PROPHECY INTERNATIONAL HOLDINGS LTD

ACN 079 971 618

Appendix 4E - Preliminary Final Report

For the Year Ended 30 June 2026

Prophecy International Holdings Ltd
(ASX:PRO)

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ASX preliminary final report for the year ended 30 June 2026
Lodged with the ASX under listing Rule 4.3A

Results for announcement to the market
30 June 2026

Appendix 4E
Reference

		30 June 2026 $'000	30 June 2025 $'000	Variance $'000	Variance %
2.1	Revenue from ordinary activities	18,415	21,752	(3,337)	(15%)
2.2	Profit/(loss) From ordinary activities after tax attributable to members	(7,924)	(6,477)	(1,447)	(22%)
2.3	Net profit/(loss) for the period attributable to members	(7,940)	(6,488)	(1,452)	(22%)
2.4	Dividends/distributions	No dividends have been paid or proposed.			
2.5	Record date	Not applicable			
2.6	Explanation of the figures in 2.1 to 2.4	Refer to the attached financial statements			
3	Statement of Comprehensive Income	Refer to the attached financial statements			
4	Statement of Financial Position	Refer to the attached financial statements			
5	Statement of Cash Flows	Refer to the attached financial statements			
6	Statement of Changes in Equity	Refer to the attached financial statements			
7	Details of Individual and total Dividends	Not applicable			
8	Details of dividend reinvestment plans in operation	Not applicable			
9	Net tangible assets per share (cents)	-0.105 cents	-0.058 cents	(0.047) cents	(80%)
10	Details of entities over which control has been gained or loss	Not applicable			
11	Details of associates or joint venture entities	Not applicable			
12	Any other significant information	Refer to the attached financial statements			
13	The Financial Statements are prepared in accordance with Australian Accounting Standards				
14	Commentary on the results for the period	Refer to the attached financial statements			
15	The 30 June 2026 financial report and accompanying notes for the Group are in the process of being audited and the Directors do not expect any disputes or qualifications.				
16	Not Applicable				
17	Not Applicable				

Prophecy International Holdings Limited and Controlled Entities
ABN: 16 079 971 618

Results for Announcement to the Market

For the Year Ended 30 June 2026

Performance	FY26 Result	FY25 Result	YoY change
Revenue	**$18.4M**	**$21.8M**	**-15%**
Cash Flow	**($3.9M)**	**($6.8M)**	**+$2.9M**
Cash Balance	**$1.01M**	**$4.93M**	**-80%**
NPAT	**($7.9M)**	**($6.5M)**	**-$1.4M**
Deferred Income	**$8.5M**	**$10.8M**	**-21%**
Debt	**$0.3M**	**Zero**	**+0.3M**

Review of Operations

FY26 was a disappointing year for Prophecy International. Revenue, annualised recurring revenue (ARR) and invoicing each declined against the prior corresponding period and the Group recorded an increased loss (albeit impacted by once-off items as further set out below). The Board acknowledges that this performance was unsatisfactory and has taken multiple actions to restore stability and reposition the business for improved performance in FY27.

FY26 revenue reduced by $3.4 million, comprised of a reduction in point in time licence and consulting revenue ($0.3 million) with the balance being a reduction in reported over time SaaS revenue. This includes the expiry of customer contracts during FY25, contributing part-year revenue during FY25 and nil during FY26 (including a $1.1 million FY25 contribution from a material expiring customer of the emite business, not repeated in FY26) together with subsequent SaaS churn occurring during FY26. Contracted ARR declined by $2.3 million during FY26, comprising net churn of approximately $3.3 million, weighted approximately 60% to Snare and 40% to emite, offset by new sales of approximately $1.0 million split evenly between the two product lines (noting that both churn and growth are influenced in part by continuing end-customers procuring software via new channel partner relationships). The decline also includes the adverse impact of $0.9 million foreign exchange valuation off the back of a strengthening Australian dollar during the year.

FY26 NPAT of ($7.9 million) includes the impact of several material once-off, non-BAU items, including non-cash charges arising from reassessment of the carrying value of the Group's emite intangible assets, being the accelerated amortisation of emite v7 $1.9M and the write-off of capitalised development expenditure on emite v8 ($1.7M). Those charges have no cash effect and reflect a revised product strategy for the emite platform, supported in part by targeted investments made in the adoption of artificial intelligence capability in the Group's operations. The result also includes $0.9 million of non-recurring costs associated with the reduction in Group headcount described below, along with $0.8 million of once-off acquisition related costs.

Adjusting for the above non-BAU items, underlying FY26 NPAT was $2.6M loss (FY25 equivalent: $5.8M loss).

The $2.9 million improvement in the Group's net cash outflow for FY26 comprised a $1.9 million reduction in net operating cash outflow relative to FY25, supplemented by a $1.0 million share placement completed during the year. The Group's cash balance nevertheless declined by $3.9 million to $1.0 million, reflecting the operating cash outflows incurred during a period of reduced revenue in which the headcount reduction and other cost saving initiatives were also being implemented.

Debt of $0.3 million (FY25: nil) represents advance funding drawn against the Group's FY26 research and development tax incentive refund.

Cost Base and Operational Efficiency

The Board has taken material action to restore stability and reposition the business for sustainable growth.

Following a detailed review of operations, the Board implemented a substantial reduction in Group headcount; delivering a $7.5 million saving in annualised, go-forward personnel costs[1] moving into FY27, by reference to the equivalent costs at commencement of FY26. This restructure included the consolidation of management across the emite and Snare product lines into a smaller, focused management team based in Australia, with overlapping roles removed, reporting lines shortened and efficiencies made available by artificial intelligence and other technologies appropriately leveraged. Implementation was progressive through the second half ($3.8m in annualised savings implemented September 2025 to March 2026, with the balance implemented during June 2026), and accordingly FY26 reflects only a partial benefit whilst FY27 will carry the full-year effect. The costs of implementation, principally redundancy and notice payments of approximately $0.9 million, are recognised in FY26 in full.

The Group has also implemented planned reductions in cloud hosting, third party subscription and other discretionary costs (approximately $2.0m in savings vs FY25) and expects these reductions to continue into FY27. During FY26, the Group also incurred capitalised expenditure on the emite v8 project ($1.0m) impacting cash outflows, which will not be repeated in FY27.

[1] Salaries, fixed on-costs, annualised basis.

Results for Announcement to the Market

For the Year Ended 30 June 2026

Product Focus

During FY26 the Group established an agentic artificial intelligence capability, ProdataIQ, which operates as a software module across both the emite and Snare platforms. ProdataIQ provides a natural language interface to customer data, automated narrative explanation of performance shifts, and continuous monitoring that identifies abnormal trends in advance of operational impact.

Following an early adoption program commenced in January 2026, during which ProdataIQ was tested by selected customers against their own data, the Group secured the rights to deploy the software and released it during May 2026. ProdataIQ is sold as an upgrade across both product lines, and customer response has been positive with adoption continuing to build.

The capability also positions Prophecy as an enabler of enterprise artificial intelligence, with Snare providing the secure and structured collection of security and operational data and emite providing real time integration and analysis, together supplying the high quality data upon which AI-driven decision making depends.

Board and Leadership

During FY26, the Board made two key appointments to strengthen the Board and the executive management team.

Mr David Collins was appointed a Director of Prophecy International during April 2026. Mr Collins is the Company's largest shareholder and an Executive Director of Paragon Care Limited (ASX: PGC), which he brought to the ASX through the reverse listing of CH2 Holdings Pty Ltd, of which he was Chief Executive Officer and Managing Director. Mr Collins brings extensive finance, strategic, capital markets and mergers and acquisitions experience, and a demonstrated record of delivering material shareholder returns.

On 27 May 2026, Mr Jonathan Drake was appointed as Chief Executive Officer (commenced 6 July 2026). Mr Drake brings more than 18 years of executive management experience in enterprise software, SaaS, financial performance, mergers and acquisitions and corporate strategy. Mr Drake has a demonstrated record of disciplined execution, capital allocation and delivering sustainable growth. Mr Ed Reynolds, who served as interim-CEO during FY26, has returned to his role as non-executive Chairman of the Group.

Capital Management

During the year the Company raised $1.0 million through a placement of 6.8 million shares and accessed $0.3 million of advance funding from Radium Capital against its research and development tax incentive refund as outlined above. Following year end, the Company established an invoice financing facility with ScotPac Business Finance, into which the R&D tax incentive advance was refinanced, to smooth the seasonality of the Group's receipts and enable targeted reinvestment into the growth of the business during FY27.

Summary and Outlook

The Group enters FY27 with a materially lower cost base, a consolidated management team, a strengthened Board and executive leadership, and a base of contracted revenue with a growth pipeline supported by the release of ProdataIQ across both product lines. Management's key focus areas into FY27 are to:

- stabilise and grow ARR through focussed account management across existing customers, and sales execution;
- capitalise on the traction established via ProdataIQ across both product lines;
- manage and grow partner relationships across both emite and Snare;
- closely monitor all business costs and achieve additional efficiencies where available; and
- continue to streamline and refine company operations via a focussed, and experienced management team, to enhance disciplined execution of the Group's growth strategy

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2026

	Note	2026 $	2025 $
Revenue from continuing operations	2	**18,414,778**	21,752,444
Research and development tax incentive		**950,927**	-
Other income		**31,159**	171,372
Employee benefits expense	3	**(12,939,154)**	(15,953,307)
Depreciation and amortisation expense	3	**(2,684,901)**	(1,280,075)
Impairment expense	3	**(1,700,278)**	-
Other expenses	3	**(9,920,479)**	(10,839,843)
Finance costs		**(55,325)**	(42,901)
Loss before income tax		**(7,903,273)**	(6,192,310)
Income tax benefit/expense		**(21,000)**	(284,632)
Loss for the year		**(7,924,273)**	(6,476,942)
Other comprehensive income/(loss), 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		**102,764**	(330,490)
Other comprehensive income/(loss) for the year, net of tax		**102,764**	(330,490)
Total comprehensive loss for the year		**(7,821,509)**	(6,807,432)
Loss attributable to:			
Members of the parent entity		**(7,940,358)**	(6,487,759)
Non-controlling interest		**16,085**	10,817
		(7,924,273)	(6,476,942)
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		**(7,837,594)**	(6,818,249)
Non-controlling interest		**16,085**	10,817
		(7,821,509)	(6,807,432)
Losses per share			
From continuing operations:			
Basic earnings/(loss) per share (cents)	5	**(9.86)**	(8.80)
Diluted earnings/(loss) per share (cents)	5	**(9.86)**	(8.80)

Consolidated Statement of Financial Position

As At 30 June 2026

	Note	2026 $	2025 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**1,009,828**	4,930,602
Financial assets		**102,644**	102,544
Trade and other receivables		**2,158,599**	2,823,558
Contract assets		**157,377**	639,933
Current tax receivable		**13,211**	16,958
Other assets		**1,169,405**	2,169,403
TOTAL CURRENT ASSETS		**4,611,064**	10,682,997
NON-CURRENT ASSETS			
Trade and other receivables		**8,194**	8,592
Other assets		**414,395**	683,855
Property, plant and equipment		**88,565**	140,078
Intangible assets	7	**2,337,393**	5,163,524
Right to use assets		**650,663**	454,438
TOTAL NON-CURRENT ASSETS		**3,499,210**	6,450,487
TOTAL ASSETS		**8,110,274**	17,133,484
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**2,544,242**	2,574,467
Contract liabilities - Deferred revenue	8	**5,212,103**	8,613,765
Employee benefits		**1,312,130**	1,841,189
Lease liabilities		**305,031**	173,993
Short-term debt		**317,623**	-
TOTAL CURRENT LIABILITIES		**9,691,129**	13,203,415
NON-CURRENT LIABILITIES			
Employee benefits		**154,045**	119,306
Lease liabilities		**433,368**	320,031
Contract liabilities - Deferred revenue	8	**3,297,902**	2,178,655
TOTAL NON-CURRENT LIABILITIES		**3,885,315**	2,617,992
TOTAL LIABILITIES		**13,576,444**	15,821,407
NET ASSETS/(LIABILITIES)		**(5,466,170)**	1,312,077
EQUITY/(DEFICIT)			
Issued capital	9	**36,969,235**	35,963,440
Reserves		**(563,694)**	(703,925)
Accumulated losses		**(41,724,802)**	(33,784,443)
Total equity deficit attributable to equity holders of the Company		**(5,319,261)**	1,475,071
Non-controlling interest		**(146,909)**	(162,994)
TOTAL EQUITY/(DEFICIT)		**(5,466,170)**	1,312,077

Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2026

2026

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non-controlling Interests	Total
	$	$	$	$	$	$
Balance at 1 July 2025	**35,963,440**	**(33,784,444)**	**(824,809)**	**120,884**	**(162,994)**	**1,312,077**
Loss attributable to members of the parent entity	**-**	**(7,940,358)**	**-**	**-**	**-**	**(7,940,358)**
Profit attributable to non-controlling interests	**-**	**-**	**-**	**-**	**16,085**	**16,085**
Foreign currency translation movement for the year	-	-	**102,764**	-	-	**102,764**
Total comprehensive income	**-**	**(7,940,358)**	**102,764**	**-**	**16,085**	**7,821,509**
Transactions with shareholders in their capacity as shareholders						
Share placements	**1,002,900**	**-**	**-**	**39,000**	**-**	**1,041,900**
Share based payment transactions at fair value	-	-	-	**1,362**	-	**1,362**
Shares issued on the exercise of performance rights	**2,895**	**-**	**-**	**(2,895)**	**-**	**-**
Balance at 30 June 2026	**36,969,235**	**(41,724,802)**	**(722,045)**	**158,351**	**(146,909)**	**(5,466,170)**

2025

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Non-controlling Interests	Total
	$	$	$	$	$	$
Balance at 1 July 2024	35,822,379	(27,296,685)	(494,319)	244,492	(173,811)	8,102,056
Loss attributable to members of the parent entity	-	(6,487,759)	-	-	-	(6,487,759)
Profit attributable to non-controlling interests	-	-	-	-	10,817	10,817
Foreign currency translation movement for the year	-	-	(330,490)	-	-	(330,490)
Total comprehensive income	-	**(6,487,759)**	**(330,490)**	-	**10,817**	**(6,807,432)**
Transactions with shareholders in their capacity as shareholders						
Share based payment transactions at fair value	-	-	-	17,453	-	17,453
Shares issued on the exercise of performance rights	141,061	-	-	(141,061)	-	-
Balance at 30 June 2025	35,963,440	(33,784,444)	(824,809)	120,884	(162,994)	1,312,077

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 Year Ended 30 June 2026

	Note	2026 $	2025 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**17,236,466**	20,837,813
Payments to suppliers and employees		**(20,885,606)**	(26,571,257)
Interest received		**7,003**	171,372
Income taxes (paid)/refunded		**(21,000)**	(1,549)
Net cash provided by/(used in) operating activities	14	**(3,663,137)**	(5,563,621)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		**-**	293
Purchase of property, plant and equipment		**(19,277)**	(59,678)
Payments for capitalised development costs		**(974,275)**	(726,000)
Net cash used in investing activities		**(993,552)**	(785,385)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**975,000**	-
Payment of lease liabilities		**(308,498)**	(457,130)
Net cash provided by/(used in) financing activities		**666,502**	(457,130)
Effects of foreign exchange rates on overseas cash holdings		**69,413**	25,853
Net increase/(decrease) in cash and cash equivalents held		**(3,920,774)**	(6,780,283)
Cash and cash equivalents at beginning of year		**4,930,602**	11,710,885
Cash and cash equivalents at end of financial year		**1,009,828**	4,930,602

1 Summary of Material Accounting Policies continued

This financial report covers the consolidated financial statements and notes of Prophecy International Holdings Limited and Controlled Entities (the 'group'). Prophecy International Holdings Limited and Controlled Entities is a for profit Company domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The principal activities of the Group during the financial year were the design, development and marketing of computer software applications and services aimed at the worldwide corporate marketplace.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. They have been prepared under the assumption that the Group operates on a going concern basis.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical costs.

(b) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 6 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

1 Summary of Material Accounting Policies continued

(c) Impairment of Non-financial assets

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(d) Intangible Assets

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

i) the consideration transferred;

ii) any non-controlling interest; and

iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life which is estimated to be 7 years or 15 years, depending on the product.

1 Summary of Material Accounting Policies continued

(d) Intangible Assets continued

Impairment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

(e) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

1 Summary of Material Accounting Policies continued

(e) Foreign Currency Transactions and Balances continued

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

(f) Revenue and Other Income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligation is transferred

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Some contracts include multiple deliverables, such as the sale of licences and maintenance. These are accounted for as a separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Licences that grant the user a right to use the product are recorded when access is granted. Licences that grant the user a right to access the product are recorded over the access period.

1 Summary of Material Accounting Policies continued

(f) Revenue and Other Income continued

When such licenses are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation. Revenue is recognised at a point in time when the software has been developed and tested and the Group has a right to payment.

Maintenance revenue is recognised on a straight-line basis over the maintenance service period. As the amount of work required to perform under these contracts does not vary significantly from month-to-month, the straightline method provides a faithful depiction of the transfer of goods or services.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Costs to obtain a contract

The capitalised costs are amortised on a straight-line basis over the expected life of the contract which is has been estimated at 3 years.

Interest Revenue

Interest is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax (GST).

(g) R&D Tax Incentive

The Group is entitled to claim R&D tax incentives in Australia. The R&D tax incentive is calculated using the estimated R&D expenditure multiplied by the company tax rate plus an 18.5% premium. The Group accounts for this incentive as other income.

(h) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening consolidated statement of financial position at the earliest date of the comparative period has been presented.

Notes to the Financial Statements

For the Year Ended 30 June 2026

2 Revenue and Other Income

Revenue from continuing operations

	2026	2025
	$	$
Sales revenue		
- licence sales	**12,585,425**	16,398,349
- maintenance fees	**4,318,506**	4,340,248
- consulting sales	**1,510,847**	1,013,847
	18,414,778	21,752,444

The Group's revenue is disaggregated as follows:

	Snare		eMite		Total	
	2026	2025	2026	2025	2026	2025
	$	$	$	$	$	$
Goods or services transferred at a point in time						
- licence sales	**570,240**	528,543	**1,337,340**	2,156,888	**1,907,580**	2,685,431
- consulting sales	**134,370**	68,433	**1,376,477**	945,414	**1,510,847**	1,013,847
Total	**704,610**	596,976	**2,713,817**	3,102,302	**3,418,427**	3,699,278

	Snare		eMite		Total	
	2026	2025	2026	2025	2026	2025
	$	$	$	$	$	$
Goods or services transferred over time						
- licence sales	**4,049,590**	4,467,125	**6,628,256**	9,245,794	**10,677,846**	13,712,919
- maintenance fees	**1,795,609**	2,136,597	**2,522,896**	2,203,650	**4,318,505**	4,340,247
Total	**5,845,199**	6,603,722	**9,151,152**	11,449,444	**14,996,351**	18,053,166

Notes to the Financial Statements
For the Year Ended 30 June 2026

3 Result for the Year

The result for the year includes the following specific expenses:

	2026	2025
	$	$
Salaries and wages	**9,854,588**	11,396,959
Commissions	**1,168,907**	1,641,547
Superannuation contributions	**642,394**	730,368
Payroll taxes	**656,646**	796,376
Consultants	**670,536**	983,928
Medical expenses	**240,957**	412,867
AL & LSL expenses	**(299,325)**	(34,840)
Share-based payment	**1,362**	17,453
Other employee benefit expenses	**3,088**	8,649
	12,939,154	15,953,307
	12,939,154	15,953,307
Depreciation, amortisation, and impairment expense comprises:		
- Depreciation - plant and equipment	**67,467**	112,309
- Depreciation - right of use assets	**280,406**	364,758
- Amortisation - intellectual property	**2,337,031**	800,000
- Impairment - development costs	**1,700,275**	3,008
	4,385,179	1,280,075
Other Expenses:		
Accounting fees	**277,780**	266,418
Consulting and professional fees	**1,976,718**	2,218,277
Filing fees	**98,254**	88,172
Insurance	**291,089**	286,000
Legal Fees	**32,115**	95,255
Marketing	**173,488**	533,473
Strata Fees	**11,851**	85,390
Royalties	**104,663**	116,134
Foreign exchange (gains)/losses	**137,747**	(461,555)
Communications expense including cloud services	**4,948,623**	5,435,185
Software including annual maintenance	**1,607,347**	1,580,925
Travel and accommodation	**113,094**	404,196
Other expenses	**147,710**	191,973
	9,920,479	10,839,843

Notes to the Financial Statements
For the Year Ended 30 June 2026

4 Dividends

a.The following dividends were declared and paid:

Interim unfranked ordinary dividend of nil (2025: nil) cents per share	**-**	-

Franking account

The franking credits available for subsequent financial years at a tax rate of 25%	**141,574**	141,574

The above available balance is based on the dividend franking account at year-end adjusted for:
(a) Franking credits that will arise from the payment of the current tax liabilities;
(b) Franking debits that will arise from the payment of dividends recognised as a liability at the year end;
(c) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

5 Earnings per Share

(a) Reconciliation of earnings to profit or loss from continuing operations

	2026 $	2025 $
Loss after income tax attributable to the owners of Prophecy International Holdings Limited-	**(7,940,358)**	(6,487,759)

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**80,552,934**	73,748,934
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**80,552,934**	73,748,934

Notes to the Financial Statements
For the Year Ended 30 June 2026

6 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2026	Percentage Owned (%)* 2025
Subsidiaries:			
Intersect Alliance International Pty Ltd	Australia	**100**	100
Prophecy International Pty Ltd as trustee for CSP Unit Trust	Australia	**100**	100
Prophecy R&D Pty Ltd	Australia	**100**	100
Prophecy Americas' Inc	United States	**93**	93
Prophecy Europe Limited	United Kingdom	**100**	100
eMite Pty Ltd	Australia	**100**	100
Prophecy Philipines	Philipines	**100**	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

Notes to the Financial Statements

For the Year Ended 30 June 2026

7 Intangible Assets

	2026	2025
	$	$
Goodwill		
Cost	**5,108,270**	5,108,270
Accumulated impairment losses	**(2,981,455)**	(2,981,455)
Net carrying value	**2,126,815**	2,126,815
Intellectual property		
Cost	**12,720,000**	12,720,000
Accumulated amortisation and impairment	**(12,720,00)**	(10,409,291)
Net carrying value	**-**	2,310,709
Development costs		
Cost	**4,378,648**	3,404,372
Accumulated amortisation and impairment	**(4,378,648)**	(2,678,372)
Net carrying value	**-**	726,000
Licenses		
Cost	**236,900**	-
Accumulated amortisation and impairment	**(26,322)**	-
Net carrying value	**210,578**	-
Total Intangibles	**2,337,393**	5,163,524

Movements in carrying amounts of intangible assets

	Licenses	Intellectual property	Goodwill	Development costs	Total
	$	$	$	$	$
Year ended 30 June 2026					
Balance at the beginning of the year	**-**	**2,310,709**	**2,126,815**	**726,000**	**5,163,524**
Additions	**236,900**	**-**	**-**	**974,275**	**1,211,175**
Amortisation	**(26,322)**	**(2,310,709)**	**-**	**-**	**(2,337,031)**
Impairment	**-**	**-**	**-**	**(1,700,275)**	**(1,700,275)**
Closing value at 30 June 2026	**210,578**	**-**	**2,126,815**	**-**	**2,337,393**
Year ended 30 June 2025					
Balance at the beginning of the year		3,110,709	2,126,815	3,008	5,240,532
Amortisation		(800,000)	-	(3,008)	(803,008)
Additions		-	-	726,000	726,000
Closing value at 30 June 2025		2,310,709	2,126,815	726,000	5,163,524

Notes to the Financial Statements

For the Year Ended 30 June 2026

7 Intangible Assets continued

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the consolidated statement of profit or loss. Goodwill has an indefinite life and is not amortised.

During the year the Group made a decision to impair the costs related to the emite V8 CGU.
During the year the Group reassessed the useful life of emite V7 resulting in an acceleration of amortisation as shown in the table above.

Goodwill with a carrying value of $2,126,815 (2025 $2,126,815) has been allocated to the Snare CGU. The recoverable amount of the Snare CGU is determined based on the value-in-use ("VIU") calculations. The calculation is based on net present value of cash flow projections over a 3 year period at a post-tax discount rate of 19.1%. It is estimated an ongoing growth rate of 2.5% pa to perpetuity in the future cash flows in this VIU calculation. If the discount rate, which is based on the estimate of the Snare CGU's weighted average cost of capital, had been increased from 19.1% to 22.0%, no impairment expenses would have been recognised.

8 Contract liabilities

CURRENT		
Unearned revenue from customers	**5,212,103**	8,613,765

NON-CURRENT		
Unearned revenue from customers	**3,297,902**	2,178,655

9 Issued Capital

	2026	2025
	$	$
80,552,934 (2025: 73,748,934) Ordinary shares	**36,969,235**	35,963,440

(a) Ordinary shares

	2026	2026	2025	2025
	$	No.	$	No.
At the beginning of the reporting period	**35,963,440**	**73,748,934**	35,822,379	73,625,934
Issue of shares - employee share scheme	**2,895**	**4,000**	141,061	123,000
Issue of shares - share placements	**1,002,900**	**6,800,000**	-	-
At the end of the reporting period	**36,969,235**	80**552,934**	35,963,440	73,748,934

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

10 Contingencies

Contingent Liabilities

Prophecy International Pty Ltd, a controlled entity, has provided guarantees to third parties in respect of property lease rentals. The maximum amount payable is $72,644 (2025: $72,544).

The guarantees are secured by a fixed charge over Prophecy International Pty Ltd's bank balances.

No material losses are anticipated in respect to this contingency.

12 Events Occurring After the Reporting Date

Aside from the issue of 10,000 performance rights to employees and the implementation of an operational restructure and organisational realignment, and the Group entering into a debtor finance facility arrangement with a $3m limit, no matters or circumstances have arisen since the end of the financial 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.

13 Reserves and retained surplus

(a) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(b) Share option reserve

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

Notes to the Financial Statements

For the Year Ended 30 June 2026

14 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

	2026	2025
	$	$
Profit for the year	**(7,924,277)**	(6,476,942)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	**2,684,904**	1,280,075
- impairment	**1,700,275**	-
- net gain on disposal of property, plant and equipment	**-**	293
- foreign exchange (gain)/loss	**137,747**	(461,555)
- foreign exchange differences arising on translation of foreign subsidiaries	**(2,483)**	131,780
- share based payments	**1,362**	(17,453)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables and contract assets	**1,104,103**	(323,923)
- (increase)/decrease in other assets	**1,427,087**	541,650
- (increase)/decrease in deferred tax asset	**-**	89,997
- (increase)/decrease in income tax receivable	**3,747**	8,424
- increase/(decrease) in contract liabilities	**(2,282,415)**	(590,707)
- increase/(decrease) in trade and other payables	**(24,103)**	86,134
- increase/(decrease) in deferred tax liability	**-**	193,471
- increase/(decrease) in employee benefits	**(489,084)**	(24,865)
Cashflows from operations	**(3,663,137)**	(5,563,621)

(b) Credit standby arrangements with banks

Credit facility	**90,954**	93,435
Amount utilised	**(12,105)**	(29,865)
	78,849	63,570

The major facilities are summarised as follows:

Credit cards:
Prophecy International Pty Ltd, Intersect Alliance Pty Ltd, Prophecy Americas Inc. and eMite Pty Ltd, controlled entities, have credit card facilities.

15 Operating Segments

Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated below, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Income tax expense is calculated based on the segment operating net profit using a notional charge of 27.5%. The effect of taxable or deductible temporary differences is not included for internal reporting purposes.

An internally determined transfer price is set for all inter-entity sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

(b) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(c) Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(d) Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- deferred tax assets and liabilities
- current tax liabilities
- intangible assets

15 Operating Segments continued

(e) Segment performance

	Unallocated		SNARE		eMite		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
	$	$	$	$	$	$	$	$
REVENUE								
External sales	-	-	6,549,809	7,200,697	11,864,968	14,551,747	18,414,778	21,752,444
Other revenue	3,432	4,233	24,233	98	3,492	167,041	31,157	171,372
Total segment revenue	3,432	4,233	6,574,042	7,200,795	11,868,461	14,718,788	18,445,935	21,923,816
Segment operating profit/(loss)	(2,902,468)	(3,683,306)	(1,398,284)	(2,137,342)	(3,602,522)	(371,662)	(7,903,274)	(6,192,310)

(f) Segment assets

	Unallocated 2026	Unallocated 2025	SNARE 2026	SNARE 2025	eMite 2026	eMite 2025	Total 2026	Total 2025
Segment assets	2,614,557	1,234,530	3,767,734	6,275,351	1,727,983	9,623,603	8,110,274	17,133,484
- Capital expenditure	5,576	27,836	12,854	15,855	974,275	16,107	18,430	59,798

(g) Segment liabilities

	Unallocated 2026	Unallocated 2025	SNARE 2026	SNARE 2025	eMite 2026	eMite 2025	Total 2026	Total 2025
Segment liabilities	2,135,141	1,943,253	5,256,862	6,931,165	6,184,441	6,946,989	13,576,444	15,821,407

16 Company Details

The registered office and principal place of business of the company is:

Prophecy International Holdings Limited and Controlled Entities
Level 5
60 Waymouth Street
Adelaide SA 5000