PROPHECY DEFI INC.
(Formerly Bucephalus Capital Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

DATE OF MD&A

This MD&A was prepared on November 23, 2021.

Basis of Presentation

The following discussion and analysis of Prophecy DeFi Inc.'s (the "Company's" or "Prophecy's") financial condition as at September 30, 2021 should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at September 30, 2021. 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's primary objective is to invest its funds for purposes of generating returns from capital appreciation and income. It plans to accomplish these goals by bringing together technology start-ups in the Blockchain and Decentralized Finance sectors to fund innovation, elevate industry research, and create new business opportunities in a coherent ecosystem. The Company is pursuing investments in companies that are addressing these opportunities in innovative and technologically advanced ways. Our team will strive to accelerate the growth of these companies by providing capital, establishing advisory relationships, and providing strategic advice to leadership.

Effective December 31, 2015, Bucephalus Capital Corp. ("Bucephalus Capital") completed a reverse takeover transaction with Bucephalus Financial Corp. ("Bucephalus Financial"). The composition of the Board of Directors became Chris Carmichael, Jason Ewart, Michael Allen and Alec Regis and Chris Carmichael was appointed as Chief Executive Officer.

In March 2016, Bucephalus Capital listed its 20,215,887 Subordinate Voting Shares ("SV") on the Canadian Securities Exchange (the "CSE") under the symbol BCA. The Bucephalus Capital Multiple Voting Shares were not listed on an exchange but they were convertible into Bucephalus Capital SV Shares on a one for one basis.

On February 23, 2018, Lucas Ewart was appointed the Chief Executive Officer and as a Director of the Company. Lucas Ewart has extensive experience in finance, senior management and corporate development of public and private companies. He has served as Chairman, CEO as well as Chief Restructuring Officer of numerous companies on an international scale having worked in Canada, USA, Australia, Mexico, and South East Asia (Hong Kong, Singapore, Philippines and China). In addition, he served as a Principal to GC-Global Capital Corp. for 10 years which specialized in securitized bridge loans.

On April 22, 2019, the Company announced that it had changed its name to Bucephalus Capital Corp. after receiving shareholder approval at its Annual and Special Meeting held on June 12, 2018.

On March 2, 2021, the Company appointed John A. McMahon to serve as Chairman and Chief Executive Officer and the addition of Tim Diamond to the Board. The Company also sold its ownership in Marathon Mortgage Corp. ("MMC") for $670,000. In 2019, the Company adjusted the fair value of its MMC shares to $Nil.

On March 19, 2021, the Company closed a $1,250,000 private placement financing at a price of $0.05 per unit with each unit consisting of one subordinate voting share ("SVS") and one warrant. Each warrant converts into one SVS at a price of $0.25 with an expiry date of thirty six months. Further, the Company announced that it has appointed Roland Nimmo to its executive management team as Chief Financial Officer, replacing Chris Carmichael.

On April 23, 2021, the Company closed a $1,500,000 private placement financing at a price of $0.15 per unit with each unit consisting of one subordinate voting share ("SVS") and one warrant. Each warrant converts into one SVS at a price of $0.25 with an expiry date of thirty six months.

April 28, 2021, the Company announced that it has entered into a service agreement with Ninepoint Partners ("Ninepoint") through its Ninepoint Digital Asset Group division. Through this partnership, Ninepoint will provide Prophecy ongoing marketing and strategic advice, assist with the corporate development of planned investment opportunities and provide introductions to certain parties that may further the business of the corporation. Ninepoint is among the largest independent asset management firms in Canada, with over $8 billion in assets under management and institutional contracts. Ninepoint manages unique alternative investment solutions that offer investors the benefits of better diversification. It manages investment strategies that are uncorrelated from traditional asset classes, such as equities and bonds, with the goal of lowering overall portfolio risk. In consideration for services, Ninepoint will be paid a $25,000 per month advisory fee and be issued 5,000,000 performance warrants exercisable at a price of $0.35 to purchase common shares of the Company for a period expiring on the earlier of 3 years or a date that is 90 days after Ninepoint ceases to provide services to the Company. The warrants have a value of $1,731,500 which have been recorded as a service agreement expense.

On April 28, 2021, the Company announced that it has entered into a non-binding letter of intent to acquire a 100% interest in Layer2 Blockchain Inc., a company which manages capital, technology and infrastructure in the decentralized finance (DeFi) cryptocurrency sector, with a focus on scalable layer two DeFi protocols. Layer2 is led by Andrew Young, Jake Hannah and

Julian Wilson, a seasoned team of blockchain and DeFi entrepreneurs with a proven track record as investors, technologists, and business builders in this emerging industry, having successfully launched a top DeFi protocol. (the "Proposed Transaction"). The Proposed Transaction is subject to the parties completing its respective due diligence and negotiating and entering into a definitive agreement and other ancillary documents necessary to complete the Proposed Transaction.

On June 1, 2021, the Company closed a $3,000,000 private placement financing at a price of $0.30 per unit with each unit consisting of one common share and one warrant. Each warrant converts into one common share at a price of $0.50 with an expiry date of thirty six months.

On June 8, 2021, the Company announced that it has entered into a definitive agreement with Layer2 Blockchain Inc. to initially acquire 60% of the issued and outstanding common shares of Layer 2 in exchange for 25,000,000 common shares in the capital of the Company at a price per common share of $0.48, such common shares to be distributed pro rata to the shareholders of Layer2. Additionally, pursuant to the terms of the definitive agreement the Company has agreed to issue and additional 25,000,000 common shares for the remaining 40% of Layer 2 on the earlier of: (i) six months from the closing date of the initial acquisition or (ii) the date when Layer2 creates a minimum of 15 token positions in liquidity pools.

On June 23, 2021, the Company announced that it had filed articles of amendment to changed its name to Prophecy DeFi Inc. from Bucephalus Capital Corp. and to provide for the conversion of all of the subordinate voting shares and multiple voting shares into common shares after receiving shareholder approval at its Annual and Special Meeting held on June 8, 2021. The new name is designed to emphasize the Company's focus in the new and transformative financial sector. The common shares commenced trading under the new name on June 28, 2021 and under the new symbol "PDFI". The Company also announced that it has entered into a 6-month marketing and consulting contract with Toronto-based marketing firm, North Equities Corp. North Equities Corp. specializes in various social media platforms and will be able to facilitate greater awareness and widespread dissemination of the Company's news. The contract has a fee payable of $150,000, which will be satisfied through the issuance of 250,000 common shares at a deemed price of $0.60 per share. Further, the Company's announced that it has appointed Charlie Morris to its Board of Directors.

On June 29, 2021, the Company announced that is has become a member of the Blockchain Research Institute. As a member of the BRI, the Company receives access to a research library of 100+ projects and joins a global community of blockchain innovators, experts, builders and thought leaders.

On July 9, 2021, the Company announced that is has completed the previously announced acquisition of 60% of the issued and outstanding common shares of Layer2 Blockchain Inc. As consideration, the Company issued an aggregate of 25,000,000 common shares of the Company to the shareholders of Layer2 on a pro rata basis. Layer2 is a technology company focused on the rapidly emerging "Ethereum Layer Two" decentralized finance ecosystem. DeFi is currently the fastest growing and most innovative subsector in cryptocurrencies.

On July 22, 2021, the Company appointed Mr. Stuart Hensman to the Company's Board of Directors.

On August 4, 2021, the Company appointed Mr. Sandeep Nailwal to the Company's Advisory Committee.

On September 2, 2021, the Company appointed Ms. Galia Benartzi to the Company's Advisory Committee.

On September 13, 2021, the Company announced it has completed the previously announced acquisition of the remaining 40% of the issued and outstanding common shares of Layer2 Blockchain Inc. As consideration, the Company issued a further 25,000,000 common shares of the Company to the shareholders of Layer 2 on a pro rata basis. Layer2 specializes in liquidity provisioning, pooled lending and staking in non-Ethereum DeFi protocols. By providing capital to emerging marketplaces, Layer2 does not just profit from high yields, but also takes an early ownership stake in these growing exchanges. The Company also announced that it has agreed to extend a consulting contract with an investor relations firm, The Bid Capital. The contract has a fee payable of $250,000, which will be satisfied through the issuance of 500,000 common shares at a deemed price of $0.50 per share.

On September 21, 2021, the Company appointed Mr. Peng Zhong to the Company's Advisory Committee.

On October 19, 2021, the Company provided an operational update on its wholly owned subsidiary, Layer2 which has generated yield and capital gains of $2,001,000 or 55% in a 90-day period beginning on July 17, 2021. Layer2 purchased a total of $3,650,000 in digital assets across three purchased on July 17, August 6 and October 4, 2021 and has deployed these digital assets across eleven positions to generate an annualized rate of return of 492.5%.

On November 12, 2021, the Company provided an operational update on its wholly owned subsidiary, Layer2 which has continued to produce significant returns from existing positions, generating yield and capital gains of $2,980,000 from its original $3,650,000 in deployed capital in under 120 days of operations. On November 11, 2021, the Company provided additional capital to Layer2 in order to take advantage of net market opportunities. This increased Layer2's total deployable capital base to $7,130,000. Layer2 identified Impermax as an innovative new DeFi protocol, which has tremendous potential. Layer2 worked directly with Impermax's founders to acquire a position of IMX, the protocol's governance token. Layer2 has deployed $152,832 in the form of single sided and traditional liquidity to Impermax, which now has a market value of $473,549 and has returned an additional $44,595 in yield.

On November 15, 2021, the Company announced that it has entered into an agreement with Canaccord Genuity Corp. on behalf of a syndicate of agents including INFOR Financial Inc. to offer for sale, on a commercially reasonable efforts private placement basis, up to $25,000,000 aggregate principal amount, 10.0% unsecured convertible debentures of the Company at an issued price of $1,000 per debenture. The agents will have the option exercisable in whole or in part at any time up until 48 hours prior to the closing of the offering, to increase the size of the offering by up to an additional $3,750,000 of debentures.

As of September 30, 2021, the Company had cash of $2,586,162 (Dec 31, 2020 - $18,424), digital currencies of $3,982,687 (Dec 31, 2020 - $Nil), prepaid expenses and deposits of $208,817 (Dec 31, 2020 - $750), bridge loans of $122,014 (Dec 31, 2020 - $36,020) with associated accrued interest receivable of $28,881 (Dec 31, 2020 - $24,811), accounts receivable of $Nil (Dec 31, 2020 - $17,653), portfolio investments of $206,403 (Dec 31, 2020 - $258,866), office premise of $874,918 (Dec 31, 2020 - $Nil) and goodwill of $28,034,507 (Dec 31, 2020 - $Nil).

As of September 30, 2021, the Company had accounts payable and accrued liabilities of $273,437 (Dec 31, 2020 - $530,364), a lease liability of $516,140 (Dec 31, 2020 - $Nil) and total shareholders' equity of $34,916,388 (Dec 31, 2020 – ($173,840)).

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 payout 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.

Loan Portfolio

As at September 30, 2021, Prophecy has three (Dec 31, 2020 – two) bridge loans outstanding for a total of $122,014 (Dec 31, 2020 - $86,615) with accumulated interest and fees of $28,881 (Dec 31, 2020 - $31,058). The interest rate for the loans held in 2021 is between prime and 12% (Dec 31, 2020 – 12%).

Investment Portfolio

As at September 30, 2021, Prophecy owned common shares of companies with a value of $206,403 (December 31, 2020 - $258,866).

During the nine months ended September 30 2021, the Company incurred change in the value of portfolio investments of $693,508 (September 30, 2020 – ($11,802)) due to the sale of the Company's ownership of its Marathon Mortgage Corp.

Digital Currencies

As at September 30, 2021, Prophecy's holdings of digital currencies consist of the following:

Invested Capital		
ETH	277.0	$ 1,063,993
MATIC	140,448.6	202,077
SX	2,247,645.5	1,584,803
USDC	39,865.0	50,468
DINO	124,969.0	50,468
BNB	1,478.8	726,266
QI	213,777.8	105,083
IMX	714,278.5	108,836
		$ 3,891,994
Uninvested Capital		
ETH	0.3	$ 1,180
MATIC	19.8	28
SX	30,876.0	22,108
USDC	25,415.5	32,176
WETH	3.7	14,286
DINO	10,292.3	4,157
QUICK	1.8	825
BNB	32.4	15,933
		$ 90,693
Total digital currencies		**$3,982,687**

The continuity of digital currencies for the nine months ended September 30, 2021:

		September 30 2021		December 31 2020
Opening balance	$	-	$	-
Acquired on business combination		1,821,877		-
Purchased		1,100,000		
Fee income earned		478,022		-
Realized gain on dispositions		11,087		-
Revaluation adjustment		571,701		-
Total	$	3,982,687	$	-

The Company derives its income from digital currency received for providing liquidity to decentralized cryptocurrency exchanges. Revenue is recognized by the Company when payment, in the form of digital currency, is received for liquidity services rendered. Revenue is measured based on the fair value of the coins received. The fair value is determined using the daily weighted close price for the digital currency on a cryptocurrency data aggregator.

Realized gains (losses) on disposal of digital currencies are reflected in the statements of operations and comprehensive loss on the transaction date. The Company has the control of the crypto assets prior to the sale and records revenue at the point in time when the sale is confirmed on the respective blockchain.

From the date of acquisition of control of Layer2 on July 9, 2021 to September 30, 2021, the Company generated fee income of $478,022, a realized gain on digital currencies of $11,087 and an unrealized gain on digital currencies of $571,701.

Business Combination

The Company acquired 60% of the shares of Layer2 Blockchain Inc. ("Layer2"), on July 9, 2021, as consideration the Company issued 25,000,000 common shares of the Company to the shareholders of Layer2. The Company subsequently acquired the remaining 40% of the shares of Layer2 on September 13, 2021, as consideration the Company issued a further 25,000,000 common shares of the Company to the shareholders of Layer2 for a total purchase price of $30,000,000. Layer 2 is a technology company focused on the rapidly emerging Ethereum Layer Two decentralized finance ecosystem. The Company incurred acquisition-related costs of $43,149, representing legal and other fees, which were recognized through profit or loss in the period.

Goodwill calculated in this acquisition represents the expected synergies from combining the operations of Layer2 with the Company, revenue growth, future market development and expertise in the sector. These benefits are not recognized separately from goodwill as their fair value cannot be measured reliably individually. Goodwill from this acquisition was established as follows:

Purchase price	**$**	**30,000,000**
Fair value of acquired net assets		**(1,965,493)**
Goodwill	**$**	**28,034,507**

Selected information for the acquisition since the acquisition date:

Revenue	$	**1,060,810**
Operating expenses		**79**
Income before income taxes	$	**1,060,731**

Operating Results as at September 30, 2021

Revenues

For the nine months ended September 30, 2021, Prophecy had fee income of $478,022 (Sep 30, 2020 - $Nil), a realized gain on digital currencies of $11,087 (Sep 30, 2020 - $Nil), interest income on its bridge loans of $12,308 (Sep 30, 2020 - $25,078), change in value of portfolio investment of $693,508 (Sep 30, 2020 – ($36,425)), a foreign exchange gain of $53 (Sep 30, 2020 – ($4,874)) dividend income of $Nil (Sep 30, 2020 - $1,214) and a discount on note for ($71,074) (Sep 30, 2020 - $Nil) for total revenue from operations of $1,123,904 (Sep 30, 2020 – ($15,007)). Further, Prophecy had an unrealized gain on digital currencies of $571,701 (Sep 30, 2020 - $Nil).

Expenses

Prophecy incurred $130,233 (Sep 30, 2020 - $12,000) for audit and legal costs, $723,523 (Sep 30, 2020 - $Nil) in promotional fees, $82,899 (Sep 30, 2020 - $19,259) in filing fees, $471,702 in consulting fees (Sep 30,2020 - $207,000), $1,731,500 (Sep 30, 2020 - $Nil) in a service agreement expense related to the issuance of performance warrants to Ninepoint, $302,920 (Sep 30, 2020 - $Nil) in salaries, $1,612,081 (Sep 30, 2020 - $Nil) in stock based compensation, $18,378 in insurance (Sep 30, 2020 - $Nil), $63,404 in director fees (Sep 30, 2020 - $Nil), $Nil in office expenses (Sep 30, 2020 - $15,776), $101,879 (Sep 30, 2020 - $14,097) in office expenses, $17,980 (Sep 30, 2020 - $Nil) in amortization, $56,500 (Sep 30, 2020 - $Nil) for memberships, $59,109 (Sep 30, 2020 - $Nil) in news releases and investor relates for total expenses of $5,372,108 (Sep 30, 2020 - $268,132). The Company anticipates higher fees, filing fees, legal fees, promotional fees, consulting fees, salaries and office expenditures for the remainder of 2021.

Net income (loss) for the period attributable to the shareholders of Prophecy was ($4,014,927) (Sep 30, 2020 – ($283,140)) or ($0.04) per share (Sep 30, 2020 – ($0.01)).

Summary of Quarterly Results

For the quarters ended	**Sep 30/21**	**June 30/21**	**Mar 31/21**	**Dec 31/20**
Total revenue	$ 495,101	$ 4,303	$ 624,500	$ (60,305)
Net income (loss) for the period	(704,930)	(3,435,421)	125,424	(142,214)
Net income (loss) per share [(1)]	$ (0.01)	$ (0.05)	$ 0.00	$ (0.01)

For the quarters ended	Sep 30/20	Jun 30/20	Mar 31/20	Dec 31/19
Total revenue	$ 1,207	$ 646	$ 4,986	$ (867,747)
Net income (loss) for the period	(77,529)	(82,062)	(73,528)	(972,372)
Net income (loss) per share (1)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.04)

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

Liquidity

As at June 30, 2021, Prophecy had $4,513,575 (December 31, 2020 - $18,424) in cash. The Company had working capital of $6,259,414 (December 31, 2020 – ($173,841)).

Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies. The Company believes that cash flow from continuing operations and existing cash resources will be sufficient to meet the Prophecy's short-term requirements, as well as ongoing operations, and will be able to generate sufficient capital to support the Company's operations in the long-term. However, Prophecy may procure debt or equity financing from time to time to fund its operations.

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 November 15, 2021, the Company announced that it has entered into an agreement with Canaccord Genuity Corp. on behalf of a syndicate of agents including INFOR Financial Inc. to offer for sale, on a commercially reasonable efforts private placement basis, up to $25,000,000 aggregate principal amount, 10.0% unsecured convertible debentures of the Company at an issued price of $1,000 per debenture. The agents will have the option exercisable in whole or in part at any time up until 48 hours prior to the closing of the offering, to increase the size of the offering by up to an additional $3,750,000 of debentures.

Transactions with Related Parties

During 2018, the Company loaned US$303,000 to a company who has a common director with the Company. As at September 30, 2021 the remaining principal amount of the loan is US$129,029 or C$164,396 (December 31, 2020 - C$164,280). US$105,000 or C$133,780 (December 31, 2020 - C$133,686) was syndicated to other lenders and therefore the net amount of the loan to the Company is US$24,029 or C$29,781 (December 31, 2020 - C$30,615). As at September 30, 2021 a net amount of C$13,920 (December 31, 2020 - C$8,768) in interest has been accrued.

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the nine months ended September 30, 2021 and 2020 as follows:

	September 30, 2021	**September 30, 2020**
Consulting fees and salaries	$ 332,770	$ 82,000
Share based compensation	1,153,835	-
	$ 1,486,605	$ 82,000

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 year. 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.

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 recognizes revenue from the provision of liquidity. As consideration for these services, the Company receives digital currency. Management has exercised significant judgment in determining the completion stage for this revenue stream and examined various factors surrounding the substance of the Company's operations, and determined the stage of completion being the receipt of proceeds to the Company's control.

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

Changes in Accounting Policies

IFRS 16, *Leases*

IFRS 16 – Leases introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Risks and Uncertainties

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, accrued interest receivable, accounts receivable, and bridge loans. The Company's maximum exposure to credit risk is $2,737,057 (December 31, 2020 - $96,908).

Market Risk

Prophecy is exposed to certain market risk that the value of, or future cash flows from, Prophecy'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. Prophecy is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, Prophecy 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 Prophecy's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Prophecy's financial position. Prophecy manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Board of Directors monitors changes in the market on an ongoing basis and adjusts Prophecy's lending practices and policies when necessary to reduce the impact of the above risks.

Liquidity Risk

Liquidity risk is the risk that Prophecy will not have sufficient cash to meet its obligations as they become due. This risk arises from fluctuations in cash flows from making loan advances, receiving loan repayments and making investments. The goal of liquidity management is to ensure that adequate cash is available to honour all future investments. As well, effective liquidity management involves determining the timing of such commitments to ensure cash resources are optimally utilized.

As at September, 2021, Prophecy had $2,586,162 (December 31, 2020 - $18,424) in cash. The Company had working capital of $6,259,414 (December 31, 2020 – ($173,841)).

The Company does not have any bank indebtedness. In managements' opinion, Prophecy Capital has sufficient resources to meet its current cash flow requirements.

Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies. Prophecy believes that cash flow from continuing operations and existing cash resources will be sufficient to meet Prophecy's short-term requirements, as well as ongoing operations, and will be able to generate sufficient capital to support Prophecy's operations in the long-term. Further, Prophecy has entered into an agreement to offer for sale unsecured convertible debentures.

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. At times Prophecy intends to take advantage of foreign exchange contracts to manage the risk of currency fluctuations. As of September 30, 2021, the Company did not hold any such contracts.

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.

Share Data

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

Outstanding Shares

	Nov 23, 2021	Sep 30, 2021	Dec 31, 2020
Common Shares	131,947,212	130,014,240	-
Subordinate Shares	-	-	23,809,395
Multiple Shares	-	-	5,704,846
Total Shares Outstanding	131,947,212	130,014,240	29,514,241

Outstanding Warrants

	Nov 23, 2021	Sep 30, 2021	Dec 31, 2020
Number of warrants	48,558,493	50,491,465	-
Price	\$0.25 - \$0.50	\$0.25 - \$0.50	-
Expiry date	March 2024 to June 2024	March 2024 to June 2024	-

Outstanding Options

	Nov 23, 2021	Sep 30, 2021	Dec 31, 2020
Number of options	6,525,000	6,525,000	1,900,000
Price	\$0.22 - \$0.60	\$0.22 - \$0.60	\$0.07
Expiry date	March 19, 2024 to September 8, 2024	March 19, 2024 to September 8, 2024	May 27, 2021

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.