

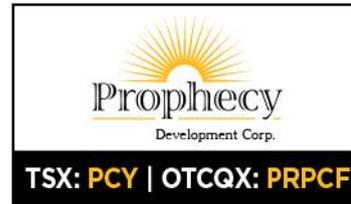
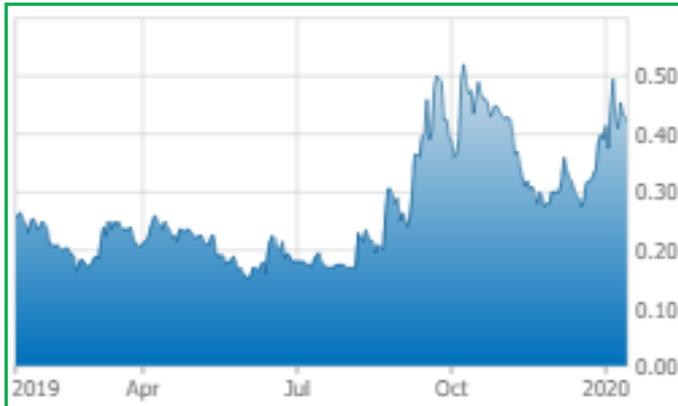
Strategic Metals & Rare Earths Letter

INTERNATIONAL

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INVESTMENT ALERT – January 16, 2020

www.prophecydev.com



Prophecy Development Corp. (C\$ 0.41)

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

H + L prices (12 months) : C\$ 0.56 – 0.16

Net shares issued : 122.9 million
Fully diluted shares : 159.2 million
Market Capitalization : C\$ 49.7 million
(US\$ 38.1 million)

2020 price target: C\$ 0.80

INVESTMENT ALERT

- ▶ **Prophecy Development** proposes name change to **Silver Elephant Mining**
- ▶ **Accomplishments in 2019 and Objectives in 2020**

On January 8, 2020, **Prophecy Development** (“Prophecy”) announced a special meeting of shareholders on March 16, 2020 to approve a change of the Company name to **Silver Elephant Mining Corp.** with a new proposed TSX ticker symbol **ELEF**, to best reflect the Company’s focus in developing its **Pulacayo Silver Project** in **Bolivia**.

At the Special Meeting, **Prophecy** also proposes to seek shareholder approval for a consolidation of its issued and outstanding shares at a ratio between one (1) new common share for every five (5) to ten (10) old common shares outstanding.



Prophecy accomplishments in 2019 and objectives in 2020

In 2019, **Prophecy** bolstered its silver-focused team by recruiting two mining engineers to the Board of Directors: Marc Leduc (formerly President of Bear Creek Mines) and Ron Clayton (formerly CEO of Tahoe Resources).

The Company recruited Mike Doolin as CEO, who earlier commissioned three mines at Klondex Mines (acquired by Hecla in 2018).

Highlights in 2019 are:

- Signing of a landmark 30-year **Pulacayo** mining production contract with the Bolivian government;
- Signing of a life-of-mine cooperation agreement with the **Pulacayo** mining cooperatives;
- Eliminated all the Bolivian tax liabilities which incurred more than 10 years ago;
- Drilled **Pulacayo** and **Paca** for the first time in 8 years, with the best Paca drill hole intersecting 12: metres of 1,085 grams within 79 metres of 279 g/t
This is comparable to the test drill results from the Company's neighbour New Pacific Metal's Silver Sands Project.

Prophecy has barely scratched the surface of this massive system (literally as well as metaphorically). **Pulacayo** drilling is ongoing with results pending throughout Q1 2020.

- The Company raised C\$ 6.9 million in equity with lead orders from Eric Sprott, who alone owns 9% of **Prophecy**, along with several new institutional funds. Additionally, no warrants were offered in the equity placements
- The Company filed **Gibellini** vanadium environmental baseline reports and the Plan of Operations with BLM and the Water Pollution Control Permit (WPCP) and Air Quality Permit with State of Nevada – on time and under budget

Pulacayo (Potosi) : Premier Silver Project & Address

Pulacayo Founded 1545, Rediscovered 1833
Peak Production 6M Ag oz per year, Stopped 1957
670+M oz Ag, 200,000t Pb, 200,000t Zn produced*
*SERGEOTECMIN bulletin no. 30, 2002

3 (x) produced 30mm oz Ag in 2014

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Prophecy has set out to achieve its two major 2020 objectives:

Increasing in-situ **Pulacayo** silver ounces and increasing investor awareness, which will be accomplished by:

- Scientifically locating the most promising drill targets and systematically drilling those targets at **Pulacayo** and **Paca**
- Preparing updated, independent resource estimates to account for new resource discoveries
- Diligently searching for and negotiating the acquisition of other quality silver and gold projects
- Attracting and bringing in analyst research coverage and new strategic investors

Investment comments:

The **Pulacayo deposit** currently has an Ni 43-101 compliant resource of **2.08 million tonnes at 455 g/t silver, 2.18% lead, 3.19% zinc** in the **Indicated category**.

It also has **0.48 million tonnes at 406 g/t silver, 2.08% lead, 3/93% zinc** in the **Inferred Category**.

Prophecy estimates that the amounts of metals in the Inferred category are 6.3 million ounces of silver, 22.0 million pounds of lead and 4.16 million pounds of zinc.

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**, in which project US\$ 25 million has been invested.

In commercial production in the **Mongolia** coal project (through Asia Mining), US\$ 50 million has been invested and this project may seek to go public.

Considering the aggregate investment of US\$ 95 million compared to the Company's currently depressed market valuation of approximately US\$ 38 million, and in particular the prospective outlook for its **Gibellini vanadium project** well on its way to expected commercial production in 2021, in my view, **Prophecy** offers a high investment leverage potential.

As a result, I increase my **2020** price target from C\$ 0.70 to C\$ 0.80.