Prophecy Potash Corp.

Condensed Interim Financial Statements
For the period for the nine months ended June 30, 2020
(Expressed in Canadian Dollars)

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Index to Financial Statements
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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

PROPHECY POTASH CORP.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	As at June 30, 2020	As at September 30, 2019
	$	$
ASSETS		
Current		
Cash	384,055	557,735
Other receivable	3,987	-
	388,042	557,735
Non-Current		
Exploration and evaluation asset (Note 3)	184,616	163,369
TOTAL ASSETS	572,658	721,104
LIABILITIES		
Current		
Accounts payable and accrued liabilities	4,192	77,488
SHAREHOLDERS' EQUITY		
Reserves (Note 4)	62,000	62,000
Share capital (Note 4)	1,267,920	1,267,920
Deficit	(761,454)	(686,304)
	568,466	643,616
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	572,658	721,104

Nature of operations (Note 1)

These financial statements are authorized for issuance by the Board of Directors on August 12, 2020.

On behalf of the Board of Directors:

"Shawn Smith"	"Ian McDonald"
Director	Director

The accompanying notes are an integral part of these interim financial statements.

PROPHECY POTASH CORP.
Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the three months ended June 30, 2020	For the three months ended June 30, 2019	**For the nine months ended June 30, 2020**	For the nine months ended June 30, 2019
	$	$	**$**	$
Expenses				
Office and administrative	**9,213**	2,600	**16,262**	3,211
Consulting	**-**	-	**15,929**	-
Professional fees	**5,422**	15,888	**19,322**	34,801
Travel	**5,990**	-	**5,990**	-
Regulatory and filing	**4,485**	2,604	**17,647**	18,819
	(25,110)	(21,092)	**(75,150)**	(56,831)
Loss and comprehensive loss for the period	**(25,110)**	(21,092)	**(75,150)**	(56,831)
Basic and diluted loss per share	**(0.00)**	(0.00)	**(0.00)**	(0.00)
Weighted average number of common shares outstanding	**21,773,399**	20,140,584	**21,773,399**	21,189,999

The accompanying notes are an integral part of these interim financial statements.

PROPHECY POTASH CORP.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the nne months ended June 30, 2020	For the nine months ended June 30, 2019
	$	**$**
Cash flows used in operating activities		
Net loss for the period	(75,150)	(56,831)
Changes in non-cash working capital item:		
Other receivable	(3,987)	-
Accounts payable and accrued liabilities	(73,296)	4,586
	(152,433)	(52,245)
Cash flows to investing activity		
Exploration and evaluation asset	(21,247)	(53,715)
Net decrease in cash	(173,680)	(105,960)
Cash, beginning of the period	557,735	288,882
Cash, end of the period	384,055	182,922

The accompanying notes are an integral part of these interim financial statements.

PROPHECY POTASH CORP.
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital	Deficit	Total Shareholders' Equity
		$	$	$
Balance at September 30, 2018	**21,189,999**	**423,800**	**(134,633)**	**289,167**
Net loss for the period	-	-	(56,831)	(56,831)
Balance at June 30, 2019	**21,189,999**	**423,800**	**(191,464)**	**232,336**

	Number of Shares Issued	Share Capital	Reserves	Deficit	Total Shareholders' Equity
		$	$	$	$
Balance at September 30, 2019	**21,773,399**	**1,267,920**	**62,000**	**(686,304)**	**643,616**
Net loss for the period	-	-	-	(75,150)	(75,150)
Balance at June 30, 2020	**21,773,399**	**1,267,920**	**62,000**	**(761,454)**	**568,466**

The accompanying notes are an integral part of these interim financial statements.

1. NATURE OF OPERATIONS

Prophecy Potash Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on March 29, 2018. The Company is in the business mineral property exploration and was listed on the Canadian Securities Exchange ("CSE") on August 9, 2019 after completing its initial public offering pursuant to a prospectus dated May 10, 2019. The Company's stock symbol is "NUGT".

The Company has an option agreement to earn an interest in a mineral property located near Fort St. James, British Columbia (Note 3) and has not yet determined whether this property contains reserves that are economically recoverable. The recoverability of amounts from the property is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying property, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under the property option agreement and to complete the development of the property and upon future profitable production or proceeds for the sale thereof.

The Company's head office, principal address and registered and records office is located at 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, Canada, V6E 4N7.

The Company's ongoing operations are ultimately dependent upon the success of its business activities and its ability to attain profitable operations and generate funds therefrom and/or to raise equity capital or borrowings sufficient to meet current and future obligations. Management expects to finance operating costs over the next twelve months with public and private financing endeavors.

The Company has no source of operating revenue, has incurred net losses since inception and as at June 30, 2020 has a deficit of $761,454 (2019 - $686,304). Its continued existence will be dependent on the receipt of related party debt or equity financing on terms which are acceptable to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of September 1, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended September 30, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending September 30, 2020 could result in restatement of these unaudited condensed consolidated interim financial statements.

Basis of presentation

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Company adopted IFRS 9 in its financial statements on October 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening deficit balance on October 1, 2018. The impact on the classification and measurement of its financial instruments is set out below:

Financial Instrument	Original classification – IAS 39	New Classification – IFRS 9
Cash	Loans and receivables	FVTPL
Accounts payable and accrued liabilities	Other payables	Amortized cost

Financial assets

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss ("FVTPL").

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Financial assets measured at FVTPL

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Financial assets measured at FVTOCI

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of comprehensive loss.

However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

<u>Financial liabilities</u>

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

The Company's accounts payable and accrued liabilities are classified as financial liabilities measured at amortized cost.

(ii) Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company does not have any liabilities classified as financial liabilities measured at fair value through profit or loss.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of comprehensive loss.

<u>Offsetting financial assets and liabilities</u>

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Common shares are classified as equity and measured at the fair value of consideration received or services rendered. Cash consideration received for common shares issued to non-related parties is considered to be the most accurate reflection of fair value; concurrent issuances to related parties at lower prices would accordingly be considered to reflect a component of non-monetary compensation. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Accounting standards and amendments not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2019 reporting period. Updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company is currently assessing the impact of these new standards, if any, on its condensed interim financial statements.

- IFRS 16 – Leases; and
- IAS 12 – Income Taxes.

3. EXPLORATION AND EVALUTION ASSET

Indata Property, British Columbia, Canada

The Company has entered into an agreement with Eastfield Resources Ltd. ("Eastfield") whereby it obtained the option to acquire an undivided 60% interest in Eastfield's 91.2% - owned Indata copper-gold property ("Indata Property") located 120 kilometres northwest of the community of Fort St. James, British Columbia. The Indata Property comprises 16 mineral claims totaling 3,189 hectares. The residual 8.8% interest in the Indata Property is held by Imperial Metals Corporation. Eastfield and the Company have a director in common. Refer also to Note 5.

To earn the 60% interest, the Company is required to complete $2,000,000 in exploration work, make cash payments of $250,000 ($40,000 paid) and issue common shares at an aggregate value of $150,000 (100,000 shares valued at $10,000 issued) over a five -year term. An aggregate $2,000,000 exploration program is required to be completed over a five-year term and a minimum $75,000 exploration program is required to be completed in the first year (completed).

	Indata Property
	$
Balance at September 30, 2018	**20,000**
Acquisition costs	32,942
Geological	110,427
Balance at September 30, 2019	**163,369**
Geological	21,247
Balance at June 30, 2020	**184,616**

(Expressed in Canadian Dollars)

4. SHARE CAPITAL

Authorized Share Capital

Unlimited number of common shares without par value.

Issued Shares

On August 8, 2019, the Company completed its initial public offering of 5,500,000 common shares at a price of $0.10 per share for gross proceeds of $550,000. A cash commission of 6% of the gross proceeds of the offering was paid as a finder's fee in addition to a corporate finance fee of $35,000 and 440,000 broker warrants with exercise price of $0.10 per share exercisable until August 8, 2021.

Escrowed Shares

It is expected that immediately prior to listing on the CSE, an escrow agreement (the "Escrow Agreement") between the Company and certain shareholders of the Company will be completed resulting in 12,143,999 common shares (the "Escrowed Shares"), representing 57.31% of the issued and outstanding common shares prior to the completion of the Offering, being deposited in escrow. Pursuant to the Escrow Agreement, 10% of the Escrowed Shares will be released from escrow on the Listing Date (the "Initial Release") and an additional 15% will be released on the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. These Escrowed Shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

Stock Option Plan

On August 8, 2019, the Company granted 560,000 stock options to directors and officers. These options have a fair value of $39,000 using the Black Scholes model with the following inputs: i) exercise price: $0.14; ii) share price: $0.10; iii) term: 5 years; iv) volatility: 100%; v) discount rate: 1.23%. These are the only options outstanding as at September 30, 2019 and have a weighted average life remaining of 4.86 years.

Warrants

The continuity of share purchase warrants for the period ended June 30, 2020 is as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, September 30, 2018	15,615,999	0.05
Granted	440,000	0.10
Balance, September 30, 2019	16,055,999	0.10
Expired	15,615,999	0.05
Balance, June 30, 2020	440,000	0.10

The following share purchase warrants were outstanding as at June 30, 2020:

Expiry date	Number of warrants	Exercise price	Remaining contractual life (years)
		$	
August 8, 2021	440,000	0.10	1.11
	440,000		

The weighted average life of warrants outstanding at June 30, 2020 is 0.27 years.

Concurrent with the completed initial public offering on August 8, 2019, the Company granted 440,000 broker warrants exercisable at $0.10 per share until August 8, 2021. These warrants have a fair value of $23,000 using the Black Scholes model with the following inputs: i) exercise price: $0.10; ii) share price: $0.10; iii) term: 2 years; iv) volatility: 100%; v) discount rate: 2.04%.

(Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has identified its directors, officers and companies controlled by them as its key management personnel. Amounts paid to key management personnel and/or entities over which they have control during the following periods ended June 30 are as follows:

	2020 $	2019 $
Exploration and evaluation expenditures	21,247	29,922
Consulting	15,929	-

All related party amounts were incurred in the normal course of operations, bear no interest and have no fixed terms of repayment.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	Level	June 30, 2020	September 30, 2019
		$	$
Cash	1	384,055	557,735
Accounts payable and accrued liabilities	2	4,192	77,488

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited the cash with a high credit quality financial institution as determined by rating agencies. The risk of loss is low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

7. CAPITAL DISCLOSURES AND MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its projects. The Company is not subject to any externally imposed capital requirements.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, enter into joint venture arrangements, borrow, acquire or dispose of assets.