



Prophecy

Consolidated Financial Statements

For the Half-Year Ended 31 December 2015

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Results For Announcement to the Market For the Period Ended 31 December 2015

This report should be read in conjunction with the 30 June 2015 Annual Financial Report of the consolidated entity.

1	Summary of results	% change	Direction	\$
	Revenue from ordinary activities	81%	up	8,016,345
	Profit from ordinary activities before tax attributable to members	35%	up	2,565,621
	Profit from ordinary activities after tax attributable to members	34%	up	1,772,678
	Profit from ordinary activities attributable to members (after non controlling interests)	33%	up	1,751,456

The Directors have declared an interim unfranked dividend of 2 cents per share with a record date of 10th March 2016 and payment date of 31st March 2016. The Conduit Foreign Income portion of the dividend is zero.

2 Explanatory information

For the six months to 31 December 2015, Prophecy has posted a profit before tax of \$2.57 million. This compares with a profit of \$1.89 million before tax for the same period last year.

Revenues for the six months to 31 December 2015 were \$8.00 million – up 81% from the same period last year which recorded revenues of \$4.42 million.

The half year closed with a cash balance of \$5.20 million which was \$0.70 million lower than the cash balance at the same period last year.

3 Net Tangible Assets per Security

	2015 \$	2014 \$
Net Tangible Assets	397,533	5,010,414
Number of Securities	64,009,784	55,409,784
NTA per Security	0.006	0.090

4 Changes in Controlled Entities

On 1 July 2015, the Group acquired 100% of the equity instruments of eMite Pty Ltd (eMite), a Sydney based business.

The reviewed financial statements for the period ended 31 December 2015 are attached

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

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Review of Operations & Results of Operations

31 December 2015

FINANCIALS

For the six months to 31 December 2015, Prophecy has posted a profit before tax of \$2.57 million.

This compares with a profit of \$1.89 million before tax for the same period last year.

The profit before tax for the six months to 31 December 2015 includes amortization of \$0.4 million to intellectual property related to the new eMite acquisition. The six month underlying EBITDA was \$3.1 million compared to \$2.0 million in 2014. This is an increase of 55% over last year.

Revenues for the six months to 31 December 2015 were \$8.0 million, compared to \$4.4 million last year. This is an increase of 81% over the previous year comparison.

	Snare	eMite	Legacy	Group
Revenue Recognised (\$M)	3.8	2.6	1.6	8.0
% Change	+90%		-33%	+81%
EBITDA (\$M)	2.2	0.8	0.1	3.1
% Change	+92%		-92%	+55%
Revenue to be Recognised in 2nd half (\$M)				3.8

The half year closed with a cash balance of \$5.2 million which was \$0.7 million lower than the cash balance at the same period last year. During the period, a cash payment of \$4 million was made as part payment for the eMite acquisition. The final cash payment of \$3.9 million for the eMite acquisition was completed on 2 February 2016 making a total of \$7.9 million paid out from cash reserves and ongoing cashflow. The cash balance stood at \$2.4 million after this final payment was concluded in February.

The Directors have declared an interim unfranked dividend of 2 cents per share for the half. A conservative view on dividend payments for the first half was taken in view of a total of \$7.9 million cash being already paid in a 6 month period in relation to the eMite acquisition. Our dividend policy has been to pay as high a dividend as is prudent in relation to cash flows and investment decisions. The second half dividend is expected to show growth related to increased revenues, profit and cashflow with no further cash commitments needed for the eMite acquisition.

With the upcoming announced dividend of 2c, Prophecy can claim a dividend stream of 29.45 cents over the last 9 and a half years, averaging 3.1c per year over that time.

SALES PROGRESS

Sales of the SNARE product software have progressed very well in the last 6 months.

SNARE is an Event Log Management tool which provides a valuable service to businesses in any industry looking to fill a gap in their security compliance. There is an ever increasing focus on regulatory compliance around the world, and SNARE continues to show that it is very competitive on the world stage. This augurs well for continued sales success.

General SNARE sales were up 120%, on a like for like basis for the six month period. By comparison, new sales of SNARE grew 85% in the 2014 first half. The Board is very pleased with this acceleration of sales growth. This is an excellent result for the sales team who have worked very diligently over the last few months to expand our opportunities and improve closing rates. Management actions have seen the growth rate for SNARE products accelerate markedly over the last 6 months, and this progress is expected to continue through the full year.

Review of Operations & Results of Operations

31 December 2015

SNARE total invoicing, which includes base business renewals as well as new sales, came in at \$4.18 million for the half, showing growth of 88% compared to the same period last year. The equivalent growth figure for the first half of 2015 grew by 41% on the 2014 total invoicing figure.

Our newly acquired company, eMite showed new licence sales growth of 45% compared to the same period last year. This was a great result, occurring in parallel with completion of the acquisition and the ongoing integration of the business into the Prophecy group.

eMite total invoicing, which includes base business renewals as well as new sales, came in at \$3.23 million for the half, showing growth of 58% compared to the same period last year.

Total invoicing for the two key business components SNARE and eMite combined came in at \$7.41 million which was a combined growth of 74% compared to the same period last year

This sales growth has provided the company with a record revenue position at the half year point, along with a record operating profit before tax for the half. We are well placed for a strong result in the second half as a consequence of our continued sales push. Our new marketing activities are expected to produce additional revenue through increased qualified lead numbers in the second half to help sustain our expanding sales success.

OUTLOOK

Prophecy has begun this financial year very well, with record results. Management expects the Group to achieve its full year revenue and profit targets based on the continuing success of the expanded sales team. Our sales growth plan has been implemented and continues to expand, providing the basis of our confidence for the full year.

Some \$3.8 million of additional forecast revenue is due to flow to the recognised Revenue account during the second half regardless of new sales activity. This amount comprises some \$2 million that is due to be released from the Income in Advance balance sheet account in the second half, plus \$1.8 million forecast from existing account maintenance and licence renewals along with existing account consulting billings.

Prophecy has competitive, innovative and flexible solutions that are very competitive on world markets. Our staff are dedicated and motivated to continue our recent successes. Our Partners are working with us to demonstrate our advantages, and to push for successful outcomes in this financial year.

The SNARE sales team continues to be enhanced to cope with increasing growth. In the half we created a new position in Denver to head up Strategic Alliances, to bring focus to all of our partnership activities. Since then, we have made great progress in enhancing our existing partnerships, creating sales growth from partners through this process. In addition potential new partnerships are being developed to further expand the volume of sales generated by our partners. The aim is to be able to grow partner business so that it covers 50% of all sales closed, with the rest covered by direct sales activity.

Plans for the second half of FY2016 include the addition of two more sales people to the Denver office and a new partners sales person to oversee new partner activity in Europe. Along with the investment in new sales resources, we continue to ramp up outbound marketing activity, with emphasis on third party relationships to enable introductions to larger sales deals and increased attendance and visibility at conferences, meetings and trade shows.

Development of a specialised version of eMite to integrate with SNARE continues. This new offering will enhance the sales of both SNARE and eMite by providing new functionality to both products and enhancing their saleability.

The eMite development team has produced RealTimeBI, a solution which sits over the top of an exciting new product in the world for big data called Elastic. This new eMite product has been designed for easy installation and deployment, with built in capability linked to the Elastic tools. RealTimeBI was first shown at the recent Elastic conference in San Francisco and its potential for early rapid sales is currently being assessed. This market space has massive potential as interest in Big data continues to grow.

Using similar techniques, eMite has also developed a version specifically designed to sit over the top of a world leading IT product, to add much sought after reporting flexibility for customers of that product. Test marketing of this specialised solution is currently taking place, but early indications are that there is demand for such a specialised solution. The same process can be repeated with many popular IT applications to create new specialised markets where eMite solution sales can thrive.

Additional specialised sales resource has already been added to the eMite team to promote these new solutions and expand the total volume of sales. As sales demand grows, we are looking to add further eMite sales resources to the Denver office to tackle the lucrative North American market directly.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Directors' Report For the Half Year Ended 31 December 2015

The directors submit the financial report of the Group for the half year ended 31 December 2015.

1. General information

Information on directors

The names of each person who has been a director during the half year and to the date of this report are:

Ed Reynolds
Anthony P Weber Retired 20 November 2015
Leanne R Challans
Matthew Michalewicz
Grant Miles

2. Operating results and review of operations for the half year

Review of operations

A review of the operations of the Group during the half year and the results of those operations is shown on page 1 of this report.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2015 has been received and can be found on page 4 of the consolidated financial report.

This report is signed in accordance with a resolution of the Board of Directors.

Director: 
Ed Reynolds

Director: 
Leanne R Challans

Dated 23 February 2016

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PROPHECY INTERNATIONAL HOLDINGS LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Prophecy International Holdings Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Sheenagh Edwards
Partner - Audit & Assurance

Adelaide, 23 February 2016

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Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2015

	31 December 2015	31 December 2014
	\$	\$
Revenue	8,016,345	4,424,123
Other income	135,307	247,615
Employee benefits expense	(3,423,830)	(1,958,848)
Depreciation and amortisation	(549,582)	(106,659)
Other expenses	(1,612,571)	(551,515)
Finance costs	(48)	-
Impairment of Goodwill	-	(160,000)
Profit before income tax	2,565,621	1,894,716
Income tax expense	(792,943)	(568,169)
Profit for the half year	1,772,678	1,326,547
Other comprehensive income, net of income tax		
Items that will be reclassified to profit or loss when specific conditions are met		
Exchange differences on translating foreign controlled entities	(28,990)	(124,484)
Other comprehensive income for the year, net of tax	(28,990)	(124,484)
Total comprehensive income for the year	1,743,688	1,202,063
Profit attributable to:		
Members of the parent entity	1,751,456	1,313,939
Non-controlling interest	21,222	12,608
	1,772,678	1,326,547
Total comprehensive income attributable to:		
Members of the parent entity	1,722,466	1,189,455
Non-controlling interest	21,222	12,608
	1,743,688	1,202,063
Earnings per share		
Basic earnings per share (cents)	2.80	2.37
Diluted earnings per share (cents)	2.80	2.37

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Financial Position

As At 31 December 2015

	Note	31 December 2015 \$	30 June 2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		5,157,336	5,602,812
Trade and other receivables		3,853,643	3,219,258
Work in progress		31,642	85,524
Other assets		217,737	158,965
TOTAL CURRENT ASSETS		9,260,358	9,066,559
NON-CURRENT ASSETS			
Trade and other receivables		11,382	3,521
Property, plant and equipment		383,486	178,763
Deferred tax assets		392,633	375,258
Intangible assets	4	17,793,616	2,982,871
TOTAL NON-CURRENT ASSETS		18,581,117	3,540,413
TOTAL ASSETS		27,841,475	12,606,972
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		4,470,344	724,462
Current tax liabilities		798,007	637,434
Employee benefits		803,600	795,904
Other financial liabilities		3,132,387	1,800,139
TOTAL CURRENT LIABILITIES		9,204,338	3,957,939
NON-CURRENT LIABILITIES			
Deferred tax liabilities		394,873	272,809
Employee benefits		51,115	30,648
TOTAL NON-CURRENT LIABILITIES		445,988	303,457
TOTAL LIABILITIES		9,650,326	4,261,396
NET ASSETS		18,191,149	8,345,576
EQUITY			
Issued capital	2	28,469,564	18,959,464
Reserves		(148,846)	(119,856)
Retained earnings		(9,931,747)	(10,274,988)
Total equity attributable to equity holders of the Company		18,388,971	8,564,620
Non-controlling interest		(197,822)	(219,044)
TOTAL EQUITY		18,191,149	8,345,576

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Changes in Equity For the Half-Year Ended 31 December 2015

31 December 2015

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Non-controlli ng Interests	Total
Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	18,959,464	(10,274,988)	(244,681)	124,825	(219,044)	8,345,576
Profit attributable to members of the parent entity	-	1,751,456	-	-	-	1,751,456
Profit attributable to non-controlling interests	-	-	-	-	21,222	21,222
Total other comprehensive income for the year	-	-	(28,990)	-	-	(28,990)
Shares issued during the year	2,454,100	-	-	-	-	2,454,100
Shares issued in consideration of business combinations	7,056,000	-	-	-	-	7,056,000
Dividends paid or provided for	6	(1,408,215)	-	-	-	(1,408,215)
Balance at 31 December 2015	28,469,564	(9,931,747)	(273,671)	124,825	(197,822)	18,191,149

31 December 2014

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Non-controlli ng Interests	Total
Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	18,959,464	(11,085,306)	(133,599)	124,825	(263,436)	7,601,948
Profit attributable to members of the parent entity	-	1,313,939	-	-	-	1,313,939
Profit attributable to non-controlling interests	-	-	-	-	12,608	12,608
Total other comprehensive income for the year	-	-	(124,484)	-	-	(124,484)
Dividends paid or provided for	6	(415,574)	-	-	-	(415,574)
Balance at 31 December 2014	18,959,464	(10,186,941)	(258,083)	124,825	(250,828)	8,388,437

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2015

	31 December 2015	31 December 2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	8,913,382	4,056,216
Payments to suppliers and employees	(5,865,792)	(2,446,468)
Interest received	32,324	30,235
Income taxes paid	(397,089)	(61,022)
Net cash provided by operating activities	<u>2,682,825</u>	<u>1,578,961</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(182,530)	(16,696)
Payments in respect of business combinations, net of cash acquired	(3,626,230)	-
Development expenditure	(324,444)	(147,135)
Net cash used by investing activities	<u>(4,133,204)</u>	<u>(163,831)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	2,530,000	-
Payments for capital raise	(75,900)	-
Dividends paid by parent entity	(1,408,215)	(415,574)
Net cash provided by/(used in) financing activities	<u>1,045,885</u>	<u>(415,574)</u>
Net (decrease)/increase in cash and cash equivalents held	(404,494)	999,556
Cash and cash equivalents at beginning of year	5,602,812	4,669,504
Effects of foreign exchange rates on overseas cash holdings	(40,982)	228,586
Cash and cash equivalents at end of the half year	<u>5,157,336</u>	<u>5,897,646</u>

The accompanying notes form part of these financial statements.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Notes to the Financial Statements

For the Half-Year Ended 31 December 2015

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2015 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Prophecy International Holdings Limited and Controlled Entities and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2015, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

2015	2014
\$	\$

2 Issued Capital

64,009,784 (2014: 55,409,784) Ordinary Shares	<u>28,469,564</u>	<u>18,959,464</u>
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The Company issued 2,300,000 shares @ \$1.10 per share through capital raising.

The Company issued 6,300,000 shares @ \$1.12 per share as part of the eMite acquisition.

3 Capital and Leasing Commitments

The following lease commitments were entered into since June 2015:

	2015
	\$
Minimum lease payments under non cancellable operating leases:	
- Within one year	205,306
- Between one year and five years	191,835
	<u>397,141</u>

These leases relate to the eMite premise in Sydney and the new lease in Colorado, USA.

eMite Pty Ltd, a controlled entity, has provided a guarantee to a third party in respect of property lease rentals. The maximum amount payable is \$77,066.

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Half-Year Ended 31 December 2015

4 Business Combinations

On 1 July 2015, the Group acquired 100% interest of the equity instruments of eMite Pty Ltd (eMite), a Sydney based business, thereby obtaining control. This acquisition was made to enhance the Group's position in the global software tools market. The Group aims to build a portfolio of products with specific emphasis on tools used by IT departments to manage the security and operations of IT infrastructure. eMite is a significant business in the Group's targeted market.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	Fair value
	\$
Purchase consideration:	
- Cash	4,000,000
- Payable	3,900,000
- Equity instruments	7,056,000
Total purchase consideration	14,956,000
Assets or liabilities acquired:	
Cash	373,770
Trade and other receivables	647,470
Plant and equipment	76,524
Intangible assets	12,000,000
Trade and other payables	(678,746)
Other liabilities	(308,607)
Provisions	(135,866)
Total net identifiable assets	11,974,545
Identifiable assets acquired and liabilities assumed	11,974,545
Less: Identifiable assets acquired	11,974,545
Goodwill	2,981,455
	14,956,000

At the time that the financial statements were authorised for issue, the Group had not yet finalised the accounting for the acquisition of eMite Pty Ltd. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally.

Acquisition-related costs

Acquisition-related costs amounting to \$198,425 have been included in other expenses in profit or loss in the reporting period ending 31 December 2015.

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements

For the Half-Year Ended 31 December 2015

5 Operating Segments

(a) Segment performance

	Legacy		Snare		eMite		Total	
	31 December 2015 \$	31 December 2014 \$	31 December 2015 \$	31 December 2014 \$	31 December 2015 \$	31 December 2014 \$	31 December 2015 \$	31 December 2014 \$
REVENUE								
External sales	1,579,531	2,394,044	3,828,875	1,999,844	2,575,615	-	7,984,021	4,393,888
Other revenue	24,560	27,893	3,692	2,342	4,072	-	32,324	30,235
Total segment revenue	1,604,091	2,421,937	3,832,567	2,002,186	2,579,687	-	8,016,345	4,424,123
Segment operating profit	30,014	823,530	2,132,938	1,071,186	402,669	-	2,565,621	1,894,716
Goodwill impairment		160,000						160,000

(b) Segment assets

	Legacy		Snare		eMite		Total	
	31 December 2015 \$	30 June 2015 \$	31 December 2015 \$	30 June 2015 \$	31 December 2015 \$	30 June 2015 \$	31 December 2015 \$	30 June 2015 \$
Segment assets	23,767,388	20,099,926	3,945,048	3,838,227	2,879,228	-	30,591,664	23,938,153

Prophecy International Holdings Limited and Controlled Entities

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Notes to the Financial Statements For the Half-Year Ended 31 December 2015

	31 December 2015	31 December 2014
	\$	\$

5 Operating Segments continued

(c) Reconciliations

Reconciliation of segment operating profit to the consolidated statement of profit or loss and other comprehensive income

The Board meets on a monthly basis to assess the performance of each segment, net operating profit does not include non-operating revenue and expenses such as dividends, fair value gains and losses.

Segment net operating profit	2,565,621	1,894,716
Income tax expense	(792,943)	(568,169)
Total net profit after tax	<u>1,772,678</u>	<u>1,326,547</u>

6 Dividends

Distributions paid/provided for

Proposed interim unfranked ordinary dividend of 2.0 (2014: 2.0) cents to be paid 31st March 2016.

1,280,196	1,108,196
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Final fully franked ordinary dividend declared and paid on 8 October 2015 of 2.2 (2014: 0.75) cents per share

1,408,215	415,574
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Total

<u>2,688,411</u>	<u>1,523,770</u>
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7 Interests in Subsidiaries

Composition of the Group

	Country of Incorporation	Percentage Owned (%)* At 31 December 2015	Percentage Owned (%)* At 30 June 2015
Subsidiaries:			
Promadis Pty Ltd	Australia	100.0	100.0
Intersect Alliance International Pty Ltd	Australia	100.0	100.0
Prophecy International Pty Ltd as trustee for CSP Unit Trust	Australia	100.0	100.0
Prophecy R&D Pty Ltd	Australia	100.0	100.0
Prophecy Americas' Inc	United States	93.1	93.1
Prophecy Europe Limited	United Kingdom	100.0	100.0
eMite Pty Ltd	Australia	100.0	-

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries. Each subsidiary's country of incorporation is also its principal place of business.

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Notes to the Financial Statements

For the Half-Year Ended 31 December 2015

8 Contingencies

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

9 Events Occurring After the Interim Period

No matters or circumstances have arisen since the end of the half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Prophecy International Holdings Limited and Controlled Entities

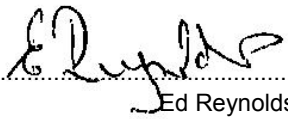
ABN: 16 079 971 618

Directors' Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director .....
Ed Reynolds

Director .....
Leanne R Challans

Dated 23 February 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PROPHECY INTERNATIONAL HOLDINGS LIMITED

We have reviewed the accompanying half-year financial report of Prophecy International Holdings Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Prophecy International Holdings Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Prophecy International Holdings Limited consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Prophecy International Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prophecy International Holdings Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Sheenagh Edwards
Partner - Audit & Assurance

Adelaide, 23 February 2016