

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug 19, 2015) - [Prophecy Development Corp.](#) ("Prophecy") (TSX:PCY)(OTCQX:PRPCF)(FRANKFURT:1P2) is pleased to announce further to its press release dated March 16, 2015, the following updates on its projects in Mongolia:

Chandgana Mine Mouth Power Plant

Project Background:

Prophecy Power Generation LLC ("PPG"), a wholly-owned subsidiary of Prophecy, is developing the Chandgana coal-fired power plant project ("Chandgana Power Plant") which includes the construction of a 600 MW (4X150 MW) coal-fired mine-mouth power plant in two phases. The proposed power plant will be located next to the Chandgana Tal coal deposit, on which Chandgana Coal LLC ("Chandgana Coal") (another wholly-owned subsidiary of Prophecy) has mining licenses covering the deposit. The Detailed Environmental Impact Assessment for the Chandgana Power Plant was approved in November 2010 and a construction license was granted in November 2011 to PPG. In March 2013, Prophecy secured a land use permit covering 532.4 hectares of land to be used for Prophecy's proposed Chandgana Power Plant from the Morun soum government.

In June 2013, PPG signed a 25-year Coal Supply Agreement ("CSA") with Chandgana Coal. Under the CSA, Chandgana Coal will supply 3.6 million tonnes of coal annually to the Chandgana Power Plant at a price of USD\$17.70 per tonne for a period of 25 years.

In July 2013, PPG submitted a concession application to the Ministry of Economic Development ("MoED"). The signing of the Concession Agreement ("CA") for the Chandgana Power Plant is important since the scope of the CA includes government guarantee of the proposed Chandgana Power Plant's revenue, a key requirement for international project financing.

In February 2014, the Chandgana Power Plant was approved by the Mongolian government under amendment to Resolution #317 to be included in the list of concession projects. In October 2014, PPG received an official invitation letter (#7/2055) from the MoED to directly negotiate the conditions of the Chandgana Power Plant CA on an exclusive basis under the Mongolian Concession Law Article 15. Upon request by the MoED, PPG submitted a full set of updated agreements (key ones including: a Feasibility Study, CA, Power Purchase Agreement ("PPA"), Tariff Proposal, CSA, EPC Proposal, EPC contract, Bank Term Sheet, Equity Investor MOUs, and Land Use Permit) totaling well over 1,000 pages for review.

In February 2015, PPG was notified that a working group (the "PPG Working Group") was appointed by the Invest Mongolia Agency on behalf of the Mongolian government, to negotiate key documents with PPG on the Chandgana Power Plant. Since then, PPG, along with its proposed Strategic Partner (as defined below) and EPC contractor have held official meetings with the PPG Working Group and the Minister of Energy to expedite the signing of the CA.

EPC Tender, Bank and Equity Financing:

Prophecy continued to engage EPC contractors who in 2012, submitted their final and binding turn-key proposals to build the Chandgana Power Plant in response to PPG's public tender in 2011. The proposals are the result of over one year of investigative and research work to build the Chandgana Power Plant according to PPG's owner technical specifications and requirements (OTSR) including detailed requirements for such operating variables as the coal quality and supply, operating temperatures, auxiliary heat consumption, environmental limits, power output and incorporated detailed cost and performance optimization, including shortest transportation routes by most cost-effective transportation carrier, and offers from insurance providers and local construction material and fuel suppliers.

A turn-key binding EPC contract with specific performance requirements and completion guarantees prepared by an international law firm is being finalized and is expected to be signed between PPG and its preferred EPC contractor bidder in Q3 2015. Separately, Prophecy is in discussions with its preferred EPC contractor regarding the signing of an equity investment agreement whereby the preferred EPC bidder will purchase 5% of PPG from Prophecy.

The preferred EPC contractor has proposed bank financing for the project of up to 85% of the total value of the commercial contract which is to be signed between the appointed EPC contractor and PPG. The EPC contractor has extensive international project financing experience in power plant projects in developing countries in the Middle East and Africa. Together with the proposed Strategic Partner, the two parties are expected to lead and arrange project financing for the Chandgana Power Plant.

In its news release dated November 14, 2012, Prophecy announced the signing of a Memorandum of Understanding ("MOU") with the overseas investment subsidiary of the world's largest coal-fired power generation group (the "Strategic Partner") to jointly develop the Chandgana Power Plant. The MOU set out the proposed terms of cooperation and the timeline for implementation of an investment transaction between the Strategic Partner and Prophecy.

The Strategic Partner has, since signing the MOU, established an office in Mongolia and remained commercially active in the

country. In June 2015, the Strategic Partner signed an exclusivity agreement with PPG whereby the Strategic Partner agreed to focus solely on the Chandgana Power Project in Mongolia for the remainder of 2015 and PPG agreed to not solicit other investors to acquire a majority stake in PPG for the remainder of 2015. The President of the Strategic Partner in June 2015, wrote to the Prime Minister of Mongolia urging his support for the Chandgana Power Plant project. In August 2015, the President of the Strategic Partner visited Mongolia, reaffirming its strong interest in investing and co-developing the Chandgana Power Plant with Prophecy. The Strategic Partner stated its readiness to start construction in 2016, upon obtaining a satisfactory CA and PPA. PPG is in close communication, and looks forward to collaborating with the Strategic Partner to conclude the CA and PPA with the PPG Working Group.

Consolidation with Cosmo Coal LLC:

Following the news release dated August 18, 2014, the consolidation between Chandgana Coal and Cosmo Coal LLC ("Cosmo") has been delayed due to internal restructuring within Cosmo.

Cosmo was unable to meet the August 18, 2015 deadline for consolidation stipulated in the binding consolidation agreement between Chandgana Coal and Cosmo. Prophecy has served Cosmo with notice of termination under the agreement and is thus, free to pursue mergers, acquisitions, and other plans and strategies with other parties as appropriate to commission the Chandgana Power Project. Prophecy does not expect this contract termination to have any material impact on its operations.

Project Benefits:

Contribution to air pollution reduction: Various studies have linked Ulaanbaatar's air pollution to respiratory death and miscarriages in women. The Chandgana Power Plant will eliminate the need for additional power plants in Ulaanbaatar and reduce dependence on Ulaanbaatar's existing Power Plants #3 and #4, which emit significant gaseous and particulate pollutants due to their age.

Elimination of coal transportation: The Chandgana Power Plant is proposed to be built next to the Chandgana coal mine, 300 km east of Ulaanbaatar. This would avoid having to transport 2 to 4 million tonnes of coal (more than 100 wagons per day) into the congested city, had the new power plant be built in the capital city. Eliminating such coal transportation also means reduced power plant operating cost, since coal is a major component (upwards of 30%) of operation expenses.

Conservation of water: Water would be extracted from the mine, which avoids diverting precious water resources (up to 6 million tonnes per year/16,000 tonnes per day) from the city of Ulaanbaatar. A water scarcity problem is projected to emerge in 2015 in Ulaanbaatar, and intensify from 2020 onwards. Power Plants #3 and #4 today, consume 20% to 25% of the city's clean water. A new power plant would take water away from about an additional 800,000 residents annually.

Energy independence: The Chandgana Power Plant project would reduce expensive power imports from Russia and China, and achieve Mongolian energy independence.

Save money from importation of power: The electricity tariff proposed by PPG, with exemption from income tax, dividend tax, VAT, and customs duty, would be less than the tariff on imported power.

Stabilization of transmission grid: Prophecy would finance a transmission line from Baganuur to Chinggis. The new lines would increase the network stability and security of the electricity supply in the Mongolian power grid.

Project readiness: Construction can start after signing of the CA, PPA, Tariff Agreement and completion of financing.

Private sector investment and boost to employment: The development of the project would be funded by the private sector to boost foreign direct investment in Mongolia and Khentii province. Once in operation, the Chandgana Power Plant and Chandgana mine would be expected to employ over 600 full-time skilled local staff, cause the start of many new support businesses, become the largest revenue and skilled employee generator in Khentii province and double Khentii province's GDP.

Ulaan Ovoo Coal Project

Since June 2015, Prophecy has surveyed existing customers and potential consumers regarding thermal coal sales from Ulaan Ovoo for the coming 2015-2016 winter season. Prophecy is unable to secure the 300,000 tonnes of coal sales contracts required to restart mine production. Thus, it will continue to maintain Ulaan Ovoo on standby and reassess its production decision again in the summer of 2016.

The current Ulaan Ovoo stockpile consists of approximately 19,000 tonnes of 5,000 kcal/kg GCV (gross-caloric-value) quality, and 60,000 tonnes of 3,600 kcal/kg GCV quality coal. Prophecy expects to begin coal shipments from its stockpile to customers starting in September 2015, and complete the sale of its remaining coal stockpile by spring 2016.

Prophecy has written official letters to the Ministry of Road and Transportation, Ministry of Industry, Ministry of Energy, and the Selenge Province governor's office requesting their support to pave the 136km road between the Ulaan Ovoo mine and Sukhbaatar railway station, as well as to build a 56km 35kv power line from nearby Tsagaannuur soum to bring power to Ulaan Ovoo. Both infrastructure initiatives, if implemented, will significantly reduce the operating cost of Prophecy's Ulaan Ovoo operation and increase the likelihood of sustainable mining operations at Ulaan Ovoo to serve both the domestic Mongolian market and international market via Russia.

Qualified Persons

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 NI 43-101. Mr. Kravits is a consultant to the Company and serves as its Qualified Person and General Mining Manager.

About Prophecy

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

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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 mineral properties; 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 Bolivia, which is a developing jurisdiction; amendments to local Bolivian laws which may have an adverse impact on the Company's operations; 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 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 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.

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