PROPHECY RESOURCE CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the three month period ended March 31, 2008

The following discussion and analysis should be read in conjunction with the Interim Financial Statements for Prophecy Resource Corp (the "Company") and related notes for the six and three month period ended March 31, 2008. All dollar amounts included therein and in the following management discussion and analysis ("MDA") are stated in Canadian funds. This discussion is based on information available as at April 18, 2008.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

The Company was incorporated under the *Business Corporations Act* (British Columbia) on February 9, 2006 under the name "Prophecy Resource Corp." Prophecy is focused on the acquisition of base and precious metal exploration properties primarily in the Province of British Columbia. The Company has no subsidiaries.

Overview

On March 8, 2006 the Company acquired Goldrush Resources Ltd.'s option with Eastfield Resources Ltd. whereby Goldrush had the right to earn an interest in mineral exploration claims located north of Powell River in British Columbia (the "Okeover Property") from Eastfield. James (Bill) Morton, a director of the Company, is the president and chief executive officer of Eastfield. The Company can earn a 60% interest in the Okeover Property from Eastfield by spending up to $1,000,000 in exploration on the Okeover Property within four years of the date of the agreement and by making cash payments totalling $110,000, of which $35,000 has been paid. To acquire the option from Goldrush, the Company issued 100,000 shares to Goldrush and made cash payments totalling $15,000. Upon the Company earning its 60% interest in the Okeover property, the Company and Eastfield will form a joint venture for the further exploration and development of the Okeover property, with Prophecy becoming the operator.

The Okeover Copper-Molybdenum Property

The following represents information summarized from a technical report (the "Okeover Property Report") dated October 5, 2006 entitled "Technical Report on the OK Copper Property", prepared by N.C. Carter, Ph.D. P. Eng. pursuant to the provisions of National Instrument 43-101 ("NI 43-101").

N.C. Carter is a "qualified person" within the meaning of NI 43-101. N.C. Carter is independent of the Company applying all of the tests in section 1.5 of NI 43-101 and has not had prior involvement with the Okeover Property that is the subject of the Okeover Property Report.

The Okeover Property (copper-molybdenum) consists of eleven contiguous legacy and cell mineral claims located in the Vancouver Mining Division of south western British Columbia, 25 kilometres north of Powell River and 145 kilometres northwest of Vancouver. Collectively, the claims cover an area of approximately 5,233 hectares between latitudes $49^0$59.5' and $50^0$04.6' North and longitudes $124^0$37.0' and $124^0$41.2'

All claims are registered in the name of Eastfield and are subject to a March 4, 2003 option agreement with Robert Edward Mickle of Likely, B.C. whereby Eastfield has the right to earn a 100% interest in the property subject to a 2.5% net smelter royalty interest which may be purchased from the vendor for $2 million on commencement of commercial production. Cash payments to the vendor totalling $88,000 (of which $69,625 has been paid) over a five year period are due at six month intervals in addition to the annual issuance of Eastfield securities amounting to 125,000 shares over the term of the agreement. The payments totalling $88,000 are payable by Prophecy pursuant to the terms of the agreement between Prophecy and Eastfield.

Copper and molybdenum mineralization was discovered in creek bottoms in the central part of the Okeover Property in 1965. Between 1966 and 1977, seven companies carried out a number of geological, geochemical and geophysical surveys, mechanical trenching and more than 14,000 metres of drilling. Companies working on the property included Noranda Exploration Company Ltd., Asarco Exploration Company of Canada Limited, Falconbridge Nickel Mines Ltd., Duval International Corporation, Granite Mountain Mines Ltd., Sierra Empire and Western Mines Ltd.

Drilling completed between 1966 and 1977 consisted of 13,831.5 metres of diamond drilling in 82 holes and 12 vertical percussion holes totalling 732 metres. Average diamond drill hole length was 169 metres and the deepest hole drilled was 363 metres in length. Vertical percussion holes were drilled to 61 metres depths.

2007 Exploration Program (first phase)

As recommended by N.C. Carter, P. Eng, the Company began a first phase program in spring 2007.

In July, 2007 Prophecy received the results from the first four drill holes of a seven hole program at the Okeover property. These four drill holes were designed to expand the current resources of the North Lake Zone.

Hole OK-07-04, drilled near the western boundary of the North Lake Zone, intersected an aggregate intercept of **76 metres grading 0.34% copper and 0.020% MoS_2,** including an intercept of **19 metres grading 0.42% copper and 0.027% MoS_2**. Hole OK-07-04 was drilled adjacent to and beneath a hole completed in 1972 with much of the mineralized interval, including the higher grade section, occurring beneath the 1972 hole, which bottomed at a depth of 97 metres.

Hole OK-07-02, drilled approximately **300 metres to the east** of the area corresponding to the North Lake resource, intersected **23 metres grading 0.24% copper and 0.031% MoS_2 at the bottom of the hole,** establishing that mineralization is very much open ended to the east and suggesting that the North Lake Zone may be considerably larger than the 2006 estimate. In addition, molybdenum grades appear to be increasing to the east.

A summary of results of the first four holes is as follows:

Hole OK-07-01

Excluding several internally dilutive dykes greater than 4 metres in thickness:

Beginning	Ending	Aggregate mineralization	Copper %	MoS_2 %
29 m	203 m	147 m	0.18	0.009

Mineralized intervals in OK-07-01 in detail

From M	To M	Interval M	Copper %	MoS_2 %
29	47	18	0.16	0.010
56	90	34	0.17	0.008
92	132	40	0.17	0.009
138	166	28	0.17	0.007
171	191	20	0.24	0.010
196	203 (end)	7	0.19	0.019

OK-07-01 is located approximately 75 metres to the east of the 2006 North Lake Zone (south side).

Hole OK-07-02

From M	To M	Interval M	Copper %	MoS_2 %
165	188 (end)	23	0.24	0.031

OK-07-02 is located approximately 350 metres to the east of the 2006 North Lake Zone.

Hole OK-07-03

Excluding several internally dilutive dykes greater than 4 metres in thickness:

Beginning	Ending	Aggregate mineralization	Copper %	MoS_2 %
73 m	188 m	75 m	0.19	0.029

Mineralized intervals in OK-07-03 in detail

From M	To M	Interval M	Copper %	MoS_2 %
73	116	43	0.17	0.031
123	135	12	0.17	0.020
151	156	6	0.27	0.032
160	170	10	0.27	0.030
176	179	3	0.24	0.020
187	188 (end)	1	0.19	0.028

OK-07-03 is located approximately 50 metres to the east of the North Lake Zone (north side). **The interval from 73.7 metres to 74.5 metres returned grades of 1.26% copper and 0.639% MoS_2.**

Hole OK-07-04

Excluding several internally dilutive dykes greater than 4 metres in thickness:

Beginning	Ending	Aggregate mineralization	Copper %	MoS_2 %
41 m	141 m	76 m	0.34	0.020

Mineralized intervals in OK-07-04 in detail

From M	To M	Interval M	Copper %	MoS_2 %
41	61	20	0.35	0.029
72	91	19	0.42	0.027
104	141	37	0.29	0.012

Drill Hole OK-07-04 is located near the western boundary of the North Lake Zone, adjacent to and underneath a hole drilled in 1972, hole 72-16, which bottomed at 97 metres.

Holes OK-07-01 to OK-07-04 have confirmed that mineralization in the North Lake Zone has not been constrained by depth and remains open on the eastern and western edges, offering substantial opportunities for expansion of the resource. Several sites have been prepared in the North Lake Zone, where the company plans to resume drilling in the spring of 2008.

The final drill program of 2007, which started in late October, was completed on December 15, 2007. This three hole drill program was designed to test the South Breccia Zone located 3,500 metres south of the North Lake Zone.

The South Breccia area is a hydrothermal breccia first recognized in 1979. Between 1966 and 1977, seven corporations, including Noranda, Falconbridge and Asarco Exploration completed 14,000 metres of diamond drilling at Okeover. In 1979, two years following these campaigns, logging activities exposed the south Breccia Zone approximately 3.5 kilometres south of the North Lake Zone. In 1979, Aquarius Resources Ltd. completed three holes in this then newly discovered area (205 metres in total) with results which included 1.49% Copper over 9 metres in hole 79-2 and 0.49% Copper over 21 metres in hole 79-3. In 1996, Canquest Resource Corp. drilled a single 154 metre deep hole with the strongest mineralization in that hole (0.21% Cu) occurring at the bottom. A review of this drill hole indicates that it may have stopped short (to the east) of the South Breccia Zone. Geological mapping of the area peripheral to the South Breccia discovery outcrop indicates that brecciation and silicification extend over an area of at least 300 metres by 600 metres, offering substantial potential for discovery.

Three holes were completed in December 2007 at the South Breccia Zone. A total of 782 metres of drilling was completed in these three holes and resulted in the discovery of a new area of copper- molybdenum mineralization. Highlights of the drilling include hole 07-08 with an intercept of **39.7 metres grading 0.045% MoS_2 and 0.27% Cu, including 25.4 metres grading 0.068% MoS_2 and 0.25% Cu.**

Hole 07-08 was angled to the south of the mineralized area and the area beyond this point in this direction has not yet been drilled. A map of the Okeover property showing the recently completed drilling at the South Breccia Zone can be viewed on our website at www.prophecyresource.com.

A summary of results is as follows:

Hole	From (metres)	To (metres)	Interval (metres)	MoS_2 %	Cu %	Cu Equiv. (1)
07-08	63.0	102.7	39.7	0.045	0.27	0.54
Including	63.0	88.4	25.4	0.068	0.25	0.66
07-09	33.0	69.4	36.4	0.010	0.27	0.33
And	84.6	114.6	30.0	0.017	0.36	0.47
07-10	No	significant	results			

(1) Based on copper priced at $2.50 per pound and molybdenum at $25 per pound without provision for recoveries or operating costs

Drilling completed in early 2007 at Okeover included four holes completed in the North Lake Zone, which hosts a NI 43-101 compliant inferred resource of 86.8 million tonnes grading 0.31% copper and 0.014% MoS_2 as calculated in late 2006 by N.C. Carter, Ph.D., P. Eng. Three of these holes were completed as step outs (average 75 metres) to the east and one as a deeper test beneath the western area of the current resource. All four holes encountered significant mineralization with the three eastern step outs all ending in mineralization grading in excess of 0.19% copper and 0.017% MoS_2 (the approximate cut off grade for the resource) confirming that the North Lake Zone is open for expansion to the east and at depth. Ten additional drill sites were constructed in the North Lake area during October and November 2007 and this area will be the subject of additional drilling scheduled to commence in May, 2008.

A rock exposure located approximately 400 metres southwest of the North Lake Zone returned an analysis of 0.17 % Mo (0.288% MoS_2) and greater than 1000 ppb rhenium. This result encouraged a reanalysis of several other samples which had returned higher molybdenum values. A higher grade intercept in hole 07-03 which had returned an assay of 1.26% copper and 0.38% Mo (0.63% MoS_2) over 0.8 metres (73.7-74.5 metres) returned a rhenium analysis also greater than 1000 ppb which is the upper limit that the assay lab, Acme Analytical Laboratories Ltd., is equipped to provide. The two samples are approximately 1200 metres distant from each other. Acme Analytical Laboratories Ltd is currently reviewing the availability of other laboratories to provide an unconstrained rhenium value for these samples which is considered to be potentially significant given the current rhenium price of $10,700 per kilogram. Rhenium is reputed to have been an important by product for the Island Copper Mine (copper, molybdenum and gold) located on Vancouver Island and operated by BHP Minerals Canada until 1994.

Exploration of the Okeover property is being conducted under the supervision of J.W. (Bill) Morton, P.Geo., a director of the Company and qualified person within the context of National Instrument 43-101. Analyses were performed by Acme Analytical Laboratories, Vancouver, BC. a registered facility, using Aqua Regia digestion followed by multi-element ICP-MS analysis.

During the three month period ended March 31, 2008 the Company spent $13,798 on exploration of the Okeover property. This was comprised of geological consulting of $2,720, assays and drilling of $8,776 and field expenses of $2,302. As of March 31, 2008 the Company has spent a total of $759,135 on exploration of the Okeover property.

Management's Discussion and Analysis

The following discussion and analysis is based on the Company's results of operations and financial position and should be read in conjunction with the interim financial statements for the three month period ended March 31, 2008.

The Company holds an option to earn a 60% interest in eleven contiguous mineral claims in British Columbia totaling approximately 3,950 hectares called the Okeover Property. The Company is a resource development company focused on the acquisition and exploration of mineral properties and therefore has no regular cash flow from operations. The level of operations has been determined by the availability of capital resources. To date, private placements have provided the main source of funding.

Results of Operations

Operating expenses for the three month period ended March 31, 2008 totaled $62,517 as compared to $55,827 during the same period a year prior. The significant expenditures were as follows:

During the three month period ended March 31, 2008 the Company incurred $6,467 for office, rent and miscellaneous expenses, compared to $5,806 incurred during the same period a year prior. The increase during the current period was due to increased office costs incurred by the Company as it is now a public company, having listed on the TSX Venture Exchange in February, 2007.

Professional fees of $16,946 incurred during the three month period ended March 31, 2008 were increased from the $8,617 incurred during the three month period ended March 31, 2007. This was due to increased audit and accounting fees incurred by the Company during the current period to satisfy its reporting obligations as a public company.

During the three month period ended March 31, 2008 the Company incurred stock-based compensation expense, a non-cash expense, of $3,940 for 200,000 options granted to consultants during a prior period, a portion of which vested during the current period. There was no stock-based compensation expense charged during the same period a year prior.

The Company incurred $11,730 for transfer agent and filing fees during the three month period ended March 31, 2008. This is reduced from the $28,800 incurred for transfer agent and filing fees during the three months ended March 31, 2007 when the Company incurred additional filing fees for its listing on the TSX Venture Exchange in February of 2007.

During the three month period ended March 31, 2008 the Company incurred $19,934 for shareholder communications expenses, which included web site maintenance, consulting, news release dissemination and advertising. This compares to $8,516 incurred during the same period a year prior, when the Company was only public during the last half of the quarter.

Management fees of $3,500 were incurred during the three month period ended March 31, 2008 for the monthly management fee of up to $1,500 per month charged by the President of the Company, which commenced following the

Company's listing on the TSX Venture Exchange in February, 2007. This compares to $3,000 charged during the same period a year prior.

During the three month period ended March 31, 2008 the Company earned interest income of $4,528 on short-term investments and cash on hand as a result of the completion of a private placement for gross proceeds of $507,500 in November 2007 and the exercise of 1,400,000 warrants at $0.15 prior to their expiry in December 2007. This compares to $541 earned on cash on hand during the three month period ended March 31, 2007 when the Company was still private.

As a result of the foregoing, the Company incurred a net loss before income taxes for the three month period ended March 31, 2008 of $57,989 as compared to net loss of $55,286 for the comparable period a year prior.

During the current fiscal period the Company renounced a tax benefit of $92,380 as a result of the issuance of 2,200,000 flow-through shares during calendar 2007. This was charged to the balance sheet as a reduction to share capital and recorded on the statement of operations for the current period as a future income tax recovery, resulting in the Company recording net and comprehensive income for the three month period ended March 31, 2008 of $34,391. There was no comparable transaction during the same period a year prior.

Summary of Quarterly Results

	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07
Revenue	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss) ($)	34,391	(44,781)	(16,878)	(30,744)	(55,286)	(60,207)
Per Share ($)	0.01	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

A "Summary of Quarterly Results" has only been prepared for the four quarters of fiscal 2007 and the first quarter of fiscal 2008 as the Company was private during the fiscal year ended September 30, 2006 and did not prepare any quarterly financial reports during that period.

The loss during the second quarter of fiscal 2007 (the three month period ended March 31, 2007) decreased to $55,286 from the loss of $60,207 incurred during the prior fiscal quarter primarily due to the elimination of stock based compensation expense, a non-cash item, as there were no stock options granted or vested during the current period. During the first quarter of fiscal 2007, the granting of stock options to directors resulted in a charge for stock-based compensation of $55,304 during that period. The elimination of stock-based compensation expense during the second quarter was offset by an increase in transfer agent and filing fees to $28,800 from the $1,162 incurred during the first quarter due to the completion of the Company's Initial Public Offering during the second period and the subsequent listing on the TSX Venture Exchange. As it became a public company in February 2007, Prophecy also incurred additional expenses for shareholder communications of $8,516 during the second quarter, a portion of which will continue to be incurred during subsequent quarters.

The loss for the third quarter of fiscal 2007 decreased to $30,744 from the $55,286 incurred during the second quarter of fiscal 2007 primarily due to a reduction in transfer agent and filing fees to $6,868 from the $28,800 incurred during the second quarter for completion of the Company's Initial Public Offering and listing on the TSX Venture Exchange.

The loss for the fourth quarter of fiscal 2007 was reduced to $16,878 primarily due to recording a future income tax recovery of $34,680 during the period as a result of the issuance of 850,000 flow-through shares during fiscal 2006. This served to reduce the loss for the period to $16,878 from the $51,558 that would have been recorded otherwise, with the increase from the $30,744 incurred during the third quarter the result of additional stock-based compensation expense, a non-cash item, of $26,392 recorded during the fourth quarter for options granted to directors earlier in the year.

The loss for the first quarter of fiscal 2008 increased to $44,781 primarily due to the elimination of an allowance for future income tax recovery of $34,680 incurred during the fourth quarter of fiscal 2007 as a result of the issuance of

850,000 flow-shares during fiscal 2006 and renounced during fiscal 2007. This served to reduce the loss for the fourth quarter period to $16,878 from the $51,558 that would have been recorded otherwise, with the decrease in net loss to $44,781 for the first quarter of 2008 due primarily to a reduction in charges for stock based compensation to $1,313 from the $26,392 incurred during the fourth quarter, offset by an additional charge of $8,000 for investor relations consulting incurred during the first quarter of fiscal 2008.

The Company recorded income for the second quarter of fiscal 2008 of $34,391 primarily due to recording a future income tax recovery of $92,380 during the period as a result of the issuance of 2,200,000 flow-through shares during the prior calendar year. This served to offset the loss for the period of $57,989 that would have been recorded otherwise, with the increase from the $44,781 incurred during the first quarter of 2008 the result of additional professional fees incurred during the second quarter for preparation of the Company's audited financial statements for the prior fiscal year.

Liquidity and Capital Resources

Prophecy is in the development stage and therefore has no regular cash flow. As at March 31, 2008, the Company had working capital of $551,070, inclusive of cash and short-term investments on hand of $543,747. This compares to working capital of $249,708 at September 30, 2007, inclusive of cash on hand and short term investments of $203,005.

At March 31, 2008 the Company had current assets of $579,524, total assets of $1,434,159 and total liabilities of $163,149. The Company has no long-term debt. There are no known trends in the Company's liquidity or capital resources.

The principal assets of the Company are its mineral exploration properties, amounting to $848,135 as at March 31, 2008.

The decrease in cash during the three month period ended March 31, 2008 of $183,763 was primarily due to cash used by operations of $34,965, property exploration and acquisition expenditures of $33,798 and cash deposited in a short-term investment of $115,000.

The Company had sufficient funds on hand at March 31, 2008 to fund its operating expenses for the balance of the current fiscal year as well as conduct additional exploration at its Okeover property. In November, 2007 the Company completed a private placement of flow-through securities in November 2007 for gross proceeds of $507,500 to fund phase II exploration work on its Okeover property during fiscal 2008. This will enable Prophecy to earn its 60% interest in the Okeover property, following which Eastfield and the Company will form a joint venture to fund further exploration on the Okeover project in proportion to their respective interests. At that time, the Company may have to obtain other financing or raise additional funds in order to continue to fund its share of Okeover exploration expenses. Although the company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Okeover property.

Cash flow to date has not satisfied the Company's operational requirements. The development of the Company may in the future depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the sale of equity securities to meet its cash requirements. Future developments, in excess of funds on hand, will depend on the Company's ability to obtain financing through joint venturing of projects, debt financing, equity financing or other means. There can be no assurances that the Company will be successful in obtaining any such financing or in joint venturing its property.

Disclosure Controls and Procedures

The Company's system of disclosure controls and procedures includes our Disclosure Policy, our Code of Conduct and Business Ethics and the effectiveness of our Audit Committee. The Company has established procedures that allow the identification of matters warranting consideration of disclosure by the Audit Committee, as well as procedures for the verification of individual transactions and information that would be incorporated in annual and interim filings, including Financial Statements, Management's Discussion and Analysis, Annual Information Forms and other related documents.

As required by CSA Multilateral Instrument 52-109, Certification of Disclosure in an Issuer's Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as of March 31, 2008 under the supervision of management, including the President and the Chief Financial Officer. The evaluation included review of documentation, enquiries of Company staff and other procedures considered by Management to be appropriate under the circumstances.

As a result of their evaluation, the President and Chief Financial Officer are of the opinion that the design and operation of the system of disclosure controls was effective as at March 31, 2008.

The President and Chief Financial Officer are also required to file certifications of our annual and interim filings under Multilateral Instrument 52-109. These certifications may be accessed at www.sedar.com.

Related Party Transactions

During the three month period ended March 31, 2008, $5,500 was paid to a private company wholly-owned by Stuart Rogers, a director and Chief Financial Officer of the Company, for office rent and administration services provided to the Company.

During this same period, $3,500 was paid to James Brown, the President and a director of the Company, for management services provided. In addition, during the period a total of $13,798 was paid or accrued to a private company in which a director, Bill Morton, is a 50% partner for exploration work done on the Company's property. Included in this amount are geological consulting fees of $1,360 which were paid to this same director.

These amounts were incurred in the ordinary course of business.

Investor Relations

The Company incurred expenditures of $19,934 on investor relations during the three month period ended March 31, 2008. This figure was comprised of $429 for dissemination of news releases, $8,000 for consulting services, $11,001 for advertising and $504 for web site maintenance.

Contingencies

The Company is aware of no contingencies or pending legal proceedings as of April 18, 2008.

Equity Securities Issued and Outstanding

The Company had 11,100,000 common shares issued and outstanding as of April 18, 2008. In addition, there were 650,000 incentive stock options and a total of 1,583,000 share purchase warrants outstanding as of April 18, 2008.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Certain statements contained in this document constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company’s operations in the jurisdictions in which it operates.