

Prophecy Coal Signs Binding Coal Off-Takes and Non-Binding MOU to Recomence Exports to Russia

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug 12, 2013) - **Prophecy Coal Corp.** ("Prophecy" or the "Company") (TSX:PCY)(OTCQX:PRPCF)(FRANKFURT:1P2) is pleased to announce that it has entered into two binding coal sale export contracts for the sale of 30,000 tonnes of coal from the Company's Ulaan Ovoo mine to a buyer in Russia.

The buyer is a substantial coal trader with annual volume turnover in excess of 2 million tonnes in Russia's Buryatia region. The Buryatia region with an annual consumption of 6 million tonnes of thermal coal, is facing a coal shortage due to declining coal production because of aging of its local mines. An un-interrupted supply of Ulaan Ovoo coal through sustainable mining is essential to meeting growing regional demand for premium thermal coal (NAR 5,000 kcal/kg, < 1% sulphur, < 10% ash).

Under the off-take agreements, 5,000 tonnes of coal per month will be exported through Northern Mongolia's Sukhbaatar rail station, a major Mongolian gateway to Russia connected to the Russian trans-Siberian railway. The fresh-coal deliveries are anticipated to start in November, 2013 when mining operations are expected to resume after pit-dewatering activities at the Ulaan Ovoo mine are completed. The buyer further executed a non-binding memorandum of understanding (MOU) contemplating the potential increase in monthly coal sales volume to 30,000 tonnes at Sukhbaatar, subject to wagon availability and market conditions.

The company has a coal stockyard and rail siding at Sukhbaatar, with loading facility to support up to 80,000 tonnes of coal movement per month. Prophecy successfully exported coal to Russia in 2011 and 2012. The new contracts are an important step in Prophecy's drive to restart Ulaan Ovoo on a meaningful mining scale with sales prices that can potentially generate investment return. The sales price is robust, and management believes the off-take agreements and potential additional coal sales contemplated by the MOU will help establish the long term viability and stability of the mining and logistical operations at Ulaan Ovoo.

In addition to exporting coal to Russia through Sukhbaatar, Prophecy continues to engage Mongolian and Russian officials to work towards the re-opening of the Zeltura border crossing between Mongolia and Russia, which is currently closed. The Zeltura crossing is less than 20km from Ulaan Ovoo, and the re-opening of the border could further increase export sales volume, reduce transportation costs, and achieve greater economy of scale. A Customs warehouse is currently being built on the Russian side of the Zeltura border currently. The Company has received support from and continues to work with officials from both governments to re-open the Zeltura border crossing.

The Company cautions that mining operation of Ulaan Ovoo mine has been curtailed since July 2012. Fulfilling the Russian off-take agreements is contingent on a mine restart which requires time and capital expenditures, and the Company is taking steps to bring the mine back into production, and has targeted November, 2013 as the re-start date.

Visit www.prophecycoal.com for a map of the Company's Ulaan Ovoo mine.

About Prophecy Coal

[Prophecy Coal Corp.](#) is a Canadian company listed on the Toronto Stock Exchange engaged in developing energy projects in Mongolia. Further information on Prophecy Coal can be found at www.prophecycoal.com.

[Prophecy Coal Corp](#) ON BEHALF OF THE BOARD

JOHN LEE, Executive Chairman

*Mineral resources that are not mineral reserves do not have demonstrated economic viability.

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Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in this news release, including statements which may contain words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or similar expressions, and statements related to matters which are not historical facts, are forward-looking information within the meaning of applicable securities laws. Such forward-looking statements, which reflect management's expectations regarding Prophecy's future growth, results of operations, performance, business prospects and opportunities, are based on certain factors and assumptions and involve known and unknown risks and uncertainties which may cause the actual results, performance, or achievements to be materially different from future results, performance, or achievements expressed or implied by such forward-looking statements. These estimates and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies, many of which, with respect to future events, are subject to change and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by Prophecy.

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 news release should not be considered as a representation by Prophecy or any other person that Prophecy's objectives or plans will be achieved. Forward-looking statements in this news release include, without limitation, estimated future coal production at the Ulaan Ovoo coal mineral property and other information concerning possible or assumed future results of operations of Prophecy.

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 Prophecy's most recent Management Discussion and Analysis and Annual Information Form as filed on SEDAR and posted on Prophecy's website: 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; 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, which is a developing jurisdiction; 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 minority interest in Prophecy Platinum Ltd.; Prophecy's need for substantial additional funding and the risk of not securing such funding on reasonable terms or at all; foreign exchange risks; anti-corruption legislation; recent global financial conditions; the payment of dividends; and conflicts of interest.

These factors should be considered carefully, and readers should not place undue reliance on the Prophecy's forward-looking statements. Prophecy believes that the expectations reflected in the forward-looking statements contained in this news release 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 Prophecy 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 release publicly any future revisions to forward-looking statements to reflect events or circumstances after the date of this news release or to reflect the occurrence of unanticipated events, except as expressly required by law.

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