

Vancouver, British Columbia (FSCwire) - [Prophecy Development Corp.](#) ("Prophecy" or the "Company") (TSX:PCY, OTC:PRPCF, Frankfurt:1P2N) has entered into a binding letter agreement (the "Letter Agreement") with arm's-length, private parties (the "Lessor") to acquire through lease, the Gibellini vanadium project in Nevada, USA (the "Gibellini Project") with the intent to carry-out mining operations there.

Proposed Transaction Summary

Under the Letter Agreement, Prophecy will lease the Gibellini mining claims which constitute the Gibellini Project by paying to the Lessor, annual advance royalty payments which will be tied, based on an agreed formula (not to exceed US\$120,000 per year), to the average vanadium pentoxide price of the prior year.

Upon commencement of production, Prophecy will maintain its acquisition through lease of the Gibellini mining claims by paying to the Lessor, a 2.5% net smelter return ("NSR") until a total of US\$3 million is paid. Thereafter, the NSR will be reduced to 2% over the remaining life of the mine (and referred to thereafter, as "production royalty payments").

All advance royalty payments made, will be deducted as credits against future production royalty payments.

The lease will be for a term of 10 years, which can be extended for an additional 10 years at Prophecy's option.

By combining the advanced-stage Gibellini Project in Nevada, USA, with the Company's 100%-owned, Titan titanium-vanadium project in Ontario, Canada, Prophecy is well-positioned with these two quality vanadium projects, to be the leading North American vanadium exploration company. The Company's objectives for these two projects are to:

1. Provide exposure and leverage to rising vanadium prices by defining and adding attributable vanadium resources in the ground in politically safe jurisdictions.
2. Build the first vanadium mine in North America by steadily advancing mine permitting, project financing and construction.

Prophecy is very encouraged by recent news regarding vanadium car battery development, the growing adoption of vanadium redox flow batteries to increase power availability from renewable energy in the utilities industry, and the doubling of vanadium prices in the last twelve months.

Gibellini Project Summary

Based on the Company's research, the Gibellini open pit, heap leach project has the potential to become the first primary vanadium mine in the United States.

The Gibellini Project is located in Eureka County, Nevada, about 25 miles south of the town of Eureka.

The property is situated on the east flank of the Fish Creek Range in the Fish Creek Mining District, and is easily accessed by a graded gravel road extending south from US Highway 50.

The project is comprised of 40 unpatented lode claims totaling approximately 771 acres in the state of Nevada, which is ranked among the world's top 10 mining jurisdictions according to the Fraser Institute. Opportunities also exist to further expand the project beyond its current definition.

AMEC E&C Services, Inc. ("AMEC E&C") prepared the Gibellini Project resource estimate and feasibility study titled "American Vanadium, Gibellini Vanadium Project" having an effective date of August 31, 2011 for [American Vanadium Corp.](#) ("AVC") following the guidelines of the CIM Definition Standards for Mineral Resources and Mineral Reserves. The report which was prepared according to the disclosure requirements of National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") outlined 7.9 million tons at a weighted average grade of 0.32% vanadium pentoxide (V₂O₅) in the measured category and 15.16 million tons at a weighted average grade of 0.28% V₂O₅ in the indicated category making for a total resource of 23.05 million tons at a weighted average grade of 0.29% V₂O₅.* Total metal content of the measured and indicated category resources is 131.37 million pounds V₂O₅. The inferred category resource is 14.23 million tons at a weighted average grade of 0.17% V₂O₅. The total metal content of the inferred category resource is 49.42 million pounds V₂O₅ (more resource details in table below).

Resource Category	Domain ⁽¹⁾	Cut-off V ₂ O ₅ (%)	Tons ⁽²⁾ (M)	Grade ⁽³⁾ (%V ₂ O ₅)	Metal Content (M lbs V ₂ O ₅)
Measured	Oxide	0.08	3.95	0.25	19.83
	Transition	0.07	3.95	0.38	29.88
Indicated	Oxide	0.08	8.01	0.22	35.05
	Transition	0.07	7.15	0.33	46.62
Total Measured and Indicated		various	23.05	0.29	131.37
Inferred	Oxide	0.08	0.16	0.20	0.98
	Transition	0.07	0.01	0.22	0.07
	Reduced	0.09	14.05	0.17	48.37
Total Inferred		various	14.23	0.17	49.42

Notes:

(1) Mineral resources are reported by mineralization domain. Domains are laterally continuous portions of the ore body having a grade determined by oxidation state that is relatively consistent and distinct from adjacent domains.

(2) Specific gravity measurements used are specific to the domain. Mineral resources are reported within a conceptual Lerchs-Grossman pit shell using a long-term V₂O₅ price of US\$12.59/lb, estimated mining and processing costs, and processing recoveries that are based on the oxidation state of the deposit.

(3) No capping of assays but three composites were capped at 1.5%. Dilution is not included.

Other notes: Categories are referred to as classes in the AMEC E&C resource estimate and feasibility study. Rounding of numbers required by reporting guidelines may result in summation differences. Abbreviations: M=million, lbs=pounds

Based on the feasibility study base case, the Company projects mine production to average 11.4 million pounds of vanadium pentoxide per year at 66% recovery.* This could enable Gibellini to potentially supply up to 3% of current global vanadium demand.

As estimated by the Company based on the feasibility study, the Gibellini Project could potentially become a low-cost primary vanadium producer because of the low strip ratio of 0.22 and a unit operating cost of US\$4.10/lb of vanadium product. The study's base case scenario places the Gibellini Project's after tax IRR at 43%, and after tax NPV at US\$170.1M at a 7% discount based on capital cost of US\$95.5 million and US\$10.95/lb vanadium pentoxide price.

*The historic Gibellini mineral resource estimate that was prepared by AMEC E&C for AVC has an effective date of July 31, 2011. Results of the study were disclosed previously by AVC in accordance with NI 43-101 and are considered historic in nature by the Company. Mineral resources are reported inclusive of mineral reserves. This historical estimate was prepared using currently accepted methods and assumptions but the costs and prices assumed are not current. It is considered relevant in that the estimate was prepared for the resource area the Company intends to lease and acquire and open pit mining was assumed. It is considered reliable since the geologic model developed by AVC geologists was used. This historical estimate assumed open pit mining, on-site processing by heap leach followed by solvent extraction and precipitation, and all services provided by a contract miner. The key parameters for resource estimation included ten foot composites that honoured the domain, grade was interpolated to a distance of 110 ft from the composites, composite grades greater than 1% V₂O₅ were capped to 1% V₂O₅ beyond 110 ft, the domain boundaries and a minimum grade of 0.05% V₂O₅ were used to limit grade interpolation, and a long-term V₂O₅ price of US\$12.59/lb was used. The key methods used include consideration of lithology, alteration and assay results to establish oxidation domains, capping assays and composites as described previously, variography, ordinary kriging, and validations to assess potential bias. The historical estimate uses the same resource classes described in Section 1.2 of NI 43-101. The historical estimate does not include any more recent data or estimates available to the Company. The work needed to upgrade the historical estimate as current mineral resources is to use current costs and metal prices. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources. The Company is not treating the historical estimate as current mineral resources. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

With the onsite production process designed to yield vanadium pentoxide, the project is expected to create opportunities for direct off-take agreements with the steel industry. Furthermore, since the process already yields vanadium in sulfuric acid in an

intermediary step to producing vanadium pentoxide, it is expected that this intermediary product can be pulled from the process and used directly as an electrolyte for grid-scale energy storage batteries.

Further Details Regarding the Proposed Transaction

The proposed transaction is subject to Prophecy being satisfied with the results of its due diligence inquiries into the Gibellini Project.

The parties have agreed to replace the Letter Agreement by entering into a more comprehensive definitive agreement by May 17, 2017.

The Letter Agreement includes a commitment by the Lessor to not solicit, pursue or negotiate alternative offers with other parties for the Gibellini Project.

Upon completion of the proposed transaction, Prophecy will evaluate the Gibellini Project economics in relation to prevailing vanadium metal prices prior to making any project development plans. At the appropriate time, joint venture partners may be sought to develop the Gibellini Project.

Prophecy maintains dedicated staff at its regional offices in Bolivia and Mongolia, to bring the Pulacayo silver-zinc-lead project in Bolivia to production and continue advancement of the Chandgana mine-mouth power plant in Mongolia through a concession agreement and power purchase agreement.

Qualified Persons

The technical contents of this news release have been prepared under the supervision of Christopher M. Kravits, CPG, LPG, General Mining Manager of Prophecy. Mr. Kravits is a Qualified Person as defined in NI 43-101. Mr. Kravits is a consultant to the Company and is not independent of the Company since most of his income is derived from the Company.

About Prophecy

[Prophecy Development Corp.](#) is a Canadian public company listed on the Toronto Stock Exchange that is engaged in worldwide mineral and energy exploration and development. Further information on Prophecy can be found at www.prophecydev.com.

[Prophecy Development Corp.](#)

ON BEHALF OF THE BOARD

“JOHN LEE”
Executive Chairman

For more information about Prophecy, please contact Investor Relations:

+1.888.513.6286
ir@prophecydev.com
www.prophecydev.com

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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, silver and other metals; 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; that any additional required financing will be available on reasonable terms; and market developments and trends in global supply and demand for coal, energy, silver and other metals meeting expectations. 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 positive 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; 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'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 and Bolivia, which are developing countries and being subject to their local laws; the availability and timeliness of various government approvals, permits and licenses; the feasibility, funding and development of Prophecy's projects; protecting 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 risk; anti-corruption legislation; recent global financial conditions; the payment of dividends; the inability of insurance to cover all potential risks associated with mining operations; 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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