

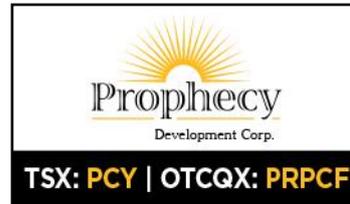
# Strategic Metals & Rare Earths Letter

## INTERNATIONAL

*the independent information and advisory publication on investing in Strategic Metals & Rare Earths*

**INVESTMENT ALERT – October 14, 2019**

[www.prophecydev.com](http://www.prophecydev.com)



### Prophecy Development Corp. (C\$ 0.475)

TSX.V : PCY  
OTCQX : PRPCF  
Frankfurt : 1P2N

H + L prices (12 months) : C\$ 0.74 – 0.15

Net shares issued : 110.6 million  
Fully diluted shares : 145.6 million

Market Capitalization : C\$ 52.5 million  
(US\$ 39.8 million)

**2020 price target: Cdn\$ 0.70**

## INVESTMENT ALERT

- ▶ **Prophecy** secures mining licence of its world-class **Pulacayo Silver Mine, Bolivia**
- ▶ **Announces private placement for aggregate gross proceeds of C\$ 4 million**

On October 7, 2019, **Prophecy Development** (“**Prophecy**”) announced that the **Pulacayo Mining Production Contract** (“**MPC**”) between the Company and the Corporación Minera de Bolivia (“**Comibol**”), a branch of the Bolivian Ministry of Mining and Metallurgy, was executed on October 3, 2019.

**Prophecy** was notified of final government resolution approving the **MPC** on September 27, 2019. The MPC grants Prophecy the 100% exclusive right to develop and mine at the **Pulacayo** and **Paca concessions** for up to 30 years. It is comparable to mining licence in Canada or the United States.

**Prophecy** subsidiaries have spent \$ 25 million on **Pulacayo** and **Paca**, with over 80,000 metres of drilling, a complete historic independent feasibility study, and an approved detailed environmental impact assessment (“**DEIA**”).

The Honourable Cédar Navaro Miranda, Minister of Mining and Metallurgy of Bolivia, stated that the signing of the Mining Production Contract will have a positive economic and social impact at the national and regional levels, and directly on the municipality of Uyuni.

Mr. Miranda added that investments such as **Prophecy's** will always be welcomed as they fit within the framework of the principle declared by the President of the Plurinational State of Bolivia.

## Pulacayo (Potosi) : World's Premier Silver Address

The image is a composite graphic titled "Pulacayo (Potosi) : World's Premier Silver Address". It features a central map of Bolivia with several callouts and annotations. A star marks the location of Pulacayo (PCY). Arrows point from Pulacayo to "Uyuni Rail to Antofagasta Port" and "Manquiri 5m oz Ag/yr". Other callouts include "Paved Road Potosi Toll Milling", "Sumitomo 20m oz Ag/yr", and "Pan American Silver 4m oz Ag/yr". A regional map on the right shows "Pulacayo - Paca" and "Antofagasta Port" with a note "3 (X) produced 30mm oz Ag in 2014". A photograph at the bottom shows "Pulacayo Town". The Prophecy Development Corp. logo is in the top right corner.

**Prophecy's** founder and executive chairman John Lee, commented from La Pas, Bolivia "The MPC is a landmark milestone in advancing **Pulacayo** and the Company to pursue resource expansion and to fast track this top-tier silver prospect to production with unwavering support from its partners, the Bolivian government and local community.

**Pulacayo** has access to water, power and railway to the Antofagasta seaport. Only 30% of the 3 kilometres long **Pulacayo Tajo vein system has been drilled**, according to historical and Company records.

**Prophecy** has reported that 5 diamond drill holes have been completed at **Paca**. The core samples have been sent to the ALS Cheme & Laboratory in Oruro, Bolivia with assay results expected in November.

### ➤ **Announcement of C\$ 4 million private placement**

Also on October 7, 2019, **Prophecy** announced that it is undertaking a non-brokered private placement involving the issuance of 10 million common shares of the Company at a price of C\$ 0.40 per share to raise aggregate proceeds of C\$ 4 million.

Closing of the private placement is expected to occur by October 23, 2019. Proceeds are expected to be used to develop **Prophecy's** mineral projects for general working capital purposes.

  
 Prophecy  
 Development Corp.

<p><b>Nevada Vanadium Mining Corp*</b></p> <p><b>Gibellini Nevada</b> US\$20 million invested</p>  <p>Permitting and Design Stage</p>	<p><b>Silver Elephant Mining Corp*</b></p> <p><b>Pulacayo Bolivia</b> US\$25 million invested</p>  <p>Mining Application Stage</p>	<p><b>Asia Mining Inc*</b></p> <p><b>Coal Mongolia</b> US\$50 million invested</p>  <p>Commercial Production</p>
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\* BC subs 100% owned by PCY, Reorganization by August 31, 2019  
 Silver Elephant may seek to go public in 2019

### Investment comments:

**Prophecy** has announced that it will commence drilling at its 100% owned world-class **Pulacayo Paca Silver-Zinc-Lead** deposit in **Bolivia**. The Company's flagship property is the **Gibellini Vanadium Property** located in the State of Nevada, **USA**. In addition, its **Vanadium-Titanium-Iron Project** and deposit and related claims are located in the Province of Ontario, Canada.

**Prophecy** has submitted its updated **Plan of Operations/Reclamation Permit Application** for **Gibellini** to the local Bureau of Land Management (the "**BLM**") and the Nevada Division of Environmental Protection ("**NDEP**") on June 28, 2019.

Poised to be USA's first primary vanadium mine, **Gibellini** has completed a **Preliminary Economic Assessment ("PEA")** on May 28, 2018, which is planned to be a conventional open-pit mining with an average mine production during the 13.5 year mine life, reported an **after tax cumulative cash flow of US\$ 60.15 million, an internal rate of return of 50.8%, a Net Present Value of US\$ 338.3 million at a 7% discount rate and a 1.72 years payback** on investment from start-up assuming an average vanadium price (V2O5) of \$ 12.73 per pound.

With US\$ 20 million having been invested in the **Gibellini Project**, which shows positive vanadium economics, and expecting the permit of production in Q1 2021, followed by construction in 2021/2022, and production to commence in Q4 2022, **Prophecy** has created a significant added value by reorganizing its **Silver Elephant Mining Project** in **Bolivia**, which includes the **Pulacayo Silver-Zinc-Lead Project** where drilling is to commence in November this year and in which project US\$ 25 million has been invested. In commercial production in the **Mongolia** coal project, US\$ 50 million has been invested.

Considering the currently aggregate investment of US\$ 95 million compared to the Company's currently depressed market valuation of US\$ 40 million, and in particular the prospective outlook for its **Gibellini** vanadium project on its way to expected commercial production in 2021, in my view, **Prophecy** offers a high investment leverage potential.

I have increased my 2020 price target from C\$ 0.70 to C\$ 0.90.