | (482,073) | 159,660 | (179,145) | 10,572,444 |

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 |
| Shares issued during the year | 11,400 | - | - | - | - | 11,400 |
| Balance at 31 December 2022 | 35,809,479 | (22,688,188) | (395,611) | 124,825 | (190,383) | 12,660,122 |

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 2023

| | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | 9,309,749 | 8,552,455 |
| Payments to suppliers and employees | (11,444,356) | (11,306,828) |
| Interest received | 149,005 | 2,280 |
| Income taxes (paid)/refunded inclusive of R&D incentives | 634,429 | - |
| Net cash used in operating activities | <u>(1,351,173)</u> | <u>(2,752,093)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of plant and equipment | 4,487 | - |
| Purchase of property, plant and equipment | (19,104) | (27,297) |
| Payment for held-to-maturity investments | - | (70,400) |
| Net cash used in investing activities | <u>(14,617)</u> | <u>(97,697)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payment of lease liabilities | (246,862) | (273,983) |
| Net cash used in financing activities | <u>(246,862)</u> | <u>(273,983)</u> |
| Effects of foreign exchange rates on overseas cash holdings | <u>(269,402)</u> | <u>(78,634)</u> |
| Net decrease in cash and cash equivalents held | <u>(1,882,054)</u> | <u>(3,202,407)</u> |
| Cash and cash equivalents at beginning of year | <u>11,735,885</u> | <u>12,987,943</u> |
| Cash and cash equivalents at end of the half year | <u>9,853,831</u> | <u>9,785,536</u> |

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Notes to the Financial Statements

For the Half-Year Ended 31 December 2023

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2023 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 2023, 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 2023

2 Issued Capital

| | 31 December 2023 | 30 June 2023 |
|--|---------------------|-----------------|
| | \$ | \$ |
| 73,615,934 (June 2023: 73,610,934) Ordinary shares | 35,813,779 | 35,809,479 |

(a) Ordinary shares

| | 31 December 2023 | 31 December 2023 | 30 June 2023 | 30 June 2023 |
|---|---------------------|---------------------|-------------------|-----------------|
| | \$ | No | \$ | No |
| At the beginning of the reporting period | 35,809,479 | 73,610,934 | 35,798,079 | 73,590,934 |
| Issue of shares - employee share scheme | 4,300 | 5,000 | 11,400 | 20,000 |
| At the end of the reporting period | 35,813,779 | 73,615,934 | 35,809,479 | 73,610,934 |

3 Dividends

No Dividends were paid for the Half Year (H1 FY23 - Nil)

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Notes to the Financial Statements

For the Half-Year Ended 31 December 2023

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 |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| REVENUE | | | | | | | | |
| External sales | 515,000 | 349,787 | 4,388,320 | 3,315,256 | 6,587,001 | 5,354,524 | 11,490,321 | 9,019,567 |
| Other revenue | 2,102 | 1,828 | 1,560 | 378 | 146,807 | 74 | 150,469 | 2,280 |
| Total segment revenue | 517,102 | 351,615 | 4,389,880 | 3,315,634 | 6,733,808 | 5,354,598 | 11,640,790 | 9,021,847 |
| Segment operating profit | (1,500,247) | (1,404,102) | (639,136) | (1,166,170) | (172,711) | (63,818) | (2,312,094) | (2,634,090) |

(b) Segment assets

| | Legacy | | Snare | | emite | | Total | |
|-----------------------|----------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | 31 December | 30 June 2023 | 31 December | 30 June 2023 | 31 December | 30 June 2023 | 31 December | 30 June 2023 |
| | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Segment assets | 962,299 | 2,866,232 | 7,399,861 | 7,578,202 | 17,137,589 | 16,521,309 | 25,499,749 | 26,965,743 |

Notes to the Financial Statements

For the Half-Year Ended 31 December 2023

4 Operating Segments (continued)

(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 2023 | 31 December 2022 |
|----------------------------|---------------------|---------------------|
| | \$ | \$ |
| Segment net operating loss | (2,312,094) | (2,634,090) |
| Income tax benefit | 634,305 | 518,035 |
| Total net loss after tax | <u>(1,677,789)</u> | <u>(2,116,055)</u> |

5 Interests in Subsidiaries

Composition of the Group

| | Principal place of business / Country of Incorporation | Percentage Owned (%)* 31 December 2023 | Percentage Owned (%)* 30 June 2023 |
|--|--|---|--|
| 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 |
| Prophecy Software Solutions Philippines Inc | Philippines | 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

Directors' Declaration

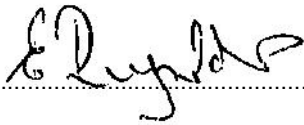
For the Half-Year Ended 31 December 2023

The directors of the Company declare that:

1. The consolidated financial statements and notes 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 2023 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 2024

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 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 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 Group's financial position as at 31 December 2023 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.

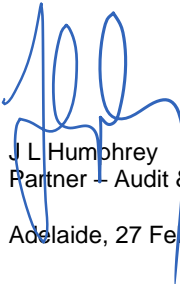
Auditor's responsibility

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 2023 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.

The logo for Grant Thornton, featuring the name in a blue, cursive script font.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A blue ink signature of J L Humphrey, written in a cursive style.

J L Humphrey
Partner – Audit & Assurance

Adelaide, 27 February 2024