

PROPHECY COAL CORP.
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Vancouver, B.C. Canada, V6B 1B6
Telephone No. (604) 569-3661 / Fax No. (604) 569-3617

INFORMATION CIRCULAR

as at June 14, 2013 *(except as otherwise indicated)*

This Information Circular is furnished in connection with the solicitation of proxies by the management of Prophecy Coal Corp. (the “Company”) for use at the annual general and special meeting (the “Meeting”) of its shareholders to be held on July 30, 2013 at the time and place and for the purposes set forth in the accompanying Notice of the Meeting. In this Information Circular, references to “the Company”, “we” and “our” refer to Prophecy Coal Corp. “Common Shares” means common shares without par value in the capital of the Company.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The solicitation of proxies by management will be conducted primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and employees of the Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to beneficial owners of the Common Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

Appointment of Proxy-holders

The individuals named in the accompanying form of proxy (the “Proxy”) are directors or officers of the Company. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy. If your Common Shares are held in physical (i.e. paper) form and actually registered in your name, then you are a registered shareholder (“Registered Shareholder”). However, if like most shareholders you keep your Common Shares in a brokerage account, then you are a beneficial shareholder (a “Beneficial Shareholder”) and the manner for voting is different for Registered and Beneficial Shareholders and you need to carefully read the instructions below.** “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

Voting by Proxyholder

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified,
- (b) any amendment to or variation of any matter identified therein, and
- (c) any other matter that may properly come before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy for the approval of such matter.

Registered Shareholders

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a proxy may do so by:

- (a) completing, dating and signing the enclosed form of proxy and returning it to the Company's transfer agent, Computershare Investor Services Inc. ("Computershare"), by fax within North America at 1-866-249-7775, outside North America at 1-416-263-9524, or by mail to the 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by hand delivery at 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9;
- (b) using a touch-tone phone to transmit voting choices to a toll free number. Registered shareholders must follow the instructions of the voice response system and refer to the enclosed proxy form for the toll free number, the holder's account number and the proxy access number; or
- (c) using the internet through the website of the Company's transfer agent at www.computershare.com/ca/proxy. Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed proxy form for the holder's account number and the proxy access number;

In all cases ensuring that the proxy must be received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the proxy is to be used.

Beneficial Shareholders

The following information is of significant importance to shareholders who do not hold their Common Shares in their own name. Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Company as the registered holders of Common Shares) or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial Owners - those who object to their name being made known to the issuers of securities which they own (called OBOs for Objecting Beneficial Owners), and those who do not object to the issuers of the securities they own knowing who they are (called NOBOs for Non-Objecting Beneficial Owners).

The Company is taking advantage of the provisions of NI 54-101 that permit it to deliver proxy-related materials directly to its NOBOs. As a result NOBOs can expect to receive a scannable VIF from Computershare, our transfer agent. The VIF is to be completed and returned to Computershare in the envelope provided or by facsimile to the number provided in the VIF. In addition, Computershare provides both telephone voting and internet voting as described on the VIF itself which contain complete instructions. Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs they receive.

The Meeting Materials are being sent to both Registered Shareholders and Beneficial Shareholders who are NOBOs. If you are a Beneficial Shareholder, and the Company or its agent sent these materials directly to you, your name, address and information about your holdings of securities were obtained in accordance with applicable securities regulatory requirements from the intermediary holding securities on your behalf.

By choosing to send the Meeting Materials to you directly, the Company (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your VIF as specified in the request for voting instructions sent to you.

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the Proxy provided to Registered Shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“Broadridge”) in the United States and in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Company. The VIF will name the same persons as the Company’s Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a shareholder of the Company), different from the persons designated in the VIF, to represent your Common Shares at the Meeting, and that person may be you. To exercise this right, insert the name of the desired representative (which may be you) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting and the appointment of any shareholder’s representative. **If you receive a VIF from Broadridge, it must be completed and returned to Broadridge, in accordance with Broadridge’s instructions, well in advance of the Meeting in order to: (a) have your Common Shares voted as you instruct; or (b) have any alternate representative you may choose duly appointed to attend the Meeting and vote your Common Shares.**

Alternatively, you can request in writing that your broker send you a proxy which would enable you, or a person designated by you, to attend the Meeting and vote your Common Shares.

Notice to Shareholders in the United States

The solicitation of proxies and the transactions contemplated in this Information Circular involve securities of an issuer located in Canada and are being effected in accordance with the corporate laws of the Province of British Columbia, Canada and securities laws of the provinces of Canada. The proxy solicitation rules under the United States *Securities Exchange Act* of 1934, as amended, are not applicable to the Company or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the *Business Corporations Act* (British Columbia) (the “BCA”), as amended, certain of its directors and its executive officers are residents of Canada and a portion of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a Registered Shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Registered Shareholder or the Registered Shareholder’s authorized attorney in writing or, if the shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to Computershare at the address shown on the preceding page or at

the address of the registered office of the Company at Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC, Canada V6C 2X8 at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or

(b) personally attending the Meeting and voting the registered shareholder's Common Shares.

Beneficial Shareholders who wish to change their votes must arrange for their respective intermediaries to revoke the proxy on their behalf.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No director or executive officer of the Company, or any person who has held such a position since the beginning of the last completed financial year of the Company, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors and as may be set out herein.

RECORD DATE, VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The board of directors (the "Board") of the Company has fixed June 14, 2013 as the record date (the "Record Date") for determination of persons entitled to receive notice of and vote their Common Shares at the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

The Common Shares of the Company commenced trading on the Toronto Stock Exchange ("TSX") on October 19, 2011. Prior thereto the Common Shares were listed on the TSX Venture Exchange ("TSXV"). As of the Record Date, there were 242,926,384 Common Shares issued and outstanding, each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares.

To the knowledge of the directors and executive officers of the Company, no person or corporation beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Company as at the Record Date.

FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the fiscal year ended December 31, 2012, report of the auditor, and related management discussion and analysis will be placed before the Meeting. These documents have been filed with the securities commissions or similar regulatory authorities in Alberta, British Columbia and Ontario. Copies of the documents may be obtained upon request without charge from Investor Relations, Prophecy Coal Corp., 2nd Floor, 342 Water Street, Vancouver, British Columbia, V6B 1B6, telephone: (604) 569-3661 or fax: (604) 569-3617. These documents are also available under the Company's profile at www.sedar.com.

VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein. Some resolutions must be passed by disinterested shareholders only – shareholders who have no interest in the subject matter of the resolutions.

If there are more nominees for election as directors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation. See also majority votes policy below.

DIRECTORS

NUMBER OF DIRECTORS AND ELECTION OF DIRECTORS

The Company currently has five directors. The Board proposes that the number of directors remain at five. Shareholders will therefore be asked to approve an ordinary resolution that the number of directors elected be fixed at five and that five directors be elected for the ensuing year.

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director's office is vacated earlier in accordance with the provisions of the BCA, each director elected at the Meeting will hold office until the conclusion of the next annual general meeting of the Company or if no director is then elected, until a successor is elected.

Majority Voting Policy

The Board has adopted a majority voting policy stipulating that if the votes in favour of the election of an individual director nominee at a meeting of shareholders represent less than the number that voted "withheld" in respect of such election, the nominee will submit his or her resignation promptly after the Meeting for the consideration of the Governance Committee. The Governance Committee will make a recommendation to the Board after reviewing the matter, and the Board will then decide whether to accept or reject the resignation. The Board's decision to accept or reject the resignation offer will be disclosed to the public. The nominee will not participate in any Governance Committee deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

The Board has determined that five directors be elected to the Board at the Meeting. The following disclosure and accompanying biographical information sets out the names of management's nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment for the five preceding years, the period of time during which each has been a director of the Company, and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction. The information as to Common Shares owned or controlled as at June 14, 2013 has been provided by the nominee.

Name of Nominee; Current Position with the Company, and Residence ⁽¹⁾	Period as a Director of the Company	Common Shares Beneficially Owned or Controlled
John Lee Executive Chairman, Interim Chief Executive Officer and Director Hong Kong	Since June 13, 2011 (Director of Pre-amalgamated company ⁽²⁾ since October 21, 2009)	10,588,170 ⁽³⁾
Greg Hall Director Vancouver, British Columbia, Canada	Since June 13, 2011 (Director of Pre-amalgamated company since October 21, 2009)	1,440,000
Michael Deats Director Khyber Rock, Gauteng, South Africa	Since June 13, 2011 (Director of Pre-amalgamated company since December 7, 2010)	25,000

Name of Nominee; Current Position with the Company, and Residence ⁽¹⁾	Period as a Director of the Company	Common Shares Beneficially Owned or Controlled
Harald Batista Director Los Altos Hills, CA, USA	Since July 10, 2012 (Special Advisor of Pre-amalgamated company since January 5, 2010)	Nil
Baz Chuluunbaatar Director Mongolia	Since March 17, 2011 (Director of Pre-amalgamated company since October 29, 2009)	1,300,000

Notes:

- (1) For more information about each director, please see “Biographical Information of Nominees for Director” below.
- (2) Northern Platinum Ltd., Prophecy Holdings Inc. and Prophecy Resource Corp. were amalgamated on June 13, 2011 as one company under the name Prophecy Resource Corp. Prophecy Resource Corp. changed its name to Prophecy Coal Corp. on June 14, 2011.
- (3) 9,130,170 of these Common Shares are held by Merit Holdings Ltd., a private company wholly owned and controlled by Mr. Lee.

No director or officer of the Company is as of the date hereof, or has been within the past 10 years a director or officer of any company that, while that person was acting in that capacity, was the subject of a cease trade order, penalties, sanctions or bankruptcy, during the time the individual was a director or within one year period thereafter, or was a director or officer of a company during the time in which an event occurred which led to a cease trade order, penalties, sanctions or bankruptcy subsequent to the individual ceasing to act as a director or officer.

A shareholder can vote for all of the above nominees, vote for some of the above nominees and withhold for other of the above nominees, or withhold for all of the above nominees.

The Company currently has five directors. The Board proposes that the number of directors remain at five. Shareholders will therefore be asked to approve an ordinary resolution that the number of directors elected be fixed at five and that five directors be elected for the ensuing year.

The Board recommends that you vote in favour of the above resolution. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the resolution.

Biographical Information of Management’s Nominees for Director

The following information as to principal occupation, business or employment is not within the knowledge of the management of the Company and has been furnished by the respective nominees. Each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years unless otherwise indicated.

John Lee is Interim CEO, Executive Chairman and Director of the Company. He has been a mining analyst and accredited investor in the resource industry 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.

Greg Hall is a self-employed businessman with over 25 years’ experience as a broker, senior executive officer and founder of several successful Vancouver-based brokerage firms. Mr Hall previously served as a director of Silvercorp Metals (NYSE), the largest primary silver producer in China.

Michael Deats, a Wits University Graduate, is a mining engineer with a diverse background that includes leadership roles in some of the largest energy and mining operations in the world. The majority of Mr. Deats’

career was spent with Iscor South Africa, ultimately becoming responsible for overseeing the entirety of the firm's mining operations. In addition to directing operations at the Sishen Iron Ore export mine and Grootegeluk coal mine, Mr. Deats personally introduced fully-mechanised long-wall coal mining at Durban Navigation Colliery. Mr. Deats also spent 12 years at Eskom where he was initially responsible for primary energy acquisition (over 100 million tons of coal per annum) and at the time of his retirement, was directing the operation of the generation division (40000MW of installed capacity) supplying virtually the entire power requirement of South Africa.

Baz Chuluunbaatar is President and Chairman of the Monnis Group of companies, Mongolia, a group of companies headquartered in Ulaanbaatar, Mongolia and one of Mongolia's largest industrial holding companies with over 1,000 employees and 12 subsidiaries.

Harald Batista has an MBA from the University of Santa Clara, CA, and has an impressive background in international sales and marketing. He is actively involved with his family's extensive group of Brazilian companies.

APPOINTMENT OF AUDITOR

Ernst & Young LLP, Chartered Accountants, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1C7, will be proposed at the Meeting for appointment as auditor of the Company at remuneration to be fixed by the directors. Ernst & Young have been auditors for the Company since May 14, 2012.

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

Audit Committee Charter

The Audit Committee's charter sets out the Audit Committee's mandate and responsibilities. The charter is attached to the Company's 2012 Annual Information Form filing at www.sedar.com.

The Audit Committee consists of Greg Hall (Chairman), Harald Batista and Michael Deats. All members of the Audit Committee are independent and financially literate.

The Audit Committee reviews all financial statements of the Company prior to their publication, reviews audits, considers the adequacy of audit procedures, recommends the appointment of independent auditors, reviews and approves the professional services to be rendered by them and reviews fees for audit services. The Audit Committee Charter has set criteria for membership which all members of the Audit Committee are required to meet consistent with National Instrument NI 52-110 Future-Oriented Financial Information and other applicable regulatory requirements. The Audit Committee, as needed, meets separately (without management present) with the Company's auditors to discuss the various aspects of the Company's financial statements and the independent audit.

Relevant Education and Experience

As a result of their education and experience, each member of the Audit Committee has familiarity with, an understanding of, or experience in:

- the accounting principles used by the Company to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- reviewing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, and
- an understanding of internal controls and procedures for financial reporting.

See disclosure under "Biographical Information of Nominees for Director" for relevant education and experience of members of the Audit Committee.

Pre-Approval Policies for Non-audit Services

The Company's auditor, Ernst & Young LLP, has not provided any material non-audit services during the most recently completed fiscal year other than tax fees captioned below.

The Company has procedures for the review and pre-approval of any services performed by its auditor. The procedures require that all proposed engagements of its auditor for audit and non-audit services be submitted to the Audit Committee for approval prior to the beginning of any such services. The Audit Committee considers such requests and, if acceptable to a majority of the Audit Committee members, pre-approves such audit and non-audit services by a resolution authorizing management to engage the Company's auditor for such audit and non-audit services, with set maximum dollar amounts for each itemized service. During such deliberations, the Audit Committee assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated by the regulations of the US Securities and Exchange Commission, and whether the services requested and the fees related to such services could impair the independence of the auditors.

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the audit and non-audit services provided by Ernst & Young LLP, Chartered Accountants to the Company to ensure auditor independence. Fees incurred with Ernst & Young LLP and Smythe Ratcliffe LLP for audit and non-audit services in the last two fiscal years are outlined in the following table.

Nature of Services	Year ended December 31, 2012 Ernst & Young LLP	Year ended December 31, 2011 Smythe Ratcliffe LLP
Audit Fees ⁽¹⁾	\$381,600	\$187,000
Audit-Related Fees ⁽²⁾	\$50,000	\$11,000
Tax Fees ⁽³⁾	\$41,000	\$31,000
All Other Fees ⁽⁴⁾	\$0	\$0
Total	\$472,600	\$229,000

Notes:

- (1) "Audit Fees" are the aggregate fees billed by our independent auditor for the audit of our annual consolidated financial statements, reviews of interim consolidated financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

CORPORATE GOVERNANCE

Mandate of the Board of Directors

The Board has a formal mandate as outlined in the Corporate Governance Policies and Procedures Manual (the "Manual"). The Manual mandates the Board to: (i) assume responsibility for the overall stewardship and development of the Company and monitoring of its business decisions, (ii) identify the principal risks and opportunities of the Company's business and ensure the implementation of appropriate systems to manage these risks, (iii) oversee ethical management and succession planning, including appointing, training and monitoring of senior management and directors, and (iv) oversee the integrity of the Company's internal financial controls and management information systems. The Manual also includes written charters for each committee and it contains a Code of Ethics, policies dealing with issuance of news releases and disclosure documents, as well as share trading

black-out periods. Further, in the Manual the Board encourages but does not require continuing education for all the Company's directors.

Composition of the Board

Applicable governance policies require that a listed issuer's board of directors determine the status of each director as independent or not, based on each director's interest in or other relationship with the Company. Applicable governance policies recommend that a board of directors be constituted with a majority of directors who qualify as independent directors (as defined below). A board of directors should also examine its size with a view to determining the impact of the number of directors upon the effectiveness of the board of directors, and the board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the Company in appropriate circumstances. The Company's policies permit retention of independent advisors for members of the board of directors and committees when they consider it advisable.

An "independent" director is one who "has no direct or indirect material relationship" with the Company. Generally speaking, a director is independent if he or she is free from any employment, business or other relationship which could, or could reasonably be expected to materially interfere with the exercise of the director's independent judgement. A material relationship includes having been (or having a family member who has been) within the last three years an employee or executive of the Company or employed by the Company's external auditor. An individual who (or whose family member) is or has been within the last three years, an executive officer of such an entity is deemed to have a material relationship as is any individual who (or whose family members or partners) received directly or indirectly, any consulting, advisory, accounting or legal fee or investment banking compensation from the Company (other than compensation for acting as a director or as a part time chairman or vice-chairman).

The Board is proposing five nominees to be elected to the office of director, of whom four of the nominees can be considered "independent" directors. The "independent" nominees are: Chuluunbaatar Baz, Harald Batista, Michael Deats, and Greg Hall. These nominees are considered independent by virtue of not being executive officers of the Company and having received no compensation other than in their role as directors. The sole non-independent director is John Lee, who is Executive Chairman of the Board and Interim Chief Executive Officer of the Company.

Committees of the Board

Applicable regulatory governance policies require that (i) committees of the Board be composed of at least a majority of independent directors (ii) the Board expressly assume responsibility, or assign to a committee of the Board, responsibility for the development of the Company's approach to governance issues, (iii) the Board's Audit Committee be composed only of independent directors, and the role of the Audit Committee be specifically defined and include the responsibility for overseeing management's system of internal controls, (iv) the Audit Committee have direct access to the Company's external auditor, and (v) the Board appoint a committee, composed of a majority of independent directors, with the responsibility for proposing new nominees to the Board and for assessing directors on an on-going basis.

Corporate Governance and Compensation Committee ("CGCC")

The Board has a Corporate Governance and Compensation Committee that formalizes the process of ensuring high calibre directors and proper director succession planning. The CGCC considered and recommended re-election of each member of the current Board at the Meeting. The CGCC currently consists of Greg Hall (Chairman), Harald Batista, and Michael Deats. All three members are "independent".

The Board monitors the activities of the senior management through regular meetings and discussions amongst the Board and between the Board and senior management. The Board is of the view that its communication policy between senior management, members of the Board and shareholders is good. The CGCC also recommends compensation for the directors and executive officers of the Company. See further disclosure under the heading, *Statement of Executive Compensation*. The CGCC charter is available for review on request.

The function of the CGCC further includes the review, on an annual basis, of the compensation paid to the Company's executive officers and directors, to review the performance of the Company's executive officers and to make recommendations on compensation to the Board.

The CGCC periodically considers the grant of stock options. Options have been granted to the executive officers, directors, employees and certain other service providers taking into account competitive compensation factors and the belief that options help align the interests of executive officers, directors, employees and service providers with the interests of shareholders.

Disclosure Protocol

The Company has a Disclosure Protocol that seeks input from senior management, independent directors and outside legal counsel to assess material relating to disclosure matters and regulatory requirements.

Board Decisions

Any responsibility which is not delegated to senior management or to a Board committee remains with the full Board, which is addressed through board discussions, meetings and resolution.

Recruitment of New Directors and Assessment of Board of Directors Performance

Good governance policies include that (i) the board of directors implement a process for assessing the effectiveness of the Board and its committees, and the contribution of individual directors, (ii) provide an orientation and education program for new directors, and (iii) review the adequacy and form of compensation of directors to reflect the responsibilities and risks involved in being an effective director.

Please see the discussion concerning the Nominating and Governance Committee above.

The following table sets forth the record of attendance of Board and Audit and Corporate Governance and Compensation Committee meetings by Directors for the year ended December 31, 2012.

Director	Board of Directors Meetings	Audit Committee	Corporate Governance and Compensation Committee⁽⁶⁾
John Lee	3/3	N/A	N/A
Greg Hall ^{(1) (2)}	3/3	4/4	2/2
Michael Deats ⁽³⁾	3/3	N/A	2/2
Baz Chuluunbaatar ⁽⁴⁾	0/3	N/A	N/A
Harald Batista ⁽⁵⁾	2/3	2/2	2/2

Notes:

- (1) Audit Committee Chairman.
- (2) Corporate Governance and Compensation Committee Chairman.
- (3) Michael Deats was appointed as a member of the Audit Committee and Corporate Governance and Compensation Committee in December 2012.
- (4) Notwithstanding Mr. Chuluunbaatar has not attended formal meetings, he is regularly consulted, participates in resolving issues and has executed all directors resolutions by consent.
- (5) Harald Batista was appointed to the Board of Directors July 27, 2012, and as a member of the Audit Committee and Corporate Governance and Compensation Committee in November 2012
- (6) The Governance Committee was formed in 2012 and amalgamated with the Compensation Committee to form the Corporate Governance and Compensation Committee.

Directorships

The following directors are currently serving on boards of the following other reporting companies as set out below:

Name of Director	Name of Reporting Issuer	Exchange Listed
Harald Batista	Prophecy Platinum Corp.	TSX.V
Greg Hall	Prophecy Platinum Corp. Intertainment Media Inc.	TSX.V TSX.V
John Lee	Prophecy Platinum Corp.	TSX.V

Orientation and Continuing Education

The Company has traditionally retained experienced mining and public company people as directors and hence the orientation needed is minimized. When new directors are appointed, they are acquainted with the Company's mineral projects and the expectations of directors. Board meetings generally include presentations by the Company's senior management and project staff in order to give the directors insight into the Company's operations and plans.

Code of Conduct and Ethics

The Board has a Code of Conduct and Ethics which was approved by the Board of the Company on March 27, 2013 and is contained in the Manual and which is available for review on request. The Board also believes that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

Assessments

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and its committees. The Corporate Governance and Compensation Committee ("CGCC") oversees the performance of the Board and its Audit Committee,

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

As indicated above, the CGCC assists the Board in carrying out its responsibilities and decision making process relating to executive and director compensation for the Company and its subsidiaries. The CGCC has the following duties, responsibilities and authority:

- (a) to recommend to the Board the form and amount of compensation to be paid by the Company to directors for service on the Board and on its committees. The CGCC shall review director compensation at least annually.
- (b) to annually review the Company's base compensation structure and the Company's incentive compensation, stock option and other equity-based compensation programs and recommend changes in or additions to such structure and plans to the Board as needed.
- (c) to recommend to the Board the annual base compensation of the Company's executive officers and senior managers (collectively the "Officers").
- (d) to recommend to the Board annual corporate goals and objectives under any incentive compensation plan adopted by the Company for Officers and non-Officer personnel providing services to the Company, and recommend incentive compensation participation levels for Officers and non-Officer personnel providing

services to the Company under any such incentive compensation plan. In determining the incentive component of compensation, the CGCC will consider the Company's performance and relative shareholder return, the values of similar incentives at comparable companies and the awards given in past years.

- (e) to evaluate the performance of Officers generally and in light of annual corporate goals and objectives under any incentive compensation plan.
- (f) to periodically review with the Chairman and Chief Executive Officer their assessments of corporate officers and senior managers and succession plans and make recommendations to the Board of Directors regarding appointment of officers and senior managers.
- (g) to provide oversight of the performance evaluation and incentive compensation of non-Officer personnel providing services to the Company.
- (h) to administer the Company's stock option and other equity based compensation plans and determine the annual and periodic grants of stock options and other equity based compensation.
- (i) to recommend to the CGCC the qualifications and criteria for membership on the CGCC.

See disclosure under "Biographical Information of Nominees for Director" for relevant education and experience of members of the Compensation Committee.

The Compensation Committee has not considered the implications of the risks associated with the Company's compensation program.

Named Executive Officers

In this section "Named Executive Officer" (or "NEO") means each of the following individuals:

- (a) the Chief Executive Officer (the "CEO");
- (b) the Chief Financial Officer (the "CFO");
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at December 31, 2012.

The following disclosure sets out the compensation that the Board intended to pay, make payable, award, grant, give or otherwise provide to each NEO and director of the Company or its subsidiaries for the financial year ended December 31, 2012.

Report on Executive Compensation

This report on executive compensation has been approved by the CGCC. The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the Company's senior management, although the CGCC guides it in this role. As part of its mandate, the Board determines the type and amount of compensation for the Company's executive officers. In addition, the Board reviews the methodology utilized by the Company for setting salaries of employees throughout the organization.

The CGCC receives competitive market information on compensation levels for executives. The Company's compensation policies and programs are designed to be competitive with similar mining exploration and development companies and to recognize and reward executive performance consistent with the success of the Company's business.

Philosophy and Objectives

The Company's senior management compensation program is designed to ensure that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining talented, qualified and effective executives;
- (b) motivating the short and long-term performance of these executives; and
- (c) aligning their interests with those of the Company's shareholders.

In compensating its senior management, the Company employs a combination of base salary, bonus compensation and equity participation through its stock option plan.

Base Salary / Compensation

In the Board's view, paying compensation that is competitive in the markets in which the Company operates is a first step to attracting and retaining talented, qualified and effective executives. The NEOs are remunerated in order to ensure that the compensation package offered by the Company is in line with that offered by other companies in our industry, and as an immediate means of rewarding the NEO for efforts expended on behalf of the Company.

The compensation to be paid to a particular NEO is determined by gathering competitive information on comparable companies within the industry from a variety of sources, including surveys conducted by independent consultants and national and international list publications. The Company does not engage in formal benchmarking. Payment of cash compensation fits within the objective of the compensation program since it rewards each NEO for performance of his duties and responsibilities.

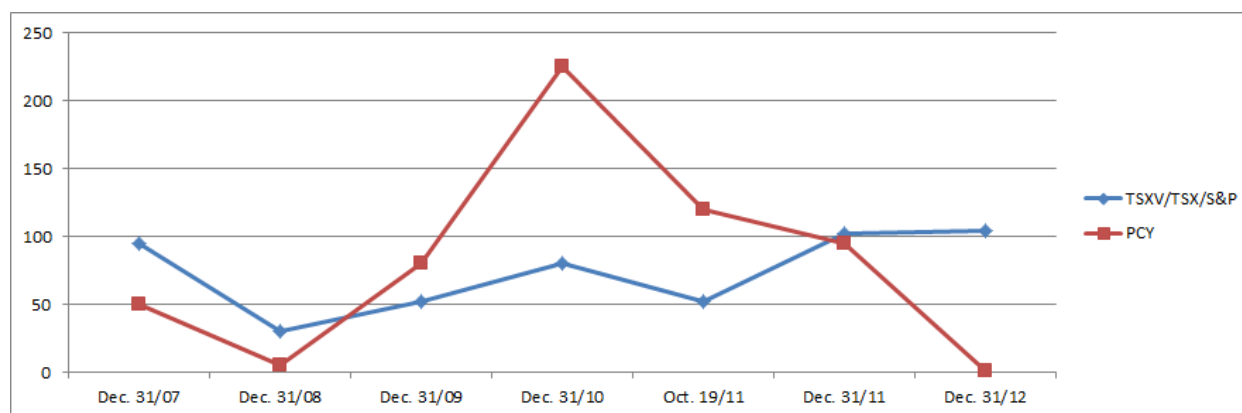
Compensation of the CEO is approved by the Board. Base compensation and bonus levels are determined taking into account independent market survey data.

Bonus Compensation

There are currently no specific performance goals set by the Company for executive bonus compensation. Bonus compensation is awarded at the discretion of the Board and the Board considers performance of the individual and the Company, competitive factors and other matters in awarding bonuses. The Company's objective is to achieve certain strategic objectives and milestones. The Board will consider executive cash and share bonus compensation dependent upon the Company meeting the Company's strategic objectives and milestones and sufficient cash resources being available. See "*Particulars of Other Matters to be Acted Upon*" in connection with a proposed share bonus to be paid to employees which includes certain executive officers."

Performance Graph

The following graph compares the cumulative shareholder return on an investment of \$100 in the Common Shares of the Company for the past five years on the TSXV from date of listing of February 14, 2007 until October 18, 2011 and with an investment of \$100 in the Common Shares on the S&P/TSX Composite Index from October 19, 2011 to December 31, 2012.



Note:

(1) The Company does not, nor is it contemplating in the near term, paying a dividend on its Common Shares.

Equity Participation – Option Based Awards

The Company has a fixed stock option plan in place (the “2012 Plan”), under which the Company may grant share purchase options to acquire a maximum of 38,165,342 Common Shares and settle the options by issuance of the Company’s equity instruments. As at June 14, 2013, there are 32,125,550 options outstanding under the 2012 Plan.

The 2012 Plan was approved by the Company’s shareholders at the June 11, 2012 annual general meeting. The 2012 Plan was established to provide incentive to qualified parties being directors, employees and service providers, to increase their proprietary interest in the Company, encourage the alignment of interests with its shareholders and foster their continued association with the Company.

The Company believes that encouraging its directors, executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company’s stock option plan. Stock options are granted to staff taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. Options vest on terms established by the CGCC.

At least annually, the CGCC reviews the grants of stock options to directors, management, employees and consultants. Options have been granted in prior years taking into account competitive compensation factors and the belief that options help align the interests of such persons with the interests of shareholders.

The Company’s long term incentives are designed to foster and promote the long-term financial success of the Company by strengthening the ability of the Company to attract and retain directors, officers and qualified employees, motivate performance through incentive compensation, promote greater alignment of interests between employees and shareholders in creating long-term shareholder value, and enable employees to participate in the long-term growth and financial success of the Company. The Black-Scholes method is used to value stock options. The share price on the date of grant is used to value share units. Stock options provide employees with the opportunity to participate in the growth of the Company’s share price as well as benefit from the favourable tax treatment applicable to this form of compensation.

The CGCC approves stock options to facilitate consideration of targeted direct compensation to executive officers. Options are generally granted to corporate executives annually as part of the annual compensation review. Options are granted at other times of the year to individuals commencing employment with the Company. The exercise price for the options is set in accordance with TSX policies and is based on the five-day volume weighted average trading price prior to the date of grant.

See disclosure under “Securities Authorized For Issuance Under Equity Compensation Plans” for material terms of the Company’s current option plan and disclosure under “Particulars of Matters To Be Acted Upon” for material terms of the Company proposed new share option plan.

SUMMARY COMPENSATION TABLE

The compensation paid to the NEOs during the Company’s three most recently completed financial years ended December 31 is as set out below and expressed in Canadian dollars unless otherwise noted:

Name and principal position	Year	Salary (\$)	Share-based awards ⁽²⁾ (\$)	Option-based awards ⁽¹⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans			
John Lee ⁽³⁾ Interim CEO	2012	Nil	92,000	158,969	Nil	Nil	Nil	945,000	1,195,969
	2011	Nil	Nil	779,336	Nil	Nil	Nil	480,000	1,259,336
	2010	Nil	Nil	1,009,250	Nil	Nil	Nil	156,468	1,165,737
Irina Plavutska ⁽⁴⁾ Former CFO	2012	Nil	4,600	12,985	Nil	Nil	Nil	68,250	85,835
	2011	Nil	Nil	72,582	Nil	Nil	Nil	32,500	105,082
Jeffrey Mason ⁽⁵⁾ Current CFO	2012	20,611	Nil	28,214	Nil	Nil	Nil	Nil	48,825
Joseph Li ⁽⁶⁾ Former General Manager and Corporate Secretary	2012	Nil	29,900	66,192	Nil	Nil	Nil	223,000	319,092
	2011	Nil	Nil	35,546	Nil	Nil	Nil	24,272	59,818
Chris Kravits ⁽⁷⁾ Manager of Mining	2012	Nil	23,000	Nil	Nil	Nil	Nil	150,060	173,060

Notes:

- (1) The options are governed by the 2012 Plan.
- (2) The value of Share Based awards is the fair market value of the Bonus Shares as at June 11, 2012.
- (3) Mr. Lee was originally appointed as the Company’s CEO on April 12, 2010. Mr. Lee’s services were provided pursuant to an agreement between the Company and Mau Capital Management LLC (“Mau”), a personal holding company of Mr. Lee. Mau initially received a base fee of \$40,000, which was reduced to \$35,000 per month effective January 1, 2012. On November 6, 2012, the Mau Agreement was terminated by the Company, and a termination payment of \$525,000 was paid to Linx Partners Ltd (“Linx”) (another personal holding company of Mr. Lee) at Mau’s direction. On January 24, 2013 the Board of Directors accepted, ratified and approved termination of the Mau Agreement and payment of the termination payment as at November 6, 2012, and approved a new consulting agreement between Mau and the Company (the New Mau Agreement”). Under the New Mau Agreement, effective November 7, 2012, a base fee of \$35,000 per month is paid to Linx for services rendered by John Lee as Executive Chairman of the Board, and a further \$1 per month is paid to Linx for services rendered by Mr. Lee as Interim CEO of the Company. In addition, the Company entered into discussion with Mau to amend the New Mau Agreement so that it may be terminated by either party providing the other party with at least 90 days written notice to that affect. The CGCC is conducting a search for a new permanent CEO for the Company.
- (4) Ms. Plavutska was appointed as interim CFO on August 11, 2011 and resigned November 13, 2012.

- (5) Mr. Mason was appointed as CFO on November 13, 2012.
- (6) Mr. Li (General Manager) was appointed as Corporate Secretary on March 2, 2011 and resigned both positions on October 31, 2012. On October 31, 2012, the Company granted a severance payment of \$125,000 to Mr. Li which was paid to JWL Investments Corp., (a private company controlled by Mr. Li).
- (7) Mr. Kravits was appointed as Manager of Mining on January 1, 2012.

Prophecy has calculated the “grant date fair value” amounts in the ‘Option-based Awards’ column using the Black-Scholes model, a mathematical valuation model that ascribes a value to a stock option based on a number of factors in valuing the option-based awards, including the exercise price of the options, the price of the underlying security on the date the option was granted, and weighted average assumptions with respect to the volatility of the price of the underlying security and the risk-free rate of return. The following weighted average assumptions were used: Risk-free interest rate (1.5%), expected life of options in years (4.46 years), expected volatility (91%), expected forfeiture rate (3%).

INCENTIVE PLAN AWARDS

Outstanding Share-based Awards and Option-based Awards

The Company currently only has an option-based awards plan and does not have any share based awards plans, although it has for the last two years granted bonus shares to its personnel. The following table sets out the option-based awards and share based awards outstanding as at December 31, 2012, for each NEO:

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ⁽¹⁾ (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
John Lee	500,000	0.25	Oct 29, 2014	Nil	200,000	24,000	Nil
	350,000	0.67	May 10, 2015				
	125,000	0.54	Sep 21, 2015				
	1,000,000	0.93	Dec 24, 2015				
	500,000	0.63	Jun 13, 2016				
	600,000	0.485	Mar 22, 2017				
	1,430,000	0.28	Aug 22, 2017				
Irina Plavutska	50,000	0.54	Sep 21, 2015	Nil	10,000	1,200	Nil
	100,000	0.93	Dec 24, 2015				
	100,000	0.63	Jun 13, 2016				
	30,000	0.485	Mar 22, 2017				
	50,000	0.18	Aug 22, 2017				
Jeffrey Mason	1,500,000	0.135	Nov 2, 2017	Nil	Nil	Nil	Nil
Joseph Li	100,000	0.93	Dec 24, 2015	Nil	65,000	7,800	Nil
	100,000	0.98	Feb 14, 2016				
	150,000	0.63	Jun 13, 2016				
	200,000	0.485	Mar 22, 2017				
	300,000	0.18	Aug 22, 2017				
Chris Kravits	Nil			Nil	50,000	6,000	Nil

Note:

- The value at December 31, 2012 is calculated by determining the difference between the closing price on the TSX of the Company's Common Shares at December 31, 2012 (\$0.12 per Common Share) and the exercise price of the options.

Incentive Plan Awards – Value Vested or Earned During the Year

No incentive plan awards vested or earned during the year ended December 31, 2012, for each NEO.

PENSION PLAN BENEFITS

The Company has no pension or deferred compensation plans for its NEOs, directors, officers or employees.

Independent directors are paid varying amounts depending on the degree to which they are active on behalf of the Company. See the table below for amounts paid in 2012.

The compensation provided to the director who was not an NEO for the Company's most recently completed financial year of December 31, 2012, is:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Michael Deats	54,542	11,500	22,180	Nil	Nil	Nil	88,222
Chuluunbaatar Baz	54,089	Nil	64,768	Nil	Nil	Nil	118,857
Greg Hall	55,000	11,500	37,826	Nil	Nil	15,000	119,326
Harald Batista	19,983	Nil	5,312	Nil	Nil	Nil	25,295

The following table sets out all option-based awards and share-based awards outstanding as at December 31, 2012, for a director who was not an NEO for the Company's most recently completed financial year of December 31, 2012:

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ⁽¹⁾ (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$ (1))	Market or payout value of vested share-based awards not paid out or distributed (\$ (1))
Michael Deats	200,000	0.93	Dec 24, 2015	Nil	25,000	3,000	Nil
	100,000	0.63	Jun 13, 2016				
	100,000	0.49	Mar 22, 2017				
	150,000	0.18	Aug 22, 2017				
Chuluunbaatar Baz	1,000,000	0.77	Dec 24, 2015	Nil	Nil	Nil	Nil
	100,000	0.63	Jun 13, 2016				
	300,000	0.49	Mar 22, 2017				
	400,000	0.18	Aug 22, 2017				
Greg Hall	300,000	0.25	Oct 29, 2014	Nil	25,000	3,000	Nil
	75,000	0.67	May 10, 2015				
	25,000	0.54	Sep 21, 2015				
	80,000	0.93	Dec 24, 2015				
	100,000	0.63	Jun 13, 2016				
	150,000	0.49	Mar 22, 2017				
	300,000	0.18	Aug 22, 2017				
Harald Batista	150,000	0.40	Jan 29, 2015	Nil	Nil	Nil	Nil
	100,000	0.63	Jun 13, 2016				
	150,000	0.18	Aug 22, 2017				

Notes:

- (1) The value at December 31, 2012 is calculated by determining the difference between the closing price on the TSX of the Common Shares at December 31, 2012 (\$0.12 per Common Share) and the exercise price of the options.
- (2) Share based awards by way of bonus shares issued at market value at the date of grant.

The following table sets out the value vested or earned under incentive plans during the year ended December 31, 2012, for a director, excluding a director who is already set out in disclosure for a NEO for the Company:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$) ⁽¹⁾	Non-equity incentive plan compensation – Value earned during the year (\$) ⁽¹⁾
Michael Deats	Nil	3,000	Nil
Chuluunbaatar Baz	Nil	Nil	Nil
Greg Hall	Nil	3,000	Nil
Harald Batista	Nil	Nil	Nil

Note:

- (1) - The value at December 31, 2012 is calculated by determining the difference between the closing price on the TSX of the Common Shares at December 31, 2012 (\$0.12 per Common Share) and the exercise price of the options.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Other than as set out below, there are no contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Company or a change in responsibilities of the Named Executive Officer following a change of control of the Company.

John Lee, Interim Chief Executive Officer and Executive Chairman

On January 1, 2010 the Corporation entered into an agreement with a holding company solely owned by Mr. Lee, at an annual fee of CAD\$16,000 (as amended). On November 6, 2012 this agreement was terminated and on November 7, 2012 a new agreement was entered into (aggregately the "Lee Agreement"). For further information regarding Mr. Lee's agreements with the Company, refer to the disclosure under the heading "*Summary Compensation Table – Narrative Discussion.*"

The Lee Agreement is for an indefinite term. The Lee Agreement may be terminated by the Company for any reason other than for cause upon thirty days' written notice. The Company has the option of paying the consulting fees due under the Lee Agreement for that thirty day period in lieu thereof. In an event of termination due to a change of control occurs, Mr. Lee may elect to terminate his Agreement with the Company by writing, no later than thirty calendar days following the occurrence of the event of termination. Upon receipt of notice, the Company shall immediately terminate Mr. Lee's employment without Cause, and shall follow and provide to Mr. Lee, all amounts due and owing pursuant to the termination awards as hereinbefore set out. In all cases of a change of control of the Corporation in any event, all of Mr. Lee's unvested rights in any stock option or other benefit plan will also immediately vest in full.

Jeffrey Mason, Chief Financial Officer

Mr. Mason entered into an employment agreement effective November 13, 2012, with the Corporation (the "Mason Agreement"). The Mason Agreement is for an indefinite term. If Mr. Mason's employment is terminated by the Company for any reason other than for cause he would be entitled to receive severance as follows:

- (a) before the completion of two years of employment under the Mason Agreement, the Company shall provide Mr. Mason with an immediate lump sum retiring allowing payment, less deductions required by law, equal to twelve months' salary;
- (b) after the completion of two years of employment under the Mason Agreement but before the completion of three years of employment under the Agreement, the Company shall provide Mr. Mason with an immediate lump sum retiring allowance payment, less deductions required by law, equal to eighteen months' salary
- (c) On or after the completion of three years employment under the Mason Agreement, the Company shall provide Mr. Mason with an immediate lump sum retiring allowance payment, less deductions required by law, equal to twenty four months' salary...

In an event of termination due to a change of control occurs, Mr. Mason may elect to terminate his Agreement with the Company by writing, no later than thirty calendar days following the occurrence of the event of termination. Upon receipt of notice, the Company shall immediately terminate Mr. Mason's employment without Cause, and shall follow and provide to Mr. Mason, all amounts due and owing pursuant to the termination awards as hereinbefore set out. In all cases of a change of control of the Corporation in any event, all of Mr. Mason's unvested rights in any stock option or other benefit plan will also immediately vest in full.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The 2012 Plan, a fixed stock option plan was approved by shareholders at the Company's annual general meeting on June 11, 2012. The purpose of the 2012 Plan is to allow the Company to grant Options to directors, officers, employees and service providers, as additional compensation, and as an opportunity to participate in the success of the Company. *See "Particulars of Other Matters to be Acted Upon" with regards to the Board's recommendation that shareholders approve amendments to the 2012 Plan.*

Pursuant to the 2012 Plan, the Board may from time to time authorize the issue of options to directors, officers, employees and service providers of the Company, or a subsidiary of the Company, or employees of companies providing management or consulting services to the Company. In addition, the number of Common Shares which may be reserved for issuance:

- (a) to all optionees under the 2012 Plan in aggregate shall not exceed 20%;
- (b) to all insiders (as defined by the TSXV) as a group may not exceed 10% without disinterested shareholder approval;
- (c) to any one consultant may not exceed 2% of the total number of issued and outstanding Common Shares on the grant date on a non-diluted basis in any 12 month period; and
- (d) to eligible persons who undertake investor relations activities and shall not exceed 2% of the issued Common Shares on the grant date on a non-diluted basis in any 12 month period, and such options shall vest in stages over a 12 month period with no more than one-quarter of the options vesting in any three month period.

If any option holder ceases to be an eligible person due to his or her death or disability, the option may be exercised up until the earlier of one year after the date of death or disability and the expiry date.

Any options granted under the 2012 Plan vest on the date of grant unless determined otherwise by the Board, except for investor relations Options. The 2012 Plan provides that if a change of control, as defined therein, occurs, all Common Shares subject to Option shall immediately become vested and may thereupon be exercised in whole or in part by the Option holder.

The following table sets out equity compensation plan information as at the end of the financial year ended December 31, 2012.

Equity Compensation Plan Information

	Number of securities issuable upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders - (2012 Plan)	32,485,550	\$0.57	4,974,392
Equity compensation plans not approved by security holders. (See Particulars of Other Matters to be Acted Upon)	Nil	Nil	Nil
Total	32,485,550		4,974,392

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the end of the most recently completed financial year or as at the date hereof.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, no informed person (a director, officer or holder of 10% or more of the Common Shares) or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries during the year ended December 31, 2012, or has any interest in any material transaction in the current year other than as set out in a document already disclosed to the public.

PARTICULARS OF ADDITIONAL MATTERS TO BE ACTED UPON

A. APPROVAL OF STOCK OPTION PLAN AMENDMENTS

Background

The Company's current stock option plan, the 2012 Plan, is a fixed stock option plan permitting the grant of options issuable for up to 38,165,342 Common Shares, which represented 20% of the number of Common Shares which were issued and outstanding when the 2012 Plan was approved by the Company's shareholders on June 11, 2012. As at June 14, 2013, there are options outstanding under the 2012 Plan to acquire 32,125,550 Common Shares, leaving 5,334,392 Common Shares available for future option grants, representing 14.24% and 2.2%, respectively, of the 242,926,384 Common Shares issued and outstanding as of the Record Date. The 2012 Plan is administered by the CGCC on behalf of the Board.

Board Approval and Rationale

The CGCC approved amendments to the 2012 Plan, which amendments are subject to shareholder approval as well as the approval of the TSX (the 2012 Plan, as amended, the "2013 Plan"). Many of these amendments were "housekeeping" amendments intended to clarify the language contained in the 2012 Plan. A significant amendment was the change of the plan from a "fixed" to a "rolling" plan permitting the issuance of options exercisable for shares equivalent in number of 20% of the Company's common shares from time to time. Unless otherwise approved by the Company's shareholders, the maximum number of shares reserved for issuance under the 2013 Plan (and under any other share compensation arrangements of the Company) shall be equal to 20% of the issued and outstanding Common Shares in of the Company as at the date of grant. If any stock option granted under the 2013 Plan terminates, expires or, with the consent of the holder, is cancelled, new stock options may thereafter be granted covering such Common Shares, subject to any required prior approval by any applicable stock exchange, if stock options are re-granted to the same person on different terms in conjunction therewith. If the 2013 Plan is not approved by the majority of the shareholders voting in person or by proxy at the Meeting, it will not become effective and the 2012 Plan will remain in effect unamended.

If the 2013 Plan is approved, options granted under the 2012 Plan will remain outstanding, but will be governed by the 2013 Plan.

Required Vote

At the Meeting the shareholders will be asked to consider and, if deemed advisable, pass an ordinary resolution approving the 2013 Plan, a copy of which has been filed on the SEDAR website at www.sedar.com and is available on request of the Company.

Summary of the 2013 Plan

The summary set forth below describes the 2013 Plan and highlights significant changes to the 2012 Plan.

The 2013 Plan is a 20% "Rolling" Plan

A significant amendment to the 2012 Plan is that the 2013 Plan is a "rolling" stock option plan permitting the issuance of options exercisable for 20% of the Company's common shares issued and outstanding from time to time. As of the Record Date, the Company had 242,926,384 Common Shares issued and outstanding, 20% of

which is 48,585,276 Common Shares. There is a maximum of 38,165,342 Common Shares issuable under the 2012 Plan, representing 15.7% of the Company's currently issued shares.

The amendments included in adoption of the 2013 Plan would permit the Company immediately to grant additional options exercisable for 11,125,334 Common Shares, in addition to the options exercisable for 5,334,392 Common Shares which remain available for grant under the 2012 Plan. Further, unlike the present fixed plan, the 2013 Plan is a rolling plan, so as options are exercised and no longer remain outstanding, new options can be granted provided the number of Common Shares issuable upon the exercise of all outstanding options does not exceed 20%.

Accelerated Vesting on the Occurrence of "Substitution Events"

The 2013 Plan contains new provisions regarding what happens upon the occurrence of a "Substitution Event". These provide the Board with greater flexibility than it previously had in determining how options granted under the 2013 Plan will be treated in the case of various change of control type events. A Substitution Event is:

- (a) a reorganization, amalgamation, merger or other business combination (or a plan of arrangement in connection with any of the foregoing), other than solely involving the Company and any one or more of its Subsidiaries, with respect to which all or substantially all of the persons who were the beneficial owners of the Shares immediately prior to such reorganization, amalgamation, merger or other business combination (or plan of arrangement in connection with any of the foregoing) do not, following the completion of such reorganization, amalgamation, merger or other business combination (or plan of arrangement in connection with any of the foregoing), beneficially own, directly or indirectly, more than fifty percent (50%) of the resulting voting rights, on a fully-diluted basis, of the resulting or successor entity, on a fully diluted basis (and for greater certainty, this will not include a public offering or private placement out of treasury) or such other transaction pursuant to which the Shares are converted into, or exchanged for other property, whether in the form of securities of another corporation, cash or otherwise;
- (b) the sale to a person, other than a subsidiary of the Company, of all or substantially all of the Company's assets; and
- (c) a formal bid or tender offer for the Common Shares being made (other than by the Company or any subsidiary, or an employee benefit plan established or maintained by the Company or any subsidiary) as a result of which the offeror and its Affiliates would, if successful, beneficially own, directly or indirectly, fifty percent (50%) or more of the Common Shares then outstanding.

The 2013 Plan provides that in the event of an actual Substitution Event, any surviving or acquiring corporation must:

- (a) assume any options outstanding under the 2013 Plan on substantially the same economic terms and conditions as the 2013 Plan; or
- (b) substitute similar stock options (including the right to acquire the same consideration paid to the security-holders of the Company in the transaction effecting the Substitution Event) for those options outstanding under the 2013 Plan on substantially the same economic terms and conditions as the 2013 Plan.

The 2013 Plan further provides that notwithstanding any other provision of the 2013 Plan, in the event of an actual or potential Substitution Event, the Board may, in its discretion, without the necessity or requirement for the agreement of any option holder: (i) accelerate, conditionally or otherwise, on such terms as it sees fit, the vesting date of options; (ii) permit the conditional exercise of any options, on such terms as it sees fit; (iii) otherwise amend or modify the terms of the options, including for greater certainty permitting option holders to exercise options on a "cashless" basis, to assist the option holders to tender the underlying Common Shares to, or participate in, the actual or potential Substitution Event or to obtain the advantage of holding the underlying Common Shares during such Substitution Event; and (iv) terminate, following the successful completion of such

Substitution Event, on such terms as it sees fit, the options not exercised prior to the successful completion of such Substitution Event. The determination of the Board in respect of any such Substitution Event shall for the purposes of the 2013 Plan be final, conclusive and binding.

Exercise Price

The exercise price of options granted under the 2013 Plan is a price not less than the volume weighted average trading price of the Common Shares on the TSX during the last five trading days immediately preceding the date of grant during such five trading days.

Exercise Period and Vesting

The provisions of the 2013 Plan dealing with the eligibility, grant and terms of options provide an allowable exercise period of options granted under the 2013 Plan of up to ten (10) years from the date the option is granted, subject to any accelerated termination. Options granted under the 2013 Plan will vest and become exercisable in accordance with the following schedule unless determined otherwise by the Board:

Period	Number of Options Vested
On or after the first quarter following the Date of Grant	12.5%
On or after the second quarter following the Date of Grant	12.5%
On or after the third quarter following the Date of Grant	12.5%
On or after the fourth quarter following the Date of Grant	12.5%
On or after the fifth quarter following the Date of Grant	12.5%
On or after the sixth quarter following the Date of Grant	12.5%
On or after the seventh quarter following the Date of Grant	12.5%
On or after the eighth quarter following the Date of Grant	12.5%

Blackout Period

The 2013 Plan provides that the expiration date of options expiring within nine business days following the expiration of a blackout period will also be extended to the end of the tenth business day after the end of the blackout period. The extension is not available where the blackout period is the result of a cease trade order issued by a securities regulatory authority to which the Company or the option holder is subject.

Amendment, Suspension and Termination Provisions

Subject to the provisions of the 2013 Plan relating to Substitution Events, and subject to compliance with the applicable rules of the Stock Exchange, the Board may from time to time amend, suspend or terminate the 2013 Plan, or the terms of any previously granted Stock Option, without obtaining the approval of shareholders of the Company, provided that no such amendment to the terms of any previously granted Stock Option may, except as expressly provided in the Plan, or with the written consent of the Optionee, adversely alter or impair the terms or conditions of such Stock Option previously granted to such Optionee under the 2013 Plan.

Any amendment to the 2013 Plan, or to the terms of any Stock Option previously granted, is subject to compliance with all applicable laws, rules, regulations and policies of any applicable Governmental Entity or Stock Exchange, including receipt of any required approval from such Governmental Entity or Stock Exchange.

If the 2013 Plan is terminated, the provisions of the 2013 Plan and any administrative guidelines or other rules adopted by the Board and in force at the time of such termination shall continue in effect as long as any options under the 2013 Plan or any rights pursuant thereto remain outstanding. Notwithstanding such termination of the 2013 Plan, the Board may make any amendments to the 2013 Plan or to the terms of any outstanding options that it would be entitled to make if the 2013 Plan were still in effect.

Withholding of a Portion of Benefits for Tax Purposes

The 2013 Plan includes withholding tax provisions which address requirements of the *Income Tax Act* (Canada). The *Income Tax Act* (Canada) now requires the Company (or a subsidiary of the Company, as applicable) to withhold at source and remit amounts in respect of the taxable benefit realized by an option holder at the time of exercise in the same manner it would for ordinary employment compensation.

Certain Insider Limitations

The 2013 Plan provides that the number of Common Shares: (i) issued to insiders, within any one year period; and (ii) issuable to insiders at any time, under the 2013 Plan and under all other security based compensation arrangements of the Company, if any, shall not exceed 10% of the number of Common Shares that are outstanding from time to time.

Administration

The Board, or such committee of the Board to which the Board may choose to delegate such authority, shall administer the 2013 Plan. The Board has delegated to the CCGC the authority to administer the 2013 Plan.

Subject to the limitations of the 2013 Plan, the Board has the authority: (i) to grant options to purchase Common Shares to eligible persons; (ii) to determine the terms, including the limitations, restrictions, vesting period and conditions, if any, upon such grants; (iii) to interpret the 2013 Plan and to adopt, amend and rescind such administrative guidelines and other rules relating to the 2013 Plan as it may from time to time deem advisable; and (iv) to make all other determinations and to take all other actions in connection with the implementation and administration of the 2013 Plan as it may deem necessary or advisable. The Board's guidelines, rules, interpretations and determinations shall be conclusive and binding upon the Company and all participants and eligible persons. No member of the Board or any person acting pursuant to authority delegated by it hereunder shall be liable for any action or determination in connection with the 2013 Plan made or taken in good faith, and each member of the Board and each such person shall be entitled to indemnification by the Company with respect to any such action or determination.

The 2012 Plan was silent on what happened to options in the event of the death, disability or termination of the holder, other than requiring that options expire no later than the earlier of their original expiry date and three years after the relevant event, leaving further specifics of the termination of options to be set out in each individual option grant.

The 2013 Plan provides that options terminate 90 days after the death of the optionee, retirement and (potentially) the disability of the holder. The 2013 Plan further provides that options will be terminated immediately upon the termination of the holder for cause. In the event of voluntary Resignation or Termination without Cause the 2013 Plan provides that options will terminate 90 days following the voluntary resignation or termination without cause of the holder. Notwithstanding the foregoing, the Board may extend the term of any option subject to applicable legal and stock exchange requirements.

Options granted under the 2013 Plan are non-assignable.

Resolution

The text of the ordinary resolution approving the 2013 Plan is as follows, subject to any amendments, variations or additions as may be approved at the Meeting:

“BE IT RESOLVED as an ordinary resolution of the shareholders that:

- (a) the 2013 Plan be and is hereby approved, subject to TSX approval;
- (b) and that the 32,125,550 currently outstanding options (or such number as may be outstanding as of the date of approval of this resolution) be deemed to have been granted under the 2013 Plan and

- (c) the unallocated options issuable under the 2013 Plan be and are hereby approved, until July 30, 2016, being three years after the date of the Meeting.”

The Board recommends that you vote in favour of the above resolution. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the resolution.

B. BONUS SHARES

On January 24, 2013, the Board resolved to issue Common Shares as a bonus to the Company’s directors, officers, employees and service providers, subject to TSX and shareholder approval. It is proposed that an aggregate of 2,027,500 Bonus Shares will be issued at a price of \$0.16 per share (the closing price on January 24, 2013) to the following persons in the following amounts:

Name of Party	Position	Number of Shares
Bekzod Kazimov*	Business Development Manager	40,000
Nomin-Erdene G.	Procurement Manager	20,000
Chris Kravits*	Manager of Geology	50,000
Damdinjav Davaajav	Project Manager	40,000
Irina Plavutska*	Controller	42,500
Chris Ackerman**	Previously IR Manager	35,000
Jared Raath	IT Manager	30,000
Rob Bruggeman**	Previously VP Corporate Development	50,000
Braden Jensen	Senior Accountant	40,000
Leo Liu**	IR Officer	20,000
Grace Han	Corporate Accountant	10,000
Nergui Manalsuren**	Assistant Corporate Secretary	15,000
James Yang**	Previously Graphic/Web Designer	15,000
Charmaine Chan**	Executive Assistant to CEO	20,000
John Lee*	Director, Chairman & Interim CEO	700,000
Greg Hall*	Director	150,000
Jivko Savov**	Director	150,000
Harald Batista*	Director	150,000
Michael Deats*	Director	150,000
Baz Chuluunbaatar*	Director	<u>300,000</u>
TOTAL		<u>2,027,500</u>
*Currently an Insider and or interested party		
**No longer with the Company		

The Bonus Shares will be distributed as to 50% after the Annual General Meeting, and as to 50% in January 2014, subject to TSX and shareholder approval. Because the Bonus Shares relate to services provided in the year ending December 31, 2012, all of the Bonus Shares set out above with respect to the first and second tranche will be issued. The Board believes that the equity dilution to shareholders of 0.81% is outweighed by the benefits to the Company which will be received from rewarding and incentivizing the continued efforts of these persons.

At the Meeting, disinterested shareholders (meaning shareholders not receiving Bonus Shares and named above, holding approximately 13,423,170 Common Shares) will be asked to vote on the following ordinary resolution, subject to TSX approval and with or without variation:

“BE IT RESOLVED as an ordinary resolution of the disinterested shareholders, that the allotment

and issuance by the Board of up to 2,027,500 Common Shares to be granted as bonus shares to directors, officers and employees of the Company be approved.”

The Board recommends that you vote in favour of the above resolution. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the resolution.

C. ADJUSTMENT WARRANTS

On February 7, 2013, the Company announced a private placement of 60,000,000 units (each a “Unit”), each Unit comprised of one Common Share and 0.75 of a share purchase warrant, each whole warrant (a “Warrant”) entitling the holder to acquire an additional Common Share for a period of two years at a price of \$0.18 per Common Share. On April 16, 2013, the Company announced that it had completed the closing of a first tranche of the placement, raising \$613,560 through the issuance of 4,382,571 Units.

On June 5, 2013, the Company closed a second and final tranche of the placement, issuing a further 8,142,857 Units for consideration of \$1.14-million. In addition, the Company amended the placement to include an additional warrant in each Unit sold in the final tranche (an “Adjustment Warrant”). Each Adjustment Warrant entitles the holder to acquire without payment of additional consideration a fraction of a share determined by subtracting the number one from the subscription price of \$0.14 per share divided by the Market Price. “Market Price” means the 20 day moving average price for the Corporation’s shares on the Toronto Stock Exchange at the time of exercise of the Adjustment Warrants, or \$0.105, whichever is greater. The 20 day moving average price will be calculated by adding up the closing prices of the Company’s common shares on the TSX for the 20 most recent trading days, and dividing the result by 20.

The Adjustment Warrants may only be exercised in their entirety and may not be exercised in part, and the holder of Adjustment Warrants may not sell any securities of the Company within 20 days prior to exercise. Adjustment Warrants may also only be exercised to the extent that the holder continues to hold the shares and warrants comprising the Units of which the Adjustment Warrants formed part.

The Company issued Adjustment Warrants in the second tranche closing to NewMargin Prophecy Coal Ltd. (“NewMargin”), an arm’s length party which purchased 7,142,857 Units. John Lee, an insider of the Company, also purchased one million Units in the second tranche closing. Purchasers who were issued Units in the first tranche closing did not receive Adjustment Warrants, which were not originally an element of the Placement and were not introduced until it became necessary to issue them with the Units to secure NewMargin’s participation in the second tranche closing. The Company wishes to treat the first tranche places the same as the second tranche places, but requires disinterested shareholder approval to do this. It has also applied to the TSX for approval to issue Adjustment Warrants to subscribers that purchased Units in the first tranche closing of the Placement.

The only shareholders permitted to vote at the Meeting on the issuance of Adjustment Warrants to the first tranche places are disinterested shareholders. Disinterested shareholders are those shareholders who did not participate in the first tranche closing of the placement, who hold approximately 4,382,571 Common Shares. Shareholder approval is being sought because the Company proposes to issue the Adjustment Warrants without receiving additional consideration from the first tranche places, which is not permitted in the absence of shareholder approval under the TSX’s pricing rules.

At the Meeting, disinterested shareholders will be asked to vote on the following ordinary resolution, subject to TSX approval and with or without variation:

“BE IT RESOLVED as an ordinary resolution of the disinterested shareholders, that the allotment and issuance by the Board of up to 4,382,571 Adjustment Warrants exercisable for up to 1,460,857 Common Shares (representing 0.6% of the Company’s current issued and outstanding common shares) to participants in the first tranche closing of the Placement which closed on April 11, 2013 be and is hereby approved.”

The Board recommends that you vote in favour of the above resolution. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the resolution.

D. REPRICING AND EXTENSION OF STOCK OPTIONS

On June 18, 2012 the Directors approved amendments to certain incentive stock options granted to officers, directors, employees and service providers, subject to the Company obtaining disinterested shareholder approval to the re-pricing prior to the exercise of the options at their new prices, as set out in the table below:

Subject Participant	Date Of Grant	Option List "A" # Options Granted	Original Exercise Price	Re-Priced Exercise Price
Howard Chen	14-Feb-11	30,000	\$0.98	\$0.28
Joseph Li	14-Feb-11	100,000	\$0.98	\$ 0.28
Xi Wei	6-Jan-11	50,000	\$0.93	\$0.28
Gold Anti-Trust	4-Jan-11	120,000	\$0.80	\$0.28
Mongolian office	24-Dec-10	100,000	\$0.93	\$0.28
Daniel Oosterman	24-Dec-10	75,000	\$0.93	\$0.28
David Cai	24-Dec-10	50,000	\$0.93	\$0.28
Enkhbaatar Ochirbal	24-Dec-10	50,000	\$0.93	\$0.28
G. Arnold Armstrong	24-Dec-10	50,000	\$0.93	\$0.28
Greg Hall*	24-Dec-10	80,000	\$0.93	\$0.28
Howard Chen	24-Dec-10	20,000	\$0.93	\$0.28
Irina Plavutska*	24-Dec-10	100,000	\$0.93	\$0.28
Jivko Savov	24-Dec-10	300,000	\$0.93	\$0.28
John Lee*	24-Dec-10	1,000,000	\$0.93	\$0.28
Joseph Li	24-Dec-10	100,000	\$0.93	\$0.28
Michael Deats*	24-Dec-10	200,000	\$0.93	\$0.28
Paul Mckenzie	24-Dec-10	50,000	\$0.93	\$0.28
Paul Venter	24-Dec-10	200,000	\$0.93	\$0.28
Rory Calhoun	24-Dec-10	40,000	\$0.93	\$0.28
Scott Parsons	24-Dec-10	30,000	\$0.93	\$0.28
Xi Wei	24-Dec-10	50,000	\$0.93	\$0.28
Batmunkh Tserenpil	24-Dec-10	1,000,000	\$0.77	\$0.28
Baz Chuluunbaatar*	24-Dec-10	1,000,000	\$0.77	\$0.28
Altankharaatsai Jurmed	10-Dec-10	2,500,000	\$0.77	\$0.28
Batmunkh Tserenpil	10-Dec-10	1,500,000	\$0.77	\$0.28
Baz Jargalsaikhan	10-Dec-10	2,500,000	\$0.77	\$0.28
Bulga Khartsaga	10-Dec-10	2,500,000	\$0.77	\$0.28
Rory Calhoun	15-Oct-10	75,000	\$0.67	\$0.28
Richard Murphy	23-Sep-10	50,000	\$0.80	\$0.28
Wayne Whymark	23-Sep-10	50,000	\$0.80	\$0.28
Barkatali Lalani	21-Sep-10	150,000	\$0.54	\$0.28
Davaa	21-Sep-10	50,000	\$0.54	\$0.28
David Cai	21-Sep-10	25,000	\$0.54	\$0.28
Enkhbaatar Ochirbal	21-Sep-10	50,000	\$0.54	\$0.28
G. Arnold Armstrong	21-Sep-10	50,000	\$0.54	\$0.28
Greg Hall	21-Sep-10	25,000	\$0.54	\$0.28
Irina Plavtska*	21-Sep-10	50,000	\$0.54	\$0.28
John Lee*	21-Sep-10	125,000	\$0.54	\$0.28
Paul Mckenzie	21-Sep-10	25,000	\$0.54	\$0.28
Paul Venter	21-Sep-10	150,000	\$0.54	\$0.28

Subject Participant	Date Of Grant	# Options Granted	Original Exercise Price	Re-Priced Exercise Price
Scott Parsons	21-Sep-10	25,000	\$0.54	\$0.28
Daniel Oosterman	10-May-10	50,000	\$0.67	\$0.28
David Cai	10-May-10	50,000	\$0.67	\$0.28
Enkhbaatar Ochirbal	10-May-10	75,000	\$0.67	\$0.28
G. Arnold Armstrong	10-May-10	75,000	\$0.67	\$0.28
Greg Hall*	10-May-10	75,000	\$0.67	\$0.28
Hemlut Pollinger	10-May-10	50,000	\$0.67	\$0.28
John Lee*	10-May-10	350,000	\$0.67	\$0.28
Karsten Schulte	10-May-10	50,000	\$0.67	\$0.28
Marcus Kaemper	10-May-10	50,000	\$0.67	\$0.28
Mercantile Consulting Limited	10-May-10	20,000	\$0.67	\$0.28
Michael Minder	10-May-10	125,000	\$0.67	\$0.28
Michael Opara	10-May-10	75,000	\$0.67	\$0.28
Olaf Hordenbach	10-May-10	50,000	\$0.67	\$0.28
Paul Mckenzie	10-May-10	75,000	\$0.67	\$0.28
Paul Venter	10-May-10	100,000	\$0.67	\$0.28
Peter MacLean	10-May-10	20,000	\$0.67	\$0.28
Shauna Hartman	10-May-10	20,000	\$0.67	\$0.28
Shledon Swaye	10-May-10	100,000	\$0.67	\$0.28
Stephen Karrington	10-May-10	50,000	\$0.67	\$0.28
Hugh Smithers	30-Apr-10	25,000	\$0.80	\$0.28
Richard Tremblay	30-Apr-10	50,000	\$0.80	\$0.28
Robert McEwen	11-Mar-10	350,000	\$0.55	\$0.28
Harald Batista*	29-Jan-10	150,000	\$0.40	\$0.28
Richard Murphy	29-Jan-10	131,250	\$0.40	\$0.28
George Gale	30-Nov-09	200,000	\$0.38	\$0.28
Hubert G. Smithers	21-Sep-09	15,000	\$0.60	\$0.28
Rory Calhoun	21-Sep-09	50,000	\$0.60	\$0.28
Dixon Porter	17-Jul-09	50,000	\$0.60	\$0.28
John McGoran	17-Jul-09	125,000	\$0.60	\$0.28
Paul McKenzie	23-Jan-09	492,200	\$0.40	\$0.28
Mel Klohn	23-Jan-09	225,400	\$0.40	\$0.28
Michael G. Armstrong	23-Jan-09	69,000	\$0.40	\$0.28
Paul Simpson	23-Jan-09	73,600	\$0.40	\$0.28
Shauna Hartman	23-Jan-09	23,600	\$0.40	\$0.28
Glen S. Greisbach	23-Jan-09	58,000	\$0.40	\$0.28
Enkhbaatar Ochirbal	23-Jan-09	115,000	\$0.40	\$0.28

***Currently an Insider and/or interested party**

No financial assistance will be provided by the Company to any option holder listed above to facilitate the exercise of the options described above. The Board approved the reduction in the exercise price, subject to shareholder and regulatory approval in order to bring the exercise price more closely in line with the Company's Current market price and so to provide a genuine incentive to the option holders. All other terms and conditions of the options (Option list "A"), including option term of approximately 5 years from the date of grant, remain unchanged.

On June 18, 2012, further to the voluntary forfeiture of share options held by certain directors, officers, employees and consultants the Company granted 5,435,000 new share options to such individuals with an expiry date of June

18, 2017 at an exercise price of \$0.28 per share subject to a two year vesting schedule whereby 50% of the options granted vest at the end of the each of the first and second years.

Option List "B"

Subject Participant	Date Of Grant	# Options Granted	Original Exercise Price	Re-Priced Exercise Price	Original Expiry Date	New Expiry Date
John Lee*	22-Mar-12	600,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Joseph Li	22-Mar-12	200,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Chuluunbaatar Baz*	22-Mar-12	300,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Greg Hall*	22-Mar-12	150,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Jivko Savov	22-Mar-12	75,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Michael Deats*	22-Mar-12	100,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Paul Venter	22-Mar-12	100,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Paul McKenzie	22-Mar-12	50,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Chris Ackerman	22-Mar-12	50,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
David Brook	22-Mar-12	50,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
David Cai	22-Mar-12	75,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Irina Plavutska*	22-Mar-12	30,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Jackie Kim	22-Mar-12	20,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Jared Raath*	22-Mar-12	30,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Leo Liu	22-Mar-12	40,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Nergui Manalsuren	22-Mar-12	30,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Patrick Langlois	22-Mar-12	100,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Pradeep Varshney	22-Mar-12	40,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Enkhbaatar Ochirbal	22-Mar-12	40,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Anudari Bat-Erdene	22-Mar-12	40,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Chris Kwan	22-Mar-12	200,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Jimmy Sum	22-Mar-12	80,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Richardson Terence John	22-Mar-12	150,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Amarsanaa Erdenebileg	22-Mar-12	80,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Howard Shen	22-Mar-12	20,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Danniel Oosterman	22-Mar-12	20,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
James Anthony Goldie	22-Mar-12	150,000	\$ 0.49	\$0.28	22-Mar-17	18-Jun-17
Mongolian Office	22-Mar-12	100,000	\$0.49	\$0.28	22-Mar-17	18-Jun-17
Pradeep Varshney	3-Feb-12	140,000	\$0.46	\$0.28	3-Feb-17	18-Jun-17
David Brooke	9-Jan-12	100,000	\$0.43	\$0.28	9-Jan-17	18-Jun-17
Leo Liu	9-Jan-12	80,000	\$0.43	\$0.28	9-Jan-17	18-Jun-17
Chris Ackerman	30-Aug-11	100,000	\$0.77	\$0.28	30-Aug-16	18-Jun-17
Jared Raath*	30-Aug-11	80,000	\$0.77	\$0.28	30-Aug-16	18-Jun-17
Patrick Langlois	30-Aug-11	300,000	\$0.77	\$0.28	30-Aug-16	18-Jun-17
Jackie Kim	30-Aug-11	20,000	\$0.77	\$0.28	30-Aug-16	18-Jun-17
Nergui Manalsuren	30-Aug-11	30,000	\$0.77	\$0.28	30-Aug-16	18-Jun-17
UB office	13-Jun-11	40,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17

Baz Chuluunbaatar	13-Jun-11	100,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Dan Oosterman	13-Jun-11	50,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
David Cai	13-Jun-11	75,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Gloria Natividad	13-Jun-11	30,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Greg Hall*	13-Jun-11	100,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Harald Batista*	13-Jun-11	100,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Howard Shen	13-Jun-11	30,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Irina Plavutska*	13-Jun-11	100,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Jivko Savov	13-Jun-11	100,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
John Lee*	13-Jun-11	500,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
John McGoran	13-Jun-11	30,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Joseph Li	13-Jun-11	150,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Michael Deats	13-Jun-11	100,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Paul McKenzie	13-Jun-11	30,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Paul Venter	13-Jun-11	30,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Vlad Fomin	13-Jun-11	50,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Xi Wei	13-Jun-11	50,000	\$0.63	\$0.28	13-Jun-16	18-Jun-17
Currently an Insider and or interested party						

Shareholders will be asked at the Meeting to approve with or without variation, the following ordinary resolution (the “Option Repricing & Extension Resolution”):

“BE IT RESOLVED as an ordinary resolution of the disinterested shareholders, that:

- (a) The reduction of the exercise price to \$0.28 per Common Share of an aggregate of 18,358,050 previously granted incentive stock options held by officers, directors, employees and service providers of the Company, as described in this information circular in Option List “A” above, be and the same are hereby approved;
- (b) The cancellation and re-issuance of an aggregate of 5,435,000 incentive stock options held by officers, directors, employees and service providers of the Company, as described in this information circular in Option List “B” above, be and the same is hereby approved; and
- (c) Any one of the officers or directors of the Company is hereby authorized and directed to do all such things as may be necessary or desirable, in the opinion of such officer or director to give effect thereto.”

Insiders who hold options which are proposed to be re-issued or repriced hold approximately 13,423,170 Common Shares, and may not vote their Common Shares in respect of the Option Repricing & Extension Resolution.

If the Option Re-pricing & Extension Resolution is not passed, the exercise prices of the subject options (and where applicable, the expiry dates) will remain at the amounts set forth above under the column entitled “Original Exercise Price”.

The Board recommends that you vote in favour of the above resolution. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the resolution.

ADDITIONAL INFORMATION

Additional information relating to the Company is included in the Company's Annual Information Form and in the Annual Report containing the audited financial statements for the years ended December 31, 2012 and 2011, auditor's report, and related management discussion and analysis filed on the Company's profile at www.sedar.com. Copies of the Company's most recent interim financial statements and related management discussion and analysis, and additional information, may be obtained from www.sedar.com and upon request from the Company at telephone no. (604) 569-3661 or fax number (604) 569-3617

OTHER MATTERS

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Information Circular.

DATED at Vancouver, British Columbia, June 26, 2013.

BY ORDER OF THE BOARD

"John Lee"

John Lee
Interim Chief Executive Officer