

Gold Newsletter

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PROPHECY RESOURCE CORP.

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Prophecy is a company that I've watched closely for awhile now, and seems on the verge of breaking out. The company recently acquired the Lynn Lake nickel-copper project in Manitoba, Canada, and agreed to a merger that will add significant coal resources, making it an outstanding contrarian play.

The Lynn Lake Mine is a great project — the fourth-largest nickel deposit in Canada and the third-largest producer of nickel sulfide in North America. Prophecy owns the majority of the claims that were operated from 1953-1978, and an independent technical report indicates that there are 16 million tonnes of measured and indicated resources remaining at 0.62% nickel and 0.31% copper. Lynn Lake also has some highly prospective targets for resource expansion.

Through very nimble negotiations and fortunate circumstances, Prophecy was able to acquire Lynn Lake for only C\$4 million, which was a fraction of what it was going to sell for before the global financial meltdown. So from one standpoint, this company is already well ahead of the game as a play on the eventual recovery of the nickel market.

But the company's management, led by highly respected entrepreneur John Lee, had no intention of stopping here. The company's goal is to amass advanced resources of significant size in metals that are currently out of favor. In short, they want Saks-quality products at Wal-Mart prices.

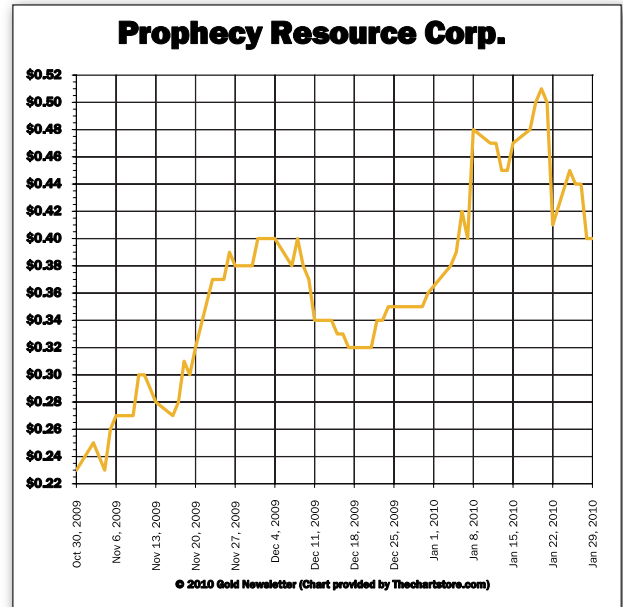
Lynn Lake was the first acquisition, but it was quickly accompanied by more.

The next acquisition in Prophecy's shopping spree was the Titan vanadium-titanium-iron project 120 kilometers east-northeast of Sudbury, Ontario.

This new project fit perfectly in the company's business plan for large resources in neglected minerals: Titan has a NI 43-101 compliant inferred resource of 49.0 million tonnes of 48.09% iron (Fe_2O_3), 14.82% titanium (TiO_2) and 0.24% vanadium. Prophecy plans to survey earlier drill holes and the project area to obtain more accurate drill hole coordinates and site topography. It will also commission metallurgy testing in preparation to a preliminary economic assessment of Titan.

Next came a remarkable demonstration of Lee's dynamism and entrepreneurial spirit, as Prophecy struck a deal to merge with Red Hill Energy Ltd. (RH.V), with Red Hill shareholders to receive 0.92 of a Prophecy common share for each Red Hill common share, or a 27% premium based on early January stock prices. That means Prophecy will issue approximately 53 million shares, or roughly double the number currently outstanding.

Prophecy notes that the combined company will have control over NI 43-101 compliant measured



and indicated resources of 232 million pounds of nickel, 1 billion tonnes of coal and 116 million pounds of copper, plus inferred resources of 500 million tonnes of coal and 593 million pounds of copper. Red Hill's key assets include two Mongolian coal properties with 504.5 million tonnes of measured, 524 million tonnes of indicated and 475.9 million tonnes of inferred thermal coal. The new company will also hold properties with significant exposure to vanadium and titanium. Lee hopes to complete the combination by mid-May.

I initially recommended Prophecy in early January to our Gold Newsletter Alert readers because they were able to lock up the Lynn Lake deal just as 2009 drew to a close... because they were adding some very impressive professionals to their board of directors and advisory board...and because they seemed poised to rapidly advance their business plan.

(Continued...)

The timing was great, in that the company quickly locked up its second and third major deals. For your part, the timing is also advantageous, in that the general market correction has brought the share price back down — to nearly the same level as my Alert readers enjoyed.

I am a bit conflicted in this recommendation, however, since I bought into Prophecy on a private level last year before the Lynn Lake deal was consummated, and indeed at a point when that company-launching deal was in great doubt. So, in full disclosure, I have a significant position at lower prices — and you should consider me as biased and as conflicted as possible. If you've been a long-term reader of mine, though, you probably also know that my ownership of a stock

means it has a higher bar to clear before I will even think of recommending it to subscribers. You can rest assured that I feel Prophecy has cleared that hurdle well and good, and I don't plan on selling my stake anytime soon.

But, do your own due diligence. I'm very excited about the company's property, its management and its business plan, and I think you will be as well. It's a buy near current levels.

Prophecy Resource Corp.

Recent Share Price:C\$0.40
Shares Outstanding:26.4 million
Market Cap:C\$10.6 million
Shares Outstanding
Fully Diluted:35.0 million
Market Cap
Fully Diluted:C\$14.0 million

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