

# Prophecy Coal Corp. Announces Annual Results and Outlook for 2014

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Apr 8, 2014) - **Prophecy Coal Corp.** ("Prophecy" or the "Company") (**TSX:PCY**) (**OTCQX:PRPCF**) (**FRANKFURT:1P2**) is pleased to announce its annual results for fiscal 2013 as disclosed in its annual Financial Statements and Management's Discussion and Analysis with the following highlights and outlook for 2014:

## **Ulan Ovoo**

During the year, the Company sold approximately 125,000 tonnes of coal with total sales revenue of approximately of \$3.3 million. In addition, the Company earned approximately \$1.3 million in revenue from leasing and renting out its excess equipment and staff while mining operations were suspended during the year. As the Company is in the pre-commercial production stages, proceeds from the sale of coal are not recorded as revenue but rather are offset against capitalized deferred exploration costs.

Since resuming operations, the Company has estimated its average cash cost per tonne, including transportation and administration expenses at approximately US \$29.50 per tonne and has experienced domestic average sales prices of approximately US \$36 per tonne for coal with GCV greater than 5,000 kcal/kg. On the other hand, average sales prices for coal with GCV less than 5,000 kcal/kg was US \$20.50 per tonne. However, approximately sixty percent of the Company's sales in 2013 consisted of sales of coal with GCV greater than 5,000 kcal/kg, of which approximately eighty percent was sold during the fourth quarter of 2013.

Furthermore, domestic market prices for coal with GCV greater than 5,000 kcal/kg range from US \$30 to US \$50 per tonne, dependent on quantity and point of delivery. In addition, the Company's neighbouring market in the Russian regions realize sales prices for coal with GCV of 4,500 kcal/kg to 5,000 kcal/kg ranging from 1,800 to 2,200 Roubles per tonne (US \$50 to US \$60 per tonne), dependant on point of delivery.

## **Russia**

In 2014, the Company sold and successfully delivered a coal shipment from Sukhbaatar to a Russian customer. Management has also recently visited a number of Russian coal end users with the goal of establishing continuous shipments to Russia in 2014. The Zeltura Road feasibility study ("the feasibility study") concerning the road from the Ulaan Ovoo mine to the Zeltura border has just been completed ahead of schedule and the study is currently under management's review and will soon be submitted to the Mongolian Ministry of Road and Transportation. Given that the mine is just 17km from the Zeltura border (as opposed to approximately 120km from the mine to Sukhbaatar), re-opening of the Zeltura border would reduce transportation costs and potentially further facilitate increasing coal sales to Russia.

If the feasibility study is accepted by the Ministry of Road and Transportation, road upgrades can begin and are expected to take up to four months based on preliminary tenders received. The Company will advise if and when the feasibility study is accepted.

Concurrently, the Company is working with the Ministry of Finance on creating a customs clearing zone at the Ulaan Ovoo mine to facilitate Russian exports. The Company is pleased with the overall progress and appreciates the support from Mongolian and Russian authorities.

## **2014 Outlook**

Since resuming operations at Ulan Ovoo, management is primarily working towards improving mining

practices in the areas of safety, cost containment and coal quality improvement. With these mandates and since near surface oxidized coal was removed in 2011 and 2012, the Company has been able to consistently mine higher grade thermal coal with GCV greater than 5,000 kcal/kg. With consistent, effective and efficient mining practices, management expects that approximately ninety percent of the coal mined at Ulan Ovoo will be greater than 5,000 kcal/kg in 2014 as was projected in the Wardrop Pre-Feasibility Study. As such, the Company is transitioning to supplying to a market for coal of GCV greater than 5,000 kcal/kg which realizes premium pricing, both in the Company's domestic and neighbouring market, Russia.

The Company has only commenced penetrating the premium thermal coal market in this region and believes there is potential to further expand sales with minimal competition in northern Mongolia and its neighboring Russian region. Furthermore, during the year, the company invested in a coal screener to enable the provision of specific sizes of coal which realize premium pricing in all markets. In addition, subsequent to year end, the Company also invested in a coal dryer to support maintaining lower moisture levels in order to consistently produce coal with GCV greater than 5,000 kcal/kg to also support capturing greater market share where premium prices are realized. As such, the Company is focusing its efforts on controlling its mining practices and marketing efforts to become primarily a provider of coal greater than 5,000 GCV where premium pricing can be obtained. Any remaining lower grades of coal inventory will be used to produce briquettes for domestic home heating. The price for a comparable briquette product is approximately US \$50 per tonne in Ulaanbaatar.

### **Chandgana**

After extensive submissions and discussions, the Mongolian Cabinet approved the Chandgana Power Plant Project as a concession project in January 2014. Subject to negotiations, a concession project may be entitled to stable tax rates, favorable VAT and customs duties, as well as other forms of government subsidies, endorsement and support; all of which can enhance bankability and lead to better financing options for the project.

### **2014 Outlook**

The Company actively pursues the remaining agreements required to proceed with project financing of the Chandgana Power Plant Project. Prophecy also continues to actively consider the project financing options which include either debt, equity or a combination thereof in addition to joint ventures with international power project developers. While the Company is pleased with the overall progress and appreciated support from various Mongolian authorities, it cannot offer certainty or a definitive time frame to conclude the Concession Agreement with the Ministry of Economic Development, or the Power Purchase Agreement with the Ministry of Energy.

### **About Prophecy Coal**

[Prophecy Coal Corp.](#) is a Canadian listed company on the Toronto Stock Exchange engaged in developing energy projects in Mongolia.

Further information on Prophecy Coal can be found at [www.prophecycoal.com](http://www.prophecycoal.com).

[Prophecy Coal Corp.](#)

ON BEHALF OF THE BOARD

JOHN LEE, Executive Chairman

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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 making forward-looking statements as may be included in this news release, Prophecy has made several assumptions that it believes are appropriate, including, but not limited to assumptions that: there being no significant disruptions affecting operations, such as due to labour disruptions; currency exchange rates being approximately consistent with current levels; certain price assumptions for coal, prices for and availability of fuel, parts and equipment and other key supplies remain consistent with current levels; production forecasts meeting expectations; the accuracy of Prophecy's current mineral resource estimates; labour and materials costs increasing on a basis consistent with Prophecy's current expectations; and that any additional required financing will be available on reasonable terms. Prophecy cannot assure you that any of these assumptions will prove to be correct.

Numerous factors could cause Prophecy Coal'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's 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 Coal's Ulaan Ovoo coal property; Prophecy Coal not having a history of profitable mineral production; commencing mine development production without a feasibility study; the uncertainty of mineral resource and mineral reserve estimates; the capital and operating costs required to bring Prophecy Coal'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 country and being subject to its local laws; the availability and timeliness of various government approvals and licences; the feasibility, funding and development of the Chandgana Power Plant; protecting title to Prophecy Coal's mineral properties; environmental risks; the competitive nature of the mining business; lack of infrastructure; Prophecy Coal's reliance on key personnel; uninsured risks; commodity price fluctuations; reliance on contractors; Prophecy Coal's need for substantial additional funding and the risk of not securing such funding on reasonable terms or at all; foreign exchange risk; 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 or to reflect the occurrence of unanticipated events, except as expressly required by law.

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