CEO CFO

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Prophecy Resource Corp. Is Well Positioned As A Near-Term, Co-Producer With Assets Of 1 Billion Tonnes Of Open Pitable Thermal Coal Resource In Mining Friendly Mongolia And A 100% Owner Of Their Lynn Lake Nickel Sulfide Project In Manitoba

Resources
Base Metals
(PCY-TSXV)

John Lee
Co-Chairman and CEO

BIO: John Lee has been a mining analyst and accredited investor in the resource space since 2001. He is a speaker at major resource conferences, including Mines and Money, China Mining, Terrapinn, and Cambridge House. Mr. Lee is a CFA charter holder and has degrees in economics and engineering from Rice University.

Company Profile:
Prophecy controls over NI-43-101 compliant Measured and Indicated mineral resources of 232 million pounds of nickel, 1 billion tonnes of coal and 116 million pounds of copper as well as inferred resources of 82 million pounds of nickel, 500 million tonnes of coal, and 593 million pounds of copper. The Company's Ulaan Ovoo Coal Project, Mongolia is expected to be in production this year. Prophecy also hold properties with significant exposure to vanadium and titanium. All Prophecy's coal assets are located in Mongolia with its remaining assets located in Canada. The Company is currently reviewing additional opportunities for growth.

Interview conducted by:
Lynn Fosse, Senior Editor

CEOCFO: Mr. Lee, what is your vision and focus for Prophecy Resource?
Mr. Lee: Prophecy Resource Corp. is a near-term, coal-producer with assets in Mongolia. We have 1 billion tonnes of measure indicate a thermal coal resource that is open pitable. At the same time, we also have focused on nickel sulfide where we own 100% of Lynn Lake Nickel Sulfide Project in Manitoba as well as 10% ownership in a company called Victor Nickel, which has a vast nickel sulfide resource also in Canada.

CEOCFO: What is it like working in Mongolia?
Mr. Lee: Mongolia is a democratic country. It is opened for business for foreign companies to invest in the mineral sector, highlighted by the recent Ivanhoe investment agreement that was signed last year. It is a multibillion dollar agreement. Mongolia is a very big country with two million people population, and a lot of mineral resources from gold to copper and to coal. Our experience has been quite pleasant. We have been in Mongolia for close to a decade and all of our licenses are in good standing and we are on very good terms with the government.

CEOCFO: Is there a plan for diversity in the minerals, or is it opportunistic; how will you decide what you are going to be working with?
Mr. Lee: Prophecy Resource is a relatively new company, it was trading at 5 cents last October when I came onboard, and my mandate is quite simple. We are looking to take advantage of the recent financial crisis to buy good assets, and then to develop those mineral assets. We started in October of last year (2009), with the Lynn Lake Deposit in Manitoba which is nickel, and since then we have made three property acquisitions and entered into a merger with Red Hill Energy Inc., which provides coal assets into the fold. We are still constantly looking out for good assets to acquire. I personally have been in the mineral sector since 2001 and I am a speaker at a number of conferences and authored over 100 articles at various websites such as Kinko.com. So I do have very good relationships with many junior mining companies and I have talked to dozens of management. We do have a pipeline of projects we are looking into acquiring, at the same time the focus is to get to production for one of our Mongolian coal assets. We are looking to do about 250,000 tonnes of coal production this year, which will be ramped up to 2 million tonnes next year. The coal is destined to the export market to Taiwan, Korea and Japan, where there is a shortage and these three countries collectively import 200 million tonnes of coal at a price as high as $115. Our operation is an open pit model. It is very low cost, and we have put out a series of news releases recently in the last four weeks detailing the steps we are undertaking to get our coal to production as well as securing the logistical network from trucking to rail to get the coal to the eastern seaboard and the ports ready to be shipped to these importing countries.

CEOCFO: What is the availability of coal to get from other countries?
Mr. Lee: Up to about five years ago when coal prices were fairly steady at about $10 to $30 a tonne, there was no shortage of coal. Generally, the coal is

imported to Japan, Korean, and Taiwan. The major core exporters were Australia, Indonesia and China. Australia recently imposed a super tax, which makes their coal a lot more expensive with escalating shipping cost. Indonesia production has been fairly steady, but the wildcard has been China. China has been a major coal export country up to 2008 and since then because of their rapid development of thermal coal power plants and the fact they are in the process of shutting down a lot of the dangerous trenchers underground coal mines, they have turned into a net importer of coal since 2009. For 2010 this year they plan to double their coal import from 100 million tonnes to 200 million tonnes. So all of a sudden Taiwan, Japan and Korea used to count on China as one of the major sources of import for coal, and China is now turning into a competitor for their coal consumption and coal imports. A frantic stage is set to secure as much coal for their long-term power needs as possible. Keep in mind, coal fired power plants generate upwards of 70% of the electricity in these countries including China, so it is imperative that they secure the long-term contract and that is what we are talking to them about.

CEOCFO: You are in a great position!

Mr. Lee: Our stock price since the merger in January, we have gone from $0.30 to a $1.19. There is a bit of a summer sell-off and the people taking profits along the way, so the stock has corrected somewhat. I believe as we are getting closer to the actual date of commencement of production, which is August, and we are not far from there, that the market is going to begin to recognize that Prophecy has turned the corner from being a mineral exploration company with no revenue and no income, to one of the bona-fide coal-producers supplying coal to strategic markets, Japan, Korea and Taiwan. In terms of valuation, if you look at our multiples we have about a $60 million market cap, if we can do 2 million tonnes in 2011, the revenue based on an $80 per tonne coal price, will be in excess of $150 million. I am not aware of any coal-company that trades on public markets today that has a market less than one time sales, and we are trading less than 50% of sales, for our sales figure for 2011.

CEOCFO: How is Prophecy ready for ramping up, and do you have the right people in place to make that transition?

Mr. Lee: We understand the skills that are required for a development company is very different from the skill that are required for a production company. What we have done is we have tried to outsource the labor and the equipment and the mining and the transportation. We outsource that to the experts who have done it, know how to do it and who have expertise of carrying those operations in a responsible manner. What we have done is we contracted the mining operation to a company called Leighton Asia Engineering, which is the largest mining contractor and they are extremely reputable in Mongolia. They have a presence in Mongolia as well as worldwide. They are the largest contractor and they are also the largest order taker of Caterpillar equipment, so if equipment breaks down or their labor is on strike, it is not our problem. They are guaranteed to deliver coal on contract at a fixed price. At the same time, we are also leasing trucking companies or operators of trucking companies and we are buying state-of-the-art equipment to try to minimize disruptions and equipment breakdowns. Then the third leg to the transportation, after trucking is the rail and we are contracting the rail operators to help us rail the coal to the eastern seaboard. So there are various ways to minimize risk. We try to be the administrator and try to negotiate a good deal with topnotch operators and contractors. We feel very confident that we can get things to go on smoothly. However, I think there is always unforeseen risk and so they can see that our stock price doesn't reflect what we intend to do. However, as the days, months and weeks go on as we report revenues and subsequent income, we will be recognized for our work.

CEOCFO: Why should investors pay attention to Prophecy Resource, and what sets you apart from the crowd?

Mr. Lee: What is important for any investor when investing in a mineral company is the assets, the management and the clear goal of the company. In terms of management we have myself, and I have been around the mining industry for a decade and Mr. Arnold Armstrong who is a legend in the mining industry in Vancouver. We also have Mr. Rob McEwen, who is the founder of Gold Corp as an advisor for the company. So we have a very bona-fide management. We have strong financial backers from New York, Toronto, and the Middle East. We have a suite of assets, especially the coal assets that ranks us as one of the largest coal development companies in the world, with over 1 billion of tonnes in Mongolia. Lastly, is the vision, as we have turned from a development company to getting into production in as little as eight months. We have an extremely aggressive management team that looks after shareholder value. The insiders of the company holds about 25% of the company, so I think in combination the management, the insider holding, the suite of quality assets and the mandate of the management of getting these assets to production as quickly as possible in a responsible manner, really sets Prophecy apart from the other mineral companies.

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