PROPHECY INTERNATIONAL HOLDINGS LIMITED
ACN 079 971 618

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting
25 November 2016

Time of Meeting
11.00 am (Adelaide time)

Place of Meeting
Peppers Waymouth Hotel
55 Waymouth Street
ADELAIDE SA 5000

NOTICE OF ANNUAL GENERAL MEETING

PROPHECY INTERNATIONAL HOLDINGS LIMITED
ACN 079 971 618

Notice is hereby given that the Annual General Meeting of shareholders of Prophecy International Holdings Limited (**Company**) will be held at Peppers Waymouth Hotel, 55 Waymouth Street, Adelaide, South Australia at 11.00 am (Adelaide time) on 25 November 2016.

Ordinary Business

To consider the Financial Statements for the financial year ended 30 June 2016 and accompanying reports of the Directors and Auditor.

Resolution 1: Re-election of Edwin Reynolds as Director

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'*That Mr Edwin Reynolds, being a Director of the Company, retires at the Annual General Meeting of the Company and being eligible, and offering himself, for re-election, is re-elected as a Director.*'

Resolution 2: Adoption of Remuneration Report

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'*That the Company adopt the Remuneration Report for the year ended 30 June 2016 as set out in the Company's Annual Report for the year ended 30 June 2016.*'

Special Business

Resolution 3: Approval of 10% Placement Facility

To consider and, if thought fit, pass, with or without amendment, the following resolution as a **special resolution**:

'*That pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.*'

Resolution 4: Adoption of new Long Term Incentive Plan

To consider and, if thought fit, pass, with or without amendment, the following resolution as an **ordinary resolution**:

'That, for the purposes of Exception 9 of Listing Rule 7.2 and for all other purposes, approval is given for the Prophecy International Holdings Limited Long Term Incentive Plan, the terms which are summarised in Schedule 1 of the Explanatory Memorandum to this Notice of Annual General Meeting, and to issue equity securities under the Prophecy International Holdings Limited Long Term Incentive Plan during the 3 years following the date of the Annual General Meeting at which this Resolution is passed.'

DATED 28th September 2016

BY ORDER OF THE BOARD
PROPHECY INTERNATIONAL HOLDINGS LIMITED

GRANT MILES
COMPANY SECRETARY

NOTES:

1. **Explanatory Memorandum**

   The Explanatory Memorandum accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting and should be read in conjunction with this Notice of Annual General Meeting.

   Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used in both this Notice of Annual General Meeting and the Explanatory Memorandum.

2. **Voting Exclusion Statements**

   (a) **Resolution 2**

   A vote on Resolution 2 must not be cast (in any capacity) by or on behalf of any of the following persons:

   (i) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or

   (ii) a Closely Related Party of such a member.

   However, a person described above may cast a vote on Resolution 2 as a proxy if the vote is not cast on behalf of a person described above and either:

   (i) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or

   (ii) the person is the chair of the meeting and the appointment of the chair as proxy:

   - does not specify the way the proxy is to vote on the resolution; and

   - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

   (b) **Resolution 3**

   The Company will disregard any votes cast on Resolution 3 by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if Resolution 3 is passed.

   However, the Company will not disregard a vote if:

   (i) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or

   (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

   (c) **Resolution 4**

   The Company will disregard any votes cast on Resolution 4 by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and an associate of a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company).

However, the Company need not disregard a vote on Resolution 4, if:

(i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote,

in accordance with a direction on the proxy form to vote as the proxy decides.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 4 unless:

(iii) the appointment specifies the way the proxy is to vote on Resolution 4; or

(iv) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 4. In exceptional circumstances, the Chair of the Meeting may change his voting intention on Resolution 4, in which case an ASX announcement will be made.

Shareholders may also choose to direct the Chair to vote against Resolution 4 or to abstain from voting.

If you are a Restricted Voter and purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

3. **Proxies**

A shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the shareholder at the Meeting. A proxy need not be a shareholder. If the shareholder is entitled to cast two or more votes at the Meeting the shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

To record a valid vote, a shareholder will need to take the following steps:

3.1 cast the shareholder’s vote online by visiting www.investorvote.com.au and entering the shareholder’s Control Number, SRN/HIN and postcode, which are shown on the first page of the enclosed proxy form; or

3.2 complete and lodge the manual proxy form at the share registry of the Company, Computershare Investor Services Pty Limited:

(a) by post at the following address:

Computershare Investor Services Pty Limited
GPO Box 242
MELBOURNE VIC 3001

OR

(b) by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or

3.3 for Intermediary Online subscribers only (custodians), cast the shareholder’s vote online by visiting www.intermediaryonline.com,

so that it is received no later than 11.00 am (Adelaide time) on 23 November 2016.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), and you do not mark the voting box for Resolution 2 and Resolution 4, you expressly authorise the chair to exercise your proxy on Resolution 2 and Resolution 4 even though those resolutions are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 2 or Resolution 4 (or both) by marking the appropriate box on the proxy form.

The chair intends to vote undirected proxies in favour of each item of business.

4. **'Snap Shot' Time**

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Directors have determined that all shares of the Company that are quoted on ASX as at 7.00 pm (Adelaide time) on 23 November 2016 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the shares at that time.

5. **Corporate Representative**

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of the Notice convening an Annual General Meeting of shareholders of Prophecy International Holdings Limited to be held on 25 November 2016. This Explanatory Memorandum is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Memorandum, the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1 to 4.

1. RESOLUTION 1: RE-ELECTION OF EDWIN REYNOLDS AS DIRECTOR

Mr Edwin Reynolds was appointed as a Director on 4 September 1997.

Rule 6 of the Constitution requires that one third of all Directors for the time being or, if their number is not 3 or a multiple of 3, then the number nearest to but not exceeding one third, must automatically retire, but are eligible for re-election at the Annual General Meeting. The Director or Directors to retire are those (other than the Managing Director) who have been longest in office since their election. As between two or more Directors who became Directors on the same day, the Director or Directors to retire are determined by lot unless they otherwise agree between or among themselves.

Mr Reynolds and Mr Matthew Michalewicz both retired as Directors at the Company's Annual General Meeting held on 21 November 2014 and were both re-elected at that Annual General Meeting. As such, both Mr Reynolds and Mr Michalewicz have been longest in office since their election

Mr Reynolds and Mr Michalewicz have agreed between themselves that Mr Reynolds will retire as a Director at the 2016 Annual General Meeting but, being eligible, Mr Reynolds offers himself for re-election.

Mr Reynolds has held various positions within the IT industry, which have given him wide-ranging and extensive experience. Mr Reynolds joined the Company as General Manager in 1987 and has contributed to the Company in various roles. Mr Reynolds is passionate about ensuring the Company achieves its targets and is on track to deliver future success.

Resolution 1 is an ordinary resolution.

The Directors (other than Mr Reynolds) recommend that shareholders vote in favour of Resolution 1.

The chair intends to vote undirected proxies in favour of Resolution 1.

2. RESOLUTION 2: ADOPTION OF REMUNERATION REPORT

The Annual Report for the year ended 30 June 2016 contains a Remuneration Report which sets out the remuneration policy of the Company. The Annual Report either accompanies this Notice or is available on the Company's website www.prophecyinternational.com/wp-content/uploads/2016_PIHL_AnnualReport.pdf

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Shareholders should note that the vote on Resolution 2 is advisory only and, subject to the matters outlined below, will not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy.

Section 250R(4) of the Corporations Act prohibits a vote on this resolution being cast (in any capacity) by or on behalf of any of the following persons:

(a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member.

However, under section 250R(5) of the Corporations Act a person described above may cast a vote on Resolution 2 as a proxy if the vote is not cast on behalf of a person described above and either:

(a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or

(b) the person is the chair of the meeting and the appointment of the chair as proxy:

  (i) does not specify the way the proxy is to vote on the resolution; and

  (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

<u>Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), and you do not mark the voting box for Resolution 2, you expressly authorise the chair to exercise your proxy on Resolution 2 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 2 by marking the appropriate box on the proxy form.</u>

Resolution 2 is an ordinary resolution.

The chair intends to vote undirected proxies in favour of Resolution 2.

Please also note that under sections 250U and 250V of the Corporations Act, if at two consecutive annual general meetings of a listed company at least 25% of votes cast on a resolution that the remuneration report be adopted are against adoption of the report, at the second of these annual general meetings there must be put to the vote a resolution that another meeting be held within 90 days at which all directors (except the managing director) who were directors at the date the remuneration report was approved at the second annual general meeting must stand for re-election. So, in summary, shareholders will be entitled to vote in favour of holding a general meeting to re-elect the Board if the Remuneration Report receives 'two strikes'. The Remuneration Report did not receive a 'first strike' at the Company's 2015 annual general meeting.

3. RESOLUTION 3: APPROVAL OF 10% PLACEMENT FACILITY

3.1 General

Listing Rule 7.1A enables an eligible entity to issue Equity Securities up to 10% of its issued ordinary share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the eligible entity's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of $300 million or less. The Company is an eligible entity, having a market capitalisation of $57,608,805 (using the Company's closing share price of $0.90 on 28[Th] September 2016).

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities which may be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 4.2(c)).

3.2 **Description of Listing Rule 7.1A**

(a) **Shareholder approval**

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) **Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue one class of Equity Securities, namely fully paid ordinary shares.

(c) **Formula for calculating 10% Placement Facility**

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 10% Placement Period (refer to section 4.2(f)), a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

Where:

A is the number of fully paid ordinary shares on issue 12 months before the date of issue or agreement:

- plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid ordinary shares that became fully paid in the 12 months;
- plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of ordinary shares under Listing Rules 7.1 and 7.4;
- less the number of fully paid ordinary shares cancelled in the 12 months.

(*Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.*)

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.l.

At the date of this Notice, the Company has on issue 64,009,784 ordinary shares and therefore has a capacity to issue:

(i) 9,601,467 Equity Securities under Listing Rule 7.1; and

(ii) subject to shareholder approval being obtained under Resolution 3, 6,400,978 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 4.2(c)).

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within five Trading Days of the date referred to in section 4.2(e)(i), the date on which the Equity Securities are issued.

(f) **10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

(i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; and

(ii) the date of the approval by shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(**10% Placement Period**).

3.3 **Listing Rule 7.1A**

The effect of Resolution 3 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period in addition to using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 3 is a special resolution and therefore requires approval of at least 75% of the votes cast by shareholders entitled to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative) on the Resolution.

3.4 **Specific information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows to the extent that such information is not disclosed elsewhere in this Explanatory Memorandum:

(a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities in the same class over the 15 Trading Days on which trades in that class were recorded immediately before:

   (i) the date on which the price at which the Equity Securities are to be issued is agreed; or

   (ii) if the Equity Securities are not issued within five Trading Days of the date referred to in section 4.4(a)(i), the date on which the Equity Securities are issued.

(b) There is a risk that:

   (i) the market price for the Company's Equity Securities in the same class may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and

   (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities in the same class on the issue date,

   which may have an effect on the amount of funds raised by the issue of the Equity Securities.

   The table below shows the risk of voting dilution of existing shareholders on the basis of the current market price of shares and the current number of ordinary shares for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

   The table also shows:

   (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary shares the Company has on issue. The number of ordinary shares on issue may increase as a result of issues of ordinary shares that do not require shareholder approval (for example, a pro rata entitlements issue) or future specific placements under Listing Rule 7.1 that are approved at a future shareholders' meeting; and

   (ii) two examples of where the issue price of ordinary shares has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in formula in Listing Rule 7.1A.2		Issue Price		
		$0.45 **50% decrease in issue price**	$0.90 **issue price**	$1.80 **100% increase in issue price**
Current Variable 'A' 64,009,784 shares	**10% voting dilution**	6,400,978 shares	6,400,978 shares	6,400,978 shares
	Funds raised	$2,880,440	$5,760,880	$11,521,760
50% increase in current Variable 'A' 96,014,676 shares	**10% voting dilution**	9,601,467 shares	9,601,467shares	9,601,467shares
	Funds raised	$4,320,660	$8,641,320	$17,282,640
100% increase in current Variable 'A' 128,019,568 shares	**10% voting dilution**	12,801,956 shares	12,801,956 shares	12,801,956 shares
	Funds raised	$5,760,880	$11,521,760	$23,043,520

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- No current options are exercised into shares before the date of the issue of the Equity Securities.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular shareholder by reason of placements pursuant to the 10% Placement Facility, based on that shareholder's holding at the date of the Meeting.
- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A and no other issues of Equity Securities.
- The issue of Equity Securities under the 10% Placement Facility consists only of shares.
- The issue price is $0.90, being the closing price of the shares on ASX on 28th September 2016.

(c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 3 for the issue of the Equity Securities will cease to be valid in the event that shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(d) The Company may seek to issue the Equity Securities for the following purposes:

(i) non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as referred to in the Note to Listing Rule 7.1A.3; or

(ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition) and/or general working capital.

(e) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(f) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities and the number of Equity Securities allotted to each will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:

(i) the methods of raising funds that are available to the Company including, but not limited to, rights issue or other issue in which the existing security holders can participate;

(ii) the effect of the issue of the Equity Securities on the control of the Company;

(iii) the financial situation and solvency of the Company; and

(iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial shareholders and/or new shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments or the nominee of such vendors.

(g) The Company previously obtained shareholder approval under Listing Rule 7.1A at its 2015 Annual General Meeting. The Company has not issued any Equity Securities in the 12 months preceding the date of this Meeting.

(h) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing shareholder's votes will therefore be excluded under the voting exclusion statement in the Notice.

Resolution 3 is a **special resolution**.

The Directors recommend that shareholders vote in favour of Resolution 3.

The chair intends to vote undirected proxies in favour of Resolution 3.

4. RESOLUTION 4: ADOPTION OF NEW LONG TERM INCENTIVE PLAN

4.1 General

The Prophecy International Holdings Limited Long Term Incentive Plan is designed to:

(i) assist in the reward, retention and motivation of full or part-time employees, directors of group companies or Contractors or Casual Employees (as defined in the Prophecy International Holdings Limited Long Term Incentive Plan) (‘**Eligible Employees**’);

(j) link the reward of Eligible Employees to performance and the creation of Shareholder value;

(k) align the interests of Eligible Employees more closely with the interests of Shareholders by providing an opportunity for Eligible Employees to receive an equity interest in the form of Awards;

(l) provide Eligible Employees with the opportunity to share in any future growth in value of the Company; and

(m) provide greater incentive for Eligible Employees to focus on the Company's longer term goals.

The Directors of the Company seek authorisation to issue securities under the Prophecy International Holdings Limited Long Term Incentive Plan in accordance with Listing Rule 7.2, Exception 9(b).

ASX Listing Rule 7.1 provides that without shareholder approval, a company must not issue or agree to issue new “equity securities” constituting more than 15% of its total ordinary shares on issue within a twelve (12) month period, excluding any issue approved by shareholders.

An exception to ASX Listing Rule 7.1, is Exception 9(b), which applies where there is an issue of securities under an employee incentive scheme if, within three years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

The Board has the power to establish and to generally issue Options, Performance Rights or RSUs under the Prophecy International Holdings Limited Long Term Incentive Plan. Options, Performance Rights and RSUs are rights to acquire ordinary shares in the Company, subject to satisfaction of specified vesting conditions in a specified performance period (and, in respect of Options, subject to paying the applicable exercise price for the Option). It is the Company’s current intention that RSUs will only be issued to participants who are subject to taxation in the United States of America.

The Board considers it prudent to seek shareholder approval so that such issues will not be taken into account for the purposes of the 15% limit under Listing Rule 7.1. The Board considers it desirable to maintain this flexibility to access capital through subsequent issues as required.

Under the Prophecy International Holdings Limited Long Term Incentive Plan and pursuant to the ASX Listing Rules, shareholder approval will be required in relation to the offer or issues of securities to Directors or other related parties and details of such offers will be required to be disclosed.

4.2 Administration of the Prophecy International Holdings Limited Long Term Incentive Plan

The Prophecy International Holdings Limited Long Term Incentive Plan (a summary of which is set out in Schedule 1) is administered by the Board. The Board determines which Eligible Employees will be offered the opportunity to participate in the Prophecy International Holdings Limited Long Term Incentive Plan and the terms of those offers.

In accordance with ASIC Class Order 14/1000, where an offer of Options, Performance Rights or RSUs is made under the Prophecy International Holdings Limited Long Term Incentive Plan in reliance on the Class Order, the Board must, at the time of making the offer, have reasonable grounds to believe that the total number of Shares which would be issued if those Options, Performance Rights or RSUs were exercised will not exceed 5% of the total number of Shares on issue when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous 3 year period under the Prophecy International Holdings Limited Long Term Incentive Plan or any other employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme.

4.3 Terms of the Prophecy International Holdings Limited Long Term Incentive Plan and Information required by the ASX Listing Rules

In accordance with Listing Rule 7.2, Exception 9(b), a summary of the Prophecy International Holdings Limited Long Term Incentive Plan is set out in Schedule 1.

A full copy of the Prophecy International Holdings Limited Long Term Incentive Plan is available for inspection at the Company's registered office until the date of the Meeting.

No Options, Performance Rights or RSUs have been issued under the Prophecy International Holdings Limited Long Term Incentive Plan as at the date of this Notice.

4.4 Requirement for Shareholder Approval

Resolution 4 seeks Shareholder approval under exception 9(b) of ASX Listing Rule 7.2 to allow the issue of:

(a) Options;

(b) Performance Rights; and

(c) RSUs,

as an exception to ASX Listing Rule 7.1.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Exception 9(b) of ASX Listing Rule 7.2 provides that a company may make an issue of securities under an employee incentive scheme (such as the Prophecy International Holdings Limited Long Term Incentive Plan) if, within three years before the date of issue, holders of ordinary securities in the company have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 4 is passed, the Company will have the ability to issue securities to eligible participants under the Prophecy International Holdings Limited Long Term Incentive Plan over a period of three years without impacting on the Company's 15% placement capacity under ASX Listing Rule 7.1.

This is the first approval sought under Listing Rule 7.2 Exception 9 with respect to the Prophecy International Holdings Limited Long Term Incentive Plan. A voting exclusion statement has been included for the purposes of Resolution 4.

4.5 **Directors' Recommendation**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

4.6 **Voting**

Note that a voting exclusion applies to Resolution 4 in the terms set out in the Notice of Meeting.

In particular, Directors (except one who is ineligible to participate in the Prophecy International Holdings Limited Long Term Incentive Plan), their associates and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy, even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), and you do not mark the voting box for Resolution 4, you expressly authorise the chair to exercise your proxy on Resolution 4 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 4 by marking the appropriate box on the proxy form.

The Chair intends to use any such proxies to vote in favour of the Resolution.

In exceptional circumstances, the Chair of the Meeting may change his voting intention on Resolution 4, in which case an ASX announcement will be made.

Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on this Resolution.

5. GLOSSARY

In this Explanatory Memorandum and Notice of Annual General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

10% Placement Facility has the meaning given in section 4.1;

10% Placement Period has the meaning given in section 4.2(f);

ASX means ASX Limited ACN 008 624 691;

Award means an Option, Performance Right or RSU;

Board means the board of directors of the Company;

Closely Related Party of a member of the Key Management Personnel for an entity means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependant of the member or of the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;

(e) a company the member controls; or

(f) a person prescribed as such by the *Corporations Regulations 2001* (Cth);

Company means Prophecy International Holdings Limited ACN 079 971 618;

Constitution means the existing constitution of the Company;

Corporations Act means *Corporations Act 2001* (Cth);

Director means a director of the Company;

Equity Securities has the same meaning as in the Listing Rules;

Key Management Personnel has the same meaning as in the accounting standards as defined in section 9 of the Corporations Act (so the term broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise, of the Company);

Listing Rules means the listing rules of ASX;

Meeting means the meeting of shareholders convened by the Notice;

Notice means the notice of meeting to which this Explanatory Memorandum is attached;

Option has the meaning given to that term in Schedule 1 to this Notice;

Performance Right has the meaning given to that term in Schedule 1 to this Notice;

Restricted Voter means Key Management Personnel and their Closely Related Parties as at the date of the Meeting.

RSU stands for a restricted share unit and has the meaning given to that term in Schedule 1 to this Notice;

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules; and

VWAP means volume weighted average price.

SCHEDULE 1 – SUMMARY OF LONG TERM INCENTIVE PLAN

The Company has established the Prophecy International Holdings Limited Long Term Incentive Plan. The full terms of the Prophecy International Holdings Limited Long Term Incentive Plan may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the Prophecy International Holdings Limited Long Term Incentive Plan (**Plan**) is set out below.

1. AWARDS

Under the Plan, Participants (as defined below) will be granted incentive awards (**Awards**) which may comprise:

(a) options, issued at a price determined by the Board in their sole and absolute discretion, each to subscribe for one ordinary share in the Company (**Share**) on payment of an exercise price determined by the Board in their sole and absolute discretion, and subject to any vesting conditions (**Options**); and/or

(b) performance rights, issued at a price determined by the Board in their sole and absolute discretion, each being a conditional right to subscribe for one Share, subject to the satisfaction of any vesting conditions (**Performance Rights**); and/or

(c) restricted share units, issued at a price determined by the Board in their sole and absolute discretion, each being a conditional right to subscribe for one Share, subject to the satisfaction of any vesting conditions (**RSUs**).

Awards may have grant conditions. Subject to those grant conditions being satisfied, all Awards will be granted subject to the satisfaction of vesting conditions (if any) as determined by the Board in its sole and absolute discretion.

2. ELIGIBILITY

At the discretion of the Board, a person who is:

(a) a full time or part time employee or non-executive director of the Company or an associated body corporate (being a body corporate that is a related body corporate of the body, a body corporate that has voting power in the Company of not less than 20% or a body corporate in which the Company has voting power of not less than 20%) (**Group Company**);

(b) an individual who is or might reasonably be expected to be engaged to work the number of hours that are the pro rata equivalent of 40% or more of a comparable full time position with a Group Company; or

(c) an individual or company with whom a Group Company has entered into a contract for the provision of services under which the individual or a director or their spouse performs work for a Group Company, where the work is or might reasonably be expected to be the number of hours that are the pro rata equivalent of 40% or more of a comparable full time position with a Group Company,

is permitted to participate in the Plan.

People eligible to participate in the Plan are called "**Eligible Employees**". The Board may permit an Award the subject of an offer under the Plan (**Offer**) to be issued to another party nominated by an Eligible Employee (for example: (a) the Eligible Employee's immediate family member; (b) a corporate trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act* 1993) where the Eligible Employee is a director of the trustee; or (c) a company whose members are no-one other than the Eligible Employee or their immediate family members) (**Nominated Party**).

A "**Participant**" is an Eligible Employee or Nominated Party to whom an Award has been granted.

3. PAYMENT FOR AWARDS

Awards can be issued at a price (if any) determined by the Board in their sole and absolute discretion.

4. LIMITS ON NUMBER OF AWARDS GRANTED

Under the Plan rules, where an offer is made under the Plan in reliance on ASIC Class Order 14/1000 (or any amendment or replacement of it) the Board must, at the time of making the offer of Options or Performance Rights or RSUs, have reasonable grounds to believe that the total number of Shares which would be issued if those Options or Performance Rights or RSUs were exercised will not exceed 5% of the total number of Shares on issue when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous 3 year period under the Plan or any other employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme.

As at the date of the Notice there are 64,009,784 existing Shares on issue, and no Shares have been or may be issued as a result of offers made in the 3 years prior to the date of the Notice under the Plan or any previous employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of similar kind, resulting in a maximum of 3,200,489 Shares available to be issued in respect of grants of Awards under the Plan (as at the date of the Notice).

This limit is in accordance with the current ASIC Class Order which provides disclosure, licensing, advertising and hawking relief for employee incentive schemes, and which the Company may seek to rely on in connection with making offers under the Plan.

5. ENTITLEMENTS OF PARTICIPANTS

(a) Interests in Shares

A Participant has no right or interest in a Share the subject of an Option, Performance Right or RSU held by the Participant unless and until the Option, Performance Right or RSU is exercised and the Share is issued. Nor does the holder of an Option, Performance Right or RSU have any rights to dividends, rights to vote or rights to the capital of the Company as a shareholder as a result of holding an Option, a Performance Right or an RSU. Subject to the Corporations Act and the Company's constitution, a Participant will not, as a holder of an Option, Performance Right or RSU, have any right to attend to vote at general meetings of holders of Shares.

(b) Changes in capital

Options, Performance Rights and RSUs do not confer on the Participant the right to participate in new issues of Shares by the Company.

If the Company makes a pro rata issue of Shares (except a bonus issue) to existing holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Award before the record date for determining entitlements to the pro rata issue, the exercise price of the Award (if any) will be reduced according to the formula specified in the Listing Rules.

If the Company makes a bonus issue of Shares to existing holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Award before the record date for determining entitlements to the bonus issue, then the number of underlying Shares over which the Award is exercisable will be increased by the number of Shares which the Participant would have received if the Participant had exercised the Award before the record date for the bonus issue. No adjustment will be made to the exercise price

If there is a reorganisation of the issued capital of the Company (including a consolidation, subdivision, reduction or return) then the rights of a Participant (including the number of Awards to which each Participant is entitled and the exercise price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

If a resolution for a voluntary winding up is proposed, the Board may give notice to Participants providing a period to exercise Options or Performance Rights or RSUs, subject to the relevant vesting conditions.

6. DEALING, VESTING AND EXERCISE

(a) Dealing

Participants must not dispose of, grant any security interest in or over, or otherwise deal with (or take any steps to, or attempt to, deal with) an Award unless the prior consent of the Board is obtained (which consent may impose such terms and conditions on such dealing as the Board sees fit in its sole and absolute discretion) or such assignment or transfer occurs by force of law upon the death of a Participant to the Participant's legal personal representative.

(b) Vesting

Awards only vest if the applicable vesting conditions are satisfied, waived by the Board or are deemed to have been satisfied under the Plan. The vesting conditions are determined prior to the granting of such Awards by the Company.

(c) Exercise

Vested Options, Performance Rights and RSUs can only be exercised between the First Exercise Date (being the date of issue of the Award or such other date as is specified in the Offer or otherwise determined under the Plan rules) and up until the date that is two years after the First Exercise Date, or such other date specified in the Offer (**Last Exercise Date**).

The exercise price per Share (if any) in respect of an Award granted pursuant to the Plan will be determined by the Board. Upon exercise, one Share in the Company will be issued to the Participant for each exercised Option or converted Performance Right or RSU.

Options, Performance Rights and RSUs will expire on the day immediately following the Last Exercise Date.

7. LAPSE OF AWARDS

Unless otherwise specified in the vesting conditions or determined otherwise by the Board, Options, Performance Rights and RSUs will lapse on the earlier of:

(a) in respect of unvested Awards:

   (i) the Board determining that any vesting condition applicable to the Options, Performance Rights or RSUs has not been satisfied, reached or met in accordance with its terms or is not capable of being satisfied, reached or met;

(ii) the day on which an Eligible Employee who is a Participant, or who has nominated a Nominated Party to receive Awards under the Plan, ceases to be an Employee; or

(b) in respect of all Awards (whether vested or unvested):

(i) the day immediately following the Last Exercise Date;

(ii) where a Participant purports to deal with the Options, Performance Rights or RSUs in breach of the terms of the Plan; or

(iii) where the Awards lapse in the circumstances described in the paragraph below (Breach, Fraud or Misconduct).

8. BREACH, FRAUD OR MISCONDUCT

If the Board determines that a Participant has:

(a) been dismissed or removed where a Group Company was entitled to do so without notice;

(b) been convicted on indictment of an offence under applicable law in connection with the affairs of a Group Company;

(c) had civil judgment entered against them in respect of the contravention by the Participant (or Eligible Employee) of his or her duties at law, in equity or under statute in his or her capacity as an executive or Director of a Group Company;

(d) committed fraud, defalcation or gross misconduct in relation to the affairs of a Group Company;

(e) materially breached their duties or obligations to a Group Company; or

(f) done an act which brings a Group Company into disrepute,

the Board may determine that all Options, Performance Rights and RSUs held by the Participant will lapse.

9. CHANGE OF CONTROL EVENTS

On the occurrence of a Change of Control Event (as defined in the Plan, which includes an unconditional takeover offer, a court approved scheme of arrangement, a merger resulting in the current Shareholders being entitled to 50% or less of the shares of the merged entity, a Group Company agreeing to sell a majority of its business or assets or a determination of the Board that control of the Company has or is likely to change), the Board may in its sole and absolute discretion determine how unvested Awards will be treated, including but not limited to:

(a) determining that all or a portion of unvested Awards will vest; and/or

(b) bringing forward the First Exercise Date; and/or

(c) reducing or waiving vesting conditions.

10. AMENDMENTS TO TERMS OF EXERCISE OR THE PLAN

Subject to and in accordance with the Listing Rules (including any waiver granted under such Listing Rules), the Board (without the necessity of obtaining the prior or subsequent consent of Shareholders of the Company in a general meeting) may from time to time amend (including the power to revoke, add to or vary) all or any provisions of the Plan in any respect whatsoever, by an instrument in writing, provided that rights or entitlements in respect of any Option, Performance Right or RSU granted before the date of amendment will not be materially reduced or materially adversely affected unless prior written approval from the affected Participant(s) is obtained.

11. ADDITIONAL PROVISIONS RELATING TO US PARTICIPANTS

Where a Participant is subject to taxation in respect of Awards in the United States (**US Participant**), the terms of any Offer of Awards will include certain additional provisions set out in Schedules 1, 2 and 3 to the Plan (**US Requirements**), to the extent those requirements are applicable to the issue of the Awards. Schedule 1 contains matters that apply to all Awards granted to US Participants, whereas Schedule 2 applies only to RSUs granted to US Participants and Schedule 3 applies only to Options granted to US Participants.

The US Requirements deal with matters such as US taxation, restrictions on transferability of Awards under the *US Securities Act of 1933* as amended (**US Securities Act**), a limit on the number of Shares that may be issued under the Plan to US Participants, the requirement for US Participants to make certain investor representation statements under US law and provisions dealing with the Company's tax withholding obligations under US law in relation to the delivery of Shares on vesting of Awards.

The US Requirements do not displace the requirements of the Plan or the terms of any Offer with respect to the operation of the Corporations Act (including ASIC Class Order 14/1000 (or any amendment or replacement of it), where applicable) or the Listing Rules, and any Offer made to a US Participant must be made on such terms so that the Offer is capable of compliance with each of the Corporations Act, the Listing Rules and the US Requirements.

Prophecy International Holdings Limited

ABN 16 079 971 618

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 556 161
(outside Australia) +61 3 9415 4000

Proxy Form

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Vote and view the annual report online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number:

SRN/HIN:

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11:00am (Adelaide time) Wednesday 23 November 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark X to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Prophecy International Holdings Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Prophecy International Holdings Limited to be held at **Peppers Waymouth Hotel, 55 Waymouth Street, Adelaide, SA, 5000 on Friday, 25 November 2016 at 11:00am (Adelaide time)** and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Items 2 and 4** (except where I/we have indicated a different voting intention below) even though **Items 2 and 4** is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Item 2 and 4** by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Ordinary Business

		For	Against	Abstain
1	Re-election of Edwin Reynolds as Director			
2	Adoption of Remuneration Report			

SPECIAL BUSINESS

		For	Against	Abstain
3	Approval of 10% Placement Facility			
4	Adoption of new Long Term Incentive Plan			

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________ Contact Daytime Telephone ____________ Date ___ / ___ / ___