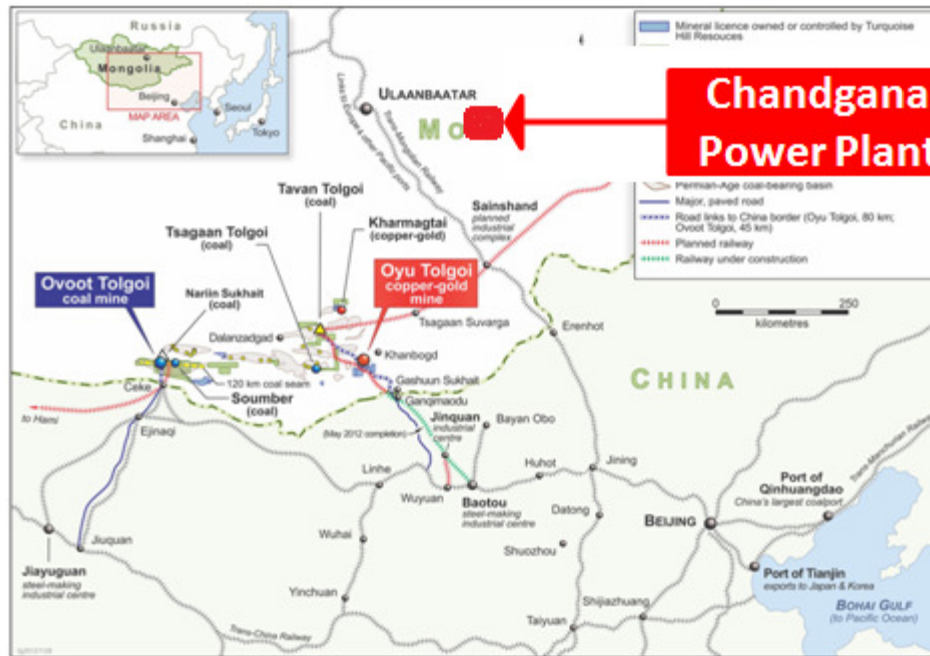


## Chandgana Coal-Fired Power Plant Project 600 MW (4X150 MW)

The Chandgana Coal-Fired Power Plant Project includes the building of a 600 MW (4X150 MW) coal fired mine-mouth power plant. Phase one will be 300 MW (2 x 150MW). The power plant will be located 7km from highway and 2km from the Chandgana Tal coal deposit (owned by Prophecy Coal) in Central Mongolia. The power plant license is currently held by Prophecy Power Generation, a Mongolian subsidiary of Prophecy Coal listed on the Toronto Stock Exchange. Prophecy has invested over \$20million on the Chandgana Mine and Power project.



The project is expected to deliver a number of measurable benefits to Mongolia:

- **Contribute to pollution reduction** - Various studies have linked Ulaanbaatar air pollution to respiratory deaths and women miscarriages. Chandgana power plant will eliminate the need of additional power plants in Ulaanbaatar and reduce dependencies on power plant #3 and #4, which emit heavy nitrogen and sulphur harmful particles in excess due to their age.
- **Save water, coal transportation, and operating cost** - Chandgana power plant will be built next to the Chandgana coal mine, 300km east of Ulaanbaatar. This will avoid transporting 2 to 4 million tonnes of coal to congested city (100+ wagons per day). Water will be extracted from the mine and eliminates sharing of precious water resource (up to 6 million tonne per year, 16,000 tonnes per day) within city of Ulaanbaatar. Water Scarcity problems will emerge in 2015 in UB, and intensify from 2020 onwards. Assume each UB resident is consuming 20 litres of

# Prophecy

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water a day, a new power plant in UB will take water away from about 800,000 residents annually.

- **Energy independence** - Chandgana power plant project will reduce expensive power import from Russia and China, and achieve Mongolia energy independence. Mongolia is projected to import over 450 MW from Russia and China before 2018. Our proposed tariff will be lower than import with exemption from income tax, Vat, Customs tax. The power plant is planned to start supplying power to Mongolian system from 2018.

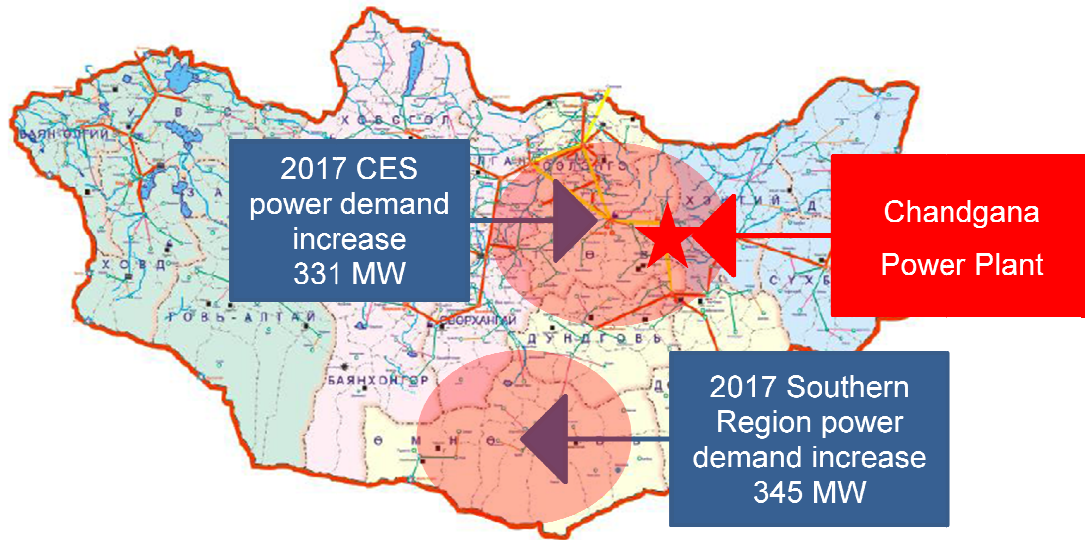
- **Stabilization of transmission grid** - Prophecy will finance transmission line from Baganuur to Chandgana in phase one, and Chandgana to Choibaslan, Chandgana to Choir in phase two. The new lines will increase the network stability and security of electricity supply in the Mongolian power grid.

- **Good location** - Chandgana is 300km from UB, 150km from Choir (further to South Gobi) and 120km from Choibasalan. Therefore, it can potentially provide power to UB, South, and East.

- **Project readiness** - Chandgana project is 3 years under development and is construction ready with construction license, environmental impact assessment, land use right, mining license. Over 10 EPC contractors expressed interest since 2012 and several binding EPC proposals have been received with competitive prices and short construction time frame (36 months). Construction can start right after concession agreement, PPA, tariff agreement, and financial close.

- **Extension to Coal to Gas and Coal to Liquid project** - Chandgana is next to highway, has plenty of land and estimated 3.5 billion tonnes of coal resource in the nearby basin. Once power project is operational, it is natural progression to develop coal to gas and coal to liquid project.

- **Private sector investment and boost employment** - the development of the project will be funded by the private sector and would serve to boost foreign direct investment to Mongolia and Khentii Province. Once in operation Chandgana power plant and mine is expected to hire over 600 full time skilled local staff, become biggest revenue and skilled employment generator in Khentii and doubles Khentii's GDP from current MNT86 billion to over MNT160 billion.



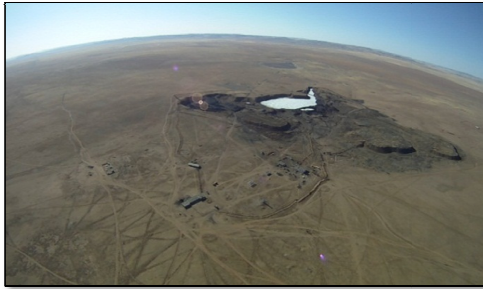
Source: NETGCO, based on the approved power usage applications

### Advanced Project: Milestones

License / Approval	Date	Status
Power Plant Detailed Environmental Impact Assessment	Nov 2010	√ Received
Chandgana Coal Mining License 141 million tonnes	Jan 2011	√ Received
Power Transmission Line EIA Approval	Aug 2011	√ Received
600 MW Chandgana Power Plant Construction License	Nov 2011	√ Received
Power Purchase Agreement	Sep 2012	Submitted
Firm EPC Proposal Bids (Tender issued in November 2011)	Sep 2012	√ Received
Project Finance Debt Term Sheet	Jan 2013	√ Received
Geotechnical Study	Feb 2013	√ Received
Chandgana Power Plant Land Use Approval	Mar 2013	√ Received
Water & Power Supplies to Site During Construction Permits	Mar 2013	√ Received
Power Tariff Proposal	May 2013	Submitted
Coal Supply Agreement	June 2013	√ Received
Project Qualified under Concession	Feb 2014	√ Approved
Invitation from Ministry of Economic Development to Negotiate on Concession Agreement #7/2055	Oct 2014	√ Received

# Prophecy

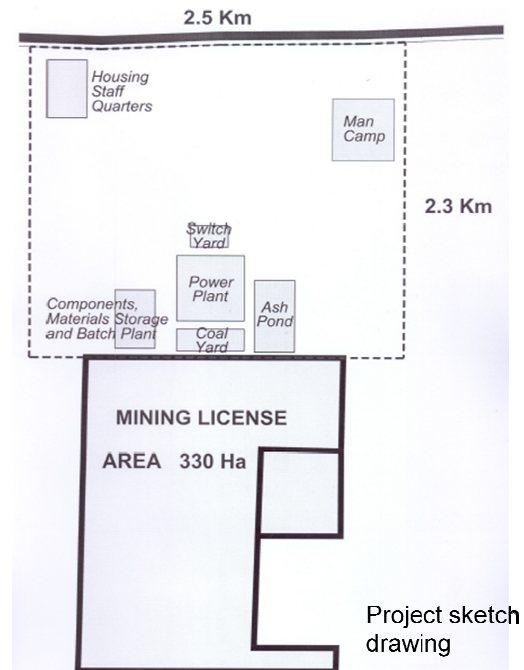
Coal Corp.



Chandgana aerial view, 100 sqkm land



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



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## Next Steps:

- Signing of the Concession Agreement and Power Purchase Agreement: 2014
- Award of the EPC contract: 2014
- Project Financing (Debt + Equity) 2014 - 2015
- Construction and COD: 2015 – 2018

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