

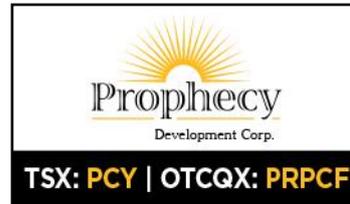
# Strategic Metals & Rare Earths Letter

## INTERNATIONAL

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

**INVESTMENT ALERT – December 20, 2019**

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



### **Prophecy Development Corp. (C\$ 0.32)**

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

H + L prices (12 months) : C\$ 0.55 – 0.15

Net shares issued : 110.6 million  
Fully diluted shares : 132.0 million

Market Capitalization : C\$ 38.8 million  
(US\$ 29.5 million)

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

## **INVESTMENT ALERT**

### **► Prophecy starts a 5,000 metre drilling program at its Pulacayo Silver Project, Bolivia**

On December 19, 2019, **Prophecy Development (“Prophecy”)** announced that phase 2 drilling has started at its **Pulacayo Silver-Zinc-Lead Project** in **Bolivia**.

It is a 5,000 metre program that will consist mainly of wide step-out drilling up to 1.5 km west (Western Block) of the current NI 43-101 compliant Pulacayo resource. The current Pulacayo resource covers 1.4 km in strike and represents only a small portion of the Tajo vein system which is over 3 kilometres in strike length and open to at least 1,000 metres at depth, according to historical records of underground mining.

The drill program is fully funded with a recent \$ 3.9 million equity financing backed by Mr. Eric Sprott.

**Prophecy expects the first set of assay results in February 2020.**

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.

In addition, to develop the **Pulacayo Silver Project** in **Bolivia**, the Company is developing the **Gibellini Vanadium Project** in **Nevada**.

## Pulacayo (Potosi) : Premier Silver Project & Address

**Manquiri**  
5m oz Ag/yr

**Uyuni Rail to Antofagasta Port**

**Sumitomo**  
20m oz Ag/yr

**Pan American Silver**  
4m oz Ag/yr

**Potosi**  
Market Cap \$700m

**Paved Road Potosi Toll Milling**

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**

1 [www.prophecydev.com](http://www.prophecydev.com) | TSX : PCY | OTC: PRPCF | Frankfurt: 1P2N

## Pulacayo Silver District

1. Pulacayo Deposit - 68,000m drilling (Tajo Vein)
2. Paca Deposit - 18,000m surface drilling (Conglomerates and hydrothermal breccias)
3. El Abra (Mineralized breccias)
4. Pulacayo West (Tajo Vein extension)
5. Pacamayo (Vein system in andesite porphyry)
6. Pero Stockwork (Mineralized sediments)
7. Pacamayo East (Argillic alteration in volcanic rocks)
8. 5 shafts - 3 extend over 700m depth (Central, Rothchild, Povenir)
9. Two-lane Paved Highway

www.prophecydev.com | TSX : PCY | OTC: PRPCF | Frankfurt: 1P2N

## Investment comments:

**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**, 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 currently aggregate investment of US\$ 95 million compared to the Company’s currently depressed market valuation of approximately US\$ 29 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.

My 2020 price target remains C\$ 0.70.

