



Management Information Circular
Special Meeting of Shareholders

November 10, 2014

**PROPHECY COAL CORP.
(the "Company")**

**2nd Floor, 342 Water Street
Vancouver, B.C. Canada, V6B 1B6
Telephone No.: (604) 569-3661/Fax No.: (604) 569-3617**

MANAGEMENT INFORMATION CIRCULAR

as at November 10, 2014 *(except as otherwise indicated)*

This Management Information Circular (the "Information Circular") is furnished in connection with the solicitation of proxies by the management of the Company for use at the special meeting (the "Meeting") of its shareholders to be held on Friday, December 19, 2014 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 the 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 Proxyholders

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 ("Beneficial Shareholder"). 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 any 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 Voting Instruction Form (“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.

The Company is taking advantage of the provisions of NI 54-101 that permit it to deliver proxy-related materials indirectly through intermediaries to its OBOs. The Company will pay these intermediaries to deliver Meeting Materials to OBOs. Intermediaries are responsible for delivering the Meeting materials to OBOs unless the OBO has waived the right to receive them. 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 “**BCBCA**”), as amended, certain of its directors and its executive officers are residents of Canada and 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 made 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 2nd Floor, 342 Water Street, Vancouver, BC Canada V6B 1B6 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

Other than as set out herein, 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 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.

RECORD DATE, VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The board of directors (the “**Board**”) of the Company has fixed November 10, 2014 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**”). The Company is authorized to issue an unlimited number of Common Shares, and as of the Record Date, there were 251,878,634 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 the following are the registered holders of Common Shares carrying more than 10% of the voting rights:

Shareholder Name ⁽¹⁾⁽²⁾⁽³⁾	Number of Shares Held ⁽¹⁾⁽²⁾⁽³⁾	Percentage of Issued Shares ⁽¹⁾⁽²⁾⁽³⁾
CDS & CO (NCI)	205,439,452	81.56%
Jayvee & Co.	26,757,862	10.62%

Notes:

- (1) CDS & CO is a securities depository, the beneficial ownership of the Common Shares is unknown to the Company.
- (2) Jayvee & Co. is a brokerage firm, the beneficial ownership of the Common Shares is unknown to the Company.
- (3) The above information was supplied by the Company’s transfer agent, Computershare.

VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein.

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) 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, 2013, or has any interest in any material transaction in the current year other than as previously mentioned in this Information Circular or as set out in a document already disclosed to the public.

BUSINESS OF THE MEETING

APPROVAL OF CHANGE OF NAME

At the Meeting, shareholders will be asked to consider and if thought advisable, approve an ordinary resolution authorizing the Company to amend the Company’s Articles to change the name of the Company from “Prophecy Coal Corp.” to “Prophecy Development Corp.” or such other name as the directors may approve (the “**Name Change**”). Management of the Company believes that it is an appropriate time for the Company to change its

name to better reflect its various interests in: its current coal and energy projects in Mongolia, the pending acquisition of a silver-lead-zinc project in Bolivia (as disclosed under the Company's profile at www.SEDAR.com and on the Company's website at www.prophecycoal.com), and to allow for the broadening development and evolution of the Company's business interests as it actively pursues new opportunities.

Although shareholder approval of the Name Change is being sought at the Meeting, such Name Change would become effective at a future date to be determined by the Board when it considers it to be in the best interests of the Company to implement. The proposed Name Change is also subject to certain regulatory approvals, including the approval of the TSX and the Registrar of Companies under the BCBCA. The Board may, in its sole discretion, determine not to implement the Name Change resolution at any time after the Meeting and after receipt of necessary regulatory approvals, but prior to the issuance of a Certificate of Change of Name, without further notice to or action on the part of the shareholders. Subject to the exercise of such discretion by the Board, the Company will file a Form 11 - Notice of Alteration in the prescribed form with the Registrar of Companies under the BCBCA. The Name Change will become effective on the date shown on the Certificate of Change of Name issued by the Registrar of Companies under the BCBCA.

Should the Name Change become effective, any outstanding and existing share certificates representing Common Shares in the capital of the Company and bearing the name "Prophecy Coal Corp." will continue to be recognized by the Company as validly issued and eligible for trading on the public or private market. Shareholders who wish to have new share certificates issued to them in the new name of the Company after the Name Change becomes effective, may arrange directly with Computershare at their own cost, to have such new share certificates issued to them.

At the Meeting, shareholders will be asked to vote on the following ordinary resolution, with or without variation:

"BE IT RESOLVED, as an ordinary resolution of the shareholders of the Company, THAT:

- (1) Prophecy Coal Corp. be and is hereby authorized, subject to any necessary regulatory approvals, to amend the Company's Articles to change the name of the Company from "Prophecy Coal Corp." to "Prophecy Development Corp.", or such other name that the Board, in its sole discretion determines, as more particularly described in the Company's Information Circular dated November 10, 2014;
- (2) Notwithstanding that this resolution has been duly passed by the shareholders, the Board be, and hereby is, authorized and empowered to revoke this resolution at any time prior to the amendment of the Company's Articles and to determine not to proceed with changing the name of the Company; and
- (3) Any one director or officer of the Company is hereby authorized and empowered to execute or cause to be executed, whether under seal of the Company or otherwise and to deliver or cause to be delivered, all such documents and instruments and to do or cause to be done all such other acts and things as such director or officer may determine to be necessary or desirable in order to carry out the intent of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents and other instruments or the doing of any such act or thing."

Management of the Company recommends that you vote IN FAVOUR of the Name Change resolution. In the absence of instructions to the contrary, the Company's proxyholders will vote the Common Shares represented by each form of proxy, properly executed, FOR approving the change of Company name.

ADDITIONAL INFORMATION

Additional information relating to the Company is included in the Company's Annual Information Form, comparative annual audited financial statements for the years ended December 31, 2013 and 2012, auditor's report, and related management discussion and analysis for 2013 filed under 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 also be obtained from www.SEDAR.com or upon request from the Company via telephone at (604) 569-3661 or via fax at (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 this 10th day of November, 2014.

BY ORDER OF THE BOARD

"John Lee"

John Lee
Executive Chairman