

# Prophecy Coal Poised to Replicate Silvercorp's Growth Through Acquisition

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VANCOUVER, British Columbia, Oct. 24, 2014 (GLOBE NEWSWIRE) -- The vast majority of silver production is not purchased for investment. More than 50% is used in industrial applications such as the manufacture of cars, electronics and even synthetic fibres such as polyester. That said the price has dropped from US\$46.50 in April 2011 to US\$17.50 now. The demand for industrial use will only pick up. iPads and iPhones alone use hundreds of thousands of ounces of silver. The math for investors is exceptional.

While the recycling of electronics add to the precious metal supply, the need for new and existing products will continue to drive silver demand ever higher and ultimately increase valuations for those companies that acquire assets strategically now.

In 2013, industrial silver demand including photovoltaic (PV) cells exceeded supply by north of 10%. Global PV capacity is expected to double by 2016 to 200 gigawatts and more than double again to 420 gigawatts by 2020. The soft silver prices mean supply will be a challenge as mine production slows. But it also represents a massive potential profit opportunity for investors positioned for the turn.

When commodity prices (and with the TSX-V Composite Index at 2008 levels) are low, good companies buy assets and production; they don't drill -- it is a waste of time and money and destroys shareholder value. The current deeply discounted net present value's available for sale are compelling. In this challenging environment, the best way to add shareholder value is not to physically produce new silver at current price levels, but to acquire high quality, low cost, production assets to leverage the inevitable turn in fortunes.

In an August 2014 interview with *Resource Investing News* Sprott Asset Management CEO, Rick Rule noted: "If you took all the juniors together, merging them into a single entity &ndash; they would probably lose around \$2 to \$5 billion a year. Therefore buying the sector as a whole is an excuse to go broke. Meanwhile, the 5 or 10 percent of the best companies in the sector can create such spectacular increase in shareholder value that they add visibility &ndash; and sometimes lustre &ndash; to the overall sector. Confining your portfolio to the best people, the best projects, and the sturdiest balance sheets is not that constraining, but it is critical to maximizing your returns through both upswings and declines in the resource sector."

Case in point: [Prophecy Coal Corp.](#)'s ("Prophecy") (TSX:PCY) (OTCQX:PRPCF) recent announcement that it had secured an agreement to acquire 100% of [Apogee Silver Ltd.](#)'s ("Apogee") (TSX-V:APE) Pulacayo-Paca silver-lead-zinc project in southern Bolivia (the "Pulacayo Project"). The property is basically turnkey, as Apogee has already spent \$30 million on exploration and development. The terms of the acquisitions are \$250,000 cash and 60 million shares, and while slightly dilutive for Prophecy, (19% post-transaction), the leverage for shareholders more than makes up for it.

Prophecy expects the deal for the fully permitted Pulacayo Project, with in place infrastructure, including close proximity to the railhead to port transhipment terminal, to complete in December 2014.

"After looking at dozens of projects over 1.5 years, the Pulacayo Project stood out from the rest," stated John Lee CFA, CEO and President of Prophecy. "The project is fully permitted and expected to generate revenue in 2015 once the project is financed and the mill is built. We are very excited about Pulacayo, which is highly accretive to our existing operation."

If we look back a decade, we see several similar characteristics between Prophecy now and the situation at Silvercorp Metals in 2004.

The market for mining investors was as ugly then as it is today. In 2004 Silvercorp purchased the Ying

gold-silver-lead-zinc property in Henan province in China. Initially milling 400 tonnes per day, the improving silver price saw the company share price rise from \$0.50 to \$15.00 in two years yielding a market cap of \$1.4 billion. It has continued to add properties in China. That early tonnage is the same as what Prophecy projects for the Pulacayo Project initially, and expects to duplicate results of the pilot plant production in 2013 which extracted ore grading an average of 270 g/t of silver.

Several of the same management and investors involved with SVM are involved in the ongoing execution of Prophecy's strategic growth plan.

Prophecy's provenance reaches back to 2009 when John Lee assumed leadership. Under his watch Prophecy acquired six mineral properties through mergers and acquisitions activity. It raised over \$100 million and listed on the TSX main board in 2012. In 2011, the combined peak market cap of Prophecy and its spinoff company, Wellgreen Platinum exceeded \$500 million.

The Pulacayo Project is indicative of Prophecy's ongoing focus to add shareholder value. Along with seeking strategic shareholders to raise funds and secure partners to bring its coal, energy and metals projects to production, management intends to continue its roll up strategy to acquire high quality advanced stage projects. Having already brought the Ulaan Ovoo Mine into production in 2013, Prophecy's experienced management team intends to replicate this success with the Pulacayo Project.

"For over 1,000 years, the silver-gold price relationship was close to 16:1, so that implies that if gold is \$1,600/oz, the silver price would be \$100/oz" stated Charles Oliver, Lead Portfolio Manager with the Sprott Gold and Precious Metals Fund in a recent interview. "The last time that happened was 1980 when the gold price was roughly \$800/oz and the silver price was around \$50/oz. Over the next couple of years, I expect to see that 67:1 ratio migrate toward 16:1. With recent major analyst long-run gold price forecasts nearing the \$2,000/ounce gold mark, the sentiment is very hopeful."

There are a number of positives to Prophecy as a quality silver investment. The most direct is its exploitation of challenging markets to leverage shareholder value as the markets and silver pricing turns. Its value proposition is to not worry about geology and exploration, but to acquire world-class known or producing assets at exceptional prices. Coupled with current producing coal and energy assets, the Pulacayo Project represents the continuation of Prophecy's focus to build an exceptional multi-property global company reminiscent of the success of Silvercorp.

Simply put, that focused strategy proved eminently profitable in 2004 and 2009 for those investors with a contrarian bent who purchased shares early. Prophecy is well on its way to replicating that growth today.

Prophecy trades at C\$0.06 with a market cap of \$15 million.

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