Prophecy
Development Corp.

(Formerly Prophecy Coal Corp.)

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

For the three and six months ended June 30, 2015

(Expressed in Canadian Dollars)

CONTENTS

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 and six months ended June 30, 2015. The following information should be read in conjunction with the accompanying June 30, 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 August 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**" or each, a "**Share**") 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 Paca silver-lead-zinc mining project in Bolivia (the "**Pulacayo Project**").

General Corporate Information:

At June 30, 2015 and August 14, 2015, Prophecy had: (i) 324,113,315 and 324,452,784 Common shares issued and outstanding respectively; (ii) 38,413,750 and 38,213,750 share options for Common shares outstanding respectively; and (iii) 29,849,396 warrants for Common shares outstanding.

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

(Expressed in Canadian Dollars)

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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 he is the Company's General Mining Manager, he is Executive Director of its wholly-owned subsidiary, Chandgana Coal LLC ("**Chandgana**"), and the large extent that his professional time is dedicated solely to Prophecy's interests. 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 and other information concerning possible or assumed future results of operations of Prophecy. See in particular, the sections Select Financial and Operational Data and 2015 Outlook descriptions under Part 4 – Property Summary.

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. SECOND QUARTER HIGHLIGHTS

- On April 1, 2015, the Company engaged Cor Capital Inc. ("**Cor Capital**") to provide the Company with investor relations and shareholder communications services. Cor Capital is also engaged to introduce the Company to institutional investors, large asset money managers, investment advisors and high-net worth individuals among other duties.

- 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.

- 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 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 Capital Management Group (HK) Limited for breach and repudiation of an Amended and Restated Subscription Agreement for Shares between the parties dated February 6, 2015.

- On May 5, 2015, the Company, through its wholly-owned subsidiary, Red Hill Mongolia LLC ("**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 $2.34 million. The sale, together with the sale of additional equipment to other arm's-length parties, was completed in June 2015 and the Company received approximately $2.9 million in cash.

  The Company received consent to the sales of the equipment, which belonged to Red Hill, from the Company's creditor, Linx Partners Ltd., a private company wholly-owned and controlled by John Lee, Director, CEO and Executive Chairman of Prophecy ("**Linx**"), which holds a general security interest over all of the Company's present and after-acquired property. In consideration for consenting to the sales of, and waiving its security interest in, the equipment, John Lee, the beneficial owner of Linx, received 12 million share purchase warrants of the Company exercisable at $0.05 per Share for a period of five years expiring on May 22, 2020.

- On June 16, 2015, the Company received an independent mineral resource estimate for the Pulacayo Project prepared in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves referenced in NI 43-101. The estimate was prepared by Mercator under the supervision of Michael Cullen, P.Geo., who is an independent Qualified Person under NI 43-101. The news release dated June 18, 2015 showing the results of the estimate is available under the Company's SEDAR profile at www.SEDAR.com.

- On June 22, 2015, the Company appointed Mr. Bekzod Kasimov as Vice-President, Operations of the Company.

  The Company granted 3,500,000 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 June 22, 2020 and vest at 12.5% per quarter for the first two years following the date of grant.

  The Company also entered into settlement and release agreements with certain of its consultants located in Bolivia to settle various historical debts owing to them when Prophecy acquired its Bolivian subsidiaries on January 2, 2015. Pursuant to the terms of those settlement and release agreements, the Company issued 757,862 Shares, and a further 339,469 Shares on July 27, 2015, at a deemed price of $0.05 per Share through its Share-Based Compensation Plan.

- On June 24, 2015, the Company held its annual general meeting of shareholders at which all resolutions proposed by management of the Company were passed including the issuance of a total of 11,476,819 debt settlement units, consisting of 11,476,819 Shares and 11,476,819 share purchase warrants exercisable at a price of $0.06 per Share for a period of two years from the date of issuance expiring on June 24, 2017, and the adoption of a new shareholder rights plan which was entered into between the Company and Computershare Trust Company of Canada on April 29, 2015.

Subsequent to period end

- On July 7, 2015, the Company announced commencement of the first phase of systematic district exploration at its Pulacayo Project. For further information please view the Company's news release of July 7, 2015 under the Company's SEDAR profile at www.SEDAR.com.

- On July 29, 2015, the Company cancelled a total of 200,000 incentive stock options which were originally granted on October 21, 2014 and April 7, 2015, were exercisable for five years, and had exercise prices of $0.055 and $0.05 per Share respectively.

- On July 31, 2015, the Company filed the technical report related to the mineral resource estimate dated June 16, 2015 prepared by Mercator titled "Pulacayo Silver-Zinc-Lead Deposit Mineral Resource Estimate Technical Report, Pulacayo Township, Potosí Department, Antonnio Quijarro Province, Bolivia". A copy of the technical report can be found under the Company's SEDAR profile at www.SEDAR.com.

- On August 14, 2015 the Company cancelled 250,000 incentive stock options which were originally granted on May 1, 2014 and had an exercise price of $0.065 per Share for a period of five years.

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.

Highlights on Ulaan Ovoo Mine, Mongolia

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

Select Financial and Operational Data:

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

Q2 2015

The Company's Ulaan Ovoo operations are on standby though coal loading and sales from existing stockpiles continues 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.

During the second quarter 2015, the mine shipped approximately 2,000 tonnes (same period 2014 – 15,740 tonnes) of coal to local customers from existing stockpiles. Total coal sales revenue of $0.07 million (same period 2014 - $0.58 million) was realized during this period. The coal stockpile balance was approximately 88,000 tonnes with a value of approximately of $1 million at June 30, 2015. Sales volume is generally lower in the first and second quarters of each year due to seasonal holidays which result in a general decrease in the level of economic activity and a shift to warmer weather moving into the summer season. During the six months ended June 30, 2015, the Company incurred operating costs of approximately $1.1 million.

In April 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 $2.34 million. The sale of equipment was completed in June 2015. Total proceeds (including the sale of equipment to other arm's-length parties) amounted to $2.9 million in cash.

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 continues to work 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.

Work continued on the update of the mine feasibility study. The detailed environmental impact assessment update was submitted and accepted by the Ministry of Environment.

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 remaining 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 it does, 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.

The update to the mine feasibility study is expected to be completed in Q3 2015. Drilling required as part of the annual license diligence requirement is planned for the Khujirt license.

Highlights on the Chandgana Coal Properties, Mongolia

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

Q2 2015

Chandgana completed drilling six drill holes on the Khavtgai Uul license as part of the annual license diligence requirement. Consolidation of the assets of Cosmo Coal LLC's wholly-owned subsidiary Tugalgatai Mining LLC ("**Tugalgatai**") and Chandgana was largely on hold pending resolution of internal issues by Cosmo and some regulatory issues.

During the second quarter 2015, the Company incurred total costs of $59,431 (same period 2014 - $89,434) for the Chandgana Tal property (including power plant consultant and land maintenance costs) and $5,332 (same period 2014 - $3,297) 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 the required exploration report and other license maintenance work in order to retain exploration and mining rights to the license.

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 2014. The assets of Tugalgatai include licenses located between and contiguous to the Chandgana Tal and Khavtgai Uul licenses. Although the consolidation has been on hold due to internal restructuring of Cosmo Coal LLC, Prophecy continues to work toward completing the consolidation.

Chandgana Power Plant Project, Mongolia

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

Q2 2015

During the quarter, Prophecy Power Generation LLC has met with the government appointed working group and revised the concession agreement following their recommendations. Several meetings with key government officials were held. 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.

Highlights on the Pulacayo Project, Bolivia

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

Select Financial and Operational Data:

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

On January 2, 2015, pursuant to the terms of the acquisition agreement entered into between the Company and Apogee Silver Ltd. ("**Apogee**"), 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.

Paca Deposit

The Paca deposit is located approximately 8 km north of the Pulacayo deposit. Drilling by Apex Silver Company 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.

Q2 2015

The Company continued its fast-track development schedule of the Pulacayo project as described in the previous quarterly report. Progress was made during Q2 on the following tasks - resource estimation, determination of a high-grade mining scenario, commencement of the first phase of the exploration program, hiring key personnel, concentrator (mill) proposal evaluation, and assessment of options to upgrade utilities.

The Company has engaged Mercator Geological Services LLC 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;
- 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.

On June 16, 2015, the Company received the independent mineral resource estimate for the Pulacayo Project prepared in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves referenced in NI 43-101. The estimate was prepared by Mercator under the supervision of Michael Cullen, P.Geo., who is an independent Qualified Person under NI 43-101. The news release dated June 18, 2015 is available under the Company's SEDAR profile at www.SEDAR.com. The reader is referred to the news release for background and conditions under which the resource estimate was prepared.

(Expressed in Canadian Dollars)

Results of the mineral resource estimate prepared by Mercator for the Pulacayo Project are presented in the table below.

Pulacayo Mineral Resource Statement - Effective June 16, 2015

Ag Eq. Cut-Off (g/t)	Category	Tonnes**	Ag (g/t)	Pb (%)	Zn (%)	Ag Eq. (g/t)
400	Indicated	2,080,000	455	2.18	3.19	594
	Inferred	480,000	406	2.08	3.93	572
500*	**Indicated**	**1,270,000**	**530**	**2.51**	**3.63**	**688**
	Inferred	**350,000**	**419**	**2.47**	**4.58**	**620**
600	Indicated	750,000	608	2.91	4.02	785
	Inferred	170,000	394	3.49	6.75	710

Notes:

(1) *Mineral resources are estimated in conformance the CIM Standards referenced in NI 43-101.*
(2) *Raw silver assays were capped at 1,700 g/t, raw lead assays were capped at 15% and raw zinc assays were capped at 15%.*
(3) *Silver equivalent Ag Eg. (g/t) = Ag (g/t)*89.2% + (Pb% *(US$0.94/ lb. Pb /14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000*91.9%) + (Zn% *(US$1.00/lb. Zn/14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000*82.9%). Metal prices used in the silver equivalent calculation are US$16.50/Troy oz. Ag, US$0.94/lb Pb and US$1.00/lb Zn. Metal recoveries 89.2% Ag. 91.9% Pb. 82.9% Zn. used in the silver equivalent equation reflect historic metallurgical results disclosed previously by Apogee.*
(4) *Metal grades were interpolated within wireframed, three dimensional silver domain solids using Geovia-Surpac Ver. 6.6.1 software and inverse distance squared interpolation methods. Block size is 10m(X) by 10m(Z) by 2m(Y). Historic mine void space was removed from the model prior to reporting of resources.*
(5) *Block density factors reflect three dimensional modeling of drill core density determinations.*
(6) *Mineral resources are considered to have reasonable expectation for economic development using underground mining methods based on the deposit history, resource amount and metal grades, current metal pricing and comparison to broadly comparable deposits elsewhere.*
(7) *Rounding of figures may result in apparent differences between tonnes, grade and contained ounces.*
(8) *Mineral resources that are not mineral reserves do not have demonstrated economic viability.*
(9) **Mineral resource statement cut-off value; resource statement values are presented in bolded form.*
(10) ***Tonnes are rounded to nearest 10,000.*

A high grade mine plan was developed in-house based on the geologic model prepared by Mercator for the resource estimate. The mine plan includes mining the high grade resources (>500 g/tn Ag Eq) at a rate of 500 tn/day producing a total 1.26 million tonnes. The mine plan has been based on the use of the shrinkage stoping method.

Phase 1 of the exploration program consisting of surface mapping, sampling, trenching and field assay using a handheld XRF unit started at the end of June, 2015. See the Company's July 7, 2015 news release which is available under the Company's SEDAR profile at www.SEDAR.com. The exploration program is focused on four targets located by previous reconnaissance exploration – El Abra, Pero, Paca, and Pacamayo. The results of this work will be used to plan induced polarization (IP) surveys. The information from the surface mapping, sampling, trenching and field assays will be studied with the new IP survey information and previous IP survey information to develop drilling plans for the exploration targets. Phase 2 will consist of drilling and assays.

During the six months ended June 30, 2015, the Company incurred total costs of $804,151 for the Pulacayo Project of which a total of $267,142 has been spent for permits and licenses, $147,642 for geological core and consulting, and $389,367 for payroll, legal and general and administrative expenses.

(Expressed in Canadian Dollars)

2015 Outlook

Work will continue to complete the tasks described above with the goal to make a production decision as soon as possible. If the decision is affirmative, utility upgrade work, mill construction, rehabilitation and development of the Pulacayo underground mine, development of the Paca open pit mine including obtaining necessary environmental and government approvals 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:

	2014 Jun-30	2015 Mar-31	2014 Dec-31	2014 Sep-30
Operating expense	(805,826)	$ (565,716)	$ (908,565)	$ (381,890)
Net loss	(1,112,025)	(1,994,753)	(12,624,317)	(997,563)
Net loss per share, basic and diluted	(0.00)	$ (0.01)	$ (0.05)	$ (0.00)
Comprehensive loss	(1,112,025)	(1,994,753)	(12,624,317)	(997,563)
Comprehensive loss per share, basic and diluted	(0.00)	$ (0.01)	$ (0.05)	$ (0.00)

	2014 Jun-30	2014 Mar-31	2013 Dec-31	2013 Sep-30
Operating expense	$ (551,125)	$ (622,005)	$ 225,160	$ (2,731,414)
Net loss	(874,952)	(199,209)	(10,818,935)	(5,300,267)
Net loss per share, basic and diluted	$ (0.00)	$ (0.00)	$ (0.04)	$ (0.02)
Comprehensive loss	(874,952)	(199,209)	(10,665,360)	(5,502,416)
Comprehensive loss per share, basic and diluted	$ (0.00)	$ (0.00)	$ (0.04)	$ (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 "Property Summary" section of this MD&A.

(Expressed in Canadian Dollars)

Three Months Ended June 30, 2015 and 2014 (Q2 2015 and Q2 2014)

Results of operations are summarized as follows:

Operating Expenses		Three months ended June 30, 2015		2014
Advertising and promotion	$	38,724	$	13,772
Consulting and management fees		42,066		10,503
General and administrative expenses		235,754		218,666
Professional fees		35,163		37,912
Share-based payments		432,377		240,911
Travel and accommodation		21,742		29,361
	$	805,826	$	551,125

The increase by $254,701 in operating expenses was mainly due to the following factors:

- 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 option pricing model and varies from period to period based on the number and valuation of the stock options granted during the period, vesting provisions, and amortization schedule of the previously granted options. During Q2 2015, the Company granted 13,500,000 stock options, issued 12,000,000 share purchases warrants and incurred $432,377 in share-based payments expense which is net of the $46,219 that was capitalized to mineral properties and property and equipment (Note 11 to the interim financial statements);
- Consulting and management fees increased by $31,563 mainly due to general increase in business activity as a result of the Pulacayo Project acquisition; and
- Advertising and promotion expense increased by $24,952 due to more extensive promotion carried out for the Company during the period.

For Q2 2015, the Company incurred other expenses classified as "Other Items" amounting to $0.3 million.

Other Items		Three months ended June 30, 2015		2014
Costs in excess of impaired value	$	(725,074)	$	465,381
Foreign exchange (gain) loss		869,925		(122,466)
(Gain) loss on sale of available-for-sale investments		-		(15,007)
Interest expense		49,985		-
Interest income		-		(4,081)
Loss on sale of equipment		111,363		-
	$	306,199	$	323,827

(Expressed in Canadian Dollars)

Six Months Ended June 30, 2015 and 2014

For the six months ended June 30, 2015, the Company incurred operating expenses of $1.37 million compared to the$1.17 million incurred for the six months ended June 30, 2014. Results of operations are summarized as follows:

Operating Expenses		Six month ended June 30, 2015		2014
Advertising and promotion	$	59,364	$	33,232
Consulting and management fees		150,565		33,314
General and administrative expenses		529,720		484,559
Professional fees		87,060		126,651
Share-based payments		478,381		433,514
Travel and accommodation		66,452		61,860
	$	1,371,542	$	1,173,130

The increase by $198,412 in operating expenses was mainly due to the following factors:

- Consulting and management fees increased by $117,251 mainly due to general increase in business activity as a result of the Pulacayo Project acquisition.
- General and administrative expenses increased by $45,161. The increase was due primarily to increased stock exchange and shareholders services (by $43,803) and increased salaries (by $ 32,679) partially offset by a decrease in directors fees (by $21,143) and by a decrease in insurance expense (by $11,880).
- Advertising and promotion expense increased by $26,132 due to more extensive promotion carried out for the Company during the period.

For the six months ended June 30, 2015, the Company incurred other expenses classified as "Other Items" amounting to $1.7 million compared to a gain of $0.1 million for the same period of 2014.

Other Items		Six month ended June 30, 2015		2014
Costs in excess of impaired value		593,100		2,677,162
Foreign exchange (loss)/gain		971,036		(397,931)
Gain on sale of available-for-sale investments		-		(2,366,913)
Interest expense		59,737		-
Interest income		-		(11,287)
Loss on sale of equipment		111,363		-
	$	1,735,236	$	(98,969)

The increase by $1.7 million was mainly due to: 1) a gain on the sale of available-for-sale investments of $2.4 million recorded in 2014; 2) an increase in the foreign exchange loss by $1.4 million due to fluctuations in the value of the Canadian dollar compared to the Mongolian tugrik and the United States dollar; and 3) a decrease of costs in excess of impaired value of the Ulaan Ovoo property's expenditures due to the curtail of mining operations.

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.

(Expressed in Canadian Dollars)

At June 30, 2015 Prophecy had $634,380 comprised of cash and cash equivalents, representing an increase of $433,386 from the $200,994 held at December 31, 2014. Working capital deficit amounted approximately to $1 million at June 30, 2015 compared to working capital deficit of $0.9 million as at December 31 2014. The decrease in working capital was mainly due to decrease in current assets such as coal inventory, receivables and prepaids.

During Q2 2015, the Company received approximately $2.9 million in cash from sale of mining and transportation equipment at the Company's Ulaan Ovoo mine. The proceeds are being used to repay the Company's line of credit with the Trade and Development Bank of Mongolia (the "**LOC**"), to advance the Company's Pulacayo and Chandgana power plant projects.

On March 12, 2015, the Company entered into a credit facility agreement with Linx (the "**Credit Facility Agreement**") 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 two year term (formerly one year, but amended on May 5, 2015 and approved by the TSX) 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 promissory notes and a general security agreement.

As at the date of this MD&A, the Company has reached the maximum of $1.5 million of the Credit Facility Agreement.

As at date of this MD&A, the outstanding balance of the Company's LOC is US $184,240.

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.

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. Should this going concern assumption not be appropriate, values and classifications of assets and liabilities could change and those changes could be material. The outcome of these matters cannot be predicted at this time.

Cash Flow Highlights

	Six months ended June 30,	
	2015	2014
Cash used in operating activities	$ (925,434)	$ (1,882,893)
Cash provided by investing activities	1,083,581	2,475,291
Cash (used in) provided by financing activities	275,238	(259,739)
Increase (decrease) in cash for period	433,386	332,659
Cash balance, beginning of period	200,994	507,996
Cash balance, end of period	$ 634,380	$ 840,655

Operating activities: Cash used in operating activities was approximately $0.9 million during the six months ended June 30 2015 compared to cash used of $1.9 million during the same period in 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 provided by investing activities was approximately $1 million during the six months ended June 30 2015 compared to $2.5 million cash provided by investing activities during the same period in 2014. In 2014, the Company received $4.27 million from the sale of its common shares of Wellgreen Platinum Ltd. and used $1.8 million for mineral property and property and equipment expenditures. During the six months ended 2015, the Company received $2.9 million from sale of mining and transportation equipment and spent $1.6 million on mineral property and property and equipment expenditures. Also, the Company paid $250,000 to acquire the Apogee Subsidiaries.

Financing activities: Cash provided by financing activities was approximately $0.28 million during the six months ended June 30 2015 compared to $0.26 million cash used in the same period of 2014. The Company received $1,096,648 from the Credit Facility Agreement and paid $655,646 toward the LOC outstanding balance compared to $136,188 paid in the same period of 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 27 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 the six months ended June 30, 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.

ASC tax claim

Pursuant to the terms of the acquisition agreement, Prophecy agreed to assume all liabilities of the Apogee Subsidiaries, including legal and tax liabilities associated with 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 ASC Bolivia LDC Sucursal Bolivia, the Company's wholly-owned subsidiary, owed approximately Bs42,000,000 ($6,536,326) in taxes, interest and penalties relating to a historical tax liability in an amount originally assessed at approximately $760,000 in 2004, prior to Apogee acquiring the subsidiary in 2011. Apogee disputed the assessment and disclosed to the Company that it believed the notice was improperly issued. The Company continued to dispute the assessment and hired local legal counsel to pursue an appeal of the tax authority's assessment on both substantive and procedural grounds.

Subsequent to period end, the Company received a positive Resolution issued by the Bolivian Constitutional

(Expressed in Canadian Dollars)

Court that among other things, declared null and void the previous Resolution of the Bolivian Supreme Court issued in 2011 (that imposed the tax liability on the subsidiary) and sends the matter back to the Supreme Court to consider and issue a new Resolution. The Company plans to continue to vigorously defend its position and make submissions to the Supreme Court during the new hearing. Based on these developments, the tax claim amount of $6,491,755 was classified as non-current liabilities.

Red Hill tax claim

During the year ended December 31, 2014, Red Hill was issued a letter from the Sukhbaatar District Tax Division notifying it of the results of the Sukhbaatar District Tax Division's VAT inspection of Red Hill's 2009-2013 tax imposition and payments that resulted in validating VAT credit of only MNT235,718,533 from Red Hill's claimed VAT credit of MNT2,654,175,507. Red Hill disagreed with the Sukhbaatar District Tax Division's findings as the tax assessment appeared to the Company to be unfounded. The Company disputed the Sukhbaatar District Tax Division's assessment and submitted a complaint to the Capital City Tax Tribunal. On March 24, 2015, the Capital City Tax Tribunal resolved to refer the matter back to the Sukhbaatar District Tax Division for revision and separation of the action between confirmation of Red Hill's VAT credit, and the imposition of the penalty/deduction for the tax assessment. The Sukhbaatar District Tax Division appealed the Capital City Tax Tribunal's resolution to the General Tax Tribunal office, but was denied on June 4, 2015 on procedural grounds. As a result, the Sukhbaatar District Tax Division implemented the Capital City Tax Tribunal's resolution on June 25, 2015, finding: 1) with respect to confirmation of Red Hill's VAT credit, that after inspection the amount was to be MNT235,718,533; and 2) with respect to the imposition of the penalty/deduction for the tax assessment, that no penalty was to be issued but that Red Hill's loss to be depreciated and reported to be MNT1,396,668,549 in 2010 and MNT4,462,083,700 in 2011. The Company continues to dispute the Sukhbaatar District Tax Division's assessment and delivered a complaint to Capital City Tax Tribunal on July 24, 2015. In the opinion of Prophecy, at June 30, 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.

A summary of amounts paid and accrued to related parties for services provided is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Related parties	2015	2014	2015	2014
Directors and officers	$ 92,780	$ 94,054	$ 169,801	$ 178,306
Linx Partners Ltd.	105,000	105,003	218,988	210,006
MaKevCo Consulting Inc.	9,200	12,900	20,719	25,300
Sophir Asia Ltd.	8,000	-	18,242	-
	$ 214,980	$ 211,957	$ 427,750	$ 413,612

(Expressed in Canadian Dollars)

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

Related parties	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Consulting and management fees	$ 36,243	$ 10,503	$ 127,433	$ 27,257
Directors' fees	25,200	40,174	57,202	77,045
Mineral properties	86,757	47,250	109,555	94,500
Property and equipment	-	47,250	-	94,500
Salaries and benefits	66,780	66,780	133,560	120,310
	$ 214,980	$ 211,957	$ 427,750	$ 413,612

On March 12, 2015, the Company entered into the Credit Facility Agreement with Linx which has a maximum principal amount available for advance of $1.5 million, a two 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 promissory notes and a general security agreement. As at the date of this MD&A, the outstanding balance of the credit facility is $1.5 million.

On May 22, 2015, the Company issued to John Lee, the beneficial owner of Linx, 12,000,000 share purchase warrants, exercisable at a price of $0.05 per Common share for a period of 5 years from the date of issuance, as consideration for receiving his consent for the sale of the Ulaan Ovoo mining equipment. The fair value of $333,811 of the issued share purchase warrants to Mr. Lee was included in share based payments expense and determined using the Black-Scholes option pricing (Note 11 (d) to the interim financial statements).

As at June 30, 2015, amounts due to related parties (excluding the Credit Facility Agreement with Linx) totaled $68,098 (December 31, 2014 – $463,578) and was comprised of $20,620 (December 31, 2014 - $70,845) for directors' fees and $47,478 (December 31, 2014 - $157,312) for consulting and management.

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

Key Management Personnel	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Salaries and short term benefits	$ 67,360	$ 93,030	$ 134,997	$ 178,306
Share-based payments	390,568	129,200	426,750	252,893
	$ 457,928	$ 222,230	$ 561,747	$ 431,199

10. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's condensed consolidated interim 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 six months ended June 30, 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 June 30, 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 June 30, 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	$ 634,380	$ -	$ -	$ 634,380
Restricted cash equivalents	34,500	-	-	34,500
	$ 668,880	$ -	$ -	$ 668,880

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 six months ended June 30, 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 under the section "Risk Factors" on 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 oversight from the Audit Committee of the Board of Directors, is responsible for establishing and maintaining an adequate system of 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 with respect to financial statement preparation and presentation and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The Company's management has determined that there has been no change in the Company's internal control over financial reporting during the six months ended June 30, 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:

- 324,452,784 Common shares outstanding with recorded value of $152,475,999;
- 38,213,750 stock options outstanding with a weighted average exercise price of $0.10. 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
- 29,849,396 share purchase warrants outstanding exercisable to purchase one Common share of the Company at any time at prices ranging from $0.05 to $0.18 and which expire between 2015 and 2020.

15. OFF-BALANCE SHEET ARRANGEMENTS

During the six months ended June 30, 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.