

PROPHECY INTERNATIONAL HOLDINGS LIMITED
ACN 079 971 618

NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM

Date of Meeting

20 November 2015

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 20 November 2015.

Ordinary Business

To consider the Financial Statements for the financial year ended 30 June 2015 and accompanying reports of the Directors and Auditor.

Resolution 1: Re-election of Grant Miles as Director

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

‘That Mr Grant Miles, being a Director who was appointed since the last Annual General Meeting of the Company, retires pursuant to Listing Rule 14.4 and rule 9.2 of the Company’s Constitution 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 2015 as set out in the Company’s Annual Report for the year ended 30 June 2015.’

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: Subsequent Approval of the Issue of 2,300,000 Shares

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

‘That for the purpose of Listing Rule 7.4 and for all other purposes, subsequent approval is given to the issue by the Company of 2,300,000 fully paid ordinary shares on the terms and conditions set out in the Explanatory Memorandum.’

Resolution 5: Subsequent Approval of the Issue of 6,300,000 Shares

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

‘That for the purpose of Listing Rule 7.4 and for all other purposes, subsequent approval is given to the issue by the Company of 6,300,000 fully paid ordinary shares on the terms and conditions set out in the Explanatory Memorandum.’

Resolution 6: Increase in Aggregate Non-Executive Directors Fees

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

‘That for the purpose of Listing Rule 10.17, rule 43.1 of the Company’s Constitution and for all other purposes, approval be and is hereby given to an increase in the aggregate maximum fees which may be paid by the Company to its non-executive Directors from \$240,000 per annum to \$400,000 per annum (an increase of \$160,000 per annum).’

DATED 30th September 2015

**BY ORDER OF THE BOARD
PROPHECY INTERNATIONAL HOLDINGS LIMITED**

A handwritten signature in black ink, appearing to read 'Grant Miles', written over a large, stylized, abstract scribble that forms a triangular shape on the left side.

**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 person who participated in the issue and an associate of that person.

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.

(d) **Resolution 5**

The Company will disregard any votes cast on Resolution 5 by a person who participated in the issue and an associate of that person.

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.

(e) **Resolution 6**

(i) For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 6 if:

- the person is either:
 - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
 - a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the Company will not disregard a vote if:

- the person is the chair of the meeting at which the Resolution is voted on; and
- the appointment 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.

(ii) For the purposes of the Listing Rules, the Company will disregard any votes cast on Resolution 6 by a Director (and their associates).

However, subject always to paragraph 2(e)(i), the Company will not disregard a vote if:

- 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
- 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.

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 18 November 2015.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on either or both of Resolutions 2 and 6 even though they 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 either or both of Resolutions 2 and 6 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 18 November 2015 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 20 November 2015. 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 6.

1. RESOLUTION 1: RE-ELECTION OF GRANT MILES AS DIRECTOR

Listing Rule 14.4 and rule 9.2 of the Constitution require that any Director appointed by the Board, either to fill a casual vacancy or as an addition to the Board, holds office only until the termination of the next Annual General Meeting of the Company, and is eligible for re-election at that Annual General Meeting.

The Board appointed Mr Grant Miles as an addition to the Board after the Company's last Annual General Meeting. Accordingly, Mr Miles retires pursuant to Listing Rule 14.4 and rule 9.2 of the Constitution and, being eligible, offers himself for re-election.

Mr Miles is a Chartered Accountant with over 25 years' experience in the Finance and Business Advisory Sector. He is the Managing Director of mid-tier accounting firm Hayes Knight SA and NT offices and is a member of the Group National Board. Mr Miles is a Director of a number of public, private and not-for-profit entities and uses his knowledge in financial reporting, advisory, compliance and corporate governance to assist those entities in meeting their stakeholder goals. Mr Miles has a particular focus on business growth and international business.

Mr Miles joined Prophecy as Company Secretary in 2013 and over the last two years has been an integral part of the Finance and Administration team restructure to improve internal efficiencies and company/board reporting.

Resolution 1 is an ordinary resolution.

The Directors (other than Mr Miles) 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 2015 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/attachments/2015_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.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), 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.

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 2014 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 \$121,618,590 (using the Company's closing share price of \$1.90 on 30th September 2015).

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 3.2(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 3.2(f)), a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

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 7.1.

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

- (i) subject to the passing of Resolutions 4 and 5, 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 3.2(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 3.2(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 3.4(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		
		\$0.95 50% decrease in issue price	\$1.90 issue price	\$3.80 100% 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	\$6,080,929	\$12,161,858	\$24,323,716
50% increase in current Variable 'A' 96,014,676 shares	10% voting dilution	9,601,467 shares	9,601,467 shares	9,601,467 shares
	Funds raised	\$9,121,394	\$18,242,787	\$36,485,575
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	\$12,161,858	\$24,323,716	\$48,647,433

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 \$1.90, being the closing price of the shares on ASX on 30th September 2015.
- (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 2013 Annual General Meeting.
 - (i) The Company has issued 8,600,000 Equity Securities in the 12 months preceding the date of this Meeting, representing 15.50% of the total number of Equity Securities on issue at the commencement of that 12 month period.
 - (ii) Details of the Equity Securities referred to in section 3.4(g)(i) is as follows:

Date of issue:	22 July 2015
Number issued:	2,300,000
Class/Type of equity security:	Ordinary shares
Summary of terms:	Same as terms and conditions of already issued fully paid ordinary shares in the Company
Names of persons who received securities or basis on which those persons was determined:	Professional and/or sophisticated investors as determined by the Board
Price:	\$1.10 per share
Discount to market price (if any):	The shares were issued at a discount of \$0.57 per share based on market price at 22 July 2015.
Total cash consideration received:	\$2,530,000
Amount of cash consideration spent:	\$2,530,000
Use of cash consideration:	Provide capital for the Company's acquisition of eMite Pty Ltd
Intended use for remaining amount of cash (if any):	N/A

Date of issue:	5 August 2015
Number issued:	6,300,000
Class/Type of equity security:	Ordinary shares
Summary of terms:	Same as terms and conditions of already issued fully paid ordinary shares in the Company
Names of persons who received securities or basis on which those persons was determined:	Sellers of eMite Pty Ltd and employees of eMite Pty Ltd
Price:	Nil
Discount to market price (if any):	N/A
Non-cash consideration paid:	Issued in consideration of all of the issues shares in eMite Pty Ltd
Current value of that non-cash consideration:	\$11,970,000 (at the closing price of the Company's shares on ASX on 30 th September 2015 of \$1.90)

- (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: SUBSEQUENT APPROVAL OF THE ISSUE OF 2,300,000 SHARES**

On 10 July 2015, the Company announced a placement of 2,300,000 ordinary shares at an issue price of \$1.10 per share to raise \$2,530,000. The shares were issued on 22 July 2015.

The purpose of Resolution 4 is to obtain shareholder approval for the issue of the shares for the purpose of Listing Rule 7.4 and all other purposes.

Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the company held at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting, unless an exception in Listing Rule 7.2 applies.

However, Listing Rule 7.4 provides that an issue of equity securities made without shareholder approval under Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of Listing Rule 7.1 if:

- the issue did not breach Listing Rule 7.1; and
- holders of ordinary securities subsequently approve it.

The issue of the shares did not result in the Company breaching the 15% limit referred to in Listing Rule 7.1. The issue of the shares does not therefore depend upon shareholders passing Resolution 4. The purpose of Resolution 4 is to obtain shareholder approval for the purpose of Listing Rule 7.4 and for all other purposes. If shareholders approve the issue of the shares for the purpose of Listing Rule 7.4, the issue of the shares will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the shares for the purpose of Listing Rule 7.4, the issue of the shares will count towards the number of equity securities which the Company can issue in any 12 month period.

For the purpose of Listing Rule 7.5 information regarding the shares is provided as follows:

- 2,300,000 shares have been issued.
- The shares were issued at an issue price of \$1.10 each.
- The terms and conditions of the shares are the same as the terms and conditions of already issued fully paid ordinary shares in the Company.
- The shares were issued to professional and/or sophisticated investors as determined by the Board.
- Funds raised from the issue of the shares will be used to provide capital for the Company's acquisition of eMite Pty Ltd.

Resolution 4 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 4.

The chair intends to vote undirected proxies in favour of Resolution 4.

5. **RESOLUTION 5: SUBSEQUENT APPROVAL OF THE ISSUE OF 6,300,000 SHARES**

On 10 July 2015, the Company announced that it had entered into a sale and purchase agreement to acquire 100% of Australian software company eMite Pty Ltd, with the upfront consideration comprising a cash component of \$4 million together with the issue of 6,300,000 shares. On 6 August 2015 the Company announced the settlement of this acquisition. The upfront consideration shares were issued on 5 August 2015.

The purpose of Resolution 5 is to obtain shareholder approval for the issue of the shares for the purpose of Listing Rule 7.4 and all other purposes.

Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the company held at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting, unless an exception in Listing Rule 7.2 applies.

However, Listing Rule 7.4 provides that an issue of equity securities made without shareholder approval under Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of Listing Rule 7.1 if:

- the issue did not breach Listing Rule 7.1; and
- holders of ordinary securities subsequently approve it.

The issue of the shares did not result in the Company breaching the 15% limit referred to in Listing Rule 7.1. The issue of the shares does not therefore depend upon shareholders passing Resolution 5. The purpose of Resolution 5 is to obtain shareholder approval for the purpose of Listing Rule 7.4 and for all other purposes. If shareholders approve the issue of the shares for the purpose of Listing Rule 7.4, the issue of the shares will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the shares for the purpose of Listing Rule 7.4, the issue of the shares will count towards the number of equity securities which the Company can issue in any 12 month period.

For the purpose of Listing Rule 7.5 information regarding the shares is provided as follows:

- 6,300,000 shares have been issued. Pursuant to the sale and purchase agreement, the shares were issued with a deemed issue price of \$1 each.
- The shares were not issued for cash consideration.
- The terms and conditions of the shares are the same as the terms and conditions of already issued fully paid ordinary shares in the Company.
- The shares were issued to the sellers of eMite Pty Ltd and employees of eMite Pty Ltd.
- The shares were not issued for cash consideration. No funds were therefore raised from the issue of the shares.

Resolution 5 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 5.

The chair intends to vote undirected proxies in favour of Resolution 5.

6. **RESOLUTION 6: INCREASE IN AGGREGATE NON-EXECUTIVE DIRECTORS FEES**

Listing Rule 10.17 and rule 43.1 of the Constitution provide that the Company must not increase the total aggregate amount of directors' fees payable to all of its non-executive Directors without first obtaining shareholder approval to the increase.

Resolution 6 seeks shareholder approval to a proposed increase in the total aggregate amount of directors' fees that may be paid by the Company to its non-executive Directors from \$240,000 per annum to \$400,000 per annum (an increase of \$160,000 per annum).

The Company currently pays Messrs Edwin Reynolds, Anthony Weber, Matthew Michalewicz and Grant Miles aggregate fees of \$240,000 per annum. The Board considers it necessary to increase the aggregate maximum fees to \$400,000 per annum to allow the Company to increase the remuneration of the current non-executive Directors to reflect market conditions, if required, and to possibly appoint additional non-executive Directors in the future.

The Company has not issued any securities to a non-executive Director under Listing Rules 10.11 or 10.14 with the approval of shareholders at any time within the preceding three years.

Resolutions 6 is an ordinary resolution.

As the non-executive Directors have an interest in Resolution 6, the Board as a whole does not wish to make a recommendation as to how shareholders ought to vote on Resolution 6.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 6 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 6 by marking the appropriate box on the proxy form.

The chair intends to vote undirected proxies in favour of Resolution 6.

7. **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 3.1;

10% Placement Period has the meaning given in section 3.2(f);

ASX means ASX Limited ACN 008 624 691;

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;

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 market price.