

# MEMORANDUM OF UNDERSTANDING

*October \_\_\_\_, 2012*

This Memorandum of Understanding (“MOU”) is between Prophecy Platinum Corp (“Prophecy”) and Haines Borough (“Haines”) (collectively the “Parties” or each a “Party”).

## PURPOSE

The Purpose of this MOU is to establish a framework of mutual co-operation and the exchange of information between the Parties.

## NON-BINDING PROVISIONS

The following numbered paragraphs of this MOU (collectively, the “**Nonbinding Provisions**”) reflect our mutual understanding of the matters described in them, but each Party acknowledges that the Nonbinding Provisions are not intended to create or constitute any legally binding obligation between the Parties, and no Party shall have any liability to the other with respect to the Nonbinding Provisions unless and to the extent that they are embodied in a fully integrated definitive agreement (a “**Definitive Agreement**”), and other related documents, which are prepared, authorized, executed and delivered by and between all parties. If a Definitive Agreement is not prepared, authorized, executed or delivered for any reason, no party to this MOU shall have any liability to any other party to this MOU based upon, arising from, or relating to the Nonbinding Provisions.

## 1. BACKGROUND

Prophecy is listed on the TSX Venture Exchange and primarily engaged in the identification, acquisition and exploration for mineral resource properties throughout Canada.

In the Yukon Territory, Prophecy holds a 100% interest in a certain mineral exploration property (the “Wellgreen Property”), located approximately fifteen (15) kilometres from the Alaska Highway and three hundred and seventeen (317) kilometres north of the city of Whitehorse in southwestern Yukon.

The Wellgreen Property is rich in platinum group metals (platinum, palladium, rhodium, nickel and copper) with a National Instrument 43-101 compliant inferred resources estimate of 289,000,000 tonnes and an indicated resource estimate of 14,000,000 tonnes.

Haines, is a home rule borough, located at the hub of road and sea routes to the rest of Alaska, Yukon, and overseas and four hundred and two (402) kilometres from the Wellgreen Property.

Haines owns and operates Lutak Dock, an industrial deep sea port facility. Lutak Dock handles freight shipments in and out of the community, as well as the rest of Alaska and overseas. Also located in Haines are the privately-owned Chilkoot Lumber Dock Facility and the US Government-owned Haines POL Terminal Dock, with associated uplands, that may be available for development in the future.

The Lutak and other dock facilities are located approximately four (4) miles from Haines. The Lutak Dock is currently configured for use as a containerized, conventional, roll on, and roll off cargo operation, as well as storage. The Chilkoot Lumber Dock Facility, located just north of the Lutak Dock, can be upgraded and configured to accommodate bulk and other cargo, as well as storage. The POL Terminal Dock and uplands, located just south of Lutak Dock, can be developed to facilitate large shipments and storage of bulk cargo and fuels.

It is Prophecy's intention is to fully develop the Wellgreen Property as viable commercial resource ready for commercial production commencing in 2018 and 2019. To achieve this goal, Prophecy:

- commissioned an Independent Preliminary Economic Assessment ("PEA") that investigated the Wellgreen Property as a commercial viable resource. The PEA recommends that the Wellgreen Property will support a 32,000 ton per day open pit mine operation that is expected to produce 1.959 billion pounds of nickel; 2.058 billion pounds of copper; and 7.119 million ounces of platinum, palladium, and gold over a 37 year mine life; and
- commissioned a transportation study with a mandate to evaluate the movement of concentrate from the Wellgreen Property to three shipping destinations, Haines, Port of Skagway, and the Port of Stewart. This transportation study is expected to be completed by December 14, 2012.

It is Haines' intention is to position itself to capture a significant share of transportation and expediting business related to the export of raw materials from the Yukon Territory. Haines is actively seeking prospective tenants for and potential users of the Lutak industrial waterfront. Haines intends to provide affordable marine transportation via a Lutak waterfront development. To achieve this goal, Haines:

- has received State funding in the amount of USD \$120,000 to study and assess the potential for Haines in the resurgence of the Yukon mining industry reflected in a Port Development Master Plan; and
- established a Port Development Steering Committee to oversee and guide future port development initiatives involving studying and implementing the rehabilitation and the redesign, of the Lutak Dock and the construction of a modern and expanded port.

## **2. OBJECTIVE**

The objective of this MOU is to identify, assess, and investigate through mutual co-operation and the sharing of information the potential of a future commercial relationship between the Parties that is mutually beneficial reflecting the Parties intentions and goals.

## **3. COLLABORATIVE PROCESS AND INFORMATION SHARING**

The Parties agree to in good faith to consult, cooperate, and exchange information and identify areas of mutual interest and benefit to aid in and to achieve the objective of this MOU.

The Parties agree to the free exchange of information which includes, but is not limited to, the following:

- Regulations, guidance documents, policies, procedures, and other scientific and technical documents;
- Data and information regarding port utilization, port capacity and dimension to handle vessel size, frequency of shipment, capital requirements to complete expansion work, and permits required for such concentrate transport;
- Environmental data and assessments
- Studies / plans
- Community impact / social studies

The Parties agree to meet periodically and attend meetings as necessary to update each other on their perspective progress in the collection and analysis of information pertaining to their respective marine transportation goals.

The Parties agree that they will each make best efforts to dedicate the necessary time and effort to fulfill the objective of this MOU.

Each Party will notify the other Party immediately regarding any circumstances that arise and that may potentially affect fulfilling the objective of this MOU.

## **BINDING PROVISIONS**

Upon execution by the Parties of this MOU or counterparts thereof, the following lettered paragraphs of this MOU (collectively, the “**Binding Provisions**”) will constitute the legally binding and enforceable agreement of the Parties (in recognition of the significant costs to be borne by the Parties in pursuing this proposed transaction and further, in consideration of their mutual undertakings as to the matters described herein).

## **A. NON-BINDING PROVISIONS NOT ENFORCEABLE**

The Nonbinding Provisions do not create or constitute any legally binding obligations between the Parties, and none of the Parties shall have any liability to the other parties with respect to the Nonbinding Provisions unless and to the extent that they are embodied in the Definitive Agreement, if one is successfully negotiated, executed and delivered by and between all parties. If the Definitive Agreement is not prepared, authorized, executed or delivered for any reason, no party to this MOU shall have any liability to any other party to this Letter based upon, arising from, or relating to the Nonbinding Provisions.

## **B. NON-EXCLUSIVITY AND LEGAL STATUS**

This MOU is non-exclusive. Each Party is free to carry out similar initiatives with third parties. This MOU does not constitute an offer, binding commitment or obligation of either Party, nor will it be construed or deemed as creating a contract of any nature and under no circumstances will either Party be bound in any manner whatsoever, in either law or equity, other than as expressly set out. The Parties may not act or bind the other in any way nor may either represent that it is in any way responsible for the acts of the other. This MOU does not establish a joint venture or partnership between the Parties.

## **C. FINANCIAL ARRANGEMENTS**

This MOU will not impose any financial responsibilities on the parties, except that each party will be responsible for the costs it incurs in its own interest, related to the support of this MOU.

## **D. SETTLEMENT OF DISPUTES**

Any disputes regarding the interpretation or implementation of this MOU will be resolved only by consultation among the Parties and will not be referred to a court, or other third party for settlement.

## **E. NOTICE**

Any notice, direction or other communication required or permitted to be given under this Agreement will be in writing and will be given by personal delivery or by prepaid registered or certified mail or by facsimile or other form of telecommunication, in each case addressed as follows:

To Prophecy:

Attention: Joseph Li, Corporate Secretary  
Address: Prophecy Platinum Corp.  
2<sup>nd</sup> Floor, 342 Water Street,  
Vancouver B.C.,  
Tel: 604-569-3661 x 102  
Fax: 604-569-3617  
Email: [jli@prophecycoal.com](mailto:jli@prophecycoal.com)

To Haines:

Attention: Mark Earnest, Borough Manager  
Address: Haines Borough  
P.O Box 1352  
Haines AK 99827  
Tel: 907-766-2231 x 29  
Fax: 907-766-7261  
Email: [mearnest@haines.ak.us](mailto:mearnest@haines.ak.us)

## **F. AMENDMENTS**

This MOU may be amended only with the mutual written consent of the Parties. Any amendment must be approved by the Haines Borough Assembly.

## **G. DURATION, WITHDRAWAL AND TERMINATION**

This MOU will be reviewed periodically by the parties and will remain in effect until either withdrawn from or terminated.

Any party may withdraw from this MOU upon presentation of 30 days written notice to the other party.

This MOU may be terminated at any time, with the mutual written consent of the parties.

## **H. EXECUTION IN COUNTERPARTS**

The Parties hereto agree that this MOU may be executed and dated in counterparts, each counterpart of which counterpart when taken together will constitute the original MOU.

## **I. EFFECTIVE DATE AND SIGNATURE**

This MOU, agreed to in principle by the parties as of the date of signature below, takes effect on  
\*, 2012

**PROPHECY PLATINUM CORP.**

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal stroke.

Per: \_\_\_\_\_  
Joseph Li  
Director and Corporate Secretary

**HAINES BROUGH**

Per: \_\_\_\_\_  
Authorized Signature