Prophecy

Development Corp.

(Formerly Prophecy Coal Corp.)

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

For the three and nine months ended September 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 nine months ended September 30, 2015. The following information should be read in conjunction with the accompanying September 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 November 13, 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 September 30, 2015 and November 13, 2015, Prophecy had: (i) 335,572,784 and 341,822,784 Common shares issued and outstanding respectively; (ii) 37,938,750 stock options for Common shares outstanding; and (iii) 40,969,396 and 43,652,385 Share purchase 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

(Expressed in Canadian Dollars)

Head office

2nd Floor, 342 Water Street
Vancouver, BC, Canada V6B 1B6
Tel: +1-604-569-3661

Registered office

2nd Floor, 342 Water Street
Vancouver, BC, Canada V6B 1B6
Tel:+1-604-569-3661

Transfer Agent and Registrar

Computershare Trust Company of Canada
3rd Floor, 510 Burrard Street
Vancouver, BC, Canada V6C 3B9
Tel:+1-604-661-9400

Contact Information

Investor & Media requests and queries:
Tel:+1-604-563-0699
Email:ir@prophecydev.com

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. THIRD QUARTER HIGHLIGHTS

- On July 7, 2015, the Company announced commencement of the first phase of systematic district exploration at its Pulacayo Project which was completed in August 2015. For further information please view the Company's news release of July 7, 2015 and August 20, 2015 under the Company's SEDAR profile at www.SEDAR.com.

- On July 31, 2015, the Company filed the technical report related to the mineral resource estimate dated June 16, 2015 prepared by Mercator Geological Services Limited ("**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 19, 2015, the Company announced that Cosmo Coal LLC ("**Cosmo**") was unable to meet the August 18, 2015 deadline for consolidation stipulated in the binding consolidation agreement between Changdana Coal and Cosmo due to internal restructuring within Cosmo. Prophecy has served Cosmo with notice of termination under the agreement and is thus, free to pursue mergers, acquisitions, and other plans and strategies with other parties as appropriate to commission the Chandgana power plant project. Prophecy does not expect this contract termination to have any material impact on its operations.

- On September 1, 2015, the Company announced a non-brokered private placement (the "**Placement**") involving the issuance of up to 40,000,000 units (each a "**Unit**") at a price of $0.05 per Unit. Each Unit consists of one Share in the capital of the Company and one Share purchase warrant (a "**Warrant**"). Each Warrant entitles the holder to acquire an additional Share at a price of $0.07 per Share for a period of five years from the date of issuance. Cash proceeds of the Placement are expected to be used to develop Prophecy's mineral projects and for general working capital purposes.

- In August and September, 2015, the Company announced assay and preliminary metallurgical test work results of underground and surface group samples collected from the district exploration program at its Pulacayo Project and the receipt of an independent mineral resource estimate for its Paca deposit. For further information please view the Company's news releases of August 27, 2015, September 9, 10, 18 and 21, 2015 under the Company's SEDAR profile at www.SEDAR.com.

- On September 30, 2015, the Company closed a first cash tranche of the Placement which raised gross cash proceeds of $556,000 through the issuance of 11,120,000 Units of Prophecy. Company management and directors subscribed for 7,000,000 Units of the Placement in the first tranche.

  In connection with a portion of the first tranche of the Placement, the Company paid finder's fees in cash of 5% of the subscription proceeds raised by the finder.

Subsequent to period end

- On October 28, 2015, 3,831,511 Share purchase warrants previously issued by the Company, with a weighted average exercise price of $0.15, expired unexercised.

- On November 4, 2015, the Company cancelled the reminder of the Placement.

- On November 5, 2015, the Company filed a technical report prepared in accordance with NI 43-101 related to the independent mineral resource estimate for the Company's Paca deposit, that was prepared in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves (the "**CIM Standards**") referenced in NI 43-101 and announced in its news release issued on September 21, 2015.

- On November 12, 2015 the Company announced a non-brokered private placement (the "**New Placement**") involving the issuance of up to 25,000,000 units (each a "**New Unit**") at a price of $0.04 per New Unit. Each New Unit under the New Placement consists of one Share in the capital of the Company and one Warrant. Cash proceeds of the New Placement are expected to be used to develop Prophecy's mineral projects and for general working capital purposes.

On November 13, 2015, the Company announced the closing of a first tranche of the New Placement which raised gross proceeds of $250,000 through the issuance of 6,250,000 Units of Prophecy. Company management and directors subscribed for 2,500,000 Units of the New Placement.

In connection with a portion of the first tranche of the New Placement, the Company paid finder's fees in cash of 7% of the subscription proceeds raised by the finder and finders warrants equal to 7% of the number of New Units sold to subscribers introduced by the finder. The finder's warrants are identical in all respects to the Warrants attached to the New Units, except that they are exercisable for a period of two years from the date of issuance.

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 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

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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.

Q3 2015

The Company continued its fast-track development schedule of the Pulacayo Project as described in the previous quarterly reports.

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.

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%).*
(4) 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.
(5) 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.
(6) Block density factors reflect three dimensional modeling of drill core density determinations.
(7) 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.
(8) Rounding of figures may result in apparent differences between tonnes, grade and contained ounces.
(9) Mineral resources that are not mineral reserves do not have demonstrated economic viability.
*(10) *Mineral resource statement cut-off value; resource statement values are presented in bolded form.*

(Expressed in Canadian Dollars)

*(11) **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 mineral 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 assaying using a handheld XRF unit started at the end of June, 2015 and was completed in August, 2015. The exploration program focused on four target areas 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.

Detailed geological mapping and close-spaced sampling from surface trenches and underground tunnels were conducted at these four priority target areas whereby silver, lead, zinc, copper, and antimony anomalies were detected. On August 27, 2015 and September 9, 2015, the Company announced assay results of the first and second group samples from the target areas at the district exploration program. On September 18, 2015, the Company announced the assay results of the three Pacamayo samples where the silver grade was reported as more than 1,500 g/t. These samples have undergone reanalysis using the fire assay and gravimetric finish method which has a greater upper detection limit.

On September 10, 2015, the Company received results from preliminary metallurgical test work conducted on samples collected from various tailing piles at the Pulacayo Project showing up to 64.39% silver recovery.

On September 21, 2015, the Company received an independent mineral resource estimate for the Paca deposit, prepared in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves referenced in NI 43-101. The effective date of the mineral resource estimate is September 9, 2015. The mineral resource estimate was prepared by under the supervision of Michael Cullen, P. Geo., who is an independent Qualified Person as set out in NI 43-101.

Results of the mineral resource estimate prepared by Mercator for the Paca deposit are presented in the table below:

Paca Mineral Resource Statement - Effective September 9, 2015

Ag Eq. Cut-Off (g/t)	Category	Tonnes**	Ag (g/t)	Pb (%)	Zn (%)	Ag Eq. (g/t)
200	Inferred	2,540,000	256	1.03	1.10	342
300*	**Inferred**	**1,260,000**	**363**	**1.02**	**0.98**	**444**
400	Inferred	650,000	462	1.00	0.90	538
500	Inferred	330,000	558	1.04	0.79	631

Notes:

(1) Raw silver assays were capped at 1,050 g/t, raw lead assays were capped at 5% and raw zinc assays were capped at 5%.

*(2) Silver equivalent Ag Eq. (g/t) = Ag (g/t) + (Pb% * (US$0.94/lb. Pb/14.583 Troy oz./lb./US$16.50 per Troy oz. Ag.)*10,000) + (Zn% * (US$1.00/lb. Zn/14.583 Troy oz./lb./US$16.50 per Troy oz. Ag.)*10,000; 100% metal recoveries are assumed based on lack of comprehensive metallurgical results.*

(3) 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 and reflect those used in the June 16, 2015 Pulacayo mineral resource estimate by Mercator.

(4) Metal grades were interpolated within wireframed, three dimensional solids using Geovia-Surpac Ver. 6.7 software and inverse distance squared interpolation methods. Block size is 5m (X) by 5m (Z) by 2.5m (Y). Historic mine void space was removed from the model prior to reporting of resources.

(5) The block density factor of 2.26 reflects the average value of 799 density measurements.

(Expressed in Canadian Dollars)

(6) The mineral resource is 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) Mineral resources that are not mineral reserves do not have demonstrated economic viability.
*(8) *The resource estimate cut-off value is 300 g/t Ag Eq. and resource estimate values are presented in bold type.*
*(9) **Tonnes are rounded to nearest 10,000.*

The contained metals within the September 9, 2015 mineral resource estimate prepared by Mercator are presented the table below:

Contained Metals in September 9, 2015 Paca* Mineral Resource Estimate	
Metal	Inferred Resource
Silver	14,700,000 oz.
Lead	28,400,000 lbs.
Zinc	27,200,000 lbs.

**Based on the resource estimate Ag Eq. cut-off value of 300 g/ and 100% recovery; figures are rounded to the nearest 100,000th increment.*

See the Company's July – September 2015 news releases which are available under the Company's SEDAR profile at www.SEDAR.com.

The Paca deposit is currently undergoing permitting for trial mining at a production rate of 200 tonnes per day. No known legal, political, environmental, or other risks that would materially affect potential future development have been identified by Prophecy as of the effective date of the current mineral resource estimate (September 9, 2015). The trial mining permit is expected to be granted by the end of 2015.

During the nine months ended September 30, 2015, the Company incurred total costs of $1,279,029 for the Pulacayo Project of which a total of $267,142 has been spent for permits and licenses, $321,745 for geological core and consulting, and $690,142 for payroll, legal and general and administrative expenses.

Q4 2015 Outlook

Work will continue to complete an evaluation of the development scenario of Pulacayo project including purchase of a mill equipment and mill construction on site, toll milling, concentrate off-take agreements and project financing, 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 for trial mining including obtaining necessary environmental and government approvals will start. Also the technical report supporting the Paca deposit mineral resource estimate prepared in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves referenced in NI 43-101 will be completed and filed on SEDAR.

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 and to Q1 and Q2 interim MD&A for this information.

Q3 2015

The Company decided to keep the Ulaan Ovoo operations on standby but to continue sales from existing stockpiles. The Company executed several coal sale off-take agreements to sell coal from the existing stockpiles.

During the third quarter 2015, the mine shipped approximately 4,399 tonnes (same period 2014 – 24,845 tonnes) of coal to local customers from existing stockpiles. Total coal sales revenue of US$25,070 (same period 2014 – US$848,935) was realized during this period. The coal stockpile balance was approximately 83,600 tonnes with a value of approximately of US$0.95 million at September 30, 2015. During the nine months ended September 30, 2015, the Company incurred operating costs of approximately US$1.1 million.

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 evaluated options to upgrade the road including the use of a local contractor. While the Company is pleased with the overall progress and appreciates the support from Mongolian authorities, it cannot offer any certainty or a definitive timeframe in which it will start transporting coal to Russia through Zeltura.

Revenue generating, cost reduction and debt reduction efforts continued. Besides sale of stockpiled coal, other revenue generation efforts included sale of a portion of the remaining equipment, parts and supplies and lease of other equipment. Terminating contractors, staff reductions, office relocation, and other actions were completed to reduce costs. Debt reduction efforts included rescheduling and transfer to the Company's debtors.

Both the update of the mine feasibility study and the detailed environmental impact assessment were accepted by the respective government agencies.

Recently passed regulations allow options for those mineral license holders who acquired their licenses before passage of the Law to Prohibit Mineral Exploration and Mining Operations at Headwaters of Rivers, Protected Zones of Water Reservoirs and Forested Areas (the "**Long Named Law**") to retain legally allowed portions of their licenses affected by the law. The Company chose the option of diverting the north branch of the Zelter River in order to retain the licenses. Preliminary work was completed for the river diversion including selection of a location and cost estimation.

The required exploration for the Khujirt license was postponed to Q4 2015. The Company decided to consider sale of the license and approached parties that may be interested.

Q4 2015 Outlook

Prophecy will continue to maintain Ulaan Ovoo on standby and reassess its production decision again in the summer of 2016. The Company will continue with coal loading and complete the sale of its remaining coal stockpile by spring 2016. Placing the mine on standby and selling the equipment is not considered to decrease the likelihood of successfully restarting the mine and continued pre-commercial mining to eventually achieve commercial mining. 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 turnkey mining capabilities including 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 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.

Drilling required as part of the annual license diligence is planned for the Khujirt license. The potential sale of the license will continue to be pursued.

Prophecy will continue to pursue support in order to pave the 136km road between the Ulaan Ovoo mine and the Sukhbaatar railway station, as well as to build a 56km 35kv power line from nearby Tsagaannuur soum to bring power to Ulaan Ovoo. Both infrastructure initiatives, if implemented, will significantly reduce the operating cost of Prophecy's Ulaan Ovoo operation and increase the likelihood of sustainable mining operations at Ulaan Ovoo. Pursuit of the river diversion will also continue. Completion of the diversion will ensure that the Company retains the licenses.

Highlights on the Chandgana Coal Properties, Mongolia

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

Q3 2015

The Company decided not to mine coal from the Chandgana Tal licenses because of insufficient demand. Negotiations continued on resolving non-compliance with the Long Named Law concerning one of the Chandgana Tal licenses. A favorable resolution is anticipated but may not be effected until Q4 2015.

The required annual exploration was completed on the Khavtgai Uul license. Six drill holes were completed and provided more information for planning the mine. The Company investigated reducing the size of the Khavtgai Uul license in order to decrease the holding costs. It was decided the license can be reduced without decreasing the resources or mineability.

Consolidation of the assets of Cosmo Coal LLC's wholly-owned subsidiary Tugalgatai Mining LLC ("**Tugalgatai**") and Chandgana was cancelled due to internal restructuring within Cosmo.

During the third quarter 2015, the Company incurred total costs of $78,802 (same period 2014 - $100,489) for the Chandgana Tal property (including power plant consultants and land maintenance costs) and $144,917 (same period 2014 - $3,647) for the Khavtgai Uul property.

Q4 2015 Outlook

Normal license maintenance work will be completed. Resolution of the non-compliance with the Long Named Law 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 licenses. The license reduction application will be submitted.

Chandgana Power Plant Project, Mongolia

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

Q3 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 state and local government officials were held to maintain their support and resolve water use concerns. Discussions with investors continued including discussions for funding of some required studies.

Q4 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.

(Expressed in Canadian Dollars)

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 Sep-30		2015 Jun-30		2015 Mar-31		2014 Dec-31
Operating expense		(481,915)	$	(805,826)	$	(565,716)	$	(908,565)
Net loss		(831,656)		(1,112,025)		(1,994,753)		(12,624,317)
Net loss per share, basic and diluted		(0.00)	$	(0.00)	$	(0.01)	$	(0.05)
Comprehensive loss		(831,656)		(1,112,025)		(1,994,753)		(12,624,317)
Comprehensive loss per share, basic and diluted		(0.00)	$	(0.00)	$	(0.01)	$	(0.05)

		2014 Sep-30		2014 Jun-30		2014 Mar-31		2013 Dec-31
Operating expense	$	(381,890)	$	(551,125)	$	(622,005)	$	225,160
Net loss		(997,563)		(874,952)		(199,209)		(10,818,935)
Net loss per share, basic and diluted	$	(0.00)	$	(0.00)	$	(0.00)	$	(0.04)
Comprehensive loss		(997,563)		(874,952)		(199,209)		(10,665,360)
Comprehensive loss per share, basic and diluted	$	(0.00)	$	(0.00)	$	(0.00)	$	(0.04)

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 September 30, 2015 and 2014 (Q3 2015 and Q3 2014)

Results of operations are summarized as follows:

Operating Expenses		Three months ended September 30,		
		2015		2014
Advertising and promotion	$	58,899	$	12,446
Consulting and management fees		77,699		9,303
General and administrative expenses		208,167		214,835
Professional fees		24,513		21,793
Share-based payments		77,469		104,644
Travel and accommodation		35,168		18,869
	$	481,915	$	381,890

The increase by $100,025 in operating expenses was mainly due to the following factors:

- Consulting and management fees increased by $68,396 mainly due to general increase in business activity as a result of the Pulacayo Project acquisition and development; and
- Advertising and promotion expense increased by $46,453 due to more extensive promotion carried out for the Company during the period.

For Q3 2015, the Company incurred other expenses classified as "Other Items" amounting to $0.35 million.

Other Items		Three months ended September 30,		
		2015		2014
Costs in excess of impaired value	$	470,605	$	1,090,524
Foreign exchange gain		(169,080)		(216,844)
Gain on sale of available-for-sale investments		-		(254,717)
Interest expense		63,402		-
Interest income		-		(3,290)
Gain on sale of equipment		(15,186)		-
	$	349,741	$	615,673

Nine Months Ended September 30, 2015 and 2014

For the nine months ended September 30, 2015, the Company incurred operating expenses of $1.85 million compared to the $1.56 million incurred for the nine months ended September 30, 2014. Results of operations are summarized as follows:

Operating Expenses		Nine month ended September 30,		
		2015		2014
Advertising and promotion	$	118,263	$	45,678
Consulting and management fees		228,264		42,617
General and administrative expenses		737,887		699,394
Professional fees		111,573		148,444
Share-based payments		555,850		538,158
Travel and accommodation		101,620		80,729
	$	1,853,457	$	1,555,020

(Expressed in Canadian Dollars)

The increase by $298,437 in operating expenses was mainly due to the following factors:

- Consulting and management fees increased by $185,647 mainly due to increase in business and development activities as a result of the acquisition of the Pulacayo Project.
- Advertising and promotion expense increased by $72,585 due to more extensive promotion carried out for the Company during the period.
- General and administrative expenses increased by $38,493. The increase was due primarily to increased stock exchange and shareholders services (by $37,951) and increased salaries (by $ 50,385) partially offset by a decrease in directors fees (by $31,569) and by a decrease in insurance expense (by $17,636).
- Travel and accommodation expense increased by $20,891 due to increased travel in connection with the management of the Company's operations in Bolivia.
- 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 nine months ended September 30, 2015, the Company recorded $555,850 in share-based payments expense which is net of the $78,210 that was capitalized to mineral properties and property and equipment due to granting 13,500,000 stock options and issuing 12,000,000 Share purchase warrants (Note 11 to the unaudited condensed interim consolidated financial statements).

For the nine months ended September 30, 2015, the Company incurred other expenses classified as "Other Items" amounting to $2 million compared to $0.5 million for the same period of 2014.

Other Items		Nine month ended September 30,		
		2015		2014
Costs in excess of impaired value		1,063,705		3,767,686
Foreign exchange loss/(gain)		801,956		(614,775)
Gain on sale of available-for-sale investments		-		(2,621,630)
Interest expense		123,139		-
Interest income		-		(14,577)
Loss on sale of equipment		96,177		-
	$	2,084,977	$	516,704

The increase in other items by $1.5 million was mainly due to: (1) the sale of all available-for-sale investments of $2.6 million recorded in 2014, with no available-for-sale investments left to be sold in 2015; (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; (3) a decrease of costs in excess of impaired value of the Ulaan Ovoo property's expenditures by $2.7 million due to the curtailing of mining operations; and (4) an increase in interest expense of $123,139.

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 September 30, 2015 Prophecy had $250,856 comprised of cash and cash equivalents, representing an increase of $49,862 from the $200,994 held at December 31, 2014. Working capital deficit amounted approximately to $0.2 million at September 30, 2015 compared to working capital deficit of $0.9 million as at December 31, 2014. The increase in working capital was mainly due to the partial repayment of the Company's line of credit with the Trade and Development Bank of Mongolia (the "**LOC**").

Sale of mining equipment - During Q2 and Q3 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 partially repay the Company's LOC and to advance the Company's Pulacayo and Chandgana power plant projects.

Equity financing - On September 30, 2015, the Company closed the first tranche of the Placement which raised gross proceeds of $556,000 through the issuance of 11,120,000 Units of Prophecy to various subscribers including the issuance of 7,000,000 Units of Prophecy to Company management and directors. On November 13, 2015, the Company closed the first tranche of the New Placement which raised gross proceeds of $250,000 through the issuance of 6,250,000 Units of Prophecy to various subscribers including the issuance of 2,500,000 Units of Prophecy to Company management and directors. The proceeds are being used to fund the Company's current operations.

Short-term credit facility – On September 23, 2015, the Company's LOC agreement was amended by extending the maturity date to January 2016 and changing the interest to 17.4% from 15% per annum and the fixed monthly payment against principal to US$47,500 from $100,000. As at the date of this MD&A, the outstanding balance of the LOC was US$142,587.

Long-term credit facility - In order to meet interim working capital requirements to fund the Company's business operations and financial commitments, the Company arranged a revolving credit facility with Linx Partners Ltd., a private company wholly-owned and controlled by John Lee, Director, CEO and Executive Chairman of the Company by entering into an agreement dated March 12, 2015, as amended May 5, 2015 (the "**Credit Facility Agreement**"). The Credit Facility Agreement 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 a simple interest rate of 18% per annum. As at September 30, 2015, the outstanding balance of the Credit Facility Agreement was $1.5 million.

As at the date of this MD&A, the Company had used and was continuing to use, the funds from financings as intended. There has been no impact on the ability of the Company to achieve its business objectives and milestones. 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 relies primarily on equity financing and needs further funds to finance its exploration and development programs and its ongoing operating costs.

The unaudited condensed interim consolidated 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.

(Expressed in Canadian Dollars)

Cash Flow Highlights

		Nine months ended September 30,	
		2015	2014
Cash used in operating activities	$	(873,747) $	(2,015,185)
Cash provided by investing activities		211,797	2,620,149
Cash (used in) provided by financing activities		711,812	(450,193)
Increase (decrease) in cash for period		49,862	154,771
Cash balance, beginning of period		200,994	507,996
Cash balance, end of period	$	250,856 $	662,767

Operating activities: Cash used in operating activities was approximately $0.9 million during the nine months ended September 30, 2015 compared to cash used of $2 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 $0.2 million during the nine months ended September 30, 2015 compared to $2.6 million cash provided by investing activities during the same period in 2014. In 2014, the Company received $4.5 million from the sale of its Common shares of Wellgreen Platinum Ltd. and used $1.9 million for mineral property and property and equipment expenditures. During the nine months ended September 30, 2015, the Company received $2.9 million from sale of mining and transportation equipment and spent $2.5 million on mineral property and property and equipment expenditures. Also, the Company spent net of $237,224 to acquire the Apogee Subsidiaries.

Financing activities: Cash provided by financing activities was approximately $0.7 million during the nine months ended September 30 2015 compared to $0.45 million cash used in the same period of 2014. In 2015, the Company received $1.5 million from the Credit Facility Agreement and $0.55 million from the issuance of Shares. The Company paid $1 million toward the LOC outstanding balance compared to $0.3 paid in the same period of 2014 and interest paid was $0.26 million in 2015 compared to $0.17 million interest 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 and Note 8 to the unaudited condensed interim consolidated 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 nine months ended September 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.

On May 26, 2015, the Company received a positive Resolution issued by the Bolivian Constitutional 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 ASC Bolivia LDC Sucursal Bolivia) and sent 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 September 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.

(Expressed in Canadian Dollars)

- 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 September 30,		Nine Months Ended September 30,	
Related parties	2015	2014	2015	2014
Directors and officers	$ 90,780	$ 85,506	$ 260,581	$ 263,812
Linx Partners Ltd.	105,000	103,803	323,988	313,809
MaKevCo Consulting Inc.	6,300	10,000	27,019	35,300
Sophir Asia Ltd.	6,000	-	24,242	-
	$ 208,080	$ 199,309	$ 635,830	$ 612,921

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
Related parties	2015	2014	2015	2014
Consulting and management fees	$ 107,700	$ 9,303	$ 235,133	$ 36,560
Directors' fees	18,300	28,726	75,502	105,771
Mineral properties	15,300	47,250	124,855	141,750
Property and equipment	-	47,250	-	141,750
Salaries and benefits	66,780	66,780	200,340	187,090
	$ 208,080	$ 199,309	$ 635,830	$ 612,921

On March 12, 2015, the Company entered into the Credit Facility Agreement with Linx Partners Ltd. 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 Partners Ltd., 12,000,000 Share purchase warrants, exercisable at a price of $0.05 per Share for a period of five 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 unaudited condensed interim consolidated financial statements).

As at September 30, 2015, amounts due to related parties totaled of $118,506 (December 31, 2014 – $463,578) and was comprised of $33,920 (December 31, 2014 - $70,845) for directors' fees and $84,586 (December 31, 2014 - $157,312) for consulting and management.

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

(Expressed in Canadian Dollars)

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 September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Salaries and short term benefits	$ 67,670	$ 88,309	$ 202,667	$ 266,615
Share-based payments	97,118	106,808	523,868	359,701
	$ 164,788	$ 195,117	$ 726,535	$ 626,316

10. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's unaudited condensed interim 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 nine months ended September 30, 2015. The significant accounting policies applied and recent accounting pronouncements are described in Note 6 to the Annual Financial Statements.

In preparing the unaudited condensed interim consolidated 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.

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.

(Expressed in Canadian Dollars)

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 September 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 September 30, 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	$ 250,856	$ -	$ -	$ 250,856
Restricted cash equivalents	34,500	-	-	34,500
	$ 285,356	$ -	$ -	$ 285,356

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 nine months ended September 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 nine months ended September 30, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

14. PROPOSED TRANSACTIONS

We do not currently have any proposed transactions; however, the Company from time to time does review potential property acquisitions and divestitures on its assets held for sale, in addition to conducting further exploration work on its properties. The Company releases appropriate public disclosure as it conducts exploration work on its existing properties and if the Company makes an acquisition or divestiture.

15. DISCLOSURE OF OUTSTANDING SHARE DATA

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

- 341,822,784 Common shares outstanding with recorded value of $153,263,999.
- 37,938,750 stock options outstanding with a weighted average exercise price of $0.13. 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
- 43,650,385 Share purchase warrants outstanding exercisable to purchase one Common share of the Company at any time at prices ranging from $0.05 to $0.10 and which expire between 2016 and 2020.

16. OFF-BALANCE SHEET ARRANGEMENTS

During the nine months ended September 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.