

April 19, 2016



This Supplemental News Report is published as required, is part of the annual MERGENT INDUSTRIAL and INTERNATIONAL Manuals and will be included in the bound April 2016 Monthly News Reports and is published on our Website.

## PROPHECY DEVELOPMENT CORP

Company Website: [www.prophecydev.com](http://www.prophecydev.com)

**History:** Incorporated in Canada on Nov. 6, 1978 as Banbury Gold Mines Ltd. Name changed to Enerwaste Minerals Corp. on July 3, 1992. Named changed to Universal Gun-Loc Industries Ltd. on Dec. 17, 1993. Name changed to UGL Enterprises Ltd. on April 24, 2002. Name changed to Red Hill Energy Inc. on May 29, 2006. Name changed to Prophecy Resource Corp. on April 16, 2010. Name changed to Prophecy Coal Corp on June 13, 2011. Present name adopted on Jan. 5, 2015. Reincorporated on June 13, 2011 in Canada.

On Jan. 2, 2015, Co. acquired Apogee Minerals Bolivia S.A., ASC Holding Limited and ASC Bolivia LDC.

**Business Summary:** Prophecy Development is engaged in the acquisition, exploration and development of energy, nickel and platinum group metals projects in Mongolia, Bolivia and Canada. In Bolivia, Co. is developing the advanced-stage Silver-Zinc-Lead Pulacayo underground mining project, Silver-Zinc-Lead Paca open-pit project and other exploration projects with a focus on such metals as silver, zinc, lead, copper and antimony. In Mongolia, Co. is advancing the Chandgana Coal mine, Chandgana 600MW Coal-Fired Mine Mouth Power Plant and Ulan Ovoo coal mine projects. In Canada, Co. is developing several exploration projects.

**Property:** Co. maintains its head office in Vancouver, British Columbia. Co., through Red Hill Mongolia LLC, owns 100% interest in the Ulaan Ovoo coal property located in Selenge province, Mongolia. Co., through Chandgana Coal LLC, owns 100% interest in the Chandgana Tal coal property and Khavtgai Uul coal property located in Khentii province, Mongolia. Co., through Prophecy Power Generation LLC, holds the land use right and construction licence for the Chandgana 600MW Coal-Fired Mine Mouth Power Plant project planned in Khentii province, Mongolia. Co., through 912601 B.C. Ltd., owns 80% interest in the Titan vanadium-titanium-iron property located in Ontario province, Canada and 60% interest in the Okeover copper-molybdenum property located in British Columbia province, Canada. Co., through ASC Bolivia LDC Sucursal Bolivia, holds the mining joint venture interest in the Pulacayo Paca silver-lead-zinc property located in Quijarro province, Bolivia.

### Subsidiaries

(wholly owned unless otherwise noted)

0912601 B.C. Ltd.  
0912603 B.C. Ltd.  
Red Hill Mongolia LLC  
Chandgana Coal LLC  
Prophecy Power Generation LLC  
UGL Enterprises LLC  
1420 PSR PTE Ltd.  
ASC Holdings Limited  
ASC Bolivia LDC (99%)  
ASC Bolivia LDC Sucursal Bolivia (99%)  
Apogee Minerals Bolivia S.A. (98%)

### Officers

John Lee, Executive Chairman; Interim Chief Executive Officer  
Irina Plavutska, Chief Financial Officer

Bekzod Kasimov, Vice President - Operations  
Tony S.K. Wong, General Counsel; Corporate Secretary

### Directors

John Lee, Executive Chairman; Director  
Harald Batista, Director  
Greg Hall, Director  
Masa Igata, Director

**Auditors:** Davidson & Company LLP

**Annual Meeting:** In June

**Shareholder Relations:** Bekzod Kasimov Tel: 888-513-6286

**No. of Stockholders:** Apr. 6, 2016, 1,000, approx.

**No. of Employees:** Mar. 30, 2016, 22

**Address:** 2nd Floor 342 Water Street, Vancouver, British Columbia V6B 1B6, Canada

**Tel:** 604 569-3661

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**Web:** [www.prophecydev.com](http://www.prophecydev.com)

**Email:** [info@prophecydev.com](mailto:info@prophecydev.com)

**Consolidated Income Statement, Years Ended Dec. 31 (Can\$):**

	2015	2014 (revised)	2013 (revised)
Advertising & promotion	(151,301)	(73,552)	(132,779)
Consulting & management fees	(299,804)	(197,940)	(198,156)
Depreciation	...	...	(137,535)
Depreciation & accretion	(128,448)	(87,434)	...
Director fees	(94,002)	(151,823)	(247,655)
Insurance	(81,620)	(98,324)	(186,128)
Office & administration	(137,834)	(151,532)	(141,949)
Professional fees	(225,977)	(319,509)	(974,010)
Salaries & benefits	(366,786)	(373,994)	(531,355)
Share-based payments	(596,260)	(617,362)	(1,304,486)
Stock exchange & shareholder services	(161,466)	(130,098)	(121,617)
Travel & accommodation	(150,112)	(262,017)	(118,778)
Total general & administrative expenses	(2,393,610)	(2,463,585)	...
Deemed disposal loss of investment in associate	...	...	(1,264,472)
Equipment rental revenue	...	...	1,338,003
Finance & transaction costs	...	...	(765,000)
Costs in excess of recovered coal	(1,600,978)	...	...

Foreign exchange gain (loss)	(1,463,185)	663,523	251,254
Gain (loss) on sale of available-for-sale investments	...	2,654,882	237,137
Interest expense	(192,349)	...	(2,314,438)
Interest income	...	16,480	28,890
Impairment of inventory	(920,694)	(484,288)	...
Impairment of mineral property	...	(2,252,610)	...
Impairment of property & equipment	...	(11,151,346)	(3,694,446)
Impairment of receivables & prepaids	(1,152,217)	(1,679,097)	...
Loss on debt settlement	...	...	(174,959)
Gain (loss) on sale of equipment	(99,498)	...	...
Gain (loss) on disposal of investment in associate	...	...	(12,399,523)
Share of net loss of associate	...	...	(1,397,252)
Income (loss) before deferred tax recovery	(7,822,531)	(14,696,041)	(24,249,254)
Deferred income tax recovery (expense)	...	...	953,100
Net income (loss) for year	(7,822,531)	(14,696,041)	(23,296,154)
Net income (loss) for year attributable to owners of the company	...	...	(23,296,154)
Weighted average common shares outstanding - basic	316,152,825	251,399,255	236,480,098
Weighted average common shares outstanding - diluted	316,152,825	251,399,255	236,480,098
Year end shares outstanding	342,746,784	251,878,634	248,373,819
Earnings (loss) per common share - basic	Can\$(0.02)	Can\$(0.06)	Can\$(0.10)
Earnings (loss) per common share - diluted	Can\$(0.02)	Can\$(0.06)	Can\$(0.10)
Number of full time employees	...	...	228
Number of part time	...	...	...

employees.....	...	...	24	Accrued liabilities.....	104,000	430,480
Total number of				Accounts payable &		
employees.....	22	105		accrued liabilities.....	2,637,557	2,778,368
Number of common				Credit facilities.....	1,889,462	1,288,218
stockholders.....	1,000			Total current liabilities.....	4,527,019	4,066,586
				Provision for closure &		
				reclamation.....	208,993	173,363
				Tax provision.....	7,287,855	...
				Total liabilities.....	12,023,867	4,239,949
				Share capital.....	153,281,631	147,947,292
				Reserves.....	21,205,698	20,502,885
				Retained earnings		
				(deficit).....	(159,208,360)	(151,385,829)
				Total equity.....	15,278,969	17,064,348
				Total equity &		
				liabilities.....	27,302,836	21,304,297

<sup>1</sup> Reclassified to conform with 2015 presentation; <sup>2</sup> Reclassified to conform with 2014 presentation; <sup>3</sup> Approximate; <sup>4</sup> As of March 30, 2016

**Consolidated Balance Sheet, Years Ended Dec. 31 (Can\$):**

	2015	2014
Assets:		(revised)
Cash.....	33,542	200,994
Imput tax recoverable.....	8,233	5,987
Trade receivable.....	392,056	652,675
Other receivable.....	...	78,772
Prepaid expenses.....	203,258	732,082
Inventory.....	...	1,499,231
Total current assets.....	637,089	3,169,741
Restricted cash		
equivalents.....	34,500	34,500
Reclamation deposits.....	27,554	27,554
Property & equipment,		
cost.....	2,954,850	7,935,383
Accumulated depreciation.....	(1,647,367)	(3,573,401)
Property & equipment.....	1,307,483	4,361,982
Mineral properties.....	25,296,210	13,710,520
Total assets.....	27,302,836	21,304,297
Liabilities:		
Trade accounts payable.....	2,533,557	2,347,888

tainty that may cast significant doubt about Prophecy Development Corp.'s ability to continue as a going concern."

**Line of Credit:** In Oct. 2013, Co.'s wholly-owned Mongolian subsidiary, Red Hill Mongolia LLC arranged a line of credit for US\$1,500,000 with the Trade and Development Bank. As of Dec. 31, 2015, Co. had an outstanding secured line of credit of C\$198,787, with interest at a rate of 17.4% per annum, due Mar. 25, 2016.

On Mar. 12, 2015, Co. arranged a revolving credit facility with Linx Partners Ltd. with a maximum principal amount available for advance of C\$1,500,000, with interest at a rate of 18% per annum. As of Dec. 31, 2015, Co. had an outstanding secured revolving credit facility of C\$1,500,000.

**Capital Stock: 1. Prophecy Development Corp common; no par.**

OUTSTANDING—Dec. 31, 2015, 342,746,784 shs; no par.

WARRANTS—43,650,384 shs.

OPTIONS—Dec. 31, 2015, outstanding, 34,374,167.

TRANSFER AGENT & REGISTRAR—Computershare Trust Company of Canada, Vancouver, British Columbia, Canada

PRIMARY EXCHANGE—Toronto (TSX): PCY.

SECONDARY EXCHANGES—National Bulletin Board (NBB): PRPC F, Frankfurt (FSE): 1P2.

PRIVATE PLACEMENTS—(11,120,000 units) at C\$0.05 per unit privately placed on Sept. 30, 2015 for gross proceeds of C\$556,000. Each unit consists of one share in the capital of Co. and one share purchase warrant.

(6,250,000 units) at C\$0.04 per unit privately placed on Nov. 12, 2015 for gross proceeds of C\$250,000. Each unit consists of one share in the capital of Co. and one share purchase warrant.

**Auditor's Report:**

The following is an excerpt from the Report of the Independent Auditors, Davidson & Company LLP, as it appeared in Co.'s 2015 Annual Report:

**"Opinion**

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Prophecy Development Corp. as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncer-

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