

CREDIT FACILITY AGREEMENT

THIS AGREEMENT is made as of the 12th day of March, 2015.

BETWEEN:

PROPHECY DEVELOPMENT CORP., a British Columbia corporation, having a registered and records office at 2nd Floor, 342 Water Street, Vancouver, British Columbia, V6B 1B6

(the "**Borrower**")

AND:

LINX PARTNERS LTD., a British Columbia corporation, having an office at 1301 Bank of America Tower, 12 Harcourt Road, Central, Hong Kong

(the "**Creditor**")

WHEREAS the Borrower wishes to access short-term credit for interim working capital to fund its business operations and financial commitments.

AND WHEREAS the Creditor has agreed to establish a revolving credit facility in favour of the Borrower pursuant to which, the Borrower may borrow from the Creditor up to the principal amount of CAD\$1,500,000 (the "**Maximum Principal Amount**") at any time, and from time to time, on the terms and subject to the conditions of this Agreement, subject to the Creditor's approval of the Borrower's proposed use of the Loan proceeds, at its sole discretion.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and of the mutual covenants and undertakings hereinafter contained, the parties hereto have agreed and do hereby agree as follows:

1. Definitions.

In this Agreement:

- (a) "**Business Day**" means a day which is not a Saturday, Sunday or statutory holiday in the Province of British Columbia; and
- (b) "**Loan**" means at any point in time, that portion of the Maximum Principal Amount advanced to the Borrower by the Creditor, the interest accrued thereon and any expenses of the Creditor incurred in connection therewith, less any amounts thereof repaid by the Borrower.

2. Request for Loan and Advances Thereof.

The Borrower shall provide notice of such request including details of the proposed use of the Loan proceeds to the Creditor, who may, subject to its agreement and approval of the Borrower's proposed use of the Loan proceeds at its sole discretion, make an advance to the Borrower up to the lesser of the amount requested, and an amount which together with other amounts previously advanced to the Borrower and not repaid, does not exceed the Maximum Principal Amount. In such event, the Creditor shall respond and if possible, make the advance within three (3) Business Days' of receiving a written request from the Borrower. Any amount or portion of the Loan that is repaid shall be eligible to be borrowed again.

3. Term and Renewal.

- (a) The term of this credit facility shall be the period from the 12th day of March, 2015 to the 12th day of March, 2016.
- (b) Upon mutual agreement, this Agreement may be renewed for any number of further one (1) year terms.

4. Repayment, Penalty and Pre-Payment.

- (a) Any outstanding balance of the Loan (the "**Outstanding Balance**"), will be immediately due and payable by the Borrower to the Creditor on the earlier of:
 - (i) one (1) year from the date the Loan advance is received by the Borrower; or
 - (ii) immediately upon the occurrence of an Event of Default, as defined in Paragraph 10 hereof.
- (b) In the event the Borrower fails to repay the Outstanding Balance when due under ss. 4(a)(i) above, the Creditor will be entitled to receive from the Borrower as a penalty, an additional sum equal to 20% of the amount of any Loan advance, as part of the Outstanding Balance owing to the Creditor under this Agreement, the Note and GSA.
- (c) The parties may, at any time upon mutual written agreement, extend the time for repayment of any Outstanding Balance by the Borrower to the Creditor.
- (d) The Borrower may repay the Loan at any time before maturity, without notice or penalty.

5. Interest and Expenses.

Interest will begin to accrue on the Outstanding Balance immediately after the date drawn down, at the rate of 1.5% per month.

The Borrower will pay all costs of the Creditor, including reasonable legal costs of independent counsel to the Creditor, in connection with this Credit Facility Agreement and any other transactions contemplated herein.

6. Security.

As security for the Loan, the Borrower will execute and deliver to the Creditor a promissory note, in the form attached hereto as Schedule "A" for each drawdown hereunder (the "**Note**") together with a general security agreement (the "**GSA**") attached hereto as Schedule "B".

7. Representations and Warranties of the Borrower.

The Borrower represents and warrants to the Creditor as follows:

- (a) it is a company incorporated under the *Business Corporations Act* (British Columbia), has not discontinued or been dissolved under that Act and is in good standing with respect to the filing of annual reports with the Registrar of Companies office;
- (b) it has the power and authority to carry on its businesses as now being conducted, to acquire, own, hold, lease and mortgage or grant security in its assets including real property and personal property, and to enter into and perform its obligations under this Agreement, the Note, the GSA and any other documents or instruments which may be delivered hereunder or thereunder;
- (c) this Agreement, the Note, the GSA and all ancillary instruments or documents issued, executed and delivered hereunder or thereunder by it have been duly authorized by all necessary action and each constitutes or will constitute a legal, valid and binding obligation of the Borrower enforceable against it in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors and to the general principles of equity;
- (d) it is not in breach of or in default under any obligation in respect of borrowed money and the execution and delivery of this Agreement, the Note and all ancillary instruments or documents issued and delivered hereunder or thereunder, and the performance of the terms hereof and thereof will not be, or result in, a violation or breach of, or default under its constating documents, any law, any judgment, agreement or instrument to which it is a party or may be bound;
- (e) no litigation or administrative proceedings before any court or governmental authority are presently ongoing, or have been threatened in writing, or to the best of its knowledge are pending, against it, or any of its assets or affecting any of its assets which could have a material

adverse effect on its business or assets; and

- (f) except as disclosed in the Borrower's public disclosure record, it owns its business, operations and assets, and holds good title thereto, free and clear of all liens, claims or encumbrances whatsoever, other than as contemplated by this Agreement and the GSA, and with respect to any security pledged by its subsidiary, Red Hill Mongolia LLC in connection with its Agreement on Opening Credit Right with the Trade and Development Bank of Mongolia dated August 20, 2013.

8. Positive Covenants of the Borrower.

The Borrower covenants and agrees that so long as any monies will be outstanding under this Agreement, it will:

- (a) at all times, maintain its corporate existence and the corporate existence of all other corporations owned or controlled by it that own assets material to the Borrower's business, unless the parties mutually agree otherwise;
- (b) duly perform its obligations under this Agreement, the Note, the GSA and any other agreements and instruments which may be delivered by one party to the other hereunder;
- (c) carry on and conduct its business in a proper business-like manner in accordance with good business practice and will keep or cause to be kept proper books of account in accordance with International Financial Reporting Standards (IFRS);
- (d) use any Loan proceeds advanced pursuant to this Agreement strictly for the purposes described in its notice of request to the Creditor under Section 2; and
- (e) perform and do all such acts and things as are necessary to perfect and maintain the security provided to the Creditor pursuant to this Agreement.

9. Negative Covenants of the Borrower.

While any monies are outstanding pursuant to this Agreement, the Borrower covenants and agrees with the Creditor that the Borrower will not, without first obtaining the written consent of the Creditor, such consent not to be unreasonably withheld:

- (a) make, give, create or permit or attempt to make, give or create any mortgage, charge, lien or encumbrance that ranks equal to or in priority to the security interest of the Creditor over the assets of the Borrower;
- (b) declare or provide for any dividends or other payments based on share capital;

- (c) redeem or purchase any of its shares;
- (d) directly or through any subsidiary, make any sale of or dispose of any substantial or material part of its business, assets or undertaking, including its interest in the shares or assets of any subsidiary outside of the ordinary course of business;
- (e) pay out any shareholders loans or other indebtedness to non-arm's length parties; or
- (f) guarantee the obligations of any other person, directly or indirectly.

10. Events of Default.

Each and every one of the events set forth in this paragraph will be an event of default ("**Event of Default**"):

- (a) if the Borrower fails to make any Loan payment when due hereunder, and such failure continues for 7 Business Days or more;
- (b) if the Borrower defaults in observing or performing any material term, covenant or condition of this Agreement or any other collateral document delivered hereunder or in connection with the Loan, other than the payment of monies as provided for in subparagraph (a) hereof, on its part to be observed or performed and such failure continues for 7 Business Days or more;
- (c) if the Borrower is in default of prescribed filings with applicable securities regulatory authorities, the stock exchange or market on which its shares trade (collectively, the "**Authorities**"), or is subject to any suspension or cease trade order issued by any such Authority, or if the Borrower's Common shares are suspended or de-listed from trading on any stock exchange;
- (d) if any of the Borrower's covenants or representations in this Agreement or any other collateral document delivered hereunder or in connection with the Loan were at the time given false or misleading in any material respect;
- (e) if the Borrower defaults, in any material respect, in observing or performing any term, covenant or condition of any debt instrument or obligation by which it is bound, makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts as they become due, or is adjudicated bankrupt or insolvent;
- (f) if the Borrower permits any sum which has been admitted as due by the Borrower, or is not disputed to be due by it, and which forms or is capable upon any of the assets or undertaking of the Borrower to remain unpaid or

not challenged for 7 days after proceedings have been taken to enforce the same;

- (g) if the Borrower, either directly or indirectly through any material subsidiary, ceases or threatens to cease to carry on business;
- (h) if, in the reasonable opinion of the Creditor, a material adverse change occurs in the financial condition of the Borrower;
- (i) if the Creditor in good faith and on commercially reasonable grounds believes that the ability of the Borrower to pay any of the Outstanding Balance to the Creditor or to perform any of the covenants contained in this Agreement or any other collateral agreement or other document is impaired or any security granted by the Borrower to the Creditor is or is about to be impaired or in jeopardy;
- (j) if the Borrower petitions or applies to any tribunal for the appointment of a trustee, receiver or liquidator or commences any proceedings under any bankruptcy, insolvency, readjustment of debt or liquidation law of any jurisdiction, whether now or hereafter in effect; or
- (k) if any petition or application for appointment of a trustee, receiver or liquidator is filed, or any proceedings under any bankruptcy, insolvency, readjustment of debt or liquidation law are commenced, against the Borrower which is not opposed by the Borrower in good faith, or an order, judgment or decree is entered appointing any such trustee, receiver, or liquidator, or approving the petition in any such proceeding.

11. Effect of Event of Default.

If any one or more of the Events of Default occur or occurs and is or are continuing, the Creditor may without limitation in respect of any other rights it may have in law or pursuant to this Agreement or any other document or instrument delivered hereunder, demand immediate payment of all monies owing hereunder and enforce its right under this Agreement, the Note and GSA.

12. Indemnity.

The Borrower agrees to indemnify and save harmless the Creditor from and against all liabilities, claims, losses, damages and reasonable costs and expenses in any way caused by or arising directly or indirectly from or in consequence of the occurrence of any Event of Default under this Agreement.

13. Notices.

In this Agreement:

- (a) any notice or communication required or permitted to be given under

this Agreement will be in writing and will be considered to have been given if delivered by hand, transmitted by email or facsimile or mailed by prepaid registered post to the address, email or facsimile number of each party set out below:

(i) if to the Borrower:

2nd Floor, 342 Water Street
Vancouver, British Columbia
V6B 1B6

Attention: Irina Plavutska, CFO
Fax No: (604) 569.3661
Email: iplavutska@prophecydev.com

(ii) if to the Creditor:

1301 Bank of America Tower
12 Harcourt Road
Central, Hong Kong

Attention: John Lee
Fax No: +976.11.312721
Email: maucapital@gmail.com

or to such other address, email or facsimile number as any party may designate in the manner set out above; and

(b) notice or communication will be considered to have been received:

- (i) if delivered by hand during business hours on a Business Day, upon receipt by a responsible representative of the receiver, and if not delivered during business hours, upon commencement of business on the next Business Day;
- (ii) if sent by facsimile during business hours on a Business Day, upon the sender receiving confirmation of the transmission, and if not transmitted during business hours, upon the commencement of business on the next Business Day;
- (iii) if sent by email during business hours on a Business Day, on that same Business Day and if not transmitted during business hours, upon the commencement of business on the next Business Day; and
- (iv) if mailed by prepaid registered post upon the fifth Business Day following posting; except that, in the case of a disruption or an impending or threatened disruption in postal services every

notice or communication will be delivered by hand or sent by email or facsimile.

14. Assignment.

The parties acknowledge and agree that the Creditor may not assign all or part of the Loan, this Agreement and all collateral agreements, documents or instruments delivered hereunder without the prior written consent of the Borrower.

15. Enurement.

This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

16. Waivers.

No failure or delay on either parties' part in exercising any power or right hereunder will operate as a waiver thereof.

17. Remedies are Cumulative.

The parties' rights and remedies hereunder are cumulative and not exclusive of any rights or remedies at law or in equity.

18. Time.

Time is of the essence of this Agreement and all documents or instruments delivered hereunder.

19. Invalidity.

If at any time any one or more of the provisions hereof is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof will not in any way be affected or impaired thereby to the fullest extent possible by law.

20. Governing Laws.

This Agreement will be governed by and interpreted in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. The Borrower and the Creditor submit to the non-exclusive jurisdiction of the Courts of the Province of British Columbia and agree to be bound by any suit, action or proceeding commenced in such Courts and by any order or judgment resulting from such suit, action or proceeding.

21. Amendment.

This Agreement may be varied or amended only by or pursuant to an agreement in

writing signed by the parties hereto.

22. Schedules.

Both schedules attached hereto will be deemed fully a part of this Agreement.

23. Currency.

All references herein to "dollars" or "\$" are to Canadian dollars, unless otherwise indicated.

24. Counterparts.

This Agreement may be signed in one or more counterparts, originally or by facsimile, each such counterpart taken together, will form one and the same agreement.

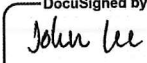
TO EVIDENCE THEIR AGREEMENT each of the parties has executed this Agreement as of the date first above written.

PROPHECY DEVELOPMENT CORP.

Per: 
Irina Plavutska
Chief Financial Officer

c/s

LINX PARTNERS LTD.

Per: 
625F49F624D7488...
John Lee

c/s

SCHEDULE "A"
PROMISSORY NOTE

Principal Amount: CAD\$ _____

For value received, **PROPHECY DEVELOPMENT CORP.** (the "**Borrower**") hereby promises to pay to **LINX PARTNERS LTD.** (the "**Creditor**") the principal sum of \$_____ CANADIAN DOLLARS (CAD\$) on the earlier of:

- (a) **[insert date 1 year from the date of Loan advance]**; or
- (b) the occurrence of an Event of Default (as defined in the Credit Facility Agreement between the Borrower and the Creditor dated for reference March 12, 2015),

together with interest at the rate of 1.5% per month, to begin accruing on the outstanding principal amount immediately after the date drawn down. All payments under this promissory note will be made by certified cheque, bank draft or wire transfer (pursuant to wire transfer instructions provided by the Creditor from time to time) and delivered to the Creditor at the addresses for the Notice as provided in the Credit Facility Agreement between the Borrower and the Creditor dated for reference March 12, 2015. All payments made by the Borrower will be applied first to interest, penalty and any other costs or expenses owed to the Creditor, then to principal.

The undersigned is entitled to prepay this promissory note, in whole or in part, without notice or penalty. This promissory note will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. In this promissory note, "Business Day" means a day which is not a Saturday, Sunday or statutory holiday in British Columbia.

Dated: _____

PROPHECY DEVELOPMENT CORP.

Per: _____
Authorized Signatory

SCHEDULE "B"

Form of General Security Agreement

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GENERAL SECURITY AGREEMENT

THIS AGREEMENT is dated for reference March 12, 2015.

BETWEEN:

PROPHECY DEVELOPMENT CORP., a British Columbia corporation, having a registered and records office at 2ND Floor, 342 Water Street, Vancouver, British Columbia, V6B 1B6

(the "**Debtor**")

AND:

LINX PARTNERS LTD., a British Columbia corporation, having an office at 1301 Bank of America Tower, 12 Harcourt Road, Central, Hong Kong

(the "**Secured Party**")

Consideration

1. For valuable consideration, the receipt and sufficiency of which are acknowledged by each party, the Debtor enters into this Agreement with the Secured Party.

Defined Terms

2. Capitalized terms used herein without express definition shall, unless something in the subject matter or context is inconsistent therewith, have the same meanings as are ascribed to such terms in the credit facility agreement (as the same may be amended, extended, renewed, replaced, restated and in effect from time to time, the "**Credit Facility Agreement**") dated March 12, 2015 between the Debtor, as Borrower, and the Secured Party, as Creditor.

Obligations

3. This Agreement and the Security Interests (as defined below) hereby created are in addition to and not in substitution for any other security interest now or hereafter held by the Secured Party from the Debtor or from any other person whomsoever and shall be general and continuing security for the payment and performance of all obligations, indebtedness and liability of the Debtor to the Secured Party, present and future, absolute or contingent, joint or several, direct or indirect, matured or not, extended or renewed, wheresoever and howsoever incurred, and arising under or relating to the Credit Facility Agreement and any Note thereunder, including without limitation, all unpaid principal, all accrued and unpaid interest, all accrued and unpaid fees, and all

penalties, expenses, reimbursements, indemnities and other obligations of the Debtor to the Secured Party (all of which obligations, indebtedness and liability are hereinafter collectively called the "**Obligations**").

Creation of Security Interests

4.1 As general and continuing security for the payment and performance of the Obligations, the Debtor hereby grants to the Secured Party a security interest in, and mortgages, charges, transfers and assigns by way of security, all of the present and after acquired personal property of the Debtor, and in all personal property in which they have rights, of whatever nature or kind and wherever situate, including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of the Debtor (by way of amalgamation or otherwise):

(a) all inventory of whatever kind and wherever situate, including, without limitation, goods acquired or held for sale or lease or furnished or to be furnished under contracts of rental or service, all raw materials, work in process, finished goods, returned goods, repossessed goods, and all packaging materials, supplies, and containers relating to or used or consumed in connection with any of the foregoing (collectively the "**Inventory**");

(b) all equipment of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, fixtures, furniture, furnishings, chattels, motor vehicles, vessels, and other tangible personal property of whatsoever nature or kind (collectively the "**Equipment**");

(c) all book accounts and book debts and generally all accounts, debts, dues, claims, choses in action, and demands of every nature and kind howsoever arising or secured, including letters of credit and advices of credit, which are now due, owing, or accruing or growing due to or owned by or which may hereafter become due, owing, or accruing or growing due to or owned by the Debtor (the "**Accounts**");

(d) all contractual rights, insurance claims, licences, goodwill, patents, trademarks, trade names, copyrights, and other intellectual property of the Debtor or in which the Debtor has an interest, all other choses in action of the Debtor of every kind which now are, or which may at any time hereafter be, due or owing to or owned by the Debtor, and all other intangible property of the Debtor which are not Accounts, chattel paper, instruments, documents of title, investment property, or money;

(e) all money;

(f) all property described in Schedule "A" attached hereto, or in any schedule at any time hereafter annexed hereto or agreed to form part hereof;

(g) the undertaking of the Debtor;

(h) all chattel paper, documents of title (whether negotiable or not), instruments, intangibles, and investment property now owned or hereafter owned or acquired by or on behalf of the Debtor (including such as may be returned to or repossessed by the Debtor), and all other goods of the Debtor which are not Equipment, Inventory, or Accounts;

(i) all deeds, documents, writings, papers, books of account and other books, and electronically recorded data relating to any of the foregoing or by which any of the foregoing is or may hereafter be secured, evidenced, acknowledged or made payable; and

(j) all renewals, accretions and substitutions of any of the foregoing and all after acquired personal property and fixtures and crops in any form derived directly or indirectly from any dealing with the Collateral or Proceeds (as such terms are defined below), including rights to insurance payments and any other payments representing indemnity or compensation for loss or damage to Collateral or Proceeds (the "**Proceeds**").

4.2 The grants, mortgages, charges, transfers, assignments and security interests herein created are collectively referred to in this Agreement as the "**Security Interests**".

4.3 All of the present and after-acquired personal property, assets, interests, and undertaking (including Proceeds) of the Debtor purported to be made subject to the Security Interests, are herein called the "**Collateral**".

4.4 The terms "goods", "accounts", "inventory", "equipment", "consumer goods", "instruments", "intangibles", "investment property", "documents of title", "chattel paper", "money", "proceeds", "financing statement", "financing change statement" and "verification statement", as used in this Agreement shall, unless otherwise defined in this Agreement or otherwise required by the context, be interpreted according to the meanings specified in the *Personal Property Security Act* (British Columbia) (the "**PPSA**").

Attachment

5. The Debtor acknowledges that

(a) value has been given;

(b) the Debtor has (or in the case of any after-acquired property, will have at the time of acquisition) rights in the Collateral; and

(c) the parties have not agreed to postpone the time for attachment of the Security Interests.

Dealings with Collateral

6. Until the occurrence of an Event of Default, the Debtor may collect the Accounts in the ordinary course of its business, except that all Accounts so collected shall be paid to the Secured Party immediately upon request made after the occurrence and during the continuance of an Event of Default.

Notification to Account Debtor

7.1 The Secured Party may, after the occurrence and during the continuance of an Event of Default,

- (a) notify any person obligated to the Debtor in respect of an Account, intangible, chattel paper or instrument to make payment to the Secured Party of all such present and future amounts due or to become due under any Account, intangible, chattel paper or instrument;
- (b) take control of the Proceeds; and
- (c) apply any money taken as Collateral to the satisfaction of the Obligations.

7.2 Any payment or other Proceeds of Collateral received by the Debtor from account debtors or from any other person liable to the Debtor whether before or after any notice is given by the Secured Party shall be held in trust by the Debtor for the Secured Party and forthwith paid over to the Secured Party on request.

Exceptions

8.1 The last day of the term of any lease, sublease or agreement therefor is specifically excepted from the Security Interests, but the Debtor will stand possessed of such last day in trust to assign and dispose of as the Secured Party shall direct.

8.2 The Security Interests shall not render the Secured Party liable to observe or perform any term or covenant or condition of any agreement, document or instrument to which the Debtor is a party or by which it is bound. In addition, the Security Interests do not and shall not extend to, and the Collateral shall not include, any agreement, right, franchise, licence or permit (the "**Contractual Rights**") to which the Debtor is party or of which the Debtor has the benefit, to the extent that the creation of the Security Interests herein would constitute a breach of the terms of or permit any person to terminate the Contractual Rights, but the Debtor shall hold its interest therein in trust for the Secured Party and shall assign such Contractual Rights to the Secured Party forthwith upon obtaining the consent of all other parties thereto. The Debtor agrees that it shall, if required by the Secured Party, use commercially reasonable efforts to obtain any consent required to permit any Contractual Rights to be subject to the Security Interests herein.

8.3 All consumer goods are excepted from the Security Interests.

Representations of Debtor

9. The Debtor represents and warrants that:

- (a) this Agreement is granted in accordance with resolutions of the directors of the Debtor, and all other matters and things have been done and performed so as to authorize and make the execution and delivery of this Agreement and the performance of the obligations of the Debtor hereunder legal, valid and binding; and
- (b) the Debtor lawfully owns and possesses all presently held Collateral and has good title thereto, free from all security interests, charges, encumbrances, liens and claims, save only the permitted encumbrances set out in Schedule "A" attached hereto or as otherwise consented to in writing by the Secured Party (the "**Permitted Encumbrances**"), and the Debtor has good right and lawful authority to grant the Security Interests hereunder, free and clear of all encumbrances other than the Permitted Encumbrances.

Covenants of Debtor

10. The Debtor covenants and agrees with the Secured Party:

- (a) not to change the location of any of the Collateral without giving 30 days' prior written notice thereof to the Secured Party;
- (b) not to sell, exchange, transfer, assign, lease or otherwise dispose of or deal in any way with the Collateral or release, surrender or abandon possession of the Collateral or move or transfer the Collateral, or enter into any agreement or undertaking to do any of the foregoing;
- (c) not to create or permit to exist any encumbrance against any of the Collateral except the Security Interests created by this Agreement and other Permitted Encumbrances;
- (d) to defend the title to the Collateral for the benefit of the Secured Party against all claims and demands;
- (e) to promptly pay when due all taxes, assessments, rates, levies, payroll deductions, workers' compensation assessments, and any other charges which could result in the creation of a statutory lien or deemed trust in respect of the Collateral;
- (f) to pay all expenses, including reasonable solicitors' fees and disbursements, receivers' fees and disbursements, and accounting fees and disbursements incurred by or on behalf of the Secured Party, its agents or any Receiver (as defined below) in connection with inspecting the Collateral, investigating title to the Collateral, the preparation, perfection, preservation, and

enforcement of this Agreement, including taking, recovering and keeping possession of the Collateral and all expenses incurred by or on behalf of the Secured Party or such agents or any Receiver in dealing with other creditors of the Debtor in connection with the establishment and confirmation of the priority of the Security Interests; all of which expenses shall be payable forthwith upon demand with interest at the rate specified in the Credit Facility Agreement and shall form part of the Obligations; and

(g) to observe and perform all of its obligations under or in connection with any other security agreement creating a security interest over the Collateral or any part thereof.

Registration of Securities; Control of Investment Property

11. The Secured Party may, after the occurrence and during the continuance of an Event of Default, require that all securities of the Debtor forming part of the Collateral be registered in the name of the Secured Party, or their nominee(s), and the Secured Party shall be entitled, but not bound or required, to exercise any of the rights that any holder of such securities may at any time have; provided that, until an Event of Default has occurred, the Debtor shall be entitled to exercise all voting power from time to time exercisable in respect of the securities. The Secured Party shall not be responsible for any loss occasioned by the exercise of any of such rights or by failure to exercise the same within the time limited for the exercise thereof. The Debtor shall forthwith upon the request of the Secured Party (a) deliver to the Secured Party those securities requested by the Secured Party duly endorsed for transfer to the Secured Party or their nominee(s) to be held by the Secured Party subject to the terms of this Agreement and (b) take such actions and steps, including without limitation, procuring such control agreements in favour of the Secured Party or their nominee(s), as may hereafter become reasonably appropriate to grant control of, or otherwise perfect a security interest in, any investment property in favour of the Secured Party or their nominee(s).

Events of Default

12. The occurrence of an Event of Default under the Credit Facility Agreement shall be an event of default (each, an “**Event of Default**”) under this Agreement.

Enforcement and Remedies

13. Upon the occurrence and during the continuance of an Event of Default, the Obligations shall, at the option of the Secured Party, be immediately due and payable and the Security Interests granted hereby shall, at the option of the Secured Party, become immediately enforceable. Upon the Security Interests becoming enforceable, the Secured Party shall have the following rights and remedies in addition to any other rights and remedies available under the PPSA or otherwise at law or in equity or contained in the documents evidencing or agreements comprising the Obligations or any other agreement between the Debtor and the Secured Party, all of which remedies shall be independent and cumulative:

- (a) entry of any premises where Collateral may be located;
- (b) possession of Collateral by any method permitted by law;
- (c) the preservation, protection and maintenance of the Collateral and making of such replacement thereof and additions thereto as the Secured Party deems advisable;
- (d) the sale or lease of Collateral;
- (e) the collection of any rents, income, and profits received in connection with the business of the Debtor or the Collateral;
- (f) the collection, realization, sale or other dealing with any Accounts of the Debtor;
- (g) the appointment or removal by instrument in writing of a receiver or a receiver-manager (each of which is herein called a "**Receiver**") of the Collateral;
- (h) the exercise by the Secured Party of any of the powers set out in this paragraph 13, without the appointment of a Receiver;
- (i) institute proceedings in any court of competent jurisdiction for the appointment of a Receiver or for the sale of the Collateral; and
- (j) the filing of proofs of claim and other documents in order to have the claims of the Secured Party lodged in any bankruptcy, winding-up, or other judicial proceeding relating to the Debtor.

Powers of Receiver

14. Any Receiver appointed by the Secured Party may be any person licensed as a trustee under the *Bankruptcy and Insolvency Act* (Canada), and the Secured Party may remove any Receiver so appointed and appoint another or others instead. Any Receiver appointed shall act as agent for the Debtor for all purposes, including the occupation of any premises of the Debtor and in carrying on the Debtor's business and the Secured Party shall not be liable for any act or omission of any Receiver. The Debtor agrees to ratify and confirm all actions of the Receiver and to release and indemnify the Receiver and the Secured Party in respect of all such actions. Any Receiver so appointed shall have the power:

- (a) to enter upon, use, and occupy all premises owned or occupied by the Debtor;
- (b) to take possession of the Collateral;

- (c) to carry on the business of the Debtor;
- (d) to borrow money required for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Debtor, and in the discretion of such Receiver, to charge and grant further security interests in the Collateral in priority to the Security Interests, as security for the money so borrowed;
- (e) to sell, lease, or otherwise dispose of the Collateral in whole or in part and for cash or credit, or part cash and part credit on such terms and conditions and in such manner as the Receiver shall determine in its discretion;
- (f) to demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and to give valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the Accounts or any other obligation of any third party to the Debtor; and
- (g) to exercise any rights or remedies which could have been exercised by the Secured Party against the Debtor or the Collateral.

Power of Attorney

15. The Debtor hereby irrevocably constitutes and appoints the Secured Party to be, upon the occurrence and during the continuance of an Event of Default, the true and lawful attorney of the Debtor, with full power of substitution, to do, make and execute all such statements, assignments, documents, acts, matters of things with the right to use the name of the Debtor whenever and wherever the Secured Party may deem necessary or expedient and from time to time to exercise all rights and powers and to perform all acts of ownership in respect to the Collateral in accordance with this Agreement. The Secured Party shall not be responsible to the Debtor for any act or failure to act under any power of attorney or otherwise.

Performance of Obligations

16. If the Debtor fails to perform any of its obligations hereunder, the Secured Party may, but shall not be obliged to, perform any or all of such obligations without prejudice to any other rights and remedies of the Secured Party hereunder, and any payments made and any costs, charges, expenses and legal fees and disbursements incurred in connection therewith shall be payable by the Debtor to the Secured Party forthwith upon demand with interest at the highest rate specified in the documents evidencing or agreements comprising the Obligations.

Costs

17. The Debtor agrees to be liable for and to pay all costs, charges and expenses incurred by the Secured Party or any Receiver appointed by it, whether directly or for

services rendered (including solicitors and auditors costs and other legal expenses and Receiver remuneration), in operating the Debtor's Accounts, in preparing or enforcing this Agreement, taking and maintaining custody of, preserving, repairing, processing, preparing for disposition and disposing of Collateral and in enforcing or collecting the Obligations and all such costs, charges and expenses shall be secured hereby.

Failure to Exercise Remedies

18. The Secured Party shall not be liable for any delay or failure to enforce any remedies available to it or to institute any proceedings for such purposes. The Secured Party may waive any Event of Default, provided that no such waiver shall be binding upon the Secured Party unless in writing nor shall it affect the rights of the Secured Party in connection with any other or subsequent Event of Default.

Application of Payments

19. All payments made in respect of the Obligations and all monies received by the Secured Party or any Receiver appointed by the Secured Party in respect of the enforcement of the Security Interests (including the receipt of any money) may be held as security for the Obligations or applied in such manner as may be determined in the discretion of the Secured Party and the Secured Party may at any time apply or change any such appropriation of such payments or monies to such part or parts of the Obligations as the Secured Party may determine in its discretion. The Debtor shall remain liable to the Secured Party for any deficiency and any surplus funds realized after the satisfaction of all Obligations shall be paid in accordance with applicable law.

Dealings by Secured Party

20. The Secured Party may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, and otherwise deal with the Collateral, the Debtor, debtors of the Debtor, sureties of the Debtor, and others as the Secured Party may see fit, without prejudice to the Obligations and the rights of the Secured Party to hold and realize upon the Security Interests. The Secured Party has no obligation to keep Collateral identifiable, or to preserve rights against other persons in respect of any Collateral.

Notice

21. Any notice required or permitted to be given hereunder to any party shall be given in accordance with the Credit Facility Agreement.

Separate Security

22. This Agreement and the Security Interests are in addition to and not in substitution for any other security now or hereafter held by the Secured Party in respect of the Debtor, the Obligations or the Collateral.

Secured Party Not Obligated to Advance

23. Nothing in this Agreement shall obligate the Secured Party to make any loan or accommodation to the Debtor or any other person, or extend the time for payment or satisfaction of any Obligations.

Severability

24. If any provision of this Agreement is deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

Time of Essence

25. Time is of the essence of this Agreement.

Grammatical Changes

26. This Agreement is to be read as if all changes in grammar, number and gender rendered necessary by the context had been made, specifically including a reference to a person as a corporation and vice-versa.

Including

27. The word "including", when following any word or words is not to be construed as limiting the preceding word or words but the preceding word or words are to be construed as referring to all items or matters that could fall within the broadest possible interpretation of the preceding word or words.

Agreement Unconditional

28. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Secured Party and the Debtor relating to the subject matter hereof except as expressly set forth herein or in the Credit Facility Agreement and possession of an executed copy of this Agreement by the Secured Party constitutes conclusive evidence that it was executed and delivered by the Debtor free of all conditions.

Governing Law; Attornment

29. This Agreement shall be interpreted in accordance with the laws of the Province of British Columbia, and the parties hereby irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of British Columbia.

Successors and Assigns

30. This Agreement and the Obligations may not be assigned by the Secured Party except in accordance with the provisions of the Credit Facility Agreement. This

Agreement may not be assigned by the Debtor without the prior written consent of the Secured Party. This Agreement is binding upon the parties hereto, and their respective heirs, executors, administrators, legal personal representatives, successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any corporation with another corporation.

Entire Agreement

31. This Agreement has been entered into pursuant to the provisions of the Credit Facility Agreement and is subject to all the terms and conditions thereof and, if there is any conflict or inconsistency between the provisions of this Agreement and the provisions of the Credit Facility Agreement, the rights and obligations of the parties will be governed by the provisions of the Credit Facility Agreement.

Counterparts

32. This Agreement may be signed in as many counterparts as may be necessary, each of which so signed will be deemed to be an original (and each signed copy sent by PDF, facsimile or other electronic transmission will be deemed to be an original), and such counterparts together will constitute one and the same instrument and, notwithstanding the date of execution, will be deemed to bear the date first above written.

Further Assurances

33. The Debtor will, at any time and from time to time at the request of the Secured Party and at the sole expense of the Debtor, make and do all such acts and things and execute and deliver all such instruments, agreements and documents as the Secured Party shall reasonably request by notice in writing given to the Debtor in order to create, preserve, perfect, validate or otherwise protect the Security Interests, to enable the Secured Party to exercise and enforce any of its rights and remedies hereunder and generally to carry out the provisions and purposes of this Agreement.

Termination and Discharge

34. This Agreement may be terminated by written agreement made between the Debtor and the Secured Party at any time when all of the Obligations have been fully paid or satisfied and all commitments or other obligations of the Secured Party to advance monies under the Credit Facility Agreement have been terminated or cancelled and the Debtor is entitled to obtain the release of the Collateral or any part thereof from the Security Interests granted hereunder. Upon and notwithstanding termination of this Agreement in accordance with the provisions of this paragraph 34, the Secured Party shall, at the request and expense of the Debtor, make and do all such acts and things and execute and deliver all such instruments, agreements and documents as the Debtor

shall consider reasonably necessary or desirable to discharge the Security Interests, to release and discharge the Collateral therefrom and to record such release and discharge in all appropriate offices of public record.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the Debtor as of the date first above written.

PROPHECY DEVELOPMENT CORP.

Per: Irina Plavutska
Chief Financial Officer

c/s

LINX PARTNERS LTD.

Per: _____
John Lee

c/s

SCHEDULE "A"
PERMITTED ENCUMBRANCES

"Permitted Encumbrances" means any of the following:

- (a) liens for taxes, assessments or governmental charges or levies not at the time due and delinquent or the validity of which the Debtor is contesting in good faith and in respect of which the Debtor has set aside, on its books, reserves considered by the Secured Party as adequate therefor;
- (b) undetermined or inchoate liens and charges incidental to current operations which have not been filed against the Debtor or which relate to obligations not due or delinquent;
- (c) the right reserved to or vested in any governmental or public authority by any lease, licence, franchise, grant, permit or statutory provision to terminate any lease, licence, franchise, grant or permit, or to require annual or other periodic payments as a condition of the continuance thereof;
- (d) the encumbrance resulting from the deposit of cash or obligations as security when the Debtor is required to do so by governmental or other public authority or by normal business practice in connection with contracts, licences or tenders or similar matters in the ordinary course of business and the purpose of carrying on the same or to secure workers' compensation, surety or appeal bonds or to secure costs of litigation when required by law;
- (e) security given to any public utility or any governmental or other public authority when required in connection with the operations of the Debtor.