



Prophecy Proposes to Spinoff Vanadium RoyaltyCo to Finance Construction of Gibellini Vanadium Project

Vancouver, British Columbia, July 9, 2018 – Prophecy Development Corp. (“Prophecy” or the “Company”) (TSX:PCY, OTCQX:PRPCF, Frankfurt:1P2N) announces that it is engaged in discussions with advisors regarding spinning-off a vanadium royalty and streaming company (the “VRC”) as a means to provide investors with direct participation in vanadium mining royalties, streaming, and physical vanadium.

Under the proposed structure, subject to regulatory, shareholder and other necessary approvals, Prophecy would incorporate VRC as a wholly-owned subsidiary, which would receive a minority portion of vanadium production from the Company’s Gibellini project in Nevada, USA with target production starting in 2021.

For each pound of vanadium pentoxide (“V₂O₅”) Prophecy produces and delivers to VRC, VRC would pay to Prophecy a substantially discounted price based on the European vanadium pentoxide price published by Metal Bulletin or any alternative reference price mutually agreed between Prophecy and VRC.

In exchange for the discounted vanadium purchase price, VRC would make a cash prepayment to Prophecy to cover the capital cost to construct the Gibellini project within 24 months, prior to the Company receiving all permits required to start Gibellini mine construction. As announced in the Company’s May 29, 2018 news release, the Company estimates Gibellini’s capital cost to be approximately \$116.8M with a 25% contingency margin.

An equity financing is planned to be undertaken in conjunction with the proposed spinoff transaction whereby VRC shares will be distributed to Prophecy shareholders.

The above transaction and proposed terms would be contingent on the securities of VRC being listed for trading on a Canadian public stock exchange.

A summary of some of the key highlights of the preliminary economic assessment study (“PEA”) for the Gibellini project prepared by Amec Foster Wheeler E&C Services Inc. (“AMEC”), and announced in the May 29, 2018 press release are:

The PEA Highlights:

Highlights of the PEA (after tax):	
Internal rate of return	50.8%
Net present value (NPV)	\$338.3 million at 7% discount rate

Payback period	1.72 years
Average annual production	9.65 million lbs V ₂ O ₅
Average V ₂ O ₅ selling price	\$12.73 per lb
Operating cash cost	\$4.77 per lb V ₂ O ₅
Initial capital cost including 25% contingency	\$116.76 million
Life of mine	13.5 years

The PEA is preliminary in nature, and 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 PEA will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

The PEA was prepared under the direction of Kirk Hanson, P.E., Technical Director, Open Pit Mining for AMEC. Mr. Hanson is a "Qualified Person" for the purposes of National Instrument 43-101, and he is independent of Prophecy.

Sensitivity Analysis

After tax NPV is over \$568 million (7% discount) and after tax IRR is in excess of 69% at the current vanadium price of \$16.9/lb.

V ₂ O ₅ price change	V ₂ O ₅ price \$/lb	After-tax IRR	After-tax NPV \$M @ 7%	After-tax cashflow \$M
30%	16.55	69%	568.0	996.0
20%	15.28	63%	491.3	864.4
10%	14.00	57%	415.2	733.2
Base price	12.73	51%	338.3	600.4
-10%	11.46	44%	261.0	467.2
-20%	10.18	36%	183.1	333.2
-30%	8.91	26%	103.9	196.9

Having already filed its Management's Plan of Operations with baseline studies, Prophecy targets Gibellini construction to start by mid 2020, and first vanadium delivery by the end of 2021.

John Lee, Prophecy's Executive Chairman states:

"The price of vanadium pentoxide has risen from low of \$2.5/lb in 2016, \$4.2/lb in 2017 to now trading at 9 year high of \$16.9/lb today. We expect vanadium pentoxide price to trade materially higher for the remainder of 2018 and well into 2019.

From our own research, due to a decade long of under investment in vanadium mining sector, there are no vanadium mines coming on stream in the next 3 years, and China, accounting for 55% of world vanadium production, is curtailing its vanadium export for domestic consumption in steel rebar, aerospace/defense, and vanadium batteries, all are growing at high rates. There are no meaningful above ground inventory and Chinese suppliers are reporting months-long back orders and not accepting new customers.

We are creating VRC for investors who want the opportunity to profit from the rising price of vanadium through owning an interest in near-term, vanadium streaming and physical vanadium.

The Gibellini vanadium project is the most advanced stage vanadium project in North America with a target for first vanadium product delivery in 2021. A Gibellini vanadium streaming package tailored for VRC, could offer superior returns compared to other recently announced cobalt streaming transactions. Concurrently, Prophecy is shopping for physical vanadium from its established contacts with confirmed availability.

Vanadium streaming has the potential to give investors cash flow upside when there are increases in mine production, vanadium price, and future mine reserves, while capping the downside to a fixed, discounted purchase price throughout the life of the project.

Prophecy expects to benefit from this proposed spinoff transaction as VRC takes care of Gibellini's pre-production capital expenditure, while Prophecy maintains significant vanadium exposure through holding a majority portion of the future Gibellini production which is unhedged.

VRC will keep a lean corporate structure and look to be the leader in the vanadium streaming and physical vanadium space, by enlisting strategic equity investors, closing Gibellini streaming deals, and making its first purchase in physical vanadium."

The Company expects to announce material updates on the proposed VRC spinoff transaction later this month.

All dollar amounts ("\$\$") are expressed in United States Dollars.

Qualified Person

The technical contents of this news release have been prepared under the supervision of Danniell Oosterman, VP, Exploration. Mr. Oosterman is not independent of the Company in that he is employed as a consultant to the Company and most of his income is derived from the Company. Mr. Oosterman is a Qualified Person as defined in NI 43-101.

About Prophecy

Prophecy Development Corp. is a Canadian public company listed on the Toronto Stock Exchange. Prophecy's main objective is to develop the Gibellini primary vanadium mining project in the Battle Mountain region in northeastern Nevada to production. Further information on Prophecy can be found at www.prophecydev.com.

PROPHECY DEVELOPMENT CORP.
ON BEHALF OF THE BOARD

“JOHN LEE”
Executive Chairman

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Certain statements contained in this news release, including statements which may contain words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or similar expressions, and statements related to matters which are not historical facts, are forward-looking information within the meaning of applicable securities laws. Such forward-looking statements, which reflect management’s expectations regarding Prophecy’s future growth, results of operations, performance, business prospects and opportunities, are based on certain factors and assumptions and involve known and unknown risks and uncertainties which may cause the actual results, performance, or achievements to be materially different from future results, performance, or achievements expressed or implied by such forward-looking statements.

These factors should be considered carefully, and readers should not place undue reliance on the Prophecy’s forward-looking statements. Prophecy believes that the expectations reflected in the forward-looking statements contained in this news release and the documents incorporated by reference herein are reasonable, but no assurance can be given that these expectations will prove to be correct. In addition, although Prophecy has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Prophecy undertakes no obligation to release publicly any future revisions to forward-looking statements to reflect events or circumstances after the date of this news or to reflect the occurrence of unanticipated events, except as expressly required by law.