Prophecy Development Corp.

(Formerly Prophecy Coal Corp.)

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

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1. INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**") of Prophecy Development Corp. and its subsidiaries ("**Prophecy**", or the "**Company**") provides analysis of the Company's financial results for the three months ended March 31, 2015. The following information should be read in conjunction with the accompanying March 31, 2015 unaudited condensed interim consolidated financial statements and the notes to those financial statements, prepared in accordance with International Financial Reporting Standards ("**IFRS**"), applicable to the preparation of interim financial statements, including International Accounting Standard ("**IAS**") 34 Interim Financial Reporting, as issued by the International Accounting Standards Board. This MD&A should be read also in conjunction with both the audited annual consolidated financial statements for the year ended December 31, 2014 (prepared in accordance with IFRS) ("**Annual Financial Statements**") and the related annual MD&A ("**Annual MD&A**"), all of which are available under the Company's SEDAR profile at www.SEDAR.com.

Financial information is expressed in Canadian dollars, unless stated otherwise. This MD&A is current as of May 14, 2015, and was reviewed, approved, and authorized for issue by the Company's Audit Committee. Readers are cautioned that this MD&A contains "forward-looking statements" and that actual events may vary from management's expectations. Readers are encouraged to read the cautionary note contained herein regarding such forward-looking statements.

Change of Company Name

On January 5, 2015, the Company changed its name from "Prophecy Coal Corp." to "Prophecy Development Corp." to better reflect its various interests in its mining and energy projects in Mongolia, Bolivia and Canada, and to allow for the broadening development and evolution of the Company's business interests as it actively pursues new opportunities.

Description of Business

Prophecy is a company amalgamated under the laws of the Province of British Columbia, Canada. The Company's Common shares (the "**Shares**") are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "PCY".

The principal business of the Company is the acquisition, exploration and development of mineral, mining and energy projects in Mongolia, Bolivia and Canada. The Company owns a 100% interest in the following significant coal projects in Mongolia: the Khavtgai Uul and Chandgana Tal coal deposits which are together, known as the "**Chandgana Coal Properties**" and the Ulaan Ovoo coal property. On January 2, 2015, the Company acquired a 100% joint venture interest in the Pulacayo Project (as hereinafter defined).

General Corporate Information:

At March 31, 2015 and May 14, 2015, Prophecy had: (i) 311,878,634 common shares issued and outstanding; (ii) 26,563,750 and 35,363,750 share options for Common shares outstanding respectively; and (iii) 15,766,648 and 12,479,719 warrants for Common shares outstanding respectively.

Share Information

Common shares of Prophecy are listed for trading on: (i) the TSX under the symbol "PCY"; (ii) the OTC-QX under the symbol "PRPCF"; and (iii) on the Frankfurt Stock Exchange under the symbol "1P2".

Investor Information

All financial reports, news releases and corporate information can be accessed on the Company's website at www.prophecydev.com

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Directors and Officers

As at the date of this MD&A, Prophecy's directors and officers were as follows:

Directors	Officers
John Lee, Executive Chairman	John Lee, Interim Chief Executive Officer ("**CEO**")
Harald Batista	Irina Plavutska, Chief Financial Officer
Greg Hall	Tony Wong, Corporate Secretary
Masa Igata	

Audit Committee	***Corporate Governance and Compensation Committee***
Greg Hall (Chair)	Greg Hall (Chair)
Harald Batista	Harald Batista
Masa Igata	Masa Igata

Qualified Persons

Mr. Christopher Kravits, LPG, CPG, is a qualified person as defined under National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). Mr. Kravits is not considered independent of Prophecy given the large extent that his professional time is dedicated solely to Prophecy. Mr. Kravits has reviewed and approved the technical and scientific disclosure regarding the mineral properties of Prophecy contained in this MD&A.

2. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of applicable Canadian securities legislation concerning anticipated developments in the Company's continuing and future operations in Mongolia and Bolivia, the adequacy of the Company's financial resources and financial projections. Such forward-looking statements include but are not limited to statements regarding the permitting, feasibility, plans for development and production of Prophecy's Chandgana power plant, including finalizing of any power purchase agreement; the likelihood of securing project financing; estimated future coal production at the Ulaan Ovoo coal property and the Chandgana Coal Properties; development of the Pulacayo Project (as herein after defined) and other information concerning possible or assumed future results of operations of Prophecy. See in particular, the section Select Financial and Operational Data under Part 3 – Business Overview and 2015 Outlook descriptions.

Forward-looking statements in this document are frequently identified by words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", "potentially" or similar expressions, or statements that events, conditions or results "will", "may", "would", "could", "should" occur or are "to be" achieved, and statements related to matters which are not historical facts. Information concerning management's expectations regarding Prophecy's future growth, results of operations, performance, business prospects and opportunities may also be deemed to be forward-looking statements, as such information constitutes predictions based on certain factors, estimates and assumptions subject to significant business, economic, competitive and other uncertainties and contingencies, and involve known and unknown risks which may cause the actual results, performance, or achievements to be different from future results, performance, or achievements contained in such forward-looking statements made by Prophecy.

In making the forward-looking statements in this MD&A, Prophecy has made several assumptions that it believes are appropriate, including, but not limited to assumptions that: all required third party contractual, regulatory and governmental approvals will be obtained for the development, construction and production of Prophecy's properties and the Chandgana power plant; there being no significant disruptions affecting operations, whether *due to labour disruptions or other causes; currency exchange rates being approximately consistent with current levels; certain price assumptions for coal, silver and other metals, prices for and availability of fuel, parts and equipment and other key supplies remain consistent with current levels; production forecasts meeting expectations; the accuracy of Prophecy's current mineral resource estimates; labour and materials costs increasing on a basis consistent with Prophecy's current expectations; and any additional required financing will be available on reasonable terms; market developments and trends in global supply and demand for coal, energy, silver and other metals meeting expectations. Prophecy cannot assure you that any of these assumptions will prove to be correct.*

Numerous factors could cause Prophecy's actual results to differ materially from those expressed or implied in the forward-looking statements including the following risks and uncertainties, which are discussed in greater detail under the heading "Risk Factors" in this MD&A: Prophecy's history of net losses and lack of foreseeable cash flow; exploration, development and production risks, including risks related to the development of Prophecy's Ulaan Ovoo coal property; Prophecy not having a history of profitable mineral production; commencing mine development without a feasibility study; the uncertainty of mineral resource and mineral reserve estimates; the capital and operating costs required to bring Prophecy's projects into production and the resulting economic returns from its projects; foreign operations and political conditions, including the legal and political risks of operating in Mongolia and Bolivia which are developing countries and being subject to their local laws; the availability and timeliness of various government approvals and licences; the feasibility, funding and development of the Chandgana power plant and Pulacayo Project; protecting title to Prophecy's mineral properties; environmental risks; the competitive nature of the mining business; lack of infrastructure; Prophecy's reliance on key personnel; uninsured risks; commodity price fluctuations; reliance on contractors; Prophecy's need for substantial additional funding and the risk of not securing such funding on reasonable terms or at all; foreign exchange risk; anti-corruption legislation; recent global financial conditions; the payment of dividends; and conflicts of interest.

In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion or incorporation by reference of forward-looking statements in this MD&A should not be considered as a representation by Prophecy or any other person that Prophecy's objectives or plans will be achieved.

These factors should be considered carefully and readers should not place undue reliance on Prophecy's forward-looking statements. The Company believes that the expectations reflected in the forward-looking statements contained in this MD&A and the documents incorporated by reference herein are reasonable, but no assurance can be given that these expectations will prove to be correct. In addition, although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Prophecy undertakes no obligation to publicly update any future revisions to forward-looking statements to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events, except as expressly required by law.

3. FIRST QUARTER HIGHLIGHTS

- On January 2, 2015, the Company completed, by way of a share purchase agreement, as amended (the "**Acquisition Agreement**") the acquisition of 100% of Apogee Silver Ltd.'s ("**Apogee**") interest in and to ASC Holdings Limited and ASC Bolivia LDC (which together, hold ASC Bolivia LDC Sucursal Bolivia, which in turn, holds Apogee's joint venture interest in the Pulacayo Paca silver-lead-zinc mining project in Bolivia (the "**Pulacayo Project**")) and Apogee Minerals Bolivia S.A. (collectively, the "**Apogee Subsidiaries**") by paying to Apogee $250,000 in cash and issuing to Apogee 60 million Prophecy Shares (the "**Consideration Shares**"). The Company also agreed to assume all liabilities of the Apogee Subsidiaries.

  Also pursuant to the terms of the Acquisition Agreement, the Company and Apogee entered into an escrow agreement (the "**Escrow Agreement**") which allows for the release of the Consideration Shares from escrow over time, when Prophecy Shares trading on the TSX reach certain price levels, or in the face of certain major triggering events. The Escrow Agreement provides for a standstill on voting of the Consideration Shares while they are held in escrow, and to not vote the released Consideration Shares against the Company's management so long as the Company continues to be engaged in its current business. The Consideration

(Expressed in Canadian Dollars)

Shares were deposited into escrow pursuant to the Escrow Agreement upon completion of the acquisition.

The purchase price of $4,150,000 consists of the following:

Cash consideration:	$	250,000
Fair value of Common shares issued:		3,900,000
Purchase price:	$	4,150,000

The preliminary purchase price allocation is as follows:

Cash and cash equivalents:	$	12,776
Plant & equipment:		862,900
Mineral properties:		9,940,134
Accounts payable:		(6,665,810)
Net assets acquired:	$	4,150,000

- On January 5, 2015, the Company announced that it changed its name to "Prophecy Development Corp."

- On January 20, 2015, the Company announced the approval by the Ministry of Roads and Transportation of Mongolia of the Road Feasibility Study for the construction of a 17 km road to connect Ulaan Ovoo mine to the Zeltura Russian border. The Company intends to work with the Mongolian Customs General Administration for the establishment of a customs inspection and clearance area at its Ulaan Ovoo mine for possible future coal shipment to Russia through the Zeltura border.

- In February 2015, the Company was notified by the Concession Department of the Mongolian Ministry of Industry that a working group was appointed to work on the power concession projects including one for the Chandgana power plant.

- On March 12, 2015 the Company borrowed by way of a revolving credit facility agreement dated March 12, 2015 (the "**Credit Facility Agreement**") $1,089,280 from Linx Partners Ltd., a private company wholly-owned and controlled by John Lee, Director, CEO and Executive Chairman of the Company, in order to meet interim working capital requirements to fund the Company's business operations and financial commitments. The Credit Facility Agreement has a maximum principal amount available for advance of $1.5 million, a one-year term with an option to extend it for any number of subsequent one-year terms, and bears an interest rate of 18% per annum. The Credit Facility Agreement is secured by a promissory note and a general security agreement.

- On March 20, 2015, the Company announced that the private placement with TBF Capital Management Group (HK) Limited ("**TBF**") previously announced on December 8, 2014 and February 25, 2015 had not closed by the deadline stipulated by the TSX.

Subsequent to period end

- On April 2, 2015, the Company announced that it had completed a review of prior technical studies on the Pulacayo Project, and engaged Mercator Geological Services Limited of Dartmouth, Nova Scotia ("**Mercator**") to complete an updated mineral resource estimate in accordance with NI 43-101 for the Pulacayo deposit and to develop a future exploration plan and a new mine plan for the Pulacayo Project with a production rate of 500 tonnes per day.

- On April 7, 2015, the Company granted 10,000,000 incentive stock options to directors, officers, employees, and consultants of the Company which are exercisable at a price of $0.05 per Share for a period of five years expiring on April 7, 2020 and vest at 12.5% per quarter for the first two years following the date of grant. The Company also cancelled 1,000,000 incentive stock options on April 7, 2015 which were originally granted on May 1, 2014 and had an exercise price of $0.065 per Common share for a period of five years.

- On April 14, 2015, the Company filed a Notice of Civil Claim in the Supreme Court of British Columbia against TBF for breach and repudiation of an Amended and Restated Subscription Agreement for Common Shares between the parties dated February 6, 2015.

- On May 5, 2015 the Company, through its wholly-owned subsidiary, Red Hill, entered into a purchase agreement with an arm's-length party in Mongolia to sell substantially all of its mining and transportation equipment at the Company's Ulaan Ovoo mine for total proceeds of approximately $2.4 million.

  The Company received a cash payment of approximately $1.7 million with further proceeds of approximately $700,000 expected to be paid by the buyer in stages, to correspond with pick-up of the equipment. The process is expected to be completed by June 1, 2015.

  The Company received consent to the sale of the equipment, which belonged to Red Hill, from the Company's creditor, Linx Partners Ltd. which holds a general security interest over all of the Company's present and after-acquired property. In consideration for consenting to the sale of, and waiving its security interest in, the equipment, Linx Partners Ltd. will receive, subject to final acceptance from the TSX, 12 million share purchase warrants of the Company exercisable at $0.05 per Share for a period of five years from the date of issuance.

  The proceeds from the sale of the equipment will be used to repay the LOC with TDB and to advance the Company's Chandgana power plant and Pulacayo Project.

4. PROPERTY SUMMARY

For this quarterly report the property descriptions and selected financial and operating data for this section are not included unless there is a change from the Annual Financial Statements and related Annual MD&A. The reader is referred to the Annual Financial Statements and related Annual MD&A for this information.

<u>Highlights on Ulaan Ovoo Mine, Mongolia</u>

Please refer to the relevant section of the report of the Annual MD&A for this information.

Select Financial and Operational Data:

Please refer to the relevant section of the report titled "Management's Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2014" for this information.

Q1 2015

During the first quarter 2015 the mine shipped approximately 26,400 tonnes (2014 – 43,000 tonnes) of coal to local customers from existing stockpiles. Total coal sales revenue of $0.6 million (2014 - $1.24 million) was realized during this period. The coal stockpile balance was approximately 90,000 tonnes with a value of approximately of $1 million at March 31, 2015. During the three months ended March 31, 2015, the Company incurred operating costs of approximately $1.3 million.

Due to minimal increase in coal prices and decreased demand because of a mild winter, the Company decided to place operations on standby though coal loading and sales from existing stockpiles will continue to customers. This is a temporary curtailment from pre-commercial mining during which the Company is preparing to mine later this year. The Company decided to sell the mining equipment to generate cash so that operations may continue. Open-pit mining operations at Ulaan Ovoo may be restarted in short order by signing with any one of several available third party contract-mining companies in Mongolia that provide a turnkey solution with labor and equipment. The Company believes contract mining is a more efficient way to operate in Mongolia since contract mining firms will be responsible for labor agreements and equipment maintenance.

The Company, through its wholly-owned subsidiary, Red Hill, entered into a purchase agreement with an arm's-length party in Mongolia to sell substantially all of its mining and transportation equipment at the Company's Ulaan Ovoo mine for total proceeds of approximately $2.4 million. The Company received a cash payment of approximately $1.7 million with further proceeds of approximately $700,000 expected to be paid by the buyer in stages, to correspond with pick-up of the equipment. The process is expected to be completed by June 1, 2015.

The feasibility study for upgrading the road from the Ulaan Ovoo mine to the Zeltura border was approved by the Mongolian Ministry of Road and Transportation in January 2015. The Company is also working with the Mongolian Customs General Administration through a consultant for the design of a customs inspection and clearance area at Ulaan Ovoo. While the Company is pleased with the overall progress and appreciates the support from the Mongolian authorities, it cannot offer any certainty or a definitive time frame to start transporting coal to Russia through Zeltura.

2015 Outlook

For the near future, the Ulaan Ovoo mine will remain on standby. The Company will continue with coal loading and the sale of its mining and transportation equipment at Ulaan Ovoo. Placing the mine on standby and selling off equipment is not considered to decrease the likelihood of successfully restarting the mine and continued pre-commercial mining to eventually achieve commercial mining. The Company continues its efforts to maximize value including evaluation of operating alternatives (e.g. electrification, conveyance vs. haul), infrastructure improvement, management changes, higher margin uses and markets for Ulaan Ovoo coal, and methods to upgrade coal quality and pursuit of financial arrangements including strategic partner or joint venture arrangements or the sale of a portion or the entire project. One of these efforts is to penetrate the urban residential market in Mongolia (total estimated consumption of approximately 700 - 900 thousand tonnes a year in the cities of Ulaanbaatar, Erdenet, and Darkhan) and further increase coal sales to Russia.

Though management believes the domestic and export long term thermal coal market is improving and is becoming more profitable, the Company is unable to determine when improvement will materialize and if so, be sustainable, when, if at all, greater access to Russian coal markets will be realized, the extent of project changes and operational modifications required and the time and degree they will improve profitability, and the full potential value of the coal resource will be realized.

<u>Highlights on the Chandgana Coal Properties, Mongolia</u>

Please refer to the relevant section of the Annual MD&A for this information.

Q1 2015

The Company registered the reserve estimate for mining license MV-016767 (one of the Chandgana Tal licenses). This work ensures the resources will be available to fuel the Chandgana power plant. The exploration plan for the Khavtgai Uul license was submitted. The company continued pursuing consolidation of the assets of Cosmo Coal LLC's wholly-owned subsidiary Tugalgatai Mining LLC ("**Tugalgatai**") and Chandgana Coal LLC ("**Chandgana**").

During the three months ended March 31, 2015, the Company incurred total costs of $63,466 (2014 - $156,237) for the Chandgana Tal property (including power plant consultant and land maintenance costs) and $50,881 (2014 - $21,269) for the Khavtgai Uul property.

2015 Outlook

For the Chandgana Tal property, the Company will prepare to mine a small amount of coal for the upcoming heating season. Otherwise normal license maintenance work will be completed.

Work on the Khavtgai Uul license will include required exploration and normal license maintenance work in order to retain exploration and mining rights to the license. The goal of the exploration is to better define the geology of the initial surface mine boxcut.

Prophecy still expects regulatory approval of the consolidation of the assets of Chandgana, which controls the Chandgana Tal and Khavtgai Uul licenses, with the assets of Tugalgatai, as announced in the Company's August 18, 2014 news release issued in Q3 2015. The assets of Tugalgatai include licenses located between and contiguous to the Chandgana Tal and Khavtgai Uul licenses. Although the consolidation has been delayed following the news release due to internal restructuring of Cosmo Coal LLC, both parties continue their dialog with the goal of completing consolidation by the deadline of August 18, 2015.

Chandgana Power Plant Project, Mongolia

Please refer to the relevant section of the Annual MD&A for this information.

Q1 2015

In February 2015, Prophecy Power Generation LLC was notified that a working group was appointed to work on the power concession projects. During the quarter, Prophecy Power Generation LLC continued preparations to conclude the concession agreement, including document preparation and meetings with key officials. Discussions with investors also continued.

2015 Outlook

The Company actively pursues the remaining agreements, approvals and permits required to proceed with the development of the Chandgana power plant project. The Company intends to conclude three major agreements with the Government on the Chandgana power plant – the tariff agreement, power purchase agreement and concession agreement in 2015. Prophecy also continues to actively consider project financing options which include either debt, equity or a combination thereof in addition to joint ventures with international power project developers. Otherwise regular license maintenance work will continue.

Pulacayo Project, Bolivia

On January 2, 2015, pursuant to the terms of the Acquisition Agreement, Prophecy acquired the Pulacayo Project in Bolivia through the acquisition of the issued and outstanding shares of ASC Holdings Limited and ASC Bolivia LDC, which together, hold the issued and outstanding shares of ASC Bolivia LDC Sucursal Bolivia. ASC Bolivia LDC Sucursal Bolivia controls the mining rights to the concessions through a separate joint venture agreement with the Pulacayo Ltda. Mining Cooperative who hold the mining rights through a lease agreement with state owned Mining Corporation of Bolivia, COMIBOL.

The Pulacayo Project comprises approximately 22,850 hectares of contiguous mining concessions centered on the historical Pulacayo mine and town site. The Pulacayo Project is located 18 km east of the town of Uyuni in the Department of Potosi in southwestern Bolivia. It is located 460 km south-southeast of the national capital of La Paz and 150 km southwest of the city of Potosi, which is the administrative capital of the department. Pulacayo is accessible by all season paved and gravel roads from La Paz via Oruro to Uyuni, and by newly paved road from Potosi. The town of Uyuni has a newly developed asphalt airstrip which now accommodates daily scheduled air service from La Paz by two regional carriers. It also has commercial railway connections to the cities of Oruro, Potosi and Villazon, and links to the borders of Argentina and Chile. Railway connections to Chile link to major shipping ports at Antofastago and Porto Mejilliones. The Pulacayo Project is fully permitted with secured social licenses for mining.

In December 2012, the Environmental Impact Assessment for the Pulacayo Project was submitted to Bolivia's Ministry of Environment and Water and it was approved in October 2013. The submission was the result of over 30 months of technical studies and consultations, including a comprehensive water management plan, the feasibility study, archeological studies, flora and fauna studies, mine closure planning, social baseline studies, and results from two years of public consultations with local communities. The approval of the Environmental Impact Assessment allows for mine and concentrator construction with a targeted production rate of up to 560tpd at the Pulacayo Project.

(Expressed in Canadian Dollars)

Exploration and Evaluation

On January 17, 2013, Apogee reported the results of an independent mineral resource estimate and feasibility study prepared by Professor Jim Porter, FSAIMM, Graeme Farr, Peter Webster, P. Geo, Michael Cullen P. Geo, and Eugene Puritch, P. Eng, independent qualified persons as defined by NI 43-101, on the Pulacayo deposit located in southwestern Bolivia that meets the standards of disclosure required by Canadian Securities Administrators NI 43-101. The updated mineral resource estimate outlined a total of 60.3 million ounces of silver in the Indicated category and a total of 9.2 million ounces of silver in the Inferred category, as detailed in Table 5 below.

This mineral resource estimate represents an increase in silver in the Indicated resource category of 106% or 30.9 million ounces from the mineral resource estimate dated October 19, 2011, previously filed under Apogee's SEDAR profile at www.SEDAR.com, as set out below. This increase is comprised of a 45% increase in the Indicated category from underground sulphide resources, with an additional 13.2 million ounces of silver from 6.19 million tonnes grading 213.6 grams/tonne silver, 0.86% lead and 1.74% zinc. It also includes an additional 4.63 million ounces of silver in the Indicated category from the oxide zone at Pulacayo, with 1.5 million tonnes grading 95.9 g/t silver and 13.17 million ounces of silver in the Indicated category from open pit sulphide resources with 9.28 million tonnes grading 44.1 grams/tonne silver, 0.66% lead and 1.32 % zinc.

Table 1. Pulacayo Project - Resources

Resource Class	**Type**	**Tonnes**	**Ag g/t**	**Pb %**	**Zn %**	**Ag (Oz)**	**Pb** (M. lbs.)	**Zn** (M. lbs.)
Combined Open Pit and Underground Resources including Oxide and Sulphide Zones								
Open Pit Resources (Base case 42^0 Average Pit Wall Slope Angle)								
Open Pit Indicated	Oxide	1,500,000	95.9	0.96	0.13	4,626,000	~	~
Open Pit Inferred	Oxide	248,000	71.2	0.55	0.31	569,000	~	~
Open Pit Indicated	Sulphide	9,283,000	44.1	0.66	1.32	13,168,000	135.90	269.54
Open Pit Inferred	Sulphide	2,572,000	33.4	0.92	1.36	2,765,000	51.99	76.88
Waste Rock			71,679,000			Strip Ratio 5.3 : 1		
Underground Resources (all blocks below 4159 m ASL with NSR > US $58)								
Underground Indicated	Sulphide	6,197,000	213.6	0.86	1.74	42,547,000	117.49	237.72
Underground Inferred	Sulphide	943,000	193.1	0.43	1.61	5,853,000	8.94	43.47
Total Indicated	Oxide + Sulphide	16,980,000	110.5	0.76	1.37	60,341,000	253.39	507.26
Total Inferred	Oxide + Sulphide	3,763,000	75.9	0.77	1.35	9,187,000	60.93	120.35

Notes:

(1) Tonnages have been rounded to the nearest 1,000 tonnes. Average grades may not sum due to rounding.
(2) Metal prices used were US$25.00/oz silver, US$0.89/lb lead, and US$1.00/lb zinc. Lead and zinc do not contribute to revenue in the oxide zone.
*(3) Open Pit Sulphide Resources are reported at a US $13.20 Net Smelter Revenue ("**NSR**") cut-off. Underground Sulphide Resources are reported at a US $58 NSR cut-off. Open Pit oxide resources are reported at a US$23.10 revenue/tonne cut-off.*
(4) Contributing 1.0 meter assay composites were capped at 1500 g/t Ag, 15% Pb, and 15% Zn.
(5) Specific gravity is based on an interpolated inverse distance squared model.
(6) Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral

(Expressed in Canadian Dollars)

resources may be materially affected by environmental permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

The updated mineral resource estimation was completed by Mercator Geological Services Limited that meets the standards of disclosure of the Canadian Securities Administrators described in NI 43-101. The effective date of this mineral resource estimate is September 28, 2012.

Apogee filed a technical report entitled "Updated Mineral Resource Technical Report for the Pulacayo Silver-Lead-Zinc Deposit, Pulacayo Township, Potosi District, Quijjaro Province, Bolivia" that meets the standards of disclosure in support of the September 28, 2012 news release which disclosed the results of the updated mineral resource estimate. The report and news release are available under Apogee's SEDAR profile at www.SEDAR.com.

In January 2013, Apogee reported the results of a NI 43-101 compliant independent feasibility study, which included the Updated Mineral Resource Estimation discussed above and additionally a Mineral Reserve Estimation which was prepared by TWP SudAmerica under the supervision of Professor J. Porter, FSAIMM, a qualified person as defined by NI 43-101, on the Pulacayo deposit located in southwestern Bolivia.

The probable mineral reserve which constitutes 57% of the Underground Indicated Mineral Resource and 21% of the estimated Total Indicated Mineral Resource, is set out in Table 2 below.

Table 2. Pulacayo Project – Mineral Reserve Summary (effective of January 17, 2013)

Probable Mineral Reserve (tonnes)	Ag (g/t)	Pb (%)	Zn (%)	Ag (oz)	Ag (oz agEq.)*	Pb (t)	Zn (t)
3,557,683	239	1.09	1.91	27,385,190	35,457,378	38,927	67,905

Notes:

(1) The estimation of the Probable Mineral includes modifying factors including and NSR cutoff of US$70/t, 2% mining dilution, 2% mining loss, 2% lashing loss and 5% void loss due to historical mining. A silver price of US$25/oz, lead US$0.89/lb, and zinc US$0.89/lb was used in the determination of the NSR of mining blocks. Professor Porter is independent of Apogee.

(2) Base silver prices for the feasibility economic study and used in the calculation of this reserve are the three-year trailing average of Ag $28/oz at Nov 30, 2012. A lead price projection of $0.89/lb and $1.00/lb for zinc was used; both projections are based on an independent review conducted by Exen Consulting Services of Ontario, Canada and TWP.

(3) The application of "silver equivalent ounces" (oz_{AgEq}. means the US dollar value of lead and zinc metals divided by the price of silver and added to the pure silver ounces in any applicable category. Unless otherwise indicated, all economic calculations are done using metal prices discussed in Note 3; where operating costs per oz_{AgEq} are quoted, equivalent ounces refer to equivalent ounces produced after mining and processing modifying factors. The calculation for lead equivalent ounces is $Lead_{AgEq}$ = (Lead Tonnes x 2204lbs/t x $0.89/lb) / $28oz and for zinc equivalent ounces is $Zinc_{AgEq}$.= (Zinc Tonnes x 2204lbs/t x $1.00/lb) / $28oz.

(4) The Company is not aware of any imminent undisclosed risk could materially affect development of the reserve. The development of the mineral reserve nevertheless could be affected by risks including possible delays to environmental permitting, legal risks, lease title rights risks, potential changes to taxation and royalty laws, possible sociopolitical unrest, potential marketing challenges, or other relevant issues.

Apogee filed a technical report entitled "NI 43-101 Technical Report, Pulacayo Project Feasibility Study" in support of the January 17, 2013 news release which disclosed the results of the reserve estimate and the feasibility study results. This study meets the disclosure requirements of Canadian Securities Administrators NI 43-101. Both the report and news release are available under Apogee's SEDAR profile at www.SEDAR.com.

Pre-Production Mining and Processing Operations

Apogee demonstrated its ability to mine and process ore by the successful trial mining and processing operations conducted in partnership with the Pulacayo Ltda. Mining Cooperative, and with the support of local communities and other stakeholders. Prophecy will build on this information in the anticipation of successfully restarting the mine and continuing mining and concentrating operations into the future. Prophecy hopes to continue support of the local communities and stakeholders and to receive their support.

Due to the decline in silver price, Apogee terminated its mining activities at the site and aggressively reduced non-essential costs.

Paca Deposit

The Paca deposit is located approximately 8 km north of the Pulacayo deposit. Drilling by Apex in 2002 identified a zone of significant silver-zinc-lead mineralization (see Apogee's news release dated September 13, 2005 under Apogee's SEDAR profile at www.SEDAR.com).

Subsequent drilling by Apogee in 2006 and 2007, totalling approximately 15,000 meters, delineated a silver-lead-zinc deposit that could potentially be developed by open pit methods. Apogee believes that there is potential for resource expansion at the Paca deposit but currently efforts at Pulacayo are taking priority.

This deposit was the subject of an independent estimate of mineral resources prepared by Micon International Limited. The resource estimate was disclosed in a technical report dated March 2007 that meets the disclosure requirements of Canadian Securities Administrators NI 43-101 and can be found under Apogee's SEDAR profile at www.SEDAR.com. Alternatively, this report is also available on Apogee's website. Apogee has not undertaken diamond drilling on the Paca project since February 2007.

Q1 2015

The Company implemented its fast-track development schedule of the project as described previously.

On February 2, 2015, the Company announced the assay results received January 22, 2015 from ALS Minerals Ltda., for samples obtained during the reconnaissance sampling program of tailings piles materials. The tailings piles are the remaining materials from processing ore, extracted from the Pulacayo mining district between approximately 1850 and 1950. The ore was processed by a mill on site which has since been dismantled.

A total of 12 tailings piles were identified at the start of the mapping and sampling program and a total of 299 samples from the 12 tailings piles were obtained. Samples were obtained at random locations on the top surface of those piles from small holes excavated with an excavator and systematically at 2 meter spacings in the walls (slopes) of the piles from hand dug or excavated trenches, all at depths of 1.2 to 1.5 meters. The samples were then preserved, stored, secured, and transported following industry standard methods. The assay program was performed by ALS Minerals Ltda. of Lima, Perú and included standard QA/QC samples to enforce the validity of the results. The results (see Prophecy's news release dated February 2, 2015) indicate silver grades up to 1200 g/t, gold grades up to 7 g/t and indium grades up to 154.5 g/t. The Pulacayo mine extracted ore mostly from the Tajo Vein System which is a High Sulphidation Epithermal System of 2.5 km wide by 2.7 km long, to minimum depths of 1,000 meters, and was the main source of the historical ore production.

The work during the three months ended March 31, 2015 also included the determination of a high-grade mining scenario, hiring key personnel, arrangement of analytical and process testing of tailings, concentrator (mill) evaluation, consideration of mill financing options, consideration of options to resolve legacy financial obligations, assessment of options to upgrade utilities, application for exploration permits, and pursuit of funding for the project.

The Company has engaged Mercator to:

- complete an updated mineral resource estimate in accordance with NI 43-101 for the Pulacayo deposit by the end of April 2015 based on a silver equivalency cut off value of 500g/t Ag eq;
- work with Prophecy engineering staff to develop a new mine plan for the Pulacayo Project with a production rate of 500 tonnes per day, downsized from the 1,000 tonne per day rate in the prior feasibility study mine plan;
- complete a mineral resource estimate in accordance with NI 43-101 for the Paca open pit deposit based on a silver equivalency cut off value of 200g/t Ag eq;
- work with Prophecy engineering staff to develop a mine plan for the Paca open pit deposit with a proposed production rate of 500 tonnes per day;

(Expressed in Canadian Dollars)

- examine the Pulacayo tailings deposits and associated technical data and prepare a mineral resource estimate in accordance with NI 43-101 for these deposits, or a portion thereof; and
- develop a future exploration plan for the Pulacayo deposit, Paca deposit, and other satellite target anomalies on the properties with the objective of establishing additional high grade mineral resources.

2015 Outlook

During Q2 2015 the Company expects to complete those tasks that were started in Q1 2015, but were not completed. Other work planned includes publishing resource estimates for the Pulacayo underground deposit, Paca open pit deposit, and tailings piles that satisfy the requirements referenced in NI 43-101, resolve the remaining environmental issues, complete mine plans, consummate mill purchase and finance agreements, consummate a concentrate offtake agreement, select exploration targets, complete exploration of tailings piles, and specify and select underground and surface mining equipment. The goal is that by the end of Q2 2015, a production decision can be made and if affirmative, utility upgrade work, mill construction, and rehabilitation-development of the Pulacayo underground mine, development of the Paca open pit mine, and mining of the tailings piles will start.

5. SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected financial information for the eight most recently completed quarters, prepared in accordance with IFRS:

	2015 Mar-31	2014 Dec-31	2014 Sep-30	2014 Jun-30
Operating expense	$ (565,716)	$ (908,565)	$ (381,890)	$ (551,125)
Net loss	(1,994,753)	(12,624,317)	(997,563)	(874,952)
Net loss per share, basic and diluted	$ (0.01)	$ (0.05)	$ (0.00)	$ (0.00)
Comprehensive loss	(1,994,753)	(12,624,317)	(997,563)	(874,952)
Comprehensive loss per share, basic and diluted	$ (0.01)	$ (0.05)	$ (0.00)	$ (0.00)

	2014 Mar-31	2013 Dec-31	2013 Sep-30	2013 Jun-30
Operating expense	$ (622,005)	$ 225,160	$ (2,731,414)	$ (793,281)
Net loss	(199,209)	(10,818,935)	(5,300,267)	(3,564,385)
Net loss per share, basic and diluted	$ (0.00)	$ (0.04)	$ (0.02)	$ 0.02
Comprehensive loss	(199,209)	(10,665,360)	(5,502,416)	(3,898,023)
Comprehensive loss per share, basic and diluted	$ (0.00)	$ (0.04)	$ (0.02)	$ 0.02

The Company's quarterly operating expenses remain relatively stable. Factors causing significant changes between the prior seven quarters have primarily been items such as non-cash share-based payments expense and consulting and management fees. Factors causing significant changes in net loss have been primarily items such as impairment charges, losses on disposal of investment in associate, and sale of available-for-sale investments.

6. DISCUSSION OF OPERATIONS

All of the information described below is accounted for in accordance with IFRS. The reader is encouraged to refer to Note 6 of Prophecy's Annual Financial Statements for Prophecy's IFRS accounting policies. Certain prior period figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously reported results. For discussion on each project, the reader is encouraged to refer to the "Business Overview" section of this MD&A.

For the three months ended March 31, 2015, Prophecy incurred operating expenses of $565,716 compared to $622,005 incurred for the same period in 2014.

(Expressed in Canadian Dollars)

Operating Expenses		Three months ended March 31,		
		2015		2014
Advertising and promotion	$	20,640	$	19,460
Consulting and management fees		108,499		22,811
General and administrative expenses		293,966		265,893
Professional fees		51,897		88,739
Share-based payments		46,004		192,603
Travel and accommodation		44,710		32,499
	$	565,716	$	622,005

The decrease by $56,289 in operating expenses was mainly due to the following factors:

- Professional fees decreased by $36,842 as a result of decrease in legal fees in comparison to the 2013 period.
- Share-based payments expense represents the value assigned to the granting of options and incentive-based units under the Company's Share-Based Compensation Plan using the Black-Scholes model. For the three months ended March 31, 2015, share-based payments expense decreased by $146,599 compared to the same period in 2014. The decrease was mainly due to no options being granted during Q1 2015.

For the three months ended March 31, 2015 Prophecy incurred other expenses amounting to $1,429,037 compared to gain of $422,796 for the same period in 2014.

Other Items		Three months ended March 31,		
		2015		2014
Costs in excess of impaired value	$	1,318,174	$	2,211,781
Foreign exchange (gain) loss		101,111		(275,465)
(Gain) loss on sale of available-for-sale investments		-		(2,351,906)
Interest expense		9,752		-
Interest income		-		(7,206)
	$	1,429,037	$	(422,796)

7. LIQUIDITY AND CAPITAL RESOURCES

Working Capital

The Company is an exploration and development stage company that has not yet generated revenues or significant cash flows from its operations. To continue operations and to fund future obligations, the Company will be required to raise funds through equity or other financing alternatives. Recent global economic conditions and market uncertainty may have an impact on the Company's ability to raise funds through the equity markets. Management believes that there are sources of financing available; however, there can be no assurance that the Company will be successful in its future.

At March 31, 2015 Prophecy had approximately $283,095 comprised of cash and cash equivalents, representing an increase of $82,101 from the $200,994 held at December 31, 2014. Working capital deficit amounted to $9.5 million at March 31, 2015 compared to working capital deficit of $0.9 million as at December 31 2014. The decrease in working capital is mainly due to increase in liabilities in connection with the acquisition of the Apogee Subsidiaries in January 2015. Pursuant to the terms of the Acquisition Agreement, Prophecy agreed to assume all liabilities, including legal and tax liabilities associated with the Apogee Subsidiaries and the Pulacayo Project.

During Apogee's financial year ended June 30, 2014, it received notice from the Servicio de Impuestos Nacionales, the national tax authority in Bolivia that the Company's wholly-owned subsidiary ASC Bolivia LDC Sucursal Bolivia owes approximately Bs42,000,000 ($6,536,326) in taxes, interest and penalties relating to a historical tax liability which occurred in 2004, prior to Apogee acquiring the subsidiary in 2011. Apogee disclosed that it was not aware of this historical liability, originally assessed by the tax authority at an amount equivalent to approximately $760,000 in 2004, and believed this notice was improperly provided. The Company disputes the assessment and is currently investigating the merits and legitimacy of same and has hired local counsel to pursue an appeal of the tax authority's assessment. An amount of $6,643,093 is included in the current liabilities.

(Expressed in Canadian Dollars)

The Company's holding of cash balances is kept under constant review. Given the current climate, the Company takes a very risk adverse approach to management of cash resources and management and directors monitor events and associated risks on a continuous basis. The Company is also exploring other financing alternatives, such as equity financing, and the sale and leaseback of capital assets.

In March 2015, the Company entered into the Credit Facility Agreement with Linx Partners Ltd., a private company wholly-owned and controlled by John Lee, Director, CEO and Executive Chairman of the Company, in order to meet current working capital requirements. The Credit Facility Agreement has a maximum principal amount available for advance of $1.5 million, a one year term with an option to extend it for any number of subsequent one-year terms subject to TSX approval, and bears an interest rate of 18% per annum. The Credit Facility Agreement is secured by a promissory note and a general security agreement. As at the date of this MD&A, the outstanding balance of the credit facility is $1,089,280.

The Company is currently in negotiations with the Trade and Development Bank of Mongolia to further amend its line of credit agreement by extending the maturity date and revising the repayment schedule of the remaining principal of US$960,000.

The condensed consolidated interim 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. The Company's ability to continue as a going concern is dependent upon the continued support from its shareholders, the discovery of economically recoverable reserves, ability of the Company to obtain the financing necessary to complete development and achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time.

Cash Flow Highlights

	Three months ended March 31, 2015	2014
Cash (used in) provided by operating activities	$ 378,140	$ (1,361,339)
Cash (used in) provided by investing activities	(1,285,246)	2,819,324
Cash (used in) provided by financing activities	989,208	(61,598)
Increase (decrease) in cash for period	82,101	1,396,388
Cash balance, beginning of period	200,994	507,996
Cash balance, end of period	$ 283,095	$ 1,904,384

Operating activities: Cash provided by operating activities was approximately $0.4 million during Q1 2015 compared to cash used of $1.4 million during Q1 2014. The Company has increased its efforts in managing operating costs in advance of cash flows from operations but will require financing in the near term to fund operations.

Investing activities: Cash used in investing activities was approximately $1.3 million during Q1 2015 compared to $2.8 million cash provided by investing activities during Q1 2014. In 2014, the Company received $4.3 million from the sale of its Common shares in the capital of Wellgreen Platinum Ltd. The Company spent $1 million on mineral property and property and equipment expenditures during Q1 2015 compared to $1.4 million during Q1 2014. During Q1 2015, the Company paid $250,000 to acquire the Apogee Subsidiaries.

Financing activities: Cash provided by financing activities was approximately $1 million during Q1 2015 compared to $0.06 million cash used in Q1 2014. The Company received $1,064,280 from a revolving credit facility and paid $75,072 toward the LOC outstanding balance compared to $61,598 paid in Q1 2014.

Contractual Commitments

Prophecy's commitments related to mineral properties are disclosed in Note 14 to the Annual Financial Statements. Prophecy's other commitments are disclosed in Note 26 to the Annual Financial Statements.

Capital Risk Management

Prophecy considers its capital structure to consist of Shares, incentive stock options and share purchase warrants. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative returns on capital criteria for management.

The properties, to which Prophecy currently has an interest in, are predominantly in the exploration and development stages; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in management's approach to capital management during Q1 2015. Neither Prophecy nor its subsidiaries are subject to externally imposed capital requirements.

8. CONTINGENCIES

The Company accrues for liabilities when they are probable and the amount payable can be reasonably estimated.

During the year ended December 31, 2014, Red Hill was issued a letter from the Sukhbaatar district Tax division discussing the results of VAT inspection of the 2009-2013 tax imposition and payments resulted in an imposed VAT payable of MNT$2,654,175,507 ($1,648,556). Red Hill disagreed with the findings as the tax assessment appeared to be unfounded. The Company disputed the assessment and submitted a complaint to the Capital City Tax Tribunal. On March 24, 2015, the Capital City Tax Tribunal resolved to terminate the action and referred the matter back to the Sukhbaatar district Tax division for revision.

In the opinion of Prophecy at March 31, 2015, a provision for this matter is not required.

9. RELATED PARTY DISCLOSURES

Prophecy had related party transactions with the following companies, related by way of directors and key management personnel:

- Linx Partners Ltd., a private company wholly-owned and controlled by John Lee, Director, CEO and Executive Chairman of Prophecy, provides management and consulting services to the Company.

- MaKevCo Consulting Inc., a private company 50% owned by Greg Hall, Director of Prophecy, provides consulting services to the Company.

- Sophir Asia Ltd., a private company wholly-owned and controlled by Masa Igata, Director of Prophecy, provides consulting services to the Company.

(Expressed in Canadian Dollars)

A summary of related party transactions by related party is as follows:

		Three Months Ended March 31,		
Related parties		2015		2014
Directors and officers	$	77,021	$	84,252
Linx Partners Ltd.		113,988		105,003
MaKevCo Consulting Inc.		11,519		12,400
Sophir Asia Ltd.		18,743		-
	$	221,271	$	201,655

A summary of the transactions by nature among the related parties is as follows:

		Three Months Ended March 31,		
Related parties		2015		2014
Consulting and management fees	$	91,190	$	16,754
Directors' fees		40,503		36,871
Mineral properties		22,797		47,250
Property and equipment		-		47,250
Salaries and benefits		66,780		53,530
	$	221,271	$	201,655

As at March 31, 2015, amounts due to related parties totaled of $355,078 (December 31, 2014 – $463,578) and was comprised of $50,845 (December 31, 2014 - $70,845) for director fees, $164,560 (December 31, 2014 - $198,935) for consulting fees, and $121,687 (December 31, 2014 - $157,312) for managing mineral properties and power plant project, and $17,986 (December 31, 2014 - $36,486) for reimbursable expenses.

The amounts due to related parties are non-interest bearing and are due upon demand.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company.

		Three Months Ended March 31,		
Key Management Personnel		2015		2014
Salaries and short term benefits	$	67,637	$	85,277
Share-based payments		36,182		123,694
	$	103,819	$	208,971

10. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's consolidated financial statements are prepared in accordance with IFRS as issued by the IASB. The Company followed the same accounting policies and methods of computation in the Annual Financial Statements for the three months ended March 31, 2015. The significant accounting policies applied and recent accounting pronouncements are described in Note 6 to the Annual Financial Statements.

In preparing the condensed consolidated interim financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates include the rates of amortization for property and equipment, the useful life and recoverability of long-lived assets, the recoverability of accounts receivable, determination of environmental obligation provision for closure and reclamation, accounts payable and accrued liabilities, the assumptions used in the determination of the fair value of financial instruments and share-based payments, and the determination of the recoverability of deferred income tax assets. Prophecy bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

(Expressed in Canadian Dollars)

Readers are encouraged to read the significant judgements, estimates and assumptions as described in Note 5 to the Annual Financial Statements.

11. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Board of Directors, through the Audit Committee is responsible for identifying the principal risks of the Company and ensuring that risk management systems are implemented. Prophecy manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk, and credit risk in accordance with its risk management framework. The Company's Board of Directors reviews Prophecy's policies on an ongoing basis.

Financial Instruments (Note 21 to the Annual Financial Statements)

The following table sets forth the Company's financial assets that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at March 31, 2015 those financial assets and liabilities are classified in their entirety based on the level of input that is significant to the fair value measurement.

As at March 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	$ 283,095	$ -	$ -	$ 283,095
Restricted cash equivalents	34,500	-	-	34,500
	$ 317,595	$ -	$ -	$ 317,595

Related Risks

A description of types of risks that the Company is exposed to and its objectives and policies for managing such risks is included in the Company's Annual MD&A dated March 31, 2015, which is available under the Company's SEDAR profile at www.SEDAR.com. There have been no changes in the risks, objectives, policies or procedures during the three months ended March 31, 2015.

12. RISKS AND UNCERTAINTIES

Readers should carefully consider the risks and uncertainties described in the Company's Annual Information Form for the year ended December 31, 2014 "Risk Factors" page 59. The Annual Information Form is available under the Company's SEDAR profile at www.SEDAR.com. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the foregoing risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

13. DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation of financial statements.

The Company's management has determined that there has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

14. DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had a total of:

- 311,878,634 Common shares outstanding with recorded value of $151,836,208;
- 35,363,750 stock options outstanding with a weighted average exercise price of $0.11. Each option is exercisable to purchase one Common share of the Company at prices ranging from $0.05 to $0.28 and which expire between 2015 and 2020; and
- 12,479,719 share purchase warrants outstanding exercisable to purchase one Common share of the Company at any time at prices ranging from $0.055 to $0.18 and which expire between 2015 and 2016.

15. OFF-BALANCE SHEET ARRANGEMENTS

During the three months ended March 31, 2015, Prophecy was not a party to any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources of Prophecy.