

Year End Letter from Chairman of Prophecy Resource Corp.

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Vancouver, British Columbia -- (Marketwire) -- 12/24/10 -- [Prophecy Resource Corp.](#) ('Prophecy' or the 'Company') (TSX VENTURE: PCY) (OTCQX: PRPCF) (FRANKFURT: 1P2)

Dear All,

I am pleased to provide this 'Letter from the Chairman' of Prophecy Resource Corp. and to share with you my optimism for 2011 and beyond.

2010 was highlighted by several accomplishments including 5 successful mergers and acquisitions, namely:

- The acquisition of the Lynn Lake mine from [Victory Nickel Inc.](#)
- The acquisition of Titan Vanadium from Randsburg Gold Corp.
- The acquisition of Lynn Gabbros from VMS Ventures Inc.
- The merger with [Red Hill Energy Inc.](#)
- The merger with [Northern Platinum Ltd.](#)

Additionally we:

- Advanced our (i)1.2bt Chandgana Coal-Fired Power Plant project to EIA approval;
- Commissioned our (ii)200mt Ulaan Ovoo Coal Mine to Production;
- Made new discoveries at our Lynn Lake Project;
- Discovered high-grade (iii)500meters+ PGE-Ni-Cu intercepts at our Wellgreen Project;
- Assembled an advisory team including Mike Deats, Rob McEwen, and Harald Batista;
- Commenced trading on both the Xetra and OTCQX and maintained active volumes; and
- Concluded total equity raises of over \$50 million and a \$10 million loan facility.

When I began Prophecy in October of 2009 we had \$500,000 in market capitalization; today our market capitalization exceeds \$170 million and we are well-funded for our 2011 business plan. In 2010 Prophecy traded over 130 million shares on the TSX Venture Exchange. (Not included are trading of Red Hill and Northern Platinum shares during the acquisition periods, which represents 20 million additional shares of trading.)

Prophecy's objectives for 2011 include the following:

- Conclude long term Ulaan Ovoo coal off take agreements with regional Russian power plants;
- Commence shipments of Ulaan coal to Asian customers via Russia's eastern coal ports;
- Produce and transport between 1 and 1.5 million tonnes of coal at Ulaan Ovoo in 2011;
- Increase profit margins at Ulaan Ovoo with owner equipment and Zeltura port opening;
- Secure Chandgana power purchase off take MOUs with Mongolian entities;
- Obtain Government cooperation and full licensing on our Chandgana Power Plant;
- Secure equity and debt financing for Chandgana Power Plant construction;
- Consider a possible spin-off of Prophecy's Canadian assets; and
- Seek additional listings.

We conclude the year with 35% to 40% ownership by institutions and insiders, including major Mongolian shareholders. In 2011 I will continue to direct Prophecy's transformation from a Canadian junior company to a profitable coal producer with a fast developing asset base and an internationally recognized management team. In 2011 I intend to attract additional cornerstone investors to raise our international profile.

I want to thank our team, and particularly our shareholders for your un-wavered support and patience. I also want to particularly extend my foremost gratitude to Mr. G. Arnold Armstrong, the founder of Red Hill Energy, for his faith in me to head the post Prophecy-Red Hill merger entity.

I met recently with Mr. Rob McEwen and was reminded that he began as an investor with no public company

management experience before heading Goldcorp, where he transformed that company from \$50million in market capitalization to over \$8 billion. GoldCorp's share price achieved a compounded annual growth rate of 32% under his tenure. Peter Munk, was in the hotel business before founding Barrick, which is now the world's largest gold producer. I am deeply inspired by Rob, and believe investor confidence and trust are earned by our hard work, integrity, and determination to build Asia's next major energy company. If we put our heads down and execute our well defined plan, with shareholder value in mind, the share price and everything else will take care of itself.

I invite you to be part of Prophecy and share with us an exciting future.

Happy Holidays.

Sincerely,

John Lee, Chairman and CEO
john@prophecyresource.com

(i) 208.8 million tonnes (174.5 Mt Measured, 34.3 Mt Indicated) and (35.9 Mt Inferred) Ulaan Ovoo (See Press Release December 16, 2010)

(ii) 656.6 million tonnes Measured, 545.7 million tonnes Indicated (Chandgana Tal & Chandgana Khavtgai) (See press release August 16, 2010)

(iii) (Hole 177): 525.90m of 0.55 g/t PGM+Au, 0.26% Ni, 0.17% Cu, (Hole 178): 566.78m of 0.39% of 0.52 g/t PGM+Au, 0.23% Ni, 0.16% Cu (September 27, 2010 News)

About Prophecy Resource

Prophecy is an internationally diversified company engaged in developing energy, nickel and platinum group metals projects. The Company controls over 1.4 billion tons of open-pittable thermal coal in Mongolia (839 Mt Measured, 579 Mt Indicated). Prophecy's Ulaan Ovoo coal deposit in Mongolia is in production. In Canada, Prophecy owns Wellgreen PGM Project in Yukon, Lynn Lake Nickel Sulphide Project in Manitoba, and a 10% equity stake in Victory Nickel. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

ON BEHALF OF THE BOARD OF DIRECTORS of Prophecy Resource Corp.

John Lee
Chairman

Forward Looking Statements: This news release includes certain statements that may be deemed 'forward-looking statements'. All statements in this release, other than statements of historical facts, including, without limitation, statements regarding future plans and objectives, and specifically the 2011 objectives, of Prophecy are forward-looking statements that involve various risks and uncertainties. Although Prophecy believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Forward-looking statements are based on a number of material factors and assumptions. Factors that could cause actual results to differ materially from those in forward-looking statements include general economic, market or business conditions, and other risks detailed herein and from time to time in the filings made by the companies with securities regulators. Mineral exploration and development of mines is an inherently risky business. Accordingly the actual events may differ materially from those projected in the forward-looking statements. See the description of risks and uncertainties and underlying factors and assumptions relevant to the offering and 'forward looking information' contained herein and to the Company's business, including its exploration and development activities, contained in the short form prospectus dated December 21, 2010 (which are incorporated herein by reference). The 'forward-looking statements' contained herein speak only as of the date of this press release and, unless required by applicable law, the Company undertakes no obligation to publicly update or revise such information, whether as a result of new information, future events or otherwise.

'Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.'

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