



PROPHECY DEFI PROVIDES UPDATE ON RONIN NETWORK

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TORONTO, April 6, 2022 /CNW/ - Prophecy DeFi Inc. ("**Prophecy DeFi**", "**Prophecy**" or the "**Company**") (CSE: PDFI) would like to provide an update regarding the exposure its wholly owned subsidiary, Layer2 Blockchain Inc. ("**Layer2 Blockchain**", "**Layer2**", or the "**Company**"), has to the Ronin network and its recent security breach.

Ronin Network

Ronin was created by the Vietnamese company Sky Mavis, which develops the popular NFT-based video game Axie Infinity. According to CoinGecko, Axie Infinity is the 35th largest cryptocurrency in the world, having a fully diluted market cap of US\$15.8B.

Security Breach

On March 29, 2022, the Ronin announced that it suffered a security breach on its network. It was discovered that on March 23rd, Sky Mavis's Ronin validator nodes and Axie DAO validator nodes were compromised resulting in 173,600 Ethereum and 25.5M USDC drained from the Ronin bridge in two transactions. The attacker used hacked private keys in order to forge fake withdrawals.

As a result of this breach, the Ronin bridge and Katana decentralized exchange (DEX) have been halted and the Network is working with law enforcement officials, forensic cryptographers, and investors to make sure all funds are recovered or reimbursed. All of the AXS, RON, and SLP on Ronin are currently secure.

Ronin is in the process of conducting a thorough investigation; working with Chainalysis to monitor the stolen funds and CrowdStrike to handle forensics and the setup of surveillance tools. While the investigations are ongoing, at this point Ronin is certain that this was an external breach. All evidence points to this attack being socially engineered, rather than a technical flaw.

The root cause of the attack was the small validator set which made it much easier to compromise the network. On March 31, 2022, Ronin replaced all of the former Sky Mavis validators and are pushing their plan to add new validators to Ronin in the coming weeks, which will be a key step in bolstering the security of the network.

On April 6, 2022, Sky Mavis announces that it has raised a US\$150M funding round led by the world's largest crypto exchange Binance. The round will be used to reimburse user funds affected by the Ronin security breach. This new round, combined with Sky Mavis and Axie balance sheet funds, will ensure that all users are reimbursed. The Ronin Network bridge will open once it has undergone a security upgrade and several audits, which can take several weeks. In the meantime, Binance is supporting the Ronin Network by providing ETH withdrawals and deposits for Axie Infinity users, allowing most of them to operate freely.

The 56,000 ETH compromised from the Axie DAO treasury will remain undercollateralized as Sky

Mavis works with law enforcement to recover the funds. If the funds are not fully recovered within two years, the Axie DAO will vote on next steps for the treasury.

Further updates from the Ronin Network can be followed here:

<https://roninblockchain.substack.com/p/community-alert-ronin-validators?s=w>

Layer2 Blockchain's Exposure

Layer2 has been providing liquidity to the decentralized exchange (DEX), Katana, which runs on the Ronin blockchain. Layer2 had approximately \$1M of tokens deployed into a liquidity pool on the Katana DEX prior to the security breach. Currently, Layer2 has access to the tokens it has deployed into a Katana liquidity pool. The Ronin Network bridge will open once it has undergone a security upgrade and several audits, which are in progress.

About Prophecy DeFi

Prophecy DeFi (CSE: PDFI) officially launched on June 23rd, 2021. The company provides retail and institutional investors with access to the decentralized finance space by bridging the gap between DeFi and traditional finance. Prophecy DeFi invests in diverse DeFi and Web 3.0 startups to create new business opportunities in a coherent ecosystem.

www.prophecydefi.com

Forward-Looking Information

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