

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**1. Name and Address of Company**

Prophecy DeFi Inc. (the "**Company**")  
87 Scollard Street, Suite 100  
Toronto, Ontario M5R 1G4

**2. Date of Material Change**

December 23, 2021

**3. News Release**

A press release disclosing the material change was released on December 23, 2021, through the facilities of Newsfile Corp.

**4. Summary of Material Change**

The Company announced that it had closed a brokered private placement of an aggregate of 5,680 convertible debenture units of the Company for aggregate gross proceeds of \$5,680,000.

**5. Full Description of Material Change**

On December 23, 2021, the Company closed a brokered private placement of an aggregate of 5,680 convertible debenture units of the Company (the "**Debenture Units**") at an issue price of \$1,000 per Debenture Unit for aggregate gross proceeds of \$5,680,000 (the "**Offering**").

Each Debenture Unit is comprised of \$1,000 principal amount of 10.0% unsecured convertible debentures of the Company (the "**Convertible Debentures**") and 1,667 common share purchase warrants of the Company (the "**Warrants**"). Each Convertible Debenture matures 36 months following the closing of the Offering (the "**Maturity Date**") and bears interest at a rate of 10.0% per annum from the date of issue, payable quarterly in cash. The Convertible Debentures are convertible into common shares of the Company ("**Common Shares**") at the option of the holder at any time prior to the Maturity Date, or on the business day immediately preceding a date fixed for redemption of the Convertible Debentures, at a conversion price equal to \$0.60 per Common Share (the "**Conversion Price**"). Upon conversion, the holder will receive accrued and unpaid interest on the principal amount of the Convertible Debentures that is the subject of the conversion for the period from and including the date of the latest interest payment date to, but excluding, the date of conversion. The Conversion Price is subject to adjustment upon the occurrence of certain customary events. The Company has the right to force conversion of the Convertible Debentures at the Conversion Price if the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange (the "**CSE**") is greater than \$1.20 for 10 consecutive trading days. Upon a change of control of the Company, holders of Convertible Debentures have the right to require the Company to repurchase their Convertible Debentures, in whole or in part, on the date that is 30 days following notice of the change of control at a price equal to 105% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon.

Each Warrant is exercisable into one Common Share at a price of \$0.90 per Common Share for a period of 36 months from the closing of the Offering, subject to the right of the Company to accelerate the expiry date of the Warrants if, at any time following the date that is four months and one day following the closing of the Offering, the daily volume weighted average trading price of the Common Shares on the CSE is greater than \$1.80 for 10 consecutive trading days.

As consideration for the services provided by Canaccord Genuity Corp. (the “**Lead Agent**”) on behalf of a syndicate of agents including INFOR Financial Inc. (collectively, the “**Agents**”), in connection with the Offering, the Agents received a commission of \$284,000 and were issued 473,333 warrants of the Company, each of which is exercisable to acquire one unit of the Company (an “**Agent’s Unit**”) at any time prior to the date that is 36 months following the closing of the Offering at an exercise price equal to the Conversion Price. Each Agents’ Unit will be comprised of one Common Share and one Warrant. The Company also paid the Lead Agent a corporate finance fee of 142 Debenture Units.

The net proceeds of the Offering will be used by the Company for Layer2 Blockchain’s liquidity mining operations and for general working capital purposes. The Debenture Units, including the Convertible Debentures, the Warrants and the Common Shares issuable upon conversion or exercise thereof, will be subject to a four-month hold period from the date of the closing of the Offering.

**6. Reliance on subsection 7.1(2) of National Instrument 51-102**

The report is not being filed on a confidential basis.

**7. Omitted Information**

No significant facts have been omitted from this Material Change Report.

**8. Executive Officer**

For further information, please contact John McMahon, Chief Executive Officer of the Company, at (416) 764-0314.

**9. Date of Report**

This report is dated at Toronto, this 30<sup>th</sup> day of December, 2021.

**Cautionary Statement Regarding Forward-Looking Information**

*Certain information set forth in this material change report may contain forward-looking information that involves substantial known and unknown risks and uncertainties. This forward-looking information is subject to numerous risks and uncertainties, certain of which are beyond the control of the Company, including, but not limited to, the impact of general economic conditions, industry conditions, and dependence upon regulatory approvals. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking information. The parties undertake no obligation to update forward-looking information except as otherwise may be required by applicable securities law.*