



Thermal Coal Producer and Thermal Power Developer

October 2014



Actual Ulaan Ovoo pictures

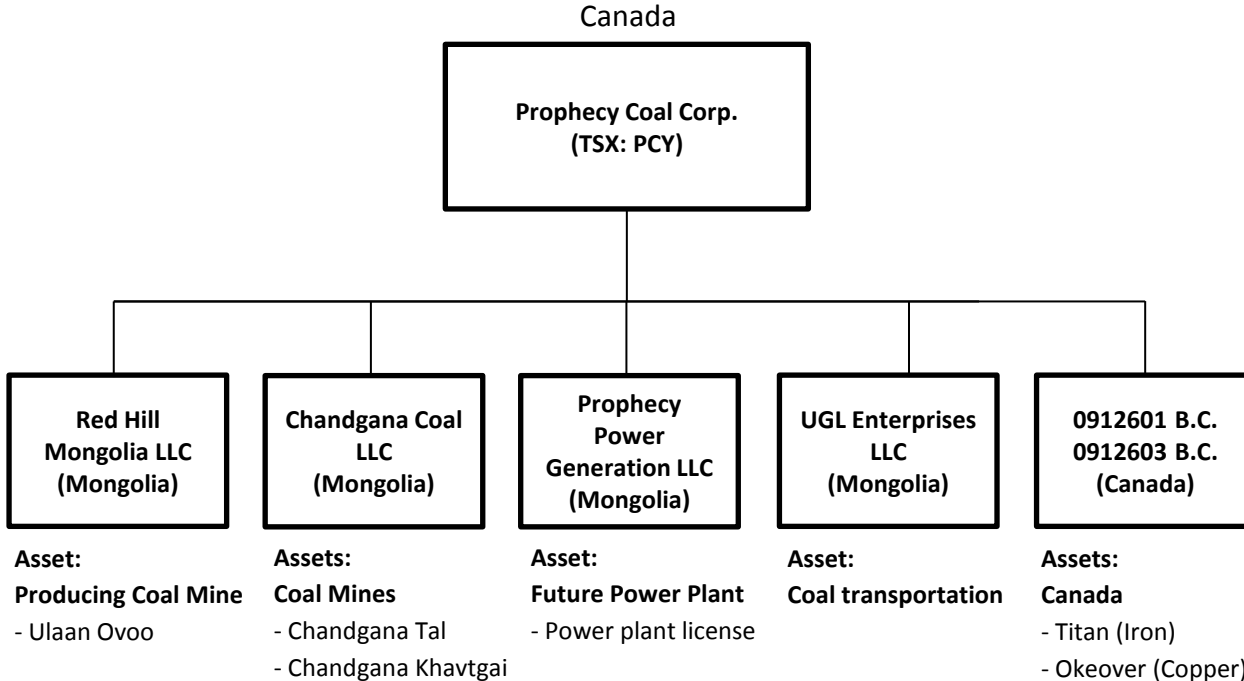
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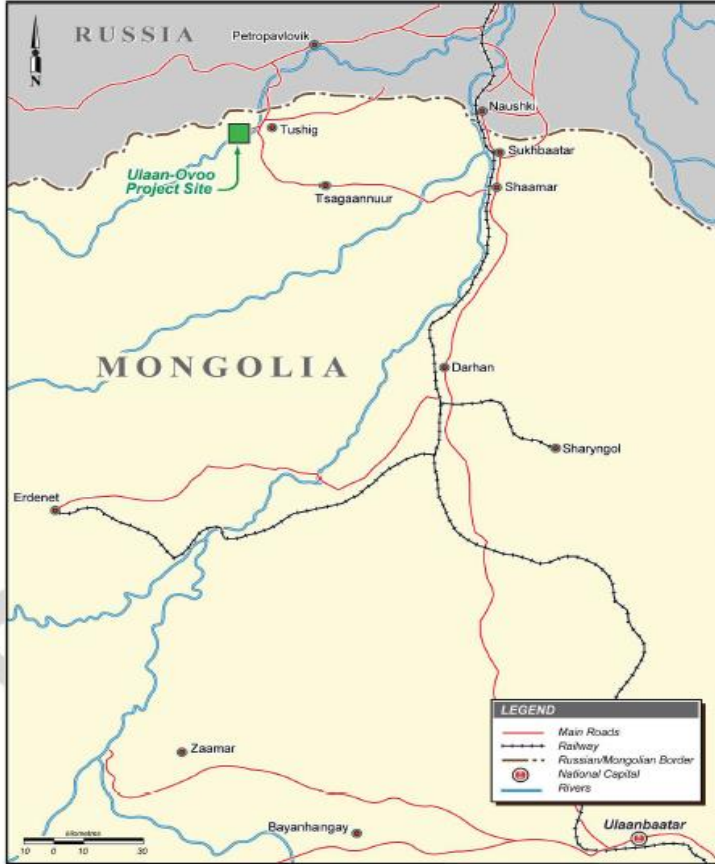
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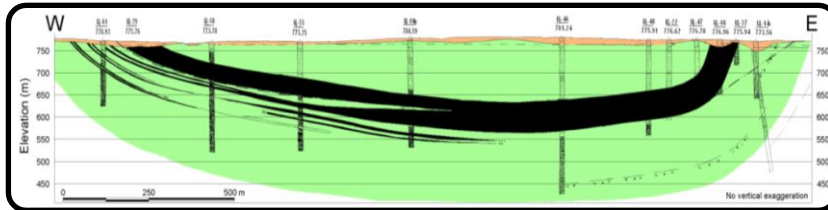
Thermal Coal Mine in Northern Mongolia

- 120km to Sukbaatar Railway by road
- Serve Mongolian and Russian markets
- In production since November 2013
- Potential export via Russian seaports



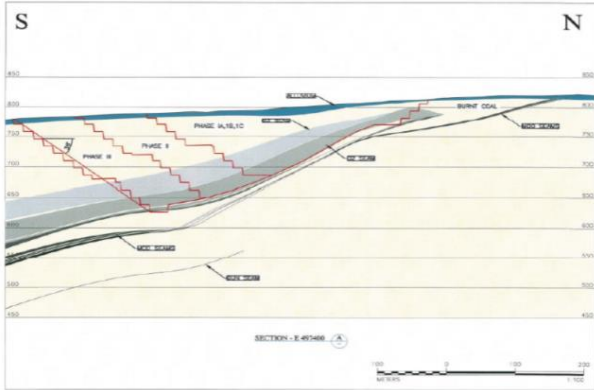
Single, thick coal seam

- Outcrop is 50 m wide (max 200m)
 - 200 Mt* M&I resource
 - 20+ years projected mine life
 - 5,000 kcal/kg
 - Low ash 10% & sulfur 1%
 - Low Strip ratio of 2:1
 - Over \$60 million invested
 - Own mining fleet and coal trucks
- First 20 million tonnes: no washing



Source: Prophecy Coal

*Wardrop Engineering (Tetra Tech) estimated 174 Mt of measured and 34 Mt of indicated coal resources in 2010



Estimated cost per tonne for 2013 and 2014:

At mine gate

	cost/tonne
Coal mining and fuel	\$11-\$12
On-site coal handling	\$2
Admin & overheads	\$1
Sub total	\$14-15



Transport to Sukhbaatar rail siding

	cost/tonne
Trucking and fuel	\$12
Coal handling & admin	\$2
Sub total	\$14

Total cost free on rail: \$29/t

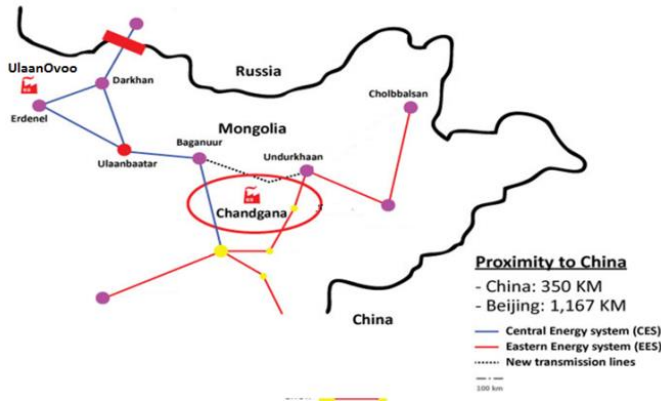
- Early 2011 mine commissioned, mid 2012 mine put on stand by
- Mid 2013 improved market conditions, signed contracts 60,000 t/month
- November 2013 - mine recommenced production
- Production estimate 30,000 to 50,000 per month
- 2014 forecast approximately 300,000 to 500,000 tonnes

Diversified customers:

Russian and Mongolian power plants, heat/boiler plants, cement factories, metallurgical plants, direct reduced iron plants, and railway

Potential to export via Russian eastern seaports

Company encouraged by price trends and rising demand



- Advanced Greenfield Mine Mouth Power Project in Mongolia
- Mongolia: Fast growing country in need of energy
- Mine mouth plant next to coal deposit
- 1 bn tonnes* coal (633mt M and 539mt I)

- Central location near existing Mongolian power grid
- Coal mining and power plant construction licenses obtained
- EIA and Land Use Rights obtained
- PPA and Tariff application submitted
- EPC contracts finalized

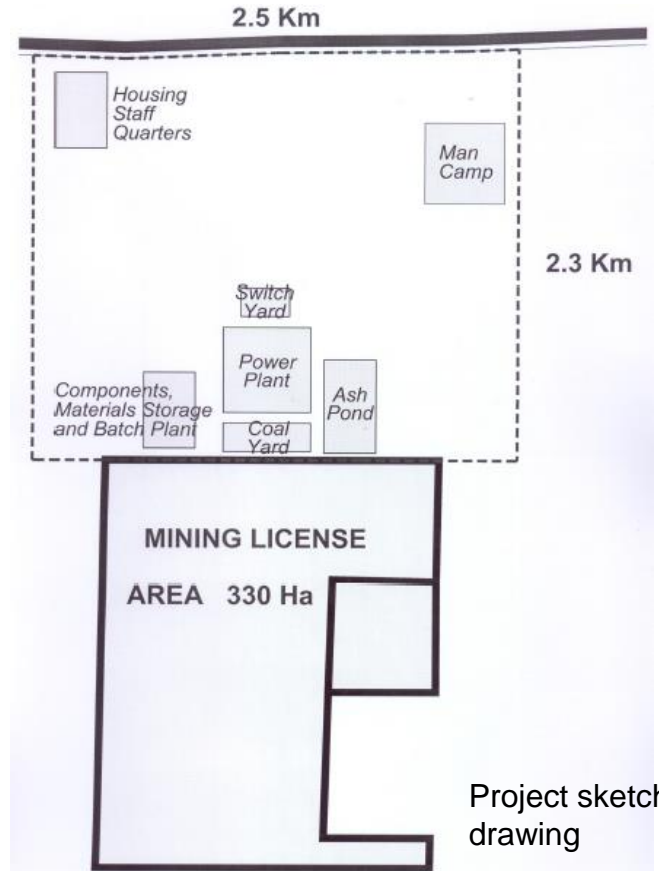
*2010, NI 43-101 Technical Report by Kravits Geological Services
 2007, NI 43-101 Technical Report by Behre Dolbear



Chandgana aerial view, 100 sqkm land



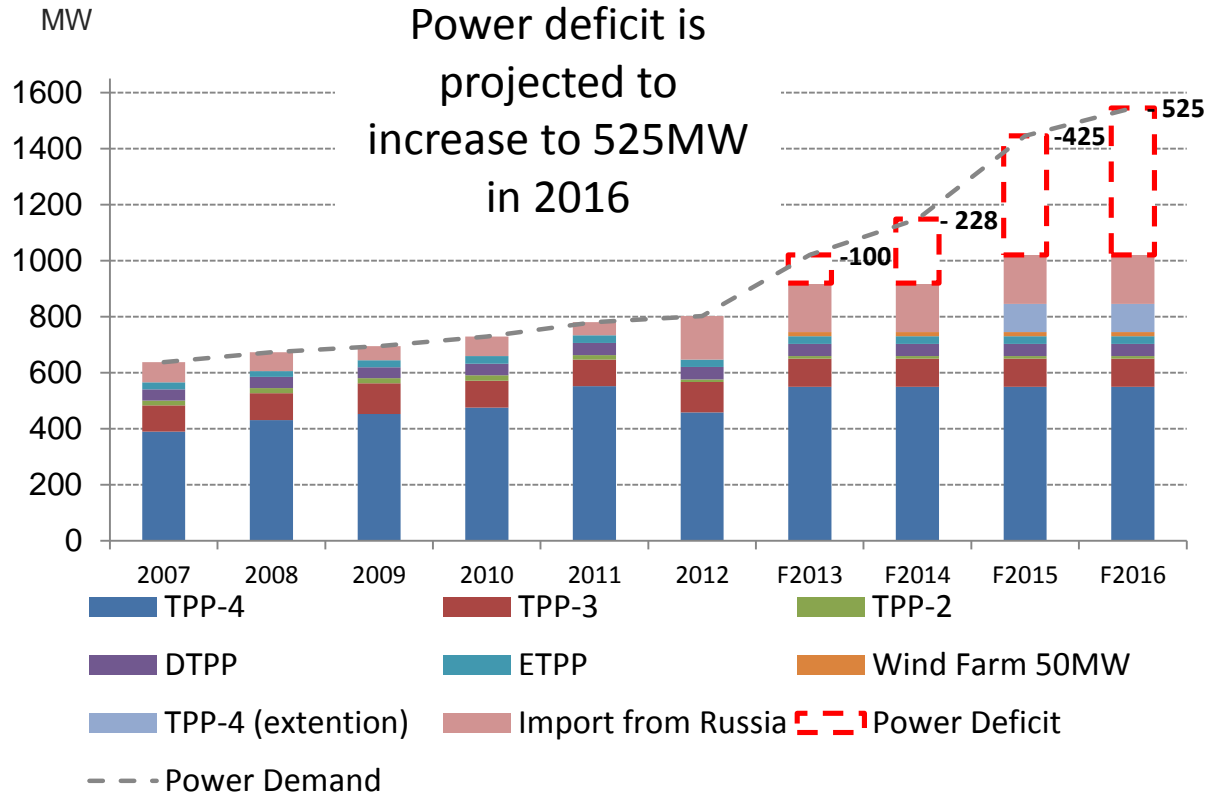
> 1 bt coal, featuring 40m thick coal seam outcrop



- Mongolian Central Energy System (CES) is the largest and operates five TPPs with total installed capacity of 814MW;
- Power demand exceeded peak capacity in 2013 (including import from Russia), 100MW of load shedding took place 2013 winter;
- Mongolian economy has grown 10%+ annually since 2009;
- Tariffs more than doubled since year 2000, 30% increase in industrial tariff is announced in 2013 to Usc 8 /kwh;
- Industrial Tariff expected to well exceed Usc 10 /kwh by 2017.

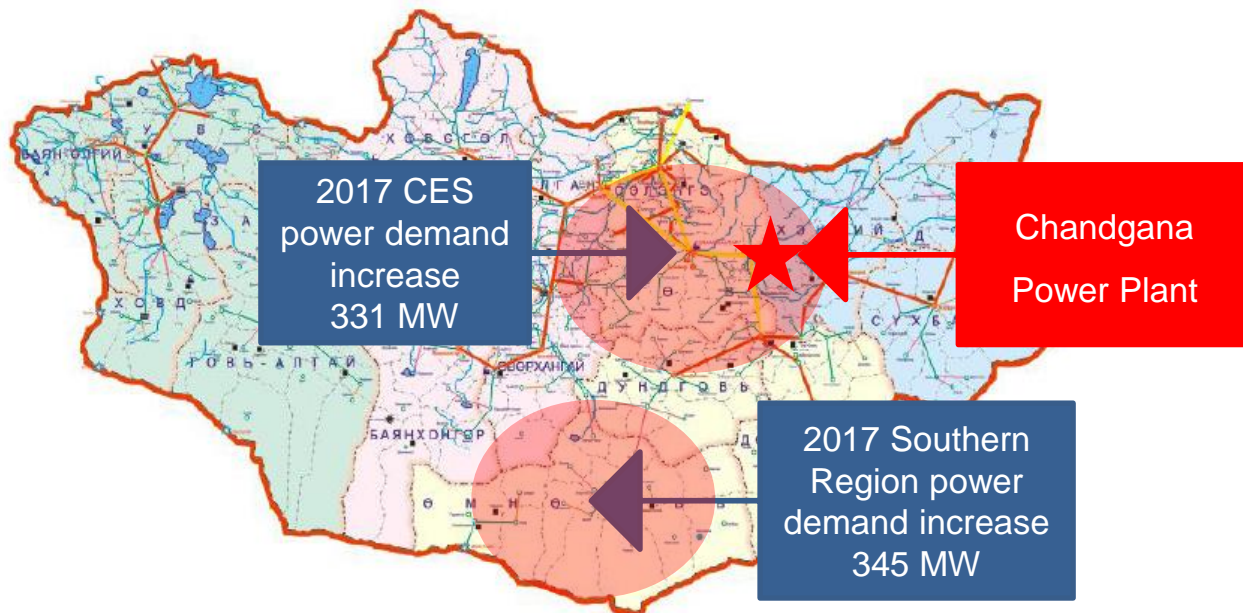
Year	Tariff Increase (%)
2008	27.8%
2010	17.4%
2011	8.0%
2013	20+%

Source: Energy Regulatory Commission,
Prophecy Coal estimates

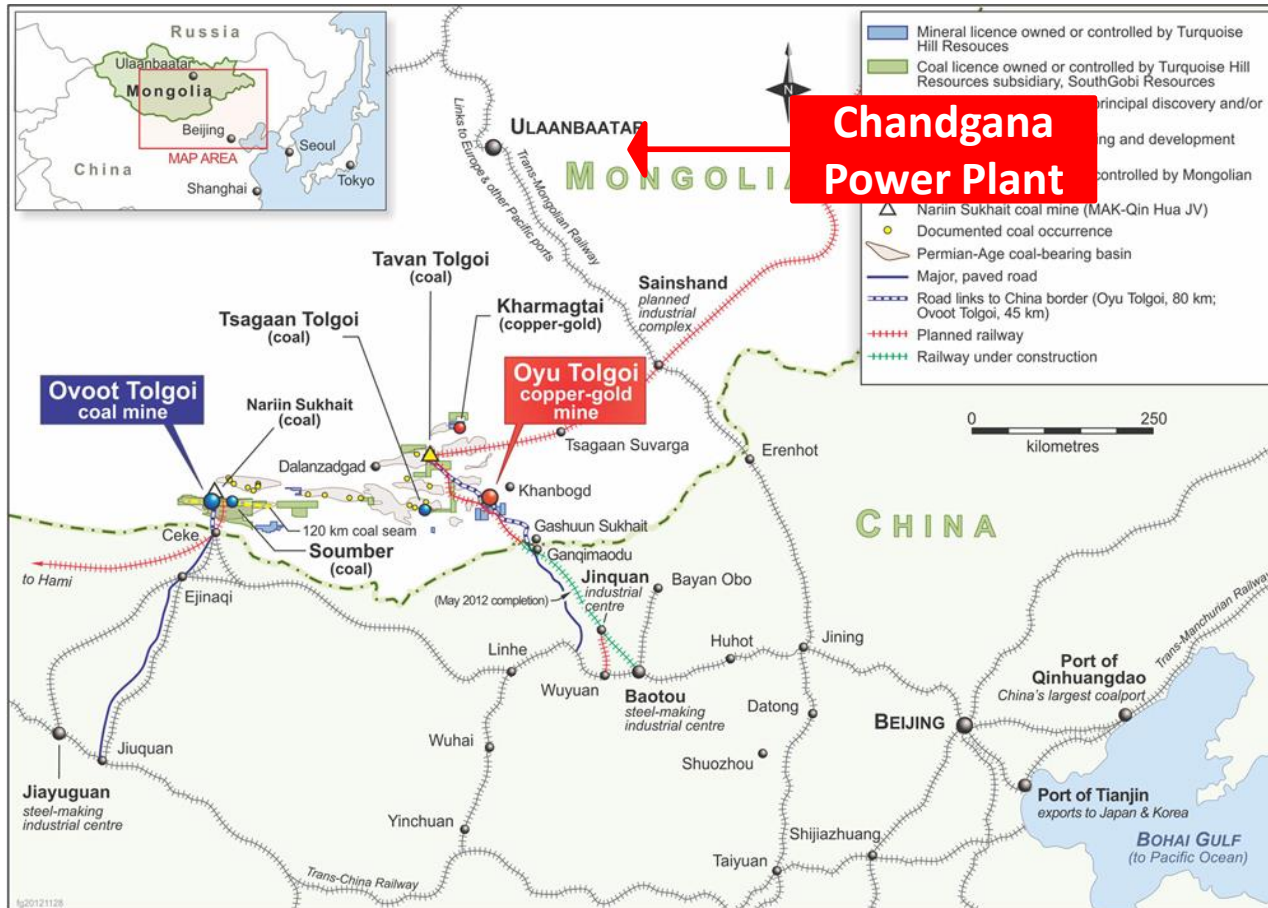


Source: NETGCO, Prophecy Coal estimates

- Demand by development of capital and start of mining projects;
- Demand in South Gobi is driven by OT (copper & gold) and TT (coking coal) mines; OT investment to date (US\$ 6 billion)



Source: NETGCO, based on the approved power usage applications



- An average tariff from 2017 to 2041 (24 years), subject to indexation;
- Tariff consists of capacity (Capex, O&M) and energy (fuel) charges;
- Buyer commitment to purchase average 270MW (of gross 300MW);
- Capital cost is to be financed and repaid in USD;
- The proposal is conditional on financial close;
- Requested revenue guarantee via new Investment Law passed in November 2013.

Signed June 2013 between Prophecy Power Generation & Chandgana Coal LLC

- Prophecy Power to purchase 3.6 million tonnes of coal a year for 25 years
- Minimum 2 million tonnes per year on take-or-pay, breakup fee payable
- Initial coal price is USD 17.7 per tonne, subject to annual indexation
- Initial coal delivery date is anticipated to be in 2017, subject to Prophecy Power Generation signing a Power Purchase Agreement, obtaining all necessary governmental approvals, and project financing.

2010

Environmental Impact Assessment approved, Mining License received

2011

600MW Power Plant Construction License received

Tendering process on EPC, and discussion on PPA

2012

Mongolian election, Tariff and PPA application submission

2013

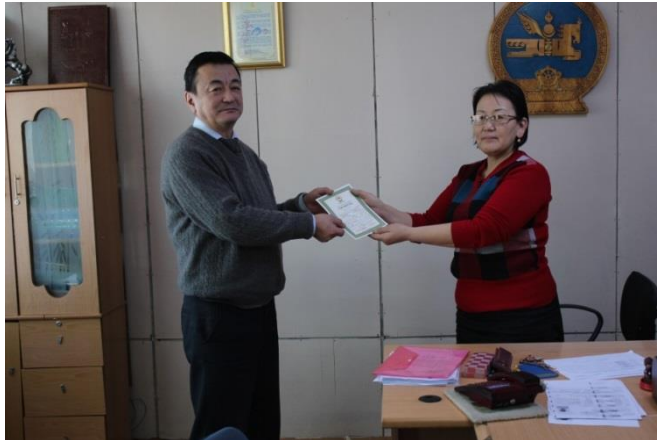
Received Land Use Rights and all major permits to start mobilization

2014 - 2015

Expect to finalize EPC, PPA, Project Financing

2015 - 2018

Construction, Operation (conditional on achieving 2014-2015 targets)



Mongolia Presents Prophecy with
Power Plant Land Use Rights

Toronto Stock Exchange: PCY

Shares O/S: 251.9 million

Phone: 1-604-569-3661

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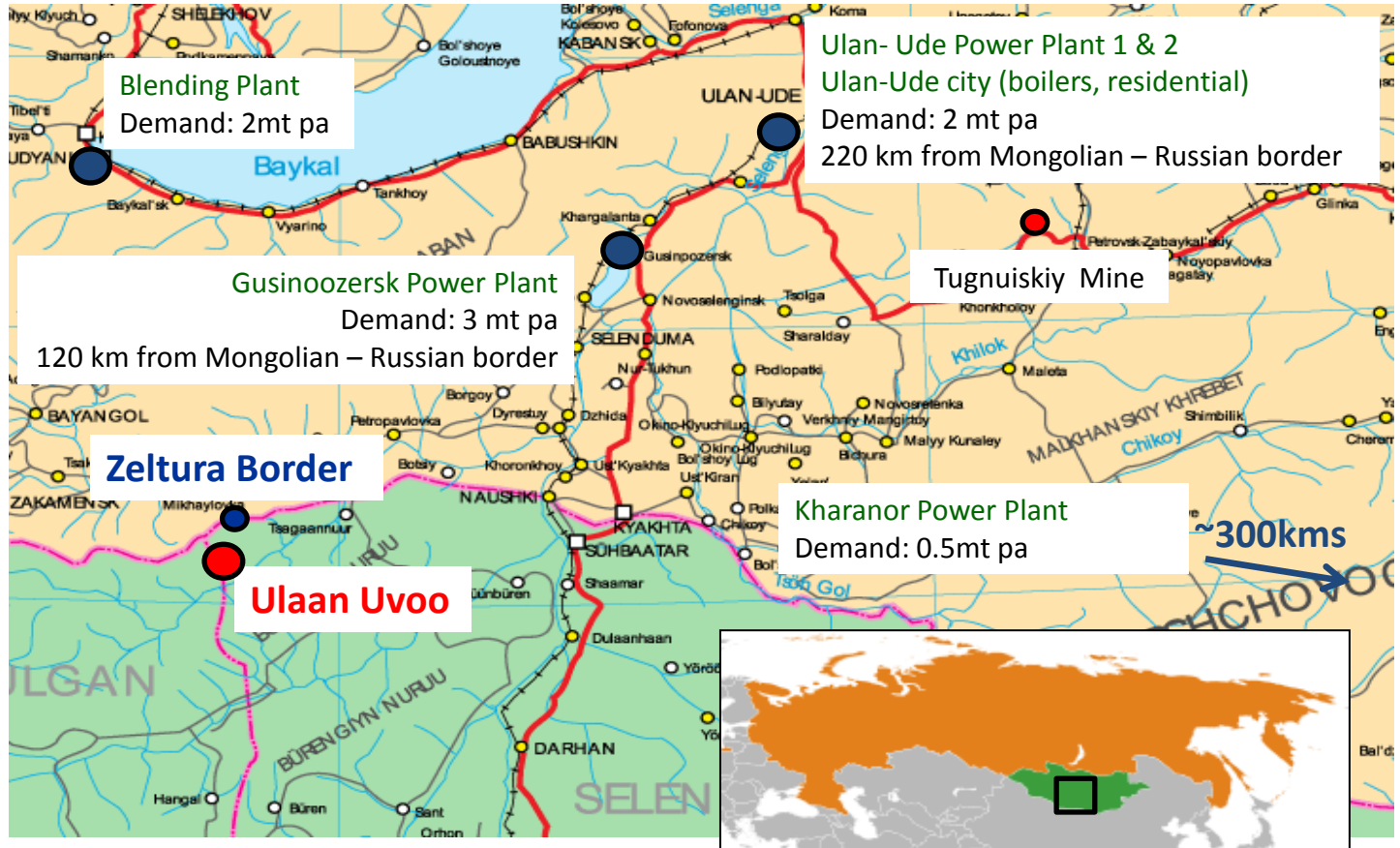
info@prophecycoal.com

19, 20 for Ulaan Ovoo

21 to 28 for Chandgana

H2 2013	November mine-restart Sizable Mongolian and Russian offtakes over 60,000 t per month
H1 2013	Sold 45kt from stockpile, 106,000 t stockpile remain, Total over \$55 million invested to date
H2 2012	Production curtailed July due to market condition
2012	Produced 165,000 t (H1), Sold 131,000 t (including 2,400t to Russia)
2011	Produced 205,000 t, Sold 127,000 t (including 6,000 t to Russia)
H1 2011	Capex over \$60 million invested to date Pre-strip, camp, mining equipment, rail siding, and road repair

H1: first half, H2: second half.

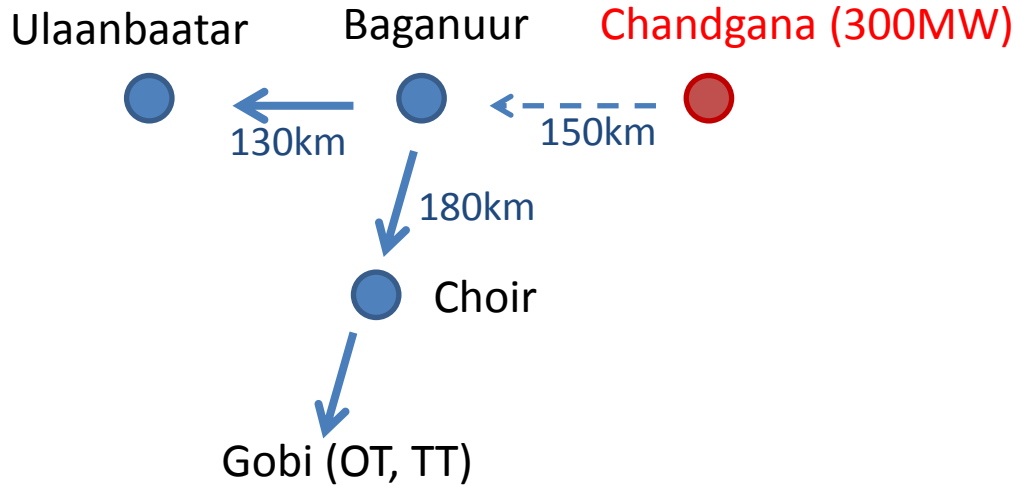


- Country's total installed capacity is about 870 MW
- CHP#4 (580 MW) is over 30 years old

Plant	Constructed Year	Installed capacity MW	Available capacity 2012 MW
CHP#2	1961	21.5	9
CHP#3	1968	136	109
CHP#4	1983	580	458
Darkhan Plant	1965	48	44
Erdenet Plant	1987	28.8	27
CES Subtotal		814.3	647
Dornod Plant	1983	36	n/a
Umnugobi Plant	1965	6	n/a
Southgobi Plant	n/a	18	n/a
Total		874.3	

#	Consumers' names	2012	2013	2014	2015
1	Oyutolgoi		60	100	150
2	Tavanntolgoi		5	10	40
3	Zamyn-Uud			10	32
4	Tsagaansuvraga		46	46	75
5	Taishun development		5	10	45
6	Senj sant		5	5	9
7	MAK	5	5	5	20
8	Sanjin Ord	3	3	5	16
9	MIZU	5	5	5	20
10	Erel				
11	Khutul expansion	2	2	4	4
12	Tumurlug		3	3	3
13	Boldtumur		5	15	20
14	Erdenet Expansion	5	10	10	10
	Total	20	154	228	444
Addition	Erdenet City	5	10	10	15
	Darhan City	2	10	20	40
	Choir direction 110 kV	12	28	30	50
Regions	Ulaanbaatar	440	435	461	488
	Erdenet	160	176	193	211
	Darhan	80	93	119	151
	Baganuur-Choir	70	96	130	245
	Oyutolgoi	0	60	100	130
	Tavantolgoi	0	5	10	40
	Tsagaansuvraga	0	46	75	75
	Grand Total	769	959	1148	1445

Source: NETGCO, based on the approved power usage applications



Chandgana – Baganuur: Government to construct double circuit 220kv OHTL with 250 MW capacity

Baganuur to UlaanBaatar: Existing double circuit 220kv OHTL with 180 MW capacity

Baganuur to Choir: Existing single circuit 220kv OHTL with 80 MW capacity

- CFB Technology exhibits 8,000+ annual available hours, with 10% internal aux heat consumption:

No.	Reference power plant	Installed capacity	Fuel coal	Unit	COD date	Total Operating hours	Annual average operating hours	Annual available hours
1	Huadian Panzihua power plant	2*150MW	Gangue	2#	2005/12/19	51095	7257	7963
2	Baolihua Group Power plant	2*300MW	anthracite	4#	2008/9/18	32778	7640	7753
3	Xuzhou Mining Power Plant	2*300MW	Gangue	2#	2009/11/2	20177	6371	6487
4	Fujian Longyan Power Plant	2*300MW	anthracite	6#	2010/2/12	18126	6277	6962
5	Shenhua Shangwan Power plant	2*150MW	bituminous coal+Gangue	1#	2009/11/1	26267	8287	8520
6				2#	2009/12/27	23607	7826	8280
7	Zhunneng Gangue Power Plant,	2*150MW	washed coal+Gangue	1#	2005/12/30	58422	8333	8544
8	Inner Mongolia			2#	2006/4/16	53738	7999	8371

- PPA is to purchase average 243MW;
- Asian Development Bank states:
“Overall the CFB technology is technically matured, operationally reliable, commercially available, and economically viable, it is therefore recommended.”

- All major permits to start mobilization at site received
- Land permit received in Feb 2013, land now in possession of Prophecy
- Water use permit for drinking and initial construction requirement received
- Temporary electricity supply permit for 2.25MW received
- Owner design engineer tenders received from SNPDR I & GEPDI
- Owner management engineer tenders received and being evaluated
- Architect consultant tender for staff quarter housing received
- Environmental study, raw water supply feasibility study, geotechnical study, seismic study are completed.

- Work on site boundary poles installation;
- 2.5km access road to site from highway;
- Temporary supply for 35/6.6 kV, 2.25 MW to site;
- Temporary office and accommodation;
- Water wells and water treatment for staff;
- Complete design of power plant (EPC);
- Owner design engineer supervision;
- Equipment down payment to EPC contractor.

2015

Completion of main building, auxiliary equipment foundation in turbine, chimney foundation, DM water, unit auxiliary power, completion of SG frame, start SG hydraulic test, turbine and boiler erection.

Government start Transmission line construction

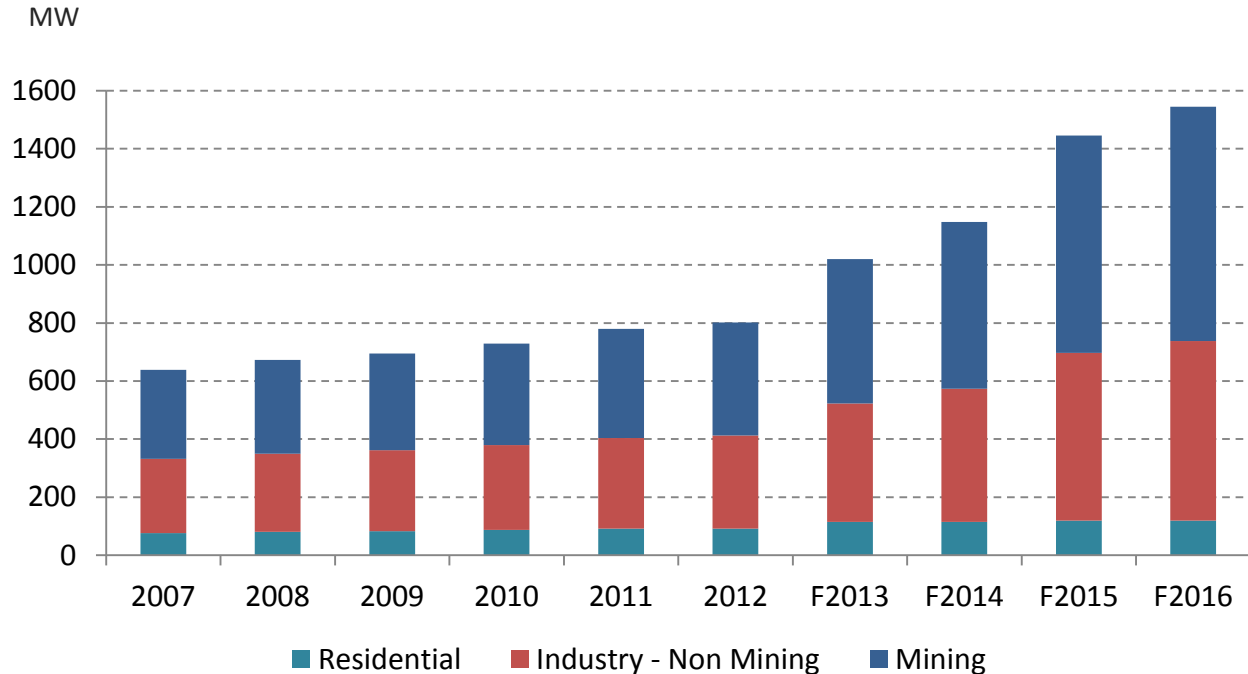
2016

Turbine and boiler completion, completion of SG hydraulic test, air cooled condenser available, completion of boiler chemical cleaning, boiler first ignition, switchyard complete, coal handling and ash handling plant complete.

2017

Turbine roll up, unit start up, first fire on coal, commissioning test, completion of first grid synchronization, completion of reliability run, completion of performance test.

Power Demand MW



Source: NETGCO, Prophecy Coal estimates