



ProphecyDeFi

PROPHECY DEFI PROVIDES INVESTMENT UPDATE

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December 6, 2023 (Toronto, Ontario): Prophecy DeFi Inc. (“**Prophecy DeFi**” or the “**Company**”) (CSE: PDFI), is pleased to provide insights into recent developments in the cryptocurrency market and an update on its go-forward strategy.

In November 2021, many cryptocurrencies, including Bitcoin and Ethereum, reached their all-time highs resulting in a global cryptocurrency market capitalization that exceeded US\$3T¹. Subsequently, the asset class has experienced corrections and periods of consolidation. This contraction is largely attributed to the sector responding to a tightening monetary policy environment, resulting in heightened selling pressure and consequential declines in both market capitalization and trading volumes. Additional market challenges emerged with the collapse of centralized exchanges, namely FTX. These events introduced market contagion and additional headwinds, further influencing the overall decline in the cryptocurrency sector. Simultaneously, the decentralized finance (DeFi) sector has also undergone significant transformations, experiencing a substantial reduction in Total Value Locked (TVL) and yields since its peak in 2021.

In a response to these evolving market conditions and periods of volatility, Prophecy DeFi’s wholly owned subsidiary, Layer2 Blockchain, has maintained a risk-off approach with its asset allocation and preserved a large portion of its capital in the form of stablecoins. During this time, Prophecy DeFi has minimized its expenses to preserve cash and undertaken a comprehensive review of its investments and cryptocurrency allocations. This strategic evaluation was carried out to optimally position the Company for resilience in the face of market volatility, while maximizing long-term shareholder value.

Strategic Update

Prophecy DeFi remains a publicly traded investment issuer whose primary objective is to invest its funds for the purpose of generating returns from capital appreciation and income. It plans to accomplish these goals through investments in cryptocurrency and Web3 sectors. The industry has now entered a new cycle, and the Company remains committed to the long-term importance of blockchain technology and cryptocurrencies, broadly.

Prophecy DeFi’s asset allocation is being rebalanced from a historical emphasis on funding Layer2 Blockchain’s liquidity mining activities, to a consolidated investment portfolio that includes publicly traded Bitcoin mining companies, and blue-chip and emerging alternative cryptocurrency assets. Management fundamentally believes in the long-term utility of blockchain technology and cryptocurrency assets, and investment opportunity that this presents.

¹ <https://fortune.com/2021/11/09/cryptocurrency-market-cap-3-trillion-bitcoin-ether-shiba-inu/#>

More specifically, Prophecy DeFi will concentrate its investments on the utilization of smart beta investment strategies to achieve outsized returns in cryptocurrency assets. The Company seeks opportunities in assets with high correlation to the wider industry, such as publicly traded Bitcoin mining stocks, Ethereum (ETH), and Layer 2 scaling solutions. Moreover, Prophecy DeFi incorporates narrative-driven investment decisions, recognizing the emergence of winners in each cycle that align with compelling market themes, such as the scalability and interoperability in the case of Layer 2 solutions. An overview of the Prophecy DeFi's consolidated asset allocations is as follows:

- 1. Publicly Traded Bitcoin Mining Stocks:** Bitcoin mining stocks are a cornerstone of the Company's investment portfolio. Their high beta provides investment exposure to amplified price movements relative to underlying spot cryptocurrency assets, providing potential for increased returns.
- 2. Index of Top 25 Tokens:** Prophecy DeFi has developed an index comprising of the top 25 crypto assets by market capitalization and trade volume. From this index, we carefully analyze and invest in the most promising ones that exhibit Smart Beta characteristics, superior risk-return ratios and possess sufficient liquidity for trade execution.
- 3. Allocation for Emerging Markets:** Prophecy DeFi's consolidated investment portfolio will maintain an allocation for emerging markets, which represent a component of the overall investment strategy that has the potential for asymmetrical returns. This allocation captures potential outsized gains while managing overall risk exposure.

Prophecy DeFi has begun deploying capital into these various areas and will update the market on its financial performance going forward.

Management Update

Prophecy DeFi is pleased to announce that appointment of Leo-Michael Dinolfo as an Advisor. Leo has extensive expertise in altcoin trading, particularly in relation to BTC, and he employs innovative investment strategies. Prior to joining Prophecy DeFi, Leo was the Chief Investment Officer at MetaWeb, a cryptocurrency and NFT investment company, where he orchestrated multiple successful seed funding investments for emerging cryptocurrency tokens, demonstrating his strategic prowess even during the challenging 2022 bear season. As a seasoned cryptocurrency trader of four years, Leo boasts an exceptional track record of navigating both bull and bear markets. His keen analytical skills enable him to spot emerging opportunities ahead of the curve, exemplified by his prescient investments in SAND and UNI tokens in early 2021.

"We are delighted to welcome Leo-Michael to Prophecy DeFi and have him contribute to the success of the Company going forward," said John McMahon, CEO, Prophecy DeFi. "Prophecy DeFi remains steadfastly committed to providing its investors with unique exposure to this exciting asset class and maximizing shareholder value."

About Prophecy DeFi

Prophecy DeFi Inc. (PDFI) is a publicly traded investment company whose primary objective is to invest its funds for the purpose 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.

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