

Prophecy Development Corp. to Acquire Fourth Vanadium Project - Targets Production in 2017

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Vancouver - [Prophecy Development Corp.](#) ("Prophecy" or the "Company") (TSX:PCY, OTCPK:PRPCF, Frankfurt:1P2N) has entered into a binding letter agreement (the "Letter Agreement") with [Fairmont Resources Inc.](#) ("Fairmont") to acquire the fully-permitted Buttercup Iron-Titanium-Vanadium (Fe-Ti-V) project in Quebec, Canada (the "Buttercup Project"). Prophecy is initiating discussions with several potential dense aggregate buyers and has targeted for production to commence by the end of 2017, should commercial terms be reached with an off taker.*

*A positive production decision would not be based on a feasibility study of mineral reserves demonstrating economic and technical viability so would carry increased uncertainty and the risk of failure as to the mining method and profitability.

Proposed Transaction Summary

Under the terms of the Letter Agreement, Prophecy will acquire the claims and a lease which constitute the Buttercup Project by paying to Fairmont:

- (a) At closing, the equivalent of \$1,000,000, up to half of which (i.e. \$500,000), may at Prophecy's sole discretion, be paid in Prophecy Common shares, calculated based on the 5-day volume-weighted average trading price of such shares as of the closing date; and
- (b) On the 1-year anniversary date of the closing date, a further \$500,000, up to half of which (i.e. \$250,000), may at Prophecy's sole discretion, be paid in Prophecy Common shares, calculated based on the 5-day volume-weighted average price of such shares as of the 1-year anniversary date of the closing date.

In December 2014, a Certificate of Authorization was issued for the Buttercup Project by the Ministère du Développement durable, de l'Environnement et des Parcs ("MDDEP"), which allowed aggregate production from the property of 300,000 tonnes annually. Fairmont completed site clearing and commenced first blast at the Buttercup Project in April 2015. Further mining activities were curtailed due to declining prices in certain metals and aggregates, all of which, have since rebounded from lows during the 2015-2016 period.

	2015-2016 Low Price	2017 Current Price
1 Iron ore (>62% Fe)	US\$40.88/t	US\$64.92/t
2 TiO ₂ Concentrate (>50% TiO ₂)	US\$80-US\$100/t	US\$200-US\$250/t
3 Vanadium Pentoxyde (>98% V ₂ O ₅)	US\$2.38/lb	US\$5.80-US\$6.10/lb

1 <http://www.marketindex.com.au/iron-ore>

2 <http://www.ferroalloynet.com/titaniumore/>

3 <https://www.metalbulletin.com/non-ferrous/ores-and-alloys/noble-ores-and...>

Buttercup Project Summary

The 15 claims and one exclusive lease to mine surface mineral substances that comprise the Buttercup Project, are located 30km north of Saguenay, Quebec, which is ranked among the world's top 10 mining jurisdictions according to the Fraser Institute in 2016. The property has access to water and power, and connects to a two-lane highway, which leads to the all-weather Grand Anse Sea Terminal at the Port of Saguenay, which is located 33km south of the property.

The Port of Saguenay is 250km south-west of the Port of Sept-Îles, which is used by major iron mines operated by: Tata Steel, RioTinto, Sojitz Corporation, POSCO, China Steel Corporation, Wuhan Iron and Steel (Group) Corp., ArcelorMittal S.A. and Cliffs Natural Resources Inc. Both ports are located on the St. Lawrence River on the eastern Canadian seaboard, which provides easy access for trade to world markets.

The Fe-Ti-V mineralization appears to start from surface at some locations making for a possible low mining

strip ratio. In 1964, the Bersimis Mining Company, calculated a historical "drilled tonnage" on lense "A" and lense "B" located within the property (Table 1). Both lenses, where drill-tested, were found at relatively shallow depth between 5 and 154m depth below surface.

Table 1. Historic "drill indicated tonnage" and corresponding grade

Lense	Tons	Fe (%)	TiO2 (%)	V2O5 (%)	Number of Holes
A	2,779,285	48.40	18.90	0.67	8
B	758,828	49.39	19.07	0.64	12

Source: P.J. Goldsmith 1964 Report on: The Bersimis Mining Company, Report on Diamond Drilling Program Lake Kanekatshonanuts Tintaniferous Megnetite Deposits

The historical "drill indicated tonnage" cited above is mentioned for historical purposes only, and uses terminology not compliant with current National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") reporting standards. The reliability of these historical estimates is unknown but considered relevant by Prophecy as it represents significant targets for future exploitation. The key assumption was that the mineralization is found in two nearly flat-lying lenses. The key factor was use of a 7 cubic feet per ton relative density. The method used to prepare the historical estimate was use of length, width and thickness of the lenses to determine volume followed by conversion of volume to mass by use of a relative density factor. No consideration was made for weathered zones or grade. The historical estimate was not reported using measured, indicated or inferred confidence categories. There are no more recent resource estimates available to Prophecy. In order to verify this historical estimate as a current estimate, a qualified person would need to conduct additional exploration work in the form of diamond drilling to verify the historic data. A qualified person has not done sufficient work to classify the historical estimate as a current mineral resource, and Prophecy is not treating this historical estimate as a current mineral resource.

Fairmont conducted surface channel sampling in October 2014 (refer to Fairmont's October 23, 2014 news release filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") for sampling, assay and QAQC details) at the Buttercup Project, with 361 meters of sampling, 184 samples were collected whereby 182 samples contained massive titano-magnetite. The massive titano-magnetite averaged more than 70% Fe2O3 (49% Fe), 19% TiO2, and 0.56% V2O5, consistent with the drill intercept grades reported in the Goldsmith report.

Lense	From (m)	To (m)	Width (m)	Rock*	Fe2O3 (%)	TiO2 (%)
Lense A						
	Channel 1					
	0.0	40.5	40.5	T.M.	70.7	18.9
	40.5	50.5	10.0	obdn		0.56
	50.5	60.5	10.0	T.M.	73.2	19.6
	60.5	64.0	3.5	obdn		0.57
	64.0	76.0	12.0	T.M.	73.7	19.5
	76.0	84.0	8.0	obdn		0.58
	84.0	146.0	62.0	T.M.	72.7	19.8
	146.0	171.0	25.0	obdn		0.58
	171.0	184.0	13.0	T.M.	72.9	19.5
	185.0	212.5	27.5	T.M.	72.8	19.7
	Channel 2					
	0.0	11.5	11.5	T.M.	72.6	20.1
	11.5	17.5	6.0	obdn		0.56
	17.5	79.0	61.5	T.M.	72.5	19.7
	Channel 3					
	0.0	1.5	1.5	T.M.	73.1	19.7
	1.5	4.0	2.5	obdn		0.59
	4.0	28.0	24.0	T.M.	71.8	19.7
	28.0	30.0	2.0	obdn		0.56
	30.0	58.0	28.0	T.M.	72.3	19.7
	58.0	59.0	1.0	obdn		0.57
	59.0	70.5	11.5	T.M.	72.3	19.7
Lense C						
	Channel 4					
	0.0	26.5	26.5	T.M.	72.1	19.9
	Channel 5					
	0.0	29.0	29.0	T.M.	71.7	20.1
						0.55

*T.M. = titano-magnetite, obdn = overburden

Markets

Materials mined from the Buttercup Project may be amenable to the following three markets. A feasibility study has not been completed and there is no certainty mined materials can be produced economically from the Buttercup Project. The Buttercup Project extraction permit only applies to aggregate sales, additional permitting is required to sell mined materials as direct shipment ore ("DSO") furnace feed.

1. Dense Aggregate for Nuclear Construction and Offshore Drilling:

Buttercup mined materials having a high density of approximately 4 tonne/m³ can be sold as aggregate for manufacture of high-weight concrete or as loose ballast. Specific applications include nuclear reactor construction, nuclear spent fuel storage, foundations for high-rise structures, and offshore drilling platforms. Dense aggregate cement is a premium product to cement which currently trades at about US\$100/tonne.*

*<https://www.statista.com/statistics/219339/us-prices-of-cement/>

2. DSO Lump Titano-Magnetite for Hearth Protection:

Titanium-bearing minerals like the DSO lump titano-magnetite from the Buttercup Project, are used in steel blast furnaces to protect the hearth wall, which is comprised primarily of graphite (carbon), against erosion.

Buttercup DSO lump titano-magnetite has a low sulphur (

A sample assay of DSO lump titano-magnetite from the Buttercup Project provided previously by Fairmont in their February 25, 2014 news release (available on Fairmont's website <http://www.fairmontresources.ca/> and on SEDAR) is given in the following table.

Fe ₂ O ₃ (%)	TiO ₂ (%)	SiO ₂ (%)	MgO (%)	CaO (%)	V ₂ O ₅ (%)	MnO ₂ (%)	Al ₂ O ₃ (%)	S (%)	P (%)
69.4	18.9	0.89	3.57	0.08	0.54	0.33	6.49	0.02	0.01

The conditions of sampling, assay and reporting of these assay results are not known. Thus, the assay results should not be relied upon.

Fairmont advises the Company based on their experience, that a typical blast furnace producing one million tonnes of pig iron annually, could potentially extend the life of its hearth by adding 15,000 to 30,000 tonnes of DSO lump titano-magnetite per year directly with the burden.

3. DSO for Titanium Slag - Vanadium Slag Furnace:

Buttercup titano-magnetite with high vanadium content can be an ideal DSO feed for furnaces that produce titanium slag and vanadium slag.

Titaniferous magnetite is first, partially reduced with coal in rotary kilns, and then melted in a furnace (most such facilities are located in Asia). This produces a titanium slag (>90% TiO₂, US\$1200/tonne*) and pig iron containing most of the vanadium. The titanium slag is removed and sold to pigment producers for further processing to pigment grade (>99% TiO₂, US\$2500/tonne*). The molten pig iron is blown with oxygen to form a new slag containing 12–24% vanadium pentoxide (V₂O₅), which is further processed to either ferro vanadium (80% vanadium) or vanadium pentoxide (98% V₂O₅).

*Source: <http://www.ferroalloynet.com>

Based on the Company's research, the Buttercup Project has an unusually high vanadium content, with also a low content of deleterious elements for a Canadian deposit, which the Company believes may attract Asian smelters that specialize in vanadium slag production.

John Lee, Executive Chairman of Prophecy states:

"According to RioTinto, comparative DSO products with 62% (Fe+TiO₂) are being offered at US\$83/t FOB

(Free on Board) at Quebec ports from its mines there.

Such a price represents attractive economics for the Buttercup Project based on Prophecy's internal assessment. For the next three months, Prophecy and Fairmont will work collaboratively to identify dense aggregate off takers, arrange mining equipment, and organize land and sea transport. Our goal is to commence production and load the first shipment by the end of 2017.

With Gibellini, Louie Hill, Titan and now Buttercup, Prophecy offers a diversified package of vanadium projects in Canada and United States. We believe the story has unique attributes and qualities in the vanadium space."

Further Details Regarding the Proposed Transaction

The proposed transaction will be subject to Prophecy being satisfied with the results of its due diligence inquiries into the Buttercup Project.

The parties have agreed to replace the Letter Agreement with a more comprehensive definitive agreement by November 1, 2017, subject to such due diligence results and other conditions be satisfied.

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

Note: All references to "\$" are expressed in Canadian dollars unless otherwise noted.

Qualified Persons

The technical contents of this news release have been reviewed and approved by 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. The Company aims to provide exposure and leverage to rising vanadium prices by defining and adding attributable vanadium resources in the ground in politically safe jurisdictions, and to build the first vanadium mine in North America by steadily advancing mine permitting, project financing and construction.

ON BEHALF OF THE BOARD, PROPHECY DEVELOPMENT CORP.

"JOHN LEE"
Executive Chairman

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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, 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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