

Prophecy Potash Corp.

Condensed Interim Financial Statements

For the period for the three and six months ended March 31, 2021

(Expressed in Canadian Dollars)

Prophecy Potash Corp.

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For the three and six months ended March 31, 2021

(Expressed in Canadian Dollars)

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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 March 31, 2021	As at September 30, 2020
	\$	\$
ASSETS		
Current		
Cash	163,000	337,432
Prepaid expenses	5,750	-
Other receivable	14,271	5,919
	183,021	343,351
Non-Current		
Exploration and evaluation asset (Note 3)	203,696	181,664
	386,717	525,015
TOTAL ASSETS	386,717	525,015
LIABILITIES		
Current		
Accounts payable and accrued liabilities	35,322	11,720
SHAREHOLDERS' EQUITY		
Reserves (Note 4)	62,000	62,000
Share capital (Note 4)	1,267,920	1,267,920
Deficit	(978,525)	(816,625)
	351,395	513,295
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	386,717	525,015

Nature of operations (Note 1)

Subsequent event (Note 8)

These financial statements are authorized for issuance by the Board of Directors on May 28, 2021.

On behalf of the Board of Directors:

"Shawn Smith"
Director

"Darryl Jones"
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 March 31, 2021	For the three months ended March 31, 2020	For the six months ended March 31, 2021	For the six months ended March 31, 2020
	\$	\$	\$	\$
Expenses				
Office and administrative	16,101	3,303	35,374	7,049
Marketing and investor relations	-	-	25,000	-
Consulting	30,000	15,929	65,000	15,929
Professional fees	2,818	2,500	19,897	13,900
Regulatory and filing	11,084	12,480	14,244	13,162
Travel	-	-	2,385	-
	(60,003)	(34,212)	(161,900)	(50,040)
Loss and comprehensive loss for the period	(60,003)	(34,212)	(161,900)	(50,040)
Basic and diluted loss per share	(0.01)	(0.00)	(0.01)	(0.00)
Weighted average number of common shares outstanding	10,886,700	10,886,700	10,886,700	10,886,700

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 six months ended March 31, 2021	For the six months ended March 31, 2020
	\$	\$
Cash flows used in operating activities		
Net loss for the period	(161,900)	(50,040)
Changes in non-cash working capital item:		
Other receivable	(8,352)	(3,524)
Prepaid expense	(5,750)	-
Accounts payable and accrued liabilities	23,602	(75,112)
	<u>(152,400)</u>	<u>(128,676)</u>
Cash flows to investing activity		
Exploration and evaluation asset	(22,032)	(21,247)
Cash flows from (to) financing activities		
Proceeds from shares issued	-	-
Share issue costs	-	-
	<u>-</u>	<u>-</u>
Net decrease in cash	(174,432)	(149,923)
Cash, beginning of the period	337,432	557,735
Cash, end of the period	<u>163,000</u>	<u>407,812</u>

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	Reserves	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$
Balance at September 30, 2019	10,886,700	1,267,920	62,000	(686,304)	643,616
Net loss for the period	-	-	-	(15,828)	(15,828)
Balance at March 31, 2021	10,886,700	1,267,920	62,000	(702,132)	627,788

	Number of Shares Issued	Share Capital	Reserves	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$
Balance at September 30, 2020	10,886,700	1,267,920	62,000	(816,625)	513,295
Net loss for the period	-	-	-	(161,900)	(161,900)
Balance at March 31, 2021	10,886,700	1,267,920	62,000	(978,525)	351,395

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

PROPHECY POTASH CORP.

Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2021

(Expressed in Canadian Dollars)

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, 2020 after completing its initial public offering pursuant to a prospectus dated May 10, 2020. 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 March 31, 2021 has a deficit of \$978,525 (September 30, 2020 - \$816,625). 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 May 21, 2021, 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, 2020, except as noted below.

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.

PROPHECY POTASH CORP.

Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Approval of the financial statements

The condensed interim financial statements of the Company for the period ended March 31, 2021, were approved and authorized for issuance by the Board of Directors on May 21, 2021.

3. EXPLORATION AND EVALUATION 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, 2019	163,369
Geological	18,295
Balance at September 30, 2020	181,664
Geological	22,032
Balance at March 31, 2020	203,696

4. SHARE CAPITAL

Authorized Share Capital

Unlimited number of common shares without par value.

Issued Shares

On August 8, 2020, 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. On March 19, 2021, the Company completed a 2 to 1 share consolidation. The comparative figures have been changed to reflect this consolidation.

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.

PROPHECY POTASH CORP.

Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2021

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (continued)

Stock Option Plan

On August 8, 2020, the Company granted 280,000 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: \$0.28; ii) share price: \$0.20; iii) term: 5 years; iv) volatility: 100%; v) discount rate: 1.23%. These are the only options outstanding as at March 31, 2021 and have a weighted average life remaining of 4.61 years.

Warrants

The continuity of share purchase warrants for the period ended March 31, 2021 is as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, September 30, 2019	7,808,000	0.10
Granted	220,000	0.20
Balance, September 30, 2020	8,028,000	0.10
Balance, March 31, 2021	8,028,000	0.10

The following share purchase warrants were outstanding as at March 31, 2021:

Expiry date	Number of warrants	Exercise price	Remaining contractual life (years)
		\$	
June 25, 2022	7,808,000	0.10	1.23
August 8, 2021	220,000	0.20	0.35
	8,028,000		

Concurrent with the completed initial public offering on August 8, 2020, the Company granted 220,000 broker warrants exercisable at \$0.20 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%.

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 March 31 are as follows:

	2021	2020
	\$	\$
Exploration and evaluation expenditures	-	21,247
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.

PROPHECY POTASH CORP.

Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	Level	March 31, 2021	September 30, 2020
		\$	\$
Cash	1	163,000	337,432
Accounts payable and accrued liabilities	2	35,322	11,720

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.

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.

PROPHECY POTASH CORP.

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(Expressed in Canadian Dollars)

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.

8. SUBSEQUENT EVENT

On April 30, 2021, the Company closed a non-brokered private placement of 10,000,000 units at a price of \$0.10 per units for gross proceeds of \$1,000,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company at \$0.12 for a period of 24 months.