

Prophecy Coal Clarifies Technical Disclosure

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Dec 19, 2013) - [Prophecy Coal Corp. \("Prophecy" or the "Company"\) \(TSX:PCY\)\(OTCQX:PRPCF\)\(FRANKFURT:1P2\)](#) - As a result of a review by the British Columbia Securities Commission, Prophecy is issuing the following news release to clarify our disclosure.

On June 18, 2012, Prophecy announced that it had entered into a binding Sale and Purchase Agreement (the "**Agreement**") to acquire assets relating to certain Tugalgatai coal exploration licenses (the "**Tugalgatai Assets**") from Tethys Mining LLC ("**Tethys**"), subject to approval from the Minerals Resource Authority of Mongolia. On November 2, 2012, the Company announced it was postponing the acquisition of the Tugalgatai Assets from Tethys Mining LLC until the Minerals Resource Authority of Mongolia had accepted the license transfer application. On November 15, 2012 the Company announced that the Agreement for the Tugalgatai Assets had lapsed as a result of the initial long stop date for the completion of the proposed acquisition under the terms of the Agreement had passed.

In its news release dated June 18, 2012 the Company referenced a resource estimate of 2.33 billion tonnes of coal for the Tugalgatai Assets, and in its August 7, 2013, news release, the Company re-disclosed the 2.3 billion tonne resource estimate at Tugalgatai as a "historic" estimate, however, in both the June 18 and August 7, 2012 news releases, the Company failed to include disclosure for a historic estimate required under NI 43-101. Further, in the June 18 and August 7, 2012 news releases, the Company omitted the resource classifications and did not explain differences between Mongolian classes and Canadian Institute of Mining classifications required under sections 1.2 and 1.3 of NI 43-101. The Company also failed to include the prominent cautionary language required under NI 43-101.

Hence, the Company would like to clarify and caution that the Tugalgatai resource estimate referenced in the June 18 and August 7, 2012 news releases was a historic estimate (the "**Historic Estimate**") derived from records prepared by Tethys, a wholly owned subsidiary of [Vale S.A.](#), in connection with Tethys's March 15, 2011 application to register a resource estimate for the Tugalgatai licenses with the Minerals Resource Council of Mongolia prior to the Company entering into the Agreement to acquire the Tugalgatai Assets. This Historic Estimate was prepared to meet the Mongolian classification standard, which may differ significantly from Canadian Institute of Mining standard, was not prepared in accordance with NI 43-101 and uses resource categories that differ from those required under sections 1.2 and 1.3 of NI 43-101. The Company is unaware of the key assumptions, parameters and methods used to prepare the Historic Estimate and additional work would be required to verify the Historic Estimate as current mineral resources or reserves in accordance with NI 43-101.

The Company also wishes to confirm that a "Qualified Person" (as that term is defined in NI 43-101) has not done sufficient work to classify the Historical Estimate as current mineral reserves or resources, the Company is not treating the Historical Estimate as current mineral resources or reserves and the Historical Estimate cannot be relied upon as a current statement of reserves or resources on the Tugalgatai Assets.

The Company would like to further confirm that the Agreement was terminated on November 5, 2012 and that Prophecy is not intending to proceed with an acquisition of the Tugalgatai Assets and so will not prepare and file a National Instrument 43-101 ("NI 43-101") compliant technical report for its Chandgana Property in Mongolia that includes the Tugalgatai Assets.

In addition, the Company previously filed a technical report titled "Technical Report, Coal Resources and Preliminary Economic Assessment, Coal Mine Component, Chandgana Tal Coal Project", dated November 30, 2012 (the "**Report**"). The Report was filed by the Company to support information contained in the Company's news releases dated May 10, and November 2, 2012. At the time of filing the Report, the Company failed to file the required consents of the Qualified Persons for all of the authors of the Report contrary to the requirements of NI 43-101. In addition, the Report contained a number of deficiencies, including deficient Certificates of Qualified Persons for each of the authors of the Report, failure to include cautionary language required by NI 43-101, and included results of a Feasibility Study that were not

supported by the Report. The preliminary economic assessment contained in the Report is not supported by a NI 43-101 compliant technical report, contrary to NI 43-101, and should not be relied upon until independently verified and supported by a NI 43-101 compliant technical report. In light of these deficiencies, the Company will have a revised NI 43-101 compliant technical report and preliminary economic assessment in respect of its Chandgana Tal Coal Project prepared, which the Company will file under its profile at www.sedar.com replacing the Report in its entirety.

The scientific and technical information contained in this news release was prepared under the supervision of Christopher M. Kravits CPG, General Mining Manager of Prophecy Coal Corp. Mr. Kravits is a Qualified Person, as that term is defined under 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. 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's Ulaan Ovoo coal property; Prophecy not having a history of profitable mineral production; the uncertainty of mineral resource and mineral reserve estimates;

the capital and operating costs required to bring Prophecy'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 jurisdiction; title to Prophecy's mineral properties; environmental risks; the competitive nature of the mining business; lack of infrastructure; Prophecy's reliance on key personnel; uninsured risks; commodity price fluctuations; reliance on contractors; Prophecy's minority interest in Prophecy Platinum Ltd.; Prophecy's need for substantial additional funding and the risk of not securing such funding on reasonable terms or at all; foreign exchange risks; 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 release or to reflect the occurrence of unanticipated events, except as expressly required by law.

Contact

[Prophecy Coal Corp.](#)

Bekzod Kasimov

Manager, Business Development

+976 - 99012672 or +1.888.513.6286

bekzod@prophecycoal.com

www.prophecycoal.com

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