

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

The offering of these securities has not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or any applicable state securities laws. Accordingly, except as permitted under the Underwriting Agreement (as defined herein) and pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws, these securities may not be offered, sold or otherwise disposed of, directly or indirectly, in the United States, its territories or possessions, any State of the United States or the District of Columbia (collectively, the “United States”). This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See “Plan of Distribution”.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Prophecy Development Corp., at our head and registered office located at Suite 1610, 409 Granville Street, Vancouver, British Columbia, Canada V6C 1T2, telephone: (604) 569-3661 and are also available electronically at www.sedar.com.

New Issue

November 16, 2018

SHORT FORM PROSPECTUS



Prophecy Development Corp.

C\$5,520,000

12,000,000 Common Shares

This short form prospectus (the “Prospectus”) qualifies the distribution (the “Offering”) of 12,000,000 common shares (the “Offered Shares”) of Prophecy Development Corp. (“Prophecy” or the “Company”) at a price of C\$0.46 per Offered Share (the “Offering Price”). The Offered Shares will be sold pursuant to an underwriting agreement dated November 7, 2018 (the “Underwriting Agreement”) between the Company and BMO Nesbitt Burns Inc. (the “Underwriter” or “BMO”). The Offering Price was determined by arm’s length negotiation between the Underwriter and the Company with reference to the prevailing market price of the Shares (defined below). See “Plan of Distribution”.

Price: C\$0.46 per Offered Share

	<u>Price to Public</u>	<u>Underwriter’s Fee⁽¹⁾</u>	<u>Net Proceeds to the Company⁽²⁾</u>
Per Offered Share	C\$0.46	C\$0.0276	C\$0.4324
Total.....	C\$5,520,000	C\$331,200	C\$5,188,800

Notes:

⁽¹⁾ Pursuant to the terms and conditions of the Underwriting Agreement, the Company has agreed to pay a cash commission to the Underwriter equal to 6.0% of the gross proceeds of the Offering (the “Underwriter’s Fee”). See “Plan of Distribution”.

⁽²⁾ After deducting the Underwriter's Fee in respect of the Offering, but before deducting the expenses of the Offering, estimated at \$450,000, which will be paid by the Company from the proceeds of the Offering. See "Use of Proceeds".

The common shares of Prophecy (the "Shares") are listed on the Toronto Stock Exchange (the "TSX") under the trading symbol "PCY", on the OTCQX Best Market (the "OTCQX") under the symbol "PRPCF" and the Frankfurt Stock Exchange ("FSE") under the symbol "1P2N". On October 31, 2018, the last trading day prior to the public announcement of the Offering, the closing price of the Shares was C\$0.52 per Share on the TSX, US\$0.4065 per Share on the OTCQX and €0.35 per Share on the FSE. On November 15, 2018, the last full trading day prior to the filing of the Prospectus, the closing price of the Shares was C\$0.56 per Share on the TSX, US\$0.44 per Share on the OTCQX and €0.37 per Share on the FSE. The Offered Shares distributed hereunder have been conditionally approved for listing on the TSX. Listing on the TSX will be subject to Prophecy fulfilling all of the listing requirements of the TSX on or before February 5, 2019.

The Underwriter, as principal, conditionally offers the Offered Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriter in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to the Offering by Blake, Cassels & Graydon LLP ("Blakes"), on behalf of the Company, and by Cassels Brock & Blackwell LLP ("Cassels"), on behalf of the Underwriter.

Subject to applicable laws, the Underwriter may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriter may offer the Offered Shares at a price lower than that stated above.** See "Plan of Distribution".

Each of (a) John Lee, Director and (b) Masa Igata, Director, respectively, reside outside of Canada and have appointed Blakes Vancouver Services Inc., c/o Blake, Cassels & Graydon LLP, 595 Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, V7X 1L3 as their agent for service of process.

Each of (a) Kirk Hanson, (b) Edward J.C. Orbock III, (c) Edwin Peralta, (d) Neil B. Prens, (e) Thaddeus J. Sobek, (f) Robert J. Farmer, (g) Stephen A. Krajewski, (h) Brian Saul, (i) Christopher M. Kravits, (j) Ronald L. Lewis, (k) Edward C. Mast and (l) John Sampson, is resident outside of Canada. Purchasers are advised that it may not be possible for investors to enforce judgements obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, or resides outside of Canada, even if the party has appointed an agent for service of process.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

An investment in the Offered Shares is highly speculative and involves significant risks that should be carefully considered by prospective investors. The risks outlined in this short form prospectus and in the documents incorporated herein by reference should be carefully reviewed and considered by prospective investors. See "Risk Factors" and "Cautionary Statements Regarding Forward-Looking Statements".

Prospective investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, territorial, local, foreign and other tax consequences of acquiring, holding or disposing of Offered Shares, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires Offered Shares.

Subscriptions for the Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is expected to occur on or about November 22, 2018 or such later date as the Company and the Underwriter may agree (the "Closing Date"), however the Offered Shares are to be taken up by the Underwriter, if at all, on or before a date that is not later than 42 days after the date of the receipt for the final short form prospectus. Except in certain limited circumstances, it is expected that one or more global certificates (in physical or electronic form) evidencing the Offered Shares distributed under this Prospectus in Canada will be issued in registered form to CDS Clearing and Depository Services Inc. ("CDS") and will be deposited with CDS on the Closing Date. No certificates evidencing the Offered Shares will be issued to Canadian resident purchasers, except in certain limited circumstances (including, without limitation, as described below), and registration of such securities will be made in the depository service of CDS. Canadian resident purchasers of Offered Shares will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Shares is purchased. See "Plan of Distribution".

In this Prospectus, references to “Prophecy”, the “Company”, “we”, “us” and “our” refer to Prophecy Development Corp. and/or, as applicable, one or more of its subsidiaries. Unless the context otherwise requires, references to “Shares” include all of the common shares of the Company. Prophecy’s head and registered office is located at Suite 1610, 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

Investors should rely only on the information contained in or incorporated by reference into this Prospectus. The Company has not authorized anyone to provide investors with different information. Neither the Company nor the Underwriter is making an offer of these securities in any jurisdiction where the offer is not permitted. Investors should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the front of this Prospectus, as the Company’s business, operating results, financial condition and prospects may have changed since such date.

Information contained on our website should not be deemed to be a part of this prospectus or incorporated by reference herein and should not be relied upon by prospective investors for the purpose of determining whether to invest in the Shares.

TABLE OF CONTENTS

• CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	1
• NATIONAL INSTRUMENT 43-101	2
• CURRENCY AND EXCHANGE RATE INFORMATION	3
• MARKETING MATERIALS	3
• DOCUMENTS INCORPORATED BY REFERENCE.....	3
• DESCRIPTION OF THE BUSINESS.....	5
• RECENT DEVELOPMENTS.....	6
• GIBELLINI PROJECT	8
• USE OF PROCEEDS.....	43
• PLAN OF DISTRIBUTION.....	44
• ELIGIBILITY FOR INVESTMENT.....	46
• DESCRIPTION OF THE SECURITIES BEING DISTRIBUTED.....	46
• TRADING PRICE AND VOLUME	48
• RISK FACTORS.....	48
• CONSOLIDATED CAPITALIZATION.....	52
• AUDITOR, TRANSFER AGENT AND REGISTRAR.....	52
• INTERESTS OF EXPERTS.....	52
• ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES	53
• PURCHASERS' RIGHTS OF WITHDRAWAL AND RESCISSION.....	53
• CERTIFICATE OF THE COMPANY	I
• CERTIFICATE OF THE UNDERWRITER	II

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus, including the documents incorporated by reference, contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws, which include, but are not limited to, statements or information concerning the timing and closing of the Offering; the satisfaction of the conditions to closing of the Offering, including the receipt, in a timely manner, of regulatory and other required approvals; the proposed use of proceeds of the Offering; future financial or operating performance of Prophecy and its business, operations, properties and condition; the future price of vanadium and other metal prices; resource potential including the potential quantity and/or grade of minerals; the potential size of a mineralized zone or potential expansion of mineralization; the timing of other exploration and development of Prophecy’s exploration properties; the timing and amount of estimated future production; the amenability of mineralization to produce a saleable concentrate of sufficiently high enough grade and quality to be economic, changes in project parameters as plans continue to be refined, illustrative costs of production and mine life of the various mineral projects of Prophecy; the interpretation and actual results of historical production at certain of our exploration properties, as well as specific historic data associated with and drill results from those properties, and the reliance on technical information provided by other third parties; the timing and amount of estimated capital, operating and exploration expenditures, costs and timing of the development of new deposits and of future exploration; acquisition and development activities; estimated exploration budgets and timing of expenditures and community relations activities; requirements for additional capital; government regulation of exploration and mining operations and the application of such regulations in accordance with the rule of law; the timing and possible outcome of regulatory and permitting matters; environmental risks and reclamation expenses; title disputes; permitting, feasibility, plans for development of the Gibellini Project (as defined below), the Titan project, the Pulacayo project and the Chandgana Power Plant project; the likelihood of securing project financing; estimated future coal production at the Ulaan Ovoo property and the Chandgana project; environmental risks, including environmental impact assessment reports, and other claims or existing; pending or threatened litigation or other proceedings; limitations of insurance coverage; future issuances of Shares to satisfy the acquisition of exploration properties; the timing and possible outcome of regulatory and permitting matters; and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of Prophecy to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements and information. Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “will”, “projects”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Statements relating to mineral resources are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described exist in the quantities predicted or estimated and may be profitably produced in the future. Estimated values of future net revenue do not represent fair market value. There is no certainty that it will be commercially viable to produce any portion of the mineral resources.

Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things, timely receipt of regulatory and governmental approvals for the development, construction and production of Prophecy’s properties and projects; there being no significant disruptions affecting operations, whether due to labour disruptions or other causes; currency exchange rates being approximately consistent with current levels; certain price assumptions for vanadium and other metals; prices for and availability of fuel and electricity; 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 and of any metallurgical testing completed to date; labour and materials costs increasing on a basis consistent with Prophecy’s current expectations; any additional required financing will be available on reasonable terms; market developments and trends in global supply and demand for vanadium and other metals meeting expectations; favourable operating conditions; political stability; licenses and permits (and renewals thereof); access to necessary financing stability of labour markets and in market conditions in general; estimates of costs and expenditures to complete our programs; and goals and the speculative nature of mineral exploration and development in general, including the risk of diminishing quantities or grades of mineralization. Many of these assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies, and other factors that are not within the control of Prophecy and could thus cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information.

Furthermore, such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Prophecy to be materially different from any future results, performance or achievements expressed or implied. Such factors include, among others: the cost, timing and amount of estimated future capital, operating exploration, acquisition, development and reclamation activities; the volatility of the market price of the Shares; judgment of management when exercising discretion in their use of proceeds from offerings of securities; sales of a significant number of Shares in the public markets, or the perception of such sales, could depress the market price of the Shares; potential dilution with the issuance of additional Shares; none of the properties in which the Company has a material interest have mineral reserves; estimates of mineral resources are based on interpretation and assumptions and are inherently imprecise; the Company has not received any material revenue or net profit to date; exploration, development and production risks; no history of profitable mineral production; commencing mine development activities on the Ulaan Ovoo property without having completed a feasibility study; apart from the Ulaan Ovoo project, the Pulacayo Project and the Gibellini Project, the properties the Company holds an interest in do not contain a known body of commercial minerals; actual capital costs, operating costs, production and economic returns may differ significantly from those the Company has anticipated; foreign operations and political condition risks and uncertainties; legal and political risk; amendments to local laws; the ability to obtain, maintain or renew the underlying licenses and permits; Chandgana Power Plant project challenges; title to mineral properties; environmental risks; competitive conditions in the mineral exploration and mining business; availability of adequate infrastructure; the ability of the Company to retain its key management employees and the impact of shortages of skilled personnel and contractors; limits of insurance coverage and uninsurable risk; fluctuating market prices; reliance on third party contractors; additional financing; foreign exchange risk; impact of anti-corruption legislation; recent global financial conditions; changes to the Company's dividend policy; conflicts of interest; cyber security risks; litigation and regulatory proceedings; the Company's obligations to maintain an interest in its properties; the Company's ability to procure skilled and experienced personnel; the influence of third party stakeholders; the Company's relationship with the communities in which it operates; human error; other risks and the factors discussed in the section entitled "*Risk Factors*" in this Prospectus and in the documents incorporated by reference herein.

Although we have attempted to identify important factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those described in forward-looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended.

Forward-looking statements and forward-looking information contained herein are made as of the date of this Prospectus and we disclaim any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

NATIONAL INSTRUMENT 43-101

Unless stated otherwise, information of a scientific or technical nature regarding the Company's properties is summarized, derived or extracted from, respectively, the following technical reports (collectively, the "**Technical Reports**"):

- (a) "Gibellini Vanadium Project, Eureka County, Nevada, NI 43-101 Technical Report on Preliminary Economic Assessment", with an effective date of May 29, 2018 and dated June 25, 2018 (the "**Gibellini PEA**");
- (b) "Updated Mineral Resource Estimate Technical Report for the Pulacayo Project" with a report date of November 14, 2017 and an effective date of October 20, 2017 (the "**Pulacayo Report**");
- (c) "Technical Report, Titan Project, Ontario Canada" with a report date of October 23, 2017 and an effective date of October 23, 2017 (the "**Titan Report**");
- (d) "Technical Report Coal Resources and Preliminary Economic Assessment Coal Mine Component Chandgana Tal Coal Project, Khentii Province, Mongolia" with an effective date of July 2012 and a reissue date of February 2014 (the "**Chandgana Tal PEA**");
- (e) "Ulaan Ovoo – Pre-Feasibility Study" dated December 13, 2010 (the "**Ulaan Ovoo Study**"); and

- (f) “Updated Technical Report on the Coal Resources of the Chandgana Khavtgai Coal Resource Area, Khentii Aimag, Mongolia” dated September 28, 2010 (the “**Chandgana Khavtgai Report**”).

Each of the authors of the Technical Reports listed under the heading “*Interests of Experts*” in this Prospectus is a “qualified person” for the purposes of National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“**NI 43-101**”). The Technical Reports have been filed with the Canadian securities regulatory authorities and are available for review at www.sedar.com under the Company’s profile. For a complete description of assumptions, qualifications and procedures associated with the information in the Technical Reports, reference should be made to the full text of those reports.

The Gibellini PEA replaces the technical report entitled “Gibellini Vanadium Project, Nevada, USA, NI 43-101 Technical Report”, effective November 10, 2017 and filed November 20, 2017. The Gibellini PEA is preliminary in nature and includes inferred mineral resources that are too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the Gibellini PEA results will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

CURRENCY AND EXCHANGE RATE INFORMATION

Unless otherwise indicated, all references to “\$”, “C\$” or “dollars” in this short form prospectus refer to Canadian dollars. References to “US\$” in this short form prospectus refer to United States dollars.

The following table sets forth (a) the rate of exchange for the Canadian dollar, expressed in U.S. dollars, in effect at the end of the periods indicated; (b) the average exchange rates for the Canadian dollar, expressed in U.S. dollars, on the last day of each month on which exchange rates are published during such periods; and (c) the high and low exchange rates for the Canadian dollar, expressed in U.S. dollars, during such periods, each based on the rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into U.S. dollars:

	Year Ended December 31,		Quarter Ended September 30,	
	2017	2016	2018	2017
Rate at end of period	C\$1.2545	C\$1.3427	C\$1.2945	C\$1.2977
Average rate of period	C\$1.2986	C\$1.3245	C\$1.3070	C\$1.3449
High for period	C\$1.3743	C\$1.4559	C\$1.3255	C\$1.3743
Low for period	C\$1.2128	C\$1.2536	C\$1.2905	C\$1.2977

The daily exchange rate on November 15, 2018 as reported by the Bank of Canada for the conversion of U.S. dollars into Canadian dollars was US\$1.00 equals C\$1.3202 (the “**Exchange Rate**”).

MARKETING MATERIALS

Any “template version” of any “marketing materials” (as defined in National Instrument 41-101 – *General Prospectus Requirements*) that are utilized by the Underwriter in connection with the Offering are not part of this Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus. Any template version of any other marketing materials filed on SEDAR at www.sedar.com after the date of this Prospectus but before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the marketing materials) is deemed to be incorporated by reference in this short form prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this Prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Tony Wong, Corporate Secretary of Prophecy at Suite 1610, 409 Granville Street, Vancouver, British Columbia, Canada V6C 1T2 (Telephone: (604) 569-3661) and are also available electronically at www.sedar.com.

The following documents of Prophecy filed with the securities commissions or similar authorities in Canada are incorporated by reference in this Prospectus:

- 1) the template version of the marketing materials related to the Offering and filed on November 6, 2018;
- 2) the annual information form dated March 29, 2018 for the fiscal year ended December 31, 2017 (the “AIF”);
- 3) the audited consolidated annual financial statements of Prophecy (including notes thereto), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2017 and December 31, 2016, and the auditor’s report thereon dated March 29, 2018 (the “**Annual Financial Statements**”);
- 4) the management’s discussion and analysis for the fiscal year ended December 31, 2017;
- 5) the unaudited condensed interim consolidated financial statements of Prophecy, which comprise the condensed interim consolidated statement of financial position as at September 30, 2018 and the condensed interim consolidated statements of operations and comprehensive loss for the three and nine month periods ended September 30, 2018 and September 30, 2017 and the condensed interim consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2018 and September 30, 2017;
- 6) the management’s discussion and analysis for the three and nine months ended September 30, 2018;
- 7) the management information circular of the Company dated May 8, 2018 regarding the annual general meeting of shareholders of the Company that was held on June 20, 2018;
- 8) the following material change reports of Prophecy filed since December 31, 2017, the end of the Company’s most recently completed financial year:
 - (i) dated February 15, 2018, announcing the Company’s acquisition of an additional 105 unpatented lode mining claims adjacent to its existing Gibellini Project in Eureka County, Nevada;
 - (ii) dated February 26, 2018, announcing the executive management appointments of Michael Drozd as Vice-President, Operations, John Young as Environmental Permitting Consultant, Danniell Oosterman as Vice-President, Exploration, Bekzod Kasimov as Vice-President, Business Development and Chris Kravits as General Mining Manager on a part-time basis;
 - (iii) dated February 27, 2018, announcing that the Company’s Shares began trading on the OTCQX under the ticker symbol “PRPCF”;
 - (iv) dated May 30, 2018, announcing that the Company is undertaking a non-brokered private placement involving the issuance of up to 934,000 2018 Tranche Units (as defined below) at a price of C\$3.00 per unit;
 - (v) dated June 25, 2018, announcing that the Company received an independent technical report with an effective date of May 29, 2018 titled “Gibellini Vanadium Project Eureka County, Nevada, NI 43-101 Technical Report on Preliminary Economic Assessment” with an effective date of May 29, 2018 prepared by Amec Foster Wheeler E&C Services, Inc. (“AMEC”), a Wood company, on the Company’s Gibellini Project;
 - (vi) dated June 26, 2018, announcing that it has amended the terms of the private placement announced on May 30, 2018 to now involve the issuance of up to 700,000 2018 Tranche Units at a price of C\$2.80 per 2018 Tranche Unit;
 - (vii) dated July 6, 2018, announcing that the Company has closed the first tranche of the C\$1,960,000 non-brokered private placement announced on May 30, 2018 and amended on June 26, 2018;
 - (viii) dated July 9, 2018, announcing that Prophecy has engaged in discussions with advisors regarding spinning off a vanadium royalty and streaming company;
 - (ix) dated July 19, 2018, announcing that the Company intends to split its issued and outstanding Shares on a basis of 10 new Shares for every one old Share outstanding;
 - (x) dated August 14, 2018, announcing the appointment of Daniel Fidock to the board of directors and the closing of the second and final tranche of the non-brokered private placement previously announced on May 30, 2018 and amended on June 26, 2018;
 - (xi) dated October 10, 2018, announcing the appointment of Gerald Panneton as the Company’s President and new Chief Executive Officer, effective October 10, 2018, replacing John Lee, who will remain as Chairman of the Board and the appointment of Gerald Panneton and Louis Dionne to the Board, effective October 10, 2018 to replace Harald Batista and Daniel Fidock; and

- (xii) dated November 1, 2018, announcing that the Company has entered into an agreement with BMO, under which BMO has agreed to buy on a bought deal basis 12,000,000 Shares at a price of C\$0.46 per common Share for gross proceeds of C\$5.52 million.

Any document of the type referred to in Section 11.1 of Form 44-101F1 – *Short Form Prospectus* (excluding confidential material change reports) filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this Prospectus and prior to the termination of the distribution shall be deemed to be incorporated by reference in this Prospectus.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus modifies or supersedes that statement. Any statement so modified or superseded shall not constitute a part of this Prospectus except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

DESCRIPTION OF THE BUSINESS

Prophecy Development Corp. is an exploration and development stage company focusing on the development of its Gibellini vanadium project, the Company's only material property.

In Nevada, we currently hold a 100% interest in the Gibellini Project, which we aim to make the first operating primary vanadium mine in North America. We also own a 100% interest in the Titan vanadium-titanium-iron property located in Ontario, Canada, a 100% interest in the Ulaan Ovoo coal property located in Selenge province, Mongolia and a 100% interest in the Chandgana Tal coal property and Khavtgai Uul coal property located in Khentii province, Mongolia. The Company also holds the land use right and construction license for the Chandgana 600MW Coal-Fired Mine Mouth Power Plant project located in Khenti province, Mongolia.

The Company also holds a mining joint venture interest in the Pulacayo Paca silver-lead-zinc property located in Quijarro province, Bolivia.

Prophecy, in its current form, is primarily the product of an April 2010 business combination between Red Hill Energy Inc. (at the time, TSX.V-RH) and a company formed in 2006, Prophecy Resource Corp. Red Hill Energy Inc. was incorporated on November 6, 1978 under the *Corporations Act* (British Columbia) under the name "Banbury Gold Mines Ltd." Banbury changed its name to "Enerwaste Minerals Corp." on July 3, 1992 and to "Universal Gun-Loc Industries Ltd." on December 17, 1993. On April 24, 2002, Universal Gun-Loc changed its name to "UGL Enterprises Ltd." and to "Red Hill Energy Inc." on May 29, 2006. On May 10, 2005, the Company transitioned under the new (2002) *Business Corporations Act* (British Columbia) which is the corporate law statute as amended, that continues to govern the Company.

On April 16, 2010, the Company (then Red Hill Energy Inc.) changed its name to "Prophecy Resource Corp." in conjunction with the Red Hill Energy Inc. merger. On June 13, 2011, the Company changed its name to "Prophecy Coal Corp." in connection with its amalgamation with Northern Platinum Ltd. and Prophecy Holdings Inc. and an asset spin-off to capitalize the Company's then-controlled affiliate, publicly traded Nickel Creek Platinum Corp. (formerly Wellgreen Platinum Ltd.). On January 5, 2015, the Company changed its name to "Prophecy Development Corp." in connection with an acquisition of assets primarily located in Bolivia and to better reflect its various interests in its current mining and energy projects in the USA, Canada, Bolivia and Mongolia.

On October 19, 2011, the Shares began trading on the TSX under the symbol "PCY". Previous to October 19, 2011, the Shares traded on the TSX Venture Exchange. Prophecy is a reporting issuer in each of the Provinces of British Columbia, Alberta and Ontario.

Prophecy's head and registered offices are located at Suite 1610, 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2. The Company's website is www.prophecydev.com.

RECENT DEVELOPMENTS

Prophecy's Gibellini Vanadium Project

On March 28, 2018, the Company announced that Prophecy's Gibellini vanadium project (the "**Gibellini Project**") will be one of the first projects to undergo National Environmental Policy Act ("**NEPA**") review under Secretary of the Interior Order No. 3355 with the following subject: Streamlining National Environmental Policy Reviews and Implementation of Executive Order 13807 (the "**Order**"). The Order states, as one of its intentions, to "immediately implement certain improvements to NEPA reviews conducted by the Department of the Interior (Department)".

On April 18, 2018, the Company announced that it had signed an agreement with Monitor Ventures Inc. ("**Monitor**") for the right to access and use information related to the Gibellini Project, which was commissioned, compiled and held by Monitor.

On April 23, 2018, the Company announced an amendment to the Gibellini mineral lease agreement dated June 22, 2017 (the "**MLA**"), whereby the Company had been granted an option to, at any time during the term of the MLA, require the current holder to transfer title over all but four of the leased, unpatented lode mining claims to the Company in exchange for US\$1,000,000, to be paid as an advance royalty payment.

On April 30, 2018, the Company announced that it initiated preparations for its exploration and verification drilling program on the Gibellini Project, including a planned total of 4,880 meters of reverse circulation drilling in 64 holes are planned in Gibellini, Louie Hill, Middle Earth, Big Sky and Northeast Regional Prospects.

On May 9, 2018, the Company announced the submission of its Management Plan of Operations for the Gibellini Project to the United States Department of the Interior, Bureau of Land Management, Mount Lewis Field Office and the reclamation permit application to the Nevada Division of Environmental Protection, Bureau of Mining Regulation and Reclamation.

On May 29, 2018, the Company announced results of a preliminary economic assessment study for the Gibellini Project, designed to be an open pit, heap leach operation in Nevada's Battle Mountain region, about 25 miles south of the town of Eureka. The Gibellini PEA reported an after tax cumulative cash flow of US\$601.5 million, an internal rate of return of 50.8%, a net present value of US\$338.3 million at a 7% discount rate and a 1.72 years payback on investment from start-up assuming an average vanadium pentoxide price (V_2O_5) of US\$12.73 per pound. The Gibellini PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability. The Gibellini PEA was prepared by AMEC, part of the Wood Group of companies ("**Wood**").

On July 9, 2018, the Company announced that it was engaged in discussions with advisors regarding spinning off a vanadium royalty and streaming company in order to provide investors with direct participation in vanadium mining royalties, streaming and physical vanadium. Discussions regarding spinning off a vanadium royalty and streaming company have been terminated and the Company is no longer considering any spin off of a vanadium royalty and streaming company.

On August 20, 2018, the Company issued a press release announcing that it had secured water supply for the Gibellini Project's construction and operation. The Company signed a 10-year water lease agreement for surface water with the owner of a private ranch, located approximately 14.5 km from the Gibellini Project.

On October 22, 2018, the Company, Richard A. McKay, Nancy M. Minoletti and Pamela S. Scutt (the latter three parties are collectively referred to as the "**Holder**") entered into a royalty agreement (the "**Royalty Agreement**") that provides for the Company to pay the following royalties to the Holder as an advance royalty: (i) US\$75,000 upon the Company achieving Commercial Production (as defined in the Royalty Agreement) at its Gibellini Project; (ii) US\$50,000 upon the Company selling, conveying, transferring or assigning, or the Company causing any one or more of Vanadium Gibellini Company LLC and VC Exploration (US) Inc. to sell, convey, transfer or assign, all or any portion of the McKay Claims (as defined below) to any third party and (iii) annually upon the anniversary of the effective date of the Mineral Lease Agreement (as defined below), being July 10, 2018 and the like day thereafter during the term of the Royalty Agreement: (a) if the average vanadium pentoxide price per pound as quoted on www.metalbulletin.com (the "**Metal Bulletin**") or another reliable and reputable industry source as agreed by the parties, remains below US\$7.00/lb during the preceding 12 months, US\$12,500; or (b) if the average vanadium pentoxide price per pound as quoted on Metal Bulletin or another reliable and reputable industry source as agreed by the parties, remains equal to or above US\$7.00/lb during the preceding 12 months, US\$2,000 x average vanadium pentoxide price per pound up to a maximum annual advance royalty payment of US\$28,000. Further, the Company will pay to

the Holder a production royalty of 2.5% of the net smelter returns of vanadium produced from the royalty area and sold. Prophecy has an option to purchase 60% of the production royalty from the Holders for US\$1,000,000.

Private Placement Financing

On May 30, 2018, the Company announced a non-brokered private placement involving the issuance of up to 934,000 (pre-share split) units (the “**2018 Tranche Units**”) at a price of C\$3.00 per 2018 Tranche Unit. Each 2018 Tranche Unit consists of one pre-split Share and one pre-split share purchase warrant (each a “**2018 Tranche Warrant**”). Each 2018 Tranche Warrant entitles the holder to purchase one additional one pre-split Share at an exercise price of C\$4.00 for a period of three years from the closing of the first tranche of the placement (the “**Private Placement**”).

On June 26, 2018, the Company announced that it amended the terms of the Private Placement to provide for the issuance of up to 700,000 2018 Tranche Units at a price of C\$2.80 per 2018 Tranche Unit.

On July 6, 2018, the Company announced that it closed the first tranche of the Private Placement. The first tranche of the Private Placement raised gross cash proceeds of C\$1,081,690 through the issuance of 386,318 2018 Tranche Units of Prophecy.

On August 14, 2018, the Company announced that it closed the second and final tranche of its non-brokered private placement previously announced on May 30, 2018 and amended on June 26, 2018. The second and final tranche of the placement raised gross cash proceeds of C\$55,506 through the issuance of 198,237 (post-share split) units (the “**2018 Second Tranche Units**”) of Prophecy to John Lee, the Company’s Executive Chairman, at a price of C\$0.28 per 2018 Second Tranche Unit. Each 2018 Second Tranche Unit is comprised of one Share and one Share purchase warrant (each a “**2018 Second Tranche Warrant**”). Each 2018 Second Tranche Warrant entitles the holder to purchase one additional Share at an exercise price of C\$0.50 for a period of three years from the closing of the second tranche of the Private Placement.

Stock Split

On July 19, 2018, the Company announced, following conditional acceptance by the TSX, and approval by the Company’s shareholders at its Annual General Meeting held on June 20, 2018, that the Company intends to split the issued and outstanding Shares, on the basis of 10 new Shares for every one old Share outstanding and that the Shares would commence trading on an ex-distribution and post-split basis at market opening on August 8, 2018.

Appointment of New Director and President/CEO

On August 14, 2018, the Company announced the appointment of Daniel Fidock as a member of the Board.

On October 10, 2018, the Company announced the appointment of Gerald Panneton as the Company’s President and new Chief Executive Officer, effective October 10, 2018, replacing John Lee, who will remain as Chairman of the Board.

On October 10, 2018, the Company also announced the appointment of Gerald Panneton and Louis Dionne, and the resignations of Harald Batista and Daniel Fidock, as a member of the Board.

Ulaan Ovoo Coal Mine

On October 16, 2018, the Company announced that it has executed a lease agreement (the “**Lease**”) with an arms-length private Mongolian company (the “**Lessee**”) whereby the Lessee plans to perform mining operations at the Company’s Ulaan Ovoo coal mine, and will pay the Company US\$2 (the “**Production Royalty**”) for every tonne of coal shipped from the Ulaan Ovoo site premises. The Lease is valid for 3 years with an annual advance royalty payment (“**ARP**”) for the first year of US\$100,000 due upon signing and which has been paid and US\$150,000 and US\$200,000 due on the 1st and 2nd anniversary of the Lease, respectively. The ARP can be credited towards the US\$2 per tonne Production Royalty payments to be made to the Company as the Lessee starts to sell Ulaan Ovoo coal.

Public Offering

On November 1, 2018, the Company announced that it entered into an agreement with BMO, under which BMO agreed to buy on a bought deal basis 12,000,000 Shares, at a price of C\$0.46 per Share for gross proceeds of approximately C\$5.52 million.

The offering is expected to close on or about November 22, 2018 and is subject to the Company receiving all necessary regulatory approvals.

GIBELLINI PROJECT

On June 25, 2018, Prophecy released the “Gibellini Vanadium Project, Eureka County, Nevada, NI 43-101 Technical Report on Preliminary Economic Assessment”, with an effective date of May 29, 2018 and signed June 25, 2018 authored by Independent Qualified Persons Kirk Hanson, P.E.; Edward J.C. Orbock III, RM SME; Edwin Peralta, P.E.; and Dr. Lynton Gormely, P. Eng. of AMEC and is in accordance with NI 43-101. The Gibellini PEA was filed with Canadian securities regulatory authorities on SEDAR (available at www.sedar.com).

The information contained in this summary has been derived from the Gibellini PEA and is subject to certain assumptions, qualifications and procedures described in the Gibellini PEA, and is qualified in its entirety by the full text of the Gibellini PEA. Reference should be made to the full text of the Gibellini PEA.

Project Description, Location and Access

Location and Means of Access

The Gibellini Project is situated on the east flank of the Fish Creek Range in the Fish Creek Mining District, about 25 miles south of Eureka, Nevada and is accessed by dirt road extending westward from State Route 379.

The 24.5 miles leading to the proposed mine site is Federal, State or County-owned. The road can be paved, improved gravel or two-track dirt. The three miles of road access from County Road M-104 to the mine is a two-track dirt road; however, it can be upgraded to service the mine. This upgraded road would be the principal method of transport for goods and materials in and out of the Gibellini Project.

The climate is typical of the dry basin-and-range conditions of northern Nevada. Exploration is possible year-round, though snow levels in winter and wet conditions in late autumn and in spring can make travel on dirt and gravel roads difficult. It is expected that any future mining operations will be able to be conducted year-round.

Nevada has a long mining history and a large resource of equipment and skilled personnel. Local resources necessary for the exploration and possible future development and operation of the Gibellini Project are located in Eureka. Some resources would likely have to be brought in from the Elko and Ely areas.

A 69 kV power line is located approximately seven miles north of the proposed Gibellini Project location and services Fiore Gold Ltd.’s Pan Mine. Exploration activities have been serviced by diesel generator as required, and this approach is likely to be used on any recommencement of exploration activities.

As at the effective date of the Gibellini PEA, the water supply source for operations has not been determined. For the purposes of the Gibellini PEA, it was assumed that water rights could be leased, and that water could be pumped to the Gibellini Project area from nearby farms and ranches. These farms and ranches are located within 19 miles of the Gibellini Project, and have water available at water flow rates that range from 1,000 to 3,900 gpm, which is likely to be more than sufficient for Gibellini Project needs. Water was sourced from wells for exploration purposes, and this water source remains an option for such future work programs.

Underlying Agreements and Encumbrance

Prophecy holds a 100% interest in the properties by way of a lease agreement and staked claims. Claims are in the name of Prophecy’s indirect, wholly-owned Nevada subsidiaries, VC Exploration (US), Inc. (“**VC Exploration**”) and Vanadium Gibellini Company, LLC (“**Vanadium Gibellini**”).

The Gibellini Project ground holdings include:

- 40 unpatented lode mining claims situated in Eureka County, Nevada. The owner of record is Janelle Dietrich (“**Ms. Dietrich**”) and the unpatented lode mining claims are leased to Prophecy;
- 105 unpatented lode mining claims situated in Eureka County, Nevada. The owner of record is VC Exploration; and

- 209 unpatented lode mining claims situated in Eureka County, Nevada. The owner of record is Vanadium Gibellini.

Wood was supplied with a legal opinion that indicates the annual claim maintenance fees have been paid for the assessment year beginning September 1, 2017 where claims had assessments due. A number of newly staked claims will not have annual claim maintenance fees payable until the assessment year beginning September 1, 2018. There has been no legal survey of the Gibellini Project claims. Under Nevada law, each unpatented claim is marked on the ground, and does not require survey (the “**Legal Opinion**”).

A series of unpatented claims were held by Richard A. McKay, Nancy M. Minoletti, and Pamela S. Scutt (the “**McKay Claims**”). The McKay Claims were the subject of a mineral lease agreement dated July 10, 2017 (the “**Mineral Lease Agreement**”) by and between Richard A. McKay, Nancy M. Minoletti and Pamela S. Scutt (together, the “**McKay Claimants**”) as lessors and Prophecy as lessee (the “**McKay Lease**”). For the assessment year beginning September 1, 2016, the McKay claimants sought a “Small Miner Waiver,” and filed a Small Miner Certification with the US Bureau of Land Management (“**BLM**”) on August 30, 2016. However, the McKay Claimants failed to file the required proof of labor with the BLM by the required date of December 31, 2017 and the BLM declared the McKay Claims to be abandoned and forfeited. As of January 1, 2018, the ground that had been staked as the McKay Claims became open.

On March 11–12, 2018, Vanadium Gibellini located the PCY 300, PCY 301 and PCY 302 and VC Exploration located the VDT 19, VDT 20, VDT 42, VDT 43, VDT 69, VDT 70, VDT 72, VDT 73, VDT 74, VDT 95, VDT 96, VDT 97, VDT 98 and VDT 99 to cover the open ground previously covered by the McKay Claims. The record title to each of the Vanadium Gibellini and VC Exploration claims is current, and in the names of those two companies.

The McKay Lease is not completely clear as to what happens in situations such as this, where the McKay Claimants failed to complete the requirements for the assessment year September 1, 2016 through September 1, 2017, but Prophecy assumed responsibility for maintaining the claims prior to the date such requirements became due. The Legal Opinion notes that it is unclear whether a court interpreting the McKay Lease would conclude that the McKay Claimants abandoned their interest in the lands in question, and therefore have no rights to the claims staked by Prophecy that cover the ground previously held under the McKay Claims, or whether they are entitled to payment of royalties or conveyance of record title to such claims.

Prophecy signed a 10-year term mineral lease agreement (the “**Dietrich Lease**”) on June 22, 2017, with the registered owner, Ms. Dietrich. The lease can be extended for a second 10-year term with appropriate notice given. Extensions of one-year durations can thereafter be undertaken if mining operations are underway on the Dietrich Lease, or if the Dietrich Lease is needed to support mining operations on adjacent lands. The lease comprises 40 unpatented lode mining claims (the “**Dietrich Claims**”). The claims are located within unsurveyed Sections 1, 2 and 3, Township 15 North, Range 52 East, and unsurveyed Sections 26, 34, 35 and 36, Township 16 North, Range 52 East, MDM, Eureka County, Nevada.

The Dietrich Lease contains both an advance royalty and a production royalty. Under the advance royalty provision, Prophecy was required to pay Ms. Dietrich US\$35,000 upon execution of the lease. Thereafter, on the anniversary date of the execution of the lease, Prophecy must pay a sliding scale advance royalty as follows:

- if the average vanadium pentoxide price per pound, as quoted on Metal Bulletin, is below US\$7.00/pound during the preceding 12 months, US\$35,000 during the initial term and US\$50,000 during the additional term; or
- if the average vanadium pentoxide price per pound, as quoted on Metal Bulletin, is equal to or above US\$7.00/pound during the preceding 12 months, US\$10,000 times the average vanadium pentoxide price per pound, up to a maximum of \$120,000 annually.

The advance royalty payments will continue until such time Prophecy begins payment of the production royalty. If the production royalty payable in any one year is less than the advance royalty that would otherwise be paid for that year, then Prophecy will pay the difference between the two amounts. All advance royalty payments, as well as the difference between the advance royalty payment made and the production royalty that would otherwise be due in such year, may be deducted as credits against Prophecy’s future production royalty payments, provided that the credit will not be applied to payment of the difference between the production royalty paid during any year and the advance royalty that would otherwise be payable.

The Dietrich Lease does not specifically set forth what events trigger the payment of the production royalty; the Legal Opinion provided notes that a reasonable interpretation is that payment of such a royalty would be due upon commencement of commercial mining operations. The production royalty requires Prophecy to pay a 2.5% net smelter return until US\$3,000,000 in payments is made. After that milestone is reached, the net smelter return falls to 2%.

Under an Amendment to Mineral Lease Agreement (the “**Amendment to Lease**”), signed on April 18, 2018, Prophecy has the option to require Ms. Dietrich to transfer title over all but four of the unpatented mining claims within the Dietrich Claims at any time in exchange for US\$1 million to be paid as an advance royalty or transfer payment. Prophecy has agreed to pay a federal tax lien against the Dietrich Claims of US\$99,027.22. Should Prophecy exercise the option under the Amendment to Lease, the tax lien payment will be deducted from the transfer payment, and a transfer payment of the remaining US\$900,972.78 will be immediately due when the Dietrich Claims are transferred from Ms. Dietrich to Prophecy.

The proposed Gibellini pit is almost entirely within the Dietrich Claims, and the Dietrich royalty will be payable on production. The advance royalty obligation and production royalty payable are not “affected, reduced or relieved” by the title transfer.

The McKay Lease contained an advance royalty and a production royalty. Under the advance royalty provision, Prophecy was required to pay the owners US\$10,000 upon execution of the lease. Thereafter, on the anniversary date of the execution of the lease, Prophecy must pay a sliding scale advance royalty as follows:

- if the average vanadium pentoxide price per pound, as quoted on Metal Bulletin, is below US\$7.00/pound during the preceding 12 months, US\$12,500 during both the initial term and the additional term; or
- if the average vanadium pentoxide price per pound, as quoted on Metal Bulletin, is equal to or above US\$7.00/pound during the preceding 12 months, US\$2,000 times the average vanadium pentoxide price per pound, up to a maximum of US\$28,000 annually.

The advance royalty payments will continue until such time Prophecy begins payment of the production royalty, provided; however that if the production royalty payable in any year was less than the advance royalty otherwise payable for such year, Prophecy would pay the difference between such amounts to the owners. All advance royalty payments, as well as the difference between the advance royalty payment made and the production royalty that would otherwise be due in such year, could be deducted as credits against Prophecy’s future production royalty payments, provided that the credit was not be applied to payment of the difference between the production royalty paid during any year and the advance royalty that would otherwise be payable.

The McKay Lease does not specifically set forth what events trigger the payment of the production royalty, but the Legal Opinion notes that a reasonable interpretation is that payment of such royalty is due upon commencement of commercial mining operations. The production royalty requires Prophecy to pay a 2.5% net smelter return royalty. Prophecy has an option to purchase 60% of the production royalty from the owners for US\$1,000,000. For the purposes of the financial analysis, it was assumed that advance and production royalties would be payable on the ground holdings that constituted the former McKay claims.

A small portion of the planned Gibellini pit falls within the VDT 43 claim, which was staked in March 2018 over a former McKay Claim. Wood notes that most of the proposed Louie Hill pit is within the staked ground that overlies former McKay Claims.

The Gibellini Project is situated entirely on public lands that are administered by the BLM. No easements or rights of way are required for access over public lands. Rights-of-way would need to be acquired for future infrastructure requirements, such as pipelines and powerlines.

History

Historical Exploration

In 1942, Mr. Louis Gibellini located claims covering the Gibellini manganese–nickel mine (also known as the Niganz manganese–nickel mine) immediately east of the Gibellini deposit. The deposit was intermittently mined until the mid-1950s. Workings at the mine consist of a shaft 37 ft deep, an adit 176 ft long, several shallow pits, and some trenches. Manganese mineralization consists of pyrolusite and dense nodules of psilomelane within Devonian limestone on the footwall of a northeast-trending fault zone. The average grade of the ore produced from the workings was about 9.5% manganese, 2.8% zinc, and 1.22% nickel. A shipment of 95.4 tons of mineralization in 1953 to the Combined Metals Company mill in Castleton, Nevada, reportedly contained 31.6% manganese.

During 1946, the Nevada Bureau of Mines and Geology (“**NBMG**”) completed four core holes at the Gibellini manganese–nickel mine.

In 1956, Union Carbide Corporation (“**Union Carbide**”) discovered vanadium mineralization one mile south of the Gibellini manganese–nickel mine, on what is now known as the Louie Hill prospect. A resource estimate was completed in 1969 (Joralemon, 1969). The Gibellini deposit was discovered shortly thereafter.

The Gibellini deposit was first explored by Siskon Co. in 1960 to 1961. Cheschey & Co. (1960–1963), Terteling & Sons (“**Terteling**”) (1964–1965), and Atlas and TransWorld Resources (“**Atlas**”) (1969) reportedly worked one or both of the deposits during the 1960s (Morgan, 1989). Work during this period included rotary drilling, trenching, mapping and metallurgical testing. Terteling & Sons drilled 33 rotary holes in the Gibellini area and Atlas drilled 77 holes. Cheschey & Co. appear to have drilled several holes in the area, but no information from these holes remain beyond a drill hole location map. The low grade and complex metallurgy of the deposits, together with the low trading price of V₂O₅ at the time (about US\$2.50 per pound) discouraged further development.

In 1972, Noranda Inc. (“**Noranda**”) optioned claims covering the Gibellini and Louie Hill areas. In the same year, metallurgical research on Gibellini drill hole composite samples and mine and market economic studies by the Colorado School of Mines Research Institute (“**CSMRI**”) indicated that the Gibellini deposit was potentially economic. In 1972 and 1973 Noranda drilled 52 rotary and reverse circulation (“**RC**”) drill holes in the Gibellini deposit to provide data for a mineral resource estimate and to provide material for additional metallurgical testing. Five holes were also drilled in the Louie Hill area at this time.

Based upon the drilling results, Noranda completed a resource estimate using polygonal methods. Noranda did not use the assays from the Terteling or Atlas drill holes in their resource estimate. Noranda’s review of previous drilling noted ‘*serious discrepancies in grade and continuity of mineralization between holes*’.

Noranda conducted extensive research into the metallurgy of the Gibellini deposit. They found that acceptable extractions could be achieved by sulphuric acid extraction, but at that time, reagent costs were prohibitive. In 1974, after critical review of the CSMRI work and in-house investigations into the metallurgy of the vanadium ores, Noranda concluded the Gibellini deposit was not economically viable.

Noranda also completed a resource estimate on the Louie Hill prospect but noted that further work was required before an accurate resource estimate could be performed.

Inter-Globe Resources Inc. (“**Inter-Globe**”) picked up the Gibellini Project in 1989 and contracted James Askew Associates (“**JAA**”) to drill 11 vertical RC holes to confirm grades reported in the Noranda, Atlas, and Terteling drilling and to provide material for metallurgical test work. JAA also mapped and sampled nine trenches and pits constructed by previous operators.

Vanadium grades from the Inter-Globe drill holes confirmed the width and grade of the Noranda, Terteling, and Atlas drill holes. There is no evidence that the planned metallurgical testing took place; the report/results were not provided to AMEC.

RMP Resources Corporation (“**RMP**”) acquired the property in March 2006. During 2006, RMP expanded the land position of the Gibellini Project, mapped the surface geology, collected surface and underground geochemical samples, and conducted preliminary metallurgical test work.

RMP commissioned AMEC to review exploration work completed on the Gibellini Project and to develop a mineral resource estimate conforming to CIM Definition Standards for Mineral Resources and Mineral Reserves (2005), as referenced by Canadian National Instrument 43-101. This work was the subject of a technical report completed in April 2007.

Following this initial technical report, RMP completed RC and diamond drilling, and additional metallurgical test work. As a result of encouraging results, RMP commissioned AMEC in 2008 to complete a preliminary assessment (“**2008 PA**”) for the Gibellini deposit. The preliminary assessment indicated that a heap leach operation producing vanadium pentoxide was the most likely processing method.

In January 2011, RMP changed its name to American Vanadium Corp.

A feasibility study was commissioned in late 2010, and completed in 2011 (“**2011 FS**”). The study assumed the following:

- a conventional open pit mine at the Gibellini Project using a truck and shovel fleet; and
- heap leach operation to produce V₂O₅ on site as a bagged product.

No on-ground work has been conducted on the Gibellini Project since 2011. Some additional metallurgical test work was conducted in 2013. Prophecy has completed no exploration or drilling activities since the project acquisition.

Prophecy is not treating either the Mineral Reserves resulting from the 2011 FS or the economic results of that study as current.

There is no modern commercial vanadium production from the Gibellini Project.

Geological Setting, Mineralization and Deposit Type

Regional, Local, and Property Geology

Similarities with the style of mineralization for the Gibellini Project exist in the USGS manganese nodule model, model 33a of Cox and Singer. Vanadium mineralization is thought to be the result of syngenetic and early diagenetic metal concentration in the marine shale rocks.

The Gibellini Project is located on the east flank of the southern part of the Fish Creek Range. The historic limestone-hosted Gibellini manganese-nickel mine and the Gibellini and Louie Hill black-shale hosted vanadium deposits are the most significant deposits in the district and all occur within the Gibellini Project boundary.

The vanadium-host black shale unit ranges from 175 to over 300 ft thick and overlies gray mudstone. The shale has been oxidized to a depth of about 100 ft. The oxidation state is classified as one of three oxide codes: oxidized, transitional, and reduced. Vanadium grade changes across these boundaries. The transitional zone reports the highest average vanadium grades. American Vanadium geologists interpreted this zone to have been upgraded by supergene processes.

Mineralization is tabular, conformable with bedding, and remarkably continuous in grade and thickness between drill holes. In the oxidized zone, complex vanadium oxides occur in fractures in the sedimentary rocks including metaheawettite ($\text{CaV}_6\text{O}_{16}\cdot\text{H}_2\text{O}$), bokite ($\text{KAl}_3\text{Fe}_6\text{V}_{26}\text{O}_{76}\cdot_{30}\text{H}_2\text{O}$), schoderite ($\text{Al}_2\text{PO}_4\text{VO}_4\cdot_8\text{H}_2\text{O}$), and metaschoderite ($\text{Al}_2\text{PO}_4\text{VO}_4\cdot_{6-8}\text{H}_2\text{O}$). In the reduced sediments, vanadium occurs in organic material (kerogen) made up of fine grained, flaky, and stringy organism fragments less than 15 μm in size.

Sampling, Analysis and Data Verification

Legacy Reverse Circulation Sampling

Noranda collected samples continuously over 5 ft intervals in a cyclone collector. Dust loss was reported to be minimal. Samples were split with a Gilson splitter and the rejects were stored for possible metallurgical testing. Color, texture and other diagnostic features were logged. The average weight of 1,138 samples reported by the assay laboratory for Noranda samples was 59 pounds.

Inter-Globe collected one to five pounds of material for assay on 5 ft intervals. Dust lost was minimized by the use of water in drilling. All cuttings were directed from the cyclone into one to three, five-gallon buckets, from which samples for assay and samples for metallurgical tests were collected. Samples were split using a Jones riffle splitter. Metallurgical samples were also collected for each interval. The cyclone and splitter were cleaned manually and with compressed air between intervals.

AMEC evaluated rotary and RC drill holes for evidence of down-hole contamination in the form of asymmetric grade decay down-hole or spikes in grade at cyclical intervals. Analyses revealed evidence of possible down-hole contamination in one Atlas drill hole and one Noranda drill hole below intercepts of greater than 1.0% V_2O_5 , but AMEC concluded that the width and grade of the possible contamination was not significant enough to warrant adjusting grades assigned to the intervals.

Comparison of RC drill holes with nearby rotary drill holes (less than 20 ft collar separation) found that there was no evidence of significant down-hole contamination in the rotary holes.

RMP Reverse Circulation Sampling

Cuttings for each interval were collected in five-gallon buckets and split manually, using a riffle splitter. A split (1/2 of the material from the interval) of the material was bagged for assaying and the remaining material was bagged for archive purposes. Where ground water was encountered, a wet splitter was placed below the cyclone.

A small portion of the cuttings for each interval was retained in a plastic container (RC chip tray) for logging purposes. RC samples were collected in 5 ft intervals.

Sample bags were labeled with sequential sample numbers. Sample bags were transported each day by RMP or drill personnel to the RMP office in Eureka and stored in a secure layout area until ready for dispatch to the assay laboratory. Trucks from ALS Chemex, either from the Winnemucca or Elko sample preparation facilities, picked up samples at the RMP Eureka office.

RMP Core Sampling

Drill core was transported by RMP personnel to the RMP office in Eureka and stacked in a secure layout area. There, core was photographed, logged and prepared for shipment to Dawson Laboratories for metallurgical test work. Selective six-inch intervals were removed and sent to ALS Chemex for determination of specific gravity. These intervals were selected to be representative of the oxidation types encountered during drilling. There is some risk that the intervals selected may be more competent than the remaining drill core and may overestimate the density of the deposit.

Core was sampled on nominal 5 ft intervals, with a minimum of 1 ft and a maximum of 9 ft. The average is 4.5 ft.

Metallurgical Sampling

Trench samples were collected as bulk samples from the field. Drill core for the 2010 metallurgical test work programs was supplied as whole core intervals from selected drill holes. Drill core prior to 2010 used in metallurgical test work was half-core, from selected drill holes.

Density Determinations

A total of 63 core intervals from the 2007 drilling campaign at Gibellini were submitted by RMP for determination of specific gravity. Intervals were selected from four core drill holes so as to be representative of the major oxidation zones. Six-inch intervals of whole core were sent to ALS Chemex in Reno, Nevada for determination of dry bulk density by the wax coated water immersion method (ALS Chemex procedure OA-GRA08a).

Specific gravity values were partitioned by oxidation type and average values were computed. These average values were used to calculate tonnage in the mineral resource model.

AMEC used the oxide density data from Gibellini deposit to define density within the Louie Hill model. Wood recommends that for density at Louie Hill a minimum of 30 density determination be collected per rock type and alteration type and that the samples are spatially representative of the deposit from surface to the base and spread over the lateral extent of the deposit. These data should then be used to define density in the Louie Hill block model.

Analytical and Test Laboratories

The RMP and American Vanadium core and RC samples were analysed by ALS Chemex, a well-established and recognized assay and geochemical analytical services company. The Sparks (Reno) laboratory of ALS Chemex is ISO 9002-registered; the Vancouver laboratory holds ISO17025 accreditation.

Sample Preparation and Analysis, Legacy Drill Programs

NBMG

Manganese, nickel and zinc assays for NBMG drill holes were transcribed by AMEC from graphic drill logs. The original assay certificates are not available from this drill campaign. Neither the assay laboratory name nor the sample preparation or assay methodology is noted on the logs. No evidence of a QA/QC program is noted on the logs either.

Terteling

The V₂O₅ assays for the Terteling drill holes were transcribed by AMEC from typewritten drill logs. The original assay certificates are not available from this drill campaign. Neither the assay laboratory name nor the sample preparation or assay methodology is noted on the logs. No evidence of a QA/QC program is noted on the logs either.

AMEC compared Terteling assays to assays from Inter-Globe drill holes that were within 20 ft of the Terteling drill holes and found the Terteling assays to be consistently biased high. Inter-Globe V₂O₅ assays contained adequate QA/QC controls and are considered to be acceptably accurate and precise and so AMEC considers comparison against Inter-Globe assays to be an acceptable indicator of assay accuracy. For five drill holes compared (15% of campaign), the average grade of Terteling assays from the mineralized intervals were between 29% and 73% higher than the comparable Inter-Globe assays, with an average difference of 43% higher. The mineralized intervals were, on average, 4% shorter for Terteling drill holes.

Atlas

V₂O₅ assays for Atlas drill holes were transcribed by AMEC from typewritten drill logs. The original assay certificates are not available from this drill campaign. Neither the assay laboratory name nor the sample preparation or assay methodology is noted on the logs. No evidence of a QA/QC program is noted on the logs either.

Comparison of Atlas assays to assays from Inter-Globe drill holes that were within 20 ft of the Atlas drill holes indicated that the Atlas assays were comparable. For four drill holes compared (5% of campaign), Atlas assays were between 14% lower to 18% higher than the comparable Inter-Globe assays, with an average difference of 2% lower. The mineralized intervals were also equivalent, with the total length of the Atlas mineralized intervals equal to 1,105 ft and the total length of the Inter-Globe intervals equal to 1,110 ft.

Noranda

V₂O₅ assays for Noranda drill holes NG-1 to NG-10 were performed by Union Assay Office Inc. (“**Union**”) using a direct titration procedure on a 2 g sub-sample. The sample was oxidized with nitric acid and potassium perchlorate, digested with hydrochloric and hydrofluoric acids, then fumed strongly with sulphuric acid. The filtered solution was then oxidized with potassium permanganate solution and reduced by repeated boiling with hydrochloric acid.

Check assays for all samples for these holes were performed by the CSMRI in Golden, Colorado and by Noranda’s in-house laboratory using similar, but slightly different, procedures. AMEC plotted the check assays against the original assays and found that the Union assays are biased marginally (9% to 14%) high compared to CSMRI and Noranda check assays.

Noranda recognized this bias and conducted a study after the initial drill program to determine the source of the bias and to determine the optimum analytical method for V₂O₅. In this study, analytical results for the laboratories were compared on three head-grade samples and three tail-grade samples from the Gibellini deposit. Noranda concluded that the laboratories were reporting essentially equivalent results, but recommended that all samples be fused in sodium peroxide to ensure complete dissolution and oxidation of vanadium prior to analysis. This recommendation was carried out for the remainder of the assaying of Noranda samples.

V₂O₅ assays for Noranda drill holes NG-11 to NG-52 were performed at CSMRI using sodium peroxide fusion and colorimetry as recommended by Dr. Kerbyson of the Noranda Research Centre. Sample preparation procedures are not documented. AMEC attempted to contact CSMRI for more information, but found that CSMRI has been defunct for 20 years and that no information remains from the Noranda assays.

Comparison of Inter-Globe drill holes within 20 ft of Noranda drill holes found the average length and grade of mineralized intervals to be equivalent. The total length of the mineralized intercepts from three Noranda drill holes (6% of campaign) was 370 ft and the average grade was 0.30% V₂O₅, where the total length of the nearby Inter-Globe holes was 385 ft and the average grade was 0.30%.

Inter-Globe

Inter-Globe assayed samples for V₂O₅ at Skyline Laboratories (“**Skyline**”) in Denver, Colorado. The original assay certificates are not available from this drill campaign; however, JAA describes the sample preparation and assay methodology. Approximately five pounds of drill cuttings were dried as necessary, split in a riffle splitter to generate a 150 g sub-sample and pulverized in a ring mill (size and percent passing not noted). A 0.1 g aliquot of the pulverized sample was dissolved in hydrofluoric, nitric and perchloric acids, taken to dryness, diluted in hydrochloric acid, diluted to 5% hydrochloric acid and measured on an inductively coupled argon plasma spectrometer.

About 15% of the samples were assayed in duplicate by Skyline and sent for check assay at Bondar Clegg (“**Bondar**”) in Denver, Colorado. Bondar assayed V₂O₅ by four-acid digestion (hydrofluoric, nitric, perchloric, hydrochloric) on a 0.5 g sample followed by atomic absorption spectrometry.

AMEC contacted Skyline for more information on the assay method used, but was told that no information remains from the Inter-Globe assays.

AMEC plotted Bondar check assays against the Skyline original assays to determine the accuracy of the Skyline V₂O₅ assays and found them to be acceptable. AMEC also plotted Skyline duplicates to determine the precision of the Skyline V₂O₅ assays and found them to be acceptable.

Union Carbide

No information is available to American Vanadium concerning the sample preparation and assaying methods employed for the Union Carbide drill campaign. Assays in V₂O₅ (assumed to be in units of percent) are hand entered into the drill logs opposite the drill interval. Where sample numbers are also noted, no information regarding assay laboratory or assay methodology is present.

RMP and American Vanadium

All 2007–2008 drill samples were submitted to ALS Chemex in Winnemucca or Elko Nevada for sample preparation. Assays were performed at the ALS Chemex laboratories in Reno, Nevada and Vancouver, Canada.

Samples were weighed, dried and crushed to 70% passing 2 mm. A nominal 250 g split was then taken and pulverized to 85% passing 75 µm.

Vanadium was determined by four-acid digestion on a 2.0 g subsample and ICP-AES finish (ALS Chemex procedure code ME-ICP61a). The lower detection limit for vanadium by this method is 10 ppm. An additional 32 elements are reported from this procedure, including zinc. Gold, platinum and palladium were determined by standard fire assay on a 30 g subsample (ALS Chemex code PGM-ICP23). Select samples were assayed for uranium and selenium concentrations by XRF (ALS Chemex procedure code ME-XRF05).

Specific gravity was determined by ALS Chemex on whole core samples using the wax-coated water immersion method (ALS Chemex procedure code OA-GRA08A).

Sample preparation and assaying procedures for the 2010 drill campaigns were unchanged from those used during 2007-2008.

Quality Assurance and Quality Control

Legacy Data in Database

AMEC digitized existing legacy drill hole locations, surveys, logs and assays from paper maps, logs and assay certificates to generate the Gibellini database. AMEC assembled all the data into a series of database tables (collar, survey, lithology, assay and redox) in Access®. Prior to the creation of the Access® database, all drill information was in paper format.

AMEC digitized drill hole collar locations in local grid coordinates for the Terteling, Atlas and Noranda drill campaigns from a 1:1200 scale base map generated by Noranda. The accuracy of these collar locations is estimated to be ±10 ft. Noranda and Inter-Globe drill hole coordinates were taken from the drill logs. Noranda collar locations were compared with the digitized coordinates and where the drill log and digitized coordinates did not agree within 10 ft in easting or northing, the base map was consulted and the digitized coordinates were used (NG-8, NG-9, NG-28, and NG-45). NBMG drill hole coordinates were taken from 1:1,200 scale drill hole location maps. Underground workings at the Gibellini manganese–nickel mine (channel sampled by NBMG) were digitized and entered into the database as ‘pseudo-drill holes’.

Assays for the Terteling and Atlas drill campaigns were entered from typed drill logs; the original assay certificates are no longer available from these campaigns. The assays for the Noranda drill holes were entered from both original assay certificates and drill logs. Assays for NBMG drill holes were entered from original assay certificates.

AMEC entered V₂O₅ assays using a double-data-entry system. Assays were entered into two separate spreadsheets by separate operators. The two data sets were then compared by a third operator and all matching values were entered into the assay table. Assay values not matching were checked against the original certificates or logs, corrected and loaded into the assay database.

Drill logs for the Noranda and Inter-Globe drill holes were evaluated by an AMEC geologist, transcribed into appropriate codes, and loaded into the lithology table. Redox boundaries for all drill holes were interpreted from logs by RMP geologists and loaded into the redox table.

All Noranda and Inter-Globe drill holes were drilled in a vertical orientation and so AMEC entered vertical orientations (azimuth = 0 and inclination = -90) for the collar (0 ft) and total depth positions in the survey table. Terteling and Atlas drill holes were assumed to be vertical and were also given vertical orientations in the survey table. NBMG drill hole orientations were noted on the maps and were digitized by AMEC accordingly. Underground working traces were digitized by AMEC and are approximations at best. Surveying of these workings to give them accurate three-dimensional coordinates relative to other assay information in the area will be required should the information be required to support additional work programs.

AMEC conducted data integrity checks of the Gibellini Project digital database (checking for overlapping intervals, data beyond total depth of hole, unit conversion, etc.) and concludes that the resource database is reasonably error-free and acceptable for use in resource estimation.

AMEC exported separate collar, survey, lithology and assay files for import into MineSight® for subsequent geological modeling and resource estimation.

Inter-Globe V₂O₅ assays were found to be accurate and precise based upon check assays and duplicates included in the QA/QC program for the drill campaign. AMEC considered these assays to be acceptable for use in resource estimation, but because no original assay certificates remain from this campaign, AMEC recommended that blocks affected by Inter-Globe assays be assigned a maximum classification of indicated mineral resources.

Inter-Globe V₂O₅ assays from nearby drill holes provide a check of assay accuracy for the Terteling, Atlas, and Noranda assays. No evidence of a QA/QC program was encountered for the Terteling or Atlas campaigns. No evidence of a QA/QC program was encountered for Noranda drill holes NG-11 to NG-52. Inter-Globe assays are considered accurate and comparing grades in nearby drill holes provides a check of the assay accuracy for these holes.

Terteling V₂O₅ assays were found to be biased high an average of 43% relative to Inter-Globe based upon a comparison of mineralized intervals from nearby holes. AMEC recommended that the Terteling drill holes not be used for resource estimation. Because the Terteling drill pattern is adequately covered by both Atlas and Noranda drilling, the impact of not using these holes is minimal regarding adequate drill spacing throughout the deposit.

Atlas V₂O₅ assays were found to be comparable to Inter-Globe assays based upon a comparison of mineralized intervals from nearby holes. However, because the original certificates are not available, the assay laboratory and analytical method are not known, and drill collars cannot be confirmed, the lower confidence in these data require that resources estimated with the Noranda data be classified as no better than Inferred Mineral Resources. Because the Atlas drill pattern is covered by the Noranda drill pattern through the main resource area, the impact of assessing a lower classification to blocks affected by Atlas holes is mainly on the fringes of the deposit.

Noranda V₂O₅ assays were also found to be comparable to Inter-Globe assays based upon a comparison of mineralized intervals from nearby holes. Noranda drill holes NG-1 to NG-10 were part of several QA/QC programs which showed that, although the original assays were biased marginally high compared to the check assay laboratories, the procedure used likely produced low-biased data compared to the best assay procedure for V₂O₅, which was used for Noranda drill holes NG-11 to NG-52. AMEC considered the Noranda assays acceptable for use in resource estimation, but because of the uncertainty in the assays, AMEC recommended that blocks affected by Noranda assays have a maximum classification of indicated mineral resources.

AMEC collected five samples on the Gibellini vanadium deposit from trenches that were previously sampled by Inter-Globe. One sample was collected from trench #4, two samples were collected from trench #8, and two samples were collected from trench #9. Trench samples were collected as horizontal or vertical channels according to the original sampling method. AMEC was unable to duplicate exactly the Inter-Globe sample locations because the sample markers from the sampling carried out 19 years previously were mostly missing or illegible. Samples were assayed for vanadium by ALS Chemex in Reno, Nevada by a four-acid digestion, ICP determination.

AMEC sampling generally returned V₂O₅ assays of economic grade and in the range expected from Inter-Globe sampling, but the grades are generally lower than Inter-Globe, especially from trench #9. AMEC submitted one standard reference material (“SRM”) sample with the sample submittal that returned an acceptable result and so considers the ALS Chemex V₂O₅ assay values to be accurate.

The trench assays are not part of the mineral resource model and so the uncertainty in the accuracy of these assays poses no risk to the current Mineral Resource estimate. No QA/QC program was reported to have been included in the Inter-Globe trench program. AMEC recommended that confirmation sampling of the trenches be completed prior to any consideration of inclusion of the trench data for mineral resource estimation. No material from drill samples making up the resource database remains, therefore AMEC was unable to independently verify these assays with check assays.

RMP and American Vanadium

SRMs, blanks, and duplicates were inserted by RMP with routine drill samples during the 2007–2008 and 2010 drill programs to control assay accuracy and precision.

Databases

Drill data collected from geological logging were stored in an Access® database. This database was stored on an American Vanadium server in Reno, Nevada. Legacy drill data, in paper format, were stored in the American Vanadium offices at Reno, Nevada.

Geological data from the RMP and American Vanadium programs were collected in Excel® format, and subsequently uploaded to the Access® database. Collar survey data were recorded as part of the geological data. Analytical data were supplied in digital format by ALS Chemex and loaded into the Access® database. Assay certificates were supplied in PDF® format and were stored in American Vanadium’s Reno office.

Sample Security

Sample security procedures for legacy drilling at the Gibellini Project are unknown.

RMP drill samples were transported each day by RMP or drill personnel to the RMP office in Eureka and stored in a secure layout area until ready for dispatch to the assay laboratory. Trucks from ALS Chemex, either from the Winnemucca or Elko sample preparation facilities, picked up samples at the RMP Eureka office. A similar procedure was followed for the 2010 American Vanadium program.

RMP and American Vanadium remaining core, RC reject material, and returned assay pulps were stored in a secure layout area in Eureka at the time the 2011 technical report was compiled.

The qualified person is of the opinion that the quality of the analytical data is sufficiently reliable to support mineral resource estimation as follows:

- Documentation of drilling methods employed by the various legacy operators is sparse. No cuttings, assay rejects, or pulps remain from these drilling campaigns.
- All legacy data in the Gibellini Project resource database were entered by AMEC and accurately represent the source documents.
- No records remain for the drill sampling methods employed by NBMG (core), Terteling (rotary), or Atlas (rotary). Noranda and Inter-Globe collected drill samples on 5 ft intervals.
- RC and core methods sampling employed by RMP and American Vanadium are in line with industry norms. RMP collected RC samples as 5 ft intervals. Core was sampled by RMP and American Vanadium on nominal 5 ft intervals, with a minimum of 1 ft and a maximum of 9 ft.
- Drill sampling has been adequately spaced to first define, then infill, vanadium anomalies to produce prospect-scale and deposit-scale drill data. Drill hole spacing varies with depth. Drill hole spacing increases with depth as the number of holes decrease and holes deviate apart, and is more widely-spaced on the edges of the Gibellini and Louie Hill deposits.
- Sample preparation for samples that support Mineral Resource estimation has followed a similar procedure for the RMP and American Vanadium drill programs.

- For portions of the legacy data, the names of the laboratories that performed the assays are known; however, no information is available as to the credentials of the analytical laboratories used for the drill campaigns prior to the RMP drilling.
- The RMP and American Vanadium core and RC samples were analysed by reputable independent, accredited laboratories using analytical methods appropriate to the vanadium concentration.

Data Verification

AMEC performed two data verification exercises, one in 2008, and a second during 2011, in support of technical reports on the Gibellini Project. The qualified person author of this Gibellini PEA section was personally involved with both data verification exercises.

No additional work has been undertaken on the Gibellini Project since the data verification program undertaken by AMEC qualified persons in 2011. The qualified person author of this Gibellini PEA section has reviewed the data verification undertaken by the AMEC qualified persons, and has performed his own checks on the data, including site visits. He has concluded that the information provided in this Gibellini PEA is suitable for the purposes used.

2008 Verification Program

Legacy Data Review

All legacy data in the Gibellini Project resource database were entered by AMEC and accurately represent the source documents. Data quality of the surveys, assays, and geology were reviewed as follows:

- AMEC was able to locate the mine grid in the field and verify the location of several Inter-Globe drill holes using a Global Positioning System instrument, but was unable to locate the exact location of Terteling, Atlas, and Noranda drill holes.
- All drill holes making up the Gibellini Project resource database are relatively short (98% of holes are less than 350 ft in length) and vertical, and so AMEC does not consider the lack of down-hole surveys to be a significant concern.
- AMEC conducted data integrity checks of the Gibellini Project digital database (checking for overlapping intervals, data beyond total depth of hole, unit conversion, etc.) and concluded that the resource database is reasonably error-free and acceptable for use in mineral resource estimation.
- Inter-Globe V₂O₅ assays were found to be accurate and precise based upon check assays and duplicates included in the QA/QC program for the drill campaign. AMEC considers these assays to be acceptable for use in resource estimation, but because no original assay certificates remain from this campaign, AMEC recommends that blocks affected by Inter-Globe assays be assigned a maximum classification of indicated mineral resources.
- Inter-Globe V₂O₅ assays from nearby drill holes provide a check of assay accuracy for the Terteling, Atlas, and Noranda assays. No evidence of a QA/QC program was encountered for the Terteling or Atlas campaigns. No evidence of a QA/QC program was encountered for Noranda drill holes NG-11 to NG-52. Inter-Globe assays are considered accurate and comparing grades in nearby drill holes provides a check of the assay accuracy for these holes.
- Terteling V₂O₅ assays were found to be biased high an average of 43% relative to Inter-Globe based upon a comparison of mineralized intervals from nearby holes. AMEC recommends that the Terteling drill holes not be used for resource estimation. Because the Terteling drill pattern is adequately covered by both Atlas and Noranda drilling, the impact of not using these holes is minimal regarding adequate drill spacing throughout the deposit.
- Atlas V₂O₅ assays were found to be comparable to Inter-Globe assays based upon a comparison of mineralized intervals from nearby holes. However, because the original certificates are not available, the assay laboratory and analytical method are not known, and drill collars cannot be confirmed, the lower confidence in these data require that resources estimated with the Noranda data be classified as no better than Inferred Mineral Resources. Because the Atlas drill pattern is covered by the Noranda drill pattern through the main Gibellini resource area, the impact of assessing a lower classification to blocks affected by Atlas holes is mainly on the fringes of the deposit.
- Noranda V₂O₅ assays were also found to be comparable to Inter-Globe assays based upon a comparison of mineralized intervals from nearby holes. Noranda drill holes NG-1 to NG-10 were part of several QA/QC programs which showed that, although the original assays were biased marginally high compared to the check

assay laboratories, the procedure used likely produced low-biased data compared to the best assay procedure for V₂O₅, which was used for Noranda drill holes NG-11 to NG-52. AMEC considers the Noranda assays acceptable for use in resource estimation, but because of the uncertainty in the assays, AMEC recommends that blocks affected by Noranda assays have a maximum classification of indicated mineral resources.

- The trench assays are not part of the mineral resource model and so the uncertainty in the accuracy of these assays poses no risk to the mineral resource estimate.
- The quality of the geological logging of drill holes at Gibellini is variable by campaign.
- Redox domain boundaries as interpreted by American Vanadium are acceptable for use in the Mineral Resource model.

RMP Data Review

The fine-grained and diffuse nature of mineralization would favor there being no grade bias caused by poor recovery.

AMEC reviewed the round robin programs performed to generate the recommended values for the SRMs used in the 2007–2008 drill campaigns, and found them to be acceptable. All SRM results fell within acceptable limits and no significant bias was observable in the control charts. In AMEC’s opinion, the accuracy of the 2007 ALS Chemex vanadium assays was acceptable to support Mineral Resource estimates.

A total of four blanks were submitted with 1,125 routine samples for an insertion rate of 0.4%. In AMEC’s opinion, this insertion rate should be increased to the same rate as the SRMs and duplicate samples. Blanks assayed between 80 ppm and 110 ppm, which is significantly above the lower detection limit for vanadium of 10 ppm, but significantly below the anticipated cut-off grade. AMEC recommended that RMP generate a new blank sample consisting of material lower grade in vanadium, with an average grade of less than 10 ppm vanadium.

A total of 23 field duplicates were submitted with 1,125 routine samples for an insertion rate of 2.0%. AMEC calculated the precision for vanadium to be $\pm 24\%$ at the 90th percentile. In AMEC’s opinion, the precision for 2007 ALS Chemex vanadium assays was acceptable to support mineral resource estimates.

AMEC compared drill hole collar elevations to the electronic topography. Five of the 148 drill hole collars showed elevation differences of greater than 10 ft as they relate to topography, which suggested an incorrect location or an error in the topographic base.

2011 Verification Program

QA/Review

A total of 55 SRMs, 30 duplicates, and 25 blanks were submitted with a total of 1,003 project samples during the 2010 drilling at Gibellini and Louie Hill.

AMEC found the insertion rates of the control samples to be low compared to best practice and recommends increasing the rate of SRMs, duplicates, and blanks to 5% each.

RMP used three SRMs from Minerals, Exploration, and Environment Geochemistry located in Washoe Valley, Nevada. The SRMs have a range of grades consistent with what is expected from project samples at Louie Hill. All SRM results for vanadium except four were within 6% of the recommended value of the SRM. AMEC considered the ALS Chemex vanadium data to be acceptably accurate.

Blank samples submitted with the Gibellini Project samples reported values consistent with the grades expected from the material. AMEC considered the blank material to contain too much vanadium to be useful as a blank, and RMP subsequently produced another blank for use with the Gibellini and Louie Hill projects.

Duplicate data show acceptable precision for field duplicates at the 90th percentile. AMEC considered field duplicate data to be acceptably precise if 90% of the duplicate pairs report absolute relative differences (“ARD”) less than 30%. The Louie Hill data reported 13% ARD at the 90th percentile.

RMP submitted a total of 61 pulps from 2010 project samples and submitted them to AMEC in Vancouver, Canada. AMEC compared the AMEC check assays to the original ALS Chemex assays and found them to be comparable. No significant bias

was observed in the check assay data and thus AMEC concluded that the ALS Chemex data are acceptably accurate. No quality control samples were submitted with the batch of pulps submitted to ACME.

AMEC considered the ALS Chemex vanadium assay data for Gibellini and Louie Hill to be acceptably accurate, precise, and free of contamination in the sample preparation process for use in Mineral Resource estimation.

Gibellini Twin Drill Program Review

RMP twinned eight legacy drill holes at Gibellini in order to verify legacy assay results. AMEC tabulated the cumulative relative grade differences between RMP and legacy Noranda and Atlas drill holes by oxidation state. For example, Atlas drill holes within the oxide domain show a total cumulative footage of 305 ft and weighted average $V_2O_5\%$ grade of 0.221. This compares well to RMP twin drill holes totaling 305 ft and a weighted average $V_2O_5\%$ grade of 0.223, a relative difference of +1%. AMEC is of the opinion that relative differences that are generally within +5% confirm the legacy drill results. Relative differences in the 10% range or greater require further investigation, and adjustments to assay grade may be required before use in resource estimation.

AMEC noted two domains with elevated relative differences, Atlas transition at -9% and Noranda reduced at -22% as compared to RMP drill results. All other domains have less than 5% relative differences or just slightly above and no adjustments to the vanadium grades are recommended.

AMEC plotted the Atlas transition domain assay results against RMP drill results on a quintile–quintile plot. AMEC noted that the Atlas transition domain shows different linear trends from 0% V_2O_5 to 0.410% V_2O_5 , from 0.410% V_2O_5 to 0.510% V_2O_5 , and greater than 0.510% V_2O_5 . AMEC recommended that Atlas assays be adjusted as follows:

- From 0% V_2O_5 to 0.409% V_2O_5 – adjusted down by 25%;
- From 0.410% V_2O_5 to 0.510% V_2O_5 – adjusted down by 5%; and
- Greater than 0.510% V_2O_5 – adjusted down up by 15%.

AMEC recommended that additional twin holes to the Atlas drilling be completed to duplicate approximately 10% of legacy drill holes.

AMEC also plotted the Noranda primary domain assays against American Vanadium drill results using a quintile–quintile plot. AMEC recommended that Noranda reduced assays be adjusted downward by 20%.

Louie Hill Twin Drill Program Review

AMEC's comparison of the legacy Union Carbide data to the American Vanadium assay data at Louie Hill found that the Union Carbide assays are biased about 10% high on average. AMEC reduced the V_2O_5 grades for the Union Carbide drilling by 7% prior to resource estimation. Because of the uncertainty in the drilling methods, sample preparation and assay methodology, and the grade bias when compared to the American Vanadium assays, AMEC limited the classification of resource blocks that depend upon the Union Carbide drill holes at Louie Hill to the Inferred Resources category.

The AMEC qualified persons, including the current Gibellini PEA author, considered that a reasonable level of verification had been completed, and that no material issues would have been left unidentified from the programs undertaken. As no additional scientific and technical work has been undertaken on the property since the AMEC audits, the AMEC conclusions are considered by Wood, and the current Gibellini PEA author, to remain valid.

The qualified persons, who participated in, and relies upon this work, has reviewed the appropriate reports, and is of the opinion that the data verification programs undertaken on the data collected from the Gibellini Project adequately support the geological interpretations, the analytical and database quality, and therefore support the use of the data in mineral resource estimation:

- Sample data collected adequately reflect deposit dimensions, true widths of mineralization, and the style of the deposits.
- AMEC completed a database audit in 2008. Conclusions from that audit were that the data were generally acceptable for Mineral Resource estimation.

- Data made available after the 2008 review were audited by AMEC in 2011. Conclusions from that audit were that corrections were required to Noranda and Atlas assay data at Gibellini, and to the Union Carbide assays at Louie Hill. AMEC also recommended as a result of the audit that additional twin holes should be drilled at Gibellini to verify Atlas data.
- Drill data were verified by AMEC and Wood prior to Mineral Resource estimation by running a software program check.

Mineral Processing and Metallurgical Testing

Extensive metallurgical research was carried out by CSMRI, Noranda and Hazen Research from 1972 to 1975 on various aspects of metallurgical test work on Gibellini mineralization. Only the work completed by Noranda was available for review. American Vanadium undertook test work from 2008-2011.

Gibellini Metallurgical Test Work

The Gibellini metallurgical test work spans material obtained by Noranda, to composites sample of core that was accumulated from earlier exploration core drilling, to confirmatory core drilling programs to trench samples leached at coarse sizes, to finally pilot programs where trench samples were taken across the deposit to make a composite of transition and oxide material that has a deposit-type break down of material (~50% oxide/50% transition) from numerous trenches.

The sample testing varied from bottle roll tests, to small diameter columns (approximately six to eight times the diameter to mineralized material size ratio) to large diameter pilot columns. These columns used either single pass solution leaching or continuous solution recycling with batch wise or semi-continuous solvent extraction recovery of vanadium.

Noranda

Three material samples, GI-9583 (oxide), GI-9585 (transition) and GI-9633 (reduced), were taken by Noranda and sent to SGS Lakefield Research Laboratories (“**SGS Lakefield**”) in Canada.

The test samples were prepared by mixing an amount of concentrated sulphuric acid with the material and allowing the material to rest (cure) for 24 hours. A second set of samples was prepared in the same manner, but also had manganese dioxide added to them prior to acid addition.

The cured samples were then added to bottles and sufficient water was added to make a 40% solid slurry. The bottles were rolled for 96 hours.

Head Analysis

The multi-element analysis indicates that there is a slight difference in the samples with GI-9583 having more zinc, aluminum, magnesium and iron than the other two samples. Sample GI-9633 contained more calcium than the other two samples.

XRD analysis identified a vanadium mineral (“**fernandinite**”) in sample GI-9633. XRD analysis also identified mineral species that are in excess of 1%. Since the grade of the samples is low, the lack of identification in the other samples is not unexpected. Other minerals identified were quartz, feldspar, mica, and kaolinite.

Bottle Roll Test Results

The leaching data indicate that GI-9583 behaves differently to GI-9585 and GI-9633. The recovery of this sample was significantly lower than the other samples. The screen analysis showed that all size fractions were leached to a similar extent. The addition of manganese dioxide was probably not required since the recovery was not substantially improved.

Interpretation of Test Results

The data accumulated shows several important factors about the mineralized material:

- The vanadium mineral identified is an oxide mineral.
- The recovery from the coarse material is essentially the same as the fine ground material.

- The material samples do not appear to be the same.
- The amount of acid used may be able to be decreased.

The XRD analysis of the samples identified fernandinite ($\text{CaV}_8\text{O}_{20} \cdot x\text{H}_2\text{O}$). This mineral is a mixture of 4+ and 5+ vanadium ions. The mixed oxidation state indicates that the mineral would require oxidation to form the soluble vanadate ion.

Since the vanadium minerals are at a concentration below the detection limit, the leaching data would have to be used to determine if the mineral species are similar. From this leaching data, it appears that the samples contain the same, or similar, oxide forms of vanadium.

The recovery for each sample was essentially the same for all three size ranges tested. The fractional analysis shows vanadium recovery from all size fractions, indicating that the mineral is liberated even at a coarse size. This information is important since it indicates that heap leaching could be a viable recovery method.

The data also indicated that leaching at a coarser material sizing may be possible. Data also indicate that it would be valid to use a leaching procedure on pulverized samples to predict the amount of soluble vanadium present. This type of method could be used as an exploration tool and as an ore-control method during mining operations.

It is possible that the amount of acid used was more than would be necessary to achieve dissolution of the material. The reduction of acid required to dissolve the vanadium could enhance future project economics since acid usage is about half of the production cost for the vanadium.

2008 Metallurgical Test Work

Mill Feed Material Description

The initial phase of the test program was for Dawson Mineral Laboratories (“**Dawson**”) in Salt Lake City, Utah to take the core samples supplied by American Vanadium (then RMP) and prepare the samples.

Test Results

The initial test work at Dawson was set up to benchmark their procedures with the SGS Lakefield work. The initial work on the same samples as used by SGS Lakefield was to test the effect of acid concentration. These tests showed that the acid concentration could be lowered to 100 kilograms per tonne (200 pounds per short ton) sulphuric acid.

The samples tested at SGS Lakefield were surface samples and the Dawson test samples for the columns were core samples. When the initial bottle roll tests were done at 200 pounds per ton, the recovery was lower than expected. An additional series of tests were done using 300 pounds per ton and the recovery increased to the levels expected.

Based on these data the columns were set up to use 300 pounds per ton sulphuric acid on the oxide and transition samples and 350 pounds per ton on the reduced sample. Additionally, because the reduced sample’s grade was lower than expected, a fourth sample was acquired from sampling another RMP core drill hole.

A bottle roll program was set up to test RC cuttings from around the Gibellini deposit area. This program showed that recovery varied with grade and sample and, at least for bottle roll tests, there was no constant tail relationship.

Two additional tests were performed to determine if increased retention time would affect recovery. The column test data shows higher recovery than the bottle roll test data. Part of the difference is associated with the difference in the assay head and the calculated head of the columns but there also appears to be more overall recovery despite the head differences.

The initial minus half-inch columns (oxide and transition) did not use 25 grams per liter acid solution as the column wash solution and this appears to have slightly affected the recovery to the low side as compared to the minus two-inch columns that used 25 grams per liter throughout the test work.

Columns almost always show higher reagent usage than used in actuality during heap operations as there are issues associated with wall effects in the columns and lower contact time due to lower bulk density.

Since the columns contain the largest samples used, and represent the more rigorous comparison to what would be expected from a heap leach operation, the recoveries derived from the columns are considered to be the most reliable indicator of heap leach recovery.

The difference between the column results and the bottle roll tests (which are usually considered to perform the more complete leaching) may be due to the longer time of contact of the solution and material (bottle roll 96 hours versus column 46 days) or possibly that the bottle roll test may allow a saturation of the vanadium in solution and therefore inhibit further dissolution.

The recovery rates were derived from the column test work. The bottle roll tests were excluded due to the solubility and/or leach duration issues identified, and for oxide and transition material the 2" tests were used because they had the 25 grams per liter solution washing the material throughout the process, while the 1/2" samples used a lower concentration solution initially, which seemed to inhibit dissolution.

During the bottle roll testing, it was noted that the filtration of the samples was very slow. It was postulated that there were clay or silt particles present and that these particles might adversely affect the percolation of the columns.

It was recommended that when the samples were contacted with acid that a polymer be used to agglomerate the fines. Samples of polymers were obtained from Hychem and a screening test was done to determine which polymer would work best.

AE 852 appeared to work the best and the addition rate of 0.5 pounds per ton wash was chosen. No fines migration or plugging were observed during the column tests when the polymer was added to the material prior to being loaded into the columns.

Recommended Additional Work as a Result of the 2008 PA

The 2008 metallurgical testing was done to determine the viability of heap leaching for the Gibellini vanadium material. The previous work indicated the amenability of the Gibellini material to heap leaching; however, the results were not conclusive.

Bottle roll testing does not give a direct relationship to the ability to heap leach. The bottle roll data had as much as 20-30% lower recovery than the column leach data.

One item that might be tested is the longer retention time or lower bottle roll slurry density. The longer time might allow additional leaching to occur. If a lower slurry density was used (30% rather than 40%), this would make sure that all available vanadium minerals would be dissolved (assuming that all possible dissolution of the vanadium was achieved). It was thought that saturation of vanadium may have been reached in the bottle roll test because crystals formed in the column solutions that had to be diluted to be dissolved. Consequently, if vanadium dissolution is a factor, doing additional test work using a lower slurry density in the bottle roll test may help to get the bottle roll and column results more closely correlated.

AMEC recommended that additional column tests be done to determine if the leaching can be done with different polymers at a lower concentration, if lower amounts of acid can be used to obtain the same recovery, if samples from different parts of the deposit will have the same recovery profile as the samples tested in this program, if the material can be leached without polymer addition, and if the material could be run without crushing (run of mine leaching). The run of mine leach would require that the material be delivered to a process area where it could be contacted with the concentrated acid, so it could be cured. The material would have to be minus six inch for proper material handling.

Test work was suggested to prove that a lower-cost method of testing (bottle roll tests) could be used to gather additional information for the deposit. The test work was also recommended to determine if the polymer usage could be decreased and the cost lowered or eliminated. Another purpose of the test work was to determine if lowering the acid added during curing can still provide sufficient leach recover. And finally, the program would be used to determine if one or all the stages of crushing could be eliminated and still maintain recovery.

2011 Test Work

American Vanadium instituted a metallurgical drilling program where six core holes were drilled to obtain samples for metallurgical testing. All test work was performed by McClelland Laboratories ("McClelland"), of Sparks, NV.

Since the 2008 PA samples were taken across the central portion of the deposit in an east-west direction, which is an easily accessible portion of the deposit, drill holes were set up north and south of these previous holes.

Test Samples

The holes were broken down into oxide and transition composites, and a master composite of the various zones was also composited for testing. In addition to the oxide and transition zones, composites were made for the reduced zone. These samples, north zone reduced and south zone reduced, were tested for future consideration and to test a belief that they would exhibit lower recovery with high acid consumption.

The composite material for the column was undertaken to determine if the composited material behaved in a similar manner to the individual composites. The acid consumption was assumed to be 37 kg/t across the oxide and transition materials.

Solvent Extraction Test Work

Solvent extraction scoping testing was done to determine if:

- Di-2-ethyl hexyl phosphoric acid (“**DEHPA**”) or Alamine 336 (tertiary amine) would be superior extractants.
- Maximum vanadium loading of selected organic.
- Isotherm loading curve (McCabe–Thiele) diagrams to determine required stages.
- Substitution of tri-octyl phosphorous oxide with Cytec 923.
- Test the effectiveness of powdered iron, zinc and ascorbic acid as a reducing agent for DEHPA usage.
- Determine the sulfuric acid concentration for optimum stripping of loaded organic.

Column solutions from early-stage leaching were collected and combined to produce a solvent extraction test solution. Due to the potential of producing a limited market product that would contain uranium due to using Alamine 336, it was determined that DEHPA would be the preferred extractant due to the higher selectivity for vanadium. Initial screening tests showed that powdered iron was the best (least expensive), had no gas evolution and the lowest required amount of material to achieve target oxidation reduction potential (“**ORP**”) reductant for the process.

The selected test work design parameters were:

- SX extraction pH range 1.8 to 2.0.
- DEHPA concentration 0.45 M (~17.3% w/w).
- Cytec 923 concentration 0.13 M (~5.4% w/w).
- Orform SX-12 (high purity kerosene as an organic diluent).
- Powdered iron addition 3 to 4 g/L pregnant leach solution (“**PLS**”).
- Strip solution sulfuric acid concentration 225 to 250 g/L.
- Solvent extraction efficiency ~97%.
- Solvent extraction strip efficiency ~98%.

Agglomeration Testing

A series of tests on the north zone oxide and south zone transition composites was performed on material crushed to 100% passing 12.5 mm. Two polymers were tested, HYCHEM AF306, a high molecular weight anionic poly acrylamide (recommended by manufacturer and used in DML testing) and C-492 (a poly vinyl alcohol solution). The samples were acid agglomerated (with 25 kg/t sulfuric acid) and allowed to cure for 24 hours. The testing was done using the McClelland method (jigging) as opposed to the Kappes Cassiday and Associates method, which tests the flow of fluids through a bed of agglomerates that have been saturated with water. Polymer concentrations of 0 to 60 g/t were tested, and partial degradation was seen in all samples, with the least degradation being seen in the 60 g/t concentration. Previous test work used 136 g/t, and it was determined to use this quantity for design requirements. An agglomerated sample (30 g/L sulfuric acid and 0.18 pounds per short ton AF306) was column leached, rinsed and the drained material was sent to the AMEC geotechnical laboratory to do a load permeability test. The material was tested at compressive loads from 0 to 100 ft, and a hydraulic conductivity of 2.99×10^{-4} cm/sec or higher was maintained throughout the testing on the north zone oxide sample and 3.04×10^{-4} cm/sec or higher was maintained on the south zone transition sample. The agglomeration moisture was approximately 10% for the samples.

Test Work Interpretation

The test work of the north zone oxide and the south transition material showed that all of the material (oxide and transition) was amenable to acid agglomerated heap leaching.

The material had a grade from 0.112 to 0.210% vanadium. The recovery ranged from 42 to 60.3% on the coarse sample (-2") and from 41.5 to 62.5% on the minus 1/2" sample. The recovery from this material was close to the expected recovery with the average recovery being approximately 1% higher than expected.

The agglomeration testing indicated that HYCHEM AF306 was a better agglomeration aid than C-492. The leached material maintained acceptable solution conductivity even with a static load equivalent to 100 ft of heap. The agglomeration moisture ranged from 9.2 to 12.4%. The expected agglomeration moisture is 10%.

The solvent extraction work showed that iron powder was an effective reductant and that the optimum pH range to the ORP adjustment was 1.8 to 2.0. The organic makeup for a processing plant should be 0.45 M DEHPA, 0.13 M Cytec 923 and the remainder Orform SX-12. The strip circuit should use 225 to 250 g/L sulfuric acid and use a HCL wash to remove iron.

Pilot Plant 1 and 2 Testing

The 2011 FS recommended that a pilot plant study be done to demonstrate that a locked cycle would not adversely affect recovery due to recycling of impurities and organic from any solvent extraction step. The pilot plant tests were conducted at McClelland in 2012– 2013.

Samples

A series of trenches was excavated and approximately 18 tons of material were sent to McClelland for pilot testing. The material was air dried and stage crushed to 2" where a column sample was cut for 12" columns and then the mineralized material was crushed to - 1/2". A head sample was taken, and material for benchmarking columns and a bottle roll test was also collected. Pilot column 1 contained approximately 4,000 kg of material that was agglomerated with 37 kg/t acid and 0.3 pounds per short ton of HYCHEM AF306.

Head Analysis

Splits from the sample were sent out to five laboratories (including McClelland) for four-acid digestion with an ICP finish.

The head assays were substantially higher than the estimated head grade of 0.160% V in the Mineral Resource estimate; thus, the tests are expected to be more representative of results obtained in an optimized mining plan.

Column Tests

The crushed and agglomerated material was allowed to cure at least one day (sample preparation and agglomeration took two days) prior to loading in the column. The material was loaded into a 36" column. When the column was wetted, the column subsided, causing temporary damage to the irrigation equipment. The drip tubes separated, and the solution was added to only part of the column. This partial wetting of the column caused the initial low recovery seen in the test data.

A total of 199 days of active solution application was done on pilot column 1.

Due to the issues with the solution application, a second pilot column (pilot column 2) was started in a 44" column.

The solution application and material subsidence were closely monitored, and no application issues occurred during this test. Supporting column tests were done on -2" material and -1/2" material in an open circuit to compare with results from the closed circuit. Additionally, a bottle roll test on -75 µm material for four days and 30 days was done to determine if a longer leach time would show recovery closer to the column recovery.

Leaching on the second pilot column was continued for 198 days. The column washing was continued after the resting column drained. The washing was started initially with surging of the column (adding for three to four days and draining for four to five days). A resting period of 53 days followed, and the washing restarted continuously from day 488 until it was completed on the 526th day.

The open circuit columns showed higher recovery than the closed-circuit columns. The 30-day bottle roll showed 6.6% more recovery and was 2% above the average column recovery. It appears that the pulverized sample leached for 30 days, is a better prediction of final recovery than the four-day bottle roll test. The difference in recovery is probably due to removal of vanadium from the matrix by acid leaching over the extended period of time due to apatite or dolomite dissolution.

The pilot plant test used continuous solvent extraction and recycling of the raffinate back to the column. The continuous solvent extraction unit was used on accumulated PLS and run discontinuously to match its capacity to the production rate of PLS. The organic for the solvent extraction was 0.45M DEHPA, 0.13 M Cytec 923 and the remainder was Orform SX-12. The SX was operated on a 1:1 aqueous phase to organic phase (A to O) ratio.

The solvent extraction design appears to require three stages of extraction and three stages of stripping with an HCl wash on the barren organic to remove iron. Due to the potential for iron loading, it is necessary to control the free acid to the range where ferrous (Fe+2) is the predominant iron species and ORP to a point where the vanadyl (VO^{+2} or V^{+4}) is the predominant vanadium species.

The final pregnant strip solution was 6.1% vanadium, 250 g/L sulfuric acid with approximately 2% Fe and Al. The solution oxidized using sodium chlorate (NaClO_3) to convert the V+4 to V+5, then precipitated using ammonia to make ammonium metavanadate (“AMV”). To make a vanadium product for the steel industry, this AMV would be calcined (ammonia driven off) and heated to above 700°C (the fusion temperature of V_2O_5). This fused V_2O_5 would then be cooled on a casting wheel, pulverized and packaged.

Solvent Extraction and Ion Exchange Resin Test Work

The iron and aluminum impurities in the pregnant strip solution make the vanadyl solution unusable as an electrolyte for vanadium flow batteries.

To be able to meet the specifications, American Vanadium researched the potential of using ion exchange resins in conjunction with solvent extraction. Laboratory testing showed that cationic resins would load the vanadium, iron and aluminum while allowing the phosphorous and other anions to pass through. Using an acidic stripping of the resin (10 to 50 g/L sulfuric acid) stripped the metals off into a solution that could have the ORP modified to above 400 millivolts so the Fe^{3+} removal was minimized. DEHPA solvent extraction of this solution allowed preferential capture of vanadium in the organic and the subsequent pregnant strip solution contained decreased amounts of other cations.

The test work started with screening both cationic and anionic resins. It was determined that C-211 (Siemens Water Technology) was the best resin. Initially, ammonia precipitation was done on the resin discharge, but the iron concentration was too high. Additional solvent extraction testing was done on the sample and it was determined that a large-scale test using the pregnant strip solution from pilot plant 1 and 2 would be done.

The resin test work with solvent extraction produced the required reduction of impurities and it was determined that three stages of solvent extraction would produce a vanadium flow battery grade electrolyte. Additional bench scale test work was done with a 500 ml column. This test work included numerous loading, unloading sequences to produce sufficient solution to use solvent extraction shake tests to produce sufficient material to complete the full three phases of solvent extraction recovery. The resultant final strip solution met or exceeded (Fe was <10 ppm) the Gildemeister specifications.

With these data in hand, a large-scale test was set up using the pregnant strip solution from pilot plant 1 and 2. The strip solution was loaded onto the resin and stripped off using a load cycle (1.75 L) of pregnant strip solution, followed by two volumes of 20 g/l H_2SO_4 stripping, followed by a single volume deionized water wash, then the cycle was repeated. The solution was loaded in 13 cycles (a total of about 23 L of pregnant strip solution) and the subsequent (two acid washes plus water wash) solution collected and the solution free acid diluted to between 20 and 25 g/L sulfuric acid. The resulting solution was just over 100 L. This solution was then run through a solvent extraction system with 0.45 DEHPA, 0.13 Cytec 923, and the remainder SX-12.

The loaded organic was stripped using a solution with between 225 to 250 g/L sulfuric acid. Unfortunately, the ORP of this phase and the next phase was not measured and modified as is the norm with the PLS SX system. What occurred was that the SX did recover vanadium and rejected most other cations except iron, which was in the ferric form and loaded along with the vanadium. In three stages of extraction only 46% of the vanadium was recovered and even though the iron content was reduced, the reduction was not sufficient to meet electrolyte specifications. When data were finally available, it was noted that the ORP of the resin column solution was over 600 millivolts.

The final solvent extraction was run with the solution ORP being modified with SO_2 (in the form of sodium metabisulfite, NaHSO_3). This extraction showed 97% extraction and a similar level of stripping as was anticipated. The organic make-up for phase 2 and phase 3 was 0.75 M DEHPA, 0.20 M Cytec 923 with the remainder SX-12.

It is anticipated when the next phase of pilot column work is done, that the electrolyte purification may only take one or possibly two stages of solvent extraction to produce an electrolyte-grade solution. The strip circuit also contained a 10% HCl wash stage used to remove iron from the stripped organic.

In addition to running the solvent extraction recovery during a future pilot testing stage, work would be undertaken for chemical grade V_2O_5 production by oxidation of the solution using $NaClO_3$. This oxidized solution would then be treated with NH_4OH (in the plant with anhydrous ammonia), heat and time to produce AMV. The AMV would then be dried and calcined to remove the ammonia and produce a non-fused V_2O_5 powder. Another product to be produced during this test phase would be vanadyl sulfate crystals. It is well known that 6% vanadyl sulfate solution will crystallize if the solution temperature is dropped to $0^\circ C$ ($32^\circ F$). This product would be screened and dried for study of the impurities and re-dissolution properties.

American Vanadium patented this electrolyte purification process.

Vanadyl Sulfate Production

Vanadyl sulfate was formed from the dissolution of chemical grade V_2O_5 , sulfuric acid and SO_2 gas placed in an electrowinning cell where it was converted to V^{+3} from V^{+4} .

This conversion was done to test the conversion of a vanadyl sulfate solution, which will be produced directly in the solvent extraction circuit. The conversion was done in an electrowinning cell that had two graphite electrodes and two compartments were separated by a membrane (Nafion N438) that allowed electrons to pass. The electricity was supplied by a battery charger.

The solution color changed from a deep blue solution to a solution that was emerald green (this is an indication of conversion from V^{+4} to V^{+3}). The unit was operated at 12 volts direct current at about 11 amps. It took 16 hours to convert the V^{+4} to V^{+3} , which was close to the time it was calculated to convert 10 L of 5.9% V solution (1.15 M).

Additional Work Requirements

Due to operating and environmental requirements, additional pilot tests should be undertaken. These tests will differ from the original pilot tests.

Pilot column 3 should be operated to generate the gypsum precipitate that is expected to be produced when lime is used to bring the SX feed range to a pH of between 1.8 to 2.2. Additionally, SO_2 should be used as a reductant substituting for the powdered iron used previously. The gypsum precipitate formed during the operation of column 3 should be used in the agglomeration of an additional column, pilot column 4, as the return of the gypsum formed in the pH modification should be filtered and sent to the agglomeration to be combined with the mineralized material being agglomerated.

Pilot column 4 should also use lime and SO_2 . The solvent extraction for columns 3 and 4 should be run in the same manner as pilot columns 1 and 2. The vanadium recovered should be tested for production of V_2O_5 , as well as added value products such as vanadyl sulfate crystals, V_2O_3 and V^{+3}/V^{+4} electrolyte. These pilot columns should be used to produce solution for end-product testing and to demonstrate the present flow sheet, which will differ from the flow sheet tested in pilot columns 1 and 2. Pilot columns 3 and 4 should also test the use of anionic resin to remove uranium from the raffinate.

Interpretation of Metallurgical Testing Programs

The samples tested represent the deposit material as they are from a variety of locations across the deposit. Some of the testing has been done on surface samples and some tests were done on size ranges that are not the present process design.

The various metallurgical test work programs have shown consistent recovery of the various mineralized material types with the variation being tied mostly to the grade and the time the sample has been leached.

A grade recovery curve was developed using the equation: $Recovery\% = (Grade (\% V) \times 187.21) + 16.8$.

There were 25 data points included from the various tests and when the actual test recovery versus the projected recovery was compared, 47% of the actual recoveries were above the projected recovery. Since these samples represent a mixed sampling of parameters, that is, that samples with 1/4" size (three samples), 3/8" (four samples) and 3/4" (five samples) were included with the 1/2" column test samples, the variation seen is reasonable. When the other size range samples were removed from the data set and only 1/2" material tests were used, the recovery curve equation is:

$$\text{Recovery} = (\text{Grade}(\%V) \times 148.18) + 26.92$$

The recovery is consistent from surface to subsurface sample, from the north, center or south of the deposit and appears to back up the consistency seen geologically when the grade is modeled. The recoveries obtained on the small scale and the large scale agree as well as the recovery determined by the three various metallurgical laboratories.

The pilot column test work shows that DEHPA/Cytec 923 extraction and recovery works well with about 97% extraction recovery and 99% stripping recovery. Vanadium in strip solution grades can be brought up to 6.0% V or higher (crystallization did occur if recycling was allowed to go too high).

Use of ion exchange and solvent extraction to purify vanadyl solution produced in the solvent extraction circuit has been shown to be feasible. Precipitation of vanadium from an oxidized solvent extraction strip solution with ammonia was shown to be feasible, so that V₂O₅ production is possible.

Recovery Estimates

No Gibellini samples showed anomalously low recovery, while the pilot columns (mixture of oxide and transition material) showed almost exactly the predicted recovery of 71.38% (average pilot column grade 0.300% V and 71.30% average recovery).

Therefore, an average recovery of 60% for oxide, 70% for transition, and 52% for reduced material is supportable for the Gibellini deposit, and the recoveries can be considered to be conservative.

Metallurgical Variability

When the various samples are viewed as a whole, the Gibellini deposit-wide coverage is good, with only the extreme north and south side of the pit missing samples. In general, since the recovery versus grade line has such good correlation and the samples represented in this graph are from trench and core samples, it is considered the deposit is well represented by the various samples. The RC samples indicate that the material represented by the RC holes is leachable to the same extent as the core and trench samples. These samples show lower recovery, but since only bottle roll tests of relatively short duration were done, the lower recovery is expected.

Louie Hill

Screening testwork was performed by McClelland in 2013 on Louie Hill material. Three column tests (oxide, transition, and reduced) were performed on mineralized material composites from Louie Hill. The composite samples were collected from previously-drilled core holes. The grade of the composites was lower than similar composites from Gibellini, and the acid consumption for the Louie Hill composites was higher than seen from Gibellini composites.

Overall recovery indications for Louie Hill were 65.8% for oxide and 60.5% for transition material based on column test head results. Acid consumptions were 100 kg/t for oxide and 114 kg/t for transition.

Due to the limited test work at Louie Hill, the recoveries and acid consumption from the more comprehensive Gibellini test program are adopted for Louie Hill.

Additional metallurgical testwork will be required in support of more detailed deposit evaluations.

Deleterious Elements

The acid leaching did not mobilize any elements during leach that would be deleterious to the solvent extraction recovery.

The major elements mobilized were aluminium, phosphorus and iron. Of these, iron loads at the pH and Eh conditions associated with solvent extraction and iron may be used as a reductant to reduce vanadate (leached species) to vanadyl (extracted species). An HCl wash may need to be included in any future process to eliminate iron build-up on the recirculating organic phase.

The reagent suite selected for solvent extraction is designed to exclude uranium if any should be mobilized in the leaching reactions.

Comments

In the opinion of the qualified person, the following conclusions are appropriate:

- Metallurgical test work and associated analytical procedures were performed by recognized testing facilities, and the tests performed were appropriate to the mineralization type.
- Samples selected for testing were representative of the various types and styles of mineralization at the Gibellini deposit. Samples were selected from a range of depths within the deposit. Sufficient samples were taken to ensure that tests were performed on sufficient sample mass.
- The process recovery for the 2011 column test work showed a slow ascending trend of between 0.1% and 0.4% per day, which was consistent with the trend seen in the 2008 column test work.
- Metallurgical parameters appropriate for use in the current Gibellini PEA are:
 - Gibellini and Louie Hill recovery: 60% for oxide, 70% for transition, and 52% for reduced; and
 - Gibellini and Louie Hill acid consumption: 80 lb/st.
- Recoveries may increase beyond the above levels if extended duration leaching results from additional washing or leaching by solutions percolating from subsequent lifts.
- The acid leaching did not mobilize any elements during leach that would be deleterious to the solvent extraction recovery predictions.
- As production starts, the reduced material testing should be reviewed, and additional work done to see if better recovery for the material is possible.
- As production starts, a sampling and testing program for the Louie Hill deposit is advisable to bring the level of understanding of this material to the same level as for Gibellini.

Wood notes that commercial heap leaching and SX recovery of vanadium ores has not been done before; nonetheless, heap leaching and SX recovery are common technologies in the mining industry. The most notable examples are the multiple copper heap leach projects that use an acid-leach solution to mobilize the metal followed by recovery in a SX plant, which is then followed by electro-winning. The Gibellini process would apply similar acid heap leaching and SX technology to recover vanadium. However, instead of electro-winning, the future Gibellini process would use an acid strip followed by precipitation to produce a final product.

During the course of the 2011 test work, American Vanadium identified a calcium boundary at 2.5% calcium. Calcium content may affect acid consumption in heap leaching. American Vanadium contoured this shape and identified that none of the metallurgical holes penetrated it; consequently, the met columns are in relatively benign material. American Vanadium also noted that the 2.5% calcium contour extends into the base of the transition mill feed material, in particular in the south-central portion of the deposit. This is a potential project risk to be considered in any future development plan, due to the elevated calcium levels and likely elevated acid consumption for this material.

Mineral Resource Estimates

Two mineral resource estimates were performed, one at Gibellini and the second at Louie Hill. The qualified person personally undertook the Gibellini Mineral Resource estimate, and reviewed the estimate for Louie Hill that was performed by Mr. Mark Hertel, RM SME (a Principal Geologist at AMEC at the time the Louie Hill estimate was performed), and takes responsibility for that estimate.

Gibellini

Basis of Estimate

A total of 43,785 ft of drilling in 195 drill holes by four operators, Atlas, Noranda, Inter-Globe and RMP were available for geological domain modeling. A sub-set of this database totaling 39,384 ft of drilling, in 174 drill holes, was available for resource estimation.

Twenty-one drill holes totaling 5,201 ft were drilled for metallurgical, geotechnical and condemnation studies and were not used in grade estimation. The twenty-one drill holes consist of 11 core holes for metallurgical testing totaling 2,801 ft, four oriented core holes for geotechnical studies totaling 1,000 ft, and six RC condemnation drill holes totaling 1,400 ft.

Thirty-three rotary drill holes total 5,695 ft from a fifth operator, Terteling, were excluded from this study due to a high-grade bias. There is sufficient drill hole coverage from the other operators to compensate for not using the Terteling drill hole assays.

Twin drilling analysis performed by AMEC indicates that Atlas assays within the transition domain and Noranda assays within the reduced domain should be down-graded.

A three-dimensional MineSight® block model was created to estimate the V₂O₅% resource. The model is rotated 326°. Topography was loaded into the model and blocks were coded. Block size was 25 ft x 25 ft x 20 ft.

Geological Models

Geological models were developed by American Vanadium geologists, and included oxidation domains and a grade envelope. Assays were composited along the trace of the drill hole to 10 ft fixed lengths at Gibellini; oxidation boundaries were treated as hard during composite construction.

Density Assignment

Tonnage factors were calculated from specific gravity measurements and assigned to the blocks based on oxidation domain.

Grade Capping/Outlier Restrictions

Capping limits for Gibellini were investigated using a Monte-Carlo risk simulation methodology in the 2008 PA which showed the suggested capping levels were not much higher than the mean grades. The assay distribution, at a cut-off grade above 0.1% V₂O₅, displays a normal distribution, is not heavily skewed, and lacks a long grade tail. Monte-Carlo risk simulation would be more appropriate for skewed distributions.

Using all assays above 0.05% V₂O₅, the 90–100 decile shows a total metal content of 6.6%. The 99–100th percentile show a total metal content of 1.3%. This suggests that capping is not warranted. AMEC did not cap assays, but capped three high-grade composites greater than 1.5% V₂O₅ to 1.5% V₂O₅. AMEC allowed all composites to interpolate grade out to 110 ft and capped composites greater than 1% V₂O₅ to 1% V₂O₅ beyond 110 ft.

Comparing an uncapped and unrestricted kriged model to the capped and outlier restricted kriged model, indicate that approximately 0.2% of the metal has been removed.

Estimation/Interpolation Methods

Within Grade Shells

Only composites from RMP, Noranda, Inter-Globe, and Atlas were used for grade interpolation at Gibellini. Hard contacts were maintained between oxidation domains: oxide blocks were estimated using oxide composites; transition blocks were estimated using transition composites; and reduced blocks were estimated using reduced composites. A range restriction of 110 ft was placed on composites with grades greater than 1% V₂O₅ for each of the domains.

Ordinary kriging was used to estimate vanadium grade into blocks previously tagged as being within the 0.05% V₂O₅ grade domain solid. Two kriging passes were employed to interpolate blocks with vanadium grades.

A larger first pass interpolation required a minimum of eight composites, a maximum of 12 composites and no more than four composites per drill hole. A second pass using a smaller search distance was allowed to overwrite the first pass but required a minimum of eight composites, a maximum of 16 composites, and no more than four composites per drill hole. Passes one and two used a quadrant search with a maximum number of four composites per quadrant.

Outside of Grade Shells

AMEC interpolated blocks for grade that were outside of the grade shell using only composites external to the 0.05% V₂O₅ grade shell. These composites generally contain values of less than 0.05% V₂O₅. Mine block tabulation indicates that there were no oxide or transition blocks above the resource cut-off grades and only 2,645 Inferred tons of reduced material above a cut-off grade of 0.088% V₂O₅ averaging 0.120% V₂O₅ were interpolated.

Block Model Validation

No potential biases were noted in the model from the validations performed.

Classification of Mineral Resources

AMEC calculated the confidence limits for determining appropriate drill hole spacing for measured and indicated mineral resources. The statistical criterion used by AMEC for Measured Mineral Resource is that a quarterly production (0.75 Mt) should be known to at least within $\pm 15\%$ with 90% confidence. A drill hole grid spacing of 110 ft gives a 90% confidence interval of $\pm 6\%$ on a quarterly basis.

Mineral Resources were classified as Measured when a block is located within 85 ft to the nearest composite and two additional composites from two drill holes are within 120 ft. Drill hole spacing for Measured Mineral Resources would broadly correspond to a 110 x 110 ft grid.

The statistical criterion used by AMEC for indicated mineral resources is that a yearly production (3 Mt) should be known to at least within $\pm 15\%$ with 90% confidence. A drill hole grid spacing of 220 ft gives a 90% confidence interval of $\pm 6\%$ on an annual basis. Mineral Resources were classified as indicated when a block is located within 170 ft to the nearest composite and one additional composite from another drill hole is within 240 ft. Drill hole spacing for indicated mineral resources would broadly correspond to a 220 x 220 ft grid.

Visual checks on cross section and plan show good geological and grade continuity at this distance. However, tighter drill grid spacing may be required to define high grade zones, mill feed material and waste contacts, structural offsets, and to define final pit limits. AMEC recommended that a maximum drill grid spacing of less than 220 ft be maintained for indicated mineral resources.

AMEC was of the opinion that continuity of geology and grade is adequately known for measured and indicated mineral resources for grade interpolation purposes.

Classification of Inferred Mineral Resources required a composite within 300 ft from the block.

AMEC determined the extent of resources that might have reasonable prospects for eventual economic extraction by applying a Lerchs–Grossmann (“LG”) pit outline to the block model. Wood reviewed these factors for reasonable prospects for eventual economic extraction, using the 2014 CIM Definition Standards, and updated the assumptions as required.

Louie Hill

Geological Models

Geological models were developed by American Vanadium geologists as a grade envelope that differentiated mineralized from non-mineralized material.

Composites

Assays from Louie Hill were composited down-the-hole to 20 ft fixed lengths; no oxidation boundaries were interpreted, and the composite boundaries were treated as “hard” between mineralized and non-mineralized domains.

Exploratory Data Analysis

AMEC coded the Louie Hill composites as mineralized if they were within the mineralized envelope, and as non-mineralized if outside of the mineralized envelope. The envelope was defined by American Vanadium and supported by AMEC probability plot data.

Using all composite data, the probability plot shows two distinct domains, a mineralized domain and a non-mineralized domain, split at 0.2% V_2O_5 . AMEC coded the composites for the two domains and ran the probability plots by domain. Back tagging the mineralization code from the blocks to the composites appropriately separated the two domains. A hard boundary was used to separate the domains.

Box plots show two populations with low coefficients of variation (“CV”) calculated as standard deviation/mean of 0.57 for mineralized and 0.757 for non-mineralized. The low CV values indicate that estimating the block grades for the two domains should not be problematic.

Density Assignment

As no density measurements have been completed to date on mineralization from Louie Hill, the Gibellini data were used in the Louie Hill estimate. No grade capping was employed for Louie Hill.

Variography, using correlograms, was performed to establish anisotropy ellipsoids and the nugget value.

Estimation/Interpolation Methods

Ordinary kriging was used to estimate V₂O₅% grades into blocks domain tagged as mineralized and non-mineralized. Hard contacts were maintained between the domains. A range restriction of 200 ft was placed on grades greater than 0.15% V₂O₅, for blocks within the non-mineralized domain. The range restriction was only used for blocks outside of the mineralized domain. Blocks within the non-mineralized domain were not considered as having resource potential; hence no metal was lost in the resource due to the 200 ft range restriction. The sparse mineralization found within the non-mineralized domain does not have the continuity required for resource classification.

Two kriging passes were employed to interpolate grades into the mineralized domain blocks. Blocks that contained both percentages of mineralized and non-mineralized material were weight averaged for a whole block V₂O₅ percentage grade.

For the mineralized domain a less restrictive first pass interpolation required a minimum of three composites, a maximum of twelve composites and no more than three composites per drill hole. A second pass was allowed to overwrite the first pass but required a minimum of four composites, a maximum of twelve composites, and no more than three composites per drill hole. The first pass used search distances of 2,000 ft along the long axis, 410 ft along the short axis, and 200 ft along the vertical axis. The second pass restricted the search to 1,500 ft, 310 ft, and 150 ft, for the long, short, and vertical axis respectively.

Block Model Validation

No potential biases were noted in the model from the validations performed.

Classification of Mineral Resources

Because of the uncertainty in the drilling methods, sample preparation, assay methodology, and the slight grade bias of the Union Carbide assays as compared to the American Vanadium assays, AMEC limited the classification of resource blocks to the Inferred Resources category.

Additional infill, deeper, and step-out drilling is recommended at Louie Hill to test for possible higher-grade transition zone below the oxide domain, contacts between mineralization and waste, location of structural offsets, and further twin sampling of Union Carbide drill holes. When additional drill data is available, AMEC recommended that a drill hole spacing study be completed that applies confidence limits for calculation of drill spacing required for measured and indicated mineral resource confidence classifications.

As with the Gibellini estimate, AMEC determined the extent of resources that might have reasonable prospects for eventual economic extraction by applying an LG pit outline to the block model. Wood reviewed these factors for reasonable prospects for eventual economic extraction, using the 2014 CIM Definition Standards, and updated the assumptions as required.

Reasonable Prospects for Eventual Economic Extraction

Mineralization was confined within an LG pit outlines that used the following key assumptions, where applicable:

- Mineral Resource V₂O₅ price: US\$14.64/lb;
- Mining cost: US\$2.21/ton mined;
- Process cost: US\$13.62/ton processed;
- General and administrative cost: US\$0.99/ton processed;
- Metallurgical recovery assumptions: 60% for oxide material, 70% for transition material and 52% for reduced material;

- Tonnage factors: 16.86 ft³/ton for oxide material, 16.35 ft³/ton for transition material and 14.18 ft³/ton for reduced material;
- Royalty: 2.5% NSR; and
- Shipping and conversion costs: US\$0.37/lb V₂O₅.

For the purposes of the resource estimates in this Gibellini PEA, an overall 40° pit slope angle was used.

Mineral Resource Statement

Mr. Edward J.C. Orbock III, a Wood employee, and an SME Registered Member, is the qualified person for the Mineral Resource estimates. The estimates have an effective date of May 29, 2018.

Mineral resources for Gibellini are included as Table 1, whereas the mineral resources for Louie Hill are included as Table 2. Mineral resources at Gibellini are stated using cut-off grades appropriate to the oxidation state of the mineralization. Oxidation domains were not modeled for Louie Hill.

Wood performed a sensitivity analysis to assess the impact of variation in V₂O₅ price on the estimate. Gibellini measured and indicated mineral resources are relatively insensitive to V₂O₅ price with regards to tons and grades. Very few tons (8.7%) are lost between base case and base case -39%, and grades are slightly higher (5.3%). For inferred material, the vanadium price does have a large impact on tons and grade, due to most of inferred being reduced material. As vanadium price drops, cut-off grades increase, and previously economic material is reclassified as waste.

A similar sensitivity was performed for the Louie Hill estimate. Louie Hill also shows some insensitivity to metal price with regards to tons and grade.

Table 1: Mineral Resource Statement, Gibellini

Confidence Category	Domain	Cut-off V₂O₅ (%)	Tons (Mt)	Grade V₂O₅ (%)	Contained V₂O₅ (Mlb)
Measured	Oxide	0.101	3.96	0.251	19.87
	Transition	0.086	3.98	0.377	29.98
Indicated	Oxide	0.101	7.83	0.222	34.76
	Transition	0.086	7.19	0.325	46.73
Total Measured and Indicated			22.95	0.286	131.34
Inferred	Oxide	0.101	0.16	0.170	0.55
	Transition	0.086	0.01	0.180	0.03
	Reduced	0.116	14.80	0.175	51.72
Total Inferred			14.97	0.175	52.30

Notes to accompany Mineral Resource table for Gibellini:

1. The Qualified Person for the estimate is Mr. E.J.C. Orbock III, RM SME, a Wood employee. The mineral resources have an effective date of May 29, 2018.
2. mineral resources are not mineral reserves and do not have demonstrated economic viability.
3. Mineral resources are reported at various cut-off grades for oxide, transition, and reduced material.
4. Mineral resources are reported within a conceptual pit shell that uses the following assumptions: mineral resource V₂O₅ price: US\$14.64/lb; mining cost: US\$2.21/ton mined; process cost: US\$13.62/ton; general and administrative cost: US\$0.99/ton processed; metallurgical recovery assumptions of 60% for oxide material, 70% for transition material and 52% for reduced material; tonnage factors of 16.86 ft³/ton for oxide material, 16.35 ft³/ton for transition material and 14.18 ft³/ton for reduced material; royalty: 2.5% net smelter return; shipping and conversion costs: US\$0.37/lb. An overall 40° pit slope angle assumption was used.

5. Rounding as required by reporting guidelines may result in apparent summation differences between tons, grade and contained metal content. Tonnage and grade measurements are in US units. Grades are reported in percentages.

Table 2: Mineral Resource Statement, Louie Hill

Confidence Category	Cut-off V₂O₅ (%)	Tons (Mt)	Grade V₂O₅ (%)	Contained V₂O₅ (Mlb)
Inferred	0.101	7.52	0.276	41.49

Notes to accompany Mineral Resource table for Louie Hill:

1. The qualified person for the estimate is Mr. E.J.C. Orbock III, RM SME, a Wood employee. The Mineral Resources have an effective date of 29 May 2018. The resource model was prepared by Mr. Mark Hertel, RM SME.
2. Mineral resources are not mineral reserves and do not have demonstrated economic viability.
3. Oxidation state was not modeled.
4. Mineral resources are reported within a conceptual pit shell that uses the following assumptions: mineral resource V₂O₅ price: US\$14.64/lb; mining cost: US\$2.21/ton mined; process cost: US\$13.62/ton; general and administrative cost: US\$0.99/ton processed; metallurgical recovery assumptions of 60% for mineralized material; tonnage factors of 16.86 ft³/ton for mineralized material, royalty: 2.5% net smelter return; shipping and conversion costs: US\$0.37/lb. For the purposes of the resource estimate, an overall 40° slope angle assumption was used.
5. Rounding as required by reporting guidelines may result in apparent summation differences between tons, grade and contained metal content. Tonnage and grade measurements are in US units. Grades are reported in percentages.

Factors That May Affect the Mineral Resource Estimates

Factors which may affect the conceptual pit shells used to constrain the Mineral Resources, and therefore the Mineral Resource estimates include changes to the following assumptions and parameters:

- Commodity price assumptions;
- Metallurgical recovery assumptions;
- Pit slope angles used to constrain the estimates;
- Assignment of oxidation state values for Gibellini only; and
- Assignment of SG values.

Comments

Mineral resources take into account geological, mining, processing and economic constraints, and have been confined within appropriate LG pit shell, and therefore are classified in accordance with the 2014 CIM Definition Standards.

The Gibellini resource model has a known error that has effectively reduced the overall grade for measured and indicated mineral resources by approximately 1%. An adjustment to Atlas's transition assays between zero percent and 0.410% V₂O₅ was implemented twice. AMEC reran the model with the correction, and the results indicated an approximate error of 1%. AMEC was of the opinion that this error was not material to the estimate, the review conducted by Wood of the model in support of the current mineral resource estimate also concluded that the error is not material. The qualified person concurs with this view.

Mining Operations

Mining Methods

The Gibellini PEA mine plan assumes production at 3 Mst/a from two open pits, at Gibellini and Louie Hill. The estimated life of mine is approximately 13.5 years.

The mine plan is partly based on inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the Gibellini PEA based on these mineral resources will be realized.

The pit designs are based on pit shells obtained using the LG algorithm for pit optimizations in MineSight® mining software. Open pit mining optimization inputs for the Gibellini Project are based on an open pit bulk mining method. Contract mining is assumed for a contractor using a small equipment fleet. For the pit design, 40° overall slope angles were assumed based on dry conditions. The ultimate pit designs are based on US\$12.73 per pound V₂O₅ price put shells.

Five pit phases were developed for the Gibellini Project. Phase I, Phase III and Phase IV are mined from the Gibellini deposit and Phase II and Phase V are mined from the Louie Hill deposit. The phases were selected from the different resulting pit optimization shells and based on operational parameters such as bench advance and pushback widths.

The haul roads are designed to accommodate 100 ton haul trucks with a maximum gradient of 10% and an overall width of 85 ft. Access into the final pit bottoms are gained via a section of single lane road 50 ft wide. Temporary roads will be developed to access the upper benches of both pits.

Mining at Gibellini pit will start at elevation 7120 on the northernmost area of the deposit and mining in the Louie Hill pit will start at elevation 7220. The deepest bench to be mined will be at elevation 6640.

Two waste rock storage facilities (“**WRSF**”) were designed for a total capacity of 6.8 Mst. Waste material from the Gibellini pit will be stored in a planned East WRSF which will have a maximum capacity of 5 Mst. Waste from the Louie Hill will be stored on a planned West WRSF. This material can also be used as backfill within the Gibellini pit if needed.

Production Plan

Wood used an MS Excel-based model to produce a mining schedule that:

- Fed material to the heap leach process at a constant 3 Mst/a; and
- Limited bench advance to 10 benches per year per mining area.

Mining will begin at the Gibellini pit which contains more than 80% of the total leach material and all of the measured and indicated resources.

Mine Operations

Contract mining is currently assumed for mining both Gibellini and Louie Hill based on the following assumptions:

- drilling and blasting is required with an assumed power factor of 0.25 lbs explosive per short ton of rock
- conventional truck and loader operation with an assume fleet of 100t trucks and 14 yd³ loaders;
- haul road, pit and dumps maintained using a convention fleet of support equipment inclusive of graders, track dozers and water trucks;
- owner-supplied truck shop and office facilities;
- 24 hours per day 7 days a week operation using four mining crews; and
- 100% of the leach material rehandled from stockpile prior to being fed into the primary crusher for crushing and agglomeration.

The owner will be responsible for the following:

- blast hole sampling and grade control;
- surveying; and
- short-range and long-range planning.

The mine plan assumption is that all mining will be performed by contractors. No owner fleet equipment will be required as it is represented in the current studies until optimization is done.

Recovery Methods

Commercial heap leaching and solvent extraction recovery of vanadium mineralization has not been done before; nonetheless, heap leaching and solvent extraction recovery are common technologies in the mining industry. The most notable examples are the multiple copper, nickel, and cobalt heap leach projects that use an acid-leach solution to mobilize the metal followed by recovery in a SX plant, which is then followed by electro-winning. The proposed Gibellini Project process applies the same acid heap leaching and solvent extraction technology to recover vanadium. However, instead of electrowinning to produce a final product, the process will use an acid strip followed by precipitation to produce a final product.

The processing method envisioned will feed mineralized material from the mine via loader to a hopper that feeds the screening and crushing plant. The screen will send any material greater than a third-inch and less than four inches in size to the cone crusher (plus four-inch material will be sent to stockpile for further treating).

The crushed material will recycle to the screen feed belt, thus crushing in closed circuit. The minus half-inch mineralized material will be fed to the agglomerator where sulfuric acid, flocculent (agglomeration aid) and water will be added to achieve proper agglomeration. The agglomerated mineralized material will be transported to a stacker on the leach pad, which will stack the mineralized material to a height of 15 ft. Once the material is stacked and sufficient material accumulated to distribute sprinklers onto the leached material, solution will be added to the leach heap at a rate of 0.0025 gallons per minute per square foot. The solution will be collected in a pond and this pregnant leach solution will be sent to the process building for metal recovery.

The PLS will be treated with iron to convert all of the vanadium in solution from the vanadate (VO₃⁻) form to the vandyl (VO²⁺) form, which will be preferentially loaded onto the organic phase in the extraction phase of treatment. Solvent extraction mixers– settlers will be used to recover the vanadium onto the organic phase and to produce a vanadium depleted aqueous solution (“**raffinate**”). The raffinate will then be returned to the leach pad to continue to leach the vanadium remaining in the heap material. The loaded organic phase from the extraction will then be contacted in a separate set of mixer–settlers (the strip circuit). Here the vanadium will be pulled from the organic phase into the new aqueous phase. The stripped organic will then be returned to the extraction circuit where it will be re-loaded with vanadium. The stripped vanadium solution will then be oxidized to vanadate with sodium chlorate and ammonia will be used to form AMV. Sulfuric acid will be added to the AMV and a precipitate will be formed. This precipitate will be settled in a thickener and the thickened material will be sent to a centrifuge. The thickener overflow will be recycled back to the strip circuit where it will be loaded with vanadium again.

Approximately 210 million pounds of V₂O₅ will be produced from the Gibellini Project leaching operations at an average recovery of 62% (oxide: 60%, transition: 70% and reduced: 52%).

Metal produced from leaching operations will generally increase from the first quarter of Year 1 to Year 5 as lower grade and lower recovery oxide ores are supplanted by higher grade and higher recovery transition ores. Following Year 5, the overall deposit grade drops; consequently, metal production likewise drops. The majority of the metal will be produced within the same reporting period as it is placed on the leach pad.

Infrastructure, Permitting and Compliance Activities

Project Infrastructure

Site facilities will include both mine facilities and process facilities. The mine facilities will include the main office building, truck shop and warehouse, truck wash, fuel storage and distribution, and miscellaneous facilities. The process facilities will include the process office building, assay laboratory, product storage building, heap leach pad, and solvent extraction, thickening and stripping areas. Both the mine facilities and the process facilities will be serviced with potable water, fire water, power, propane, communication, and sanitary systems.

Access to site will be provided by a light vehicle road from the site to the county road. Within the site, heavy equipment roads will connect the Gibellini Project pit and WRSF and the Louie Hill pit and WRSF to the main facilities and processing areas.

All mine personnel are assumed to commute from Eureka or other towns located in the region. No onsite camps or accommodations are anticipated.

The leach pad will be developed in four phases with a total planned capacity of 40.7 Mt. Individual lifts of leach material will be placed by a radial stacker. The process pond system will be located to the east of the leach pad and will consist of a PLS

pond and a storm pond. The PLS will be collected from the leach pad and pumped to the pond system. The facilities will be separated from the natural up gradient watersheds by storm water diversion systems designed to safely pass the 100-year, 24-hour precipitation event.

The power supply for the Gibellini Project site is assumed to be at 24.9 kV and would be supplied from a planned substation to be located near Fish Creek Ranch. This substation would tap and step-down the 69 kV supply carried by the line to the Pan Mine to 24.9 kV, and place it on a line to the Gibellini Project. Negotiations with the power utility, Mt. Wheeler Power, would need to be undertaken to secure any future power supply contract and transmission line to the site.

The water supply source for future operations had not been determined at the effective date of the Gibellini PEA. For the purposes of the Gibellini PEA, it was assumed that water rights could be leased, and that water could be pumped to the Gibellini Project area from nearby farms and ranches.

Environmental Considerations

During the period 2008 to 2011, American Vanadium contracted Enviroscientists to oversee a baseline data program to support a Plan of Operations (“**PoO**”) and Nevada Reclamation Permit Application (collectively the “**Plan**”) document and future NEPA analysis, which was submitted in December 2012, and revised in February 2013 and November 2014.

The baseline data program completed by American Vanadium included studies to document the existing conditions of biological resources, cultural resources, surface water resources, ground water resources, and waste rock geochemical characterization.

On May 9, 2018, Prophecy submitted a PoO, prepared by SRK Consulting US (Inc) (“**SRK**”) to the BLM’s Mount Lewis Field Office. A Reclamation Permit Application also prepared by SRK, was submitted to the Nevada Division of Environmental Protection (“**NDEP**”), BMRR.

The following steps are envisaged in support of the Gibellini Project permitting:

- Identification of baseline studies and data that will require updates.
- Compilation of an environmental report for submission to the BLM.
- Preparation of a Water Control Pollution Permit for submission to the BMRR.

Once these studies have been reviewed and accepted by the relevant regulatory authorities, Prophecy expects to trigger a Notice of Intent from the BLM. The Gibellini PEA assumes that an environmental impact statement (“**EIS**”) will be required.

Closure and Reclamation Planning

Prophecy will need to meet BLM objectives for post mining land uses. Major land uses occurring in the Gibellini Project area include mineral exploration and development, livestock grazing, wildlife habitat and dispersed recreation.

Following closure, the Gibellini Project area will support the multiple land uses of livestock grazing, wildlife habitat and recreation. Prophecy will work with the agencies and local governments to evaluate alternative land uses that could provide long-term socioeconomic benefits from the mine infrastructure. Post-closure land uses will be in conformance with the BLM Battle Mountain Resource Management Plan and Eureka County Land Use Plan.

Because the NEPA process for the plan has not been completed with BLM, reclamation bonding estimates have not been completed or approved by the authorizing agencies (BLM and NDEP).

Prophecy will be required to submit updated plans for closure and reclamation of the disturbed lands as part of any updated Reclamation Permit application, as well as plans for temporary closure due to planned or unplanned conditions as part of any Water Pollution Control Permit application.

Based on the conceptual mine plan, closure costs are estimated by Wood to be US\$40,000,000. This assumes a mine life of 13.5 years and an annual process rate of 3 Mst.

Permitting Considerations

Prior to commencing any mining operations on public lands administered by the BLM, a PoO describing how Prophecy will prevent unnecessary and undue degradation of the land and reclaim the disturbed areas must be submitted to the BLM. Concurrently, Prophecy will need to apply for issuance of a Reclamation Permit to NDEP-BMRR (defined below).

The BLM will require an EIS to be prepared by a third-party contractor. The EIS process can take between one and 10 years, with an average of 3.4 years, depending on the complexity and nature of the proposed action and variability among the BLM offices. There is currently an executive order that requires specific consolidations of the timeframe for infrastructure projects, specifically that “each bureau should have a target to complete each Final EIS for which it is the lead agency within 1 year from the issuance of Notice of Intent to prepare an EIS”. It is Wood’s understanding that the Nevada BLM has determined that mining projects are considered infrastructure projects. This may result in less time needed to complete the NEPA process.

The Gibellini Project is located on lands within the jurisdiction of the Mount Lewis Field Office of the Battle Mountain District which regularly processes exploration and mining plans of operations and NEPA documents.

The Nevada Bureau of Mining Regulation and Reclamation (“**BMRR**”) will need to issue a Mining Reclamation Permit and a Water Pollution Control Permit (“**WPCP**”).

Social Considerations

Prophecy will need to take all the necessary steps to engage the local community to create awareness regarding the Gibellini Project. During the NEPA process, the public will have multiple opportunities to engage and comment on the Gibellini Project and express support or concerns.

The BLM will coordinate with local Native American tribes and interested parties throughout the permitting and NEPA process. The NEPA document will analyze how the Gibellini Project will affect the social and economic values of the community.

Market and Contracts

Prophecy commissioned a vanadium market survey by Merchant Research & Consulting Ltd (“**Merchant**”) to determine an appropriate vanadium price forecast for use in the Gibellini PEA. Based on the demand pricing forecast from Merchant’s report, Wood adopted a long-term price of US\$12.73 per pound of V₂O₅ sold.

No supply contracts are in place; however, Prophecy proposes to ship a bagged product to a conversion company for conversion into a saleable product.

Capital and Operating Costs

Capital Costs Estimates

The Gibellini PEA capital cost estimate is based on the 2011 capital estimate adjusted for inflation and the inclusion of a 25% contingency to reflect the level of study. All costs are escalated to Q1 2018. Sustaining capital costs are likewise based on the 2011 FS adjusted for inflation and contingency; however, unlike the 2011 FS, the Gibellini PEA sustaining costs account for the inclusion of Louie Hill and supporting infrastructure and three leach pad expansions to accommodate the larger Gibellini PEA resource base.

CostMine’s Mining Cost Service was referenced to escalate Gibellini Project costs from end-of-year (“**EOY**”) 2011 to Q3 2017. The escalation for surface mining over this time period was 9.1% whereas for milling it was 9.6%. An additional 0.5% escalation was added to account for Q4 2017 to bring the average total escalation for mining and milling to 10.1%. The 2011 FS contingency of 12.6% was replaced with a 25% contingency.

Mining capital costs are minimal due to the assumption of contract mining operations. Mine capital costs are estimated at US\$1,700,000.

Process capital accounts for the majority of the initial capital expenditure and include material handling, heap leach system and the process plant. Process capital costs are estimated at US\$49,900,000.

Infrastructure costs include provision for site preparation, roads, water supply, sanitary system, on-site electrical, communication facilities, non-process-related buildings, and contact water ponds. Infrastructure capital costs are estimated at US\$15,900,000.

Off-site infrastructure costs include costs for the off-site power system and water system. Also included in the estimated US\$8,600,000 for off-site infrastructure is US\$900,000 for first fills.

Indirect costs include construction indirect costs, sales tax, overhead and profit, and engineering, procurement, and construction management (“EPCM”). Indirect costs were estimated as a percentage of the total direct costs based on the percentages derived from the 2011 FS. Indirect costs are estimated at US\$17,400,000 of the initial capital expenditure.

Sustaining capital costs are estimated at US\$32,400,000. The majority of the sustaining capital costs are for expanding the leach pads from the initial 10 Mt capacity to approximately 40.1 Mt in three 10 Mt expansions. The expansions occur a year prior to loading in Year 3, Year 6, and Year 9. Approximately US\$2,100,000 is estimated in Year 5 for building the infrastructure to support Louie Hill development. Approximately US\$1,900,000 is estimated for replacing mobile equipment, primarily in the process area. It is assumed that 50% of the initial mobile equipment is either replaced or rebuilt.

Table 3: Project Capital Cost Estimates

Cost Description	Total (US\$000s)
<i>Open Pit Mine</i>	
Open pit mine development	1,412
Gibellini incremental WRSF	212
Mobile equipment	111
<i>Infrastructure-On Site</i>	
Site prep	2,431
Roads	1,391
Water supply	2,007
Sanitary system	61
Electrical - on site	2,052
Communications	165
Contact water ponds	174
Non-process facilities -	7,583
<i>Process Facilities</i>	
Mill feed handling	15,380
Heap leach system	20,037
Process plant	14,441
<i>Off-Site Infrastructure</i>	
Water system	4,495
Electrical supply system	3,227
First fills	860
<i>Subtotal Total Direct Cost</i>	<i>76,039</i>
Construction indirect costs	4,254
Sales tax / OH&P	4,236
EPCM	8,879
<i>Subtotal Prior to</i>	<i>93,409</i>
Contingency	23,352
<i>Total Project Cost</i>	<i>116,761</i>

Operating Costs

The Gibellini PEA operating cost estimate is based on the 2011 FS operating cost estimate adjusted for inflation and the inclusive of a 25% contingency to reflect the level of study. All costs are escalated to Q1 2018. For mining, CostMine's Mining Cost Service was referenced to escalate Gibellini Project operating costs from end of year 2011 to 2016. Six percent was added to the inflated cost to account for 2017 and 2018. Adjustments were made by cost area inclusive of: fuel, maintenance parts and supplies, labor, tires, and explosives. Process and general and administrative ("G&A") operating costs from the 2011 FS were likewise adjusted for inflation by area. For sulfuric acid, which accounts for over half the process operating costs, an indicative 2018 quote for US\$143/t acid was used. Process costs account for 76% of the total operating costs followed by mining at 18% and G&A at 6%.

Mine operating costs are estimated to average US\$2.34/t mined over the forecast life of mine ("LOM"). With the exception of fuel, all other costs have increased since the 2011 estimate. Fuel the largest mine operating cost, decreased from an average selling price for off-road diesel of US\$3.53/gallon to US\$2.24/gallon. Mine operating costs account for both the contracting mining costs of US\$2.06/t and the mine owner mine management, engineering, ore control and geology cost of US\$0.28/t. Process operating costs are estimated to average US\$11.54/t leached, which is an 8% decrease compared to the 2011 FS process costs. The reduction in process costs are primarily the result of the decreased sulfuric acid costs. G&A operating costs are estimated at US\$0.99/t, which is a 15% increase over the 2011 FS costs, primarily as a result of higher labor costs. Overall, operating costs average US\$15.26/t leached over the LOM. Process costs account for 76% of the total operating costs followed by mining at 18% and G&A at 6%. Annual operating costs average US\$45,000,000, and vary primarily with mine stripping requirements.

Economic Analysis

The economic analysis is partly based on inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the Gibellini PEA based on these mineral resources will be realized.

Financial analysis of the Gibellini Project was carried out using a discounted cash flow approach. This method of valuation requires projecting yearly cash inflows, or revenues, and subtracting yearly cash outflows such as operating costs, capital costs, royalties, and taxes. The resulting net annual cash flows are discounted back to the date of valuation and totalled to determine the net present value ("NPV") of the project at selected discount rates. The internal rate of return ("IRR") is expressed as the discount rate that yields an NPV of zero. The payback period is the time calculated from the start of production until all initial capital expenditures have been recovered. All cash flows are discounted to the start of project construction, which is assumed to occur over a two-year period. All pricing is stated in constant Q1 2018 USD.

Based on Wood's financial evaluation, the Gibellini Project generates positive before and after tax financial results. The pre-tax NPV at a 7% discount rate (the base case rate) is US\$411,400,000 and the IRR is 56.5%. Before-tax payback for the Gibellini Project is estimated at 1.62 years. The after-tax NPV at a 7% discount rate is US\$338,300,000 million and the IRR is 50.8%. After-tax payback for the Gibellini Project is estimated at 1.72 years.

Table 4: Annualized Cash Flow

Cash Flow (000's)	Total	PP2	PP1	Y1	Y2	Y3	Y4	Y5
<i>Revenue (\$ 000's)</i>								
V2O5 Revenue	1,658,680	—	—	135,356	133,412	153,608	193,718	193,303
Transportation Charge	97,723	—	—	7,975	7,860	9,050	11,413	11,389
Royalty Payment Dietrich	26,154	—	—	3,185	2,511	2,891	3,646	3,638
Total Net Revenue	1,534,803	—	—	124,197	123,041	141,666	178,659	178,276
<i>Cash Operating Costs (\$ 000's)</i>								
G&A	40,433	—	—	2,886	2,886	2,894	2,886	2,886
Mine	110,916	—	—	7,117	7,144	7,204	7,186	7,150
Processing	469,825	—	—	33,982	34,462	34,476	34,457	34,458
Total Cash Operating Costs	621,174	—	—	43,985	44,492	44,575	44,529	44,495
<i>Total Cash Costs (\$ 000's)</i>								

Total Cash Operating Costs	621,174	—	—	43,985	44,492	44,575	44,529	44,495
Property Tax	2,048	307	793	58	56	55	53	52
Holding Fees	1,882	195	194	194	(336)	74	74	74
Total Cash Costs	625,104	502	987	44,236	44,212	44,704	44,657	44,620
<i>Total Production Costs (\$ 000's)</i>								
Total Cash Costs	625,104	502	987	44,236	44,212	44,704	44,657	44,620
Reclamation & Closure Accrual	40,000	—	—	2,899	2,947	2,948	2,947	2,947
Depreciation	145,523	—	—	108,355	320	9,619	395	2,513
Depletion Allowance	282,561	—	—	—	27,069	31,167	39,305	39,221
Total Production Costs	1,093,188	502	987	155,490	74,549	88,437	87,304	89,301
<i>Before Tax Operating Income (\$ 000's)</i>								
Net Revenue	1,534,803	—	—	124,197	123,041	141,666	178,659	178,276
Production Costs	1,093,188	502	987	155,490	74,549	88,437	87,304	89,301
Total Before Tax Operating Income	441,615	(502)	(987)	(31,293)	48,492	53,230	91,355	88,975
<i>Income from Operations (\$ 000's)</i>								
Nevada Net Proceeds Tax	26,753	—	—	3,842	2,280	2,970	4,403	4,386
Federal Corporate Tax	93,353	—	—	—	3,282	11,178	19,184	18,685
+ Depreciation	145,523	—	—	108,355	320	9,619	395	2,513
+ Depletion Allowance	282,561	—	—	—	27,069	31,167	39,305	39,221
Total Net Operating Income	749,593	(502)	(987)	73,220	70,319	79,867	107,468	107,637
<i>Capital Cost (\$ 000's)</i>								
Initial	116,761	45,110	71,651	—	—	—	—	—
Sustaining	32,397	-	-	75	100	9,398	175	2,292
Total Capital	149,158	45,110	71,651	75	100	9,398	175	2,292
<i>Working Capital - \$ 000's</i>								
Cash Flow Before Tax (\$ 000's)	720,541	(45,612)	(77,393)	77,079	74,327	81,554	130,907	131,465
NPV @5%	480,541							
NPV @7%	411,357							
NPV @10%	327,763							
IRR %	56.5%							
Payback - Years from Startup	0.62							
Cash Flow After Tax (\$ 000's)								
NPV @5%	396,907							
NPV @7%	338,336							
NPV @10%	267,675							
IRR %	50.8							
Payback - Years from Startup	0.72							

Recommendations

Introduction

Initial recommendations are envisaged as a single-stage program. The work phase consists of additional testwork and studies, totalling approximately US\$863,000 to US\$1,041,000.

Recommendations for Work Phase

Claim Surveys

Although all of the leased claims have claim markers, they have not been surveyed. Prior to any future mining studies, the claim outlines should be legally surveyed so as to support open pit designs and potential sites for infrastructure. The survey should be performed by a licenced surveyor.

The total cost to carry out this program of work is projected to be approximately US\$8,000 to US\$11,000.

Geology, Block Modelling, and Mineral Resource Estimation

The recommendations pertain to geology, block modelling, and Mineral Resource estimation, as follows:

- Update data on the drill logs when new data are collected, or the old data are revised or reinterpreted.
- Document relogging efforts and place updated copies of drill hole logs in the drill log folders.
- The insertion rates of the control samples are low when compared to industry best practice; the insertion rate of SRMs, duplicates, and blanks should be increased to 5% each.
- Additional condemnation drilling is recommended for infrastructure sites that could be used for buildings and waste rock storage facilities.
- Oxidation domains for Louie Hill should be developed.
- The reduced mineralization should be re-classified with respect to resource confidence categories once metallurgical test work data on projected recoveries from this material are available.
- Twin drill an additional four to five Atlas drill holes through the transition zone and evaluate the results in conjunction with the previous completed twins.
- Test and evaluate the potential for high-angled structures to carry elevated vanadium grades by drilling a series of angled drill holes.

The total cost to carry out this program of work is projected to be approximately US\$325,000 to US\$380,000, depending on the amount of condemnation and angled drilling that may be required.

Metallurgical Testwork and Process

The following recommendations are made:

- Reduced material testing should be reviewed, and additional work done to see if better recovery for the reduced material is possible.
- A sampling and testing program for the Louie Hill deposit is advisable to bring the level of understanding of this material to the same level as for Gibellini.
- Complete geochemical characterizations of the Louie Hill deposit material.

The total cost to carry out this program of work is projected to be approximately US\$500,000 to US\$600,000, depending on the amount of metallurgical testwork required for Louie Hill.

Mining

A trade-off study should be performed to determine if there are advantages to partially backfilling the Gibellini pit with waste mined from the Louie Hill pit.

A drill-and-blast study should be conducted to determine if reduced blasting, or even no blasting is practical, in an effort to potentially reduce blasting costs.

These programs are estimated at about US\$20,000 to US\$30,000.

Infrastructure

Recommendations relating to infrastructure include:

- Sources of water should be identified to support future more detailed studies.
- The WRSFs should be assessed to determine if lining under the facilities is required.

The total cost to carry out this program of work is projected to be approximately US\$10,000 to US\$20,000.

USE OF PROCEEDS

The net proceeds to the Company from the Offering, after deducting the Underwriter's Fee and the estimated expenses of the Offering (estimated to be C\$450,000), will be approximately C\$4,738,800.

Prophecy currently intends, subject to its sole discretion to change such allocation after the date of this Prospectus, to use the net proceeds to fund exploration and the advancement of Prophecy's Gibellini Project and for general working capital purposes as follows: ⁽¹⁾

<u>Activity or Nature of Expenditure</u>	<u>Approximate Use of Net Proceeds</u>
Exploration, permitting and engineering of the Gibellini Project	C\$3,000,000
Working Capital	C\$1,738,800
Total	C\$4,738,800

Notes:

- (1) *Use of Proceeds:* Prophecy intends to advance the Gibellini Project through the permitting process in cooperation with the BLM. This will be completed in conjunction with the EPCM. The Company intends to use the net proceeds of approximately C\$3,000,000 on exploration, the permitting process and engineering studies to optimize the Gibellini Project, as described in more detail below.
 - a. *Exploration:* Exploration will include prospecting, geological characterization and bringing the Company's exploration prospects on the project to a drill-ready status. These prospectus include the Big Sky prospect, the Middle Earth prospect and the Northeast Trench prospect, all three of which have confirmed vanadium mineralization but have not been thoroughly investigated.
 - b. *Permitting:* The Company intends to complete the permitting process for the Gibellini Project by the end of 2019, which will include the following items: updates to existing baseline studies that do not satisfy the current guidelines of the State and Federal agencies responsible for oversight of the Gibellini Project; both desktop and field based surveys until the third quarter of 2019; preparation of the preliminary EIS/resource report, which is expected to be submitted in the third quarter of 2019; preparation and submission of the WPCP by the end of 2018; and update the Mine Plan of Operations ("MPO") and submit an Exploration Plan of Operation. The Company has engaged Newfields Companies, LLC to assist in completing the necessary requirements to submit permit applications.
 - c. *Engineering, Procurement, Construction and Management:* The schedule for the EPCM is expected to occur in three phases with the net proceeds from the Offering expected to complete Phase 1 of this process by the end of 2019. Phase 1 will include an update of the basic engineering design and update of the flowsheet, including updates to the capital costs. This will provide inputs to feasibility mine design and declaration of mine reserves, and support to a production decision. Prophecy has requested tenders from firms to complete Phase 1 of the EPCM and intends to make a decision by the end of 2018.
- (2) *Steps to Production:* The Company anticipates that the permitting requirements will be met by the end of 2019 and the EPCM will continue until production is achieved, if it is achieved. The Company expects that Phase 1 EPCM will be completed in 2019, Phase 2 EPCM in 2020 (which will include detailed engineering design, equipment procurement and tendering for construction contracts) and Phase 3 EPCM is expected to commence in the fourth quarter of 2020 (which will involve construction including preconstruction (clearing and grubbing), and site construction). The Company anticipates that the total capital costs for construction will be approximately US\$116,760,000, excluding the cost of the mining fleet. For further details on the capital costs please refer to the Gibellini PEA.

The Company intends to spend the available funds as set forth above based on annual budgets approved by the Board consistent with established internal control guidelines, and programs recommended in the Gibellini PEA. However, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. The actual amount that the Company spends in connection with each of the intended uses of proceeds may vary significantly from the amounts specified above and will depend on a number of factors, including those referred to under "Risk Factors".

The Company generates no operating revenue from the exploration activities on its property interests and has negative cash flow from operating activities. The Company anticipates that it will continue to have negative cash flow until such time that commercial production is achieved at a particular project. To the extent that the Company has negative operating cash flows in future periods in excess of amounts disclosed above in the Use of Proceeds table, it may need to deploy a portion of its existing working capital to fund such negative cash flow. See “*Risk Factors — History of Net Losses; No Foreseeable Positive Cash Flow*” in the Company’s AIF.

Danniel Oosterman is the qualified person, within the meaning of NI 43-101, who has reviewed and confirmed the above-noted use of net proceeds allocations as reasonable.

Business Objectives and Milestones

Using the net proceeds from the Offering, the Company intends to complete the permitting phase of the Gibellini Project and Phase 1 of the EPCM by the end of 2019. For this to occur, the Company expects that the following will need to be completed:

- Satisfactory completion of baseline studies pursuant to instruction by the relevant government agencies with oversight on the disciplines for which the studies are intended;
- Proven concept with detailed level design for the proposed mine operations;
- Proven concept level design for mine closure and with fully mitigated reclamation with emphasis on the heap created for the heap leach;
- Submission of WPCP;
- Updated and approved MPO;
- Approved Exploration Plan of Operations;
- Completion of preliminary EIS (which the Company expects will take approximately 12 months from the date of the notice of intent); and
- Updated basic engineering including updated process flow sheet, updated capital cost and finalized basic engineering that will be support for a feasibility level of mine design and declaration of mineral reserves, and support any production decision.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Company has agreed to sell and the Underwriter has agreed to purchase, as principal, on the Closing Date, 12,000,000 Offered Shares at the Offering Price, payable in cash to the Company against delivery of the Offered Shares. The obligations of the Underwriter under the Underwriting Agreement are subject to compliance with all legal requirements and the conditions contained in the Underwriting Agreement. The Underwriter may terminate its obligations under the Underwriting Agreement at its discretion on the basis of a “disaster out”, “regulatory out”, “material change out” and upon the occurrence of certain other stated events. The Underwriter is, however, obligated to take up and pay for all of the 12,000,000 Offered Shares if any of those Offered Shares are purchased under the Underwriting Agreement. The terms of the Offering, including the Offering Price, were determined by arm’s length negotiation between the Company and the Underwriter, with reference to the prevailing market price of the Shares.

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the Underwriter reserves the right to close the subscription books at any time without notice. During the distribution of the Offering, the Underwriter may effect transactions in the Shares in accordance with applicable market stabilization rules.

Pursuant to the Underwriting Agreement, the Company appointed the Underwriter to offer the Offered Shares to the public in each of the provinces and territories of Canada, except Québec. Subject to applicable law and the terms of the Underwriting Agreement, the Underwriter may offer the Offered Shares in the United States and other jurisdictions where the offer and sale of the Offered Shares will not require the qualification or registration of the Offered Shares. In consideration for such services, the Company has agreed to pay to the Underwriter the Underwriter’s Fee equal to 6.0% of the gross proceeds realized on the proceeds of the Offering, being C\$0.0276 per Offered Share.

The Offered Shares distributed under this Prospectus have been conditionally approved for listing on the TSX. Listing on the TSX will be subject to the Company fulfilling all the listing requirements of the TSX on or before February 5, 2019.

The Company has agreed with the Underwriter that, upon closing and until the date which is 90 days after the date of the Closing Date, it will not, without the written consent of the Underwriter, such consent not to be unreasonably withheld, issue

any Shares or securities or other financial instruments convertible into or having the right to acquire Shares (other than pursuant to rights or obligations under securities or instruments outstanding) or enter into any agreement or arrangement under which the Company acquires or transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether that agreement or arrangement may be settled by the delivery of Shares or other securities or cash, or agree to become bound to do so, or disclose to the public any intention to do so.

The Underwriter proposes to offer the Offered Shares initially at the Offering Price. After the Underwriter has made reasonable efforts to sell all of the Offered Shares at the Offering Price, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price, and the compensation realized by the Underwriter will be decreased by the amount that the aggregate price paid by the purchasers of the Offered Shares is less than the gross proceeds paid by the Underwriter to the Company.

Pursuant to policy statements of certain securities regulators, the Underwriter may not, throughout the period of distribution, bid for or purchase Shares. The foregoing restriction is subject to certain exceptions including: (i) a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities; and (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was for the purpose of maintaining a fair and orderly market and not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities. Consistent with these requirements, and in connection with this distribution, the Underwriter may over-allot Shares and may affect transactions that stabilize or maintain the market price of the Shares at levels other than those which otherwise might prevail on the open market including:

- stabilizing transactions;
- short sales; and
- purchases to cover positions created by short sales.

As a result of these activities, the price of the Offered Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriter at any time. The Underwriter may carry out these transactions on the TSX, in the over-the-counter market or otherwise.

The Offered Shares will be delivered at the Closing Date to the Underwriter in “book-entry only” form and must be purchased or transferred through a CDS participant so long as they are held through CDS. Prophecy will cause a global certificate or certificates (in physical or electronic form) representing any Offered Shares to be delivered to, and registered in the name of, CDS or its nominee. So long as the Offered Shares are held through CDS, rights of shareholders must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the CDS participant through which the shareholder holds such Offered Shares. Each person who acquires Offered Shares under the Offering will receive only a customer confirmation of purchase from the Underwriter or registered dealer from or through which the Offered Shares are acquired in accordance with the practices and procedures of that Underwriter or registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book-entry accounts for its CDS participants having interests in the Offered Shares

The Offered Shares have not been and will not be registered under the U.S. Securities Act or any applicable state securities laws, and the Offered Shares may not be offered, sold or delivered, directly or indirectly, in the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement permits the Underwriter to offer and sell the Offered Shares purchased by them outside the United States in compliance with Regulation S under the U.S. Securities Act. The Underwriting Agreement also permits the Underwriter to offer and resell the Offered Shares that they have acquired pursuant to the Underwriting Agreement to persons who are “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) (“**Qualified Institutional Buyers**”) in compliance with the exemption from registration provided by Rule 144A of the U.S. Securities Act and similar exemptions under applicable state securities laws. Any Offered Shares that are offered or sold in the United States will be “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act. Certificates issued representing such securities (if any) may bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable U.S. state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any Offered Shares in the United States. In addition, until 40 days after the commencement of the Offering, any offer or sale of such securities within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act, unless such offer or sale is made pursuant to an exemption from registration under the U.S. Securities Act.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blakes, counsel to the Company, and Cassels, counsel to the Underwriter, based on the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder, as of the date hereof, the Offered Shares, if issued on the date hereof, will be “qualified investments” under the Tax Act for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans, registered education savings plans (“**RESPs**”), registered disability savings plans (“**RDSPs**”) and tax-free savings accounts (“**TFSAs**”) (each, a “**Registered Plan**”), provided that the Offered Shares are listed on a “designated stock exchange”, as defined in the Tax Act (which currently includes the TSX).

Provided that for purposes of the Tax Act the annuitant of an RRSP or RRIF, the holder of a TFSA or RDSP or subscriber of a RESP, as the case may be, deals at arm’s length with the Company and does not have a “significant interest” (as defined in the Tax Act for purposes of the prohibited investment rules) in the Company, the Offered Shares will not be a “prohibited investment” for such RRSPs, RRIFs, RDSPs, TFSAs and RESPs, as the case may be, under the Tax Act on the date hereof. In addition, the Offered Shares will not be a prohibited investment if such securities are “excluded property” as defined in the Tax Act, for an RRSP, RRIF, RDSP, TFSA or RESP. Annuitants of an RRSP or RRIF, holders of a TFSA or RDSP or subscribers of a RESP should consult their own tax advisors to ensure the Offered Shares would not be a prohibited investment in their particular circumstances.

Purchasers of the Offered Shares should consult their own tax advisers with respect to whether Offered Shares would be prohibited investments having regard to their particular circumstances.

DESCRIPTION OF THE SECURITIES BEING DISTRIBUTED

The authorized capital of Prophecy consists of an unlimited number of Shares without par value. As at the date hereof, there are 80,513,557 Shares issued and outstanding. The holders of Prophecy Shares are entitled to vote at all meetings of shareholders of Prophecy, to receive dividends if, as and when declared by the Board and to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of Prophecy. The Shares carry no preemptive rights, conversion or exchange rights, redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring the holders of the Shares to contribute additional capital and there are no restrictions on the issuance of additional securities by Prophecy. There are no restrictions on the repurchase or redemption of the Shares by the Company except to the extent that any such repurchase or redemption would render Prophecy insolvent pursuant to the *Business Corporations Act* (British Columbia).

PRIOR SALES

The following table summarizes the issuances by Prophecy of Shares within the 12 months prior to the date of this Prospectus.

Date	Type of Security	Price per Security	Number of Securities
November 15, 2018 ⁽¹³⁾	Shares ⁽¹⁾	C\$0.40	500,000
November 14, 2018 ⁽¹³⁾	Shares ⁽²⁾	C\$0.40	71,450
November 13, 2018 ⁽¹³⁾	Shares ⁽³⁾	C\$0.40	197,520
November 9, 2018 ⁽¹³⁾	Shares ⁽⁴⁾	C\$0.40	70,000
November 2, 2018 ⁽¹³⁾	Shares ⁽⁵⁾	C\$0.40	142,850
November 1, 2018 ⁽¹³⁾	Shares ⁽⁶⁾	C\$0.28	5,000
November 1, 2018 ⁽¹³⁾	Shares ⁽⁶⁾	C\$0.35	20,000
November 1, 2018 ⁽¹³⁾	Shares ⁽⁶⁾	C\$0.33	25,000
November 1, 2018 ⁽¹³⁾	Shares ⁽⁶⁾	C\$0.20	6,250
October 31, 2018 ⁽¹³⁾	Shares ⁽⁷⁾	C\$0.40	500,000

Date	Type of Security	Price per Security	Number of Securities
October 10, 2018 ⁽⁶⁾⁽¹³⁾	Shares ⁽⁸⁾	C\$0.26	1,000,000
August 14, 2018 ⁽⁶⁾⁽¹³⁾	Shares ⁽⁹⁾	C\$0.28	198,237
July 6, 2018	Shares ⁽¹⁰⁾	C\$2.80	386,318
April 17, 2018	Shares ⁽⁶⁾	C\$2.56	3,125
December 18, 2017	Shares ⁽¹¹⁾	C\$3.50	98,420
December 18, 2017	Shares ⁽¹²⁾	C\$3.50	42,254

Notes:

- (1) Issued pursuant to exercise of warrants held by Raymond James Ltd. ITF Francis Seabolt.
- (2) Issued pursuant to exercise of warrants held by Canaccord Genuity Corp. ITF Graham Saunders 31C-53AS-1.
- (3) Issued pursuant to exercise of warrants held by Haywood Securities Inc.
- (4) Issued pursuant to exercise of warrants held by Leede Jones Gable Inc. ITF Salvatore Vetro.
- (5) Issued pursuant to exercise of warrants held by NBF Inc. ITF Arcon Holdings Ltd.
- (6) Issued pursuant to exercise of stock options held by Gustavo Miranda Pinaya.
- (7) Issued pursuant to exercise of warrants held by Haywood Securities Inc.
- (8) Granted to Gerald Panneton upon his appointment as President and Chief Executive Officer.
- (9) Issued as 2018 Second Tranche Units for the second tranche of a two tranche non-brokered private placement announced on May 30, 2018 and amended on June 26, 2018, following the Company's 10:1 stock split on July 19, 2018. Each 2018 Second Tranche Unit was comprised of one Share and one 2018 Second Tranche Warrant. Each 2018 Second Tranche Warrant entitles the holder to purchase one additional Share of the Company at an exercise price of C\$0.40 until August 14, 2021.
- (10) Issued as 2018 Tranche Units for the first tranche of a two tranche non-brokered private placement announced on May 30, 2018 and amended on June 26, 2018. Each 2018 Tranche Unit was comprised of one Share and one 2018 Tranche Warrant. Each 2018 Tranche Warrant entitles the holder to purchase one additional Share of the Company at an exercise price of C\$4.00 until July 6, 2021.
- (11) Issued as compensation units (the "**Compensation Units**") to Skanderbeg Capital Advisors Inc. at a price of C\$3.50 per Compensation Unit. Each Compensation Unit is comprised of one Share and one half of one Share purchase warrant (the "**Compensation Warrants**"). Each Compensation Warrant entitles the holder to purchase one additional Share of the Company at an exercise price of C\$4.00 until December 18, 2020.
- (12) Issued as debt settlement units (the "**Debt Settlement Units**") to some of the Company's directors and officers at a price of C\$3.50 per Debt Settlement Unit. Each Debt Settlement Unit is comprised of one Share and one half of one Share purchase warrant (the "**Debt Warrants**"). Each Debt Warrant entitles the holder to purchase one additional Share of the Company at an exercise price of C\$4.00 until December 18, 2020.
- (13) On July 19, 2018 the Company effected a 10:1 stock split. The Shares began trading on a post-split basis on the TSX on August 8, 2018.

The following table summarizes the grants made by Prophecy of stock options and warrants, within the 12 months prior to the date of this Prospectus⁽¹⁾.

Date	Security	Price per Security	Number of Securities
November 14, 2018 ⁽⁹⁾	Stock Options ⁽⁴⁾	C\$0.65	200,000
October 17, 2018 ⁽⁹⁾	Stock Options ⁽⁴⁾	C\$0.33	940,000
October 10, 2018 ⁽⁹⁾	Stock Options ⁽⁴⁾	C\$0.26	550,000
August 14, 2018 ⁽⁹⁾	Share Purchase Warrants ⁽²⁾	C\$0.40	198,237
July 23, 2018	Stock Options ⁽⁴⁾	C\$2.20	40,000
July 6, 2018	Share Purchase Warrants ⁽³⁾	C\$4.00	386,318
May 1, 2018	Stock Options ⁽⁴⁾	C\$3.10	20,000
April 27, 2018	Stock Options ⁽⁴⁾	C\$3.15	15,000
April 23, 2018	Share Purchase Warrants ⁽¹⁰⁾	C\$3.00	50,000
April 6, 2018	Stock Options ⁽⁴⁾	C\$2.80	140,000
February 20, 2018	Stock Options ⁽⁴⁾	C\$3.10	20,000
February 15, 2018	Share Purchase Warrants ⁽⁵⁾	C\$5.00	50,000
December 18, 2017	Share Purchase Warrants ⁽⁶⁾	C\$4.00	49,210
December 18, 2017	Share Purchase Warrants ⁽⁷⁾	C\$4.00	21,125
October 16, 2017	Special Warrants ⁽⁸⁾	C\$3.50	1,139,711

Notes:

- (1) As of the date of this Prospectus, there are 29,281,627 Share purchase warrants and 9,591,000 stock options outstanding.
- (2) Issued as 2018 Second Tranche Units for the second tranche of a two tranche non-brokered private placement announced on May 30, 2018 and amended on June 26, 2018, following the Company's 10:1 stock split on July 19, 2018. Each 2018 Second Tranche Unit was comprised of one Share and one 2018 Second Tranche Warrant. Each 2018 Second Tranche Warrant entitles the holder to purchase one additional Share of the Company at an exercise price of C\$0.40 until August 14, 2021.
- (3) Issued as 2018 Tranche Units for the first tranche of a two tranche non-brokered private placement announced on May 30, 2018 and amended on June 26, 2018. Each 2018 Tranche Unit was comprised of one Share and one 2018 Tranche Warrant. Each 2018 Tranche Warrant entitles the holder to purchase one additional Share of the Company at an exercise price of C\$4.00 until July 6, 2021.
- (4) Granted pursuant to the terms of the Company's share-based compensation plan.
- (5) Issued in addition to C\$335,661.40 and C\$14,338.60 in debt settlement to the shareholders of 1104002 B.C. Ltd. as compensation for 105 unpatented lode mining claims located adjacent to the Company's Gibellini Project. Each warrant entitles the holder to purchase one Share of the Company at an exercise price of C\$5.00 until February 15, 2021.
- (6) Issued as Compensation Units to Skanderbeg Capital Advisors Inc. at a price of C\$3.50 per Compensation Unit. Each Compensation Unit is comprised of one Share and one half of one Compensation Warrant. Each Compensation Warrant entitles the holder to purchase one additional Share of the Company at an exercise price of C\$4.00 until December 18, 2020.
- (7) Issued as Debt Settlement Units to some of the Company's directors and officers at a price of C\$3.50 per Debt Settlement Unit. Each Debt Settlement Unit is comprised of one Share and one half of one Debt Warrant. Each Debt Warrant entitles the holder to purchase one additional Share of the Company at an exercise price of C\$4.00 until December 18, 2020.
- (8) On December 18, 2017, the Company issued 1,139,711 units, at a price of C\$3.50 per unit, underlying an equivalent number of special warrants previously issued under a two tranche private placement closing on September 20, 2017 and October 16, 2017 (the "2017 Special Warrants"). Following the issuance of the 1,139,711 units, the 2017 Special Warrants subscription proceeds, previously held in escrow, were released to the Company, for gross proceeds of C\$3,651,800. Pursuant to the 2017 Special Warrant subscription agreements, each 2017 Special Warrant was exercised for one unit (each a "Special Unit") at no additional cost to the holder. Each Special Unit consists of one Share and one-half of one Share purchase warrant (a "PP Warrant"). Each full PP Warrant entitles the holder to acquire one Share at a price of C\$4.00 until September 20, 2020 or October 16, 2020, depending on which tranche closing the overlying 2017 Special Warrant was issued under.
- (9) On July 19, 2018 the Company effected a 10:1 stock split. The Shares began trading on a post-split basis on the TSX on August 8, 2018.
- (10) Issued to Monitor Ventures Inc. as consideration for an information access agreement entered into on April 13, 2018.

TRADING PRICE AND VOLUME

Prophecy's outstanding Shares are listed for trading on the TSX under the symbol "PCY". The following table sets forth the high and low trading price and trading volumes of the Shares as reported by the TSX for the periods indicated:

Month	High (C\$)	Low (C\$)	Volume
November 1 to 15, 2018 ⁽¹⁾	0.74	0.48	16,216,523
October 2018 ⁽¹⁾	0.64	0.13	27,861,056
September 2018 ⁽¹⁾	0.17	0.105	6,976,900
August 2018 ⁽¹⁾	2.48	0.15	4,634,735
July 2018	2.59	1.60	852,594
June 2018	2.90	2.02	384,126
May 2018	3.20	2.58	339,935
April 2018	3.52	2.40	240,667
March 2018	3.40	2.41	301,325
February 2018	3.54	2.75	150,148
January 2018	4.39	3.30	213,953
December 2017	4.70	3.86	67,948
November 2017	4.95	4.40	68,112

Notes

- (1) On July 19, 2018 the Company effected a 10:1 stock split. The Shares began trading on a post-split basis on the TSX on August 8, 2018.

RISK FACTORS

An investment in the Offered Shares involves a high degree of risk and must be considered speculative due to the nature of the Company's business and present stage of exploration and development of its mineral properties. Before making an investment decision, prospective purchasers should carefully consider the risks and uncertainties described below, as well as the other information contained in or incorporated by reference in this Prospectus. These risks and uncertainties are not the only ones facing us. Resource exploration and development is a speculative business, characterized by a number of significant risks

including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits, which, though present, are insufficient in quantity or quality to return a profit from production.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any such risks actually occur, our business, financial condition and operating results could be materially harmed, the value of our securities could decline and you may lose all or part of your investment. This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below. See “Cautionary Note Regarding Forward-Looking Information.”

Prospective purchasers of the Offered Shares offered hereby should carefully consider the risk factors set out below, as well as the information included or incorporated by reference in this Prospectus before making an investment decision to purchase the Offered Shares. See “Documents Incorporated by Reference”.

Risks Associated with the Common Shares and the Offering

Need for Future Financing

The future development of the Company’s business will require additional financing or refinancings. There are no assurances that such financing or refinancings will be available, or if available, available upon terms acceptable to the Company. If sufficient capital is not available, the Company may be required to delay the expansion of its business and operations, which could have a material adverse effect on the Company’s business, financial condition, prospects or results of operations.

The Shares are Subject to Market Price Volatility.

The market price of the Shares may be adversely affected by a variety of factors relating to Prophecy’s business, including fluctuations in the Company’s operating and financial results, the results of any public announcements made by Prophecy and the failure to meet analysts’ expectations.

The market price of Shares of Prophecy has experienced wide fluctuations which may not necessarily be related to the financial condition, operating performance, underlying asset values or prospects of Prophecy. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries.

The price of the Shares is also likely to be significantly affected by short-term changes in vanadium or other mineral prices. Other factors unrelated to the Company’s performance that may have an effect on the price of the Shares include the following: (i) the extent of analytical coverage available to investors concerning the Company’s business may be limited if investment banks with research capabilities do not follow the Shares; (ii) lessening in trading volume and general market interest in the Shares may affect an investor’s ability to trade significant numbers of Shares; (iii) the size of the Company’s public float may limit the ability of some institutions to invest in the Shares; and (iv) a substantial decline in the price of the Shares that persists for a significant period of time could cause the Shares to be delisted from the TSX or from any other exchange upon which the Shares may trade from time to time, further reducing market liquidity.

As a result of any of these factors, the market prices of the Company’s Shares at any given point in time may not accurately reflect the Company’s long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management’s attention and resources.

Discretion in the Use of Proceeds

Prophecy currently intends to apply the net proceeds received from the Offering as described above under the heading “*Use of Proceeds*”. However, management of the Company will have discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the net proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and the effectiveness of the application of proceeds are uncertain. If the proceeds are not applied effectively, the Company’s results may suffer.

Sales of a significant number of our Shares in the public markets, or the perception of such sales, could depress the market price of the Shares.

Sales of a substantial number of our Shares or other equity-related securities in the public markets by the Company or its significant shareholders could depress the market price of the Shares and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our Shares or other equity-related securities would have on the market price of our Shares. The price of our Shares could be affected by possible sales of our Shares by hedging or arbitrage trading activity which we expect to occur involving our Shares. If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

Potential Dilution

Our articles of incorporation allow us to issue an unlimited number of Shares for such consideration and on such terms and conditions as shall be established by our Board, in many cases, without the approval of the shareholders.

Except as described under the heading “*Plan of Distribution*”, we may issue additional Shares in subsequent offerings (including through the sale of securities convertible into or exchangeable for Shares) and on the exercise of stock options or warrants.

We may also issue Shares to finance future acquisitions and other projects. We cannot predict the size of future issuances of Shares or the effect that future issuances and sales of Shares will have on the market price of the Shares. Issuances of a substantial number of additional Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for our Shares. With any additional issuance of Shares, investors will suffer dilution to their voting power and we may experience dilution in our earnings per share.

Risks and Other Considerations Relating to the Company

None of the properties in which the Company has an interest has any mineral reserves.

Currently, there are no mineral reserves (within the meaning of NI 43-101) on any of the properties in which the Company has an interest. Only those mineral deposits that the Company can economically and legally extract or produce, based on a comprehensive evaluation of cost, grade, recovery and other factors, are considered mineral reserves. The resource estimates contained in the Gibellini PEA are measured indicated and inferred resource estimates only and no assurance can be given that any particular level of recovery of vanadium or other minerals from mineralized material will in fact be realized or that an identified mineralized deposit will ever qualify as a commercially mineable mineral deposit. In particular, inferred mineral resources have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. Further, the economic assessment contained in the Gibellini PEA is preliminary in nature, and actual capital costs, operating costs, production, economic returns and other estimates contained in studies or estimates prepared by or for the Company may differ from those described therein and herein, and there can be no assurance that actual costs will not be higher than anticipated. Substantial additional work, including mine design and mining schedules, metallurgical flow sheets and process plant designs, would be required in order to determine if any economic deposits exist on the Company’s properties. Additional expenditures may be required to establish mineral reserves through drilling and metallurgical and other testing techniques. The costs, timing and complexities of upgrading the mineral resources to proven or probable reserves may be greater than the value of the Company’s reserves on a mineral property and may require the Company to write-off the costs capitalized for that property in its financial statements. The Company cannot provide any assurance that future feasibility studies will establish mineral reserves at its properties. The failure to establish mineral reserves could restrict the Company’s ability to successfully implement its strategies for long-term growth.

Estimates of mineral resources are based on interpretation and assumptions and are inherently imprecise.

The mineral resource figures referred to in the Gibellini PEA have been determined and valued based on assumed future prices, cut-off grades and operating costs. However, until mineral deposits are actually mined and processed, any mineral resources must be considered as estimates only. Any such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Estimates can be imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. In addition, the grade and/or quantity of precious metals ultimately recovered may differ from that indicated by drilling results. There can be no assurance that metals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. The grade of the reported mineral resource estimates are uncertain in nature and it is uncertain whether further technical studies will result in an upgrade to them. Further drilling on the mineralized zones is required to complement the current bulk sample and add confidence in the continuity of mineralized zones in comparison to the current block model. Any material change in the quantity of mineralization, grade or mineralization to waste ratio or extended

declines in market prices for Vanadium and other metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineral resources. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or financial condition.

Litigation and regulatory proceedings

The Company may be subject to civil claims (including class action claims) based on allegations of negligence, breach of statutory duty, public nuisance or private nuisance or otherwise in connection with the Company's operations, or investigations relating thereto. While the Company is presently unable to quantify any potential liability under any of the above heads of damage, such liability may be material and may materially adversely affect the Company's ability to continue operations. In addition, the Company may be subject to actions or related investigations by governmental or regulatory authorities in connection with its business activities, including, but not limited to, current and historic activities at the Company's properties. Such actions may include prosecution for breach of relevant legislation or failure to comply with the terms of the Company's licenses and permits and may result in liability for pollution, other fines or penalties, revocations of consents, permits, approvals or licenses or similar actions, which could be material and may impact the results of the Company's operations. The Company's current insurance coverage may not be adequate to cover any or all the potential losses, liabilities and damages that could result from the civil and/or regulatory actions referred to above.

Property interests

The agreements pursuant to which the Company hold rights to certain of its properties, provide that it must make a series of cash payments over certain time periods or make minimum exploration expenditures. If the Company fails to make such payments or expenditures in a timely manner, it may lose interest in those properties.

Influence of third party stakeholders

The mineral properties in which the Company holds an interest, or the exploration equipment and road or other means of access which the Company intends to utilize in carrying out its work programs or general business mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, The Company's work programs may be delayed even if such claims are not meritorious. Such claims may result in significant financial loss and loss of opportunity for the Company.

Community relations

The Company's relationships with the community in which it operates are critical to ensure the future success of its existing operations and the construction and development of properties. While the Company is committed to operating in a socially responsible manner, there is no guarantee that its efforts will be successful, in which case interventions by third parties could have a material adverse effect on the Company's business, financial position and operations.

Operations subject to human error

Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage the Company's interests, and even when those efforts are successful, people are fallible and human error could result in significant uninsured losses to the Company. These could include loss or forfeiture of mineral claims or other assets for non-payment of fees or taxes, significant tax liabilities in connection with any tax planning effort the Company might undertake and legal claims for errors or mistakes by Prophecy personnel.

Prospective purchasers should also carefully consider the risks in the documents incorporated by reference into this Prospectus, including in the Company's AIF under "*Risk Factors*". If any of such or other risks occurs, the Company's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the applicable securities could decline in value and purchasers could lose all or part of their investment. There is no assurance that any risk management steps taken by the Company will avoid future loss due to the occurrence of such risks or other unforeseen risks.

CONSOLIDATED CAPITALIZATION

The following represents the Company's share capital both before and after the issuance of the Offered Shares under the Offering:

<u>Designation of Shares</u>	<u>Number of Shares Authorized</u>	<u>Outstanding on September 30, 2018⁽¹⁾</u>	<u>Outstanding on November 15, 2018, after giving effect to the Offering</u>
Common	Unlimited	7,475,304	93,352,527

Notes:

(1) As at September 30, 2018, the Company had outstanding stock options and warrants to purchase Shares that could result in the issuance of up to an additional 1,006,009 and 2,670,203 Shares of the Company, respectively. See "Prior Sales".

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is Davidson & Company, LLP, Chartered Professional Accountants, located at 1200 – 609 Granville Street, P.O. Box 10372, Vancouver, British Columbia, Canada, V7Y 1G6.

The Company's auditors for the Annual Financial Statements incorporated by reference in this Prospectus, Davidson & Company, LLP, Chartered Professional Accountants, in Vancouver, British Columbia, report that they are independent from the Company in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

The Company's transfer agent and registrar is Computershare Investor Services, (Canada), located at 510 Burrard St., 3rd Floor, Vancouver, British Columbia.

INTERESTS OF EXPERTS

Each of the following authors of the Technical Reports is a "qualified person" for the purposes of NI 43-101. Each qualified person has reviewed certain scientific and technical information relating to our mineral properties contained or incorporated by reference in this Prospectus or has supervised the preparation of information upon which such scientific and technical information is based as detailed in the respective technical report.

<u>Names</u>	<u>Technical report</u>
Gibellini PEA	Kirk Hanson, P.E.; Edward J.C. Orbock III, RM SME.; Edwin Peralta, P.E.; and Lynton Gormely, PhD, P.Eng.
Titan Report	Neil B. Prenn, P.Eng., P.E.; and Neil Pettigrew, M.Sc., P.Geo.
Pulacayo Report	Peter Webster, P. Geo.; and Michael Cullen, M.Sc., P.Geo.
Ulaan Ovoo Study	Brian Saul, P.Eng.; Stephen A. Krajewski, Ed. D., P.G.; and John Sampson, B. Sc. (Hons)
Chandgana Tal PEA	Robert J. Farmer, P.Eng.; Thaddeus J. Sobek, P.E., SME.; Ronald L. Lewis, P.E.; and Edward L. Mast
Chandgana Khavtgai Report	Christopher M. Kravits, CPG LPG ⁽¹⁾

(1) Mr. Kravits was independent of the Company at the effective and filing date of the technical report for the Chandgana Khavtgai Coal project but had since become non-independent by virtue of the fact that Prophecy had become his primary client until his resignation effective July 15, 2018.

Daniel Oosterman, a qualified person as defined in NI 43-101, has prepared, supervised the preparation of or reviewed certain parts of this Prospectus and the documents incorporated by reference herein that are of a scientific or technical nature.

Certain legal matters relating to this Offering will be passed upon on behalf of Prophecy by Blakes, and on behalf of the Underwriter by Cassels.

None of the persons listed above received or will receive a direct or indirect interest in any property of Prophecy or any of its associates or affiliates. As of the date hereof, each of such persons (or in the case of experts who are not individuals, the “designated professionals” of each such person, as defined under Form 51-102F2 – *Annual Information Form*) owns beneficially, directly or indirectly, less than 1% of any outstanding class of securities of Prophecy and less than 1% of the outstanding securities of any class of Prophecy’s associates or affiliates.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES

The people named below reside outside of Canada or, in the case of companies, are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, and each has appointed the following agent for service of process:

Name of Person or Company	Name and Address of Agent
John Lee, Director and Officer Masa Igata, Director	Blakes Vancouver Services Inc., c/o Blake, Cassels & Graydon LLP, 595 Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, V7X 1L3

In addition, each of a) Kirk Hanson, (b) Edward J.C. Orbock III, (c) Edwin Peralta, (d) Neil B. Prenn, (e) Thaddeus J. Sobek, (f) Robert J. Farmer, (g) Stephen A. Krajewski, (h) Brian Saul, (i) Christopher M. Kravits, (j) Ronald L. Lewis, (k) Edward C. Mast and (l) John Sampson, is a resident outside of Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

PURCHASERS’ RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE COMPANY

November 16, 2018

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada, excluding Québec.

(Signed) Gerald Panneton
President & Chief Executive Officer

(Signed) Irina Plavutska
Chief Financial Officer

On behalf of the Board of Directors:

(Signed) John Lee
Director

(Signed) Greg Hall
Director

CERTIFICATE OF THE UNDERWRITER

November 16, 2018

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada, excluding Québec.

BMO Nesbitt Burns Inc.

By: (Signed) Haroon Chaudhry
Vice President