Prophecy Receives Updated Chandgana Preliminary Economic Assessment

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Apr 3, 2014) - **Prophecy Coal Corp. ("Prophecy" or the "Company") (TSX:PCY)(OTCQX:PRPCF)(FRANKFURT:1P2)** announces that, further to its December 19, 2013 news release clarifying the Company's technical disclosure, the Company has today filed on SEDAR a revised National Instrument 43-101 compliant technical report on its Chandgana Tal coal mining licenses in central Mongolia dated effective November 30, 2012, titled "Technical Report, Coal Resources and Preliminary Economic Assessment, Coal Mine Component, Chandgana Tal Coal Project" (the "**PEA**"). The PEA examines the economics of coal production from the mining licenses and excludes the Chandgana Khavtgai exploration license. Prophecy's wholly-owned subsidiary Chandgana Coal LLC intends to mine the coal and supply it to the proposed 600MW (150MW x 4) Chandgana mine-mouth power plant (the "**Power Plant**"), which is planned to be operated by Prophecy's wholly-owned Prophecy Power Generation, LLC. The PEA was prepared by John T Boyd Co., one of the world's largest independent consulting firms exclusively serving the coal, mineral, financial, utility, and power-related industries. The PEA replaces the technical report on the Chandgana Tal Coal Project previously filed by the Company on SEDAR on November 30, 2012 (the "**Previous Report**") and the information contained in the PEA and this news release represents changes to the Company's pervious disclosure contained in its news releases dated May 10 and November 2, 2012 disclosing the results of the Previous Report which are summarized and reconciled below.

The following information is derived from the PEA, and should be read in the context of and is qualified in its entirety by the full text of the PEA. Highlights of the PEA are as follows:

Coal Resources and Mining

The two Chandgana Tal mining licenses contain an estimated 124 million tonnes of coal resources all in the measured category. The average in-place coal gross calorific value is 3,306 kcal/kg. After a short ramp-up period, mine production will be 3.5 million tonnes per year throughout the 30 year life of the mine, in order to meet the demands of the power plant. The mine will be a surface (open pit) mine and is located 2 km from the proposed power plant site. The aggregate coal seam thickness is as great as 50 m and the overburden is relatively thin, making for a low average strip ratio of 0.70:1 over the life of the mine.

The estimated total Run-of-Mine ("**ROM**") coal product tonnage recovered over the life-of-mine plan and other study results are shown in the table below:

STUDY RESULTS

Description	Amount
ROM Coal Product (kt)	103,946
Waste (kBCM)	73,122
Stripping Ratio (BCM:t)	0.70
Annual Estimated Production (kt)	3,500
Mine Life (years)	30

Operating Costs

The life of mine average total cash cost of sales is estimated at US $12.71 per tonne, including the fees for a contract miner with owner equipment. The breakdown of the cost is as follows:

UNIT CASH COST OF SALES

Direct Costs	Unit Cost (US $ /t)
Labor	0.78
Materials and Supplies	6.30
Subtotal Direct Costs	7.08
Contingency	
Cash Cost Contingency @ 10%	0.71
Indirect Costs	
General& Administration - Off Site	0.75
Royalties, Emissions Tax, Water Use Fee, License Fees	1.60
Contractor Management, Margin, Overhead	2.57
Subtotal Indirect Costs	4.92
Total Unit Cash Costs of Sales	12.71

Capital Costs

The initial pre-production capital costs are estimated at US $30.9 Million, including a 10% contingency, are summarized below:

ESTIMATED INITIAL PRE-PRODUCTION CAPITAL EXPENDITURES

Area	Cost (US $mn)
Surface Equipment Capital	14.2
Site infrastructure Capital	9.6
Subtotal	23.9
Total Capital Contingency @ 10%	2.4
Pre-Production Cash Cost	4.7
Total Capital Expenditures	30.9

The life of mine estimated capital costs total US $160.2 million.

The independent PEA study reports that the Chandgana Coal project will produce the following after-tax financial results:

- 28% Internal Rate of Return ("**IRR**").
- 5.3 Years payback on US $30.9 million capital.
- US $47.8 million net present value ("**NPV**") at a 10% discount rate.

An after-tax financial model was prepared using an initial mine gate price of US $17.70 per tonne, 30 year mine life and 100% equity financing. The coal price is fully indexed and adjusted annually to account for variable costs such as fuel, parts, and wages. The mine gate price has been determined in reliance on the terms of the coal supply agreement executed June 5, 2013 between the Company's two wholly-owned subsidiaries, Chandgana Coal LLC and Prophecy Power Generation LLC pursuant to which all of the coal mined will be delivered to support the operation of the Power Plant (the "**Coal Supply Agreement**"). The Coal Supply Agreement is filed and available for review on SEDAR.

The Company cautions that the PEA is preliminary in nature and has a degree of accuracy of plus or minus 35%. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The results of a sensitivity analysis, carried out to evaluate project economics with respect to coal price, NPV, and IRR, are described in the following table.

NET PRESENT VALUE (US $mn)

Discount Rate %	Base Case	Coal Price		Operating Cost		Capital Expenditure	
		+10% (Better)	-10% (Worse)	-10% (Better)	+10% (Worse)	-10% (Better)	+10% (Worse)
8	66.0	99.9	32.1	95.5	36.5	71.1	61.0

10	47.8	74.6	20.9	71.2	24.3	52.1	43.4
12	34.7	56.4	13.0	53.7	15.7	38.5	30.9
15	21.4	37.6	5.0	35.7	7.0	24.6	18.1
IRR (%)	28	37	18	37	19	31	25

Reconciliation

The foregoing represents changes to the information previously disclosed by the Company in the Previous Report and its November 2, 2012 announcement disclosing the results of the Previous Report.

The principal changes to the Company's previous disclosure are as follows:

1. The economic analysis was changed to be performed on an after-tax basis;
2. Depreciation has been included in the analysis for income tax calculation purposes;
3. Application of corporate income tax has been applied;
4. An indirect cost for water usage was added;
5. A direct cost figure in materials and supplies has been revised; and
6. Revised support for the price of coal at the mine gate coal has been provided.

The Previous Report was prepared on a before tax basis. The change to an after-tax basis in the PEA decreased the base financial results including reducing the IRR from 36% to 28%, increased the payback period from 4 to 5.3 years, and decreased the NPV from US $70.5 million to US $47.8 million at a 10% discount rate. The Previous Report was prepared without depreciation. The inclusion of depreciation completed for income tax calculation purposes effected an approximately US $5 million per year positive adjustment to after tax cash flow. The Mongolian income tax is a two tier rate that makes for an approximate US $3 million decrease in net cash flow. Net annual cash flow decreased slightly in the PEA due to an increase in the total indirect costs from US $1.24 to US $1.60 per tonne to account for additional water usage fees determined and applied by the Mongolian government after the Previous Report was prepared. The final revised direct cost of materials and supplies was also decreased resulting in a net decrease in total direct costs from US $6.56 to US $6.30 per tonne. The PEA has also been amended to provide that the US $17.70 per tonne mine gate price has been determined in reliance on the terms of the Coal Supply Agreement. In addition, the PEA contains revised Certificates of Qualified Persons for its authors, has been revised to include cautionary language required by National Instrument 43-101, and reference to a Feasibility Study not supported by the report or filed on SEDAR has been removed.

Conclusion and Opportunity:

The financial evaluation indicates that the project is potentially economically viable given the coal price assumption of US $17.70 per tonne sold at the mine gate directly to the power plant. The coal price is fully indexed and will rise according to rising input costs such as fuel, labor, and parts. Therefore the coal project is expected to provide stable return throughout the life of mine. Furthermore, the mineral resource estimate covers only the Chandgana Tal mining licenses with potential to scale up the Chandgana power plant project and source additional coal supply from Chandgana Coal's nearby Khavtgai Uul coal deposit. An independent study sponsored by Asian Development Bank suggested a Mongolia power supply deficit of 600MW by 2016 and 900MW by 2019. This deficit could be satisfied by a scaled up Chandgana power plant.

The Company cautions that the PEA is preliminary in nature and has a degree of accuracy of plus or minus 35%.

The technical contents of this news release have been prepared under the supervision of by Christopher M. Kravits, P.Geo, General Mining Manager of Prophecy. Mr. Kravits is a Qualified Person as defined in NI 43-101 with 35 years of US and international relevant coal geology experience. He has been active in Mongolia since 2007.

The financial contents of this news release have been prepared under the supervision of John T Boyd Company and Robert J. Farmer, Lead Qualified Person on the revised PEA. Mr. Farmer is a Qualified Person as defined in NI 43-101.

About Prophecy Coal

Prophecy Coal Corp. is a Canadian company listed on the Toronto Stock Exchange engaged in developing energy projects in Mongolia. The Company's wholly-owned subsidiary Prophecy Power Generation LLC is advancing plans for a proposed 600 MW mine-mouth power plant, which has been permitted by the Mongolian government, adjacent to its Chandgana coal deposit. Substantially all of the Company's resources are not mineral reserves, hence they do not have demonstrated economic viability. The Company cautions the Chandgana project is in Mongolia and requires substantial capital to develop.

Further information on Prophecy Coal can be found at www.prophecycoal.com.

Prophecy Coal Corp.

ON BEHALF OF THE BOARD

JOHN LEE, Executive Chairman

Neither the Toronto Stock Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Toronto Stock Exchange) accepts responsibility for the adequacy or accuracy of this release.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in this news release, including statements which may contain words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or similar expressions, and statements related to matters which are not historical facts, are forward-looking information within the meaning of applicable securities laws. Such forward-looking statements, which reflect management's expectations regarding Prophecy's future growth, results of operations, performance, business prospects and opportunities, are based on certain factors and assumptions and involve known and unknown risks and uncertainties which may cause the actual results, performance, or achievements to be materially different from future results, performance, or achievements expressed or implied by such forward-looking statements. These estimates and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies, many of which, with respect to future events, are subject to change and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by Prophecy. In making forward-looking statements as may be included in this news release, Prophecy has made several assumptions that it believes are appropriate, including, but not limited to assumptions that: there being no significant disruptions affecting operations, such as due to labour disruptions; currency exchange rates being approximately consistent with current levels; certain price assumptions for coal, prices for and availability of fuel, parts and equipment and other key supplies remain consistent with current levels; production forecasts meeting expectations; the accuracy of Prophecy's current mineral resource estimates; labour and materials costs increasing on a basis consistent with Prophecy's current expectations; and that any additional required financing will be available on reasonable terms. Prophecy cannot assure you that any of these assumptions will prove to be correct.

Numerous factors could cause Prophecy's actual results to differ materially from those expressed or implied in the forward looking statements, including the following risks and uncertainties, which are discussed in greater detail under the heading "Risk Factors" in Prophecy's most recent Management Discussion and Analysis and Annual Information Form as filed on SEDAR and posted on Prophecy's website: Prophecy's history of net losses and lack of foreseeable cash flow; exploration, development and production risks, including risks related to the development of Prophecy Coal's Ulaan Ovoo coal property; Prophecy Coal not having a history of profitable mineral production; commencing mine development without a feasibility study; the uncertainty of mineral resource and mineral reserve estimates; the capital and operating costs required to bring Prophecy Coal's projects into production and the resulting economic returns from its projects; foreign operations and political conditions, including the legal and political risks of operating in Mongolia, which is a developing country and being subject to its local laws; the availability and timeliness of various government approvals and licences; the feasibility, funding and development of the Chandgana Power Plant; protecting title to Prophecy Coal's mineral properties; environmental risks; the competitive nature of the mining business; lack of infrastructure; Prophecy Coal's reliance on key personnel; uninsured risks; commodity price fluctuations; reliance on contractors; Prophecy Coal's need for substantial additional funding and the risk of not securing such funding on reasonable terms or at all; foreign exchange risk; anti-corruption legislation; recent global financial conditions; the payment of dividends; and conflicts of interest.

These factors should be considered carefully, and readers should not place undue reliance on the Prophecy's forward-looking statements. Prophecy believes that the expectations reflected in the forward-looking statements contained in this news release and the documents incorporated by reference herein are reasonable, but no assurance can be given that these expectations will prove to be correct. In addition, although Prophecy has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Prophecy undertakes no obligation to release publicly any future revisions to forward-looking statements to reflect events or circumstances after the date of this news or to reflect the occurrence of unanticipated events, except as expressly required by law.

Contact

Prophecy Coal Corp.
Investor Relations:
Mirza Rahimani
+1.604.563.0699 or +1.888.513.6286
investorrelations@prophecycoal.com
www.prophecycoal.com