



## **Prophecy Signs EPC and Equity Investment Agreements with China's SEPCO2 for Chandgana Power Plant in Mongolia**

**Vancouver, British Columbia, December 18, 2015 – Prophecy Development Corp. ("Prophecy" or the "Company") (TSX:PCY, OTCQX:PRPCF, Frankfurt:1P2)** is pleased to announce today, the signing of an Engineering, Procurement and Construction ("**EPC**") Agreement, Equity Investment Agreement, and Share Purchase Agreement (collectively, the "**Agreements**") with China-based Shandong Electrical Power Construction No.2 Company ("**SEPCO2**") to invest in, and build the Company's 600 MW Chandgana power plant (the "**Chandgana Power Plant**") in Mongolia.

The Chandgana Power Plant Project, under the development of Prophecy's wholly-owned Mongolian subsidiary, Prophecy Power Generation LLC ("**PPG**") since 2011, has secured power plant land use rights and the construction license, and is included on the Mongolian Government concession list.

SEPCO2 was founded in 1952 and is wholly-owned by the Power Construction Corporation of China ("**POWER CHINA**"), a Global Fortune 500 company with 200,000 employees as of June 2015, specializing in engineering, construction, design consultation and equipment manufacturing in the global energy sector. SEPCO2 has 6,400 employees and has constructed power plants in 11 countries such as: Saudi Arabia, Zambia, India, Malaysia and Sudan.

The Agreements signing ceremony took place today at the Canadian Embassy in Mongolia's capital city of Ulaanbaatar and was witnessed by Senior Trade Commissioner from Embassy of Canada to Mongolia. Mr. Zhang Shitao, the President of SEPCO2, and Mr. John Lee, the Executive Chairman of Prophecy, executed the Agreements on behalf of SEPCO2, and Prophecy, respectively.

### Project Summary and Update

The Chandgana Power Plant is strategically located in Khentii province, 150km east of Baganuur, to provide power to both Mongolia's Eastern Energy Grid and Central Energy Grid. The Chandgana Power Plant will be a coal-fired mine-mouth power plant where coal will be supplied from Prophecy's wholly owned Mongolian subsidiary Chandgana Coal LLC's adjacent open pit coal mine.

The total capital investment necessary to complete the 600MW Chandgana Power Plant is expected to be approximately USD\$1 billion. The proposed investment for Phase 1 (150MW x2) is estimated to be USD\$600 million, Phase 1 is to be completed within 3 years from the start of construction. Prophecy has identified the main EPC contractor, and equity and debt investors that are ready to invest and start the project once a bankable Concession Agreement and Power Purchase Agreement including tariff are finalized with the already-established Mongolian government-appointed working group.

Mongolia currently imports approximately 20% of its electric power from Russia and China. Prophecy is proposing to build a new, modern power plant to provide a stable 20-year power supply in Mongolia, with 100% private funding and with no up-front payment or subsidies from the Mongolia government. Prophecy is offering a fixed, long-term tariff that is lower than those of foreign import to assist Mongolia to save money, create employment and establish its energy independence. The Chandgana Power Plant and Chandgana coal mine would be expected to employ over 600 full-time skilled local staff, cause the start of many new support businesses, and revitalize Khentii province.

Prophecy believes having a mine-mouth power plant (as opposed to having a power plant located in the city) is the solution to Mongolia's power shortage, eliminates costly coal and ash transportation, preserves the capital city's limited water resources and reduces severe air pollution in the city.

In addition to working with the Mongolia government and its people to fulfill growing domestic energy demand, Prophecy with its experienced partners, looks forward to these future steps to expand the Chandgana Power Plant in order to transform Mongolia, into a net exporter of electricity to its neighboring countries.

### EPC Agreement

In early 2012, the Company held a public tender for the Chandgana Power Plant EPC contract. After a rigorous evaluation process, SEPCO2 was eventually selected as the main EPC contractor to build and complete the Chandgana Power Plant based on: price, performance, experience and time for completion. The EPC Agreement executed today, is the result of over one year of investigative and research work conducted by both Prophecy and SEPCO2 according to the set of detailed Owner's Technical Specifications & Requirements (OTSR) developed by experienced Prophecy consultants considering operating variables such as: coal quality and supply, operating temperatures, auxiliary heat consumption, water consumption, environmental limits and power output, and incorporated detailed cost and performance optimization considerations including shortest transportation routes by most cost-effective transportation carrier, and offers from insurance providers and local construction material and fuel suppliers. The binding EPC contract prepared by an international law firm also includes specific performance requirements and completion guarantees.

### Share Purchase Agreement and Equity Investment Agreement

Prophecy has agreed to transfer Common shares representing a 5% ownership interest in the capital of PPG (the "**Subject Shares**") to SEPCO2, in consideration for SEPCO2 preparing and delivering any remaining engineering or design studies required by either the Mongolian government or investors to proceed to project financial close. Upon SEPCO2 acquiring the Subject Shares from Prophecy, SEPCO2 has agreed to contribute to the overall expenses of PPG based on SEPCO2's *pro rata* equity share interest. Such expenses may be offset against the fees payable by PPG to SEPCO2 in relation to the Chandgana Power Plant under any EPC services agreement entered into by PPG or Prophecy and SEPCO2 or its affiliates or associates. Conditions precedent to the Equity Investment Agreement and Share Purchase Agreement include the parties having obtained all necessary prior approval of relevant authorities.

### Project Financing and Financial Close

SEPCO2 has extensive international project financing experience for power plant projects in developing countries in the Middle East and Africa, and has expressed confidence in arranging debt financing for the Chandgana Power Plant. In 2014, SEPCO2 provided Prophecy with a bank financing term sheet for the project which needs to be renewed for 2016, based on a 12-year term with 85% of the total value of the EPC Agreement advanced at the London Interbank Offered Rate (LIBOR) + 5%.

In parallel, Prophecy expects to partner with the overseas investment subsidiary of the world's largest coal-fired power generation group (the "**Strategic Partner**") to jointly invest in the Chandgana Power Plant. In May 2015, the Strategic Partner signed an exclusivity agreement with Prophecy whereby the Strategic Partner agreed to focus its development and construction activities in Mongolia solely on the Chandgana Power Plant for the remainder of 2015. Negotiations on a share purchase agreement and equity investment agreement in PPG, between Prophecy and Strategic Partner are ongoing. The Strategic Partner has stated its readiness to invest in the Chandgana Power Plant upon Prophecy obtaining a satisfactory Concession Agreement and Power Purchase Agreement.

To achieve project financial close, first the Mongolia government, represented by the Invest Mongolia Agency and Energy Ministry needs to approve the Chandgana Power Plant Concession Agreement and Power Purchase Agreement. Thereafter, a consortium of equity and debt partners could proceed to arrange project financing at the best terms available.

## 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. 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](http://www.prophecydev.com).

PROPHECY DEVELOPMENT CORP.  
ON BEHALF OF THE BOARD

“JOHN LEE”  
Executive Chairman

For more information about Prophecy, please contact Investor Relations:

+1.604.563.0699  
+1.888.513.6286  
[ir@prophecydev.com](mailto:ir@prophecydev.com)  
[www.prophecydev.com](http://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, 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.