

PROPHECY DEFI INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DATE OF MD&A

This MD&A was prepared on June 2, 2026.

Basis of Presentation

The following discussion and analysis of Prophecy DeFi Inc.'s (the "Company's" or "Prophecy's") financial condition should be read in conjunction with the Company's audited consolidated financial statements as at December 31, 2025. These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are expressed in Canadian dollars unless otherwise indicated. See "Risk Factors" for a discussion of the risks inherent in the business of the Company, which may also affect its continuing financial condition, cash flows and operating results.

Overall Performance

Overview of the Business

Prophecy has its principal offices located at 87 Scollard Street, Suite 100, Toronto, ON M5R 1G4.

Prophecy DeFi is an investment issuer, whose primary objective is to hold investments in web3-related companies and publicly traded securities for the purpose of generating returns from capital appreciation and income. Our team will strive to accelerate the growth of its portfolio companies by providing capital, establishing advisory relationships, and providing strategic advice to leadership.

On December 23, 2024, the Company issued an aggregate of 40,000 common shares in the capital of the Company at a price of \$1.00 per Common Share as part of a conversion of debenture units, of which 40,000 common shares had a cost of \$2.50 per Common Share. All Common Shares issued in connection with the debenture conversion are subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation.

On January 17, 2025, 30 debenture units with a value of \$30,000 were exercised under the modified terms of the convertible debenture agreement. The debenture units were converted to 12,000 common shares in the capital of the Company at a price of \$1.25 per Common Share and a cost of \$2.50 per Common Share.

On January 22, 2025, 100 debenture units with a value of \$100,000 were exercised under the modified terms of the convertible debenture agreement. The debenture units were converted to 40,000 common shares in the capital of the Company at a price of \$1.25 per Common Share and a cost of \$2.50 per Common Share.

On January 23, 2025, 40 debenture units with a value of \$40,000 were exercised under the modified terms of the convertible debenture agreement. The debenture units were converted to 16,000 common shares in the capital of the Company at a price of \$1.00 per Common Share and a cost of \$2.50 per Common Share.

On March 11, 2025, 50 debenture units with a value of \$50,000 were exercised under the modified terms of the convertible debenture agreement. The debenture units were converted to 20,000 common shares in the capital of the Company at a price of \$0.50 per Common Share and a cost of \$2.50 per Common Share.

On August 15, 2025, the Company issued interest-bearing demand promissory notes totaling \$100,000 to certain creditors. On August 5, 2025, the Company issued an interest-bearing note totaling \$15,000 to the CEO of the company. The notes bear interest at 10% per annum, calculated monthly, and are payable on demand. The transactions with the director and CEO constitute a related party transaction under MI 61-101; however, the Company relied on exemptions from the valuation and minority approval requirements as the transaction value did not exceed 25% of the Company's market capitalization. The issuance was approved by the independent members of the board.

On October 17, 2025, the Company converted an aggregate of \$5,360,000 principal amount of debentures together with related accrued interest at a price of \$0.50 per post-consolidation common share. In connection therewith, the Company issued an aggregate of 12,200,020 post-consolidation common shares, comprised of 10,620,000 common shares issued in respect of \$5,310,000 principal and 1,580,020 common shares issued in respect of accrued interest thereon. In addition, 114,877 post-consolidation common shares were deemed to be converted but had not yet been formally issued as of that date, comprised of 100,000 common shares relating to the conversion of the remaining \$50,000 principal amount and 14,877 common shares relating to accrued interest thereon. All common shares issued in connection with the debenture conversion are subject to a statutory hold period of four months plus one day from the date of issuance in accordance with applicable securities legislation.

On December 16, 2025, the Issuer filed articles of amendment, with an effective date of December 22, 2025, to consolidate all of the issued and outstanding common shares (each, a "Common Share") in the capital of the Company, on the basis of fifty (50) pre-consolidation common Shares to one (1) post-consolidation common Share (the "Consolidation"). Any fractional common Share arising from the Consolidation will be rounded down to the nearest whole Common Share. In all other respects, the post Consolidation Common Shares will have the same attributes as the pre-Consolidation Common Shares.

On January 16, 2026 the Company closed its non-brokered private placement through the issuance of 7,000,000 units at a price of \$0.05 per unit, for gross proceeds of \$350,000. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one additional common share at a price of \$0.10 for a period of five years from the date of issuance.

On February 12, 2026 the Company closed its non-brokered private placement through the issuance of 5,000,000 units at a price of \$0.12 per unit, for gross proceeds of \$600,000. Each

unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one additional common share at a price of \$0.20 for a period of five years from the date of issuance.

All share numbers, stock options, warrants and per share amounts presented in these financial statements have been retrospectively restated to reflect the 50:1 share consolidation.

Restatement

The Company has determined that there was an error in respect to the valuation of portfolio investments, accrued salaries and accrued audit and legal. A portion of portfolio investments were revalued in the comparative period December 31, 2024. Portfolio investments were reclassified for their fair market value. Accounts payable and accrued salaries and audit and legal fees have been recorded with the corresponding expenses recorded to salaries and audit and legal fees.

The correction also impacted basic and diluted loss per share for the year ended December 31, 2024, which were restated from (\$1.02) to (\$1.01).

The restatement is not as a result of any change to the Company's operations or business.

Impact of the restatement:

Impact on Statement of Financial Position

	For the year ended December 31, 2024		
	Previously Reported	Adjustment	Restated
Portfolio investments	\$25,142	\$37,500	\$62,642
Accounts payable and accrued liabilities	941,543	22,467	964,010
Deficit	(\$36,248,772)	\$15,033	(\$36,233,739)

Impact on Statement of Shareholders' Deficit

	For the year ended December 31, 2024		
	Previously Reported	Adjustment	Restated
Net loss for the year	(\$2,711,080)	\$15,033	(\$2,696,047)
Deficit	(\$36,248,772)	\$15,033	(\$36,233,739)

Impact on Statement of Loss and Comprehensive Loss

	For the year ended December 31, 2024		
	Previously Reported	Adjustment	Restated
Reversal of portfolio investments	\$-	\$37,500	\$37,500
Salaries	(\$372,410)	(\$9,467)	(\$381,877)

Audit and legal fees	(\$351,826)	(\$13,000)	(\$364,826)
Net comprehensive loss	\$2,711,080	\$15,033	\$2,696,047
Net loss per share – basic	(\$1.02)	(\$0.01)	(\$1.01)
Net loss per share – diluted	(\$1.02)	(\$0.01)	(\$1.01)

Impact on Statement of Cash Flows

For the year ended December 31, 2024

	Previously Reported	Adjustment	Restated
Net loss for the year	(\$2,711,080)	\$15,033	(\$2,696,047)
Accounts payable	\$388,440	\$22,467	\$410,907
Reversal of portfolio investments	(\$-)	(\$37,500)	(\$37,500)

As of December 31, 2025, the Company had cash of \$Nil (December 31, 2024 - \$11,502, December 31, 2023 - \$437,349), digital currencies of \$Nil (December 31, 2024 - \$1,028,971, December 31, 2023 - \$1,521,064), prepaid expenses and deposits of \$27,452 (December 31, 2024 - \$46,751, December 31, 2023 - \$57,791) portfolio investments of \$28,706 (December 31, 2024 (Restated) - \$62,642, December 31, 2023 - \$1,085,673), and office premise of 172,913 (December 31, 2024 - \$377,398, December 31, 2023 - \$583,404).

As of December 31, 2025, the Company had bank indebtedness of \$24 (December 31, 2024 - \$Nil, December 31, 2023 - \$Nil), accounts payable and accrued liabilities of \$1,096,785 (December 31, 2024 (Restated) - \$964,010, December 31, 2023 - \$418,770) lease liability of \$98,423 (December 31, 2024 - \$253,006), December 31, 2023 - \$390,906), loans payable of \$118,951 (December 31, 2024 - \$Nil, December 31, 2023 - \$Nil), convertible debentures of \$Nil (December 31, 2024 - \$5,412,570, December 31, 2023 - \$5,500,189) and total capital stock and deficit of \$(1,085,112) (December 31, 2024 (Restated)- (\$5,085,507), December 31, 2023 – (\$2,624,584)).

Prophecy's philosophy and strategy is to follow a disciplined and systematic approach to investment and be guided by four core principles which will be applied consistently across all industries:

- Capital Preservation;
 - Secure Generation of Income;
 - Risk Management; and
 - Shareholder Value.
- (1) Capital Preservation: This principle is at the core of Prophecy's investment guidelines. Prophecy secures its bridge loans through a variety of instruments, including by taking a first charge on company assets and marketable securities and/or guarantees, which generally provide Prophecy with two to three times asset coverage.
 - (2) Secure Generation of Income: Investments that provide cash flows in the form of dividends, interest payments and/or distributions will be a factor in each of Prophecy's

investment requirements. Prophecy's goal is to have the ability to pay out a dividend to its shareholders on an annual basis.

- (3) Risk Management: Prophecy's management will take on an active role in each of its investments by requiring Prophecy Board representation as well as weekly reporting of an investee company's operations.
- (4) Shareholder Value: The principal driver of Prophecy's corporate initiatives and investment decisions is the objective of creating and enhancing long-term value for its shareholders.

The Company supplements its active investment business by making investments with its unallocated cash in a diversified portfolio of high-yielding marketable securities such as bonds, preferred shares and royalty and income trusts, thus increasing its overall yield. Prophecy seeks to maximize income and preserve capital with these investments. Investment of Prophecy's funds are chosen on a fundamental basis with emphasis on the track record of management and quality of assets as well as competitive and sustainable business advantages.

Prophecy works with management of operating companies in order to create and enhance value for businesses in which Prophecy assumes a position. These activities include equity financings, developing mergers and acquisitions, providing operational management support and structuring and negotiating debt and equity placements. Prophecy may also acquire positions in private companies at valuations that incorporate conservative earnings multiples and stable cash flows.

Investment Portfolio

As at December 31, 2025, Prophecy owned common shares of publicly listed and private companies with a value of \$28,706 (December 31, 2024 (Restated) - \$62,642, December 31, 2023 - \$1,085,673).

During the year ended December 31, 2025, the Company had a change in the value of portfolio investments of \$4,506 (December 31, 2024 - (\$45,939), December 31, 2023 - \$516,941).

Digital Currencies

The continuity of digital currencies for the year ended December 31, 2025:

	December 31 2025	December 31 2024	December 31 2023
Opening balance	\$ 1,028,971	\$ 1,521,064	\$ 3,407,494
Purchased		136,830	-
Proceeds on disposition of digital currencies	(451,385)	(527,569)	(2,017,296)
Realized gain (loss) on dispositions	(1,441,263)	(811,109)	(2,743,587)
Derecognition of prior period unrealized losses	1,441,263	811,109	2,743,587
Unrealized gain (loss) on digital currencies	(617,544)	(228,491)	130,866
Fee income earned	51,000	127,137	-

Revaluation adjustment		-	-
Fair value write down of digital currencies	(11,042)	-	-
Total	\$	- \$ 1,028,971	\$ 1,521,064

The Company derives its income from investment income and digital asset activities. Income sources during the fiscal year primarily included (i) digital currencies received from liquidity provisioning on decentralized exchanges (DEX), and (ii) airdrop distributions received through digital asset network participation.

Revenue from liquidity provisioning activities is recognized when payment, in the form of digital currency, is received for liquidity provisioning services rendered. Liquidity provisioning involves deploying digital assets into decentralized exchange liquidity pools in exchange for rewards in the form of digital tokens. Revenue is measured based on the fair value determined in accordance with the Company's digital asset pricing methodology, primarily using aggregated pricing from www.coinmarketcap.com and www.coingecko.com, with decentralized exchange (DEX) pricing sources used as an alternative where necessary.

Revenue from airdrops is recognized when the Company claims the distributed tokens and obtains control over the digital assets. Revenue is measured based on the fair value determined at the time of claim, using the Company's digital asset pricing methodology.

Realized gains (losses) on disposal of digital currencies are recognized in the statements of operations and comprehensive loss at the point in time when the disposal transaction is confirmed on the blockchain. Realized gains or losses are calculated as the difference between the proceeds received and the weighted average cost determined on a coin by coin basis.

Operating Results as at December 31, 2025

Revenues

For the period ended December 31, 2025, Prophecy had derecognition of prior period losses of \$1,441,263 (December 31, 2024 - \$811,109, December 31, 2023 - \$2,743,587), airdrop income of \$51,000 (December 31, 2024 - \$127,137, December 31, 2023 - \$Nil), a realized loss on digital currencies of (\$1,441,263) (December 31, 2024 - (\$811,109), December 31, 2023 - (\$2,743,587)), interest income of \$24 (December 31, 2024 - \$30,605, December 31, 2023 - \$16,063), change in value of portfolio investment of \$4,506 (December 31, 2024 - (\$45,939), December 31, 2023 - \$516,941), a foreign exchange loss of (\$8,844) (December 31, 2024 - \$7,667, December 31, 2023 - (\$50,900)) and realized gain on sale of portfolio investments of \$4,546 (December 31, 2024 - (\$472,412), December 31, 2023 - \$50,775), a fair value of write-down of digital currencies of (\$11,042) (December 31, 2024 - \$Nil, December 31, 2023 - \$Nil), for an operating loss of (\$1,712,953) (December 31, 2024 (Restated) - (\$2,745,900), December 31, 2023 - (\$1,963,745)).

Further, Prophecy had an unrealized loss on digital currencies of \$617,544 (December 31, 2024 - (\$228,491), December 31, 2023 - \$130,866), gain on share issuance of \$129,000 (December 31, 2024 - \$60,000, December 31, 2023 - \$88,000), and gain on modification of debt of \$16,043 (December 31, 2024 - \$218,344, December 31, 2023 - \$Nil).

Expenses

Prophecy incurred \$370,474 (December 31, 2024 (Restated) - \$364,826, December 31, 2023 (Restated) - \$372,764) for audit and legal costs, \$Nil (December 31, 2024 - \$1,529, December 31, 2023 - \$6,173) in promotional fees, \$60,665 (December 31, 2024 - \$47,595, December 31, 2023 - \$71,591) in filing fees, \$39,000 in consulting fees (December 31, 2024 - \$82,000, December 31, 2023 - \$138,495), \$325,646 (December 31, 2024 (Restated) - \$381,877, December 31, 2023 - \$477,146) in salaries, \$Nil (December 31, 2024 - \$247,500, December 31, 2023 - \$79,800) in share based compensation, \$65,968 in insurance (December 31, 2024 - \$73,923, December 31, 2023 - \$85,190), \$Nil in director fees (December 31, 2024 \$Nil, December 31, 2023 - \$Nil), \$24,174 in office expenses (December 31, 2024 - \$34,849, December 31, 2023 - \$35,348), \$204,484 (December 31, 2024 - \$206,006, December 31, 2023 - \$208,549) in amortization, \$Nil (December 31, 2024 \$Nil, December 31, 2023 - \$Nil) for memberships, \$18,285 (December 31, 2024 - \$33,650, December 31, 2023 - \$46,313) in interest on lease liability, \$10,368 (December 31, 2024 - \$3,987, December 31, 2023 - \$7,935) in news releases and investor relations, \$4,714 (December 31, 2024 - \$238,482, December 31, 2023 - \$250,502) in amortization of financing costs, \$513,207 (December 31, 2024 - \$600,365, December 31, 2023 - \$585,400) in interest on convertible debentures, and \$116,158 (December 31, 2024 - \$113,869, December 31, 2023 - \$96,667) in accretion on convertible debentures, \$Nil (December 31, 2024 - \$Nil, December 31, 2023 - \$Nil) in impairment on bridge loans, \$Nil in bad debt expense (December 31, 2024 - \$Nil, December 31, 2023 - \$125,994), for total expenses of \$1,753,143 (December 31, 2024 (Restated) - \$2,430,458, December 31, 2023 (Restated) - \$2,587,867).

Net comprehensive loss for the period attributable to the shareholders of Prophecy was (\$2,185,454) (December 31, 2024 (Restated) - (\$2,696,047), December 31, 2023 (\$1,747,883)) or (\$0.41) per share (December 31, 2024 - (\$1.01), December 31, 2023 (\$0.66)).

Summary of Quarterly Results

For the quarters ended	Dec 31 2025	Sep 30 2025	Jun 30 2025	Mar 31 2025
Total revenue	\$ 40,190	\$ (53,917)	\$ (248,544)	\$ (169,298)
Net income (loss) for the period	(2,185,454)	(1,118,283)	(592,221)	(474,491)
Net income (loss) per share ⁽¹⁾	\$ (0.41)	\$ (0.40)	\$ (0.21)	\$ (0.17)

For the quarters ended	Dec 31 2024 (Restated)	Sep 30 2024	Jun 30 2024	Mar 31 2024
Total revenue	\$ (352,942)	\$ (828,190)	\$ (660,887)	\$ (163,266)
Net income (loss) for the period	(2,711,080)	(2,175,865)	(1,507,708)	117,007

Net income (loss) per share ⁽¹⁾	\$	(1.01)	\$	(0.82)	\$	(0.57)	\$	0.04
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	Dec 31		Sep 30		Jun 30		Mar 31
	2023		2023		2023		2023
For the quarters ended	(Restated)						
Total revenue	624,122	\$	(1,280,131)	\$	(840,266)	\$	(872,523)
Net income (loss) for the period	(1,747,883)		(1,556,753)		(710,531)		(163,206)
Net income (loss) per share ⁽¹⁾	\$	(0.66)	\$	(0.56)	\$	(0.26)	(0.06)

(1) Net income (loss) per share has been calculated using the weighted average number of common shares during each period.

Liquidity

As at December 31, 2025, Prophecy had \$Nil (December 31, 2024 - \$11,502, December 31, 2023 - \$437,349) in cash. The Company had working capital of (1,258,025) (December 31, 2024 (Restated) - (\$5,381,297, December 31, 2023 - (\$2,995,345)).

Liquidity risk is the risk that the Company will not have sufficient cash to meet its obligations as they become due. The Company does not currently generate material revenue from operations and is reliant on external financing and investment gains to fund working capital and ongoing obligations. The Company's cash flow projections indicates that it will not have sufficient cash resources to meet its obligations as they fall due without new financing or asset sales. While management remains confident in the Company's ability to execute on these initiatives, there is no certainty that any of the proposed actions will be completed successfully or within the required time frame.

Accounts payable and accrued liabilities, current portion of lease liability, and convertible debt, will be paid in fiscal year 2026, as they become due. The non-current portion of the lease liability will be paid in fiscal year 2026, it becomes due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Capital Resources

Management is not aware of any significant commitments or expected fluctuations with respect to its capital resources at the date of its financial statements.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Subsequent Events

On January 16, 2026 the Company closed its non-brokered private placement through the issuance of 7,000,000 units at a price of \$0.05 per unit, for gross proceeds of \$350,000. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one additional common share at a price of \$0.10 for a period of five years from the date of issuance.

On February 12, 2026 the Company closed its non-brokered private placement through the issuance of 5,000,000 units at a price of \$0.12 per unit, for gross proceeds of \$600,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one additional common share at a price of \$0.20 for a period of five years from the date of issuance.

Transactions with Related Parties

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the years ended December 31, 2025 and 2024 as follows:

	December 31, 2025	December 31, 2024
Consulting fees and salaries	\$ 266,189	\$ 210,000
Professional fees	203,400	203,400
Share based compensation	-	157,500
	<u>\$ 469,589</u>	<u>\$ 570,900</u>

During the year, the Company paid \$203,400 (December 31, 2024 - \$203,400, December 31, 2023 - \$203,421) of professional fees to a company controlled by the CFO of PDFI.

As at December 31, 2025, included in accounts payable accrued liabilities is \$198,269 (December 31, 2024 - \$65,323) of salary expenses due to directors and officers of the Company.

As at December 31, 2025, included in accounts payable and accrued liabilities is \$76,844 (December 31, 2024 - \$91,844) due to former advisory board members of the company. Also included in loans payable is a demand promissory note owing to a director and CEO of the Company with principal of \$15,000. The promissory note is unsecured, bears interest at 10% per annum calculated monthly, and is due on demand.

As at December 31, 2023 the Company had entered into an office cost sharing agreement with a corporation controlled by an Officer and Director of the Company. The terms of the agreement are monthly payments of \$7,000 with no formal end date. The total amount of rental income accrued from this arrangement for the year ended December 31, 2023 is \$91,243. There is uncertainty with the ability to collect the receivable therefore a provision has been recorded with respect to the amount included in accounts receivable of \$125,994. Officers of the Company have

received the benefit of the provision recorded. The agreement was terminated effective January 1, 2024.

Commitments and Contingencies

Management Contingency

The Company is party to certain management contracts. These contracts require that additional payments of up to approximately \$780,000 be made upon the occurrence of certain events such as a change of control or termination. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

Legal Contingency

The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations.

Proposed Transactions

There were no proposed transactions as at the date of the Company's financial statements.

Critical Accounting Estimates

The preparation of these financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Financial statement items subject to significant management judgment include:

Credit losses – Management exercises judgement to determine the expected credit losses on loans.

Valuation of portfolio investments – Where investments are not traded in an active market, management exercises judgement to determine the fair value of these assets. These assumptions include observation of recent private sales on the underlying securities (if available) and estimating the inputs to the Black-Scholes option pricing model.

The Black-Scholes option pricing model is used to determine the fair value of the share-based payments and utilizes subjective assumptions such as expected price volatility and expected life of the option. Discrepancies in these input assumptions can significantly affect the fair value estimate.

Business combinations – assumptions and estimates are made in determining the fair value of assets and liabilities, including the identification and valuation of separately identifiable intangible assets acquired as part of an acquisition and the allocation of the purchase price. These estimates

may be further based on management's best assessment of the related inputs used in valuation models, such as future cash flows and cost of capital.

Office premise and other – Management determines the carrying value of its office premise based on policies that incorporate assumptions, estimates and judgements relative to the useful lives and residual values of assets.

Impairment of non-financial assets – Impairment exists where the carrying value of an asset, including or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value. The fair value less costs of disposal calculated is based on available data from binding sales transactions in an arm's length transaction of similar assets or other observable market prices less incremental costs of disposal. The value in use calculation is based on discounted cash flow models. The estimated future cash flows are derived from management assumptions, estimates, budgets and past performance and do not include activities that the Company is not yet committed to or significant investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the cost of capital used for the discounted cash flow model as well as the expected future cash flows.

Revenue recognition – The Company derives its income from investment income and digital asset activities. Income sources during the fiscal year primarily included (i) digital currencies received from liquidity provisioning on decentralized exchanges (DEX), and (ii) airdrop distributions received through digital asset network participation. Management has exercised significant judgment in determining the appropriate timing of revenue recognition. For liquidity provisioning, revenue is recognized when the Company's digital assets are withdrawn from the DEX liquidity pool and rewards are received. For airdrops, revenue is recognized when the tokens are claimed and the Company obtains control over the digital assets.

Going concern – The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgements and assumptions, taking into account all known future information. These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations. Due to a material and systemic decline in the price of digital currencies, the Company is evaluating different revenue generating alternatives and cost reductions to support current operations and remain a going concern.

Digital currencies valuation – Digital currencies consist of cryptocurrency denominated assets and are included in current assets. The digital currency market is still a new market and is highly volatile, historical prices are not necessarily indicative of future value and a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position.

Income taxes – Income taxes are subject to measurement uncertainly due to possible changes in tax legislation or changes in the characterization of income sources. Further, estimating income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income. The Company's

assessment to recognize a deferred tax asset is based upon estimating tax laws and estimates of future taxable income.

While management believes that the estimates and assumptions are reasonable, actual results may differ materially from those estimates.

Going Concern

The financial statements for the year ended December 31, 2025 have been prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

As at December 31, 2025, the Company had a working capital deficiency of (\$1,258,025). In addition, the Company had investments totaling approximately \$28,706 to meet near-term obligations.

The Company has historically funded operations and met its obligations through a combination of equity financing, debt placements, and the sale of digital assets.

These circumstances indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The ability of the Company to continue operations is dependent on management's success in securing additional financing or converting existing obligations into equity, and ultimately on achieving profitable operations.

Should the Company be unable to obtain sufficient financing or generate positive cash flows, it may be unable to realize its assets and discharge its liabilities in the normal course of business, and adjustments would be required to the carrying amounts of assets and liabilities, the reported revenues and expenses, and the classification of balance sheet items.

Management believes that based on the current plans and available options, it is appropriate to prepare these financial statements on a going concern basis.

Significant New Accounting Standards

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2025 and, accordingly, have not been applied in preparing these consolidated financial statements.

A. Issuance of IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standard replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It

also includes new requirements for the location, aggregation and disaggregation of financial information.

IFRS 18 is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will apply retrospectively with specific transitional provisions. The Company is currently working to identify all impacts that the amendments will have on the primary financial statements and notes to the consolidated financial statements.

B. Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7. The amendments clarify requirements relating to the derecognition of financial liabilities settled through an electronic payment system, the assessment of contractual cash flow characteristics of financial assets, and certain disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. The Company is currently assessing the impact that these amendments may have on its consolidated financial statements.

In December 2024, the IASB also issued Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7). These amendments provide application guidance and disclosure requirements for certain contracts referencing nature-dependent electricity and are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. The Company is currently assessing the impact of these amendments; however, based on the nature of the Company's current operations, they are not expected to have a material impact on the consolidated financial statements.

Management adopted all new and amended standards effective for annual periods beginning on or after January 1, 2025. The adoption of the IAS 21 amendments relating to Lack of Exchangeability did not have a material impact on the Company's consolidated financial statements.

Risks and Uncertainties

Capital Management

The Company considers the items included in shareholders' equity as capital. The Company's capital management objectives are to maintain a strong and efficient capital structure to provide liquidity to support continued asset growth. A strong capital position also provides flexibility in considering accretive growth opportunities. It is the intention of the Company in the long term to pay out a portion of its future annual earnings to shareholders in the form of dividends. There has been no change in the capital management approach from the prior period.

Risk Management

The success of Prophecy is dependent upon its ability to assess and manage all forms of risk that affect its operations. Like other financial institutions, Prophecy is exposed to many factors that

could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Board of Directors. The Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Company's most prominent risks follows.

Credit Risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. The Company is exposed to credit risk on its cash. The Company's maximum exposure to credit risk is \$Nil (December 31, 2024 - \$11,502, December 31, 2023 - \$437,349).

Market Risk

The Company is exposed to certain market risk that the value of, or future cash flows from, the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is required to mark to market its fair value through profit or loss investments at the end of each reporting period. This process could result in significant write-downs of the Company's portfolio investment over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavorable effect on the Company's financial position.

Interest Rate Risk

The Company is not exposed to significant interest rate risk on its convertible debentures as the liability incurs interest at a fixed rate.

Digital Currencies Risk

Digital currencies are measured using level two fair values, determined by taking the rates from a cryptocurrency data aggregator.

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of coins; in addition, the Company may not be able to liquidate its inventory of digital currency at its desired price if required. A decline in the market prices for coins could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its coin sales.

Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performances of digital currencies are not indicative of their future price performance.

With a 10% change to the price of digital currencies held, the Company's digital assets at December 31, 2025 would increase or decrease by \$Nil

Air Drop Risk

Air drops occur when the promoters of a new cryptocurrency send amounts of the new cryptocurrency to holders of another cryptocurrency that they will be able to claim a certain amount of the new cryptocurrency for free. The Company may not be able to realize the economic benefit of an air drop, either immediately or ever, for various reasons. For instance, the Company may not have any systems in place to monitor or participate in airdrops.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its obligations as they become due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. The Company manages Company-wide cash projections centrally and regularly updates projections for changes in business and fluctuations caused in digital currency prices and exchange rates. In recent years, the digital currency markets experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

As at December 31, 2025, Prophecy had \$Nil (December 31, 2024 - \$11,502, December 31, 2023 - \$437,349) in cash. The Company had working capital of \$(1,258,025) (December 31, 2024 (Restated) - (\$5,381,297), December 31, 2023 - (\$2,995,345)).

Accounts payable and accrued liabilities, current portion of lease liability, and convertible debt, will be paid in fiscal year 2025, as they become due. The non-current portion of the lease liability will be paid in fiscal year 2026, it becomes due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not hedge against this foreign currency risk. The Company is exposed to foreign currency risk in relation to a portion of its cash, which is denominated in USD. Based on the cash balance denominated in USD at December 31, 2025, a 5% increase or decrease in the exchange rate would result in a gain or loss of \$Nil. The Company is not currently exposed to any other significant foreign exchange risk.

Other Risks

Dependence on Key Personnel

Prophecy is dependent upon the personal efforts, performance and commitment of its senior

officers and directors, who are responsible for the development of Prophecy's business. Investors will be relying upon the business judgment, expertise and integrity of Prophecy's senior officers and directors. To the extent that the services of any of the senior officers or directors would be unavailable for any reason, a disruption to the operations of Prophecy could result, and other persons would be required to manage and operate Prophecy. Prophecy's future success will also depend in large part upon its ability to attract and retain highly skilled personnel. There can be no assurance that Prophecy will be successful in attracting and retaining such personnel.

Possible Volatility of Stock Price

The market price of the common shares could be subject to wide fluctuations in response to factors such as actual or anticipated variations in Prophecy's results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the common shares.

Competition

Prophecy operates in an increasingly competitive environment. Both large and small competitors compete with Prophecy. Some of these competitors may have longer operating histories, greater name recognition and greater financial and marketing resources than Prophecy. Prophecy believes that its ability to compete effectively is dependent upon the quality of its product and client service. There can be no assurance that Prophecy will be able to compete effectively and retain its existing clients or attract and retain new clients. Prophecy's current and potential competitors may develop and market new products or services that render Prophecy's existing and future products and services less marketable or competitive.

Maintenance of Client Relationships

The ability of Prophecy to attract and maintain clients requires that it provide a competitive offering of products and services that meet the needs and expectations of its clients. Prophecy's ability to satisfy the needs or demands of its clients may be adversely affected by factors such as the inability or failure to identify changing client needs or expectations or the inability to adapt in a timely and cost-effective manner to innovative products and services offered by competitors.

Strategic Relationships

Prophecy anticipates that, from time to time, it will enter into strategic relationships to syndicate certain bridge loans where appropriate, as part of its strategy to diversify and manage risks associated with its bridge loan portfolio. Syndication will afford Prophecy the opportunity to participate in much larger transactions. There can be no assurance that Prophecy will be able to enter into such relationships in the future, and its inability to do so may adversely affect its ability to continue to service its existing and prospective clients.

Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized on the statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- (1) those to be measured subsequently at fair value through profit or loss (“FVTPL”);
- (2) those to be measured subsequently at fair value through other comprehensive income (“FVTOCI”); and
- (3) those to be measured subsequently at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are recorded in the statements of operations and comprehensive loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company’s classification and measurements of financial assets and liabilities are summarized below:

	IFRS 9
	Classification
Cash and cash equivalents	Amortized cost
Portfolio investments	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Term loan payable	Amortized cost
Bank indebtedness	Amortized cost
Lease liability	Amortized cost

Share Data

All share numbers, stock options, warrants and per share amounts presented in these financial statements have been retrospectively restated to reflect the 50:1 share consolidation on December 22, 2025.

The Company's issued and outstanding share capital is as follows:

Outstanding Shares

	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Common Shares	14,984,456	2,784,850	2,784,850	2,784,850
Subordinate Shares	-	-	-	-
Multiple Shares	-	-	-	-
Total Shares Outstanding	<u>14,984,456</u>	<u>2,784,850</u>	<u>2,784,850</u>	<u>2,784,850</u>

Outstanding Warrants

	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Number of warrants	Nil	Nil	Nil	Nil
Price	\$Nil	\$Nil	\$Nil	\$Nil
Expiry date	None	None	None	None

Outstanding Options

	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Number of options	185,000	185,000	185,000	185,000
Price	\$2.50	\$2.50	\$2.50	\$2.50
Expiry date	December 28, 2028 to December 12, 2029	December 28, 2028 to December 12, 2029	December 28, 2028 to December 12, 2029	December 28, 2028 to December 12, 2029

Forward-Looking Information

These materials include certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Other than statement of historical fact, all statements in this material, including, without limitation, statements regarding disclosure of contingent liabilities at the date of the consolidated financial statements and financial statement items subject to significant management judgment include revenue recognition; loan impairment and losses; the valuation of accounts receivable, the valuation of bridge loans and development and rental properties, future income tax assets, estimated asset retirement obligations, and future plans and objectives of the Company, are forward-looking statements that involve various known and unknown risks, uncertainties and other factors. There can be no assurance that such statements will prove accurate. Actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of these materials. Important factors that could cause actual results to differ materially from the Company's expectations include, without limitation, the level of bridge loans completed, the nature and credit quality of the collateral security, estimated asset retirement obligations, as well as those factors discussed in the Company's documents filed from time to time with the Canadian Securities Exchange, Canadian securities regulators and other

regulatory authorities. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice.