

# Prophecy Provides Background on Pulacayo Property and Commences Evaluation of Historic Tailings

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Dec 5, 2014) - **Prophecy Coal Corp.** ("**Prophecy**" or the "**Company**") (**TSX:PCY**)(**OTCQX:PRPCF**)(**FRANKFURT:1P2**) is pleased to announce that it is commencing an extensive evaluation of mineral potential in the tailings from the Pulacayo-Paca project located in Bolivia. As announced on November 4, 2014, Prophecy entered into a definitive agreement with [Apogee Silver Ltd.](#) ("**Apogee**") to acquire the property through the acquisition of the wholly-owned subsidiaries of Apogee which in turn, hold the property (See News Release dated November 4, 2014) (the "**Proposed Transaction**").

## Historical Background to the Property<sup>1</sup>

Silver mining at Pulacayo began in the Spanish Colonial Period (c. 1545) but production details do not exist. The first work formally recorded on the property was carried out in 1833 when Mariano Ramírez rediscovered the Pulacayo deposit. In 1857, Aniceto Arce founded the Huanchaca Mining Company of Bolivia with support from French investors, and subsequently pursued development and production at Pulacayo. Revenue from the mine funded the first railway line in Bolivia which in 1888 connected Pulacayo to the port of Antofagasta, Chile. In 1891, reported annual silver production reached 5.7 million ounces and mining operations at Pulacayo at that time were the second largest in Bolivia.

Production at Pulacayo was predominantly derived from the Veta Tajo (Tajo vein system) which had been defined along a strike length of 2.5km and to a depth of more than 1000m. In 1923, mining operation ceased due to flooding of the main working levels.

In 1927, Mauricio Hochschild bought the property and restarted mine development. The Veta Cuatro vein was the focus of this work and was intersected at a mine elevation of approximately -266m. It was proven to continue down-dip to the -776m elevation where it showed a strike length of 750m. During this time, the 2.8km long San Leon access tunnel was developed to facilitate ore haulage and the first recorded exploration work in the area was undertaken.

Work continued through the intervening years, and in 1952, the Bolivian government nationalized the mines and administration of the Pulacayo deposit and management was assumed by the state mining enterprise COMIBOL. Operations continued under COMIBOL until closure in 1959 due to exhaustion of reserves and rising costs.

The total production from the Pulacayo mine during this period as estimated by the National Geological and Mineral Service of Bolivia (SERGEOTECHMIN), was 678 million ounces of silver, 200,000 tons of zinc and 200,000 tons of lead.<sup>2</sup>

Prophecy has identified a number of large tailings piles that resulted from historic mining and milling. To date, certain sections of the tailings piles continue to be hand-selected and dug with shovels for processing by local cooperative miners, and the material sold to local traders, which we believe, may indicate potential value.

In particular, three large strongly-compacted tailings piles, each measuring approximately 90m x 60m x 30m, covering a total area of approximately 1.5Ha are targeted for evaluation. Prophecy intends to drill eight holes and excavate three channels in the lateral walls of each tailings pile to obtain samples. In total, 33 locations would be sampled and a total of 203 samples obtained. The results are expected to be available in January

2015.

Positive assay results could lead to processing of those tailings to recover any remaining silver, zinc, and lead metals.

In anticipation of the proposed evaluation of mineral potential in the tailings from Pulacayo, Prophecy is currently in active discussion with at least three commodity traders and two concentrate smelters who have expressed written interest in possibly financing Pulacayo to production and purchasing Pulacayo silver zinc and silver lead concentrates in the future. Further, Prophecy's technical team is evaluating a number of competitive EPCM (engineering, procurement, and construction management) proposals from local and international firms to construct a 500t/day mill. The proposed mill capacity is smaller than what is proposed in the Pulacayo Project Feasibility Study referenced below (i.e. 1,000t/day), to be in proportion to the planned initial production, which could result in a significant reduction in initial capital required. The concentrator capacity will increase with the planned mining production increase. The Company is expected to provide an update in Q1 2015.

Visit [www.prophecycoal.com](http://www.prophecycoal.com) to view an aerial photo of the three tailings piles.

### More about Pulacayo

Between 2006 and 2012, a total of 69,739 metres of diamond drilling (226 surface and 42 underground drill holes) was conducted by Apogee at Pulacayo; results of which supported the mineral resource and reserve estimates disclosed in the independent feasibility study and technical report prepared in accordance with NI 43-101, and with an effective date of January 17, 2013. The NI 43-101 technical report is filed on the SEDAR profile of [Apogee Silver Ltd.](#) Resource highlights are discussed below.

### Apogee Pulacayo Deposit Mineral Resource - effective date of September 28, 2012<sup>3, 4, 5</sup>

Resource Class	Type	Tonnes	Ag g/t	Pb %	Zn %	Ag(Oz)	Pb(lbs.)	Zn(lbs.)
Combined Open Pit and Underground Resources including Oxide and Sulphide Zones								
Open Pit Resources (Base case 42° Average Pit Wall Slope Angle)								
Open Pit Indicated	Oxide	1,500,000	95.9	0.96	0.13	4,626,000	~	~
Open Pit Inferred	Oxide	248,000	71.2	0.55	0.31	569,000	~	~
Open Pit Indicated	Sulphide	9,283,000	44.1	0.66	1.32	13,168,000	135,896,000	269,540,000
Open Pit Inferred	Sulphide	2,572,000	33.4	0.92	1.36	2,765,000	51,989,000	76,878,000
Waste Rock		71,679,000	~	~	~			Strip Ratio 5.3 : 1
Underground Resources (all blocks below 4159 m ASL with NSR > \$US 58)								
Underground Indicated	Sulphide	6,197,000	213.6	0.86	1.74	42,547,000	117,492,000	237,717,000
Underground Inferred	Sulphide	943,000	193.1	0.43	1.61	5,853,000	8,939,000	43,471,000
Total Indicated	Oxide + Sulphide	16,980,000	110.5	0.74	1.49	60,341,000	253,388,000	507,257,000
Total Inferred	Oxide + Sulphide	3,763,000	75.9	0.797	1.43	9,187,000	60,928,000	120,349,000

**Mineral resources that are not mineral reserves do not have demonstrated economic viability.**

Pulacayo's trial mining and toll milling programs started in November 2011 and continued for 19 months.

During the trial mining period, the following results were achieved:

Trial Mining Results <sup>6</sup>									
Development m	Total Ore tons	Ag g/t	Pb %	Zn %	Stoping tons	Ag g/t	Pb %	Zn %	
1,247	12,550	270	2.7	2.4	7,547	339	3.8	3.1	

The ore grades were consistent with reserve grades in the feasibility study. The ore was trucked 150km to Potosi and processed by three custom mills owned by local cooperatives with varying operating capacity between 50 to 150 tonnes per day (tpd). Best recovery results were obtained from the Zabaleta mill which produced the following results:

	Concentrate Grade			Recovery		
	Pb%	Zn%	Ag g/t	Pb %	Zn %	Ag g/t
Lead Conc	47.95%	12.85%	6,295 g/t	64.62%	16.26%	72.13%
Zinc Conc	8.47%	39.45%	941 g/t	9.97%	43.57%	8.41%
Tailing	0.58%	0.97%	49.38 g/t	25.41%	40.16%	18.45%

Total silver recovery was 81.55%.

By having a custom-dedicated mill at Pulacayo, there is potential to improve the above recoveries to levels obtained in the feasibility study, which were:

Life of Mine metallurgical recovery (silver) 86.3%

Life of Mine metallurgical recovery (lead) 85.6%

Life of Mine metallurgical recovery (zinc) 85.8%

The concentrate was sold to Consorcio Minero S.A., a wholly-owned subsidiary of the Trafigura Group.

In December 2012, the Environmental Impact Assessment ("EIA") for the Pulacayo-Paca project (the "**Pulacayo Project**") was submitted to Bolivia's Ministry of Environment and Water and it was approved in October 2013. The submission was the result of over 30 months of technical studies and consultations, including a comprehensive water management plan, the feasibility study, archeological studies, flora and fauna studies, mine closure planning, social baseline studies, and results from two years of public consultations with local communities.

The approval of the EIA allows for mine and concentrator construction with a targeted production rate of up to 560tpd at the Pulacayo Project.

The Proposed Transaction is expected to close on January 2, 2015 and remains subject to the approval of Apogee shareholders at a special meeting of Apogee shareholders to be held on December 29, 2014 and final approval of the TSX Venture Exchange. Apogee received conditional approval from the TSX Venture Exchange on November 24, 2014 with respect to the Proposed Transaction.

Certain shareholders of Apogee who hold an aggregate of 87,599,000 common shares, representing approximately 19.4% of Apogee's issued and outstanding common shares, have signed voting support agreements with Prophecy pursuant to which, they have agreed to vote all of the Apogee shares beneficially owned by them in favour of the Proposed Transaction.

#### *Notes to this press release*

1. Pulacayo Project Feasibility Study and NI 43-101 technical report with an effective date of January 17, 2013 and filed on SEDAR under the profile of [Apogee Silver Ltd.](#)
2. SERGEOTECHMIN Bulletin No. 30, 2002, after Mignon 1989.
3. Modeling was performed using Gemcom Surpac® 6.3 modeling software with silver, lead and zinc grades estimated independently by inverse distance squared (ID2) interpolation from 1.0 meter down hole assay composites capped at 1500 g/t, 15 %, and 15 % respectively. Block size was 5 meters (x) by 3 meters (y) by 3 meters (z) with one unit of standard sub-blocking allowed. Block model results were checked using ordinary Kriging and Nearest Neighbour interpolation methods.
4. A bulk density model was interpolated by ID2 methodology from 1.0 meter down hole bulk density composites using the grade interpolation parameters for each metal.
5. Mineral Resource estimate values for the blocks occurring within the sulphide zone were determined by means of a net smelter calculation using a 36 month trailing average silver price of \$25.00 USD/oz and prices of \$0.89 USD/lb lead and \$1.00 USD/lb zinc.
6. Press release dated October 15, 2014 as filed on SEDAR under the profile of [Prophecy Coal Corp.](#)

#### **Qualified Person**

The technical content of this news release was reviewed and approved by Christopher M. Kravits, P.Geo., who is a Qualified Person within the meaning of National Instrument 43-101. Mr. Kravits has reviewed and approved the scientific and technical aspects of this news release.

### **About Prophecy Coal Corp.**

[Prophecy Coal Corp.](http://www.prophecycoal.com) is a Canadian public company listed on the Toronto Stock Exchange that is engaged in developing mining and energy projects in Mongolia. Further information on Prophecy Coal can be found at [www.prophecycoal.com](http://www.prophecycoal.com).

[Prophecy Coal Corp.](http://www.prophecycoal.com)

ON BEHALF OF THE BOARD

JOHN LEE, Executive Chairman

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### **Cautionary Note Regarding Forward-Looking Statements**

This news release contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian Securities Legislation. Statements containing forward-looking information express, as at the date of this news release, the Proposed Transaction, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results and the Company does not intend, and does not assume any obligation to, update such statements containing the forward-looking information. Such forward-looking statements and information include, but are not limited to statements as to: the accuracy of estimated mineral reserves and resources, anticipated results of future exploration, and forecast future metal prices, anticipated results of future sales and expectations that environmental, permitting, legal, title, taxation, socio-economic, political, marketing or other issues will not materially affect estimates of mineral reserves. These statements reflect the Company's current views with respect to future events and are necessarily based upon a number of assumptions and estimates that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies.

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regulations that may impose restrictions on mining; diminishing quantities or grades of mineral reserves as properties are mined; global financial conditions; business opportunities that may be presented to, or pursued by, the Company; the Company's ability to complete and successfully integrate acquisitions and to mitigate other business combination risks; challenges to, or difficulty in maintaining, the Company's title to properties and continued ownership thereof; the actual results of current exploration activities, conclusions of economic evaluations, and changes in project parameters to deal with unanticipated economic or other factors; increased competition in the mining industry for properties, equipment, qualified personnel, and their costs.

Investors are cautioned against attributing undue certainty or reliance on forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. The Company does not intend, and does not assume any obligation, to update these forward-looking statements or information to reflect changes in assumptions or changes in circumstances or any other events affecting such statements or information, other than as required by applicable law.

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