

PROPHECY DEFI INC.

Consolidated Financial Statements

For the Years Ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

April 30, 2025
Edmonton, Alberta

To the Shareholders of Prophecy DeFi Inc.

Opinion

We have audited the consolidated financial statements of Prophecy DeFi Inc. and its subsidiaries (the Company), which comprise the statements of financial position as at December 31, 2024, December 31, 2023 and January 1, 2023, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficit and cash flows for the years ended December 31, 2024 and December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the company as at December 31, 2024, December 31, 2023, and January 1, 2023 and the consolidated financial performance and consolidated cash flows for the years ended December 31, 2024 and December 31, 2023 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the company incurred a net loss of \$2,711,080 during the year ended December 31, 2024 and, as of that date, the company's current liabilities exceeded its total assets by \$5,396,330. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 18 to the consolidated financial statements, which explains that certain comparative information presented (i) for the year ended December 31, 2023 has been restated and (ii) as at January 1, 2023 has been derived from the statement of financial position as at December 31, 2022 (not presented herein). We originally reported on the December 31, 2023 and 2022 consolidated financial statements on April 29, 2024. Note 18 to the consolidated financial statements explains the reasons for the restatement and details the adjustments that were applied to restate the comparative information. Our opinion is not modified in respect of this matter.

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Independent Auditor's Report to the Shareholders of Prophecy DeFi Inc. *(continued)*

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

In addition to the matter described in the Emphasis of Matter - Material Uncertainty Relating to Going Concern section, we have determined that matters described below to be key audit matters to be communicated in our auditor's report.

Existence, ownership and valuation of digital currencies

We draw attention to Notes 3, 5 and 15 to the consolidated financial statements. The Company holds digital currencies of \$1,028,971.

We considered this a key audit matter due to the magnitude of the digital currency balances and the audit effort involved in testing the existence and ownership of the digital assets.

Our procedures included, but were not limited to, the following:

- We observed the performance of the transfer of 99.96% of the digital currencies from the Company's wallet to a cold wallet to test the rights and ownership of the digital assets.
- We recalculated the value of the digital currencies held at December 31, 2024 using closing market price from coinmarketcap.com.
- We recalculated the realized loss on disposal of digital currencies during the December 31, 2024 fiscal year.

We assessed the adequacy of the Company's disclosures related to the digital currencies.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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Independent Auditor's Report to the Shareholders of Prophecy DeFi Inc. *(continued)*

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Independent Auditor's Report to the Shareholders of Prophecy DeFi Inc. *(continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstance, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jane Davidson, CPA, CA.

Kingston Ross Pasmak LLP
Kingston Ross Pasmak LLP
Chartered Professional Accountants

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These consolidated financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors reviews the results of the annual audit and the consolidated financial statements prior to submitting the consolidated financial statements to the Board for approval.

The Company's auditors, Kingston Ross Pasnak LLP, are appointed by the shareholders to conduct an audit and their report follows.

Signed: "**John McMahon**"
Chief Executive Officer

Toronto, Ontario

Prophecy DeFi Inc.

Consolidated Statement of Financial Position as at December 31, 2024, December 31, 2023 and
January 1, 2023
(In Canadian Dollars)

	December 31, 2024	December 31, 2023 Restated (note 18)	January 1, 2023 Restated (note 18)
Assets			
Current assets			
Cash and cash equivalents	\$ 11,502	\$ 437,349	972,121
Digital currencies (note 5)	1,028,971	1,521,064	3,407,494
Accrued rent receivable	-	-	41,998
Prepaid expenses and deposits (note 6)	46,751	57,791	74,015
Portfolio investments (note 7)	25,142	1,045,310	26,908
	1,112,366	3,061,514	4,522,536
Portfolio investments, long term (note 7, note 18)	16,818	40,363	-
Office premise and other (note 8)	377,398	583,404	788,173
	\$ 1,506,582	\$ 3,685,281	5,310,709
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 15, note 18)	\$ 941,543	\$ 418,770	617,456
Lease liability, current portion (note 9)	154,583	137,900	122,828
Convertible debentures (note 10, note 18)	5,412,570	5,500,189	-
	6,508,696	6,056,859	740,284
Convertible debentures (note 10, note 18)	-	-	5,153,019
Lease liability (note 9)	98,423	253,006	390,907
	6,607,119	6,309,865	6,284,210
Share Capital and Deficit			
Share capital (note 11(b))	28,331,980	28,344,353	28,327,353
Contributed surplus	2,816,255	7,617,713	7,537,913
Deficit (note 18)	(36,248,772)	(38,586,650)	(36,838,767)
Total shareholders' deficit	(5,100,537)	(2,624,584)	(973,501)
	\$ 1,506,582	\$ 3,685,281	5,310,709

On Behalf of the Board:

John McMahon Director

Andy Dayes Director

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

Prophecy DeFi Inc.

Consolidated Statement of Changes in Shareholders' Deficit
For the Years ended December 31, 2024 and 2023
(In Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	\$	\$	\$	\$	\$
Balance January 1, 2023 (note 18)	28,327,353	7,537,913	(36,838,767)	-	(973,501)
Issuance of shares (note 11(b))	17,000	-	-	-	17,000
Issuance of stock options (note 11(c))	-	79,800	-	-	79,800
Net loss for the year (note 18)	-	-	(1,747,883)	-	(1,747,883)
Balance December 31, 2023	28,344,353	7,617,713	(38,586,650)	-	(2,624,584)
Balance January 1, 2024	28,344,353	7,617,713	(38,586,650)	-	(2,624,584)
Issuance of shares (note 11(b))	40,000	-	-	-	40,000
Issuance of stock options (note 11(c))	-	247,500	-	-	247,500
Expired warrants (note 11(d))	-	(5,048,958)	5,048,958	-	-
Convertible debt modification (note 10)	(52,373)	-	-	-	(52,373)
Net loss for the year	-	-	(2,711,080)	-	(2,711,080)
Balance December 31, 2024	28,331,980	2,816,255	(36,248,772)	-	(5,100,537)

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

Prophecy DeFi Inc.

Consolidated Statement of Operations and Comprehensive Loss
For the Years ended December 31, 2024 and 2023
(In Canadian Dollars)

	2024	2023 Restated (note 18)
Revenue		
Derecognition of prior period unrealized losses (note 5)	\$ 811,109	\$ 2,743,587
Airdrop income (note 5)	127,137	-
Interest income	30,605	16,063
Foreign exchange gain (loss)	7,667	(50,900)
Change in value of portfolio investments (note 7)	(45,939)	516,941
Realized gain (loss) on sale of portfolio investments	(472,412)	50,775
Realized loss on digital currencies (note 5)	(811,109)	(2,743,587)
Rental income (note 15(c))	-	91,243
	<u>(352,942)</u>	<u>624,122</u>
Expenses		
Interest on convertible debentures (note 10)	600,365	585,400
Salaries (note 15(a))	372,410	477,146
Audit and legal fees (note 18)	351,826	372,764
Share based compensation (note 11(c) & note 15(a))	247,500	79,800
Amortization of financing costs (note 10)	238,482	250,502
Amortization of office premise and other (note 8)	206,006	208,549
Accretion on convertible debentures (note 10)	113,869	96,667
Consulting fees (note 15(a))	82,000	138,495
Insurance	73,923	85,190
Filing and listing fees	47,595	71,591
Office expenses	34,849	35,348
Interest on lease liability (note 9)	33,650	46,313
News releases and investor relations	3,987	7,935
Promotional	1,529	6,173
Bad debt expense	-	125,994
	<u>2,407,991</u>	<u>2,587,867</u>
Operating loss	(2,760,933)	(1,963,745)
Other income (losses)		
Gain on share issuance (note 11(b))	60,000	88,000
Gain on modification of convertible debt (note 10)	218,344	-
Unrealized gain (loss) on digital currencies (note 5)	(228,491)	130,866
Gain on debt settlement	-	47,496
Investment impairment	-	(50,500)
	<u>(2,711,080)</u>	<u>(1,747,883)</u>
Net loss	(2,711,080)	(1,747,883)
Net comprehensive loss	\$ (2,711,080)	\$ (1,747,883)
Net loss per share (note 12)		
Basic	\$ (0.01)	\$ (0.01)
Diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding		
Basic	134,847,212	132,847,212
Diluted	134,847,212	132,847,212

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

Prophecy DeFi Inc.

Consolidated Statement of Cash Flows
For the Years ended December 31, 2024 and 2023
(In Canadian Dollars)

	2024	2023 Restated (note 18)
Operating activities		
Net loss for the year	\$ (2,711,080)	\$ (1,747,883)
Adjustments for:		
Realized loss on digital currencies (note 5)	811,109	2,743,587
Realized (gain) loss on portfolio investments	472,412	(50,775)
Share based compensation	247,500	79,800
Financing fees	238,482	250,502
Unrealized (gain) loss on digital currencies (note 5)	228,491	130,866
Amortization	206,006	208,549
Accretion of discount on convertible debentures	113,869	96,667
Change in value of portfolio investments	45,939	(516,941)
Interest on lease liability	33,650	46,313
Foreign exchange (gain) loss	(7,667)	50,900
Gain on share issuance	(60,000)	(88,000)
Airdrop income (note 5)	(127,137)	-
Gain on modification of convertible debt (note 10)	(218,344)	-
Derecognition of prior period unrealized losses (note 5)	(811,109)	(2,743,587)
Gain on debt settlement	-	(47,496)
Investment impairment (note 7)	-	50,500
Issuance of shares	-	105,000
Net changes in non-cash working capital balances		
Prepaid expenses	11,040	16,224
Accounts receivable	-	41,998
Accounts payable (note 18)	388,440	(202,090)
	<u>(1,138,399)</u>	<u>(1,837,598)</u>
Investing activities		
Proceeds from sale of portfolio investments	2,996,760	352,217
Proceeds on disposition of digital currencies (note 5)	527,569	2,017,296
Purchases of digital currencies (note 5)	(136,830)	-
Purchase of portfolio investments	(2,471,397)	(843,265)
Purchase of share subscription	-	(50,500)
Purchase of furniture and office equipment	-	(3,780)
	<u>916,102</u>	<u>1,471,968</u>
Financing activities		
Payment on matured convertible debenture (note 10)	(32,000)	-
Payments of lease obligation (note 9)	(171,550)	(169,142)
	<u>(203,550)</u>	<u>(169,142)</u>
Increase (decrease) in cash and cash equivalents	(425,847)	(534,772)
Cash and cash equivalents, beginning of period	437,349	972,121
Cash and cash equivalents, end of period	\$ 11,502	\$ 437,349
Interest paid	\$ 341,315	\$ 631,713
Income taxes paid	\$ -	\$ -

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

Prophecy DeFi Inc.

Notes to the Consolidated Financial Statements
For the Years ended December 31, 2024 and 2023
(In Canadian Dollars)

1. Nature of Operations and Going Concern

Prophecy DeFi Inc. (formerly Bucephalus Capital Corp.) ("PDFI" or the "Company") is an investment issuer that holds investments in digital currencies, web3-related companies and publicly traded securities for the purpose of generating returns from capital appreciation and income. The Company is a public company incorporated and domiciled in Ontario, Canada. The Company's registered office is located at 87 Scollard Street, Suite 100, Toronto, Ontario M5R 1G4. The Company's subordinate voting shares commenced trading on the Canadian Securities Exchange ("CSE") on March 14, 2016.

The accompanying financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As at December 31, 2024, the Company had a working capital deficiency of \$5,411,330, including convertible debentures of \$5,412,570 maturing within 12 months. These debentures are convertible into common shares at the option of the holders. In addition, the Company had cash, digital assets, and investments totaling approximately \$1,065,615 to meet near-term obligations.

The Company has historically funded operations and met its obligations through a combination of equity financing, debt placements, and the sale of digital assets. Management is currently in discussions with potential investors and lenders to obtain additional capital and/or restructure or convert existing debt.

These circumstances indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The ability of the Company to continue operations is dependent on management's success in securing additional financing or converting existing obligations into equity, and ultimately on achieving profitable operations.

Should the Company be unable to obtain sufficient financing or generate positive cash flows, it may be unable to realize its assets and discharge its liabilities in the normal course of business, and adjustments would be required to the carrying amounts of assets and liabilities, the reported revenues and expenses, and the classification of balance sheet items.

Management believes that based on the current plans and available options, it is appropriate to prepare these financial statements on a going concern basis.

2. Basis of Presentation*Statement of Compliance*

These consolidated financial statements, including comparative periods have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements include those of Prophecy Defi Inc. and its wholly owned subsidiary, Layer2 Blockchain Inc. ("Layer2"), from the date on which control is acquired by the Company. The financial statements for the consolidated entity are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances have been eliminated in the preparation of these consolidated financial statements.

The reporting currency used for the consolidated financial statements is Canadian dollars. The functional currency used by the Company and its subsidiary is Canadian dollars.

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

These consolidated financial statements were approved by the Company's Board of Directors on April 30, 2025.

Prophecy DeFi Inc.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2024 and 2023

(In Canadian Dollars)

3. Material Accounting Policy Information

These consolidated financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant for the Company.

A. Use of Estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Financial statement items subject to significant management judgment include:

- Credit losses – Management exercises judgement to determine the expected credit losses on loans.
- Valuation of portfolio investments – Where investments are not traded in an active market, management exercises judgement to determine the fair value of these assets. These assumptions include observation of recent private sales on the underlying securities (if available).
- The Black-Scholes option pricing model is used to determine the fair value of the share-based payments and utilizes subjective assumptions such as expected price volatility and expected life of the option. Discrepancies in these input assumptions can significantly affect the fair value estimate.
- Business combinations – assumptions and estimates are made in determining the fair value of assets and liabilities, including the identification and valuation of separately identifiable intangible assets acquired as part of an acquisition and the allocation of the purchase price. These estimates may be further based on management's best assessment of the related inputs used in valuation models, such as future cash flows and cost of capital.
- Office premise and other – Management determines the carrying value of its office premise based on policies that incorporate assumptions, estimates and judgements relative to the useful lives and residual values of assets.
- Impairment of non-financial assets – Impairment exists where the carrying value of an asset, or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value. The fair value less costs of disposal calculated is based on available data from binding sales transactions in an arm's length transaction of similar assets or other observable market prices less incremental costs of disposal. The value in use calculation is based on discounted cash flow models. The estimated future cash flows are derived from management assumptions, estimates, budgets and past performance and do not include activities that the Company is not yet committed to or significant investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the cost of capital used for the discounted cash flow model as well as the expected future cash flows.
- Revenue recognition – The Company derives its income from investment income and digital asset activities. Income sources during the fiscal year primarily included (i) digital currencies received from liquidity provisioning on decentralized exchanges (DEX), and (ii) airdrop distributions received through digital asset network participation. Management has exercised significant judgment in determining the appropriate timing of revenue recognition. For liquidity provisioning, revenue is recognized when the Company's digital assets are withdrawn from the DEX liquidity pool and rewards are received. For airdrops, revenue is recognized when the tokens are claimed and the Company obtains control over the digital assets.
- Going concern – The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgements and assumptions, taking into account all known future information.
- Digital currencies valuation – Digital currencies consist of cryptocurrency denominated assets and are included in current assets. The digital currency market is still a new market and is highly volatile, historical prices are not necessarily indicative of future value and a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position.

While management believes that the estimates and assumptions are reasonable, actual results may differ materially from those estimates.

Prophecy DeFi Inc.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2024 and 2023

(In Canadian Dollars)

3. Material Accounting Policy Information – continued**B. Financial instruments**

Financial assets and financial liabilities, including derivatives, are recognized on the statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- (1) those to be measured subsequently at fair value through profit or loss ("FVTPL");
- (2) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI"); and
- (3) those to be measured subsequently at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are recorded in the statements of operations and comprehensive loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company's classification and measurements of financial assets and liabilities are summarized below:

IFRS 9	
	Classification
Cash and cash equivalents	Amortized cost
Portfolio investments	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost

Financial assets at amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely payment of principal and interest ("SPPI") criterion. Financial assets classified in this category are measured at amortized cost using the effective interest method.

Financial assets at fair value through profit or loss

This category includes derivative instruments as well as equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category also includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in the statements of operations and comprehensive loss.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Prophecy DeFi Inc.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2024 and 2023

(In Canadian Dollars)

3. Material Accounting Policy Information – continued**B. Financial instruments - continued**

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the statements of operations and comprehensive loss.

Fair value hierarchy

Financial assets measured at fair value or where their fair value is disclosed in the notes must be classified into one of the three hierarchy levels set forth below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: Valuation models which utilize predominately observable market inputs; and
- Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial asset in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Company's fair value financial instruments are classified as follows:

<i>Financial instrument</i>	<i>Classification</i>
Portfolio investments	Levels 1 and 3

At the end of each reporting period, management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

i. Securities including shares, options, and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period. These are included in Level 1 of the fair value hierarchy. The fair value of the portfolio investments classified as Level 1 of the fair value hierarchy is \$25,142 as at December 31, 2024.

ii. For options, warrants, and conversion features which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used. Valuation models such as the Black-Scholes valuation model ("Black-Scholes") are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at the date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility. These are included in Level 2 of the fair value hierarchy.

iii. Convertible debts and loans issued by investee companies are generally valued at the price in which the instrument was issued. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggest that the debt instrument will not be fully recovered. The fair value of convertible debentures is measured using valuation techniques such as Black-Scholes model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment and assumptions provided by management is required in establishing fair values. Judgments include consideration of inputs such as credit risk, discount rates, volatility, probability of certain triggering events, and share price of private company borrowers. Changes in assumptions relating to these factors could affect the reported fair value of the financial instruments. These are included in Level 3 of the fair value hierarchy. The fair value of the convertible debentures is \$5,412,570 as at December 31, 2024 (December 31, 2023 - \$5,500,189).

Prophecy DeFi Inc.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2024 and 2023

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3. Material Accounting Policy Information – continued**B. Financial instruments - continued****iv. Private company investments**

All privately-held investments (including options, warrants, and conversion features) are initially recorded at the transaction price, being the fair value at the time of acquisition. At the end of each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3 of the fair value hierarchy. The fair value of the portfolio investments classified as Level 1 of the fair value hierarchy is \$16,818 as at December 31, 2024 (December 31, 2023 - \$40,363).

The determination of fair value of the Company's privately-held investments at other than initial cost, is subject to certain limitations. Financial information for private companies in which the Company has investments, may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on management's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will also consider trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

The fair value of a privately-held investment may be adjusted if:

- i. There has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
- ii. There have been significant corporate, political, or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and, therefore, its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;
- iii. The investee company is placed into receivership or bankruptcy;
- iv. Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
- v. Release by the investee company of positive/negative operational results; and
- vi. Important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

In addition, the amounts at which the Company's privately-held investments could be currently disposed of may differ from the carrying value assigned.

Convertible Debentures

Convertible debentures issued by the Company are comprised of convertible unsecured debentures that can be converted to common shares at the option of the holder. The host liability component of a compound financial instrument is recognized initially at the fair market value of a similar liability that does not have an equity conversion option. Any directly attributable transaction costs are allocated entirely to the host liability component.

Prophecy DeFi Inc.

Notes to the Consolidated Financial Statements
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3. Material Accounting Policy Information – continued**Expected credit losses on financial assets**

Determining an allowance for expected credit losses (“ECLs”) for all debt financial assets not held at fair value through profit or loss (“FVTPL”) requires management to make assumptions about the historical patterns for the probability of default, the timing of collection, and the amount of incurred credit losses, which are adjusted based on management’s judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

B. Financial instruments - continued

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition.

C. Provisions

The Company recognizes provisions when a legal or constructive obligation exists as a result of past events, when it is probable that there will be an outflow of economic benefits from the entity, and a reliable estimate of the amount of the obligation can be made. When a provision is expected to settle beyond the immediate term, the provision is measured at the present value of future cash flows, discounted at prevailing market interest rates. With the passage of time, additional expenses are recorded as the provision accretes.

D. Business Combinations

All business combinations are accounted for by applying the acquisition method. Upon acquisition the assets (including intangible assets), liabilities and contingent liabilities acquired are measured at their fair value. The Company recognizes identifiable intangible assets as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management’s judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets acquired and the selection of an appropriate cost of capital. Acquisition and integration costs are recognized in profit or loss as incurred.

Goodwill represents the excess of the identifiable cost of an acquisition over the fair value of the Company’s share of the net assets acquired at the date of acquisition. If the identifiable cost of acquisition is less than the fair value of the Company’s share of the net assets acquired (i.e. a discount on acquisition) the difference is credited to the statement of income (loss) and comprehensive statement of income (loss) in the period of acquisition. At the acquisition date, goodwill acquired is recognized as an asset and allocated to each cash generating unit (“CGU”) expected to benefit from the business combination’s synergies and to the lowest level at which management monitors goodwill.

E. Revenue Recognition

The Company derives its income from investment income and digital asset activities. Income sources during the fiscal year primarily included (i) digital currencies received from liquidity provisioning on decentralized exchanges (DEX), and (ii) airdrop distributions received through digital asset network participation.

Revenue from liquidity provisioning activities is recognized when payment, in the form of digital currency, is received for liquidity provisioning services rendered. Liquidity provisioning involves deploying digital assets into decentralized exchange liquidity pools in exchange for rewards in the form of digital tokens. Revenue is measured based on the fair value determined in accordance with the Company’s digital asset pricing methodology, primarily using aggregated pricing from www.coinmarketcap.com and www.coingecko.com, with decentralized exchange (DEX) pricing sources used as an alternative where necessary.

Revenue from airdrops is recognized when the Company claims the distributed tokens and obtains control over the digital assets. Revenue is measured based on the fair value determined at the time of claim, using the Company’s digital asset pricing methodology.

Prophecy DeFi Inc.

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3. Material Accounting Policy Information – continued**E. Revenue Recognition - continued**

Realized gains (losses) on disposal of digital currencies are recognized in the statements of operations and comprehensive loss at the point in time when the disposal transaction is confirmed on the blockchain. Realized gains or losses are calculated as the difference between the proceeds received and the weighted average cost determined on a coin by coin basis.

Realized gains (losses) on disposals of investments and unrealized gains (losses) on securities classified as FVTPL are reflected in the statements of operations and comprehensive loss on the transaction date and are calculated on an average cost basis. For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income or expenses are recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

F. Foreign Currency Translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the end of the reporting period. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in profit or loss.

G. Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income is also recognized directly in equity or other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expensed to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

H. Cash and cash equivalents

Cash and cash equivalents consists of cash balances and highly liquid investments with original maturities of three months or less.

I. Digital currencies

Digital currencies meet the definition of intangible assets as they are identifiable non-monetary assets without physical substance. They have an indefinite useful life and therefore no amortization on these assets has been recorded. They are initially recorded at the fair value on the acquisition date and the revaluation method is used to measure the digital assets subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss.

Prophecy DeFi Inc.

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3. Material Accounting Policy Information – continued**I. Digital currencies - continued**

The Company revalue its digital assets at the end of its reporting periods. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss.

Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income.

The Company holds a variety of digital currencies which are measured at fair value using the quoted prices on a cryptocurrency data aggregator. The digital currencies are valued based on the daily weighted closing price obtained at the time the digital currencies are acquired and at each reporting date. Management considers the fair value to be a level two input under the fair value hierarchy as the prices from this source represents an average of quoted prices on multiple digital currency exchanges.

The Company's determination to classify its holdings as current assets is based on management's assessment that the digital currencies held can be considered to be a commodity that may be readily sold because liquid markets are available.

J. Office premise and other

Furniture, office equipment and leasehold improvements are stated at historical cost, less any accumulated amortization and accumulated impairment in value. Historical cost includes all costs directly attributable to the acquisition.

Amortization is recognized using the declining balance method at a rate of 20% to amortize the cost of furniture and office equipment to their residual values over their estimated useful lives in profit or loss.

Amortization methods, useful lives and residual values are reviewed at the reporting period date. Such a review takes into consideration the nature of the assets, their intended use and technological changes.

Gains or losses on the sale of furniture and office equipment are determined by comparing the proceeds with the carrying amount and are recognized in the profit or loss in the period of disposition.

Leasehold improvements and right-of-use assets are amortized on a straight-line basis over their lease term and are accounted for at cost less accumulated amortization and reviewed at each balance sheet date to determine whether there is an indication of impairment.

K. Share-based payments

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted. In situations where equity instruments are issued to non-employees and some of all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transaction at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Prophecy DeFi Inc.

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3. Material Accounting Policy Information – continued**K. Share-based payments - continued**

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as a measure at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings or loss per share.

L. Loss per share

Basic loss per share is calculated using the weighted average number of multiple, subordinate and common shares outstanding during the period.

Diluted loss per share is calculated by dividing net loss available to shareholders for the period by the diluted weighted average number of multiple, subordinate and common shares outstanding during the period. The diluted weighted average number of shares includes the potential dilution from shares issuable through stock options, if dilutive. This assumes that the proceeds from any shares issued on the exercise of stock options are used by the Company to repurchase and cancel shares at the average market price of the Company's share price for the period. As such, where the strike price of stock options exceeds the average market price of the Company's shares for the reporting period, the inclusion of these shares under the treasury stock method would be anti-dilutive, so these shares are excluded from the calculation of the weighted average number of diluted shares outstanding.

4. Significant New Accounting Standards*Standards, Amendments and Interpretations Issued but not yet Adopted*

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2024 and, accordingly, have not been applied in preparing these consolidated financial statements.

A. Issuance of IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standard replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information.

IFRS 18 is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will apply retrospectively with specific transitional provisions. The Company is currently working to identify all impacts that the amendments will have on the primary financial statements and notes to the consolidated financial statements.

B. Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB issued the following amendments to IAS 21 that require companies to provide more useful information in their financial statements when a currency cannot be exchanged into another currency. The amendment includes requirements for assessing whether a currency is exchangeable into another currency, guidance on determining the exchange rate when such an exchange is not possible, and additional related disclosure requirements. The amendments are effective for annual periods beginning on or after 1 January 2025. According to the IASB, early application of the amendments is permitted.

Prophecy DeFi Inc.

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5. Digital Currencies

The continuity of digital currencies for the year ended December 31, 2024:

	December 31 2024	December 31 2023
Opening balance	\$ 1,521,064	\$ 3,407,494
Purchased	136,830	-
Proceeds on disposition of digital currencies	(527,569)	(2,017,296)
Realized gain (loss) on dispositions	(811,109)	(2,743,587)
Derecognition of prior period unrealized losses	811,109	2,743,587
Unrealized gain (loss) on digital currencies	(228,491)	130,866
Airdrop income	127,137	-
Total	<u>\$ 1,028,971</u>	<u>\$ 1,521,064</u>

6. Prepaid Expenses and Deposits

	December 31 2024	December 31 2023
Prepaid insurance	\$ 18,027	\$ 44,540
Lease security deposit	11,686	11,686
Other	17,038	1,565
Total	<u>\$ 46,751</u>	<u>\$ 57,791</u>

7. Portfolio Investments

	December 31 2024	December 31 2023
Marketable securities (a) (b) (c) (d) (e) (f) (g) (h)	\$ 87,899	\$ 568,732
Change in fair value	(45,939)	516,941
Total	<u>\$ 41,960</u>	<u>\$ 1,085,673</u>

- a) As at December 31, 2024, the Company held 1,391,085 (2023 - 1,391,085) common shares of Uptempo Inc. with a fair value of \$9,701 (2023 - \$11,387) and a decrease in fair value of \$13,582 (2023 - \$5,693). This investment has been classified as long-term portfolio investments on the statement of financial position.
- b) As at December 31, 2024, the Company held 284,656, (2023 - 284,656) common shares of Hank Payments Corp. with a fair value of \$7,116 (2023 - \$15,522) and a decrease in fair value of \$9,964 (2023 - \$7,761). This investment has been classified as long-term portfolio investments on the statement of financial position.
- c) As at December 31, 2024, the Company held 1,270 (2023 - Nil) common shares of ETF Opportunities Trust with a cost of \$19,271 (2023 - Nil) and a decrease in fair value of \$5,382 (2023 - Nil). The initial value of these investments are recorded at cost as they were purchased during the period. This investment has been classified as portfolio investments on the statement of financial position.
- d) As at December 31, 2024, the Company held 885 (2023 - Nil) common shares of Volatility Shares Trust with a cost of \$14,495 (2023 - Nil) and a decrease in fair value of \$4,563 (2022 - Nil). The initial value of these investments are recorded at cost as they were purchased during the period. This investment has been classified as portfolio investments on the statement of financial position.

Prophecy DeFi Inc.

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7. Portfolio Investments – continued

- e) As at December 31, 2024, the Company held 3 (2023 - Nil) options of MicroStrategy Inc. with a cost of \$2,216 (2023 - Nil) and a decrease in fair value of \$1,948 (2023 - Nil). The initial value of these investments are recorded at cost as they were purchased during the period. This investment has been classified as portfolio investments on the statement of financial position.
- f) As at December 31, 2024, the Company held 61 (2023 - Nil) options of TeraWulf Inc. with a cost of \$11,554 (2023 - Nil) and a decrease in fair value of \$10,501 (2023 - Nil). The initial value of these investments are recorded at cost as they were purchased during the period. This investment has been classified as portfolio investments on the statement of financial position.
- g) As at December 31, 2024, the Company held 1,500,000 (2023 - Nil) common shares of Stirling Rarus Minerals Corp. with a cost of \$50,500 (2023 - Nil) and an increase in fair value of \$Nil (2023 - Nil). This balance was fully impaired during the 2023 fiscal year. This investment has been classified as portfolio investments on the statement of financial position.

8. Office Premise and Other

	Office Premise (Right-of-Use Asset)	Leasehold Improvements	Furniture & Office Equipment	Total
Cost				
Balance, January 1, 2023	\$ 660,660	\$ 306,875	\$ 107,133	\$ 1,078,448
Additions	-	-	3,780	-
Disposals	-	-	-	-
Balance, December 31, 2023	\$ 660,660	\$ 306,875	\$ 110,913	\$ 1,078,448
Additions	-	-	-	-
Disposals	-	-	-	-
Balance, December 31, 2024	\$ 660,660	\$ 306,875	\$ 110,913	\$ 1,078,448
Accumulated Amortization				
Balance, January 1, 2023	\$ (176,176)	\$ (81,833)	\$ (28,486)	\$ (286,495)
Amortization	(132,132)	(61,375)	(15,042)	(208,549)
Balance, December 31, 2023	\$ (308,308)	\$ (143,208)	\$ (43,528)	\$ (495,044)
Amortization	(132,132)	(61,375)	(12,499)	(206,006)
Balance, December 31, 2024	\$ (440,440)	\$ (204,583)	\$ (56,027)	\$ (701,050)
Carrying Amount				
Balance, December 31, 2023	\$ 352,352	\$ 163,667	\$ 67,385	\$ 583,404
Balance, December 31, 2024	\$ 220,220	\$ 102,292	\$ 54,886	\$ 377,398

9. Lease Liability

The Company leases an office premise at 87 Scollard Street, Suite 100, Toronto, Ontario M5R 1G4. The lease expires in 2026, with a five-year option to extend.

The lease liability is measured at the present value of the lease payments that are not paid at the balance sheet date. Lease payments are apportioned between interest expense and a reduction of the lease liability using the Company's incremental borrowing rate to achieve a constant rate of interest on the remaining balances of the liability.

Prophecy DeFi Inc.

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9. Lease Liability - continued

The carrying value of the Company's lease liability is as follows:

Balance, January 1, 2023	\$	513,735
Interest expense		46,313
Cash payments		(169,142)
Balance, December 31, 2023	\$	390,906
Interest expense		33,650
Cash payments		(171,550)
Balance, December 31, 2024		253,006
Current portion of lease liability		(154,583)
Non-current portion of lease liability	\$	98,423

As at December 31, 2024, the carrying rate of the Company's lease liability was \$253,006 (December 31, 2023 - \$390,906) and the carrying rate of the right-of-use asset was \$220,220 (December 31, 2023 - \$352,352). The expected future minimum lease payments are \$278,681 (December 31, 2023 - \$445,489).

10. Convertible Debentures

On December 23, 2021, the Company completed an initial offering of \$5,854,000 aggregate principal amount of 10% unsecured convertible debentures of the Company. Under the initial terms, each convertible debenture was to mature in 36 months following the closing of the initial offering and bore an interest at a rate of 10% per annum, payable quarterly in cash. The convertible debentures were convertible into common shares of the Company at the option of the holder at any time prior to the original 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 Company had 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 is greater than \$1.20 for 10 consecutive trading days. Each convertible debenture included 1,667 common share purchase warrants of the Company. Each warrant was 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 initial offering.

On November 7, 2024, the Company modified the terms for \$5,680,000 of the original aggregate principal amount convertible debentures and 9,468,560 common share purchase warrants of the Company issued on December 23, 2021. Each convertible debenture matures 12 months following the amendment date of December 13, 2024 and bears an interest at a rate of 12% per annum, payable in arrears as a balloon payment on the maturity date. The convertible debentures are convertible into common shares of the Company at the option of the holder at any time prior to the original maturity date or on the business day immediately preceding a date fixed for redemption of the convertible debentures, at a conversion price equal to \$0.05 per common share. 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 is greater than \$0.10 for 10 consecutive trading days. Each convertible debenture includes 1,667 common share purchase warrants of the Company. Each warrant is exercisable into one common share at a price of \$0.05 per common share for a period of 24 months from the closing of the amendment date.

On December 23, 2024, 174 debenture units with a value of \$174,000 were exercised upon maturity of the original terms of the convertible debenture. These units were issued as consideration for broker commissions and remained unmodified following the amendment to the terms of the convertible debenture. Subsequent to these units reaching maturity, \$32,000 was paid against the outstanding principal amount resulting in an outstanding principal balance of \$142,000.

On December 23, 2024, 100 debenture units with a value of \$100,000 were exercised under the modified terms of the convertible debenture agreement. The debenture units were converted to 2,000,000 common shares in the capital of the Company at a price of \$0.02 per Common Share and a cost of \$0.05 per Common Share.

For the fiscal year ended December 31, 2024, \$600,365 (December 31, 2023 - \$585,400) of interest and \$113,869 (December 31, 2023 - \$96,667) of accretion has been charged to the income statement. Additionally, the Company has recognized a gain of \$218,344 on modification of the convertible debentures.

Prophecy DeFi Inc.

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10. Convertible Debentures – continued

The host liability component of the convertible debentures recognized on the consolidated financial statements of financial position was calculated as follows:

	December 31 2024	December 31 2023
Principal amount outstanding	\$ 5,854,000	\$ 5,854,000
Less: Transaction costs	(751,507)	(751,507)
Amortization of financing costs	744,977	506,495
Principal payable	(174,000)	-
Debentures converted	(100,000)	-
Liability component on initial recognition	5,573,470	5,608,988
Debenture discount (net of amortization)	(160,900)	(108,799)
Total	\$ 5,412,570	\$ 5,500,189

11. Share Capitala) Authorized:

Unlimited common shares ("CS")

b) Shares issued and outstanding:

	Common Shares (CS)	
	Number of Shares	Amount
Balance December 31, 2022	132,147,212	28,327,353
Issuance for debt settlement	700,000	17,000
Balance December 31, 2023	132,847,212	28,344,353
Issuance for debt settlement	2,000,000	40,000
Change in value of conversion option	-	(52,373)
Balance December 31, 2024	134,847,212	28,331,980

- (i) On March 31, 2021, 946,491 multiple voting shares ("MVS") were converted on a one for one basis to 946,491 subordinate voting shares ("SVS"). The rights of MVS and SVS are identical other than voting rights. MVS are entitled to four votes per share whereas SVS are entitled to one vote per share.
- (ii) On June 30, 2021, all of the issued and outstanding SVS and MVS of the Company were automatically converted into common shares of the Company on the basis of one common share for each SVS and MVS outstanding.
- (iii) On March 19, 2021, the Company closed a non-brokered private placement issuing 25,000,000 units at a price of \$0.05 per Unit for gross proceeds of \$1,250,000. Each Unit consisted of one subordinated voting common share of the Company and one subordinate voting share purchase warrant. Each full warrant entitles the holder to acquire one additional subordinate voting share expiring on March 19, 2024 at an exercise price of \$0.25. The Company incurred issuance costs of \$422,450 including finder's fees/commissions of \$80,250, \$23,000 in legal fees and 1,750,000 finders warrants entitling certain eligible persons to acquire a Unit exercisable at a price of \$0.05 for a period of thirty-six months from closing, of these costs, \$101,992 has been recorded as share issuance costs.

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11. Share Capital – continued**b) Shares issued and outstanding - continued**

- (iv) On April 23, 2021, the Company closed a non-brokered private placement issuing 9,999,999 units at a price of \$0.15 per Unit for gross proceeds of \$1,500,000. Each Unit consisted of one subordinated voting common share of the Company and one Common Share purchase warrant. Each full warrant entitles the holder to acquire one additional Common Share for a period of thirty-six months expiring on April 23, 2024 at an exercise price of \$0.25. However, should the closing price at which the Common Shares trade on the Canadian Securities Exchange (or any such other stock exchange in Canada as the Common Shares may trade at the applicable time) exceed \$0.75 for 10 consecutive trading days at any time following the date of issuance, the Company may accelerate the Warrant Term such that the Warrants shall expire on the date which is 30 business days following the date a press release is issued by the Company announcing the Reduced Warrant Term. The Company incurred issuance costs of \$299,915, including finder's fees/commissions of \$126,300, \$29,400 in legal fees and 491,466 finders warrants entitling certain eligible persons to acquire one common share exercisable at a price of \$0.25 for a period of thirty-six months from closing, of these costs, \$101,460 has been recorded as share issuance costs.
- (v) On June 1, 2021, the Company closed a non-brokered private placement issuing 10,000,000 units at a price of \$0.30 per Unit for gross proceeds of \$3,000,000. Each Unit consisted of one common share of the Company and one Common Share purchase warrant. Each full warrant entitles the holder to acquire one additional Common Share for a period of thirty-six months expiring on June 1, 2024 at an exercise price of \$0.50. However, should the closing price at which the Common Shares trade on the Canadian Securities Exchange (or any such other stock exchange in Canada as the Common Shares may trade at the applicable time) exceed \$1.00 for 10 consecutive trading days at any time following the date of issuance, the Company may accelerate the Warrant Term such that the Warrants shall expire on the date which is 30 business days following the date a press release is issued by the Company announcing the Reduced Warrant Term. The Company incurred issuance costs of \$588,697, including commission of \$210,000, \$56,850 in legal fees and 700,000 brokers warrants entitling certain eligible persons to acquire one common share exercisable at a price of \$0.50 for a period of thirty-six months from closing, of these costs, \$232,932 has been recorded as share issuance costs.
- (vi) On July 9, 2021, the Company issued an aggregate of 25,000,000 common shares as consideration for 60% of the issued and outstanding common shares of Layer2. On September 13, 2021, the Company issued an aggregate of 25,000,000 common shares as consideration for the remaining 40% of the issued and outstanding common shares of Layer2. All common shares issued are subject to a four-month and one day resale restriction and voluntary lock-ups of up to 21 months, subject to certain accelerated relates in the event the Company's common shares trade above certain prices. The Company issued 1,000,000 common shares to certain eligible finders. The shares issued to such finder are subject to a four-month and one date resale restriction and the same lock-ups as noted above.
- (vii) On September 13, 2021, the Company issued an aggregate of 250,000 common shares to North Equities Corp. as consideration for a fee payable of \$150,000 for a 6-month marketing and consulting contract. These shares will be subject to a statutory holding period expiring on the date that is four months and one day from the issuance date.
- (viii) On August 3, 2023, the Company settled an aggregate of \$17,000 of indebtedness owed to certain creditors through the issuance of an aggregate of 700,000 common shares in the capital of the Company at a price of \$0.15 per Common Share, of which 600,000 common shares had a cost of \$0.025 per Common Share and 100,000 common shares had a cost of \$0.02 per Common Share. All Common Shares issued in connection with the Debt Settlement are subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation.
- (ix) On December 23, 2024, the Company issued an aggregate of 2,000,000 common shares in the capital of the Company at a price of \$0.02 per Common Share as part of a conversion of debenture units, of which 2,000,000 common shares had a cost of \$0.05 per Common Share. All Common Shares issued in connection with the debenture conversion are subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation.

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11. Share Capital – continuedc) Stock Options

The Company has a stock option plan (the “Plan”) under which the Company may grant options to directors, officers, employees and consultants. The maximum number of common shares reserve for issue under the plan at any point in time may not exceed 10% of the number of shares issued and outstanding. As at December 31, 2024, the Company had 3,034,721 (December 31, 2023 - 8,651,721) options available for issuance under the plan.

The continuity of outstanding stock options for the fiscal year ended December 31, 2024 is as follows:

	Number of stock options	Weighted average exercise price per share \$
Balance, December 31, 2022	10,725,000	0.32
Expired	(4,800,000)	(0.23)
Cancelled	(3,292,000)	(0.42)
Granted	2,000,000	0.05
Balance, December 31, 2023	4,633,000	0.27
Expired	(2,633,000)	(0.44)
Granted	8,250,000	0.05
Balance, December 31, 2024	10,250,000	0.05

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share-based payments for the stock options issued during the year ended December 31, 2024:

Grant Date	December 12, 2024	December 12, 2024	December 12, 2024
Number of options	2,500,000	2,000,000	1,500,000
Exercise Price	\$0.05	\$0.05	\$0.05
Expected life in years	5	5	5
Volatility	288%	288%	288%
Risk-free interest rate	2.94%	2.94%	2.94%
Dividend yield	0.00%	0.00%	0.00%
Vesting	Immediately	Immediately	Immediately
Fair value of options granted	\$75,000	\$60,000	\$45,000

Grant Date	December 12, 2024	December 12, 2024	December 12, 2024
Number of options	1,000,000	1,000,000	250,000
Exercise Price	\$0.05	\$0.05	\$0.05
Expected life in years	5	5	5
Volatility	288%	288%	288%
Risk-free interest rate	2.94%	2.94%	2.94%
Dividend yield	0.00%	0.00%	0.00%
Vesting	Immediately	Immediately	Immediately
Fair value of options granted	\$30,000	\$30,000	\$7,500

During the fiscal year ended December 31, 2024, the Company recognized \$247,500 (December 31, 2023 - \$79,800) of share-based compensation.

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11. Share Capital – continuedd) Warrants

The continuity of outstanding warrants for the fiscal year ended December 31, 2024 is as follows:

	Number of warrants	Weighted average exercise price per share \$
Balance, December 31, 2022	49,031,826	0.13
Balance, December 31, 2023	49,031,826	0.13
Exercised	-	-
Granted	-	-
Expired	(49,031,826)	(0.13)
Balance, December 31, 2024	-	-

- (i) On March 19, 2021, the Company issued 25,000,000 warrants as part of the private placement financing. Each warrant entitles the holder to acquire one additional subordinate voting share expiring on March 19, 2024 at an exercise price of \$0.25. The value of a warrant was determined using the Black-Scholes model, using 150% volatility, 3-year term, 0.53% discount rate, 0% expected dividend. The resulting value represented approximately 75.9% of the value of the Unit with the remaining 24.1% attributed to the value of the subordinate voting share within the Unit. The warrants were allocated \$948,213 of the net proceeds of the financing.

The Company issued 1,750,000 finders warrants as part of the private placement financing. Each warrant entitles the holder to acquire one additional Unit expiring on March 19, 2024 at an exercise price of \$0.05. The value of a warrant was determined using the Black-Scholes model, using 150% volatility, 3-year term, 0.53% discount rate, 0% expected dividend. The warrants had a value of \$319,200.

- (ii) On April 23, 2021, the Company issued 9,999,999 warrants as part of the private placement financing. Each warrant entitles the holder to acquire one additional subordinate voting share expiring on April 23, 2024 at an exercise price of \$0.25. The value of a warrant was determined using the Black-Scholes model, using 150% volatility, 3-year term, 0.49% discount rate, 0% expected dividend. The resulting value represented approximately 66.2% of the value of the Unit with the remaining 33.8% attributed to the value of the subordinate voting share within the Unit. The warrants were allocated \$992,557 of the net proceeds of the financing.

The Company issued 491,466 finders warrants as part of the private placement financing. Each warrant entitles the holder to acquire one common share expiring on April 23, 2024 at an exercise price of \$0.25. The value of a warrant was determined using the Black-Scholes model, using 150% volatility, 3-year term, 0.49% discount rate, 0% expected dividend. The warrants had a value of \$144,196.

- (iii) On April 27, 2021, the Company entered into a service agreement with Ninepoint Partners GP Inc. who will receive a \$25,000 per month advisory fee and were issued 5,000,000 performance warrants exercisable at a price of \$0.35 to purchase common shares of the Company for a period expiring on the earlier of 3 years or a date that is 90 days after the advisory ceases to provide services to the Company. The value of a warrant was determined using the Black-Scholes model, using 150% volatility, 3-year term, 0.48% discount rate, 0% expected dividend. The warrants had a value of \$1,731,500 which were recorded as a service agreement expense.

- (iv) On June 1, 2021, the Company issued 10,000,000 warrants as part of the private placement financing. Each warrant entitles the holder to acquire one additional subordinate voting share expiring on June 1, 2024 at an exercise price of \$0.50. The value of a warrant was determined using the Black-Scholes model, using 150% volatility, 3-year term, 0.51% discount rate, 0% expected dividend. The resulting value represented approximately 60.4% of the value of the Unit with the remaining 39.6% attributed to the value of the subordinate voting share within the Unit. The warrants were allocated \$1,812,978 of the net proceeds of the financing.

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11. Share Capital – continuedd) Warrants - continued

The Company issued 700,000 brokers warrants as part of the private placement financing. Each warrant entitles the holder to acquire one common share expiring on June 1, 2024 at an exercise price of \$0.50. The value of a warrant was determined using the Black-Scholes model, using 150% volatility, 3-year term, 0.51% discount rate, 0% expected dividend. The warrants had a value of \$320,740.

On December 23, 2021, the Company issued 473,333 warrants to the lead agent in connection with the issuance of convertible debentures. Each warrant entitles the holder to acquire one common share expiring on December 23, 2024 at an exercise price of \$0.90. The value of a warrant was determined using the Black-Scholes model, using 150% volatility, 3-year term, 1.04% discount rate, 0% expected dividend. The warrants had a value of \$160,650.

During the year ended December 31, 2024, an aggregate of 49,031,826 warrants reached their expiration without exercise or conversion, thereby resulting in their cessation of validity and termination of rights associated therewith. The expiration of these instruments do not have a material impact on the Company's financial position, results of operations, or cash flows as they were not exercised or converted prior to their expiration.

12. Income (loss) per Share

Basic income (loss) per share has been calculated using the weighted average number of CS outstanding during the period. Diluted income (loss) per share has been calculated using the weighted average number of CS outstanding during the period as the effect of stock options and warrants issued and outstanding are considered antidilutive.

13. Income Taxes

The following table reconciles the expected income tax provision at the Canadian federal and provincial statutory rate of 26.5% (2023 – 26.5%) to the amounts recognized in the consolidated statement of operations and comprehensive loss:

	December 31, 2024	December 31, 2023
Loss before income taxes	\$ (2,711,080)	\$ (1,747,883)
Expected income tax recovery	(718,436)	(463,189)
Share based compensation	65,588	21,147
Unrealized loss (gain) on digital currencies	60,550	(34,679)
Other adjustments	(276,531)	(887,360)
Change in tax benefits not recognized	868,829	1,364,081
Income tax	\$ -	\$ -

Deferred taxes are provided as a result of temporary differences that arise due to the difference between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences.

	December 31, 2024	December 31, 2023
Non-capital losses	\$ 2,845,033	\$ 2,140,425
Leasehold improvements, furniture & office equipment	(23,319)	(24,081)
Office premise	8,688	10,217
Financing fees	37,991	(38,085)
Portfolio investments	6,087	(68,495)
Tax asset not recognized	\$ (2,874,483)	\$ (2,019,981)

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13. Income Taxes – continued

As at December 31, 2024, the Company has approximately \$10,735,975 of non-capital losses carry forward available to reduce taxable income for future years. These losses will expire in 2038 to 2044. The Company did not recognize any net deferred tax assets related to its non-capital losses due to the uncertainty that sufficient taxable income will be generated in the future to utilize these losses.

14. Fair Value and Financial Risk Management

The primary goals of the Company's risk management programs are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's financial operations from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk tolerance with the Company's business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventative controls and transferring risk to third parties.

Capital Management

The Company considers the items included in shareholders' equity as capital. The Company's capital management objectives are to maintain a strong and efficient capital structure to provide liquidity to support continued asset growth. A strong capital position also provides flexibility in considering accretive growth opportunities. It is the intention of the Company in the long term to pay out a portion of its future annual earnings to shareholders in the form of dividends. There has been no change in the capital management approach from the prior period.

Risk Management

The success of the Company is dependent upon its ability to assess and manage all forms of risk that affect its operations. The Company is exposed to many factors that could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Board of Directors. The Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Company's most prominent risks follows.

Credit Risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. The Company is exposed to credit risk on its cash. The Company's maximum exposure to credit risk is \$11,502 (December 31, 2023 - \$437,349).

Market Risk

The Company is exposed to certain market risk that the value of, or future cash flows from, the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is required to mark to market its fair value through profit or loss investments at the end of each reporting period. This process could result in significant write-downs of the Company's portfolio investment over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavorable effect on the Company's financial position.

Interest Rate Risk

The Company is not exposed to significant interest rate risk on its convertible debentures as the liability incurs interest at a fixed rate.

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14. Fair Value and Financial Risk Management – continuedDigital Currencies Risk

Digital currencies are measured using level two fair values, determined by taking the rates from a cryptocurrency data aggregator.

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of coins; in addition, the Company may not be able to liquidate its inventory of digital currency at its desired price if required. A decline in the market prices for coins could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its coin sales.

With a 10% change to the price of digital currencies held, the Company's digital assets at December 31, 2024 would increase or decrease by \$102,897 (December 31, 2023 - \$152,106).

Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performances of digital currencies are not indicative of their future price performance.

The following websites were used to gather information and pricing for digital currencies:

1. CoinGecko
2. CoinMarketCap

Air Drop Risk

Air drops occur when the promoters of a new cryptocurrency send amounts of the new cryptocurrency to holders of another cryptocurrency that they will be able to claim a certain amount of the new cryptocurrency for free. The Company may not be able to realize the economic benefit of an air drop, either immediately or ever, for various reasons. For instance, the Company may not have any systems in place to monitor or participate in airdrops.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its obligations as they become due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. The Company manages Company-wide cash projections centrally and regularly updates projections for changes in business and fluctuations caused in digital currency prices and exchange rates.

In recent years, the digital currency markets experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings. As at December 31, 2024, the Company has cash of \$11,502 (December 31, 2023 - \$437,349) to meet current financial liabilities of \$6,538,696 (December 31, 2023 - \$6,056,859).

Accounts payable and accrued liabilities, current portion of lease liability, and convertible debt, will be paid in fiscal year 2025, as they become due. The non-current portion of the lease liability will be paid in fiscal year 2026, it becomes due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

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14. Fair Value and Financial Risk Management – continuedCurrency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not hedge against this foreign currency risk. The Company is exposed to foreign currency risk in relation to a portion of its cash, which is denominated in USD. Based on the cash balance denominated in USD at December 31, 2024, a 5% increase or decrease in the exchange rate would result in a gain or loss of \$89 (December 31, 2023 - \$18,443). The Company is not currently exposed to any other significant foreign exchange risk.

15. Transactions with Related Parties

a) Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the fiscal year ended December 31, 2024 and 2023 as follows:

	2024	2023
Consulting fees and salaries	\$ 210,000	\$ 247,500
Professional fees	203,400	203,421
Share based compensation	157,500	39,900
	\$ 570,900	\$ 490,821

During the period, the Company paid \$203,400 (December 31, 2023 - \$203,421) of professional fees to a company controlled by the CFO of PDFI.

- b) As at December 31, 2024, included in accounts payable accrued liabilities is \$65,323 (December 31, 2023 - \$77,098) of salary expenses due to directors and officers of the Company.
- c) As at December 31, 2023 the Company had entered into an office cost sharing agreement with a corporation controlled by an Officer and Director of the Company. The terms of the agreement are monthly payments of \$7,000 with no formal end date. During 2023, the Company recognized rental income accrued from this arrangement of \$91,243 and a provision was recorded with respect to the amount included in accounts receivable of \$125,994. Officers of the Company have received the benefit of the provision recorded. The agreement was terminated effective January 1, 2024.
- d) As at December 31, 2024, included in accounts payable accrued liabilities is \$76,844 (December 31, 2023 - \$76,844) due to former advisory board members of the company.

16. Commitments and ContingenciesManagement Contingency

The Company is party to certain management contracts. These contracts require that additional payments of up to approximately \$780,000 be made upon the occurrence of certain events such as a change of control or termination. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

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17. Subsequent Events

Subsequent to December 31, 2024, the Company issued an aggregate of 3,400,000 common shares in the capital of the Company at a price ranging between \$0.025 and \$0.02 per Common Share as part of a conversion of debenture units, of which 3,400,000 common shares had a cost of \$0.05 per Common Share. All Common Shares issued in connection with the debenture conversion are subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation. A summary of the shares issued from conversion are as follows:

- (i) On January 17, 2025, 600,000 common shares were issued at a price of \$0.025
- (ii) On January 22, 2025, 2,000,000 common shares were issued at a price of \$0.025
- (iii) On January 23, 2025, 800,000 common shares were issued at a price of \$0.02

18. Restatement

The Company has determined that there was an error in respect to the classification of portfolio investments, convertible debentures, accrued audit fees and accrued director's fees. A portion of portfolio investments were reclassified from current assets to non-current assets in the comparative period. Convertible debentures were reclassified from long-term liabilities to current liabilities in the comparative period, as the maturity of the debt was within 12 months of December 31, 2023. Accounts payable and accrued liabilities were restated to include an amount relating to audit fees for the year ended December 31, 2023, and an amount for director's fees no longer payable as of December 31, 2022.

During the year, management corrected the unrecognized deferred tax asset to reflect additional deductible temporary differences related to the tax impact of portfolio investments measured at fair value for the year-ended December 31, 2023. As a result of this reassessment, the unrecognized deferred tax asset decreased by \$68,495. This adjustment does not affect the previously reported deferred tax balances, as the additional amount remains unrecognized due to the continued uncertainty regarding the realization of future taxable profits.

The restatement is not as a result of any change to the Company's operations or business.

Impact of the restatement:

Impact on Statement of Financial Position

	For the year ended December 31, 2023		
	Previously Reported	Adjustment	Restated
Portfolio investments	1,085,673	(40,363)	1,045,310
Portfolio investment, long term	-	40,363	40,363
Accounts payable and accrued liabilities	383,541	35,229	418,770
Convertible debentures, short term	-	5,500,189	5,500,189
Convertible debentures, long term	5,500,189	(5,500,189)	-
Deficit	(38,551,421)	(35,229)	(38,586,650)

Impact on Statement of Shareholders' Deficit

	For the year ended December 31, 2023		
	Previously Reported	Adjustment	Restated
Balance, January 1, 2023	(988,501)	15,000	(973,501)
Net loss for the year	(1,697,654)	(50,229)	(1,747,883)
Deficit	(38,551,421)	(35,229)	(38,586,650)

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18. Restatement – continued**Impact on Statement of Loss and Comprehensive Loss**

	For the year ended December 31, 2023		
	Previously Reported	Adjustment	Restated
Audit and legal fees	322,535	50,229	372,764
Net comprehensive loss	1,697,654	(50,229)	(1,747,883)

Impact on Statement of Cash Flows

	For the year ended December 31, 2023		
	Previously Reported	Adjustment	Restated
Net loss	1,697,654	(50,229)	(1,747,883)
Changes in non-working capital balance:			
Accounts payable	(252,319)	50,229	(202,090)