mercator GEOLOGICAL SERVICES

# PROPHECY DEVELOPMENT CORP.

# PULACAYO PROJECT
# PACA SILVER-ZINC-LEAD DEPOSIT
# MINERAL RESOURCE ESTIMATE
# TECHNICAL REPORT

Potosí Department
Antonnio Quijarro Province
Bolivia

Effective Date: September 9th, 2015

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Serving the Mining and Exploration Industry For Over 20 Years

## Date and Signature Page

The effective date of the mineral resource estimate presented in this report is September 9th, 2015.

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# Summary

This report on estimation of mineral resources for the Paca silver-zinc-lead deposit was prepared by Mercator Geological Services Limited (Mercator) on behalf of Prophecy Development Corp. (Prophecy). It focuses on definition of high grade silver-zinc-lead mineralization defined by results of two historic core drilling programs and limited historic underground exploration at the Paca site. The deposit is located approximately 7 km north of Prophecy's Pulacayo silver-zinc-lead deposit, for which a new mineral resource estimate was released during June of 2015. The current Paca mineral resource technical report was prepared in accordance with disclosure requirements set out under National Instrument 43-101 (NI 43-101) and the resource estimate prepared following the guidelines of the Canadian Institute of Mining, Metallurgy and Petroleum Standards for Mineral Resources and Reserves *Definitions and Guidelines (the "CIM Standards")*.

The Paca silver-zinc-lead deposit is located approximately 18 km east of the city of Uyuni, in the Department of Potosi in southwestern Bolivia and forms part of Prophecy's Pulacayo project. The Pulacayo Project site is 460 km south southeast of the national capital, La Paz, and 130 km southwest of the city of Potosi. Prophecy acquired a 100% interest in the Pulacayo Project, and thereby the Paca deposit, in early 2015 through purchase of Apogee Minerals Bolivia S.A., ASC Holdings Limited and ASC Bolivia LDC. Both of the latter firms were wholly-owned subsidiaries of the previous owner, Apogee Silver Ltd. (Apogee), a publicly listed mineral exploration firm with corporate offices located in Toronto, Ontario, Canada.

The extent of mineralization comprising the current mineral resource estimate is defined by the extent of modern era diamond core drilling along a strike length of approximately 750 meters and north-south extent of approximately 700 meters. Limited underground exploratory workings accessible from the Esmeralda adit are present along approximately 100 meters of the deposit's strike length in its central area.

The Paca deposit is interpreted to be a low to transitional sulphidation epithermal deposit that contains both precious and base metal mineralization. Mineralization of economic interest occurs in association with the Tertiary age Paca volcanic dome complex and takes the form of thin veinlets, fracture fillings and disseminations hosted by altered volcaniclastic sedimentary lithologies and altered intermediate to felsic igneous lithologies. These occur in direct association with mineralized igneous or hydrothermal breccia zones. The intensity of argillic alteration is greatest in areas of highest concentrations of metallic mineral phases such as sphalerite, galena, argentite and tetrahedrite. Stratabound, disseminated mineralization and breccia hosted mineralization predominate within the deposit, but discrete, mineralized veins are also present locally. The deposit occurs at the contact of an andesitic intrusive complex with volcaniclastic sedimentary host lithologies. The latter include fine to medium grained sandstones plus siltstone as well as less frequent, interbedded conglomeratic units. Bedded and cross-cutting

breccia deposits that are important high grade mineralization host rocks commonly show close spatial association with the contact zone of the andesitic intrusion.

The current mineral resource estimate prepared by Mercator for the Paca deposit is tabulated below and has an effective date of September 9th$^{th}$, 2015. All resources have been assigned inferred status as defined under the CIM Standards. It reflects a silver equivalent (Ag Eq.) reporting cut-off value of 300 g/t Ag and is based on a fully constrained, three dimensional block model developed by Mercator using Geovia-Surpac ® Version 6.7 modeling software. The supporting analytical database incorporates validated results of 19,718 meters of combined diamond and reverse circulation surface drilling completed by Apogee Silver Ltd. and ASC Bolivia LDC (ASC) between 2002 and the end of 2006. Historic underground sampling results for re-sampling programs carried out by Apogee in 2006 were also used in the current mineral resource estimation program.

**Paca Deposit Inferred Mineral Resource Statement – Effective Date: September 9$^{th}$, 2015**

| Ag Eq. Cut-Off (g/t) | Tonnes** | Ag (g/t) | Pb (%) | Zn (%) | Ag Eq. (g/t) |
|---|---|---|---|---|---|
| **200** | 2,540,000 | 256 | 1.03 | 1.10 | 342 |
| **300*** | **1,260,000** | **363** | **1.02** | **0.98** | **444** |
| **400** | 650,000 | 462 | 1.00 | 0.90 | 538 |
| **500** | 330,000 | 558 | 1.04 | 0.79 | 631 |

*Notes:*

1. *Mineral resources are estimated in conformance the CIM Standards referenced in NI 43-101.*
2. *Raw silver assays were capped at 1,050 g/t, raw lead assays were capped at 5% and raw zinc assays were capped at 5%.*
3. *Silver equivalent Ag Eq (g/t) = Ag (g/t) + (Pb% *(US$0.94/ lb. Pb /14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000) + (Zn% *(US$1.00/lb. Zn/14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000). 100 % metal recoveries are assumed based on lack of comprehensive metallurgical results*
4. *Metal prices used in the silver equivalent calculation are US$16.50/Troy oz. Ag, US$0.94/lb Pb and US$1.00/lb Zn and reflect June 2015 metal pricing used for the recent Pulacayo deposit mineral resource estimate by Mercator for Prophecy.*
5. *Metal grades were interpolated within wireframed, three dimensional solids using Geovia-Surpac Ver. 6.7 software and inverse distance squared interpolation methods. Block size is 5m (X) by 5m (Z) by 2.5m (Y). Historic mine void space was removed from the model prior to reporting resources.*
6. *Block density factors of 2.26g/cm³ reflects the average values of 799 density measurements*
7. *Mineral resources are considered to have reasonable expectation for economic development using underground mining methods based on the deposit history, resource amount and metal grades, current metal pricing and comparison to broadly comparable deposits elsewhere.*
8. *Mineral resources that are not mineral reserves do not have demonstrated economic viability.*
9. **Mineral resource statement cut-off value is 300 g/t Ag Eq.; resource statement values are presented in bolded form*
10. ***Tonnes are rounded to nearest 10,000*

Prophecy's current strategy in pursuing exploration and potential future development of the Paca deposit is that it has potential to be operated as a satellite mining operation that would provide feed to a central milling complex located at the Pulacayo site. Ore from Paca would be trucked to the Pulacayo site for processing. Focus has been placed on higher grade mineralization in the current resource estimate model and it is assumed for present purposes that any future development of the deposit would be carried out using underground mining methods. This approach differs from that envisioned for the only previous resource estimate for the Paca deposit that was prepared for Apogee in 2007 by Micon International Limited (Micon). The earlier estimate and model focused on open pit mining methods and lower metal cut-off values. Apogee completed a feasibility study for the nearby Pulacayo project in 2013 but this study did not include consideration of Paca mineral resources defined in the Micon study. The Micon resource estimate is historic in nature and is superceded by the estimate supported by this report.

Mercator is of the opinion that further technical and financial assessment of the Paca deposit is warranted and that both resource extension and infill drilling opportunities that exist on the property should be pursued. Recommendations arising from the current mineral resource estimation program and associated project review carried out by Mercator are as follows:

(1) Additional drilling is required to better define and confirm metal grade trends within the deposit. It is recommended that infill drilling of the currently defined deposit be carried out at 25 meter spaced sections along the length of the core high grade zone of the deposit. This program should include initial testing of potential deposit extension areas down dip and along strike to both east and west. A core drilling allocation of 5000 meters is recommended for this phase of work.

(2) The mineralized conglomerate unit that is exposed at surface immediately north of the main deposit should be investigated by core drilling to better define geometry and grade characteristics. This zone should also be mapped in detail at surface to provide additional data inputs for future deposit modeling. A core drilling allocation of 500 meters is recommended for this phase of work.

(3) Further metallurgical studies focused on the main styles of mineralization at Paca are required to allow future economic assessment of the deposit. It is recommended that such work be coordinated with any studies being initiated for the Pulacayo deposit, since future milling of Paca material could take place at a milling facility established initially for Pulacayo mineralization.

(4) The Esmeralda adit and associated underground workings that were re-habilitated by Apogee in 2006 should be accessed and a program of geological mapping and sampling completed to

further confirm the earlier work and to enhance understanding of the mineralization styles present.

(5) After completion of the recommended core drilling, mapping, metallurgical and underground sampling programs, a new mineral resource estimate should be completed for the Paca deposit. This should be based on revised geological and grade distribution models that reflect all new drilling results. At that time, consideration should be given to reporting of near-surface resources within an optimized open pit shell, with reporting of resources below the shell being carried out at a higher underground mining cut-off value.

(6) A preliminary economic assessment (PEA) of the Paca deposit should be completed after the new resource estimate noted in item 4 above is finalized.

Mercator has proposed a $(US) 1.87 million budget to complete the recommended work programs presented above. Expenditures are ordered within a two phase framework, with items 1 through 4 above assigned to Phase I. An estimated budget of $(US) 1.5 million applies to Phase I. Item 5, the PEA, is assigned to Phase II and has an estimated budget of $200,000. A 10% contingency factor was applied to combined Phase I and II estimates. Commitment to Phase II would require satisfactory results being returned from Phase I.

# 1.0 Introduction and Terms of Reference

This report on estimation of mineral resources for the Paca silver-zinc-lead deposit, located in near Pulacayo, Bolivia was prepared by Mercator Geological Services Limited (Mercator) on behalf of Prophecy Development Corp. (Prophecy**),** a public Canadian corporation listed on the Toronto Stock Exchange under the symbol PCY. It reflects disclosure and resource estimation requirements set out under National Instrument 43-101 (NI 43-101) and Canadian Institute of Mining, Metallurgy and Petroleum Standards for Mineral Resources and Reserves *Definitions and Guidelines (the CIM Standards),* respectively. Prophecy acquired a 100% interest in the Paca deposit in early 2015 through purchase of Apogee Minerals Bolivia S.A., ASC Holdings Limited and ASC Bolivia LDC, all of which were wholly-owned subsidiaries of the previous owner, Apogee Silver Ltd. (Apogee), a Canadian, publicly listed mineral exploration firm with offices located in Toronto, Ontario, Canada.

Following Prophecy's purchase of the subsidiaries of Apogee and especially Prophecy's recent exploration of the Pulacayo licenses, Prophecy has found it necessary to differentiate the various mineralized bodies relative to the whole project. Thus the Pulacayo Project refers to the full license portfolio as described in Section 3.0. This includes all mineralized bodies located within, and the total of all activities related to, the portfolio. Mineralized bodies are termed 'deposits' once they are found to be discrete from other bodies. Thus, at this time within the Pulacayo Project are found the Pulacayo deposit, the Paca deposit (the subject of this technical report), the Pero deposit, and others.

Terms of reference for the Paca resource estimation program were established through discussion with Prophecy management during May and June of 2015. At that time it was determined that the estimate would be based upon validated results for all core drilling completed by Apogee and ASC Bolivia LDC (ASC) in the 2002 to 2009 period, plus results from systematic sampling carried out by ASC in 2006 at the Esmeralda underground workings that test a portion of the deposit.

Mercator President, P. Webster, and Mercator Senior Resource Geologist, M. Harrington, carried out a site visit to the Paca deposit during the period August 2$^{nd}$, 2011 to August 10$^{th}$, 2011 but did not carry out any core or bedrock sampling. Apogee drill program components, including protocols for drill core logging, storage, handling, sampling and security. Drill sites and bedrock exposures were also examined at that time.

Author Cullen carried out a site visit to the nearby Pulacayo deposit during the period April 26$^{th}$ to April 28$^{th}$ of 2012 but did not complete any investigations related to the Paca deposit. Mercator staff members were accompanied by Mr. C. Collins, then President of Apogee Silver Ltd. (Apogee), and met with Apogee Exploration Manager, Mr. H. Uribe Zeballos, both of whom provided technical and professional insight with respect to the project at that time. Site

professional and technical staff provided additional assistance during the visits, under supervision of Senior Geologist, Mr. F. Mayta Quispe.

Author Cullen visited the Pulacayo and Paca sites with Mr. Matthew Harrington, Senior Resource Geologist at Mercator, during the period June 3rd to June 5th of 2015 and again completed discussions regarding current project geological mapping and exploration program results with Mr. H. Uribe Zeballos and site geological staff. Mr. Uribe Zeballos has been retained by Prophecy to serve as Chief Geologist for the Pulacayo Project. The primary focus of the June, 2015 site visit by Mercator staff was assessment of Paca deposit drill core and surface exposures in support of the resource estimation program described in this report.

Hard copy project records were examined while in Bolivia and company digital records for all property drilling and underground workings were delivered to Mercator for purposes of the previous current resource estimation programs. This includes complete drill logs, drill plans, assay records and laboratory records for drilling and sampling completed to date. Based on such information, Mercator assembled and validated a digital drilling database upon which the current resource estimate is based. The Paca deposit was not considered in the now historic Pulacayo deposit feasibility study (Porter et al., 2013) prepared for Apogee by TWP Sudamerica S.A (TWP) in 2013.

All three authors of this report are independent Qualified Persons as defined under NI43-101 and have specific experience in the geology and mineralization types detailed in this report.

# 2.0 Reliance on Other Experts

## 2.1 General

This report was prepared by Mercator for Prophecy and the information, conclusions and recommendations contained herein are based upon information available to Mercator at the time of report preparation. This includes data and reports made available by Prophecy as well as project data and reports provided previously by Apogee to support the Paca deposit resource estimation program carried out by Micon in 2010 (Pressacco and Gowans, 2007). Information contained in this report is believed to be reliable, but parts of the report are based upon information not within Mercator's control. Mercator has no reason, however, to question the quality or validity of data used in this report. Comments and conclusions presented herein reflect the authors' best judgment at the time of report preparation and are based upon information available at that time. Various Mercator staff contributed to this report and Senior Resource Geologist, Matthew Harrington, coordinated deposit modeling and resource reporting activities under supervision of the authors.

Mercator relied upon Prophecy with respect to provision of legal opinions regarding Bolivian mining law and regulations, mineral titles, surface titles and mineral agreements that pertain to the Paca deposit, which forms part of the larger Pulacayo Project. More specifically, Mercator relied upon information pertaining to these topics provided by Mr. Gustavo A. Miranda Pinaya, who is Executive President and in-house legal counsel for Apogee Minerals Bolivia SA. These legal opinions were re-affirmed by Mr. Miranda Pinaya in October of 2015 for current report purposes.

Mercator also relied upon Prophecy with respect to provision of an opinion on site environmental liabilities and details of current status and nature of site environmental and production permits that exist for the Pulacayo project, inclusive of the Paca deposit. Summarized information pertaining to these items that appears in this report was confirmed by Prophecy.

This report expresses opinions regarding exploration and development potential for the Paca deposit as well as recommendations for further investigations and analysis. These opinions and recommendations are intended to serve as guidance for future development of the property, but should not be construed as a guarantee of success.

## 2.2 Abbreviations Used in this Report

The following abbreviations and factors have been used in this report and certain others are individually defined where they initially appear in the text. Currency references in this report reflect Canadian funds unless otherwise indicated.

**Table 2.1: Listing of Abbreviations and Conversions**

| | | | |
|---|---|---|---|
| Apogee | Apogee Silver Ltd. | | |
| ASC | Apogee Silver | | |
| CIM | Canadian Institute of Mining and Metallurgy | | |
| CSA | Canadian Securities Administrators | | |
| DTM | Digital terrain model | | |
| $ID^2$ | Inverse distance squared | | |
| IF | Inferred (resource) | | |
| IN | Indicated (resource) | | |
| Mercator | Mercator Geological Services Limited | | |
| NI 43-101 | National Instrument 43-101 | | |
| NSR | Net Smelter Return | | |
| OK | Ordinary Kriging | | |
| P&E | P&E Mining Consultants Inc. | | |
| Prophecy | Prophecy Development Corp. | | |
| TWP | TWP Sudamerica S.A. | | |
| US | United States of America | | |
| mm | millimeter | | |
| cm | centimetre | Silver | Ag |
| m | meter | Antimony | Sb |
| km | kilometer | Oxygen | O |
| ha | hectare | Zinc | Zn |
| C | Celsius | Sulphur | S |
| oz. | troy ounce (31.04 g) | Lead | Pb |
| g | gram (0.03215 troy oz.) | Iron | Fe |
| kg | kilogram | Barium | Ba |
| lb | pound | Manganese | Mn |
| t | tonne (1000 kg or 2,204.6 lb) | Arsenic | As |
| T | ton (2000 lb or 907.2 kg) | Potassium | K |
| Oz/T to g/t | 1oz/T = 34.28 g/t | Aluminum | Al |
| Au | Gold | Sodium | Na |
| Cu | Copper | Silica | Si |

# 3.0 Property Description and Location

## 3.1 General

The Paca deposit occurs within the Pulacayo-Paca property that consists of approximately 15,103 hectares of contiguous mining concessions centered on the historic Pulacayo mine and town site. The property is located in southwest Bolivia, approximately 460 km from the capital city of La Paz, 130 km southwest of the town of Potosi and 18 km northeast of the city of Uyuni (Figure 3.1). It is accessible by good roads from La Paz which are now paved to the town of Uyuni and beyond to Potosi. The property is centered at approximately 740450mE and 7744695mN WGS84 Zone 19, south datum, and at an elevation of 4305 m ASL (Figure 3.1). The paved highway provides excellent year-round access to the Pulacayo project area and lesser roads and trails join the prominent historic exploration or mining areas such as Paca and Paca-Mayo to the Pulacayo site. Some of the property roads are characterized by steep slopes and switch backs and require substantial driver caution. Four wheel drive vehicles are recommended for travel within the property limits.

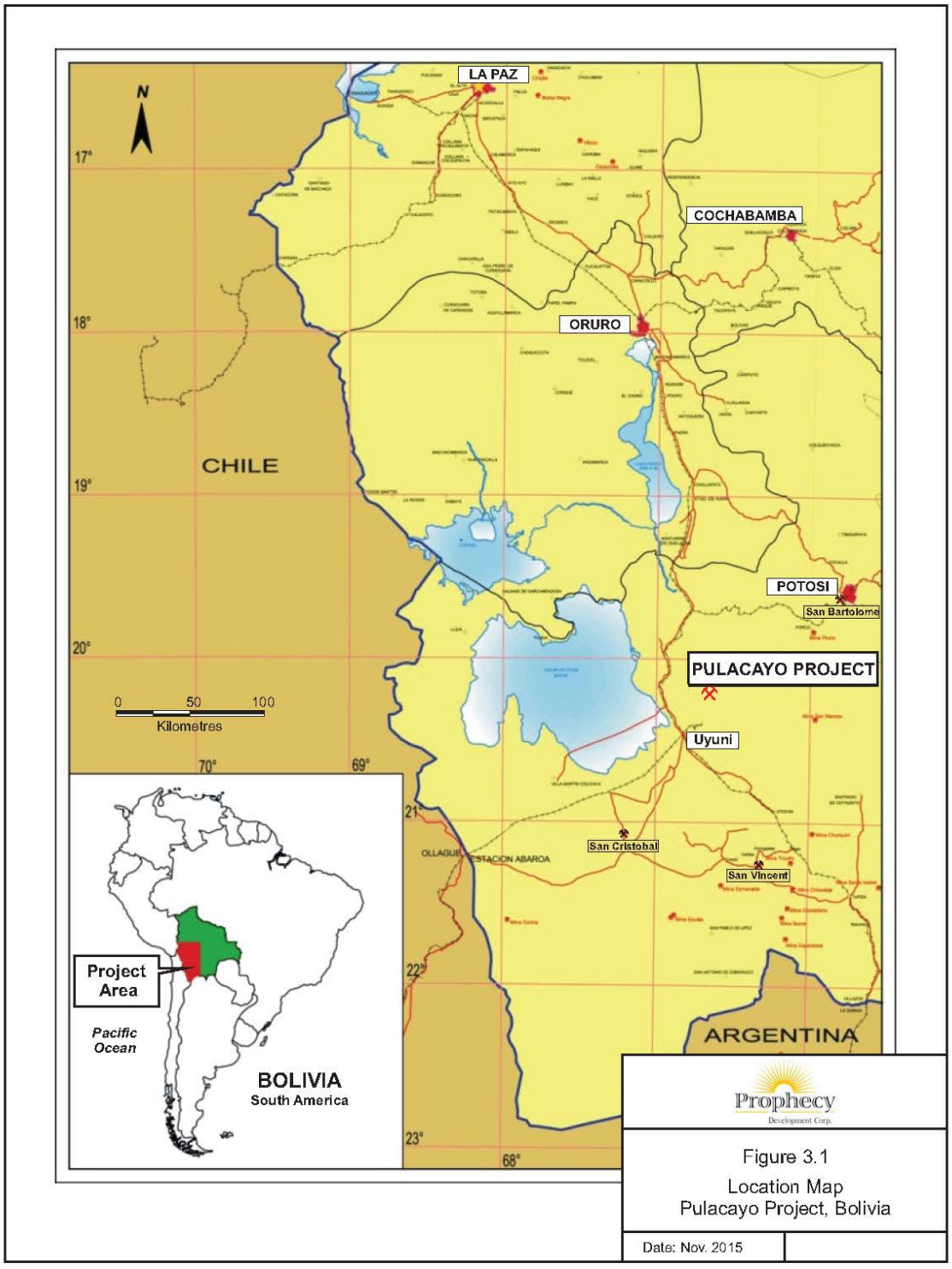
The tourist town of Uyuni, on the edge of the large Salar de Uyuni (salt lake), provides limited local services. The town has railway connections with the cities of Oruro, Potosí and Villazon and also to the borders with Argentina and Chile. Uyuni has a newly developed airport with asphalt strip which can now accommodate turbo props and regional jet service. There are also several small hotels, hostels, restaurants, schools, medical and dental facilities and internet cafes. The San Cristóbal Mining Company has constructed a gravel road from San Cristóbal, approximately 100 km southwest of Uyuni, to the border with Chile.

## 3.2 Summary of Mineral Title

The following excerpt from Pressacco et al. (2010) that outlines the mineral title and governance regime applicable to the Pulacayo holdings was previously presented in Cullen and Webster (2012b and 2015) and was extensively updated by Prophecy in 2015.

### 3.2.1 Overview of Bolivian Mining Law

The granting of mining concessions in Bolivia is governed by the Constitution (Constitución Política del Estado), the new Mining and Metallurgy Law (Ley de Minería y Metalurgia) enacted by Law No. 535 of May 28, 2014, supplemented by certain Supreme Decrees that rules taxation, environmental policies, and administrative matters, etc. Ground and underground resources are from original domain of the Bolivian people and the resources can be granted by the State for exploitation but the Bolivian state is prohibited to transfer them, according to the Article 349.I of


LA PAZ
COCHABAMBA
ORURO
POTOSI
San Bartolome
PULACAYO PROJECT
Uyuni
San Cristobal
San Vincent
CHILE
ARGENTINA
BOLIVIA
South America
Project Area
Pacific Ocean
N
17°
18°
19°
20°
21°
22°
23°
70°
69°
68°
0 50 100
Kilometres
Prophecy
Development Corp.
Figure 3.1
Location Map
Pulacayo Project, Bolivia
Date: Nov. 2015

the Constitution. Bolivian or foreign companies or individual persons may have mining concessions; with the exception of minors, governments agents, armed forces members, policemen and relatives of such persons, etc. where applicable, according to Article 30 of the Mining and Metallurgy Law.

Foreigners, according to the Article 262.1 of the Constitution and Article 28 of the Mining and Metallurgy Law are not authorized to own mining concessions or real estate property within a buffer zone of 50 km parallel to the Bolivian international borders.

In May 28th 2014 the Bolivian government enacted new mining legislation[1] which establishes that any mining activity will be performed under the new legal framework of "mining administrative contracts".

Current existing Special Transitory Authorizations or STA's, formerly known as "mining concessions", must follow a procedure before the Jurisdictional Administrative Mining Authority to be converted into "administrative contracts"[2], this type of "mining administrative contract" does not involve the participation of the Bolivian State through its state owned mining corporation known as COMIBOL. The "government take" is limited to taxes, the annual mining patents[3] and to the "Mining Royalty"[4] that is paid when the minerals are sold. COMIBOL does not hold any interest or participation in this type of contract. The contracts will be executed with the Jurisdictional Administrative Mining Authority. The same concept applies to new applications for "mining areas".

If an area with mining potential is under the name of COMIBOL or under the name of any other state owned mining company, then another type of mining contract must be executed: the Mining Association Contract[5]. This type of contract is similar to a Joint Venture Contract, highlighting that the contract must be executed under Bolivian laws, with arbitration in Bolivia[6], and establishing that the participation of the Bolivian counterpart cannot be lower than 55% of the profits[7]. This Association Contract has a Board that must have the same number of representatives for each party; but the chairman of the Board will always be elected from the members representing the state owned company[8]. The Bolivian party is a free carried interest party that only contributes with the mining areas and no other commitments are made such as investments.

[1] Mining and Metallurgy Law No. 535 released in May 28th, 2014
[2] Mining and Metallurgy Law, Articles 185 - 206
[3] Mining and Metallurgy Law, Articles 230 - 234
[4] Mining and Metallurgy Law, Articles 223 - 229
[5] Mining and Metallurgy Law, Article 145
[6] Mining and Metallurgy Law, Article 147
[7] Mining and Metallurgy Law, Article 148
[8] Mining and Metallurgy Law, Article 150

According to the article 144 of the Mining and Metallurgy Law, to retain the rights to the mining administrative contract, the title holder must comply with two requirements: a) pay the patentes annually, according to the scale detailed on Article 230 of the Mining and Metallurgy Law, and b) explore or exploit the area granted. Mining areas granted by the Bolivian State cannot remain without carrying any activity for more than six months.

"Cuadrícula" is the current mining measure unit, which is an inverted pyramid with the inferior vertex pointing at the earth's core, with an exterior perimeter equal to 25 hectares.

Some existing mining rights have been applied for and granted according to the system governed by an old Mining Code, which has not been in effect since 1997. However these rights are legal, and must be converted into administrative contracts too. The measure unit of the mining concessions obtained according to the aforementioned old Mining Code system is the "pertenencia minera", which is an inverted pyramid with the inferior vertex pointing at the earth's core, with an exterior perimeter equal to one hectare.

Mining rights cannot be transferred, sold or mortgaged. Mining Association Agreements are permitted be transferred, sold or mortgaged.

Some of the most important provisions of the New Mining Law relate to Mining Rights, Mining Contracts, and the creation of a new mining supervisory entity called the Jurisdictional Administrative Mining Authority, which is described in detail below.

**Mining Rights**

- With regards to mining rights, Article 92 of the Mining and Metallurgy Law provides that mining rights grant their holders the exclusive faculty to prospect, explore, exploit, concentrate, smelt, refine, industrialize and commercialize the mineral resources, by means of mining activities, in part or over all of the productive chain. However, on the other hand, Article 93 provides that such rights shall not grant their owners' property or possession rights over such mining areas, and that the holders of mining rights may not grant leases over the mining areas.
- In addition, Article 94 of the Mining and Metallurgy Law provides that the Plurinational State of Bolivia acknowledges and respects the acquired rights of individual or joint title holders, private and mixed companies, as well as other forms of private property rights in relation to their corresponding STAs, subject to the prior transition or adjustment to the regime of administrative mining contracts, provided by the same Mining and Metallurgy Law.
- With regards to property rights, as well as the protection of investments and rights over property, Articles 95 and 102 provide that title holders shall have dominion over their investment, the mining production, movable and immovable properties built on the land,

as well as the equipment and machinery installed inside and outside of the perimeter of the mining area; and that the State shall guarantee conditions of mining competitiveness and foreseeability of legal provisions for the development of the mining industry.

- Lastly, Articles 97 and 99 of the Mining and Metallurgy Law provide that title holders shall have the right to receive profit or surpluses generated by the mining activity, subject to the compliance with applicable tax laws; and that the State guarantees the rule of law over mining investments of title holders who are legally incorporated.

**Mining Contracts**

- The Mining and Metallurgy Law regulates mining contracts in Title IV, Chapter I, and it provides that the administrative mining contract is the legal instrument "whereby the State grants …, mining rights for undertaking certain mining activities, to productive mining actors within the state, private and cooperative mining industry."
- Pursuant to Articles 134 to 136, mining contracts shall be formalized by means of a public deed legalized before a Notary Public of the jurisdiction where the mining area is located, and shall be signed by the Jurisdictional Administrative Mining Authority, as representative of the Executive Branch.
- In order to be valid between the signing parties and enforceable towards third parties, mining contracts are required to be filed before the Mining Registry, and once executed, signatory parties shall not be able to transfer or assign their rights therein.

**Creation of the Jurisdictional Administrative Mining Authority**

- One of the most important features of the Mining and Metallurgy Law is the creation of the new supervisory entity called the Jurisdictional Administrative Mining Authority (Autoridad Jurisdiccional Administrativa Minera, in Spanish, hereinafter "JAMA").
- The job of the JAMA is to manage, supervise and control every mining activity carried out in Bolivia, as well as the Mining Registry.
- In addition, one of the main responsibilities of the JAMA is to draft and propose legislation to the Executive Power, in order to regulate the transition of the STA's into Mining Contracts. In accordance with Article 185 of the Mining and Metallurgy Law, the transition of the STAs into mining contracts shall be processed before the JAMA, within six months of the issuance of the corresponding supreme decree and administrative resolution providing the procedure for the transition.
- However, up to the date of this legal report, no new regulation has been issued about the rules and procedures to follow before the JAMA to convert the STA's into Mining Administrative Contracts.
- As a result, the current status of every STA is preserved.

**Taxes Applicable**

- Mining Royalty (Regalía Minera) equivalent to 1-7% of the gross sales value of the mineral. The tax is paid before the mineral is exported or sold in the local market (in this case only 60% of the tax is paid).
- Profits tax of 25% on net profits [Gross income – (expenses+costs)]; losses can be carried forward indefinitely. An additional 12.5% is paid when metals/minerals reach extraordinary market prices.
- Mineral production is subject to a Value Added Tax of 13%.

The Ministry of Mining and Metallurgy is responsible for mining policy. *Servicio Geologico Minero de Bolivia* (SERGEOMIN) – the Bolivian Geological Survey, a branch of the Ministry, is responsible for management of the mineral titles system. SERGEOTECMIN also provides geological and technical information and maintains a USGS-donated geological library and publications distribution centre. Also, tenement maps are available from SERGEOMIN, which has a GIS based, computerized map system.

Exploration and subsequent development activities require various degrees of environmental permits, which various company representatives have advised are within normal international standards. Permits for drill road construction, drilling and other ground disturbing activities can be readily obtained in 2 – 4 months, or less, upon submission of a simple declaration of intent and plan of activities."

### 3.2.2 Implications of New Mining and Metallurgy Law for Paca Deposit

In May of 2014, the Bolivian government enacted Mining Law No. 535 (the "New Mining Law"). The New Mining Law requires mining companies to deal with Bolivian interests before considering international interests and also requires pre-existing contracts such as agreements executed directly with COMIBOL to be re-negotiated, which is not the case of the Pulacayo Joint Venture Agreement.

With regard of the Joint Venture Agreement executed with the Pulacayo Cooperative the following regulations from the Mining and Metallurgy Law apply:

Under Article 94. II the Bolivian State acknowledges and respects pre-established rights of the mining cooperatives, in any of the current types (this rule applies to the Pulacayo Joint Venture Agreement and its terms). However the same article establishes that these rights (such as the ones generated by the Joint Venture Agreement) must follow a procedure to be converted into administrative mining contracts.

Article 129 declares that according to the Bolivian Constitution (Article 8th of the Transitory Regulations section) the Bolivian state will respect pre-established rights of the Mining Cooperatives.

Article 130 gives a definition about "pre-established rights" of the Mining Cooperatives and in its paragraph "b" states that the Lease Agreements executed by the mining cooperatives with COMIBOL, fall under such definition (the Lease Agreement executed by the Pulacayo Cooperative and COMIBOL is the base and the underlying agreement of the Pulacayo Joint Venture Contract). Section "d" of the same article is even more specific and rules that the Joint Venture Agreements executed by the mining cooperatives, maintaining its terms and conditions, are considered as "pre-established" rights.

The same article also establishes that the Joint Venture Contracts must be adapted to the new mining legislation and must be converted to "Administrative Mining Contracts", which will be executed not with COMIBOL but with the JAMA.

Article 198 says that any pre-established royalty on behalf of COMIBOL will be paid to COMIBOL, despite the fact that the adaptation of the Joint Venture Agreement will be executed with the JAMA.

As a consequence, the current agreement with the Pulacayo Cooperative, executed under the authorization of COMIBOL with respect to the Pulacayo project, will not need to be renegotiated according to the New Mining and Metallurgy Law.

## 3.3 Mineral Title Ownership

Details of mineral title ownership of the Pulacayo and Paca area properties are complicated by multi-layered option and joint venture agreements, with original ownership established prior to Prophecy's acquisition of Apogee's interest in the area in January of 2015. Prophecy's current interests and ownership in the project were established under terms of the January 2015 acquisition agreement with Apogee.

Apogee Minerals Ltd. (renamed Apogee Silver Ltd. in March 2011) originally controlled 100% of the Pulacayo deposit through an agreement with Golden Minerals Company (GMC), the successor of Apex Silver Company. Golden Minerals Company's Bolivian subsidiary, ASC Bolivia LDC (ASC), holds the mining rights to the concessions through a series of option and lease agreements with the Pulacayo Mining Cooperative and COMIBOL, the mining corporation of Bolivia. On January 21, 2011 Apogee Minerals Ltd. entered into a definitive agreement with GMC to acquire all of the issued and outstanding shares of an indirectly held subsidiary of GMC known as ASC, which holds a 100% interest in the Pulacayo-Paca area.

Pursuant to the agreement, Apogee Minerals Ltd. subsequently acquired all of the issued and outstanding shares of the subsidiary by issuing a total of 8,000,000 common shares of the company to GMC and paying GMC a cash fee in the amount of US$500,000.

Mr. G. A. Miranda Pinaya, Executive President and in-house legal counsel for Apogee Minerals Bolivia S.A. reviewed and updated the following property ownership report in October of 2015 that details Concession, Lease and Joint Venture agreements that pertain to the company's current involvement with the Pulacayo and Paca properties. Mr. Miranda Pinaya also confirmed that conditions described in this report remained in place at the effective date of the report. Mercator has relied upon this information for report purposes and has not independently verified related content.

**1) Comibol / Pulacayo Ltda. Lease Agreement**

- The Bolivian Mining Corporation (COMIBOL) and the Pulacayo Ltda. Mining Cooperative have executed a Lease Agreement (Contrato de Arrendamiento) according to the "Testimonio" No. 235/97 dated 08/01/1997 granted by the Mining and Petroleum Special Notary from La Paz (María Esther Vallejos). The Testimonio was registered before Mining Registry under the No. 253 Book "B" dated 09/05/1997. There is no reference on the "Testimonio" about the registration before the Potosí Real State Office. However, the amendment referred ahead was duly registered which implies that the Lease Agreement was registered.

- The Lease Contract includes the following Special Transitory Authorizations ("STA" and formerly known as "mining concessions"): **Pulacayo Group:** Pulacayo (1,031 hectares), Porvenir (1,099), Huanchaca (460 hectares), Galería General (76 hectares) and Rochschild (3 hectares). **Ubina Group:** Santa Bárbara (149 hectares), La Esperanza (148 hectares), Flora (60 hectares) and Victoria (40 hectares). **Cholita Chaquiri Group:** Cholita (10 hectares) and Tolentino (220 hectares). All the concessions (a total of 3,296 hectares) are owned by the COMIBOL.

- As described on the agreement, contained on the Testimonio 65/2002 dated May 13, 2002, granted by Notary Public No. 003, executed between the Pulacayo Cooperative and COMIBOL the STA (property of COMIBOL) "Real del Monte" and "Temeridad" have been included on the agreement mentioned on previous paragraphs. Both STA are located on the main area of PACA (where most of the drilling was performed).

- The term of the Lease Agreement is 15 years, starting June 1997, there is no "day" mentioned on the Testimonio, only the month and the year are described. The contract is valid until June 2012. The term could be extended.

- The Lease establishes a rent equal to 1% of the net production value. If the payment has a 3 month delay then the contract is terminated.

- The Scope of the Lease Agreement is the Mining, Development, Milling and Marketing of ore from Pulacayo, Ubina and Cholita Chaquiri areas in the Province Quijarro, Potosí District. Exploration is permitted under the Lease Agreement.

- An amendment to the aforementioned contract was executed between COMIBOL and the Pulacayo Ltda. Mining Cooperative according to the "Testimonio" No. 115/2002 dated 07/30/2002 granted by Public Notary from La Paz No. 003 (Nelly Alfaro de Maldonado). The Testimonio was registered before Mining Registry under the No. PT-195 File No. 195 dated 08/02/2002, and finally registered before the Potosí Real State Office under the Partida No. 61-26 File No. 50vta.– 20 Book No. 8-49, dated 08/08/2002.

- The amendment extends the term of the Lease Contract until June 23rd, 2025 under the condition to execute a Joint Venture Agreement with a "strategic partner". If the Joint Venture is not executed or is terminated then the term of the Lease Contract will return to the original term (June 2012).

- An exploration period of five years is allowed. During this period the "strategic partner" must pay U$. 1,000 per month to COMIBOL as rent fee. A minimum investment of U$ 300,000 in exploration costs is promised, a US$ 30,000 bond (Boleta de Garantía Bancaria) must be granted on behalf of COMIBOL to guarantee the investment during the exploration period.

- A third party could be part of the "Pulacayo/Strategic Partner" Joint Venture Agreement, but under permission from COMIBOL's Board, previous written request. COMIBOL's Board may deny permission. The third party must have a renowned name and capacity on the mining industry.

2) **Pulacayo Ltda. / ASC Bolivia LDC (Sucursal Bolivia) Joint Venture Agreement**

- The Pulacayo Ltda. Mining Cooperative and ASC BOLIVIA LDC (Sucursal Bolivia)(a subsidiary of APEX) have executed a Joint Venture Agreement (Contrato de Riesgo Compartido) according to the "Testimonio" No. 116/2002 dated 07/30/2002 granted by Public Notary from La Paz No. 003 (Nelly Alfaro de Maldonado). The Testimonio was registered before Mining Registry under the No. PT-197 File No. 144 dated 08/02/2002, and finally registered before the Potosí Real State Office under the Partida No. 62-27 File No. 54vta.– 24 Book No. 8-49, dated 08/12/2002.

- COMIBOL's Board through Board's Resolution No. 2594/2002 dated July 25th 2002 has authorized the execution of the Joint Venture Agreement.

- The Joint Venture Agreement only includes the Pulacayo Group of mining concessions: Pulacayo (1,031 hectares), Porvenir (1,099), Huanchaca (460 hectares), Galería General (76 hectares), Roschild (3 hectares), Temeridad (10 hectares) and Real del Monte (24 hectares).

- The term of the Joint Venture Agreement is 23 years starting July 30th, 2002. The first five years are for the exploration period.

- The Joint Venture Agreement could be terminated at any time if results from exploration are not satisfactory to ASC Bolivia LDC.

- ASC Bolivia LDC is committed to pay to COMIBOL US$. 1,000 during the exploration period.

- During the mining period ASC Bolivia LDC will pay to COMIBOL the equivalent of 2.5% of the Net Smelter Return (NSR) and 1.5% of the Net Smelter Return (NSR) to the Pulacayo Cooperative.

- The First Stage of Exploration implies the investment of US$. 500,000 or at least a minimum of US$. 300,000 during the sixth to eighth month.

- As defined on the clause 21st of the Joint Venture Agreement a third party could be integrated to the Joint Venture under permission of COMIBOL's Board.

**3) ASC Bolivia LDC (Sucursal Bolivia) /Apogee Minerals Bolivia S.A. Option Agreement to Be Part of a "Joint Venture Agreement"**

- Apogee Minerals Bolivia S.A. and ASC BOLIVIA LDC (Sucursal Bolivia) have executed an Option Agreement to be Part of a "Joint Venture Agreement" (Contrato de Opción para la Incorporación a un Contrato de Riesgo Compartido) according to the "Testimonio" No. 68/2006 dated 03/08/2006 granted by Public Notary from La Paz No. 038 (Daysi Benito Pozzo). The contract establishes the conditions that Apogee Minerals Bolivia S.A. must fulfill to vest 60% participation on the Pulacayo Cooperative / ASC Bolivia LDC Joint Venture Agreement and also to have 60% participation on the Paca Group of mining properties through a Joint Venture Agreement.

- The inclusion of Apogee Minerals Bolivia S.A. to the Pulacayo Cooperative / ASC Bolivia LDC Joint Venture Agreement was authorized by the Board of COMIBOL according to the Board Resolution dated November 8th, 2005.

- The inclusion of Apogee Minerals Bolivia S.A. to the Pulacayo Cooperative / ASC Bolivia LDC Joint Venture Agreement was also approved by the Board of the Cooperative according to the letter dated August 17th, 2005.

- The agreement includes the Pulacayo and the Paca Group of STA. The Paca Group of STA is property or is under the control of ASC Bolivia LDC.

- On October 23rd 2007 an amendment to the Option Agreement to be Part of a "Joint Venture Agreement" was executed, extending the term of the mentioned agreement until July 30th 2009, and in consequence extending the deadline to prepare a Feasibility Study until such date.

- On May 19th 2009, COMIBOL approved Apogee's request to extend the deadline to deliver a Feasibility Study until November 30th 2009. In consequence the deadline mentioned on previous paragraph was extended to November 30th 2009.

- If the Feasibility Study establishes the existence of a critical mass of resources, ASC will have the chance to dilute Apogee Minerals Bolivia S.A.'s participation from 60% to 40% if ASC in a term of 90 days notifies to Apogee Minerals Bolivia S.A. that it will develop Pulacayo to production.

- However, in order to avoid the disclosure of the commitments between Apogee Minerals Bolivia and ASC Bolivia LDC in regard of the incorporation of Apogee Minerals Bolivia S.A. to the Joint Venture Agreement, a simply separate agreement was executed by Apogee Minerals Bolivia S.A. and ASC Bolivia LDC. The mentioned agreement just details the incorporation of Apogee Minerals Bolivia S.A. to the Joint Venture Agreement and specifies the approval given by COMIBOL and the Pulacayo Cooperative. The mentioned agreement is detailed on the "Testimonio" No. 21/2006 dated 01/24/2006 granted by Public Notary from La Paz No. 038 (Daysi Benito Pozzo) and registered before the Mining Registry under No. PT-16 dated 06/22/2006.

- On January 20, 2011, Golden Minerals Company ("Golden") entered into a Purchase and Sale Agreement (the "Purchase Agreement") with Apex Silver Mines. Apex Mining Partners Limited and Apogee Silver Ltd. ("Apogee") pursuant to which Apogee purchased through other Golden subsidiaries, all of Golden's interest in ASC Bolivia LDC, which holds a 100% interest in the Pulacayo Cooperative / ASC Bolivia LDC Joint Venture Agreement through ASC Bolivia LDC Sucursal Bolivia, the Bolivian branch of ASC Bolivia LDC. As consequence of the aforementioned and as described on the "Testimonio" No. 438/2011 dated 07/15/2011 granted by Public Notary from La Paz No. 051 (Katherine Ramirez Calderon) on January 31st 2011, Apogee Minerals Bolivia S.A. and ASC Bolivia LDC Sucursal Bolivia have executed an agreement separating Apogee Minerals Bolivia

S.A. from the Pulacayo Cooperative / ASC Bolivia LDC Joint Venture Agreement. On the third clause of the mentioned agreement it has been established that Apogee Minerals Bolivia S.A. will continue with the exploration duties, even a small scale pilot production, until all the environmental permits have been issued on behalf of ASC Bolivia LDC Sucursal Bolivia.

- And also as a consequence of the aforementioned, the Pulacayo Cooperative / ASC Bolivia LDC Joint Venture Agreement has returned to its original scheme with the Pulacayo Cooperative and ASC Bolivia LDC Sucursal Bolivia as parties.

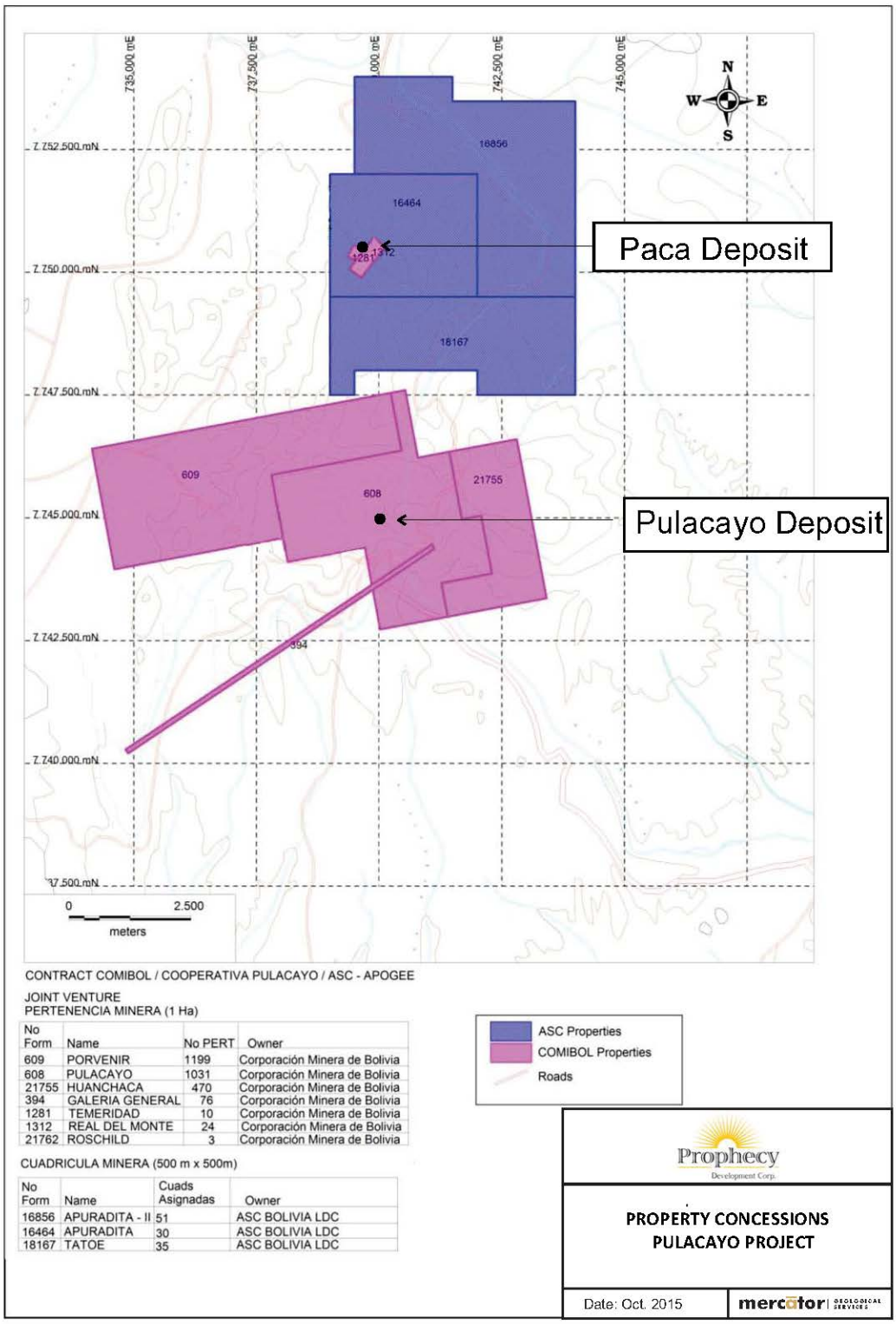
Figure 3.2 shows the distribution of Apogee mineral titles for the entire Pulacayo project area and Table 3.1 lists the individual holdings that comprise this portfolio. The Paca area is held under terms of the Paca Group STAs that are highlighted in Table 3.1 and Figure 3.2.

**Table 3.1: Summary of Apogee's Pulacayo Project Exploration Holdings**

| **Pulacayo Group** | | | | |
|---|---|---|---|---|
| ***STA** | **Owner** | **Size (ha)** | **Patentes Payment** | **Registration Number** |
| Pulacayo | COMIBOL | 1031 | Payment is not required | 512-01015 |
| Porvenir | COMIBOL | 1199 | Payment is not required | 512-01165 |
| Huanchaca | COMIBOL | 460 | Payment is not required | 512-03903 |
| Galería General | COMIBOL | 76 | Payment is not required | 512-01160 |
| Roschild | COMIBOL | 3 | Payment is not required | 512-03908 |
| Temeridad | COMIBOL | 10 | Payment is not required | 512-00992 |
| Real del Monte | COMIBOL | 24 | Payment is not required | 512-00994 |
| **Subtotal** | | 2803 | | |
| **Paca Group** | | | | |
| *STA | Owner | Size (has) | Patentes Payment | Registration Number |
| Apuradita | ASC Bolivia LDC | 750 | 2014 | 512-03652 |
| Apuradita II | ASC Bolivia LDC | 1275 | 2014 | 512-03773 |
| Tatoe | ASC Bolivia LDC | 875 | 2014 | 512-04319 |
| Phico Grande | Jaime Rubín de Celis / ASC Bolivia LDC | 9400 | 2014 | 512-04779 |
| Subtotal | | **12300** | | |
| Grand Total | | **15103** | | |

***Special Transitory Authorization – formerly mining concession***

**Figure 3.2: Pulacayo Project property holdings**



## 3.4 Environmental Considerations

Prophecy advised Mercator that the following description of the Pulacayo project's environmental considerations was accurate at the effective date of this report. This includes certain comments that pertain to the Paca resource area that is the focus of this report. It is understood that all rights and responsibilities established through permits issued to Apogee are now applicable to Prophecy. Mercator had previously summarized this information for purposes of the 2015 Pulacayo mineral resource estimate prepared for Prophecy and updated information is presented below. Mercator has relied upon Prophecy for provision of this information for current report purposes. Mercator has not verified any of the content presented below. The following text is focused on the Pulacayo site, which is relevant to the Paca deposit due to the reasonable possibility of mineralized material from the Paca deposit being processed at a central milling complex situated at the Pulacayo site.

The Pulacayo project's current environmental operating requirements are set out in compliance with the Environment Law (Law Nº 1333) and the Environmental Regulation for Mining Activities. A certificate of exemption was obtained for the exploration phase and an audit of the Environmental Base Line (ALBA) was carried out between December, 2007 and July, 2008 by Mining Consulting & Engineering "MINCO S.R.L.", a Bolivian based professional consulting firm with broad exposure to the mining industry. Its audit report summarized the work carried out during the Environmental Assessment by Apogee and includes 1) a compilation of information on the local vegetation, animals, soil, water, air, etc., including collection of more than 500 samples in the area of interest to support the conclusions and recommendations of the report; 2) an evaluation of the social impact of the project; 3) an evaluation of the area contaminated during previous mining activities, including tailings, abandoned facilities, acid waters, scrap, etc.; 4) an evaluation of other environmental liabilities.

On May 25, 2011 Apogee was awarded an environmental licence by the Bolivian authorities sanctioning mining operations at its Pulacayo project. The permit (Certificado de Dispensación Categoria 3 Para Exploración y Actividades Mineras Menores/EMAP) allows for the extraction of up to 200 tonnes per day from underground for stockpiling and transporting for off-site processing.

On September 25$^{th}$ of 2013 Apogee was awarded by the Bolivian Ministry of water and Environment the Environment Impact Declaration certificate which shows that the Bolivian environmental authorities approved the Environmental Impact Assessment ("EIA") which permits establishment of mining, milling and tailings facilities on the Pulacayo site of sufficient size to support milling operations of up to 560 tonnes per day. The application to obtain this permit was applied by Apogee on December 17, 2012. The submission was the result of over 30 months of technical studies and consultations, including a comprehensive water management plan, the feasibility study, archeological studies, flora and fauna studies, mine closure planning,

social baseline studies, and results from two years of public consultations with local communities. Permits previously granted to Apogee currently remain in effect for Prophecy.

In addition to the above, Prophecy advised Mercator that it has applied for a test mining permit for the Paca site that will allow operation at a rate of up to 200 tonnes per day, subject to stipulated environmental and regulatory conditions. Prophecy has also applied for a permit to process material generated from proposed Paca test mining at a temporary milling facility established at the Paca site.

Mercator has not independently verified any of the environmental permitting, test mining or test milling permit information presented in this report section and has relied upon Prophecy for provision of such information in all instances. However, Mercator had no reason at the effective date of this report to question the assertions made by Prophecy in regard to these items.

# 4.0 Accessibility, Climate, Local Resources, Infrastructure and Physiography

## 4.1 Introduction

The discussions presented in report sections 4.2 through 4.5 are taken from Cullen and Webster (2012b and 2015) and were originally modified after those presented by Pressacco et al. (2010). They are otherwise directly based on reporting for Apogee by Iriondo et al. (2009).

## 4.2 Accessibility

Bolivia is a landlocked country located in central South America and includes diverse geographic and climatic conditions that range from snow-capped peaks and high altitude plateaus to vast, low-lying grasslands and rainforests. The country is accessible by international air travel from Miami (American Airlines), Mexico City, Brazil, Chile (LAN), Argentina and Peru (Taca). In addition, local Bolivian airlines fly regular internal flights between major cities, with several flights a week to a newly paved runway at Uyuni city, located 18 km from the Pulacayo property.

The principal highways are generally paved and heavy trucks and buses dominate road traffic outside of the major cities. For the most part, road freight service functions adequately even to small remote villages. The Pulacayo project is accessed from La Paz by means of a paved road, which runs to the area of Huari, passing through Oruro. It can also be accessed by the road between Oruro and Potosí and from Potosí to Uyuni by a good quality paved road. Paving of the road from Potosí to Uyuni began in 2007 and has now been completed to Potosi. Secondary roads can be best described as “tracks” and winding, single lane roads are often precariously carved out of steep slopes.

There is also a reasonably well developed rail system with connections south to Argentina, east to Brazil and west to Chile and the port of Antofagasta. Rail service from Uyuni connects with Oruro, Atocha, Tupiza, and Villazon (on the border with Argentina). Uyuni is also connected by railway to Chile through Estación Abaroa. Disused rail lines exist between Uyuni-Potosí and Oruro-La Paz.

Figure 4.1 presents major highway and rail routes of Bolivia relative to the Pulacayo project’s location.




Prophecy Development Corp.

Figure 4.1
Major Routes and Physiographic Regions in Bolivia

Date: July 2015

mercator geological services

## 4.3 Climate and Physiography

Two Andean mountain chains run through western Bolivia, with many peaks rising to elevations greater than 6,000 m above sea level. The western Cordillera Occidental Real forms Bolivia's western boundary with Peru and Chile, extending southeast from Lake Titicaca and then south across central Bolivia to join with the Cordillera Central along the country's southern border with Argentina. Between these two mountain chains is the Altiplano, a high flat plain system at elevations between 3,500 m and 4,000 m above sea level. East of the Cordillera Central a lower altitude region of rolling hills and fertile basins having a tropical climate occurs between elevations of 300 m and 400 m above sea level. To the north, the Andes adjoin tropical lowlands of Brazil's Amazon Basin (Figure 4.1).

Climate within Bolivia is altitude related. The rainy period lasts from November to March and corresponds with the southern hemisphere's summer season. Of the major cities, only Potosí receives regular snowfalls, with these typically occurring between February and April at the end of the rainy season. La Paz and Oruro occasionally receive light snow. On the Altiplano and in higher altitude areas, sub-zero temperatures are frequent at night throughout the year. Snow-capped peaks are present year round at elevations greater than approximately 5,200 m.

The Pulacayo project area is located immediately southwest of the Cosuño Caldera and local topographic relief is gentle to moderate, with elevations ranging between 4,000 m and 4,500 m above sea level. The Paca and Pulacayo volcanic domes are volcanic structures that exist as prominent topographic highs in this area. Pulacayo has a semi-arid climate, with annual rainfall of approximately 100 mm and a mean summer temperature of 12°C between October and March. During winter, minimum temperatures reach the -20 to -25 degree C range and summer maximums in the 18 to 20°C range occur in June and July. Yearly mean temperature is 5.5°C. Vegetation is sparse to non-existent and consists of only local low bushes.

## 4.4 Local Resources and Infrastructure

Bolivia has a long history as a significant primary producer of silver and tin, with associated secondary production of gold, copper, antimony, bismuth, tungsten, sulphur and iron. The country also contains sizeable reserves of natural gas that have not been fully developed to date due to export issues and limited access to required infrastructure.

The country has an abundance of hydroelectric power and transmission lines which parallel the road system provide service to most major settlements. Remote villages generally have diesel generators which run infrequently during evening hours. Transmission lines from the hydroelectric plants of Landara, Punutuma, and Yura that were reconditioned by a joint venture between COMIBOL and the Valle Hermoso Electrical Company pass within a few kilometres of Pulacayo.

Telephone service and internet access are available in most areas and cellular telephone service is widespread. However, coverage is not complete and international connectivity is not ensured. Local communication services in the area are good and consist of an ENTEL-based long-distance telephone service, a GSM signal for cell phones and two antennae for reception and transmission of signals from national television stations. Apogee installed a satellite receiver to provide internet access for its operation and this service is shared with the Cooperative Social del Riesgo Compartido (Shared Risk Cooperative). An adequate supply of potable water for the town is supplied by pipeline from a dam and reservoir (Yana Pollera) facility located 28 km from Pulacayo in the Cerro Cosuño.

Coeur d'Alene Mines Corporation (San Bartolome), Pan American Silver Ltd. (San Vicente), Glencore International plc (AR Zinc, Sinchi Wayra) and Apex Silver Mines Ltd - now Golden Minerals Company (San Cristóbal) have been the most significant international companies with producing mines in this region in recent years. Basic exploration services are available in Bolivia and include several small diamond core drilling contractors, the ALS Group, which operates an analytical services sample preparation facility in Oruro, the SGS Group, which has analytical services preparation facilities in La Paz, and several locally owned assay facilities. The Bolivian National School of Engineering operates a technical college in Oruro (Universidad Técnica de Oruro) that includes a mineral processing department and laboratory facilities that provide commercial services to the mining industry. In general, an adequate supply of junior to intermediate level geologists, metallurgists, mining engineers and chemists is currently considered to be present in the country.

Since down-sizing of site operations at Pulacayo by Apogee in 2013-2014, the population of the community has dropped to approximately 300 to 400 permanent residents, many of whom are associated with the Cooperativa Minera Pulacayo Ltda. (Pulacayo Mining Cooperative). The village has a state-run school and medical services are provided by the state's Caja Nacional de Seguros (National Insurance Fund). A hospital and clinic function independently. Numerous dwellings and mining related buildings in Pulacayo are owned by COMIBOL and some of these have been donated to the Pulacayo Mining Cooperative. Under terms of the Shared Risk Contract, COMIBOL makes some mining infrastructure available for use by Prophecy (Figures 4.2 and 4.3).

**Figure 4.2: Pulacayo COMIBOL operations facility used by Prophecy**




**Figure 4.3: Pulacayo COMIBOL office facility used by Prophecy**



## 4.5 Access for Recommended Work Programs and Future Operations

Prophecy advised Mercator that the agreements and permits currently in place for the Pulacayo project provide authority to carry out the Paca deposit area exploration work programs recommended in this report. They also provide access for development of mining, milling and tailings infrastructure for the Pulacayo deposit, subject to site environmental directives. Mercator has relied upon this information provided by Prophecy and has not completed independent verification.

Based on site visits and discussions with Prophecy staff, Mercator is of the opinion that sufficient undeveloped land is present in the Pulacayo project area to support the work programs recommended in this report for the Paca deposit area and also to support future establishment of underground mining, milling and tailings facilities at this location at the scale currently envisioned by Prophecy.

# 5.0 History

## 5.1 Introduction

Well documented exploration work carried out on the Paca deposit is restricted to the period beginning in 2001 when modern programs of assessment that include Induced Polarization surveying, geological mapping, reverse circulation drilling and core drilling were carried out. History of work on the deposit is more difficult to document prior to that period, but it is clear that COMIBOL investigated the core breccia zone area of the deposit through development of the Esmeralda adit and associated underground workings in 1956. Prior to that, records show that near surface workings focused on the outcropping Paca mineralized conglomerate unit had been developed at some time during the Hochschild Company (Hochschild) period of operation at the nearby Pulacayo mine (1927 to 1952 period). On-site processing of at least some material from that unit was undertaken and produced the local "tailings" deposits described by Prophecy. These were included in a preliminary sampling program by the company during 2015 (Prophecy press release dated February 2nd, 2015) and subsequent metallurgical testing (Prophecy press release dated September 10th, 2015).

The history of Paca exploration forms a small part of the long-term exploration and mining history of the Pulacayo project area, where most work has been concentrated on mineralized systems that comprise the Tajo Vein system (TVS). Since the history of Paca exploration is related to that of the adjacent Pulacayo deposit, the summary presented in report section 5.2 below that is taken from Cullen and Webster (2012b and 2015) reflects this association. It was modified after an earlier summary by Pressacco et al. (2010). A more detailed description of exploration history is presented in a report in Spanish by Iriondo et al. (2009).

Details of exploration and deposit assessment programs specific to the Pulacayo deposit are presented in NI 43-101 technical reports prepared in support of respective resource estimates prepared for that deposit and are not directly pertinent to the Paca mineral resource estimate that is the focus of this technical report. With this in mind, further discussion of Pulacayo deposit exploration programs and results are not included in this report. The reader is directed to the most recent Pulacayo deposit NI43-101 mineral resource estimate technical report by Cullen and Webster (2015) for further details pertaining to the Pulacayo deposit exploration and technical assessment programs.

## 5.2 Pre-2001 Exploration and Mining

Mining of silver deposits at Pulacayo began in the Spanish Colonial Period (c.1545) but production details do not exist. The first work formally recorded on the property was carried out in 1833 when Mariano Ramírez rediscovered the Pulacayo deposit. In 1857 Aniceto Arce

founded the Huanchaca Mining Company of Bolivia and subsequently pursued development and production at Pulacayo. Revenue from the mine funded the first railway line in Bolivia, which in 1888 connected Pulacayo to the port of Antofagasta, Chile. In 1891, reported annual silver production reached 5.7 million ounces and mining operations at Pulacayo at that time were the second largest in Bolivia. Highest historic production is attributed to the Cerro Rico de Potosi deposit. Pulacayo production was predominantly from the Veta Tajo (Tajo Vein System) which had been defined along a strike length of 2.5 km and to a depth of more than 1000 meters. In 1923, mining operation ceased due to flooding of the main working levels.

In 1927, Mauricio Hochschild bought the property and re-started mine development. The Veta Cuatro vein was the focus of this work and was intersected at a mine elevation of approximately -266 m. It was proven to continue down-dip to the -776 m elevation where it showed a strike length of 750 m. During this time, the 2.8 km long San Leon access tunnel was developed to facilitate ore haulage and the first recorded exploration work in the area was undertaken. Several short adits were also established during the Hochschild period at Paca to test a mineralized volcanic conglomeratic unit that outcrops in the deposit area. Material from these was processed on site and coarse residual fractions from this work comprise the "tailings deposits" sampled and described by Prophecy at the Paca site. The results of the historic testing are not known.

Work by Hochschild continued until 1952 when the Bolivian government nationalized the mines and administration of the Pulacayo deposit and management was assumed by the state mining enterprise COMIBOL. Operations continued under COMIBOL until closure in 1959 due to exhaustion of reserves and rising costs. COMIBOL also imposed cutbacks on exploration during that period. The total production from the Pulacayo mine is estimated by the National Geological and Mineral Service of Bolivia (SERGEOTECHMIN) to be 678 million ounces of silver, 200,000 tons of zinc and 200,000 tons of lead (SERGEOTECHMIN Bulletin No. 30, 2002, after Mignon 1989).

In 1956, COMIBOL established the Esmeralda adit that was driven south into the Paca deposit to assess breccia hosted, high grade mineralization localized along the andesite-host sequence contact. A total of approximately 250 meters of drifting and cross cutting was carried out within the main mineralized zone, distributed between the main adit level and short sub-levels above and below the main level. Workings were established for exploration purposes only and commercial production was not undertaken by COMIBOL.

In 1962, the Cooperativa Minera Pulacayo (the "Cooperative") was founded and this local group leased access to the Pulacayo mine from COMIBOL. The Cooperative has operated small scale mining in the district since that time and continues to do so at present. Efforts are directed toward exploitation of narrow, very high grade silver mineralization in upper levels of the old mining workings, typically above the San Leon tunnel level.

## 5.3 ASC Exploration 2002 to 2005

### 5.3.1 Introduction

Modern exploration of the Pulacayo and Paca areas began to a limited degree in the 1980's when various mining and exploration companies targeted epithermal silver and gold mineralization within the volcanic-intrusive system present in the area. In 2001, ASC initiated an exploration program in the district, signed agreements with the Cooperative and COMIBOL and completed programs of regional and detailed geological mapping, topographic surveying and sampling of historical workings. In part, these work programs included the Paca deposit, where 3,448 meters of core drilling in 32 drill holes and 896 meters of reverse circulation (RC) drilling in 5 holes were completed. Details of these drilling programs are presented in Section 9.0 of this report. ASC identified a sub-vertical mineralized structure along the andesite dome's north contact as well as stratabound, disseminated, mantos style mineralization that conforms to volcaniclastic stratigraphy in the area. ASC also completed 3 core drilling campaigns at Pulacayo, totalling 3,130 m of diamond drilling, and concluded that silver-zinc-lead mineralization and hydrothermal alteration in the latter area are controlled by a strong east-west fracturing system developed in the andesitic rocks hosting the Tajo Vein.

### 5.3.2 Diamond and Reverse Circulation Drilling

ASC carried out 3,448 meters of core drilling in 32 drill holes and 896 meters of reverse circulation (RC) drilling in 5 holes. Basic information for the program appears in Table 5.1 and a more detailed discussion appears in report Section 9.0.

**Table 5.1: Summary of Paca deposit drilling programs – 2002 to 2007**

| Company | Period | Hole Numbers | Type | Total Meters |
|---|---|---|---|---|
| ASC | 2002 to 2005 | P001 to P030 | NQ Core | 3130 |
| ASC | 2002 | PNR001, 002, 004 to 006 and PNS001 | Reverse Circulation | 896 |

These programs allowed ASC to identify a sub-vertical mineralized structure along the andesite dome's north contact as well as stratabound, disseminated, mantos style mineralization that conforms to volcaniclastic stratigraphy in the area. The results of drilling were used by ASC to support an initial mineral resource estimate for the deposit, details of which appear in report Section 5.3.4.

### 5.3.3 Metallurgical Testing

ASC's parent company, Apex Silver Mines Limited, retained Resource Development Inc. (RDI) of Denver, Colorado to carry out an initial metallurgical testing program for the Paca deposit that utilized sample material recovered from drill holes PND001, PND002 and PND003. Cyanide bottle roll testing comprised most of this program but a rougher flotation test was also carried out on samples from holes PND001 and PND004. Results of all testing were reported by Randall and Malhotra (2002). Pressacco and Gowans (2007) presented a summary of metallurgical program results and also provided additional comment with respect to their applicability to deposit assessment. The following excerpt from Randall and Malhotra (2002) appeared in the Micon technical report and has been reproduced below without change.

"Preliminary metallurgical test work was completed on three samples composited from drill cores. The test work included feed characterization, leaching, flotation and gravity tests, in-place bulk density determination and mineralogy.

The highlights of the study on the three composite samples indicated the following:

- The silver grade varied from low of 44.5 g/t to high of 228.6 g/t.

- The composites contained some lead minerals (i.e., 0.56% Pb to 0.8% Pb) but very little zinc minerals (i.e., 0.05% to 0.41% Zn). The other sulfide minerals identified were sulphosalts and chalcocite. Coarse native silver was detected in one of the composite samples.

- The silver minerals were amenable to cyanide leaching for most of the composite samples (i.e., 28% to 82% Ag extraction). However, extraction of silver was size dependent and improved with fineness-of-size.

- The lime consumption in leach tests was variable for different composites and ranged from 0.8 to 2.4 kg/t.

- The NaCN consumption was dependent on both ore type and particle size. It increased with fineness of a particular size. In general, it averaged ± 1.5 kg/t.

- Due to the presence of coarse native silver, the silver leaching was not completed in 120 hours. Hence, the data were extrapolated to 240 hours leach time to project anticipated silver recovery. The results indicated that over 90% of silver could potentially be recovered at fine particle size for two of the three composites.

- The final pregnant solution from selected tests was analyzed for gold and copper. Measurable quantities of gold were detected in the solution. Hence, it is reasonable to conclude that gold is present in those samples. Some of the copper minerals present in the samples are also readily soluble in cyanide.

- Differential lead/zinc flotation process recovered over 90% of silver in the combined lead and zinc concentrate for the composite assaying 228.6 g/t Ag. The flotation process shows promise of recovering silver. However, the flotation process did not recover acceptable silver values from the other composites. The gravity concentration process did not concentrate silver in the gravity concentrate. Hence, it cannot be used alone as a process for recovering silver minerals. The in-place bulk densities were extremely variable for one composite (i.e., 1.79 and 2.58 gm/cc). The average densities were ± 2.2 gm/cc for the samples tested. In summary, the preliminary results are encouraging enough to warrant additional drilling and metallurgical testing. The head grades of the three composite samples are shown in Table 5.2 below. A summary of the leaching results is shown in Table 5.3 below. A summary of the flotation results is shown in Table 5.4 below"

**Table 5.2: Summary of Head Grades, RDi Metallurgical Testing, 2002**

| Drill Hole No | Interval Include (m) | Weight (kg) | Apex Aggregated Head Grades for Core | | | Assayed Head | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Ag, (g/t) | Pb (%) | Zn (%) | Ag (g/t) | Pb (%) | Zn (%) | Sb (%) | As (ppm) |
| PND 001 | 17.7-42 | 31 | 45.0 | 0.85 | 0.30 | 44.5 | 0.84 | 0.27 | <0.01 | 49 |
| PND 003 | 6.1-36 | 17 | 179.7 | 0.90 | 0.05 | 149.8 | 0.73 | 0.05 | 0.02 | 696 |
| PND 004 | 78-106 | 37 | 195.0 | 0.47 | 0.34 | 228.6 | 0.56 | 0.41 | 0.02 | 162 |

**Table 5.3: Summary of Leach Test Results, RDi Metallurgical Testing, 2002**

| Test No. | Nominal Particle Size | Silver Head (g/t) | | Au Extraction* (%) | | Pregnant Solution (ppm) | | | Reagent Consumption kg/tonne | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Assay | Calc | 120hr | 240 hr Projected | Ag | Au | Cu | NaCN | Lime |
| **Composite PND 001** | | | | | | | | | | |
| APBR-1 | 0.25 inch | 44.5 | 96.8 | 28.3 | 37 | 17.4 | - | - | 1.44 | 2.28 |
| APBR-2 | 10 mesh | 44.5 | 44.2 | 57.7 | 69 | 16.1 | - | - | 1.57 | 2.44 |
| APBR-3 | 200 mesh | 44.5 | 42.9 | 82.5 | 98 | 22.8 | 0.01 | 12.9 | 1.39 | 2.47 |
| **Composite PND 003** | | | | | | | | | | |
| APBR-4 | 0.25 inch | 149.8 | 167.6 | 41.2 | 46 | 44.3 | - | - | 0.66 | 1.17 |
| APBR-5 | 10 mes | 149.8 | 209.7 | 38.4 | 40 | 48.0 | - | - | 0.31 | 1.12 |
| APBR-6 | 200mesh | 149.8 | 148.4 | 67.2 | 71 | 63.8 | 0.01 | 11.9 | 1.32 | 1.54 |
| **Composite PND 004** | | | | | | | | | | |
| APBR-7 | 0.25 inch | 228.6 | 307.4 | 35.7 | 47 | 75.3 | - | - | 1.31 | 0.79 |
| APBR-8 | 10 mesh | 228.6 | 230.4 | 55.0 | 71 | 83.5 | - | - | 1.09 | 0.82 |
| APBR-9 | 200mesh | 228.6 | 217.3 | 71.4 | 93 | 103.2 | 0.02 | 159.6 | 2.51 | 0.94 |

**Note**: Calculated head analyses for Ag are significantly different from assayed head in some cases, especially for coarse feed samples.

* This table is reproduced in its entirety and that the reference to the metal extraction is likely intended to refer to silver extraction rather than gold extraction.

**Table 5.4: Summary of Flotation Test Results, RDi Metallurgical Testing, 2002**

| Test No. | Products | Grade | | | Recovery, % | | | |
|---|---|---|---|---|---|---|---|---|
| | | Ag (g/t) | Pb (%) | Zn (%) | Wt. | Ag | Pb | Zn |
| AF-1 (PND001) | Pb Conc | 2428 | 59.3 | 1.24 | 0.8 | 46.9 | 53.3 | 2.9 |
| | Tailing | 22.8 | 0.43 | 0.34 | 99.2 | 53.1 | 46.7 | 97.1 |
| | Cal. Feed | 42.5 | 0.91 | 0.35 | 100.0 | 100.0 | 100.0 | 100.0 |
| AF-2 (PND 004) | Pb Conc | 13802 | 22.8 | 10.9 | 1.2 | 72.9 | 47.7 | 28.8 |
| | Zn Conc | 3852 | 2.50 | 23.7 | 1.1 | 18.3 | 4.7 | 56.2 |
| | Combined Conc | 9084 | 13.2 | 17.0 | 2.3 | 91.3 | 52.5 | 85.0 |
| | Tailing | 20.4 | 0.28 | 0.07 | 97.7 | 8.7 | 47.5 | 15.0 |
| | Cal. Feed | 228.1 | 0.58 | 0.46 | 100.0 | 100.0 | 100.0 | 100.0 |

Pressacco and Gowans (2007) concluded that silver recoveries from the leaching tests were reasonable and that recoveries of zinc, lead and silver in the flotation test showed promise. They cautioned, however, that zinc content in the head samples for the flotation tests were very low (0.27% Zn and 0.41% Zn) and less than the deposit average grades of 0.68% lead and 1.16% zinc that appear in their mineral resource estimate.

Additional testing was carried out in 2003 by RDI on composite core sample material from drill holes PND007, PND008, PND023 and PND025. Intrusive, sedimentary and mixed lithology samples were assessed, with silver, zinc and lead grades showing respective ranges of 25 g/t to 172 g/t, 0.80% to 1.92%, and 0.93 % to 1.14%. Pressacco and Gowans (2007) summarized results as showing around 60% silver extraction after 96 hour cyanide leaching of minus 100 mesh material from all samples, with overall locked cycle flotation test silver recoveries ranging from 39% to 80%. They also noted that locked cycle lead flotation recoveries to the lead concentrate ranged from 59% to 80% and zinc recoveries to the zinc flotation concentrate were between 9% and 67%. Their general conclusion and comment on all ASC metallurgical testing was that additional work was necessary to optimize metal recoveries for Paca deposit mineralization.

### 5.3.4 Mineral Resource Estimate

ASC prepared initial mineral resource estimates in 2003 for two mineralized zones comprising the Paca deposit, these being Paca Norte and Paca Norte Dos, and results are presented below in Table 5.5. The estimate's reporting cut-off value is not reported. The emphasis at that time was definition of mineral resources suitable to support open pit mining operations. Mercator notes that this resource estimate is historic in nature, was not prepared in accordance with NI 43-101 and should not be relied upon. A qualified person has not determined what additional work is required to make this estimate current and Prophecy is not treating it as a current mineral resource estimate for the Paca deposit.

**Table 5.5: Historic 2003 Paca deposit mineral resource estimates by ASC**

| Deposit Area | Tonnes | Silver (g/t) | Lead (%) | Zinc (%) |
|---|---|---|---|---|
| Paca Norte | 8,280,000 | 130 | 1.01 | 1.12 |
| Paca Norte Dos | 8,100,000 | 157 | 0.97 | 0.85 |

Apogee optioned the Pulacayo property from ASC in late 2005 and actively pursued exploration and economic assessment of the property beginning in 2006. The property was sold to Prophecy in January, 2015 as part of the larger Pulacayo Project portfolio of mineral interests. Details of the work programs carried out by Apogee are presented below in report Section 5.4.

## 5.4 Apogee Exploration - 2006 to 2015

### 5.4.1 Introduction

In 2005 Apogee signed a joint venture agreement with ASC and subsequently commenced exploration on the Pulacayo property in early 2006. Work was carried out on both the Pulacayo and Paca deposits, with emphasis placed on Pulacayo. The reader is directed to Cullen and Webster (2015) for a summary of work completed on the Pulacayo deposit. In the Paca area, Apogee completed a detailed topographic survey, detailed geological mapping and sampling of Paca surface exposures and the Esmeralda adit underground workings, induced polarization (IP) geophysical surveying and diamond drilling. Micon International Limited (Micon) also prepared for Apogee a new mineral resource estimate for the Paca deposit in accordance with the CIM Standards and disclosed according to NI43-101. The main programs carried out by Apogee at Paca are individually discussed below.

### 5.4.2 Topographic Survey

In 2006 Apogee contracted Geodesia y Topografia of La Paz, Bolivia to complete a topography survey of the Pulacayo-Paca areas using four LEICA Total Stations, models TCR 407, TC 703, TC 605L, and TC 600. The survey covered a total area of 24 $km^2$ and survey points were collected in WGS84, Zone 19 South Datum and the coordinates were referenced to known government control points including GCP CM-43 obtained from the IGM (Instituto Geografico Militar).

The survey points allowed the construction of a detailed topographic map for the Pulacayo and Paca areas and two metre contour intervals were established. The new topographic map was used as a base to establish road access, geological mapping and surface sampling as well as for locating drill collars. As part of the field work, Eliezer Geodesia y Topografia also surveyed the collars of all completed drill-holes and established 12 surveyed grid lines for an IP surveying.

Seven IP survey lines were located in the Pulacayo area and 5 were located in the Paca area. Surveyed stations were established at 50 m intervals along each line.

### 5.4.3 Geological Mapping and Sampling

Apogee initiated a surface mapping and sampling program at Pulacayo in 2005 and initially utilized preliminary geological maps completed by ASC in 2003. The company completed detailed 1:1,000 scale surface mapping that covered all exploration holdings, including both the Pulacayo and Paca areas. The sampling consisted mostly of rock chip samples taken from outcrops and the objective of the mapping program was to characterize the alteration patterns and locate sulphide mineralization both at surface and also within accessible underground mine workings. A total of 549 samples were collected and summary results of the geological mapping program appear later in this report in Figure 5.1.

During 2006 Apogee also initiated development of a detailed, three dimensional digital model of the historic underground mine workings of the Pulacayo deposit based on available historic records. The workings solid model was completed by EPCM Consultores S.R.L. (EPCM) and was subsequently modified by Apogee through transformation of the model from the historic mine grid to the current datum plus adjustment to include a +1% incline grade of the San Leon tunnel. It is assumed that some surveying was carried out at the Paca deposit's Esmeralda adit at this time as well.

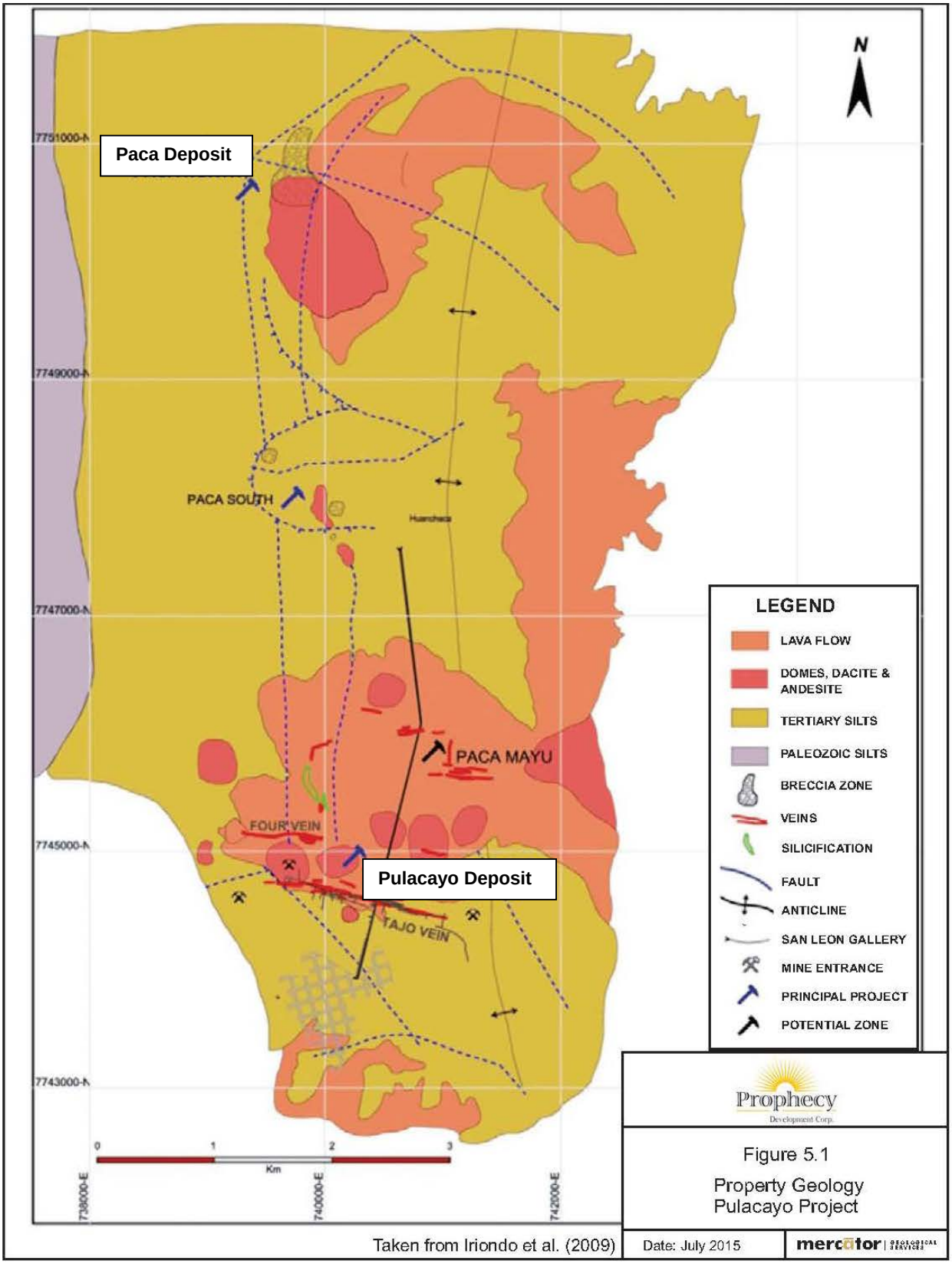
### 5.4.4 Induced Polarization Surveying

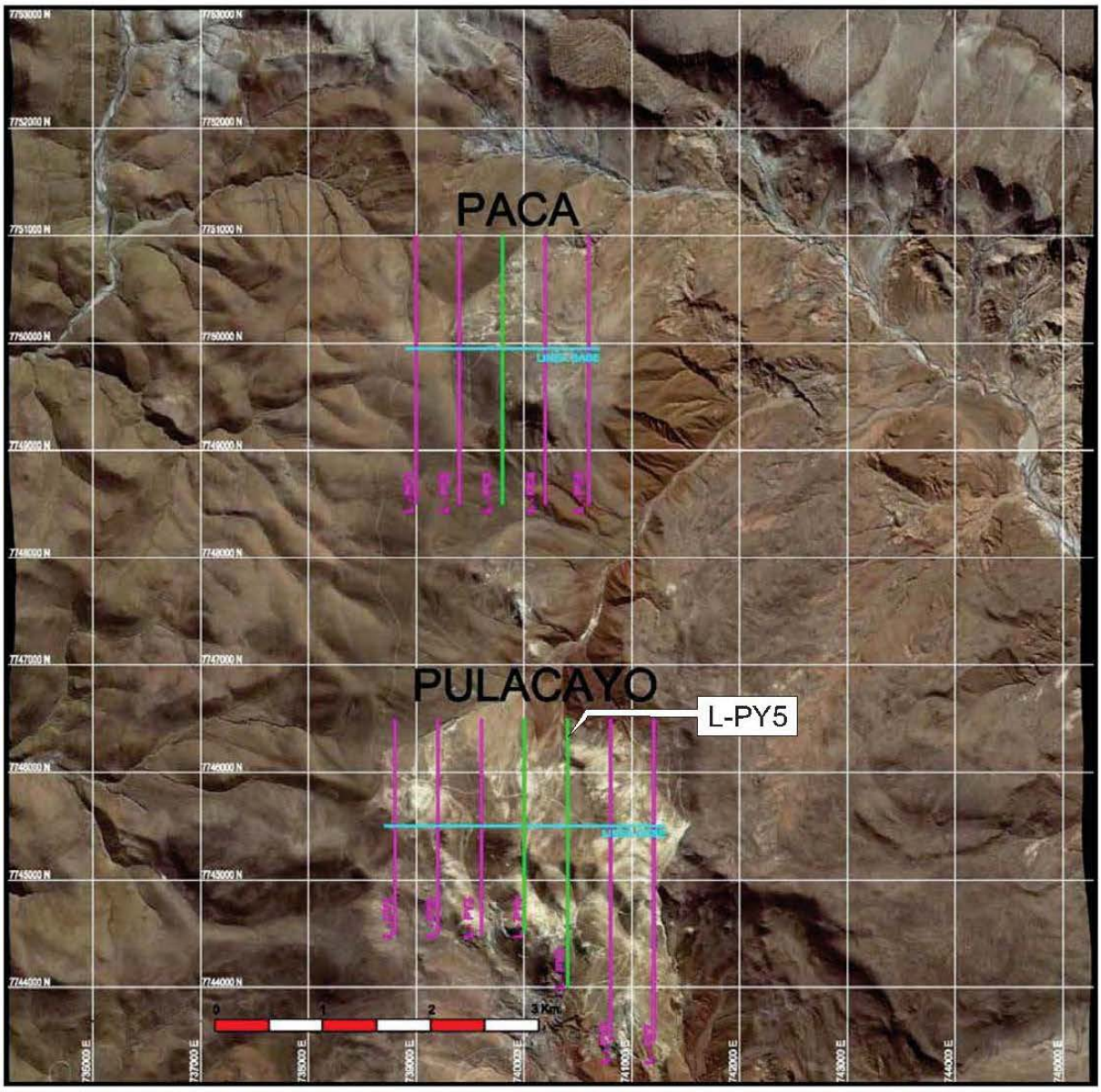
An induced polarization (IP) geophysical survey was carried for Apogee during November and December 2007. The survey covered grid lines on both the Pulacayo and Paca areas and was completed by Fractal S.R.L (Fractal), an independent geophysical consulting company based in Santa Cruz, Bolivia. The survey used a dipole-dipole electrode configuration along 400 m spaced lines. A total of 29 line km of IP surveying was completed on the Pulacayo and Paca properties and data were recovered using a 50 m dipole spacing to n=6. Results are summarized by Iriondo et al. (2009).

Seven geophysical survey lines oriented north-south were completed in the Pulacayo area and these were oriented approximately perpendicular to the east-west strike of the TVS. At Paca a total of five similarly oriented survey lines were completed.

The IP surveys were successful in outlining several areas of anomalously low apparent resistivity that, based on correlation in an area of known bedrock geology, were interpreted to represent weakly altered rocks. On the same basis, high apparent resistivity zones were interpreted to represent areas of siliceous alteration. Combined results of the Pulacayo area survey show that an east-west oriented zone of anomalous apparent resistivity and chargeability responses measuring

some 450 m in width extends over the length of the survey grid and marks the TVS. Moderately anomalous values in chargeability located at the edges of the main anomalous zone were interpreted as altered rocks that could be related to a mineralized vein system at depth. Survey results were similarly interpreted at Paca as identifying zones of anomalous disseminated sulphide concentration that locally shows association with mantos and feeder zone styles of silver-lead zinc mineralization of economic interest. Figure 5.2 identifies the areas covered by IP surveying at the Paca and Pulacayo deposit areas.


N
Paca Deposit
PACA SOUTH
Huanchaca
PACA MAYU
FOUR VEIN
Pulacayo Deposit
TAJO VEIN
7751000-N
7749000-N
7747000-N
7745000-N
7743000-N
738000-E
740000-E
742000-E
0
1
2
3
Km
LEGEND
LAVA FLOW
DOMES, DACITE & ANDESITE
TERTIARY SILTS
PALEOZOIC SILTS
BRECCIA ZONE
VEINS
SILICIFICATION
FAULT
ANTICLINE
SAN LEON GALLERY
MINE ENTRANCE
PRINCIPAL PROJECT
POTENTIAL ZONE
Prophecy
Development Corp.
Figure 5.1
Property Geology
Pulacayo Project
Taken from Iriondo et al. (2009)
Date: July 2015
mercator




Prophecy Development Corp.

Figure 5.2

IP Survey Coverage
Pulacayo Project

Modified after Apogee file document. (2009)

Date: July 2015

mercator geological services

### 5.4.5 Diamond Drilling

Combined results of the ASC and Apogee diamond drilling programs carried out between 2002 and 2012 support the current mineral resource estimate for the Paca deposit. As noted earlier, ASC completed 32 diamond drill holes (3130 m) and 5 reverse circulation drill holes (896 m) on the Paca deposit between 2002 and 2005. After acquiring the property in 2005, Apogee subsequently completed 76 additional diamond drill holes (13,631.2 m) at Paca in three separate drilling campaigns during 2006. Table 5.6 presents a summary of these programs and details of these plus the earlier ASC programs that contributed data to the current resource estimate are described in greater detail in Section 9.0 of this report.

**Table 5.6: Summary of Paca deposit drilling programs – 2002 to 2007**

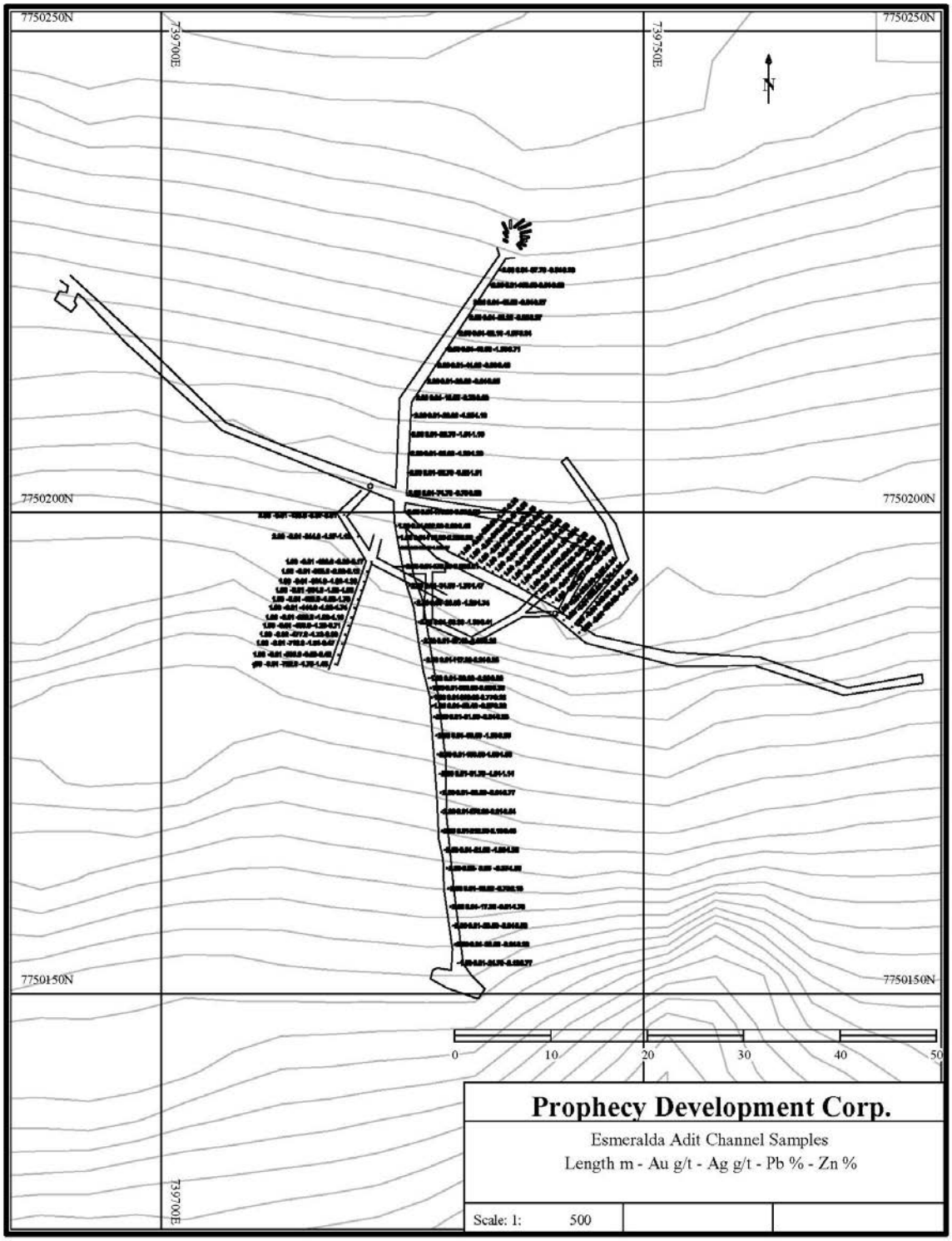
| Company | Period | Hole Numbers | Type | No. of Holes | Total Meters |
|---|---|---|---|---|---|
| Apogee | Early 2006 | PND031 to PND053 | HQ Core | 23 | 2,301.5 |
| Apogee | Mid to Late 2006 | PND054 to PND99 | HQ Core | 46 | 10,443.7 |
| Apogee | Late 2006 | PND100 to PND106 | HQ Core | 7 | 886.0 |
| Total | | | | 76 | 13,631.2 |

In addition to drilling at Paca, Apogee completed extensive drilling programs on the Pulacayo deposit to the south, results of which were used to support various mineral resource estimates between 2007 and 2013. Details of these drilling programs are presented in NI 43-101 technical reports prepared in support of the respective resource estimates and are not pertinent to the Paca mineral resource estimate that is the focus of this technical report. The interested reader is directed to Cullen and Webster (2015) for details pertaining to ASC and Apogee drilling programs carried out to assess the Pulacayo deposit.

### 5.4.6 Sampling of Esmeralda Adit Underground Workings

The Esmeralda adit was established by Comibol in 1956 to test both mantos style lower grade mineralization and “feeder zone” style higher grade mineralization within the Paca deposit. The adit extends south from the portal into the Paca dome and exposes mantos style mineralization for a distance of approximately 25 meters before intersecting the main interval of feeder zone mineralized breccia. From that point, drifting was carried out along the zone to the east for about 55 meters and to the west for about 55 meters. Cross-cutting was also continued in a south-southeast direction for about 55 meters and a small amount of sub-level drifting was carried out approximately 7 meters below and 7 meters above the main adit level in the central portion of the mineralized zone. Apogee re-sampled portions of the Esmeralda adit workings during 2006 and Figure 5.3 presents a plan of the workings and associated Apogee sampling results.

**Figure 5.3: 2006 Apogee sampling results for the Esmeralda adit**



### 5.4.7 Historic Mineral Resource Estimate By Micon

In 2007 Micon prepared a mineral resource estimate for the Paca deposit based on data generated from the drilling and underground sampling programs summarized above in Sections 5.4.5 and 5.4.6. The Micon estimate was prepared in accordance with Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves: *Definitions and Guidelines* (the CIM Standards) and disclosed according to requirements of National Instrument 43-101. The estimate appears below in Table 5.7 and was reported by Pressacco and Gowans (2007). It reflects mineral resources considered to be potentially amenable to economic development using open pit mining methods. Mercator notes that the Micon estimate is historic in nature and should not be relied upon at this time. A qualified person within the meaning of NI43-101 has not done sufficient work to classify this historical estimate as current mineral resources or reserves and Prophecy is not treating this historical estimate as current mineral resources or reserves. The results of the Micon estimate have been superceded by the current estimate prepared for Prophecy and supported by this technical report.

**Table 5.7: Historic 2007 Paca deposit mineral resource estimate by Micon**

| Category | Tonnes | Silver (g/t) | Zinc (%) | Lead (%) |
|---|---|---|---|---|
| Inferred Resource | 18,416,100 | 43.04 | 1.16 | 0.68 |
| Waste Rock | 56,699,600 | | | |
| Strip Ratio (Resource tonnes : Waste tonnes): 3.1 to 1 | | | | |

1. The effective date of this estimate is March 30th, 2007.
2. The resource reporting block cut-off value is $US 20 Gross Metal Value based on 100% recovery and metal pricing at $US10.43/oz silver ($US0.33/g), $US1.30/lb ($US2.86/kg) for zinc and $US0.55/lb ($US1.21/kg) for lead.

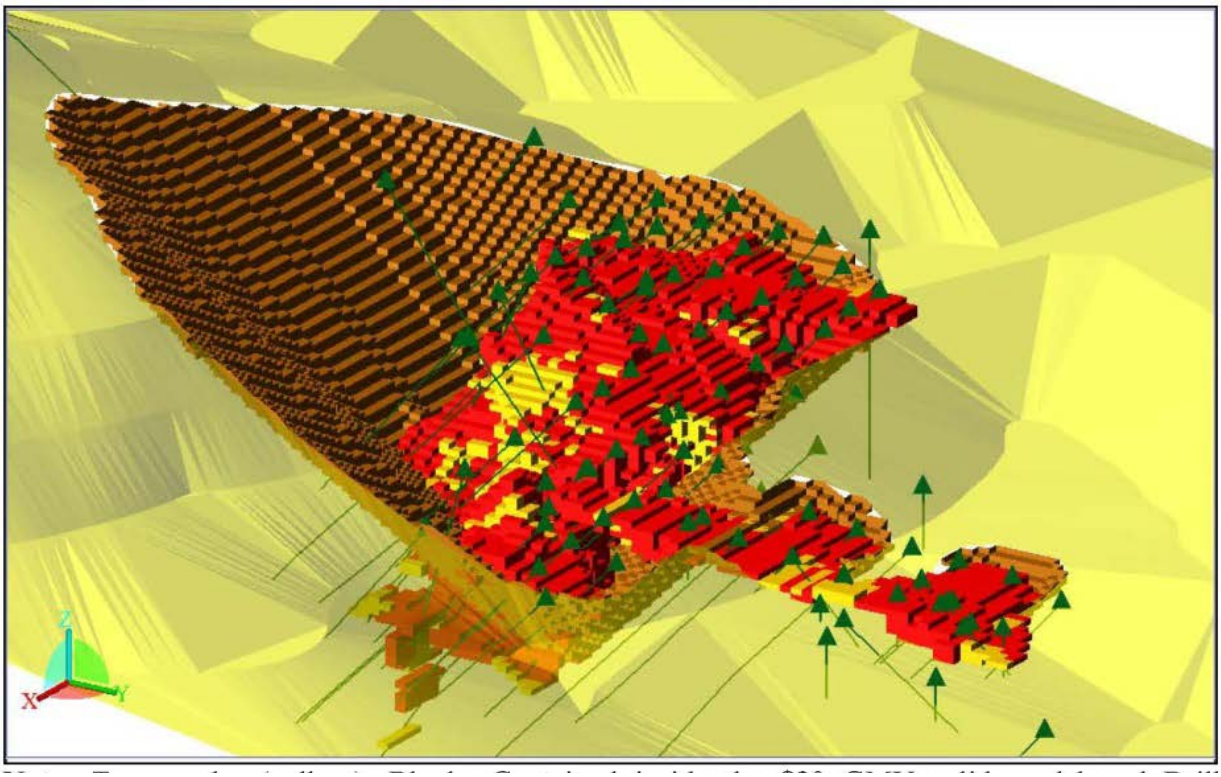
Micon developed three grade constraint interpolation solids based on review of gross metal values calculated for composited drill hole analytical data. Metal prices used were $US10.43/oz silver ($US0.33/g), $US1.30/lb ($US2.86/kg) for zinc and $US0.55/lb ($US1.21/kg) for lead. A gross metal value threshold of $US20 was chosen for modeling of the grade constraint envelopes. An optimized pit constraining shell for reporting of mineral resources was also created using input parameters presented below in Table 5.8 and Lerches-Grossman optimization methods. Figure 5.4 presents a perspective view of the Micon block model and optimized pit shell.

## Table 5.8: Micon pit optimization parameters for 2007 resource estimate

| Parameter | Value | Source |
|---|---|---|
| Exchange Rate CDN/USD | N.A. | |
| Zinc Price | $USD1.30/lb ($USD2.86/kg) | 12 mo avg, Kitco spot |
| Lead Price | $USD0.55/lb ($USD1.21/kg) | 12 mo avg, Kitco spot |
| Silver Price | $USD10.43/oz ($USD0.33/g) | 12 mo avg, Kitco spot |
| | | |
| Mill Recovery – Zinc Conc | 92% | San Cristobal LOM recovery |
| Mill Recovery- Lead Conc | 86% | San Cristobal LOM recovery |
| Mill Recovery- Silver | 76% | Total San Cristobal Ag recovery |
| | | |
| Payable Metal – Zinc | 85% | Mining Journal, January 19, 2007 |
| Payable Metal – Lead | 95% | Mining Journal, January 19, 2007 |
| Payable Metal – Silver | 95% | Micon Estimate |
| | | |
| Concentrate Grade - Zinc | 53% | Micon Estimate |
| Concentrate Grade - Lead | 45% | Micon Estimate |
| Concentrate Grade - Silver | 2,841 g/t | Micon Estimate |
| | | |
| Mass Pull – Zinc Conc | 1.74 wt% | Micon Estimate |
| Mass Pull – Lead Conc | 1.34 wt% | Micon Estimate |
| | | |
| Smelting Charges - Zinc | $US200 / conc tonne | Mining Journal, January 19, 2007 |
| Smelting Charges - Lead | $US60 / conc tonne | Mining Journal, January 19, 2007 |
| Refining Charges – Zinc | NA | |
| Refining Charges – Lead | NA | |
| Refining Charges – Silver | $US0.35/oz ($US0.011/g) | Micon Estimate |
| | | |
| Mining Cost (delivered to mill) | $US4.00/ore tonne<br>($US1.56/ material tonne at 1.56 SR) | San Cristobal cost<br>Ore and Waste |
| Milling Cost | $US8.00/tonne | Micon Estimate |
| Site G&A (incl. Enviro) | $US1.00 | Micon Estimate |
| | | |
| Trucking Cost to Uyuni Railhead | $US3.50 / conc tonne (35 km at $0.10/km) | Micon Estimate |
| Transhipping cost - Uyuni | $US5.00/conc tonne | Micon Estimate |
| Rail Shipping Cost to Puerto Mejillonos | $10 (500 km at $0.02/tonne-km) | Micon Estimate |
| Transhipping cost – Puerto Mejillonos | $US5.00/conc tonne | Micon Estimate |
| Average Rock Density<br>Mineralization Density – 402 Zona Principale<br>Mineralization Density – 404 Paca Norte<br>Mineralization Density – 406 Zona Transversal | 2.30<br>2.27 (188 samples)<br>2.33 (17 samples)<br>2.37 (3 samples) | Apogee Density Measurements |
| Block Dimensions | 10x10x5 = 500 $m^3$ | 1,150 tonnes at 2.30 |
| Ovb Density | No ovb modeled | |
| Pit Wall Slopes | 45° | Micon estimate |
| Cut Off Grade for Reporting | Nett Value > 0 | |

(Taken from Pressacco and Gowans, 2007)

**Figure 5.4: Micon optimized pit shell and block model – view to southwest**




Note: Topographic surface is light yellow, red blocks meet or exceed the $20 Gross Metal Value block reporting threshold, yellow blocks are less than this threshold and brown blocks define the optimized pit shell.
(Taken from Pressacco and Gowans, 2007)

# 6.0 Geological Setting

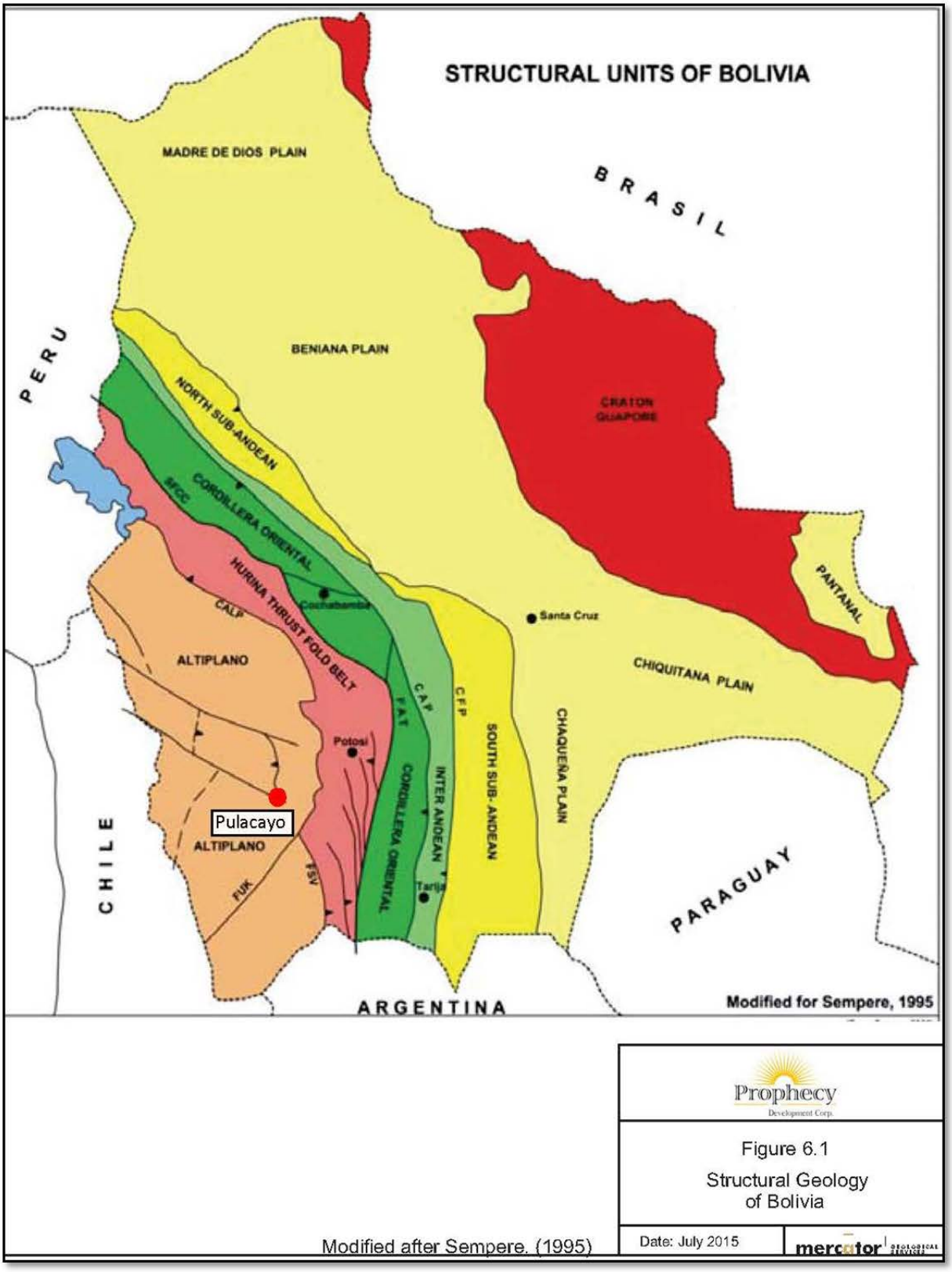
## 6.1 Regional Geology

The regional geology of Bolivia is well described in various Bolivian government reports and is well summarized in technical reports completed for Apogee by Micon in 2008, 2009, and 2010. The following regional geology description was extracted from the 2010 Micon report (Pressacco et al., 2010) that in turn is based on translated content from an Apogee company report (Iriondo et al. 2009) and US Geological Survey Bulletin 1975. The following text from these references is presented without substantive change from Cullen and Webster (2015).

"In southwestern Bolivia, the Andes Mountains consist of three contiguous morphotectonic provinces, which are, from west to east, the Cordillera Occidental, the Altiplano, and the Cordillera Oriental. The basement beneath the area, which is as thick as 70 km, is believed to be similar to the rocks exposed immediately to the east, in the Cordillera Oriental, where a polygenic Phanerozoic fold and thrust belt consists largely of Paleozoic and Mesozoic marine shales and sandstones (Figure 6.1).

Deposited mostly on Precambrian basement, the rocks of the Cordillera Oriental were deformed during at least three tectonic-orogenic cycles, the Caledonian (Ordovician), the Hercynian (Devonian to Triassic), and the Andean (Cretaceous to Cenozoic). The Altiplano is a series of high, intermontane basins that formed primarily during the Andean cycle, apparently in response to folding and thrusting. Its formation involved the eastward underthrusting of the Proterozoic and Paleozoic basement of the Cordillera Occidental, concurrent with the westward overthrusting of the Paleozoic miogeosynclinal rocks of the Cordillera Oriental. These thrusts resulted in continental foreland basins that received as much as 15,000 m of sediment and interlayered volcanic rocks during the Cenozoic.

Igneous activity accompanying early Andean deformation was primarily focused further west, in Chile. During the main (Incaico) pulse of Andean deformation, beginning in the Oligocene and continuing at least until the middle Miocene, a number of volcano plutonic complexes were emplaced at several localities on the Altiplano, particularly along its eastern margin with the Cordillera Oriental, and to the south. In Pleistocene time, most of the Altiplano was covered by large glacial lakes. The great salars of Uyuni and Coipasa are Holocene remnants of these lakes. The Cordillera Occidental consists of late Miocene to Recent volcanic rocks, both lava flows and ashflow tuffs, primarily of andesitic to dacitic composition, that have been erupted in response to the subduction of the Nazca plate beneath the continent of South America. This underthrusting continues, and many of the volcanoes that form the crest of the Andes and mark the international border with Chile are presently active".


STRUCTURAL UNITS OF BOLIVIA
MADRE DE DIOS PLAIN
BRASIL
PERU
BENIANA PLAIN
CRATON
GUAPORE
NORTH SUB-ANDEAN
CORDILLERA ORIENTAL
SFCC
HURINA THRUST FOLD BELT
CALP
ALTIPLANO
Cochabamba
Santa Cruz
PANTANAL
CHIQUITANA PLAIN
FAT
CAP
CFP
SOUTH SUB-ANDEAN
CHAQUEÑA PLAIN
Potosi
INTER ANDEAN
CORDILLERA ORIENTAL
Tarija
Pulacayo
ALTIPLANO
FUK
FSV
CHILE
PARAGUAY
ARGENTINA
Modified for Sempere, 1995
Prophecy
Development Corp.
Figure 6.1
Structural Geology
of Bolivia
Date: July 2015
mercator
Modified after Sempere, (1995)

## 6.2 Local Geology

As described earlier, silver, lead and zinc mineralization at the Pulacayo and Paca deposits reflects a low sulphidation epithermal polymetallic system hosted by sedimentary and igneous rocks of Silurian and Neocene age (Pressacco et al., 2010). The Silurian sedimentary section underlies the volcanics and includes diamictites, sandstones and shales. The Neocene rocks are predominantly volcano-sedimentary in origin and include conglomerates, sandstones, rhyolitic tuffs, dacitic-rhyolitic domes, andesitic porphyries and andesitic flows. The following more detailed description is based on Iriondo et al (2009) as summarized by Pressacco et al. (2010).

The Pulacayo project that includes both the Pulacayo and Paca deposits is located on the western flank of a regional anticline that affects sedimentary and igneous rocks of Silurian, Tertiary and Quaternary ages on the western side of the Cordillera Oriental, near the Cordillera-Altiplano boundary. Figure 6.2 presents an interpretation of local geology and the structures and features discussed below are considered to be particularly important with respect to localization of mineralization in the Pulacayo district.

The Uyuni-Khenayani Fault is a reverse fault which is believed to have controlled localization of volcanic center complexes at Cuzco, Cosuño, Pulacayo and San Cristóbal and related mineralized areas at Pulacayo, Cosuño, El Asiento, Carguaycollu and San Cristóbal. This fault brings Tertiary sediments in contact with Paleozoic formations at surface and is located about 4 km west of Pulacayo (Figures 6.2 and 6.3).

As noted above, the mineralized zones at Pulacayo, Pacamayo and Paca all occur on the west flank of a north-south striking anticline. Local topographic highs define Lower Miocene dacitic-andesitic domes and stocks associated with caldera resurgence that intrude the folded section. A younger Miocene-Pliocene phase of volcanism is also superimposed on the anticlinal trend and is marked by pyroclastic deposits and flows of andesitic and rhyolitic composition. Ignimbrites associated with the Cosuño Caldera are the youngest volcanic deposits in the area. A dacitic to andesitic dome complex at the Pulacayo property intruded the folded sedimentary section and forms the main topographic highs that occur on the property (Figures 6.3 - Iriondo et al., 2009).

Detailed mapping was carried out by ASC and Apogee in the Paca deposit area and this served to support a comprehensive interpretation of stratigraphy, the relationship of silver-lead-zinc mineralization to local structural features, wall rock alteration trends and distribution of volcanic intrusion and breccia centers related to mineralization. Figure 6.4 presents the detailed interpretation of Paca area geology prepared by Apogee in 2006, which Mercator understands to be the most up to date compilation of such information.

**Figure 6.2: Regional geology map (From Iriondo et al., 2009)**

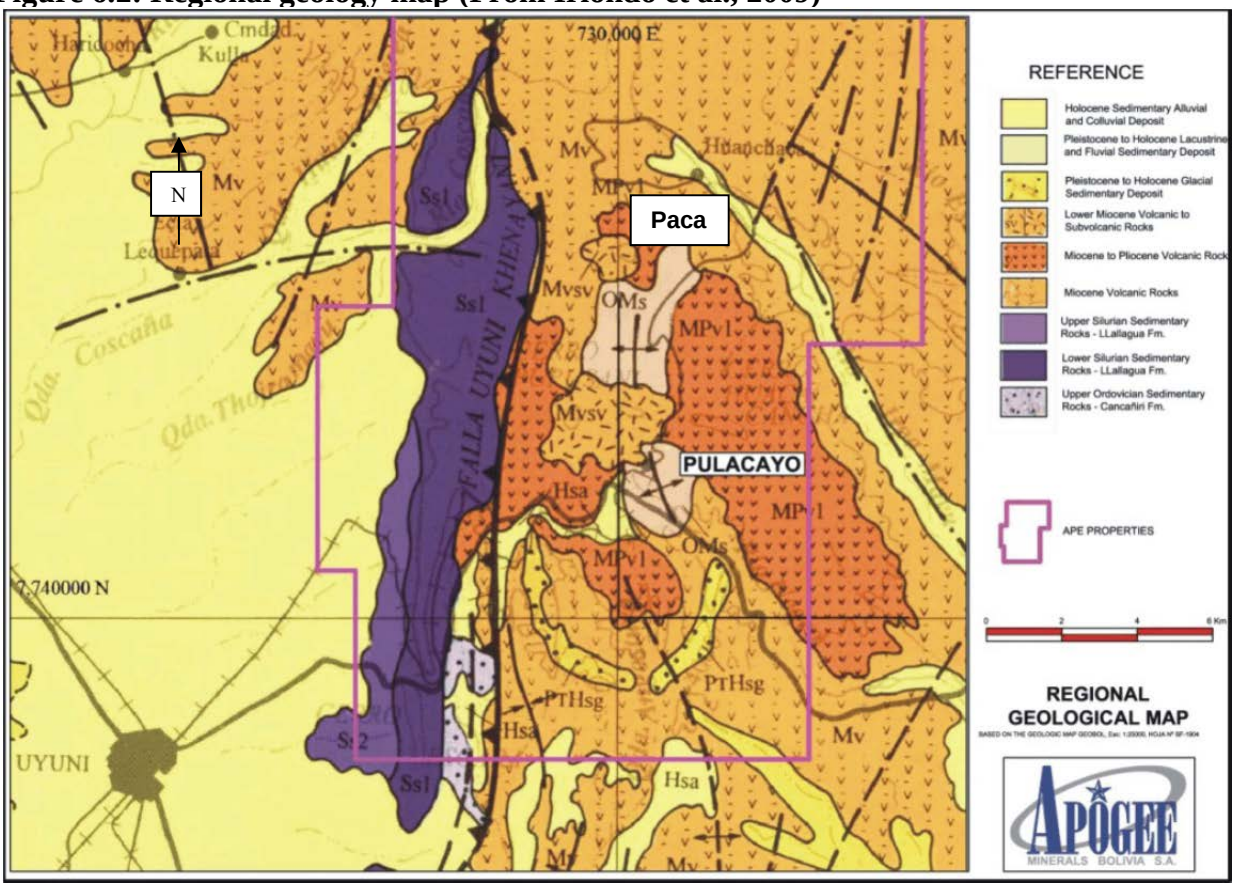



Table 6.1 summarizes characteristics of major stratigraphic units present on the property and Table 6.2 identifies volcanic sub-units used by Apogee in detailed property mapping. Figure 6.4 presents detailed mapping results.

**Table 6.1: Major stratigraphic units of the Pulacayo-Paca area**

| Unit | Age | Description |
|---|---|---|
| Quehua Formation | Lower Miocene (15-20 Ma) | Red to grey tuffaceous sandstone, lapilli tuff, claystone and lesser conglomerate plus interbedded and intrusive igneous volcanic units |
| San Vicente Formation | Oligocene (25-30 Ma) | Red conglomerate with Cretaceous and older clasts plus red sandstone and claystone |
| Potoco Formation | Eocene (30-50Ma) | Interbedded red conglomerate, sandstone and claystone; thickness unknown |

**Figure 6.3: Local geology of the Pulacayo property**

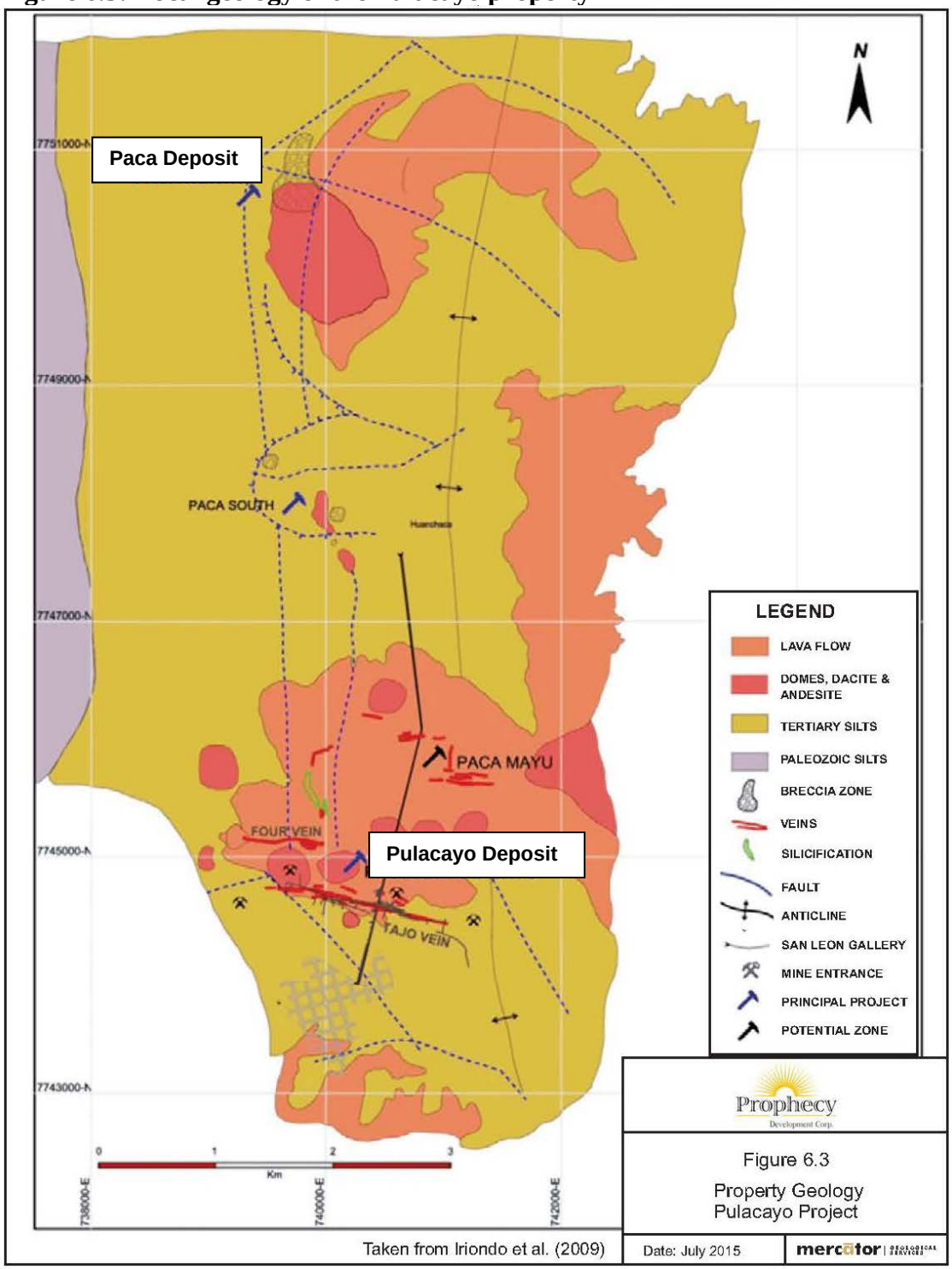
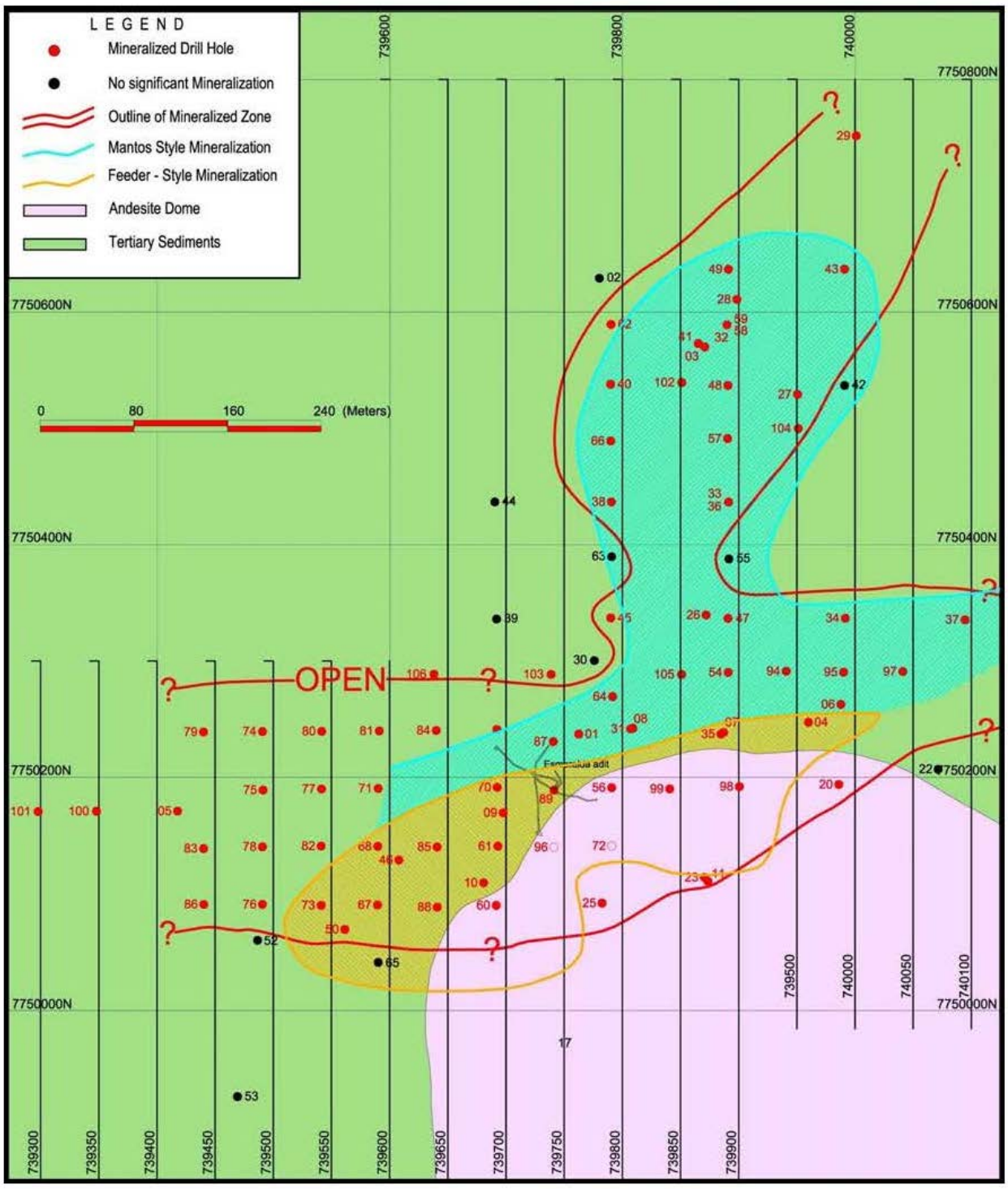


**Figure 6.4: Local geology of the Paca deposit area**




Taken from Iriondo et al. (2009)

**Table 6.2: Volcanic Sub-units of the Quehua Formation in the Pulacayo-Paca area**

| Volcanic Sub-Unit | Description |
|---|---|
| Rotchild Andesite | Non-equigranular, plagioclase porphyritic domal andesite in Pulacayo area |
| Megacrystal Andesite | Non-equigranular, plagioclase porphyritic andesite flow having broad distribution in Pulacayo area and north of Paca |
| Volcaniclastic | Debris flows of Megacrystal and Rotchild andesite sub-units associated with Megacrystal andesite distribution |
| Flores Andesite | Non-equigranular, quartz-bearing, plagioclase porphyritic andesite and dacite associated with north-south structural trend |
| Paisano | Grey, locally banded, non-equigranular, plagioclase porphyritic andesite; probable dike |
| Cantera Andesite | Dark grey, equigranular andesite that post-dates mineralization |
| Andesite Dike | Dark grey, fine grained, biotite hornblende andesite intrusion north of Paca area |
| Huaca Cancha Andesite | Dark grey, medium to fine grained andesite in intrusions and flows east of Pulacayo that post-date mineralization |
| Pupusani Andesite | Dark grey flows, breccias and related intrusions along north-south trend west of Pulacayo |
| Paca Dome | Greenish grey, biotite andesite intrusion; locally porphyritic or altered, plus volcaniclastic and hydrothermal breccias |

## 6.3 Structure

The Pulacayo, Pacamayo and Paca volcanic dome complexes occur along a north-south corridor defined by two parallel, north-south trending regional faults that are separated by about 2.7 km. The domes occur over an interval measuring approximately 10 kilometres in length. Polymetallic vein and wall rock mineralization that is prominently exemplified by the Pulacayo deposit are controlled by east-west trending secondary faults that cut Tertiary sediments and volcanic rocks of the Pulacayo dome (Figure 6.5). The main Pulacayo stockwork vein system was emplaced on the southern side of the Pulacayo dome complex and is best exemplified by the Tajo Vein System (TVS). The TVS bifurcates in andesitic rocks to form separate veins that collectively form a dense network or stockwork of veinlets along strike. The bifurcating, polymetallic veins are commonly separated by altered andesitic rock that contains disseminated sulphide mineralization (Iriondo et al., 2009; Pressacco et al., 2010).

**Figure 6.5: Structural interpretation for TVS at Pulacayo (Iriondo et al., 2009)**




The TVS is approximately 2,700 meters in defined strike length at surface and is still present at a depth of 1,000 m below surface in the lowest level of the underground mine. In the upper levels of the mine, the stockwork vein system locally reaches approximately 120 m of mineralized width. The polymetallic veins exhibit a sigmoidal geometry along strike, which is generally interpreted to be the result of sinistral movement along the 2 north-south oriented bounding faults mentioned earlier (Figure 6.4) (Iriondo et al. (2009).

At the Paca deposit, 7 km north of the Pulacayo deposit, north-south trending reverse faults that parallel the major Khenayani fault corridor have been mapped. These are in addition to both east-west trending extensional structures of lesser magnitude that cross the area and discrete, arcuate fault segments that are concentrically disposed around the Paca Dome. Pressacco and Gowans (2007) note that Apogee geologists interpreted presence of four north-northeast to south-southwest oriented fault blocks close to the contact of the Paca Dome with surrounding sedimentary rocks (see previous Figure 6.3). These structures are believed to have been important conduits for hydrothermal fluids associated with development of wall rock alteration and associated silver-lead zinc mineralization of economic interest at Paca.

## 6.4 Alteration

Wall rock alteration is spatially associated with the main silver-zinc-lead mineralized vein system trends at Pulacayo and includes propylitic, sericitic, moderate to advanced argillic, and siliceous assemblages. Similar alteration assemblages occur in association with silver-zinc-lead mineralization at Paca, where disseminated ("mantos") and breccia hosted styles of mineralization predominate over vein styles. Host rock composition exerts a strong local influence on both the nature of alteration assemblages and their relative development intensity.

On this basis, spatial distribution of hydrothermal alteration assemblages in the district is a useful indicator of proximity to mineralized structures. Moderate argillic alteration is observed throughout the Pulacayo dome and Paca dome areas and this transitions to intense argillic alteration in close proximity to veins and disseminated-stockwork zones. Haloes of silicification are developed at Pulacayo around vein contacts and measure up to several cm in width in some cases. Silicification grades into advanced argillic alteration as distance into the wall rock increases from the vein contact and this gradually grades to argillic and propylitic zones with greater distance from the contact (Pressacco et al., 2010). At Paca, argillic and advanced argillic alteration assemblages that commonly include abundant alunite occur in association with silver-zinc-lead mineralization and are concentrated around the Paca dome andesite's contact with surrounding volcaniclastic sedimentary rocks and volcanic breccias (Figure 6.5). A mineralized, heterolithic conglomerate unit that is well-exposed at surface exposures and also encountered at shallow depths in some Paca drill holes appears to be have been preferentially silicified during the alteration and mineralizing processes that affected these rocks.

Pressacco and Gowans (2007) also describe a strong potassic alteration imprint developed within porphyritic andesite in the Paca area, with this being represented by presence of pink potassium feldspar phenocrysts and secondary biotite. They reference Apogee geologists as defining the following Paca alteration assemblages:

- 1 Barite, quartz, dolomite, calcite
- 2 Pyrite with native copper
- 3 Tetrahedrite, sometimes with alteration jamesonite or chalcopyrite
- 4 Sphalerite plus galena, chalcopyrite plus galena, and chalcopyrite in sphalerite
- 5 Stephanite, tennantite and pyrargirite

## 6.5 Mineralization

### 6.5.1 Introduction

The Pulacayo and Paca deposits are considered to be related to the same mineralizing event that is associated with development of the associated Paca and Pulacayo volcanic centers. For completeness, summary descriptions of mineralization characterizing each deposit are presented below under separate headings. The Paca deposit description is most pertinent to the current resource estimate.

### 6.5.2 Pulacayo Deposit

As described by Pressacco et al. (2010) and subsequently referenced by Cullen and Webster (2011, 2012a, 2012b and 2015), the Pulacayo deposit is considered an example of a sub-volcanic epithermal mineralization system showing well developed vertical metal zonation. The main

Figure 6.6: View of Paca deposit argillic alteration in volcaniclastic sequence



mineralized vein and stockwork system that comprises the deposit developed on the southern flank of the dacitic Pulacayo intrusive dome and shows a surface strike dimension of approximately 2700 m. At Pulacayo, east-west striking faults are interpreted to have acted as a conduit system for mineralizing fluids, with sulphide precipitation in open spaces to form veins and along fractures or by replacement to form zones of disseminated mineralization. Changes in temperature, pressure and redox state between the wall rock and fluid are thought to have influenced the style and intensity of mineralization. As such, silver lead and zinc mineralization at the Pulacayo deposit is typical of a high level epithermal system that in this case is hosted by sedimentary and intrusive rocks of Silurian and Neocene age.

The principal mineralized structure at Pulacayo is the TVS which has historically been the main silver producer of the mine. The TVS is a large structural stockwork vein system that trends east-west and dips 75° to 90° to the south (see previous Figure 6.4). The high grade parts of the TVS were historically mined as single veins over widths of 1 meter to 3 meters but transitions occur from this setting into zones of complex quartz-sulphide or sulphide vein arrays that include conjugate veins, veinlets, stockworks and disseminated sulphides that range in width from less than a meter up to 120 meters.

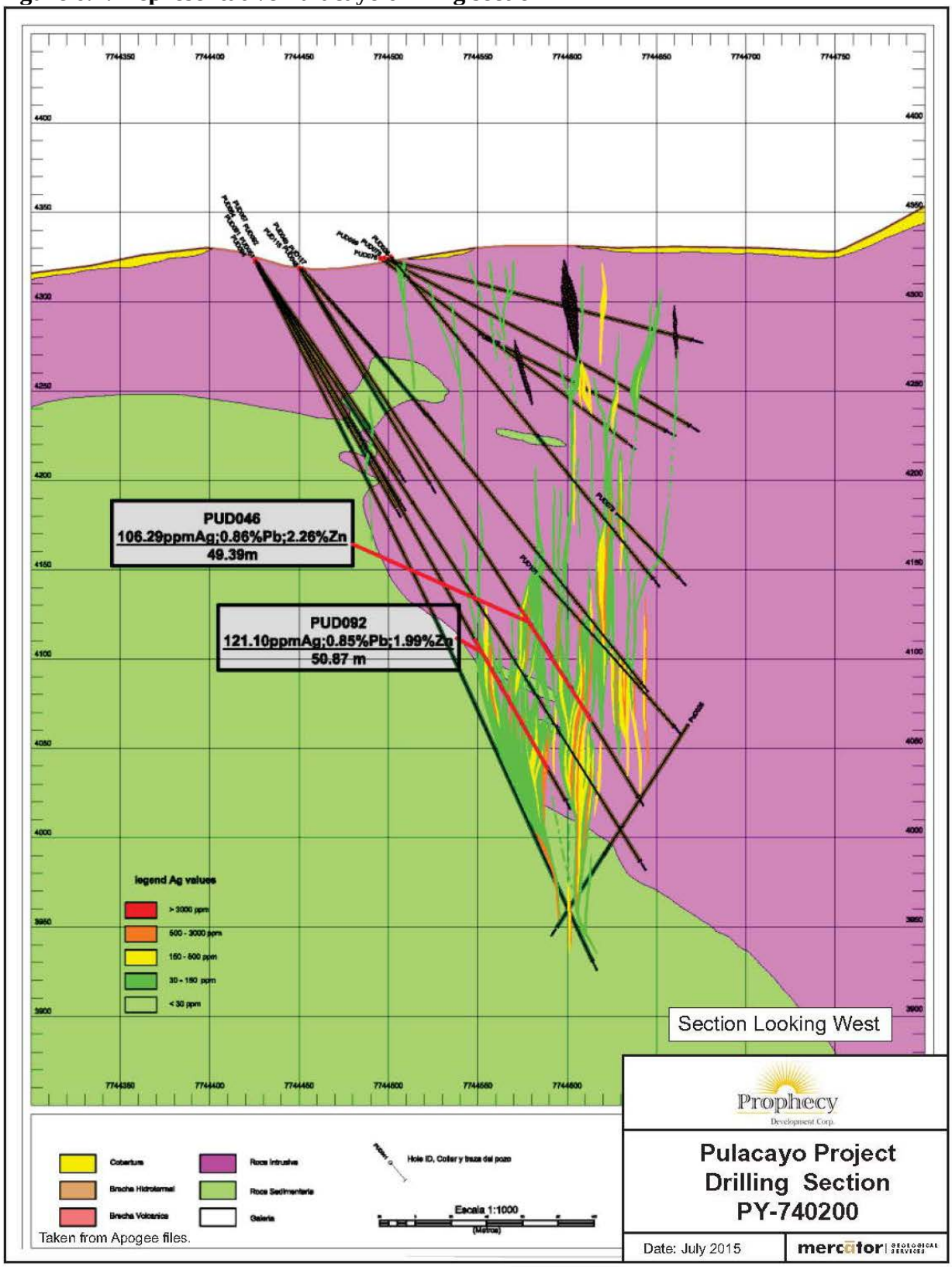
Mineralization of economic interest at Pulacayo is predominantly comprised of sphalerite, galena and tetrahedrite in sulphide-rich veins and stringers that are accompanied by locally abundant quartz, barite and pyrite. These veins range from a few centimeters to 3 meters or more in thickness and disseminated sphalerite, galena and tetrahedrite typically occur in wall rock between veins. Disseminated mineralization is preferentially developed around and between veins hosted by andesite. To date, the TVS system has been continuously proven by a combination of mining, drilling and surface exposure along a strike length of about 2700 meters

and to a vertical depth of 1000 meters below surface. Mercator considers the deposit to remain open in both strike and dip components at the effective date of this report. The first 450 vertical meters of the TVS is hosted by andesitic volcanic rocks and the remaining 550 vertical meters is hosted by underlying Silurian sedimentary strata (Figure 6.6). Veins at Pulacayo commonly contain semi-massive to massive sulphide and show internal features such as compositional banding, crustiform texture and drusy character (Figure 6.7). They also frequently exhibit vuggy texture and have local infillings of quartz and barite (Figure 6.8).

### 6.5.3 Paca Deposit

The Paca deposit is spatially related to the contact zone of the Paca volcanic dome which is comprised of porphyritic andesite and dacite units and related volcanic breccias that were described above in report Section 6.2. These are hosted by fine grained to conglomeratic volcaniclastic lithologies of the Quehua Formation. Silver-zinc-lead mineralization at Paca occurs primarily within an argillic to advanced argillic alteration envelope that affects both Paca dome igneous lithologies and surrounding host sequences. As noted above in report Section 6.3, silicification and alunite development are also well developed in association with some portions of the deposit. The Paca deposit presents a core zone of mineralization that correlates closely with an irregular body of altered and brecciated andesite and country rocks that closely follows the contact zone between the Paca dome andesite and the shallowly north-dipping host volcaniclastic sequence. Adjacent to this, stratabound replacement style ("mantos") mineralization is present within the shallowly north-dipping host volcaniclastic sequence at several elevations. Mantos mineralization merges with that seen in the central breccia zone but is typically lower in all metal grades. A polylithic conglomerate unit that outcrops in the deposit area is also mineralized and shows a strong imprint of silicification represented by micro-crystalline replacement style silica in various forms. This unit was mapped by Apogee and a small program of reverse circulation style drilling was carried out by Apogee to assess it more fully. The drilling program encountered technical difficulties and was not deemed to have been successful (Iriondo et al., 2009). The conglomerate style of stratabound mineralization was the focus of limited bulk sampling and on-site processing during the Hochschild operational period at Pulacayo and deposits of resulting crushed waste material were sampled by Prophecy staff in 2015 to assess its economic potential. The results of the Prophecy program are summarized in report Section 8.0.

**Figure 6.7: Representative Pulacayo drilling section**



A representative example of mantos style disseminated mineralization appears in Figure 6.10 and Figure 6.11 presents an example of breccia style mineralization. A representative geological cross section through the Paca deposit showing main mineralized trends and associated lithologies as interpreted by Iriondo et al. (2009) is presented in Figure 6.12. Notably, mineralization associated with discrete veins of significant width and lateral extent is not pervasively present at Paca.

**Figure 6.8:Crustiform texture in HQ core (~63.5 mm width) - Pulacayo**



**Figure 6.9: Vuggy quartz and barite in HQ core (~63.5 mm width) – Pulacayo**



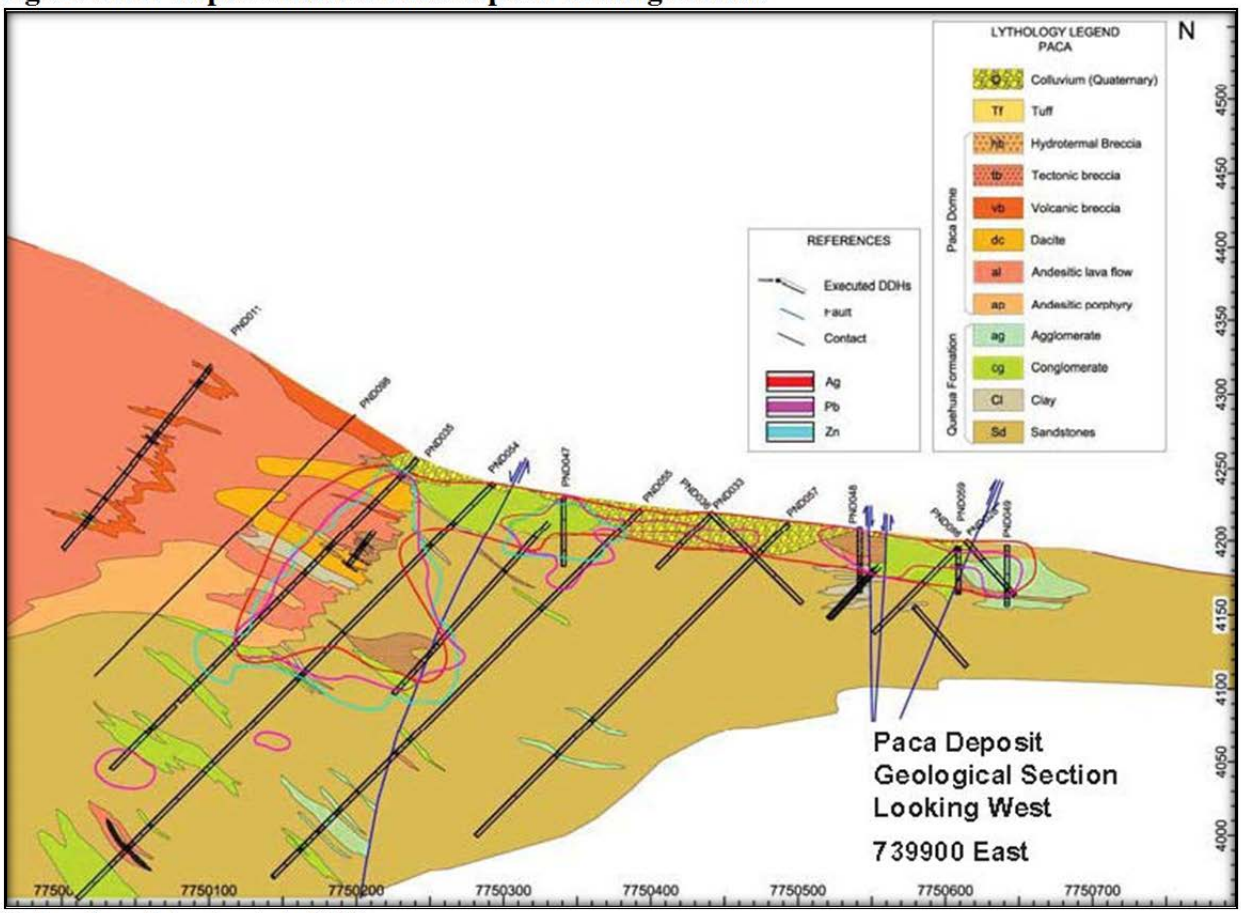
**Figure 6.10: Disseminated mantos style mineralization – Paca drill hole PND -061 at ~180m**



**Figure 6.11: *Breccia hosted style mineralization – Paca drill hole 092 at ~ 47m**



**Figure 6.12: Representative Paca deposit drilling section**




**(Taken from Iriondo et al., 2009)**

of metal in irregularly spaced discrete fracture systems as well as in matrix replacement sites. In contrast, the mantos style mineralization is primarily represented as finely disseminated, fine grained grains and aggregates of silver, lead and zinc sulphide phases, accompanied by others such as manganese oxide and barite. Argillic to advanced argillic alteration phases are pervasively present in areas of significant metallic mineralization.

Pressacco and Gowans (2007) note that sulphide mineral phases commonly recognized at Paca in association with metal grades of economic interest include sphalerite, galena, silver sulphosalts, tennatite, smithsonite, barite, manganese oxide, gypsum, jarosite, specularite, cerussite, dolomite aragonite and calcite.

# 7.0 Deposit Type

The Pulacayo deposit has been classified as an epithermal deposit of low to intermediate sulphidation state and the Paca deposit is similarly categorized. Deposits of this type have been extensively researched and various summary publications that document specifics of the association are available. Examples of these include Lindgren (1922), White and Hedenquist (1994), Corbett and Leach, (1998) and Corbett (2002). More recently, Arce Burgoa (2009) classified the silver-zinc lead deposits associated with the Pulacayo dome as being of transitional association between high and low sulphidation types. The following discussion of deposit type incorporates attributes of the Pulacayo vein and stockwork style deposit as well as the Paca stratabound mantos and breccia style deposits. The premise is that these deposits are similar in being directly related to development of the discrete Pulacayo and Paca volcanic dome complexes that are of comparable age and similar magmatic affinity. Figure 7.1 provides a schematic illustration of this deposit setting. The following discussion has been modified from that presented in Cullen and Webster (2012b, and 2015) to include information applicable to silver-zinc-lead mineralization defined at the Paca deposit.

Pressacco et al. (2010) highlighted several key geological characteristics of the Pulacayo deposit that support its classification as a low to intermediate sulphidation epithermal deposit associated with the Pulacayo volcanic dome. The main elements of this association, exclusive of well developed quartz-sulphide vein or lode systems present at Pulacayo, also apply to silver, zinc and lead mineralization and alteration of the Paca deposit that are related to the separate, but similar age, Paca volcanic dome complex.

- The vein and disseminated sulphide mineralization is hosted by Tertiary volcanic rocks of intermediate composition that form part of an outcropping dome complex.

- The mineralized body is composed of narrow veins, veinlets, stockworks and disseminations in argillicly-altered host rock that are controlled by an east-west oriented fault system. Width of the mineralized zone varies from a few meters or less to 120 meters.

- Sedimentary rocks intruded by the dome complex host high grade veins such as TVS that are typically less than 3 m in width but transition to stockwork and disseminated zones in overlying andesitic volcanic rocks that reach as much as 120 m in width.

- The sulphide mineralization at Pulacayo has been proven to continuously occur along strike for 2,700 m and to a depth of approximately 1000 m below surface.

- Paca mineralization of the core breccia zone trend has been defined by drilling to date along a strike length of approximately 400 meters and to a vertical depth of 250 meters

below surface, while the shallowly dipping mantos mineralization defined by drilling occurs within an area measuring approximately 750 meters by 800 meters.

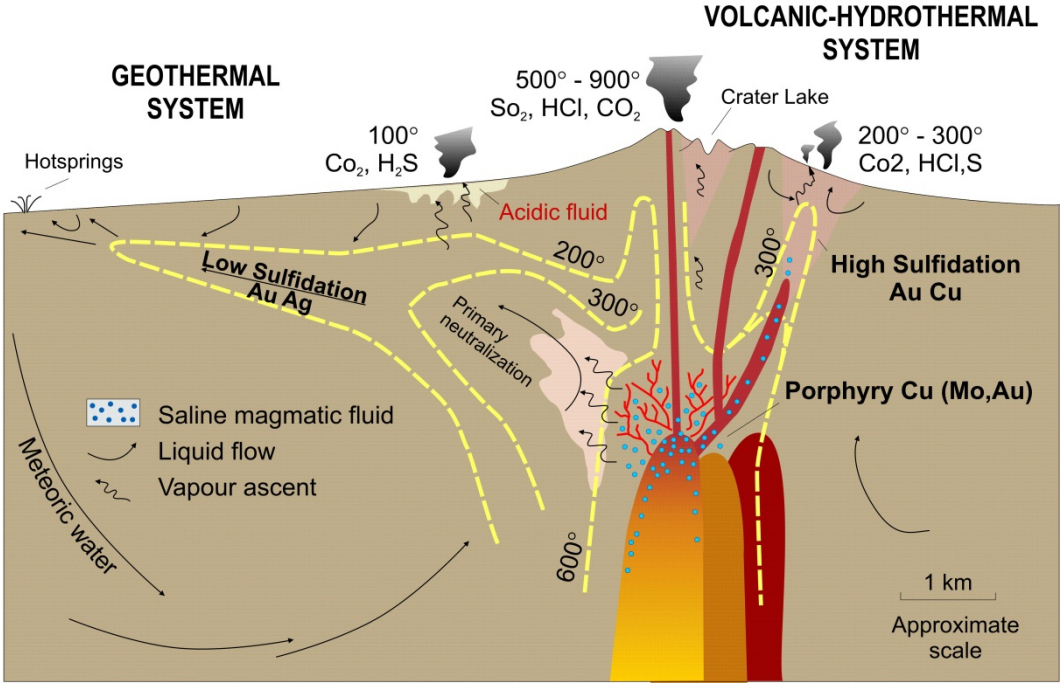
- Both the Pulacayo vein system and Paca breccia and mantos style mineral assemblages are relatively simple, and in combination are diagnostic of an epithermal setting. They consist of galena, sphalerite, tetrahedrite, and other silver sulfosalts that form the main assemblage of economic interest, plus barite, quartz, pyrite and calcite that are present as gangue phases. Chalcopyrite and jamesonite are present in minor amounts locally.

- Internal texture of veins is typically banded and drusy with some segments containing almost massive sulphides. This is typical of epizonal veins that have been subjected to multiple pulses of mineralizing fluid.

- Vertical metal zonation exists at Pulacayo within the deposit that includes a plunging mid-elevation zone of highest silver values that transition with depth to progressively increasing total base metal concentrations.

- The Paca silver-zinc-lead mineralization is spatially zoned, with highest silver occurring in the central breccia bodies and highest zinc and lead values and lower to moderate silver levels characterizing the stratabound mantos zones.

**Figure 7.1: Genesis of epithermal mineral deposits (From White and Hedenquist, 1994)**



# 8.0 Exploration

## 8.1 Introduction

Prophecy acquired the Pulacayo-Paca project in January of 2015 and since that time has focused on developing a strategy for project evaluation leading to early mine production. The company's approach has been to concentrate on assessment of the main Pulacayo deposit with respect to its potential to provide sufficient high grade mineralization to sustain a future milling rate of approximately 500 tonnes per day. Prophecy has disclosed that the Bolivian government has issued all environmental and production permits necessary to support mining and milling of the Pulacayo deposit at this scale. These were itemized earlier in Section 2.0 of this report.

Since acquiring the project, Prophecy has undertaken several exploration programs aimed at further technical evaluation of the Pulacayo project holdings. These began in late 2014 with a program of surface sampling of seven tailings and/or waste rock deposits that occur on the property that was followed by a new high grade mineral resource estimate for the Pulacayo deposit, geological mapping and surface sampling programs over several exploration target areas on the property during the July through September period of 2015, and evaluation of conceptual Pulacayo deposit underground mining opportunities defined within the latest Pulacayo mineral resource estimate block model.

Specific results of the exploration programs carried out by Prophecy at Pulacyo, Paca and surrounding target areas since acquisition of the Pulacayo project in January of 2015 are presented below under separate headings.

## 8.2 Sampling of Tailings and Waste Rock Deposits

### 8.2.1 Introduction

In December of 2014, Prophecy retained senior consulting geologists Mr. Hernán Uribe-Zeballos and Mr. Luis Barrera-Iriondo to carry out a surface sampling program of tailings and waste rock materials present in seven areas of the Pulacayo property (Figure 8.1). The largest deposits occur adjacent to the mill site at Pulacayo village, where most historic production from the TVS was processed (Figures 8.2 and 8.3,). Smaller deposits occur at the Pero, Pacamayo, Paca, Candelaria-Rotchilds and Florez sites and multiple piles or deposits occur in some areas (Figures 8.4 and 8.5).

### 8.2.2 Description of 2014 Sampling Program

Prophecy's consultants completed a program of systematic surface sampling at the locations noted above. The dimensions of each tailings/waste rock deposit were recorded and sampling patterns were laid out in the field to provide spatial coverage of respective deposits. Sampling was typically carried out by shallow pits on the deposit surface from which sample material was recovered. Pits generally ranged in depth from 50 cm to approximately 1.0 m. Several deeper excavations were made on the large piles at the main Pulacayo site using an excavator.

A total of 290 field samples were collected during the program and these were augmented by 12 samples for quality control and assurance purposes. Field samples typically ranged in weight between 2.5 kg and 3.0 kg and were sent to ALS Laboratories (ALS) in Lima, Peru for analysis. ALS is an independent, fully accredited, commercial analytical firm that provides service to the mining and exploration industries on a world-wide basis. Location coordinates were developed for all sample sites and descriptions of the material collected at each site were recorded by the consultants.

### 8.2.3 Results of 2014 Sampling Program and 2015 Metallurgical Testing

Analytical results for the 2014 program are presented in an internal Prophecy report prepared by the company's consultants. This internal report is referenced herein as Uribe and Iriondo (2015). Average results for silver, lead, zinc gold and indium for each of the sampled areas are presented below in Table 8.1. These show that substantial differences exist between average metal values for the samples sets collected at the various sites.

Results of sampling programs carried out to date by Prophecy on the tailings/waste rock deposits are useful in providing preliminary assessments of surface material metal levels in the deposits. They do not, however, include systematic quantification of metal levels below the surface extents of the various deposits. The current analytical data set is insufficient to support estimation of mineral resources for any of the deposits.

Preliminary metallurgical tests on a collection of tailings/waste rock samples were also carried out in 2015 at the Laboratory of Minerals Concentration located in La Paz, Bolivia. This laboratory forms part of Engineering Faculty of the Higher University of San Andrés (UMSA) and specializes in the creation and execution of metallurgical experimental work in ferrous, non-ferrous and non-metallic minerals. In a press release dated September 10, 2015, Prophecy disclosed that highlights of the differential flotation tests include producing lead concentrate with a silver grade of 3,765 g/t Ag at 64.5% Ag recovery (sample Pulacayo Tailing 2 sample) and a

**Figure 8.1: Location map for tailings/waste rock program sampling sites**




(Taken from Prophecy files, 2015)

**Figure 8.2: View of Pulacayo 1 tailings/waste rock deposit**



**Figure 8.3: Typical sampling site on Pulacayo 1 tailings/waste rock deposit**

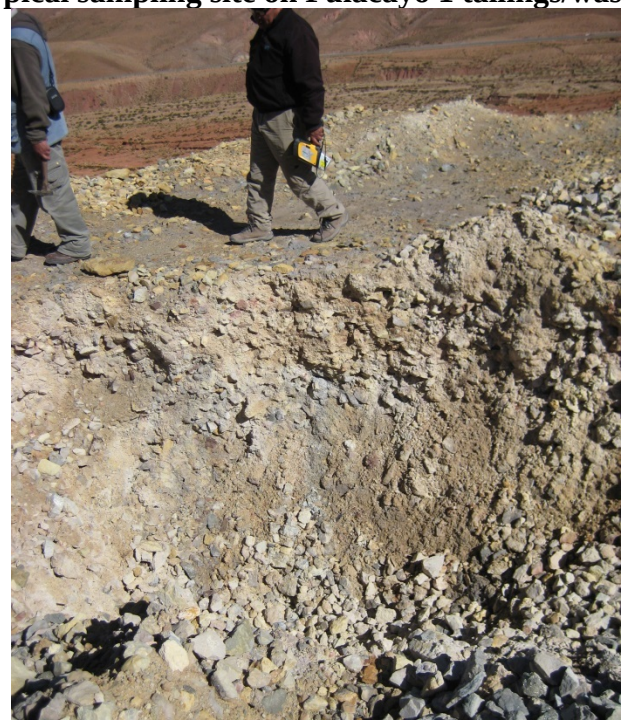


**Figure 8.4: View of Pacamayo tailings/waste rock deposit**



**Figure 8.5: View of Paca 2 tailings/waste rock deposit**



**Table 8.1: Average metal levels for 2014 tailings and waste rock sampling program**

| Sampled Site | Number of Samples | Ag (g/t) | Pb (%) | Zn (%) | Au (g/t) | In (g/t) |
|---|---|---|---|---|---|---|
| Pulacayo 1 | 91 | 46.8 | 0.1 | 0.2 | 0.3 | 3.9 |
| Pulacayo 2 | 105 | 110.7 | 0.2 | 0.2 | 1.2 | 7.2 |
| Pulacayo 3 | 5 | 376.3 | 1.7 | 1.3 | 0.9 | 69.7 |
| Pero 1 | 25 | 295.8 | 1.0 | 0.3 | 0.1 | 3.4 |
| Pero 2 | 14 | 297.3 | 1.4 | 0.7 | 0.1 | 24.0 |
| Flores 1 | 4 | 33.8 | 1.5 | 3.1 | 0.1 | 5.2 |
| Flores 4 | 5 | 61.9 | 1.7 | 4.8 | 0.1 | 7.0 |
| Pacamayo | 34 | 118.8 | 0.4 | 0.9 | 0.1 | 9.4 |
| Paca 1 | 4 | 206.3 | 1.4 | 1.0 | 0.1 | 0.05 |
| Paca 2 | 4 | 275.3 | 0.4 | 0.03 | 0.1 | 0.03 |
| Rotchild | 2 | NA | NA | NA | NA | NA |
| Candelaria | 2 | NA | NA | NA | NA | NA |

zinc concentrate with a silver grade of 3,600 g/t Ag at 59.7% silver recovery (sample Paca Tailing 2). In addition, five of the six samples produced lead or zinc concentrate having a silver grade greater than 1,000 g/t. Results of these preliminary tests are considered to be encouraging and serve to illustrate the potential value of such material in any future mining and processing operation established on the property.

## 8.3 High Grade Pulacayo Mineral Resource Estimate By Mercator

In June of 2015, Mercator completed a mineral resource estimate for the Pulacayo deposit in accordance with the CIM Standards and disclosed in a technical report prepared according to NI 43-101. This estimate has an effective date of June 16th, 2015 and was current at the September 15th effective date of the Paca deposit mineral resource estimate described in this technical report. The focus of the June Pulacayo estimate was definition of high grade mineral resources within the drilled deposit area. As noted above, results of that program were disclosed by Prophecy on June 18th, 2015 and the associated technical report by Mercator (Cullen and Webster, 2015) was subsequently filed on SEDAR. Results of the program are tabulated below in Table 8.1.

**Table 8.2: Pulacayo Deposit Mineral Resource – Effective June 16th, 2015**

| Ag Eq. Cut-Off (g/t) | Category | Tonnes** | Ag (g/t) | Pb (%) | Zn (%) | Ag Eq. (g/t) |
|---|---|---|---|---|---|---|
| **400** | Indicated | 2,080,000 | 455 | 2.18 | 3.19 | 594 |
| | Inferred | 480,000 | 406 | 2.08 | 3.93 | 572 |
| **500*** | **Indicated** | **1,270,000** | **530** | **2.51** | **3.63** | **688** |
| | **Inferred** | **350,000** | **419** | **2.47** | **4.58** | **620** |
| **600** | Indicated | 750,000 | 608 | 2.91 | 4.02 | 785 |
| | Inferred | 170,000 | 394 | 3.49 | 6.75 | 710 |

***Notes:***

1. *Mineral resources are estimated in conformance the CIM Standards referenced in NI 43-101.*
2. *Raw silver assays were capped at 1,700 g/t, raw lead assays were capped at 15% and raw zinc assays were capped at 15%.*
3. *Silver equivalent Ag Eg. (g/t) = Ag (g/t)*89.2% + (Pb% *(US$0.94/ lb. Pb /14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000*91.9%) + (Zn% *(US$1.00/lb. Zn/14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000*82.9%).*
   *Metal prices used in the silver equivalent calculation are US$16.50/Troy oz. Ag, US$0.94/lb Pb and US$1.00/lb Zn. Metal recoveries 89.2% Ag. 91.9% Pb. 82.9% Zn. used in the silver equivalent equation reflect historic metallurgical results disclosed previously by Apogee Silver Ltd.*
4. *Metal grades were interpolated within wireframed, three dimensional silver domain solids using Geovia-Surpac Ver. 6.6.1 software and inverse distance squared interpolation methods. Block size is 10m(X) by 10m(Z) by 2m(Y). Historic mine void space was removed from the model prior to reporting of resources.*
5. *Block density factors reflect three dimensional modeling of drill core density determinations.*
6. *Mineral resources are considered to have reasonable expectation for economic development using underground mining methods based on the deposit history, resource amount and metal grades, current metal pricing and comparison to broadly comparable deposits elsewhere.*
7. *Rounding of figures may result in apparent differences between tonnes, grade and contained ounces.*
8. *Mineral resources that are not mineral reserves do not have demonstrated economic viability.*
9. **Mineral resource statement cut-off value; resource statement values are presented in bolded form*
10. ***Tonnes are rounded to nearest 10,000*

## 8.4 2015 Mapping and Sampling Programs

During the July through early September period of 2015, Prophecy staff carried out surface geological mapping and sampling programs in several exploration target areas on the Pulacayo property. These areas include El Abra, Pero, Paca Mayo, Paca and Pulacayo West. Target area locations appear below in Figure 8.6. Mapping and sampling results confirmed presence of mineralized structures in each of the target areas and Prophecy staff have recommended further follow up in each area. Surface sampling results of the 2015 program up to the effective date of this report were disclosed by Prophecy in press releases dated August 27th and September 9th , 2015 and Table 8.3 presents a summary of results reported in the releases.

**Figure 8.6: Location map for 2015 mapping and sampling target areas**




(Taken from Prophecy files, 2015)

**Table 8.3: Summarized surface sampling results from Prophecy 2015 surface program**

| Target Area | No. of Samples Reported In Disclosure | Silver Range (g/t) | Zinc Range (%) | Lead Range (%) | Disclosure Date |
|---|---|---|---|---|---|
| El Abra | 7 | 0.72 to 38.9 | 0.00 to 0.00 | 0.00 to 1.56 | August 27, 2015 |
| Pacamayo | 9 | 18.2 to >1500 | .02 to 6.96 | .01 to 17.6 | August 27, 2015 |
| Paca | 14 | 45.8 to 833 | .02 to 0.10 | .03 to 2.16 | August 27, 2015 |
| Pero | 27 | 0.5 to 118 | 0.00 to .08 | 0.00 to 4.32 | September 9th, 2015 |

*Note: El Abra, Pacamayo and Paca results are for chip samples 0.60 to 2.0 meters in length. Pero results are for chip samples 0.50 to 2.0 meters in length*

# 9.0 Drilling

## 9.1 Introduction

Prophecy has not completed any drilling on either the Paca or Pulacayo deposits to date. The historic drilling data set that supports the current Paca mineral resource estimate was compiled from reporting for drilling programs carried out by ASC between 2002 and 2005 and those carried out by Apogee in 2006. A digital database containing results of these programs was developed by Apogee and used to support the 2007 Paca mineral resource estimate prepared by Micon for Apogee and reported by Pressacco and Gowans (2007). Information pertaining to both the ASC and Apogee programs appear below under respective headings.

Drilling programs were also carried out by ASC and Apogee at the nearby Pulacayo deposit in association with those at Paca. Details of those programs have been disclosed in the various mineral resource estimate technical reports for the Pulacayo deposit. Further discussion of Pulacayo deposit drilling and other exploration program results are not included in this report. As noted earlier in report Section 5.1, the reader is directed to the most recent Pulacayo deposit mineral resource estimate technical report disclosed according to NI 43-101 by Cullen and Webster (2015) for details pertaining specifically to Pulacayo deposit exploration and technical assessment programs.

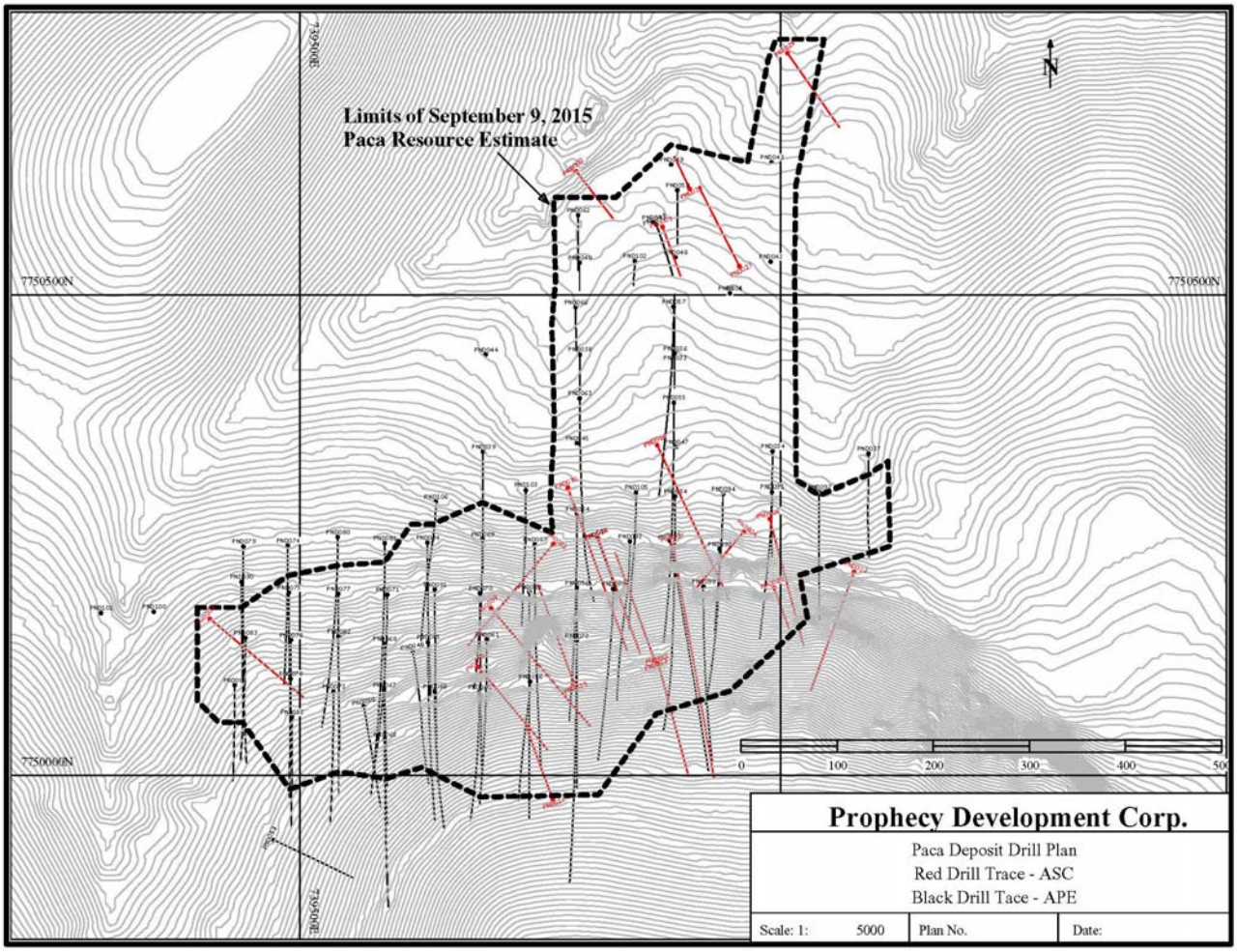
## 9.2 ASC Drilling Programs

ASC carried out 3,448 meters of core drilling at Paca in 32 drill holes and 896 meters of reverse circulation (RC) drilling in 5 drill holes. Basic information for the program appears in Table 9.1 and a tabulation of collar coordinate, hole depth and hole orientation data for the programs appears in Appendix 1. Figure 9.1 and Map PAC2015-1 in Appendix 3 present ASC drill hole locations relative to later drill holes by Apogee and to the current resource estimate outline. Drilling was completed under contract by Leduc Drilling S.R.L. of La Paz, Bolivia using two drill rigs, a Longyear LF-140 and a LY-44, and HQ (63.5 mm diameter) core was recovered. The small reverse circulation drilling program was carried out using one of the coring rigs with modifications but this system was reported to be unsatisfactory. ASC staff were responsible for geological support and management of the drilling programs. The purpose of ASC drilling programs was to explore the Paca deposit and provide initial delineation of mineral resources having potential for economic development using open pit

**Table 9.1: Summary of ASC Paca deposit drilling programs – 2002 to 2005**

| Company | Period | Hole Numbers | Type | Total Meters |
|---|---|---|---|---|
| ASC | 2002 to 2005 | P001 to P030 | NQ Core | 3130 |
| ASC | 2002 | PNR001, 002, 004 to 006 and PNS001 | Reverse Circulation | 896 |

**Figure 9.1: Paca deposit drill hole collar locations**




*(Mercator file figure)*

mining methods. Results of the programs allowed ASC to identify a sub-vertical mineralized breccia structure along the Paca andesite dome's north contact that merges with stratabound, mantos style mineralization that conforms to gently north-dipping volcaniclastic stratigraphy in the area. The results of drilling were used by ASC to support an initial mineral resource estimate for the deposit, details of which were presented earlier in report Section 5.3.4. A tabulation of representative ASC weighted average drilling intercepts appears in Appendix 1.

## 9.3 Apogee Drilling Programs

Apogee completed 76 diamond drill holes (13,631.2 m) at Paca in three separate drilling campaigns during 2006. Between February 2006 and April 2006, Apogee completed a total of 2,301.5 m in 23 drill holes (PND031 to PND053). A second phase of diamond drilling was carried out from June 2006 to November 2006 during which a total of 10,443.70 m were completed in 46 drill holes (PND054 to PND099). Seven additional drill holes totalling 886 m were drilled in a third phase of drilling completed late in 2006 (PND100 to PND106). Table 9.2 presents a summary of these programs and a tabulation of collar coordinate, hole depth and hole orientation data for the programs appears in Appendix 1. Previous Figure 9.1 and Map PAC2015-1 (Appendix 3) present Apogee drill hole locations relative to earlier drill holes by ASC and to the current resource estimate outline. Drilling was completed under contract by Leduc Drilling S.R.L. of La Paz, Bolivia, using two rigs, these being Longyear LF-140 and LY-44 models, and HQ (63.5 mm diameter) core was recovered. Apogee staff were responsible for geological support and management of the 2006 drilling programs.

**Table 9.2: Summary of Apogee Paca deposit drilling programs**

| Company | Period | Hole Numbers | Type | No. of Holes | Total Meters |
|---|---|---|---|---|---|
| Apogee | Early 2006 | PND031 to PND053 | HQ Core | 23 | 2,301.5 |
| Apogee | Mid to Late 2006 | PND054 to PND99 | HQ Core | 46 | 10,443.7 |
| Apogee | Late 2006 | PND100 to PND106 | HQ Core | 7 | 886.0 |
| Total | | | | 76 | 13,631.2 |

The objective of the Apogee programs was to confirm and expand distribution of Paca deposit mineralization defined by earlier ASC drilling results. Emphasis on resources potentially amenable to open pit development remained the focus of deposit assessment work carried out by Apogee. The 2006 programs were successful in confirming the nature and extent of the Paca deposit as previously defined by ASC and expanding the drilled extent of mineralization. The results of this exploration drilling program, in combination with those of the earlier ASC programs, formed the basis of the 2007 mineral resource estimate on the Paca deposit completed by Micon for Apogee and reported by Pressacco and Gowans (2007).

## 9.4 Comment on ASC and Apogee Drilling Program Planning and Logistics

Planning for drill holes was based on the logging and interpretation of geological cross sections generated by staff geologists. Drill hole coordinates were established from base maps and surface drill hole collars were then located on the ground by field geologists using hand-held GPS equipment. Hole azimuths and inclinations were established using a compass and clinometer. Down hole deviation was determined at various down hole intervals with 50 meter separation being common, using either Tropari or Reflex down hole survey tools.

Drill core was initially stored at the drill site in wooden core boxes which hold approximately three metres of core. Boxes were marked with the hole identification, box number and the included depth interval of the drill hole. Drilling staff marked core depth, generally in 3 m intervals, with a wooden tag indicating downhole depth at that point in metres. Once the drill hole was completed, drill hole collar coordinates were surveyed by staff surveyors and a concrete monument was typically established. The drill hole number was typically affixed to the monument by either a plate or simple printing in the cement (Figures 9.2).

Overall core recovery reported by both ASC and Apogee exceeds 90% in most cases, regardless of the type of rock being recovered. However, review of database records and drill log entries, plus observations made during the drill core inspection program of the June 2015 site visit by Mercator, showed that individual drill holes having intervals of problematic low core recovery are present. These are identifiable in the digital drilling database and have been considered during selection of assay intervals for use in the current mineral resource estimate. Zones with poor recovery typically occur in the Quaternary near-surface intervals, often directly below the cased overburden section (Figure 9.3). Since the Quaternary material is not included in the resource solids, this style of loss did not appreciably impact the current resource model. Mercator staff reviewed core from ten drill holes through the bedrock Paca mineralized zones and determined that good recovery through such zones was typically obtained.

**Figure 9.2: Typical Apogee drill collar marker at Paca**




**Figure 9.3: Poor conglomerate core recovery in Paca drill hole PND-008**



# 10.0 Sample Preparation, Analysis and Security

## 10.1 Introduction

Sample preparation, analysis and security discussions applicable to the core drilling data set that supports the current Paca mineral resource estimate appear below and apply to drilling programs carried out between 2002 and 2005 by ASC and in 2006 by Apogee. Descriptions presented below are taken with minor modification from the Pulacayo deposit mineral resource estimate technical report prepared earlier by Mercator (Cullen and Webster, 2012b). Minor modifications have been made where necessary to address current project context and property ownership by Prophecy rather than Apogee. The authors assume responsibility for use of this previously disclosed information.

## 10.2 Sample Preparation for 2002-2003 ASC Programs

Site procedures pertinent to ASC were not documented in the support information reviewed by Mercator. However, Apogee site staff familiar with the earlier program indicated during the 2011 and 2012 site visits by Mercator staff that procedures were generally similar to those employed by Apogee with respect to core logging, sampling, transport of samples and security. All ASC drill core samples were processed at the Oruro, Bolivia laboratory of ALS Chemex, with those from the first phase of drilling being analysed at ALS Chemex (formally Bondar-Clegg) facilities in Vancouver, BC, Canada. In both instances, standard core preparation methods were used prior to elemental analysis.

## 10.3 Sample Preparation for Apogee Programs

The following description of sample preparation and core handling protocols applies to all drilling programs at Pulacayo in which Apogee participated. This includes the 2006 programs carried out on the Paca deposit. Confirmation of applicability was discussed with Prophecy staff during the June, 2015 site visit by Mercator and previously with Apogee staff during the 2011 and 2012 site visits by Mercator staff. Pressacco et al. (2010) previously outlined the same general conditions as being applicable for work programs carried out by Apogee prior to the effective date of that report.

Apogee staff were responsible for transport of core boxes by pick-up truck from drill sites to the company's locked and secure core storage and logging facility located in the town of Pulacayo (Figure 10.1). At the core facility the core was initially examined by core technicians and all measurements were confirmed. Core was aligned and repositioned in the core box where possible and individual depth marks were recorded at one metre intervals on the core box walls. Core technicians photographed all core, measured core recovery between core meterage blocks,

completed magnetic susceptibility readings and specific gravity measurements, and recorded information on hard copy data record sheets. This information was entered into digital spreadsheets and then incorporated in the project digital database.

Drill site geologists initially completed a written quick log of drill hole lithologies along with a graphical strip log illustrating lithologies at the drill site. At the core facility they subsequently completed a detailed written description of lithologies, alteration styles and intensities, structural features, mineralization features such as occurrences and orientations of quartz veins, and the style, and the amount and distribution of sulphide minerals. Drill hole sections were drawn on paper cross sections when logging was completed and lithologies were graphically correlated from drill hole to drill hole.

Mineralized intervals were marked for sampling by the logging geologist using colored grease pencils and intervals plus associated sample numbers were recorded on a hardcopy sample

**Figure 10.1: Apogee core logging facility at Pulacayo site**



record sheet. All paper copy information for each drill hole, including quick logs, detailed logs, graphical logs, sample record sheets, down hole surveys and assay certificates were secured together in a drill hole file folder to provide an archival record for each drill hole. Subsequent to logging and processing, down hole lithocoded intervals, sample intervals and drill hole collar and survey information were entered into digital spreadsheets and then incorporated in the project digital database.

Sample intervals are marked by the logging geologist on the core and core technicians then cut the corresponding core in half using a diamond saw. Friable core was cut in half with a knife.

Each half core sample was assigned a unique sample tag and number and placed in a correspondingly numbered 6 mil plastic sample bag. A duplicate tag showing the same number was secured to the core box at the indicated sample interval. As noted earlier, all sample intervals and corresponding numbers were recorded on a hardcopy sample data sheet and subsequently entered into a digital spreadsheet for later incorporation in the project database. The secured plastic sample bags were grouped in batches of 6-10 samples and secured in a larger plastic mesh bag in preparation for shipment to the ALS Chemex (ALS) preparation laboratory located in Oruro, Bolivia. All bagged samples remained in a locked storage facility until shipment to the laboratory. Samples were transported from the core storage area to the ALS facility by either Apogee personnel or a reputable commercial carrier. Sample shipment forms were used to list all samples in each shipment and laboratory personnel cross-checked samples received against this list and reported any irregularities by fax or email to Apogee. Apogee advised Mercator that it has not encountered any substantial issues with respect to sample processing, delivery or security during the Paca or Pulacayo programs.

## 10.4 Drill Core Analysis for ASC Programs

Samples from the ASC Paca drilling programs carried out in 2002 were also prepared and analyzed by ALS. However, after preparation at the facility in Oruro, Bolivia under generally the same protocols as noted above for Apogee, analytical work was carried out at the ALS laboratory in Vancouver, BC, Canada. This facility is fully accredited as described earlier and analytical protocols were the same as those described above for Apogee.

## 10.5 Drill Core Analysis for Apogee Programs

Apogee staff logged and sampled drill core and carried out immersion method bulk density determinations but did not carry out any form of direct sample preparation or analytical work on project samples. Project analytical work was completed by ALS at its analytical facility in Lima, Peru after completion of sample preparation procedures at the ALS facility located in Oruro, Bolivia. ALS is an internationally accredited laboratory with National Association of Testing Authorities (NATA) certification and also complies with standards of ISO 9001:2000 and ISO 17025:1999. The laboratory utilizes industry standard analytical methodology and utilizes rigorous internal Quality Assurance and Quality Control (QAQC) procedures for self-testing.

All samples were weighed upon receipt at the ALS lab and prepared using ALS preparation procedure PREP-31B that consists of crushing the entire sample to >70% -2 mm, then splitting off 1 kg and pulverizing it to better than 85% passing 75 micron. The coarse reject materials from this processing were returned to Apogee for storage on site at Pulacayo. Similar processing was used by ASC.

Silver, lead and zinc concentrations for Apogee programs were analyzed by ALS using an Aqua Regia digestion and Atomic Absorption Spectroscopy (AAS) following ALS methods AA46 and AA62. Samples returning assay values greater than 300 g/t Ag were further analyzed using quantitative method Ag-GRAV22, which uses a Fire Assay pre-concentration and Gravimetric Finish on a 50g sample aliquot. Gold values were determined using the Au-AA26 analytical method provided by ALS that employs a Fire Assay pre-concentration followed by Atomic Absorption finish on a 50 g sample aliquot. A multi-element analysis was also completed on samples using method code ME-MS41 which uses Aqua Regia digestion and ICP-AES analysis.

## 10.6 Quality Assurance and Control for ASC Programs

QAQC procedures pertinent to the 2002 ASC programs were not documented in support information reviewed by Mercator for this report. However, the first drilling program carried out by Apogee in 2006 at the Pulacayo deposit consisted of 19 holes totaling approximately 4,150 meters drilled to confirm earlier ASC analytical data. Full QAQC protocols instituted by Apogee were applied to this program and, as detailed in report Section 13.0 of the Cullen and Webster (2012b) mineral resource estimate technical report for the nearby Pulacayo deposit, results of the re-drill program correlate well with those of the earlier ASC program at Pulacayo. Such correlation suggests that acceptable standards were being maintained by ASC. Mercator speculates that the concurrent drilling programs at Paca carried out by ASC met comparable standards but this cannot be confirmed. Notably, results of limited ASC drill core check sampling carried out by Mercator during the June, 2015 site visit show acceptable correlation with original ASC data. These results are discussed further in report Section 11.4.

## 10.7 Quality Assurance and Control for Apogee Programs

Apogee developed an internal QAQC program that included blind insertion of reference standards, blanks and duplicates in each analytical shipment. A blank was inserted at the beginning of each sample batch, standards were inserted at random intervals throughout each batch of 50 samples and duplicates were analyzed at the end of each batch. All data gathered for QAQC purposes was captured, sorted and retained in the QAQC database. The reference standards included two purchased commercial reference standards from Western Canadian Minerals Ltd. (PB-128 and PB-138), one purchased from CDN Resource Laboratories (CDN-SE-1), and one created in-house.The blank materials were either purchased by Apogee or were prepared by Apogee from locally sourced un-mineralized quartzite outcropping near Pulacayo.

Three quality control samples that include a field or commercial blank, a commercial standard and a duplicate sample were inserted with a minimum frequency of 1 in every 50 samples. Review by Mercator showed that in practise, an analytical standard typically occurs within every 20 samples submitted for analysis. Analysis of duplicate samples of ¼ core was accommodated

through their blind inclusion in the sample stream and analysis of duplicate prepared pulp splits was also requested for each batch.

Apogee`s protocol included a check sampling program based on analysis of sample splits at a second accredited laboratory. Check samples submitted to the check laboratory were processed using the same preparation and analytical techniques as used by ALS in Lima. The ALS laboratory in La Serena, Chile provided initial second laboratory analytical services for the Apogee programs, results of which are discussed in report Section 13. After January 2010, starting with Pulacayo deposit drill hole PUD 140 samples, all check analyses were done at SGS in Lima, Peru. However, the Paca drilling programs carried out by Apogee had all been completed prior to this date.

In addition to chemical analysis, bulk density measurements (specific gravity) were systematically collected by Apogee staff using standard water emersion methods and unsealed core samples. Micon (Pressacco and Shoemaker, 2007) reviewed ASC and early Apogee density determination methods and recommended that these be modified to include more representative sampling methods in non-mineralized areas and be carried out continuously through mineralized zones. Procedures were subsequently modified and measurements thereafter were collected for continuous 10 m sampled intervals where no observed sulphide mineralization was present and for all sampled intervals within recognized mineralized zones. Micon also noted that samples were not being wax sealed and advised that sealing would be advisable for some samples due to higher porosity and low permeability seen in some samples. Characteristics of lithology and alteration were also recorded as part of the density program and all information was assembled in digital spreadsheets. Results of the density measurement programs appear in report Section 13.

## 10.8 Mercator Comment on Sample Preparation, Analysis and Security

Based on all information consulted to date, Mercator is of the opinion that, ASC and Apogee sample preparation, analysis and security methodologies for their respective Paca deposit drilling programs were sufficient for a project of this size and that suitable documented precautions were taken by Apogee to identify irregularities in sample analytical results. Comparable verification for the Paca ASC program was not available to Mercator but no indications of problematic data were detected during resource estimation work carried out by Mercator.

# 11.0 Data Verification

## 11.1 Introduction

The data verification discussion applicable to the current Paca mineral resource estimate refers to the same project data sets used to support the Pressacco and Gowans (2007) mineral resource estimate prepared by Micon for Apogee in 2007. The previous authors reviewed the drilling database and associated support data and determined that it was acceptable for use in a mineral resource estimate prepared in accordance with the CIM Standards and disclosed in accordance with NI43-101. They noted that check sample analytical results for 65 core sample pulp splits analysed at Acme Laboratories in Vancouver, British Columbia, show good correlation with original sampling results. A review of site drilling operations, core sampling and logging procedures and available quality control and quality assurance (QAQC) program results returned similar positive comment from Micon.

Mercator carried out independent desktop data verification checks of drilling database records against support documents prior to the June, 2015 site visit. During the site visit, checks similar to those carried out by Micon were completed. These include detailed review of core and associated sampling and logging records for 10 mineralized drill holes, collection and analysis of 15 quarter core check samples, field checking of lithologic surface mapping in the Paca deposit area and checking of database drill collar coordinates for a total of 15 Paca drill holes using a Garmin Model Map 61 hand-held GPS instrument. Results of the Mercator verification programs are presented below under respective headings. In some instances, small pipe sections were present in the concrete to indicate hole direction and inclination. Where present, these were observed to be generally consistent in orientation with database records but were not measured.

## 11.2 Review and Validation of Project Data Sets

Core sample records, lithologic logs, laboratory reports and associated drill hole information for all Paca drilling programs completed by Apogee and ASC had been digitally compiled by Apogee staff and Prophecy provided Mercator with the latest version of this database for resource estimation purposes. Information pertaining to the exploration history in the property area was also provided and was reviewed to assess consistency and validity of recorded results.

Digital database drill hole records for the Paca deposit were checked against scanned image file records of the original file information. The purpose of this was to assess consistency and accuracy of such records. Parameters reviewed in detail include collar coordinates, down hole survey values, hole depths, sample record entries, corresponding analytical results and database lithocodes. Approximately 20% of the drill holes comprising the Paca drilling database were checked in detail against original source documents. Review of logging and sample records

showed consistently good agreement between original image file or hard copy records and drilling database records.

The desktop validation program also showed that database lithocode entries for the first thirty holes completed by ASC (PND001 through PND030) could not be directly verified due to original logging records being unavailable. This deficiency did not extend to original core sampling records, which were found to be complete. Mercator recommended that Prophecy carry out a core re-logging program for the thirty ASC holes that lacked lithology documentation and this work was carried out during the summer of 2015. The re-logging results were generally consistent with the existing database entries and the original entries were in many cases more detailed. This check on original entries was considered by Mercator to provide sufficient confirmation of the existing lithocodes to support their use in the current Paca resource estimate.

After completion of all manual record checking procedures, the drilling and sampling database records were further assessed through digital error identification methods available through the Gemcom-Surpac Version 6.7® software. This provided a check on items such as sample record duplications, end of hole errors, survey and collar file inconsistencies and some potential lithocode file errors. The digital review and import of the manually checked datasets through Surpac provided the validated Microsoft Access® database that Mercator considered acceptable with respect to support of the Paca deposit mineral resource estimation program described in this report.

## 11.3 Paca Deposit Site Visit by Mercator - June 3rd to June 6th, 2015

### 11.3.1 Summary

Author Cullen and Mercator's Senior Resource Geologist, Mr. Matthew Harrington, visited the Pulacayo site during the June 3rd to June 6$^{th}$ period of 2015. Meetings were also held with Mr. Bekzod Kasimov, now Prophecy's Vice President of Operations, plus other consultants, in Prophecy's La Paz office on June 3$^{rd}$ prior to departure for Pulacayo. Mr. Kazimov accompanied Mercator staff to the Pulacayo site and participated in site activities and discussions. Prophecy's Chief Geological Consultant, Mr., Hernan Uribe- Zeballos coordinated site geological activities and field inspections with assistance from other Prophecy site staff. Mercator recognizes and appreciates the highly professional input provided by Prophecy staff and consultants during all phases of the site visit and during subsequent consultations.

The primary purpose of the 2015 site visit was to carry out data validation and analytical check sampling studies related to the current Paca deposit resource estimate. A second priority was to review results of work carried out to date by Prophecy staff and consultants with respect to various tailings/waste rock deposits on the property. The latter are currently considered by

Prophecy to be possible sources of future mill feed. On that basis, they constitute potential targets for future mineral resource estimation programs. While the Pulacayo deposit was not the central technical focus during the 2015 site visit, and the visit was not required to support the current resource estimation program, discussion with respect to the deposit, the current geological and block models and various other aspects of deposit geology were held during the visit with Prophecy's staff and consultants.

### 11.3.2 Site Data Validation and Analytical Check Sampling by Mercator

During the Paca site visit, drill core from the ten drill holes identified below in Table 11.1 was reviewed in detail by Mercator and Prophecy staff. All core was found to be in excellent condition and had been systematically archived and stored in the core storage and logging facility located at the Pulacayo site (Figures 11.1 and 11.2). Careful review of these cores relative to corresponding database entries, core sampling records and respective logs showed that good correlation generally exists between the database lithocode and sampling records and original logging and sampling records. However, in several instances, logged and lithocoded descriptions of core intervals were found to be inconsistent with actual rock types observed in core. In some cases substantial discrepancy was noted, an example being a 48.5 meter interval of altered volcanic breccia beginning at 183 meters downhole in hole PND092 is logged and lithocoded as altered, fine grained volcaniclastic sediment. A similar issue was noted in PND093, where a 27 meter interval beginning at 128 meters downhole is logged and lithocoded as conglomerate but is actually andesite. Errors such as these cannot be readily detected in standard desktop database checks but can sometimes be identified by careful checking of database core lithocodes against corresponding photographic core records, if these are available.

Individual core intervals logged as rock types inconsistent with site visit core observations were encountered in cores from five of the ten drill holes reviewed by Mercator during the site visit. In most cases, the incorrect lithocode assignment would not have had substantive impact on geological interpretations based on the drilling database records. Prophecy staff were made aware of this issue and advised to monitor it on an on-going basis whenever archived core is being used for sampling or other purposes.

Mercator collected a total of 14 quarter core check samples from the ASC and Apogee drill holes inspected during the site visit (Figure 11.3). Prophecy technical staff coordinated handling, cutting, bagging and photographing of core samples and all of these was carried out under direct supervision of Mercator staff. The core sampling program was designed to cover the range of metal grades that characterise the Paca deposit. Samples remained under the control of Mercator staff during the site visit and were transported to Mercator's hotel in La Paz by commercial courier. They were subsequently delivered to SGS Bolivia S.A. laboratory facility in El Alto for preparation and analysis. Specific details and results of the Mercator check sampling program are presented below in report section 11.4.8.

**Table 11.1: ASC and Apogee drill holes included in Mercator core review**

| Hole Number | Drilled By | Azimuth (°) | Inclination (°) | Depth (m) |
|---|---|---|---|---|
| PND008 | ASC | 160 | -45 | 179.04 |
| PND023 | ASC | 340 | -55 | 207.4 |
| PND029 | ASC | 145 | -45 | 133.6 |
| PND031 | ASC | 160 | -45 | 87.5 |
| PND033 | ASC | 0 | -45 | 88 |
| PND056 | Apogee | 180 | -45 | 329 |
| PND061 | Apogee | 180 | -45 | 250.5 |
| PND062 | Apogee | 180 | -45 | 82 |
| PND070 | Apogee | 180 | -45 | 258 |
| PND072 | Apogee | 180 | -45 | 363 |
| PND087 | Apogee | 180 | -45 | 343 |
| PND092 | Apogee | 180 | -45 | 237 |
| PND093 | Apogee | 180 | -45 | 249 |

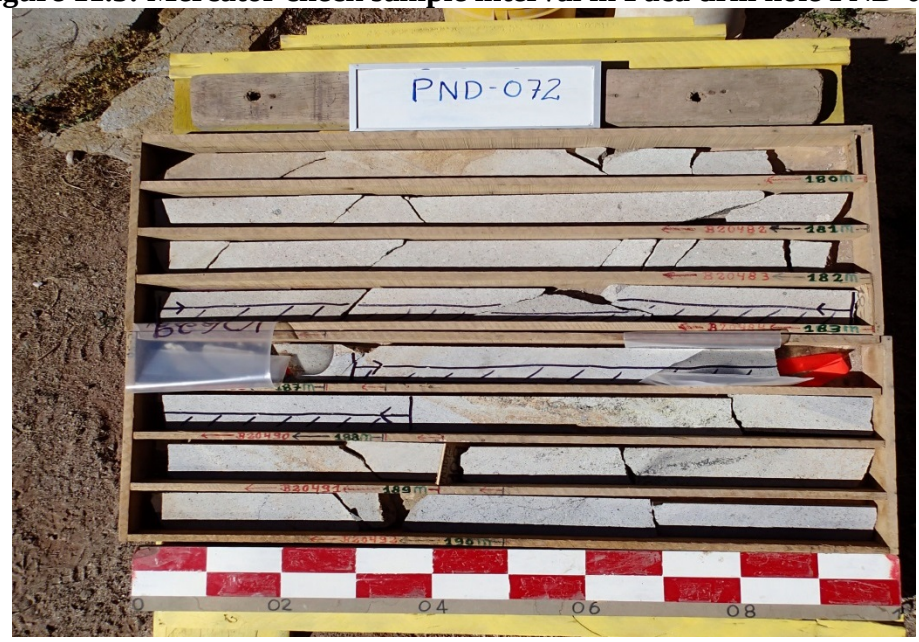
**Figure 11.1: Paca drill core in secure Pulacayo core storage facility – June 2015**



**Figure 11.2: Prophecy staff at Pulacayo site core storage facility – June 2015**



**Figure 11.3: Mercator check sample interval in Paca drill hole PND-072**



### 11.3.3 Paca Drill Collar Coordinate Checking By Mercator

Collar coordinates for 14 drill holes completed during the ASC and Apogee Paca drilling programs were checked by Mercator during the June, 2015 site visit and Table 11.2 below presents tabulated results of the program. A Garmin Map 60 handheld GPS unit was used to collect collar coordinate check data that was compared to validated resource database collar file values. Collar locations were easily located in the field and, as described and illustrated earlier in report section 9.2, are typically marked by a concrete monument with the hole number inscribed.

Excellent correlation exists between the resource drilling database and the check coordinate data set with respect to UTM easting and northing values. Easting variation range is 2.0 meters or less and range in Northing values is 3 meters or less and within the accuracy of the handheld GPS. In contrast, site visit elevation data are less consistent with database values and define a 14 meter to 27 meter total range of variation. The average elevation difference between data sets is about 18 meters and check elevations are consistently higher than database values. The reason for this elevation differential is not clear, but Mercator's experience is that elevation data collected using non-differential, handheld GPS instruments often shows greater variation than seen in site levelled measurements. The systematic nature of the elevation data variation in this case may indicate that a general levelling error exists between the two systems. In contrast, the easting and northing collar components show exceptionally good agreement between data sets. Notwithstanding the elevation discrepancy, Mercator is of the opinion that the 2015 field check data show acceptable correlation with corresponding database records.

**Table 11.2: Mercator drill collar coordinate checking program results**

| | *GPS Coordinate | | | *Database Coordinate | | |
|---|---|---|---|---|---|---|
| Hole ID | Easting (m) | Northing (m) | Elevation (m) | Easting (m) | Northing (m) | Elevation (m) |
| PND003 | 739879 | 7750568 | 4203 | 739877 | 7750571 | 4215 |
| PND008 | 739811 | 7750248 | 4257 | 739810 | 7750247 | 4283 |
| PND031 | 739812 | 7750249 | 4257 | 739810 | 7750247 | 4284 |
| PND032 | 739872 | 7750571 | 4203 | 739871 | 7750574 | 4217 |
| PND039 | 739694 | 7750338 | 4230 | 739690 | 7750337 | 4247 |
| PND041 | 739868 | 7750575 | 4203 | 739868 | 7750576 | 4220 |
| PND047 | 739894 | 7750343 | 4230 | 739892 | 7750342 | 4248 |
| PND062 | 739791 | 7750582 | 4200 | 739789 | 7750583 | 4216 |

**Universal Transverse Mercator (UTM) Grid: Zone 19 South, WGS84 Datum*

## 11.4 Quality Assurance and Quality Control

### 11.4.1 Introduction

Quality Assurance and Quality Control (QAQC) programs and protocols applicable to the core drilling data set that supports the current Paca mineral resource estimate are the same as those described in support of the Pressacco and Gowans (2007) mineral resource estimate prepared by Micon for Apogee in 2007. The previous authors reviewed all available QAQC results for the Apogee drilling programs and also determined that no systematic QAQC programs were undertaken by ASC external to those carried out by ALS Chemex during regular core analysis. Based on their review of available data from the two companies, Micon determined that data were assembled under industry standard programs for the respective periods and that it was acceptable for use in a mineral resource estimate prepared in accordance with the CIM Standards.

Mercator reviewed all available QAQC data for Apogee and ASC drilling programs at Paca that support the current mineral resource estimate. This confirmed Micon's earlier assertion that external QAQC program data were not available for ASC programs. It also confirmed that Apogee had carried out systematic monitoring of such issues through use of certified reference materials, blank samples, duplicate pulp split samples, independent check samples and third party check sample analysis. No certified reference materials were used for the 2006 program.

### 11.4.2 Apogee Programs 2006

Drill core sampling carried out by Apogee during 2006 on the Paca deposit was subject to a QAQC program administered by the company. This included submissions of blank samples, duplicate split samples of quarter core and half core, Apogee field standards and analysis of check samples at a third party commercial laboratory. Additionally, internal laboratory reporting of quality control and assurance sampling was monitored by Apogee on an on-going basis during the course of the project. Details of the various components are discussed below under separate headings.

### 11.4.3 Apogee Field Standards Program

***Program Description and Results***

Analytical field standard materials were prepared by Apogee for use in the 2006 Paca drilling programs and consisted of coarsely fragmented mineralized bedrock obtained by Apogee staff from the local Pulacayo area. Micon flagged this approach and the associated sample material as being inappropriate for the stated purpose and recommended that in future the company should

use commercially available certified reference materials matched to the deposit type. This recommendation was adopted by Apogee for subsequent drilling programs. In total, results for 437 field reference samples submitted by Apogee for analysis were reviewed for this report. Reference samples were systematically inserted into the laboratory sample shipment sequence by Apogee staff at a nominal frequency of 1 in 30. Records of reference standard insertion were maintained as part of the core sampling and logging protocols.

**Table 11.3: Apogee Field Reference Material Data for 2006 Paca Drilling**

| Field Reference Material | Average Ag g/t | Average Pb % | Average Zn % | Number |
|---|---|---|---|---|
| FSPU01 | 706.58 | 2.75 | 1.7 | 449 |

Returned silver values for the field sample material range between 79 g/t and 1670 g/t and the population has a standard deviation of 192.4. Figures 11.4, 11.5 and 11.6 present program results for silver, zinc and lead, respectively, and show that substantial inconsistencies in grade occur within each metal in the population. The distribution curves are chronologically ordered and also show that several intervals of elevated values occur within the data set. This can be explained in various ways, but heterogeneity of the source material used for the field standard samples may be a substantial contributing factor. It is also noted that FSPU01 was not prepared in the manner normally undertaken for standard materials, which typically includes prescribed preparation protocols and round-robin testing at multiple commercial laboratories.

***Mercator Comment on Apogee Field Standard Program***

Mercator is of the opinion that analytical results returned for the Apogee field standard program material should not be used to assess accuracy of associated core analytical results. This reflects the wide range of values returned for the material plus recognition that material preparation procedures normally established for analytical standards were not applied to the field standard material. Mercator's opinion is consistent with that provided in 2007 by Micon.

### 11.4.4 Blank Sample Programs

***Program Description and Results***

Blank samples were systematically inserted into the laboratory sample stream by Apogee staff during the 2006 Paca drilling programs as well as in the Pulacayo drilling programs that were carried out in the same year. It is assumed that the same quartzite material used at Pulacayo was also used for the Paca program, but this was not confirmed by Mercator. A total of 535 blank samples were analysed for 12,427 normal core samples and this reflects an average insertion rate between 1 in 20 and 1 in 25.

**Figure 11.4: Field standard FSPU01 analytical results for silver (N= 449)**

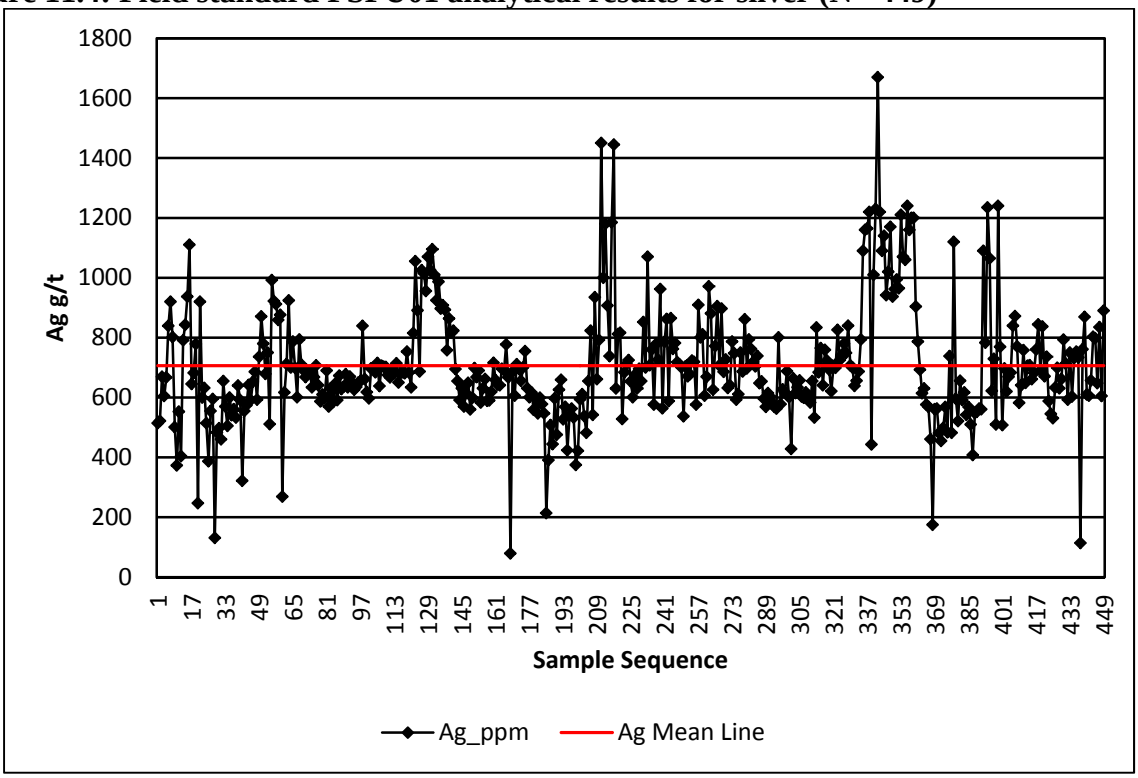



**Figure 11.5: Field standard FSPU01 analytical results for zinc (N= 449)**

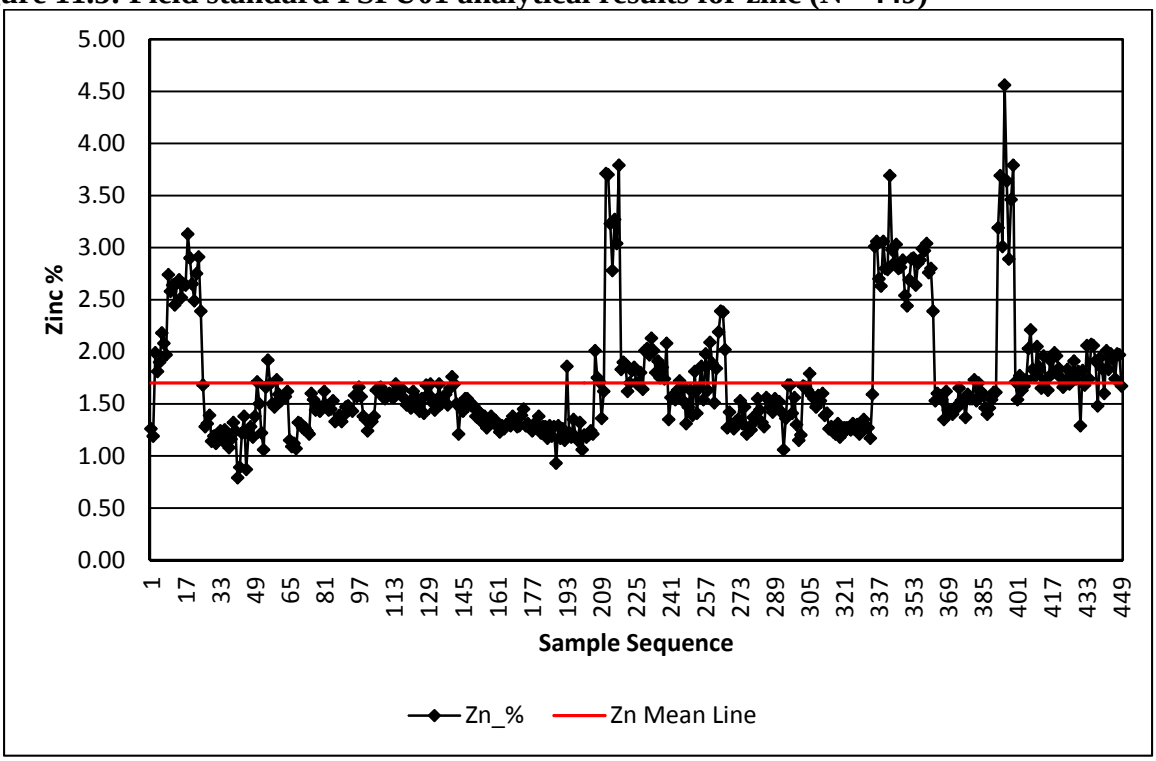
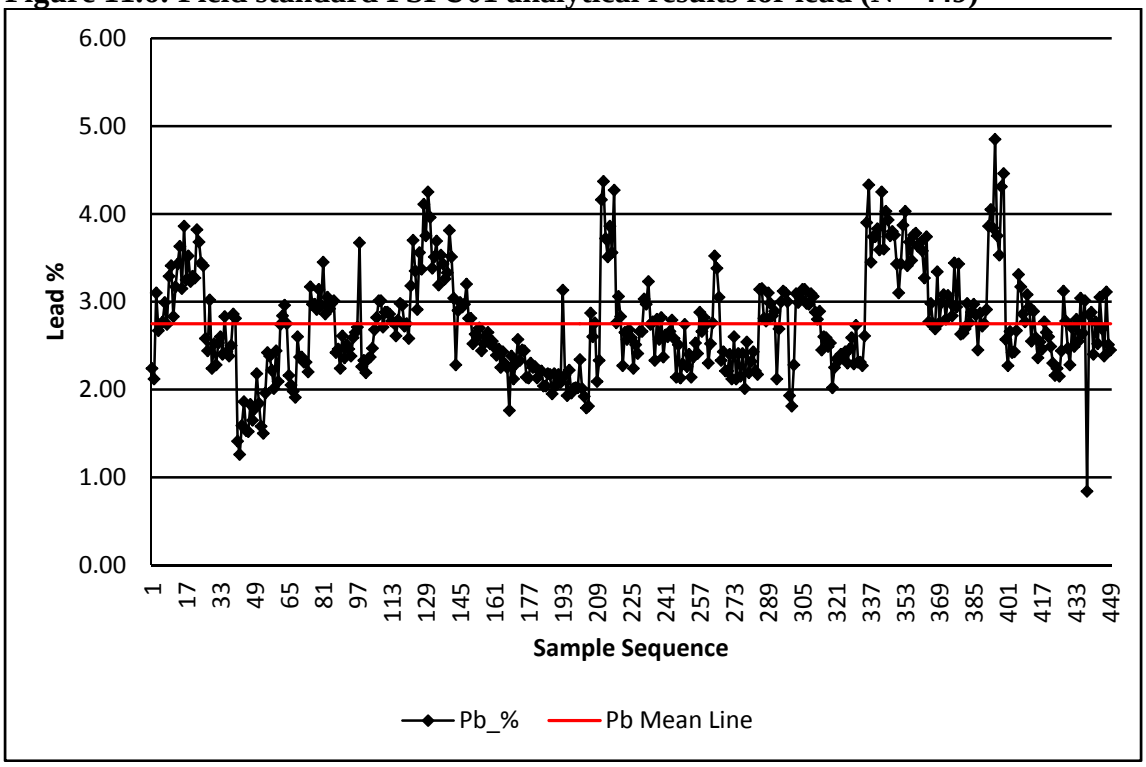


**Figure 11.6: Field standard FSPU01 analytical results for lead (N= 449)**




Average blank values of 0.76 g/t for silver, 0.006% for zinc and 0.005% for lead apply to this program and Figures 11.7, 11.8 and 11.9 present respective chronologically sequenced data. Descriptive statistics and rank/percentile distribution analysis were completed for each blank metal of the blank sample data set. These showed that all but one sample returned a silver value less than or equal to 20.94 g/t, with 99.8% of silver values being less than or equal to 10 g/t. Zinc results show that 99.8% of samples returned values less than or equal to 0.64% and that only one sample with a value of 0.38% exceeded this threshold. Lead results are similar, with 99.8% of samples having values less than or equal to 0.03% and only one value above this level at 0.13%. Notably, maximum lead and zinc values assign to the same sample abut do not correlate with the maximum silver value.

**Figure 11.7: Blank sample results for silver (N= 535)**

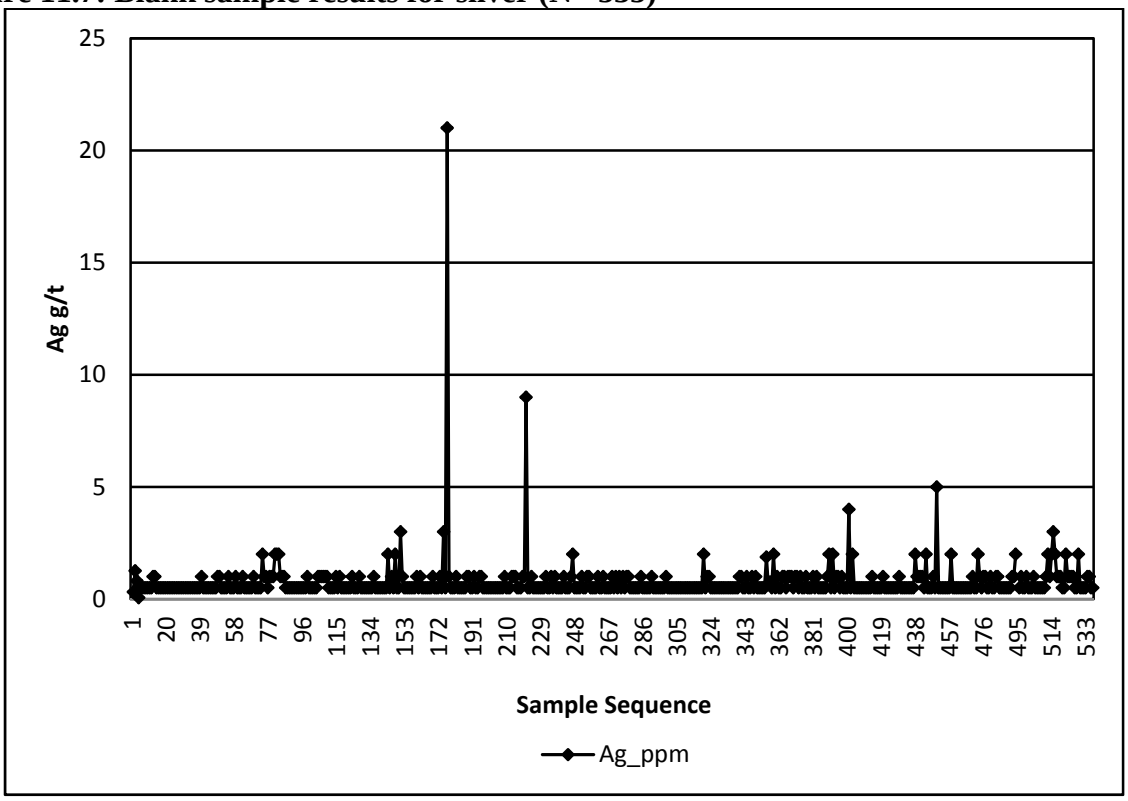



**Figure 11.8: Blank sample results for zinc (N= 535)**

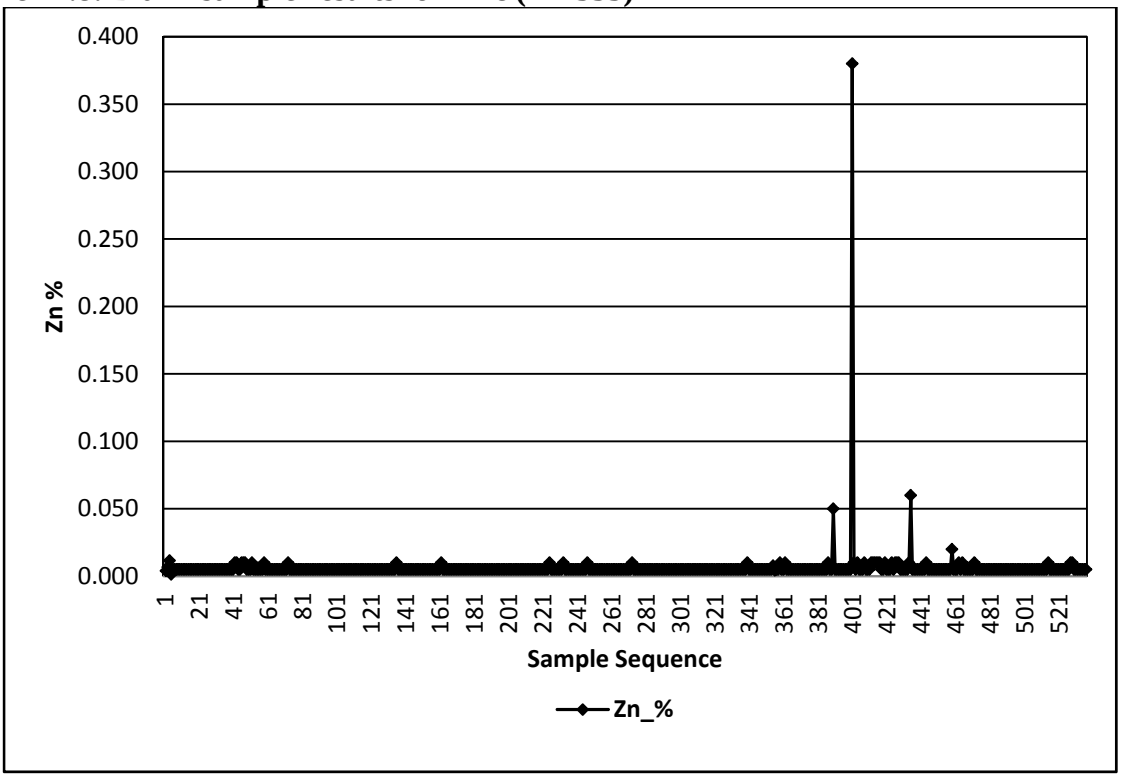
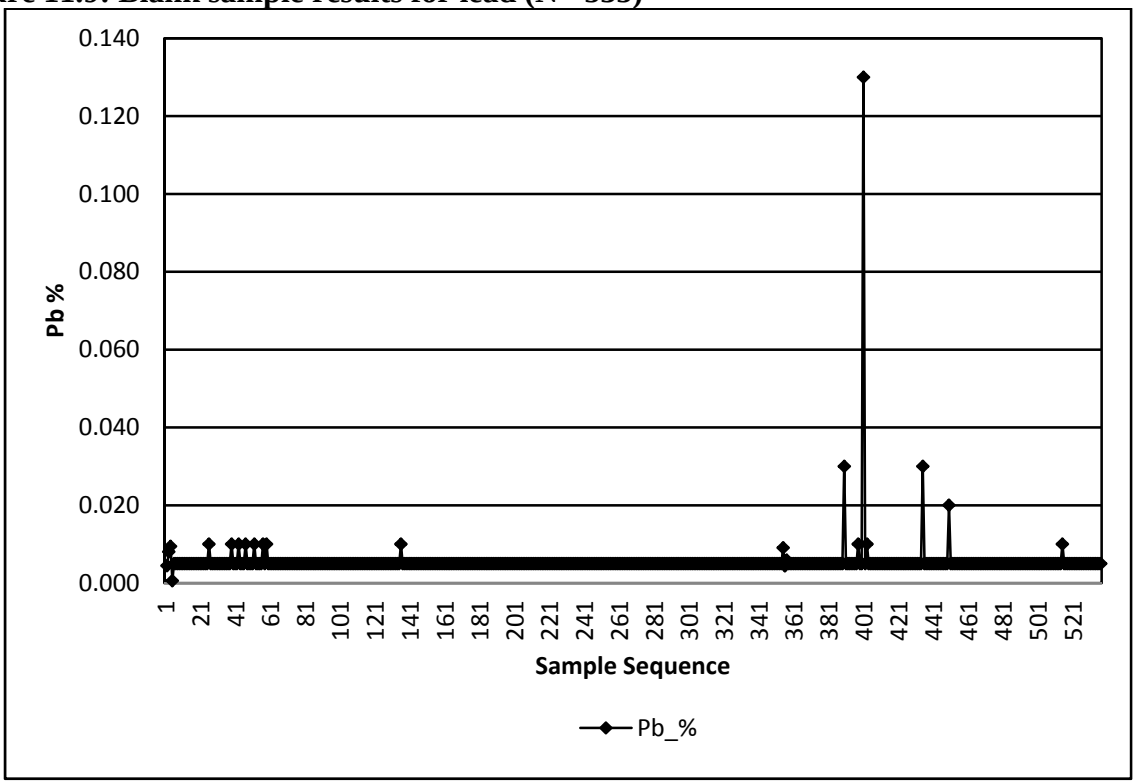


**Figure 11.9: Blank sample results for lead (N= 535)**




***Mercator Comment on Blank Sample Programs***

Results of the blank sample program show consistently low variability levels and much of that seen may reflect sample collection and preparation stage influences that cannot be fully evaluated. Mercator recognizes that use of field materials as blank samples without proper preparation and analytical testing was not an optimum approach for this aspect of a QAQC program. However, data have been interpreted as showing that no significant or systematic cross-contamination effects are present in the Paca data set.

### 11.4.5 Core Duplicate Split Program

In addition to scheduled analysis of duplicate splits of core sample pulps by the laboratories, Apogee carried out a program of quarter core sampling to check on sample variability and lab consistency during this report period. A total of 919 duplicate ¼ core samples were processed for the Paca 2006 drilling project and this represents an average insertion rate of approximately one in fourteen. The protocol referenced by Pressacco and Gowans (2007) for this program was based on a one in fifteen insertion rate. Silver results are presented in Figure 11.10 and those for zinc and lead appear in Figures 11.11 and 11.12 respectively.

**Figure 11.10: Duplicate ¼ core sample results for silver (N= 919)**

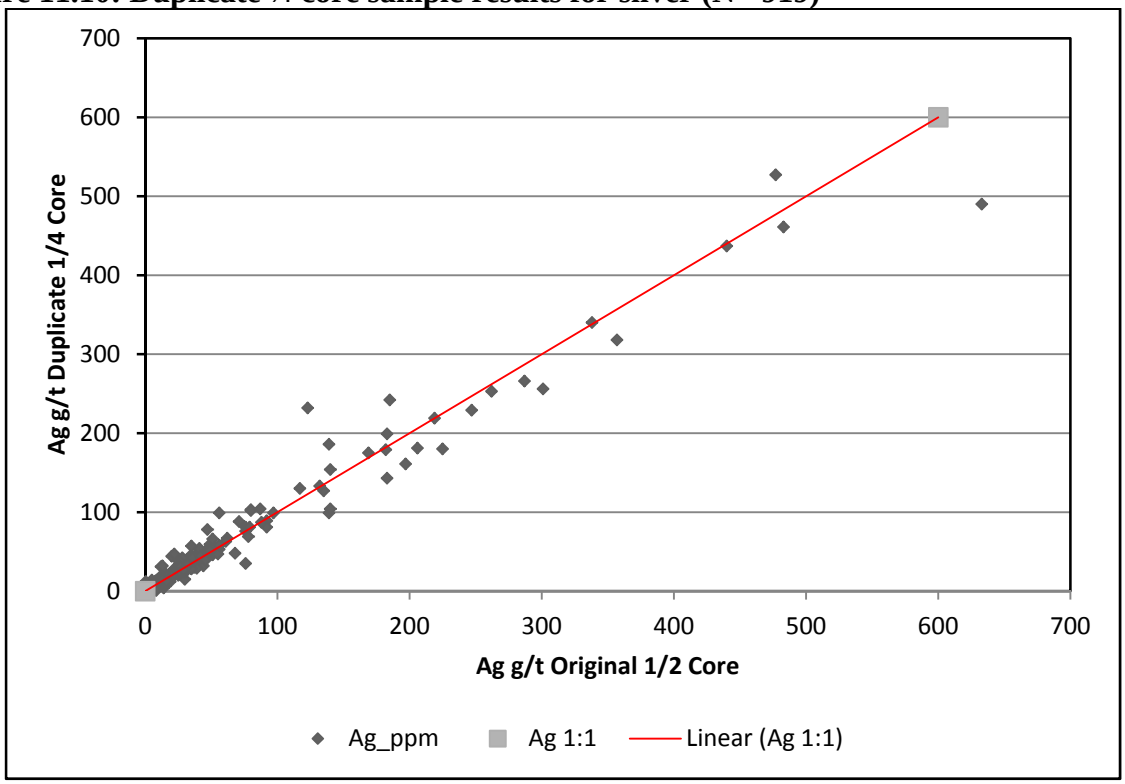



**Figure 11.11: Duplicate ¼ core sample results for zinc (N= 919)**

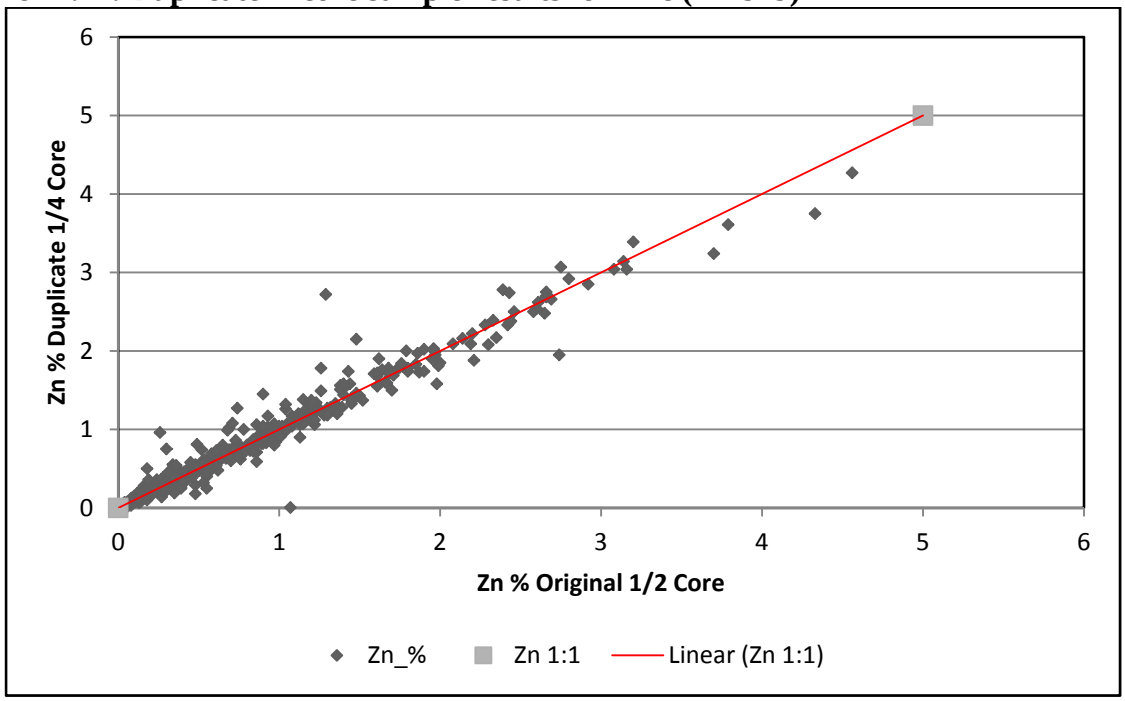
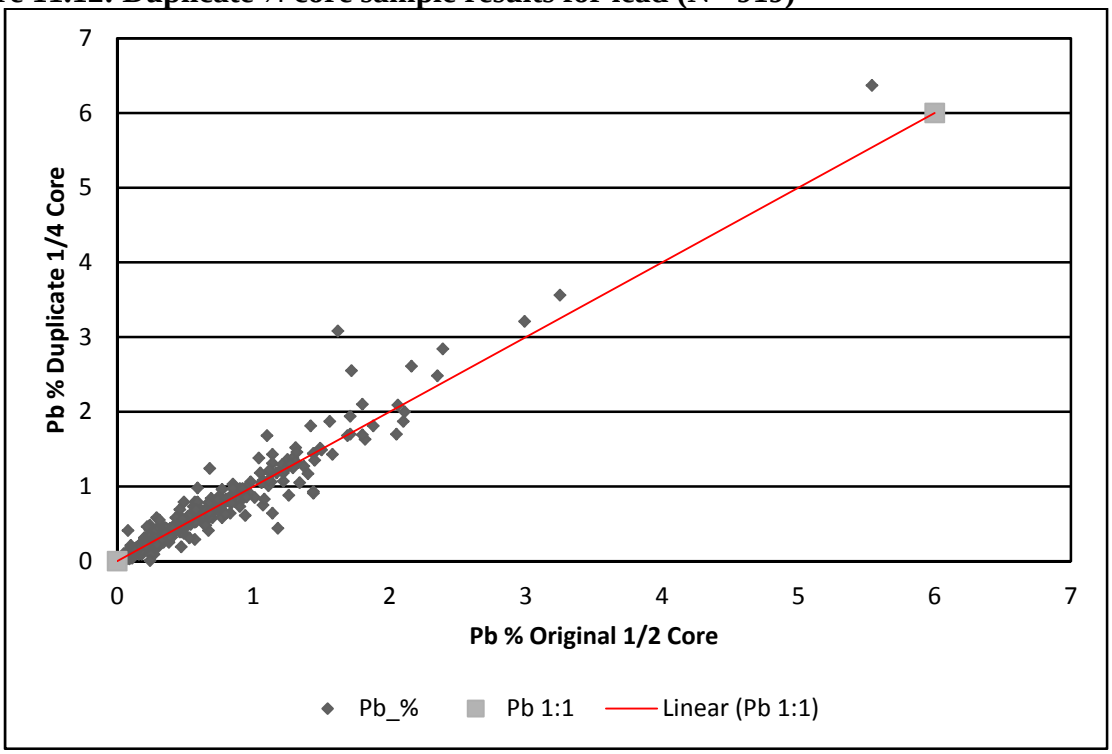


**Figure 11.12: Duplicate ¼ core sample results for lead (N= 919)**




The ¼ core duplicate silver, zinc and lead data sets have correlation coefficients of 0.98, 0.99 and 0.97, respectively. Distributions in all cases group along their 1:1 correlation lines.

***Mercator Comment on Core Duplicate Split Programs***

Mercator is of the opinion that the Apogee ¼ core duplicate split programs results show acceptable and systematic correlation between core sample pairs. This reflects various contributing factors, including core-scale heterogeneity of metal distribution and both preparation and analytical stage errors.

### 11.4.6 Apogee Drill Hole Twinning Program

Apogee twinned two ASC core holes for purposes of check sampling and lithologic comparison. Hole PND031 was drilled as a twin for PND008 and PND 032 was drilled as twin for PND003.

Mercator could not assess original ASC lithologic logs because copies of these are not currently available. However, database lithologic entries for the original holes are assumed to have been assigned from the original logs and these lithocodes were compared with those generated for the Apogee twin holes. In both cases, reasonable agreement is present between the two lithologic records and this suggests that an element of lithologic logging consistency is present between the ASC and Apogee datasets. Assay results for twinned hole pairs were also reviewed by Mercator

and in both cases. Metal values in PND003 and PND032 show reasonable spatial and magnitude correlation, while those in PND008 and PND031 show reasonable spatial correlation with generally lower metal levels being present for PND031 relative to PND008. In both cases, results define spatially correlatable higher grade portions of respective drill holes. Comparative analytical results for silver are presented in Figures 11.13 and 11.14 and illustrate the hole to hole correlation points noted. An explanation for lower silver levels in PND031 samples is not apparent in project reporting reviewed by Mercator.

### 11.4.7 Mercator 2015 Check Sample Program

During the June, 2015 site visit by Mercator, quarter core samples were obtained from archived Paca drill core for purposes of independent check sample analysis. In total, 14 quarter core samples were collected to provide sample coverage across the silver, lead and zinc grade ranges represented in the deposit. Sample record details pertaining to the program appear in Appendix 1. The quarter core samples were collected from drill holes PND031, PND056, PND062, PND070, PND072, PND092, and PND093 and were submitted for preparation and analysis to SGS Bolivia S.A. in El Alto, Bolivia. Two samples of certified reference material CDN-ME-4 and a non-mineralized blank sample were also submitted by Mercator for quality control purposes.

Sample intervals of archived drill core were selected and marked by Mercator and then photographed prior to being placed in labelled plastic bags for shipment to the laboratory. Core intervals taken for check sample purposes were clearly identified by explanatory tags secured in the core boxes for archival reference purposes. All core sampling work was carried out at the Pulacayo core logging facility, where Prophecy technical staff carried out sample cutting and bagging activities under Mercator supervision.

After standard crushing and pulverization, silver, lead, zinc, copper and gold levels were determined using SGS code ASS11B elemental analysis, which incorporates Aqua Regia digestion followed by AAS determination, and a Fire Assay – FAG313 finish for samples with silver values greater than 300 g/t. Analysis of zinc lead and copper was carried out using Atomic Absorption Spectrophotometery (SGS codes AAS). Mercator core check sample results for silver, zinc and lead are compared, respectively, to original Apogee results in Figure 11.15, Figure 11.16 and Figure 11.17 below. Quality control samples by Mercator returned acceptable results and data are considered valid. A correlation coefficient of 0.92 applies to silver data, zinc results have a correlation coefficient of 0.99 and lead results have a correlation coefficient of 0.0.88. However, it should be recognized that the populations are limited in number. For each metal, data pairs group along respective 1:1 correlation lines on scatterplots, with greater variation between pairs seen at higher grade levels for each metal. Based on the check sample comparison, Mercator is of the opinion that reasonable correlation exists between the original and check sample data sets, suggesting acceptable dataset integrity.

**Figure 11.13: Silver comparison for twin drill holes PND003 and PND032**

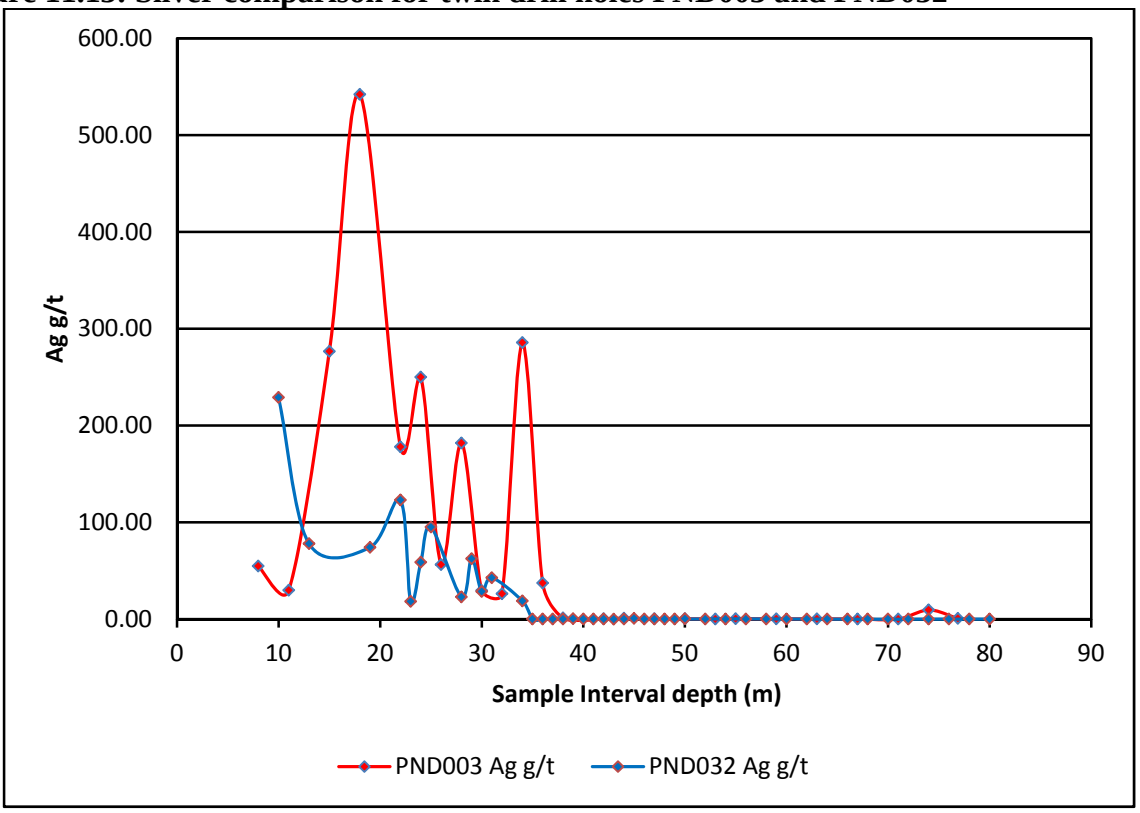



**Figure 11.14: Silver comparison for twin drill holes PND008 and PND031**

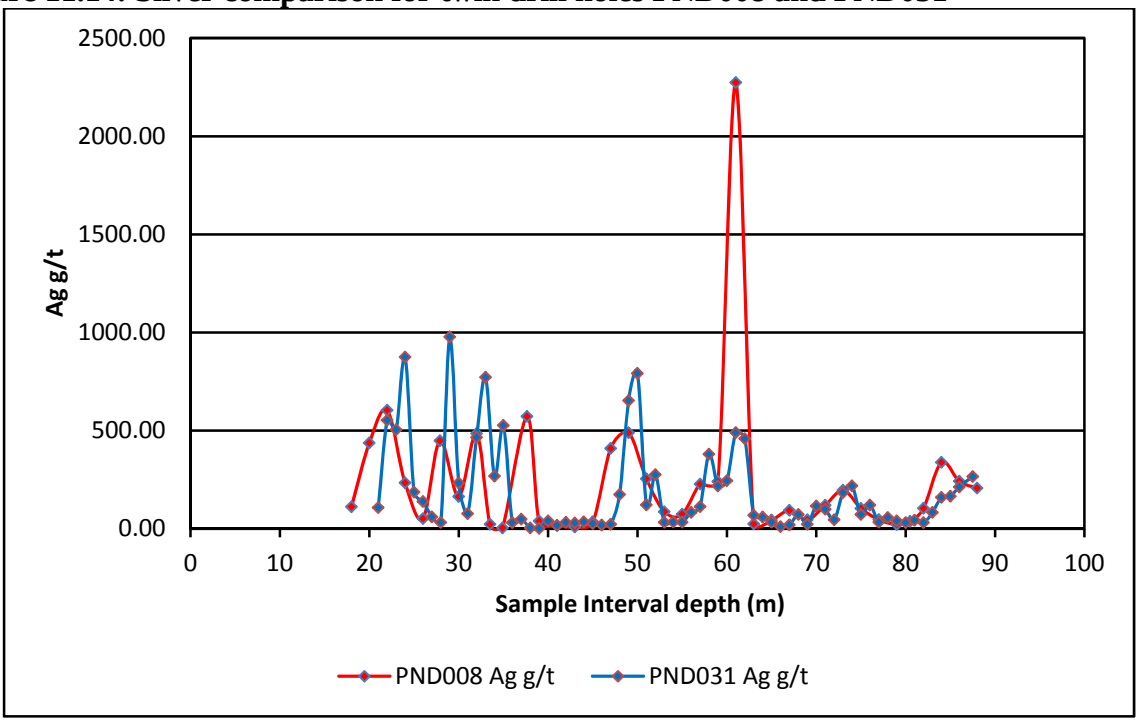


**Figure 11.15: Mercator 2015 core check sample results - silver**

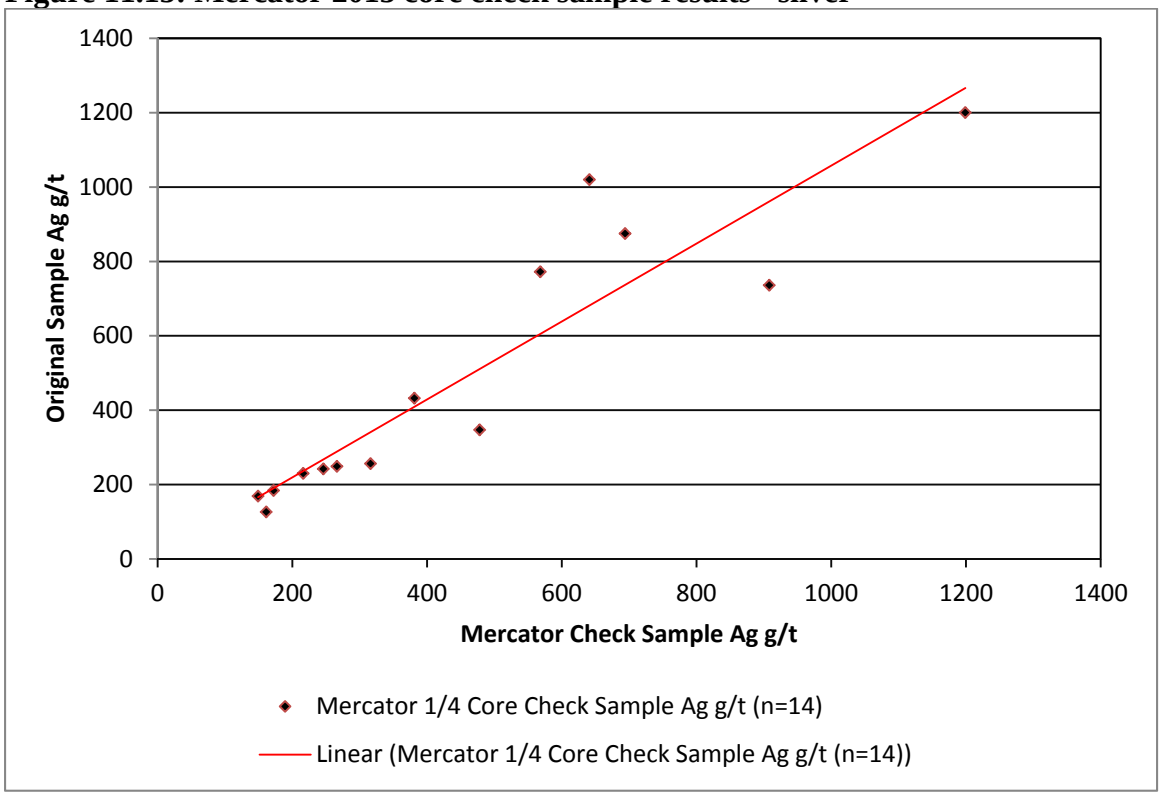



**Figure 11.16: Mercator 2015 core check sample results - zinc**

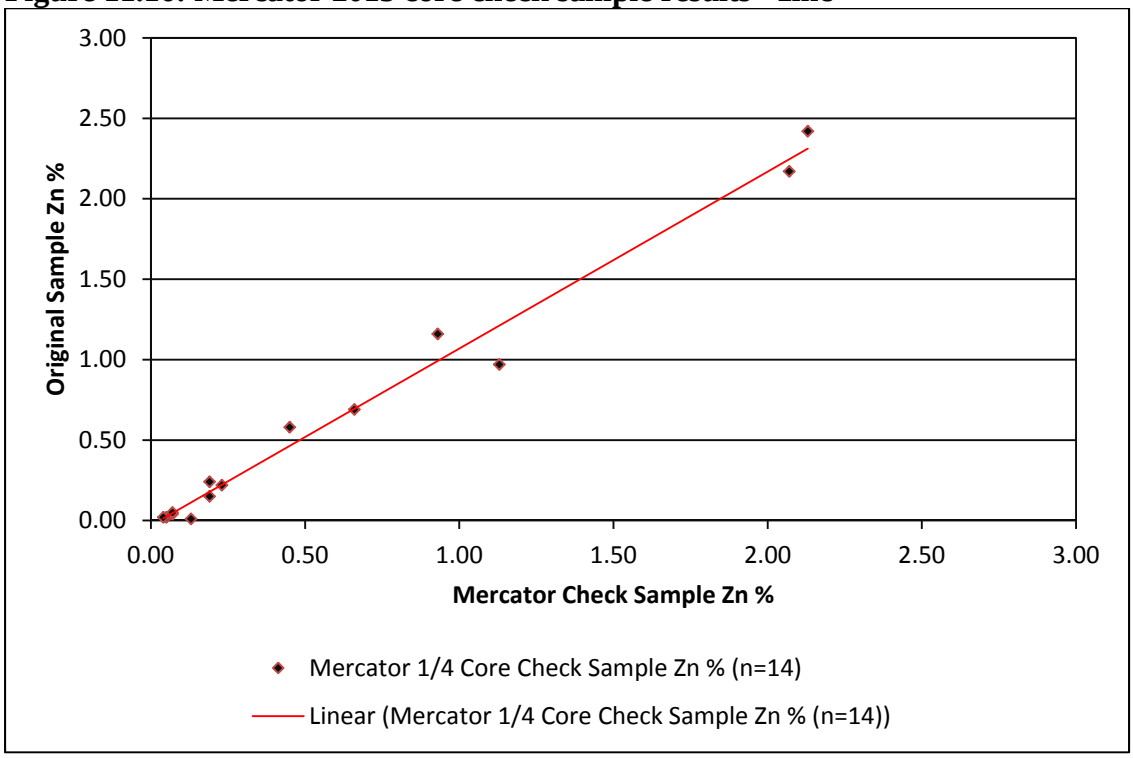
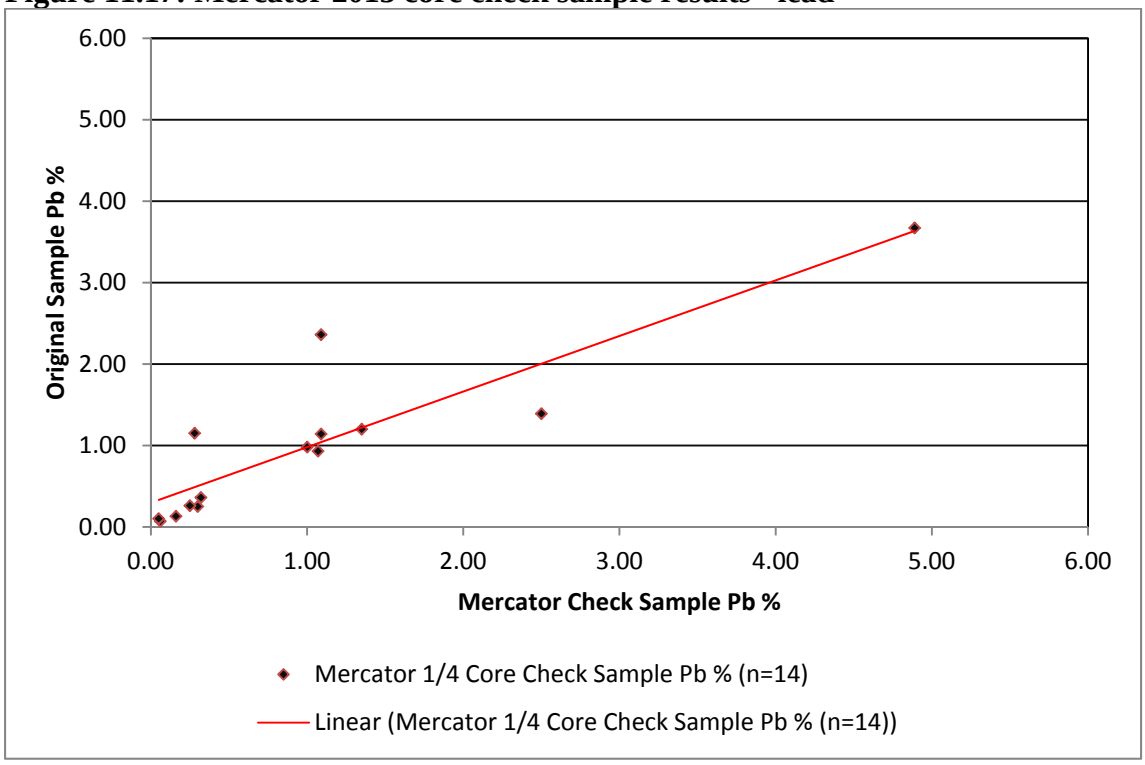


**Figure 11.17: Mercator 2015 core check sample results - lead**



# 12.0 Mineral Processing and Metallurgical Testing

No new mineral processing or metallurgical testing program results for the Paca deposit have been disclosed by Prophecy since acquisition of the property in January of 2015. However, the company has disclosed that it is planning to carry out such studies in future to support on-going assessment of the deposit's economic potential. Details of any future metallurgical programs planned for the Paca deposit were not available to Mercator at the report date.

A summary of historical metallurgical testing carried out by ASC was previously presented in report Section 5.0. Prophecy also disclosed by press release on September 10th, 2015 that it had received preliminary results of a metallurgical program carried out on samples collected from various tailings/waste rock piles that are present on the property. Summarized results of that disclosure were presented earlier under the exploration program discussion presented in report section reporting in report Section 5.3.3.

# 13.0 Mineral Resource Estimate

## 13.1 Introduction

The definition of mineral resource and associated mineral resource categories used in this report are those recognized under National Instrument 43-101 and set out in the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves *Definitions and Guidelines* (the CIM Standards). Assumptions, metal threshold parameters and deposit modeling methodologies associated with the current Paca resource estimate are discussed below in report Sections 13.2 and 13.3.

## 13.2 Geological Interpretation Used In Resource Estimation

The Paca deposit is differentiated by two styles of mineralization sitting within a broad envelope of argillic alteration. A "vein breccia" or "feeder system" occurs along the north contact of the porphyritic andesitic to dacitic Paca Dome complex. The feeder system is characterized by hydrothermal, tectonic, and volcanic breccias and demonstrates both horizontal and vertical grade zonation. Based on current drilling results the feeder system hosts the highest grade silver mineralization of the deposit and has no discernible root. Disseminated silver-lead-zinc mineralization is hosted in the adjacent clastic-volcaniclastic sediments north and west of the Paca Dome, demonstrating a flat lying to gently sloping planar grade distribution. Disseminated mineralized is currently thought to be "mantos-style", supported by the occurrence of jasperoid, chalcedony, opaline and vuggy silica. Minerals of economic significance for both types of mineralization are sphalerite, galena, silver sulphosalts, pyrolusite, and native silver, which typically occur as thin veinlets, aggregations and/or very fine grained disseminations. Discrete high grade veins such as those present at the nearby Pulacayo deposit are not common at Paca.

## 13.3 Overview of Estimation Procedure

The current Paca deposit mineral resource estimate is based on a three dimensional block model developed using Geovia Surpac ® Version 6.7 modeling software. It is supported by validated results of 97 diamond drill holes and 1 reverse circulation drill hole totalling 18,160 total meters that were completed by Apogee and ASC through various drill programs between 2002 and 2007, plus 71 underground channel samples completed by Apogee in 2005. The database includes 14,228 drill core and drill chip samples with 4,977 total samples occurring within the limits of the current resource model. The current resource estimate focused on defining high grade (>300g/t) silver equivalent mineral resources potentially amenable to selective underground mining. Associated lead and zinc mineralization was assessed in conjunction with high grade silver mineralization and a silver equivalency was developed to evaluate combined

metal value. The silver equivalency factor used for this resource estimate is the same as that used by Mercator in the July, 2015 Pulacayo mineral resource estimate prepared for Prophecy. The silver equivalence factor appears below and factors contributing to its development are presented in report Section 13.5.

***Ag Eq. (g/t)*** *= Ag (g/t) + (Pb%*(US$0.94/ lb. Pb /14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000) + (Zn%*(US$1.00/lb. Zn/14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000).*

Prior to deposit modeling, a complete set of vertical cross sections through the deposit were produced from the project drilling database. These were used to develop north-south geological section interpretations at a nominal section spacing of 50 m. Raw analytical results posted on the interpreted sections were used to define feeder system and mantos-style grade distribution trends. Correlations using a subjectively defined minimum grade threshold of 100 g/t silver within breccia lithologies were created and wireframed into 3 silver-breccia domain solid models. The main silver-breccia domain is predominantly a sub-vertical zone that extends along a west-southwest trend (230$^{o}$ azimuth) for 450 meters in strike length along the north contact of the andesite dome. A secondary sub-vertical trend is also present and extends for about 200 meters along an azimuth of 270° from the middle of the first zone. The main silver-breccia domain ranges from a few meters to tens of meters in thickness and supports several sub-horizontal components in addition to the main sub-vertical grade trends. Two satellite mineralized breccia domains form sub-horizontal planar zones ranging from 100 to 250 meters in length with widths and thicknesses ranging from several meters to tens of meters. The satellite mineralized breccia domains occur as localized zones of breccia lithologies within the host clastic-volcaniclastic sediments.

In addition to the above solids, section correlations using a minimum grade threshold of 50 g/t silver equivalent were created and wireframed into a peripheral silver-lead-zinc domain solid model that defines two zones of mantos-style mineralization. The primary zone extends 750 meters in strike length at an azimuth of 260 to 270° and occurs along the north contact of the andesite and into the clastic-volcaniclastic sediments in the western area of the deposit. This contains thicknesses ranging from several meters to 200 meters. The secondary zone forms a near-horizontal, planar feature extending 400 meters from the andesite dome towards the north into the clastic-volcaniclastic sediments and is approximately 250 meters in width (east-west) and several meters to tens of meters in thickness.

Digital terrain models were created for both the topographic surface and quaternary surface, with the domain solid models being constrained below both surfaces. Mercator also created a three dimensional solid model for the Esmeralda adit for the purpose of removing volume from the resource estimate prior to reporting and also for registering the historic Apogee channel sampling.

Inverse distance squared ($ID^2$) grade interpolation was used to estimate silver, lead and zinc grades for 2.5mY x 5mX x 5mZ blocks and was constrained within the interpreted domain wireframes using multiple independent search ellipsoid passes and independent 1 meter down hole assay composites. The nominal drill hole spacing and sectional interpretations of geology and grade distributions contributed to development of interpolation ellipsoids with a 75 meter major axis, 75 meter semi-major axis, and a 25 meter minor axis. Interpolation ellipsoid orientations were set along dips and strikes that fit local trends and geometries of the deposit, which generally conform to east-west sub-vertical trends for the feeder system zones and east-west sub-horizontal to gently north-dipping for the mantos-style zones.

Contributing raw assays for one meter assay composites were capped at 1050 g/t silver, 5 % lead, and 5 % zinc. A minimum of three and a maximum of nine composites, with no more than three from a single drill hole were used during block grade interpolation. An average density factor of 2.26 g/cm³ was assigned to block volumes and all interpolated blocks were assigned to the inferred resource category. ID² resource block model results were validated through comparison with separate deposit models based on grade interpolation using Nearest Neighbour (NN) methodologies. Statistical results of the $ID^2$ interpolation were determined to most appropriately represent contributing core sample assay populations and associated sectional deposit interpretations.

## 13.4 Data Validation

The resource estimate was supported by a Mercator validated drill hole database that was originally received from Prophecy in digital spreadsheet format. The database includes results from 100 surface diamond drill holes, totalling 18,797 meters, and 6 reverse circulation drill holes, totalling 921 meters, completed by Apogee and ASC between 2002 and 2007. The database includes 14,094 core samples and 134 chip samples, with a total of 4,977 samples from 97 diamond drill holes and 1 reverse circulation drill hole within the limits of the resource estimate. In addition, Mercator compiled 71 underground channel samples taken from the Esmeralda adit from historic level plans and surface maps provided by Prophecy. These show grade trends similar to drill holes passing in proximity to the workings.

Validation checks on overlapping intervals, inconsistent drill hole identifiers, improper lithological assignment, unreasonable assay value assignment, and missing interval data were performed. Checking of database analytical entries was also carried out against laboratory records supplied by Prophecy. Validation checks and checking of analytical entries found no substantive errors but, as noted previously in Section 6.0, original lithologic logs were not available for ASC holes, although sample records and assay certificates were available. Additionally, and as noted in Section 6.0, Mercator found that some historic logs and lithocodes included occasional miss-logged lithologic intervals that could locally hinder sectional geology

interpretations. Based on its sectional correlation work using existing lithocode entries, this issue is not considered by Mercator to be of only local potential influence.

## 13.5 Silver Equivalency Calculation

A silver equivalency was considered appropriate at this stage of Prophecy's assessment of the Paca deposit to evaluate the combined value of silver, lead and zinc mineralization. Silver equivalency was calculated as:

***Ag Eq. (g/t)*** *= Ag (g/t) + (Pb%*(US$0.94/ lb. Pb /14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000) + (Zn%*(US$1.00/lb. Zn/14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000*).

Metal prices used in the silver equivalent calculation are US$16.50/Troy oz. Ag, US$0.94/lb Pb and US$1.00/lb Zn. These reflect market pricing conditions present during June of 2015 and were previously used for silver equivalency calculations for the Pulacayo resource estimate (effective June 16, 2015) prepared recently by Mercator for Prophecy. Silver pricing at this reference date was lower than the three year trailing average price of $US 22.62/oz for silver and lead pricing was the same as the three year trailing average of $US 0.94/lb for lead. The zinc price used was slightly higher than the three year trailing average value of $US 0.92/lb for zinc. Metal recovery was not factored into the silver equivalency calculation on the basis that, although preliminary metallurgical test work was carried out in 2002 by ASC, insufficient detailed information is available to determine potential recoveries for each metal. Metallurgical studies are required for the Paca deposit

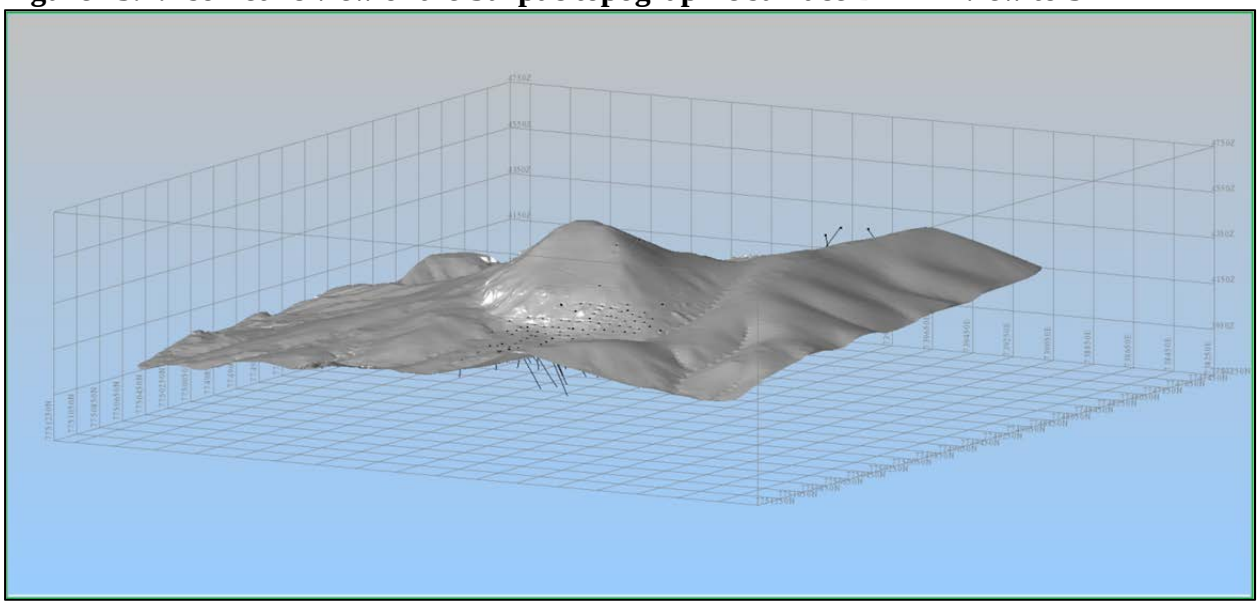
## 13.6 Data Domains and Solid Modelling

### 13.6.1 Topographic Surface

Prophecy provided Mercator with an Autocad (.dwg) digital geology plan map created by Apogee staff in 2009 that also contained contour information at 10 meter intervals and registered digital layers for such elements as roads and water systems. Mercator imported the 10 meter contours into Surpac and found that the coarse 10 meter contour intervals showed poor correlation with numerous drill hole collar elevations. Mercator subsequently incorporated the elevation data from the registered road layer with the contour interval data to create a more accurate digital terrain model (DTM). The topographic DTM covers an area that measures 3000 m east-west and 2750 meters north-south over the Paca deposit area and shows an acceptable correlation with the drill hole collar elevations (Figure 13.1). This surface also shows reasonable correlation to hand held GPS data obtained during the site visit and the broad landforms defined

by the file correlate well with published contour plans for the area. The topographic DTM is applied as the topographic constraint for resource modelling.

**Figure 13.1: Isometric view of the Surpac topographic surface DTM – view to SE**

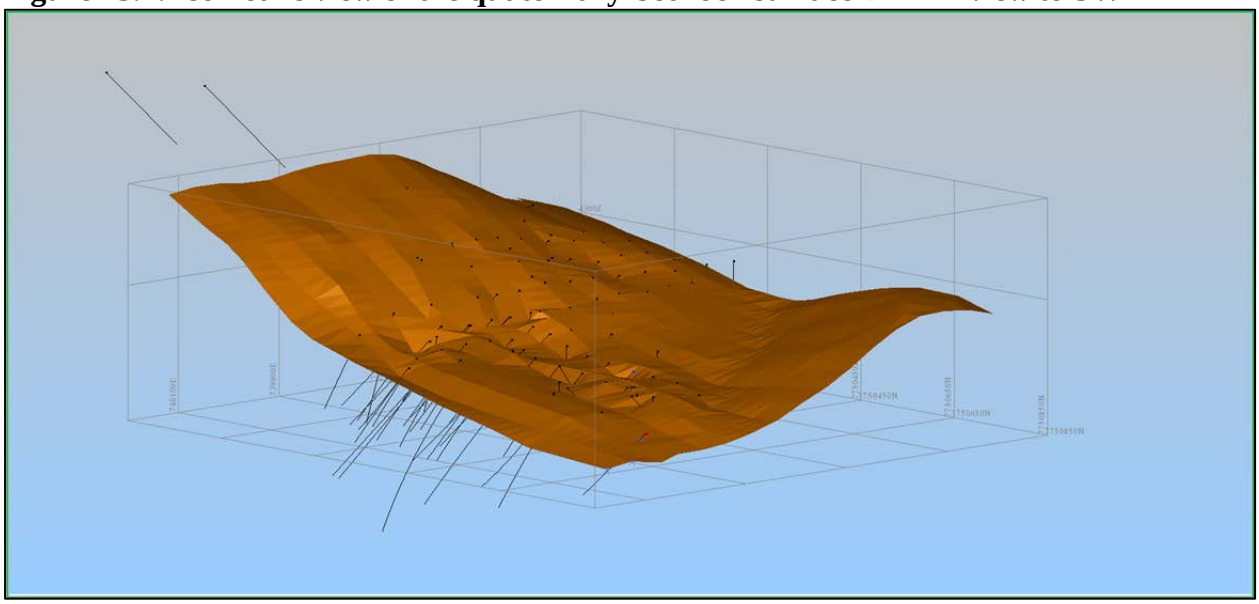


### 13.6.2 Quaternary Surface and Oxide Surface

The Paca deposit is capped by a layer of overburden material that appears to host silver, lead and zinc mineralization in some areas. Diamond drilling through the material has returned several high grade anomalous results over intervals with very poor core recoveries. This is exemplified in drill hole PND029, for which a single assay sample within the overburden interval returned a silver grade of 1029 g/t from material that was estimated to have 25% recovery over 16 meters. Apogee staff assigned a 4 meter downhole width to the sample and assigned from and to depth intervals that sequence the sample on the top of the bedrock.

Although significant silver, lead, and zinc mineralization is demonstrated to be locally present in the overburden section, poor core recoveries make it difficult to assess the reliability of individual assay results and the relationship to the main Paca deposit is not entirely clear. As such, Mercator developed a DTM surface for the overburden-bedrock contact from drill hole interpretations on nominal 50m sections to constrain the top of the main bedrock Paca deposit. The overburden zone ranges from being not present to 20 meters in thickness, with the thickest section generally occurring in the northeastern area of the deposit. Mercator did not estimate mineral resources for the overburden material and excluded associated assay composites from the Paca deposit resource estimate. Mercator recommends that further exploration work be completed on the overburden section to better assess grade, distribution, and continuity issues.

**Figure 13.2: Isometric view of the quaternary-bedrock surface DTM – view to SW**



Mercator observed oxide material in both drill core and outcrops during the June, 2015 site visit, in these cases, original clastic and volcanic host rocks plus sulphide mineralization have been altered by deep weathering effects. The drill hole database provided to Mercator did not include the logging of oxide, transition, and sulphide zone material and Mercator was therefore not able to develop an oxide-sulphide boundary DTM. At present, it is unknown what impact oxide and sulphide zonation has on grade distribution or what future impacts this may have on metallurgical recoveries. Mercator therefore recommends that the distribution of oxide and sulphide zone material be logged and compiled in the drill hole database to support an oxide-sulphide zone model.

### 13.6.3 Domain Modeling

The Paca deposit is defined by two types of mineralization; a breccia-dominated feeder system occurring along the north contact of the andesitic Paca Dome complex and an adjoining mantos-type system within the adjacent clastic-volcanoclastic sediments that is characterised primarily by disseminated style mineralization. The feeder system encompasses lithologies logged as hydrothermal breccia, tectonic breccia, and volcanic breccia and shows both vertical and horizontal grade zonation. The feeder system is characterized by high grade silver mineralization that does not necessarily show direct continuity with grade trends in adjacent disseminated mineralization hosted by the clastic-volcaniclastic sedimentary sequence. Feeder zone lead and zinc mineralization cannot be readily distinguished on a grade basis from lead and zinc mineralization hosted within the clastic-volcanoclastic sediments, which also supports lower grade disseminated silver.

To best accommodate Prophecy's mandate of defining high grade silver resources potentially amenable to underground mining methods, Mercator first developed a domain model that reflects high grade silver distribution associated with the feeder zone and associated breccia lithologies. A second three dimensional domain solid model based on silver, lead and zinc disseminated mineralization was subsequently developed. Assay results for silver, lead, and zinc and calculated results for silver equivalency were displayed on drill hole traces at nominal 50 m section spacing to guide solid model wireframing. Sectional interpretations were developed for breccia lithologies that support a subjectively defined 100 g/t Ag cut-off over three down hole meters and these were used to create a mineralized breccia three dimensional wireframe solid model. Sectional interpretations were subsequently developed for the disseminated mineralization supporting a 50 g/t Ag Eq. cut-off over three down hole meters and were used to create a peripheral silver-lead-zinc three dimensional wireframe solid model. The solid model domains were limited up-dip by the topographic and/or lower overburden (quaternary) surface, or half the distance to a constraining drill hole, and by either a down-dip extension of 25 m from the last intercept or half the distance to a constraining drill hole. Along strike, the solid models were projected 25 m from the last defined section that showed continuity and definition based on the current drill hole database, or half the distance to a constraining drill hole.

A total of three mineralization domain solid models, one main and two satellite, defining zones of breccia lithology and higher grade silver mineralization were created. The main mineralized - breccia domain follows the north contact of the andesite for 450 meters in strike length along an azimuth of 230°, with a secondary trend extending from the middle of the zone over a strike length of 200 meters along an azimuth of 270° (Figure 13.3). The main mineralized breccia domain primarily demonstrates a sub-vertical grade trend but also demonstrates sub-horizontal grade trends in several areas and as such widths and thicknesses can range from several meters to 180 meters. The two secondary or satellite zones reflect high grade silver mineralization in localized breccia lithologies that occur within the clastic-volcanoclastic host sequence. The satellite zones form horizontal planar features ranging from 100 to 250 meters in length (east-west) and have widths from 40 to 100 meters (north-south) and thicknesses from several meters to tens of meters.

The peripheral domain solid model, defining disseminated silver-lead-zinc mineralization hosted predominantly in the clastic-volcanoclastic sediments and enveloping the silver-breccia domains, is comprised of two zones of mineralization (Figure 13.4). The primary zone of the peripheral domain extends 750 meters in strike length along the north contact of the andesite at an azimuth of 260 to 270° and continues into the sediments of the western area of the deposit. Widths and thicknesses range from several meters to 200 meters due to both horizontal and vertical grade distribution trends. The secondary zone of the peripheral domain extends approximately 400 meters in length (north-south), supports a 250 meter width (east-west) and ranges several meters to tens of meters in thickness. The secondary zone forms a horizontal planar feature extending

**Figure 13.3: Isometric views to NW (left) and NE (right) of the main (yellow) and satellite (red) mineralized breccia domain solid models**

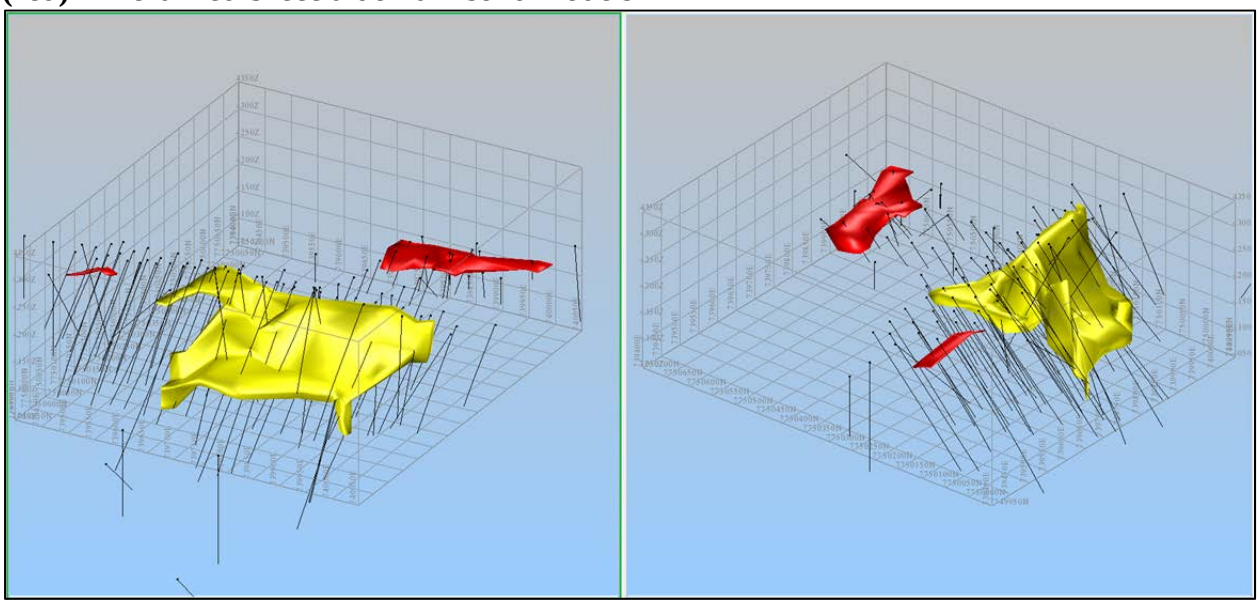
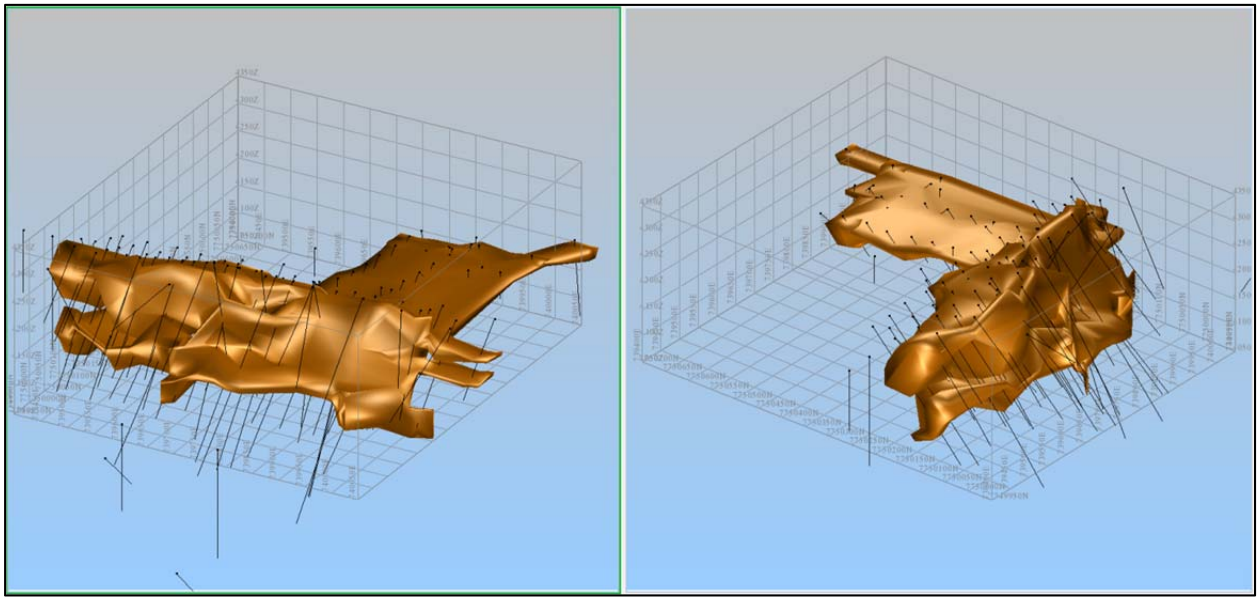


**Figure 13.4: Isometric views to NW (left) and NE (right) of the peripheral silver-lead-zinc domain solid model**



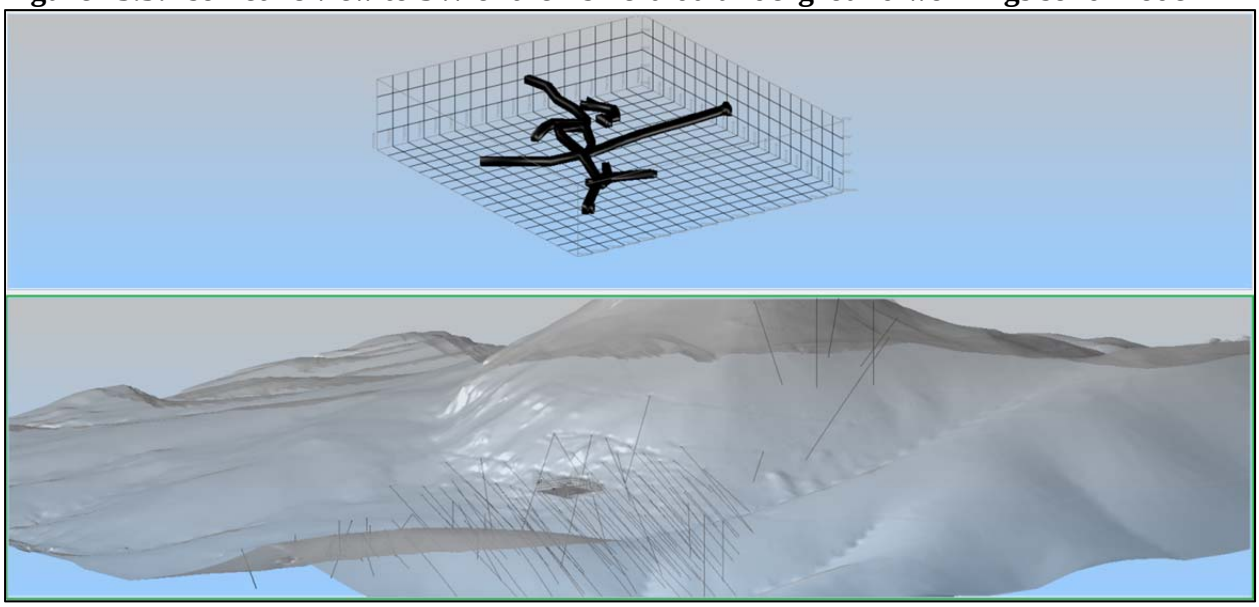
### 13.6.4 Underground Workings Model

Comibol excavated the Esmeralda adit in 1956 at the base of the north face of the Paca Dome. The Esmeralda adit is interpreted to intersect both the brecciated feeder zone and adjacent mantos-style mineralization and was re-sampled by Apogee in 2005. The resampling program provided 71 channel samples that represent sampling along one meter long horizontal intervals with channel widths of approximately 10 to 15 centimeters.

Prophecy staff provided Mercator with an Autocad format (.dwg) mine plan for the Esmeralda adit that detailed the easting and northing coordinates of workings as well as metal grades and locations of the 2005 channel sampling by Apogee. For modeling purposes, Mercator assigned an elevation of 4264.25 meters to the sill (floor) of main adit, including the east and west drifts off the main adit. This was based on elevation data presented in the previous resource estimate by Pressacco and Gowans (2007) plus field GPS coordinate data obtained by Mercator during the June, 2015 site visit. Mercator set the sill elevation of the east sub-level 7 meters below the main adit level and the elevation of the sill of the west sub-level 7 meters above the main adit. Elevation data for sub-levels were not available from historic documents and are based on conversations with Prophecy staff that were present during the 2005 re-sampling. A 2 meter height was assigned to the Esmeralda adit for volume modeling purposes and channel sample data was transformed to reflect the new adit elevations. Mercator created a three dimensional solid model for the Esmeralda adit for the purpose of removing volume from the resource estimate prior to reporting (Figure 13.5).

The Esmeralda adit model developed by Mercator differs in spatial detail from the three horizontal drill holes (ESM1, ESM2, and ESM3) created by Micon to incorporate the 2005 adit channel sampling in the previous resource estimate. Mercator noted that the Micon drill holes representing the east and west drifts and east and west sub-levels plotted above the current topography DTM and that orientation of the drill holes did not align properly against the orientation of the adit represented on the workings plan provided by Prophecy. Mercator therefore removed these drill holes from the Paca resource estimate drilling database. Channel samples from the Esmeralda workings were imported into drill hole assay composite files for use in the resource estimate, which is described further in Sections 13.7 and 13.8.

**Figure 13.5: Isometric view to SW of the Esmeralda underground workings solid model**



## 13.7 Drill Core Assays and High Grade Capping

The drill core assay data set used in the current resource estimate contains 14,097 core sample records and 134 chips sample records exclusive of quality control and quality assurance samples. A total of 13,460 assay samples occur below the overburden DTM surface and 4,977 assay samples occur within the peripheral domain solid model. Descriptive statistics for silver, lead and zinc were calculated from the raw dataset constrained within the mineralized breccia domains, within the peripheral domain exclusive of the breccia domains, and within the peripheral domain inclusive of the breccia domains. Descriptive statistics are presented in Table 13.1, Table 13.2, and Table 13.3 and distribution histograms, cumulative frequency plots and probability plots for the assay dataset are included in Appendix 2.

A grade cap for each metal was applied to the raw assay dataset to limit influence of high grade anomalous results having limited demonstrated continuity. Silver assay values were capped at 1050 g/t silver, which corresponds to the 99.3 percentile for silver assay values within the silver-breccia domains. Lead and zinc assay values were both capped at 5%, which is between the 99.8 and 99.9 percentile for lead and zinc assay values within the peripheral domain. The 71 channel samples taken from the Esmeralda adit were also capped at 1050 g/t silver and 5 % for both lead and zinc. A subjective check on applicability of capping factors was carried out on the basis of logged geology and mineralization styles and it was concluded that the presence of intervals of mineralization at the selected capping grades were geologically reasonable, with local potential for both strike and dip continuity at such levels. Descriptive statistics were also calculated for the capped assay dataset and are presented in Table 13.1, Table 13.2, and Table 13.3. As expected, mean capped assay grades for each metal decrease relative to the mean raw assay grades. The coefficients of variation for all capped datasets are also slightly lower, indicating that they are more statistically acceptable for resource estimation purposes. Distribution histograms, cumulative frequency plots and probability plots for capped assays for all metals are included in Appendix 2.

**Table 13.1: Silver, Lead and Zinc Raw and Capped Assay Statistics for Breccia Domains**

| | Raw | | | Capped | | |
|---|---|---|---|---|---|---|
| **Parameter** | **Ag g/t** | **Pb %** | **Zn %** | **Ag g/t** | **Pb %** | **Zn %** |
| Mean Grade | 142.05 | 0.85 | 0.83 | 139.87 | 0.84 | 0.83 |
| Maximum Grade | 2273.7 | 10 | 5.41 | 1050 | 5 | 5 |
| Minimum Grade | 0.8 | 0.01 | 0.01 | 0.8 | 0.01 | 0.01 |
| Variance | 40060.5 | 0.72 | 0.83 | 34403.2 | 0.6 | 0.83 |
| Standard Deviation | 200.15 | 0.85 | 0.91 | 185.48 | 0.78 | 0.91 |
| Coefficient of Variation | 1.41 | 0.99 | 1.1 | 1.32 | 0.92 | 1.1 |
| Number of Samples | 1056 | 1056 | 1056 | 1056 | 1056 | 1056 |

**Table 13.2: Silver, Lead and Zinc Raw and Capped Assay Statistics for the Peripheral Domain Inclusive of the Breccia Domains**

| | Raw | | | Capped | | |
|---|---|---|---|---|---|---|
| **Parameter** | **Ag g/t** | **Pb %** | **Zn %** | **Ag g/t** | **Pb %** | **Zn %** |
| Mean Grade | 43.6 | 0.65 | 0.98 | 43.14 | 0.64 | 0.98 |
| Maximum Grade | 2273.7 | 22.79 | 17.89 | 1050 | 5 | 5 |
| Minimum Grade | 0.02 | 0.01 | 0.01 | 0.02 | 0.01 | 0.01 |
| Variance | 11485.4 | 0.5 | 0.72 | 10194.8 | 0.6 | 0.82 |
| Standard Deviation | 107.17 | 0.71 | 0.85 | 100.97 | 0.6 | 0.82 |
| Coefficient of Variation | 2.46 | 1.1 | 0.87 | 2.34 | 0.94 | 0.84 |
| Number of Samples | 4977 | 4977 | 4977 | 4977 | 4977 | 4977 |

**Table 13.3: Silver, Lead and Zinc Raw and Capped Assay Statistics for the Peripheral Domain Exclusive of the Breccia Domains**

| | Raw | | | Capped | | |
|---|---|---|---|---|---|---|
| **Parameter** | **Ag g/t** | **Pb %** | **Zn %** | **Ag g/t** | **Pb %** | **Zn %** |
| Mean Grade | 17.08 | 0.59 | 1.02 | 17.08 | 0.58 | 1.02 |
| Maximum Grade | 397 | 22.79 | 17.89 | 397 | 5 | 5 |
| Minimum Grade | 0.02 | 0.01 | 0.01 | 0.02 | 0.01 | 0.01 |
| Variance | 476.25 | 0.43 | 0.69 | 476.25 | 0.29 | 0.62 |
| Standard Deviation | 21.82 | 0.66 | 0.83 | 21.82 | 0.53 | 0.79 |
| Coefficient of Variation | 1.28 | 1.11 | 0.81 | 1.27 | 0.91 | 0.77 |
| Number of Samples | 3921 | 3921 | 3921 | 3921 | 3921 | 3921 |

## 13.8 Drill Core Assay Composites and Statistics

Core sample lengths range between 0.2 meters and 9.0 meters for the peripheral domain assay sample subpopulation, with over 80% of samples measuring 1.0 meter in length. Frequency histograms and cumulative frequency distribution plots for the sample lengths are included in Appendix 2. Based on these results, down hole capped assay composites at a 1.0 meter support length were developed for silver, lead and zinc for drill hole intervals intersecting the domain solid models.

Four separate composite datasets were created at the base 1.0 meter support length using the capped assay values. Two assay composites for silver were created for the breccia domains, one constrained to the main area representing the feeder zone along the north contact of the andesite and one for the isolated satellite areas located within the clastic-volcaniclastic sediments. A third assay composite for silver was created for the peripheral domain excluding the breccia domain intervals. Assay composites for lead and zinc were constrained to the peripheral domain inclusive of the breccia domain intervals. Capped channel sample point data were imported into

each assay composite file based on spatial location and geological interpretation. Descriptive statistics were calculated for each metal from the composite datasets and results are presented in Table 13.4 and 13.5. Distribution histograms, cumulative frequency plots and probability plots for capped assays composites are included in Appendix 2.

**Table 13.4: Descriptive Statistics for Silver Assay Composites**

| Domain | Primary Ag-Breccia | Satellite Ag-Breccia | Peripheral* |
|---|---|---|---|
| **Parameter** | **Ag g/t** | **Ag g/t** | **Ag g/t** |
| Mean Grade | 146.88 | 214.7 | 17.6 |
| Maximum Grade | 1050 | 725 | 436.8 |
| Minimum Grade | 1.00 | 18.30 | 0.20 |
| Variance | 36884.74 | 43112.71 | 499.73 |
| Standard Deviation | 192.05 | 207.66 | 22.35 |
| Coefficient of Variation | 1.31 | 0.97 | 1.27 |
| Number of Samples | 1303 | 149 | 4511 |

** Peripheral domain exclusive of the silver-breccia domain*

**Table 13.5: Descriptive Statistics for Lead and Zinc Assay Composites**

| Parameter | Pb % | Zn % |
|---|---|---|
| Mean Grade | 0.66 | 0.94 |
| Maximum Grade | 5 | 5 |
| Minimum Grade | 0.01 | 0.01 |
| Variance | 0.38 | 0.67 |
| Standard Deviation | 0.61 | 0.82 |
| Coefficient of Variation | 0.93 | 0.87 |
| Number of Samples | 5959 | 5959 |

## 13.9 Variography

Mineralization at Paca can be characterized as feeder-system style, defined by the high grade breccia volcanic units, and as mantos-style, defined by disseminated silver-lead-zinc hosted in the adjacent clastic-volcanoclastic sediments. Manually derived models of geology and grade distribution provided definition for associated mineralization trends oriented east-west with a sub-vertical dip, east-west with a sub-horizontal dip, and north-south with a sub-horizontal dip. To assess spatial aspects of grade distribution within these recognized orientation trends, experimental variograms based on the capped down hole composite dataset were developed for silver, lead and zinc. Variogram models to assess mantos-style mineralization were set up with azimuths reflecting an east-west trend and 10° to 30° dips to the north and variogram models to

assess feeder-system mineralization were setup with azimuths reflecting an east-west trend and either a sub-vertical or sub-horizontal dip.

Experimental directional variograms demonstrated generally "noisy" patterns and the primary direction of continuity was shown to be parallel to the dip of drill holes, which generally corresponds to a 45° to 50° dip towards the south. These results are not in agreement with the geological model for the deposit. The lack of continuity demonstrated through variogram analysis may be attributed to several factors including, but not limited to, drill hole spacing, geometric complexity of mineralized zones, and the co-occurrence of sub-vertical and sub-horizontal grade distributions within domains. Drill hole spacing is 50 meters or greater and therefore the deposit lacks an area of high density systematic drilling that would support closer drill hole grade distribution analysis. The local geometry of mineralization within interpolation domains can be planar, tabular, or generally equidimensional and the distribution of mineralization can locally reflect primarily sub-horizontal or sub-vertical controls on continuity. The combination of widely spaced data plus potentially variable local grade and continuity trends may be responsible for the current lack of well-defined directional grade variography trends. Mercator recommends that further assessment of deposit variography be undertaken to better understand contributing factors.

The nominal drill hole spacing and sectional interpretations of geology and grade distributions were used to develop interpolation ellipsoids with a 75 meter major axis, 75 meter semi-major axis, and a 25 meter minor axis. Interpolation ellipsoid orientations were set along dips and strikes that fit local trends and geometries of the deposit. A total of 13 interpolation domains were utilized and spatial aspects of these are summarized in Table 13.6.

**Table 13.6: Interpolation domain parameters**

| Interpolation Domain | *Azimuth (Degrees) | *Dip (Degrees) | *Plunge (Degrees) |
|---|---|---|---|
| Primary Silver Breccia Domain 1 | 0 | -20 | -20 |
| Primary Silver Breccia Domain 2 | 270 | 70 | 20 |
| Primary Silver Breccia Domain 3 | 215 | 90 | 0 |
| Primary Silver Breccia Domain 4 | 0 | -10 | -10 |
| Primary Silver Breccia Domain 5 | 246 | 80 | 0 |
| Primary Silver Breccia Domain 6 | 129 | 90 | -20 |
| Primary Silver Breccia Domain 7 | 233 | 90 | -20 |
| Satellite 1 Silver Breccia Domain | 270 | -10 | 0 |
| Satellite 2 Silver Breccia Domain | 299 | -15 | -30 |
| Peripheral Silver Domain 1 | 270 | -20 | 10 |
| Peripheral Silver Domain 2 | 0 | -7.5 | -5 |
| Peripheral Pb-Zn Domain 1 | 270 | -20 | 10 |
| Peripheral Pb-Zn Domain 2 | 0 | -7.5 | -5 |

* Surpac ZXY and ZYX axis rotations: axis 1 = Azimuth, axis 2=plunge, axis 3 =dip

As noted in Table 13.6, the primary silver-breccia domain was divided into 7 interpolation sub-domains, the satellite silver-breccia domain was divided into 2 interpolation sub-domains, the silver peripheral domain was divided into 2 sub-domains, and the lead-zinc peripheral domain was divided into 2 interpolation sub-domains.

## 13.10 Setup of Three Dimensional Block Model

The Paca block model was developed using WGS84 (Zone 19, South Datum) grid coordination and a sea level elevation datum. The block model has no rotation in azimuth or dip and model extents are defined in Table 13.7. Standard block size for the model is 5 m x 2.5 m x 5 m (X, Y, Z), with no sub-blocking applied. As discussed above in Section 13.3.3, the nominal topographic surface defined by the digital terrain model functions as the upper deposit constraints.

**Table 13.7: Summary of Paca Deposit Block Model Parameters**

| Type | Y (Northing m) | X (Easting m) | Z (Elevation m) |
|---|---|---|---|
| Minimum Coordinates | 7749900 | 739350 | 4000 |
| Maximum Coordinates | 7750800 | 740150 | 4400 |
| User Block Size | 2.5 | 5 | 5 |
| Min. Block Size | 2.5 | 5 | 5 |
| Rotation | 0 | 0 | 0 |

**UTM WGS 84 – Zone 19 South and sea level datum*

## 13.11 Resource Estimation

Inverse distance squared ($ID^2$) grade interpolation was used to assign block grades within the Paca block model. As reviewed earlier, interpolation ellipsoid orientation and range values used in the estimation reflect drill hole spacing and sectional interpretations of geology and grade distribution for the deposit. The trends and ranges of the major, semi-major, and minor axes of grade interpolation ellipsoids used to estimate silver, lead and zinc grades were described previously in report Section 13.9.

Silver was interpolated independently of lead and zinc and lead and zinc were interpolated concurrently. An interpolation pass was run for each interpolation sub-domain using the respective capped assay composite datasets. Subdomains constrained blocks for interpolation purposes but were soft boundaries with respect to considering included composites within the parent domain solids. As previously discussed, the 4 individual domain solids which include 3 silver-breccia domain solids and 1 peripheral domain solid, were sub-divided into 13 interpolation pass sub-domains to accommodate minor orientation adjustments to the azimuth and dip of ellipsoids. The minimum number of contributing assay composites used to estimate a

valid block grade for all domains was set at 3 and the maximum number of contributing composites was set at 9, with no more than 3 contributing assay composites allowed from a single drill hole. Block discretization was set a 1Y x 1X x 1Z. Block volume identified as occurring within the Esmeralda adit solid model was removed from the resource estimate after grade interpolation was completed. Interpolated silver, lead, and zinc block grades were used to calculate silver equivalency block values by means of the silver equivalency calculator discussed in Section 13.5.

## 13.12 Bulk Density

Density determinations were performed systematically by Apogee staff during the 2006 drill program by measuring the weight of sample in air and in water. A total of 799 analyses were determined by Apogee and included all rock types. Descriptive statistics for the 799 specific gravity values are presented in Table 13.8 and the corresponding distribution histograms, cumulative frequency plots and probability plots are included in Appendix 2. The mean bulk density value of 2.26 g/cm³ was applied to all resource blocks.

**Table 13.8: Paca Deposit Density Statistics**

| Parameter | Density |
|---|---|
| Mean | 2.26 g/cm$^3$ |
| Maximum | 3.00 g/cm$^3$ |
| Minimum | 1.54 g/cm$^3$ |
| Variance | 0.04 |
| Standard Deviation | 0.21 |
| Coefficient of Variation | 0.09 |
| Number of Composites | 799 |

## 13.13 Resource Category Definitions

Definitions of mineral resource and associated mineral resource categories used in this report are those recognized under National Instrument 43-101 (NI 43-101) and set out in the Canadian Institute of Mining, Metallurgy and Petroleum Standards On Mineral Resources and Reserves *Definitions and Guidelines* (the CIM Standards).

## 13.14 Resource Category Parameters Used in Current Estimate

Mineral resources defined in the current estimate have been assigned to the inferred resource category and reflects the level of confidence with respect to spatial configuration of resources and the corresponding grade assignment within the deposit. Several factors were considered in defining the resource category assignment, including drill hole spacing, geological

interpretations and number and range of informing composites. Mercator believes that sectional infill drilling is required to define mineralization domains to the degree of confidence necessary to upgrade inferred mineral resources at Paca to the indicated category. The specific definition parameters for each resource category applied in the current estimate are set out below.

*Measured Resource:* There are no interpolated resource blocks with the certainty of definition suitable for classification in this category present in the current estimate.

*Indicated Resources:* There are no interpolated resource blocks with the certainty of definition suitable for classification in this category present in the current estimate.

*Inferred Resources:* All interpolated blocks occurring within the peripheral domain solid model using interpolation parameters detailed in this report.

## 13.15 Statement of Mineral Resource Estimate

Block grade, block density and block volume parameters for the Paca deposit were estimated using methods described in preceding sections of this report. Subsequent application of resource category parameters resulted in the inferred mineral resource estimate statement presented below in Table 13.9. Results are reported in accordance with Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves: *Definitions and Guidelines* (the CIM Standards) as well as disclosure requirements of National Instrument 43-101.

Resources having a reasonable expectation of economic development by means of conventional underground extraction methods were estimated at a silver equivalent cut-off value of 300 g/t. The relationship between deposit silver equivalent grade and tonnage at various cut-off values is presented in Figure 13.9.

**Table 13.9: Paca Deposit Inferred Mineral Resource – Effective September 9th, 2015**

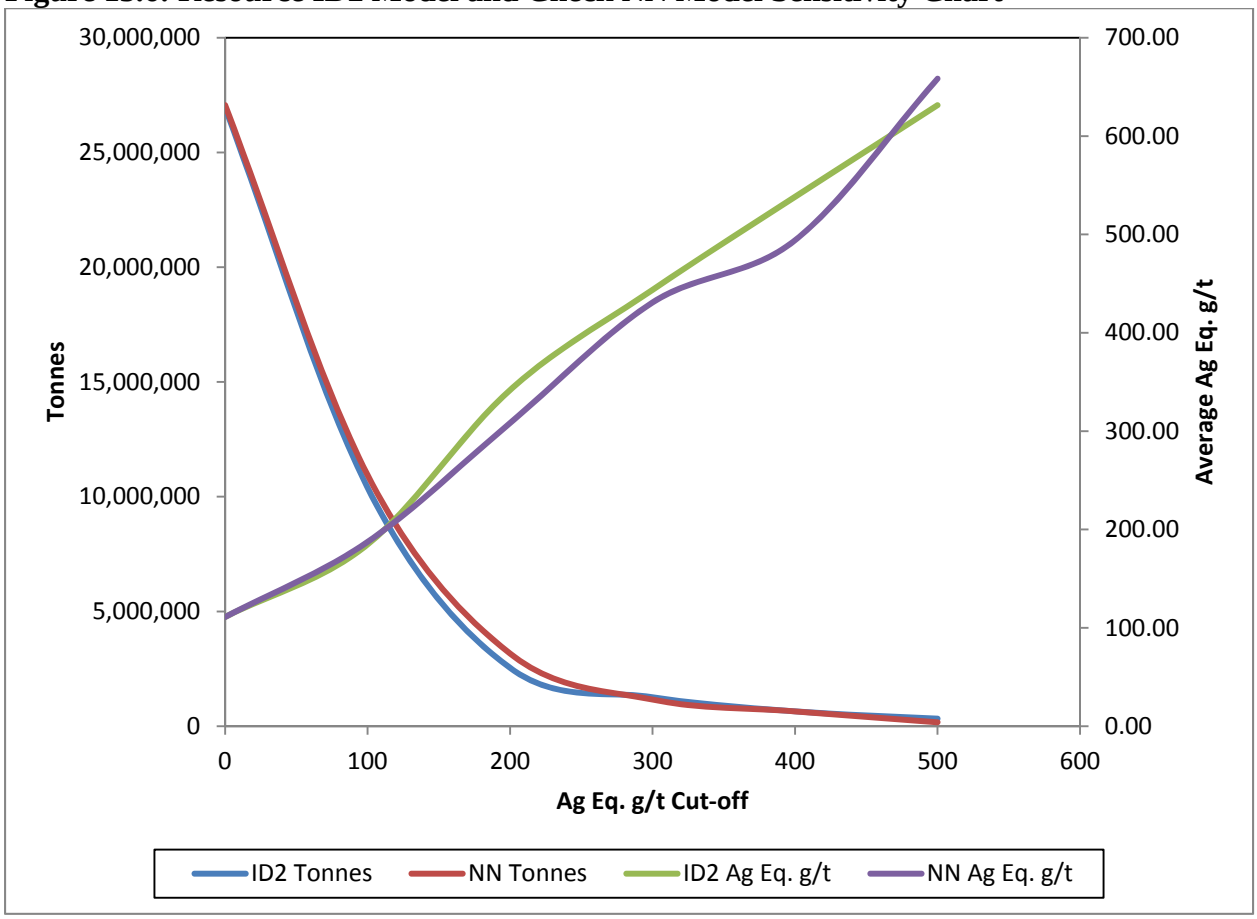
| Ag Eq. Cut-Off (g/t) | Tonnes** | Ag (g/t) | Pb (%) | Zn (%) | Ag Eq. (g/t) |
|---|---|---|---|---|---|
| **200** | 2,540,000 | 256 | 1.03 | 1.10 | 342 |
| **300*** | **1,260,000** | **363** | **1.02** | **0.98** | **444** |
| **400** | 650,000 | 462 | 1.00 | 0.90 | 538 |
| **500** | 330,000 | 558 | 1.04 | 0.79 | 631 |

*Notes:*

1. *Mineral resources are estimated in conformance the CIM Standards referenced in NI 43-101.*
2. *Raw silver assays were capped at 1,050 g/t, raw lead assays were capped at 5% and raw zinc assays were capped at 5%.*
3. *Silver equivalent Ag Eq. (g/t) = Ag (g/t) + (Pb% *(US$0.94/ lb. Pb /14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000) + (Zn% *(US$1.00/lb. Zn/14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000). 100 % metal recoveries are assumed based on lack of comprehensive metallurgical results*

4. *Metal prices used in the silver equivalent calculation are US$16.50/Troy oz. Ag, US$0.94/lb Pb and US$1.00/lb Zn and reflect June 2015 metal pricing used for the recent Pulacayo deposit mineral resource estimate by Mercator for Prophecy.*
5. *Metal Grades were interpolated within wireframed, three dimensional solids using Geovia-Surpac Ver. 6.7 software and inverse distance squared interpolation methods. Block size is 5m (X) by 5m (Z) by 2.5m (Y). Historic mine void space was removed from the model prior to reporting of resources.*
6. *Block density factors of 2.26g/cm³ reflects the average values of 799 density measurements*
7. *Mineral resources are considered to have reasonable expectation for economic development using underground mining methods based on the deposit history, resource amount and metal grades, current metal pricing and comparison to broadly comparable deposits elsewhere.*
8. *Mineral resources that are not mineral reserves do not have demonstrated economic viability.*
9. **Mineral resource statement cut-off value is 300 g/t Ag Eq.; resource statement values are presented in bolded form*
10. ***Tonnes are rounded to nearest 10,000*

**Figure 13.6: Resource ID2 Model and Check NN Model Sensitivity Chart**




***Explanatory Note***

*ID2 = inverse distance squared interpolation method; NN= nearest neighbor interpolation;*
*Ag Eq. = silver equivalent*

## 13.16 Model Validation

Results of block modeling were reviewed in three dimensions and compared on a section by section basis with corresponding manually interpreted sections prepared prior to model development. This showed block model grade patterns conforming to both sub-vertical and sub-horizontal east-west trends (Figure 13.7, Figure 13.8, Figure 13.9, and Figure 13.10). This is consistent with the recognized east-west sub-vertical feeder system occurring along the north contact of the Paca Dome complex and the more sub-horizontal mantos-style disseminated mineralization of the adjacent clastic-volcanoclastic sequence. Overall, results of the visual inspection of both individual metals and silver equivalency show an acceptable degree of consistency between the block model and the independently derived interpretations of the deposit.

**Figure 13.7: Silver equivalence at 200 g/t cut-off – Looking NW**

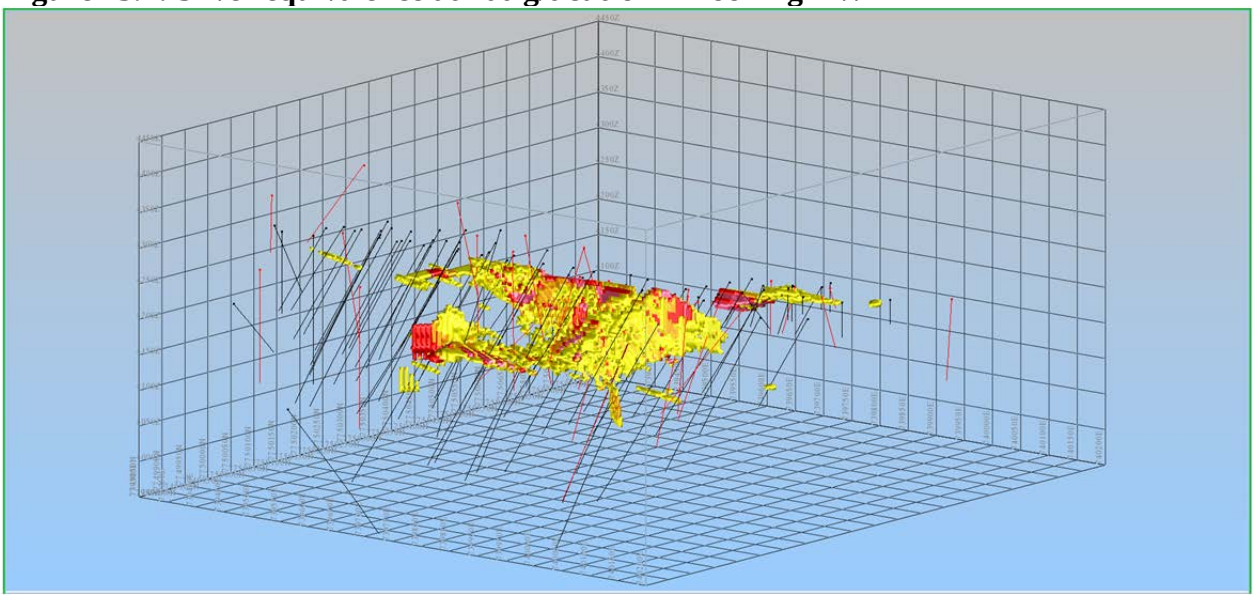


**Figure 13.8: Silver equivalence at 300 g/t cut-off – Looking NW**

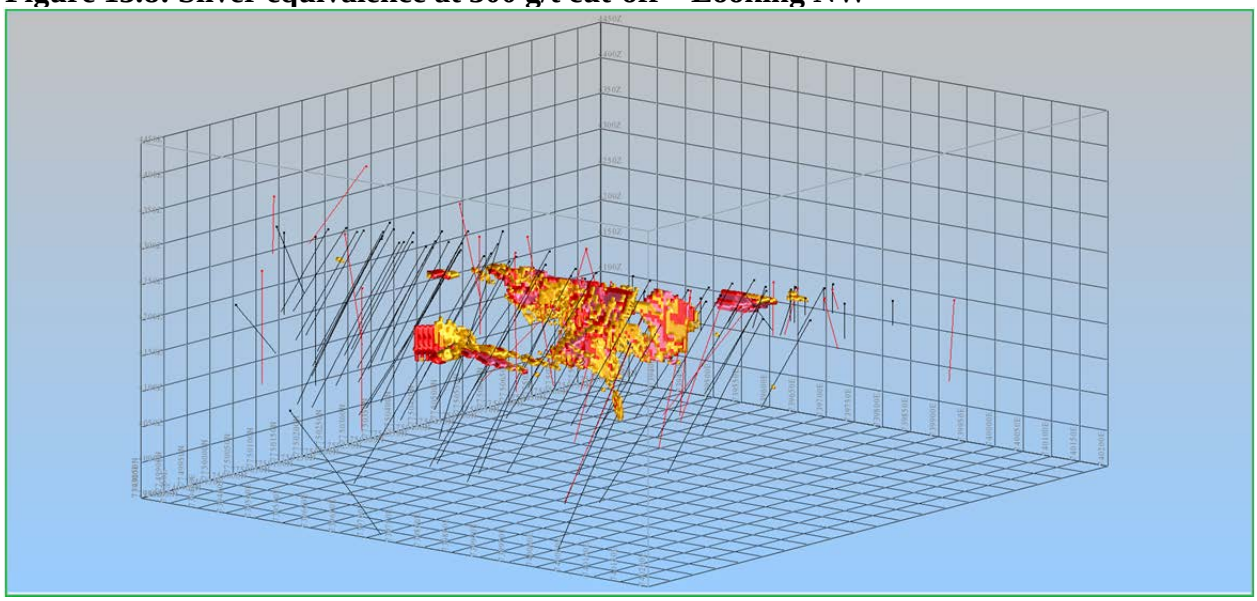


**Figure 13.9: Silver equivalence at 400 g/t cut-off – Looking NW (left) and SW (right)**

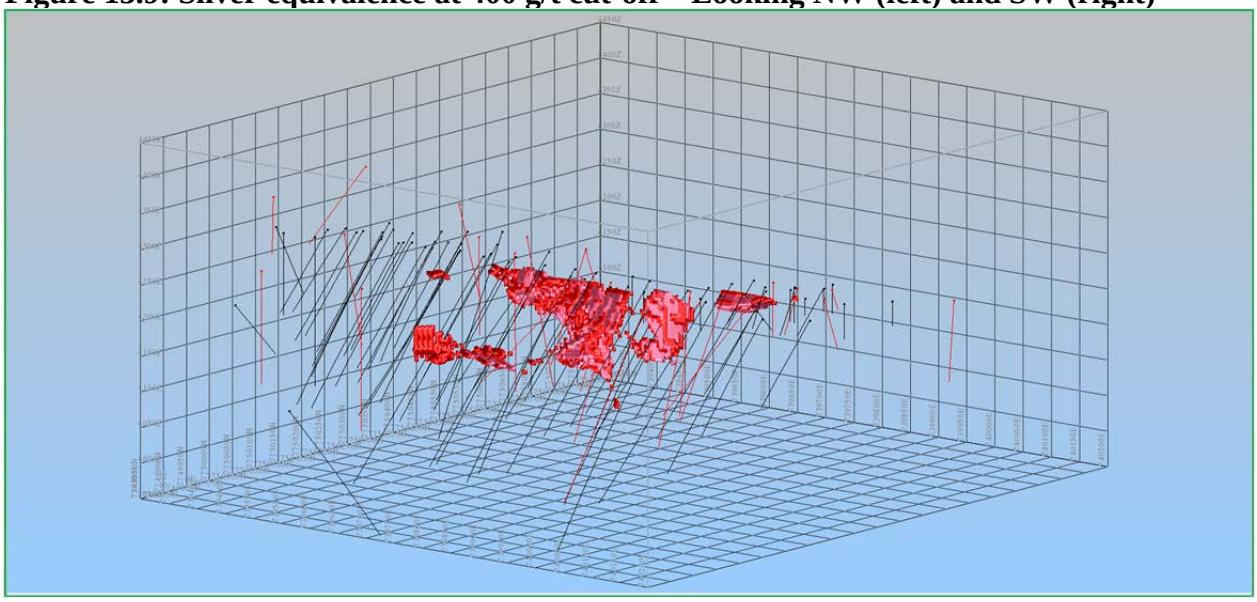
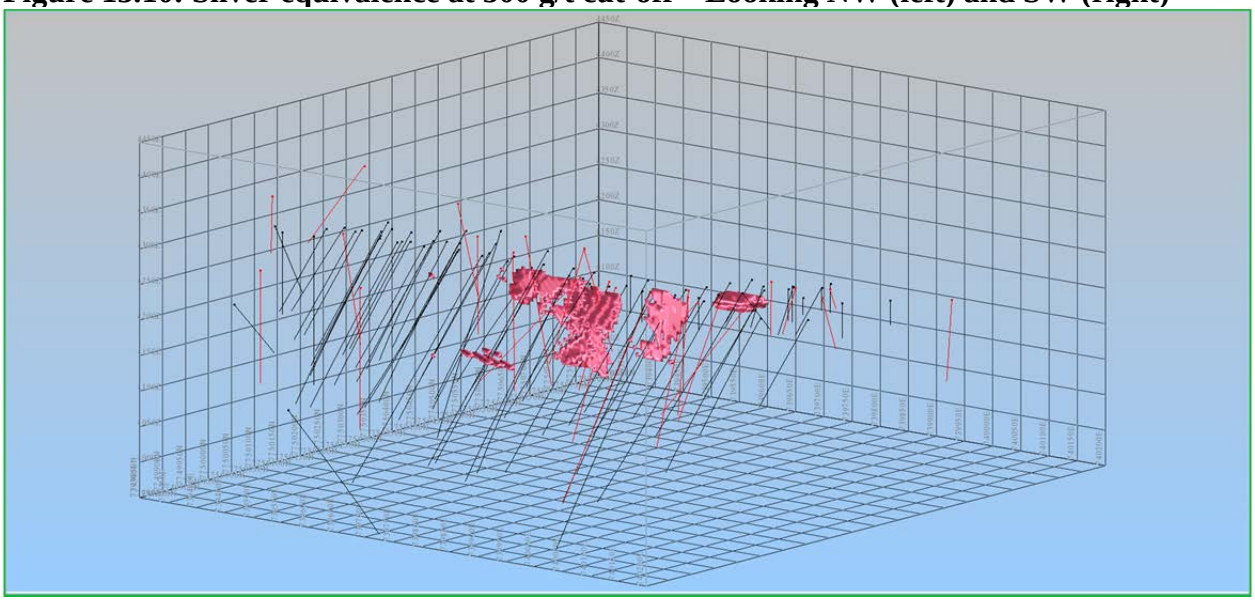


**Figure 13.10: Silver equivalence at 500 g/t cut-off – Looking NW (left) and SW (right)**



Descriptive statistics were calculated for the drill hole composite values used in block model grade interpolations and these were compared to values calculated for the individual blocks in the block model (Table 13.9). The mean drill hole composite grades were found to compare acceptably with corresponding grades of the block model, with silver results showing largest variation. Data trends provide a general check on the model with respect to the underlying assay composite population but do not reflect declustering of contributing composite data.

**Table 13.10: Comparison of Drill Hole Composite Grades and Block Model Grades within in the Peripheral Domain (Inclusive of the Silver-Breccia Domains)**

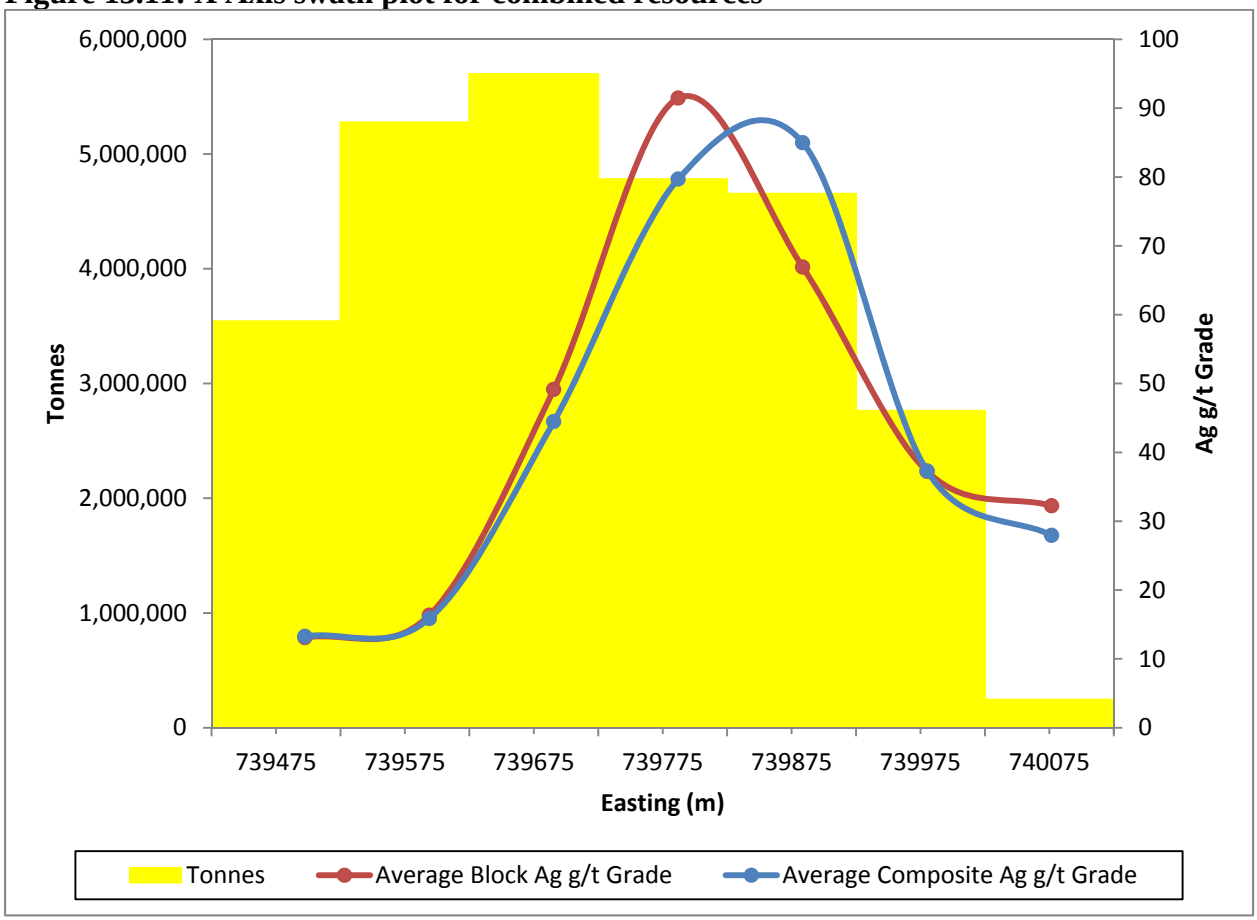
| | Composites | | | Blocks | | |
|---|---|---|---|---|---|---|
| Parameter | Ag g/t | Pb % | Zn % | Ag g/t | Pb % | Zn % |
| Mean Grade | 50.78 | 0.66 | 0.94 | 47.19 | 0.63 | 0.95 |
| Minimum Grade | 0.20 | 0.01 | 0.01 | 0.00 | 0.01 | 0.01 |
| Maximum Grade | 1050.00 | 5.00 | 5.00 | 1014.14 | 4.58 | 4.24 |
| Variance | 13037.54 | 0.38 | 0.67 | 7467.98 | 0.16 | 0.36 |
| Standard Deviation | 114.18 | 0.61 | 0.82 | 86.42 | 0.40 | 0.60 |
| Coefficient of Variation | 2.25 | 0.93 | 0.87 | 1.83 | 0.64 | 0.64 |
| Count | 5963 | 5959 | 5959 | 190873 | 190873 | 190873 |

The $ID^2$ resource model for the Paca deposit was checked using Nearest Neighbor interpolation methodology (see previous Figure 13.6). Drill holes were composited over the full downhole length for each domain drill hole intersection and were positioned in the middle of that intersection. Interpolation parameters were the same as those used in the $ID^2$ model where applicable, with the notable exception being use of isotropic search ellipses with 150m range to assign grade to facilitate Nearest Neighbour interpolation. Results of the Nearest Neighbor

modeling showed that average grades and tonnage closely match those of the preferred $ID^2$ model. Results of the two methods are considered sufficiently consistent to provide an acceptable check on the $ID^2$ methodology.

A further check on the resource block model was carried out through construction of silver grade, resource tonnage and assay composite swath plots for continuous X axis coordinated sections. Figure 13.11 presents X swath plot results (100m swaths) showing the distribution of tonnes and average silver grade along strike of the deposit. Results show similar grade distribution trends between the average block grade and assay composite grade and also broadly show that low grade tonnage is concentrated in the west of the deposit area.

**Figure 13.11: X Axis swath plot for combined resources**



## 13.17 Comment on Previous Resource Estimates

Two mineral resource estimates for the Paca deposit pre-date the current estimate. The first was completed by ASC in 2003 and was not prepared in accordance with the CIM standards. The second was completed by Micon for Apogee in 2007 and was prepared in accordance with the CIM Standards. Mercator notes that both the ASC and Micon resource estimates are historic in nature and should not be relied upon. A qualified person has not determined what additional work is required to make these estimates current and Prophecy is not treating them as current mineral resource estimates for the Paca deposit. The current mineral resource estimate supercedes all previous estimates.

The ASC estimate is presented below in Table 13.11 and the Micon estimate is presented in Table 13.12. Both were directed toward definition of resources having potential for economic development using open pit mining methods but were based on drill hole support datasets that differ significantly in extent. The ASC estimate was based on 30 drill holes completed by ASC while the Micon estimate was based on the ASC holes plus 76 additional holes completed by Apogee in 2006.

**Table 13.11: Historic Paca deposit mineral resource estimate by ASC**

| Deposit Area | Tonnes | Silver (g/t) | Lead (%) | Zinc (%) |
|---|---|---|---|---|
| Paca Norte | 6,280,000 | 130 | 1.01 | 1.12 |
| Paca Norte Dos | 8,100,000 | 157 | 0.97 | 0.85 |

**Table 13.12: Historic 2007 Paca deposit mineral resource estimate by Micon**

| Category | Tonnes | Silver (g/t) | Zinc (%) | Lead (%) |
|---|---|---|---|---|
| Inferred Resource | 18,416,100 | 43.04 | 1.16 | 0.68 |
| Waste Rock | 56,699,600 | | | |
| Strip Ratio (Resource tonnes : Waste tonnes): 3.1 to 1 | | | | |

1. The effective date of this estimate is March 30th, 2007.
2. The resource reporting block cut-off value is $US 20 Gross Metal Value based on 100% recovery and metal pricing at $US10.43/oz silver ($US0.33/g), $US1.30/lb ($US2.86/kg) for zinc and $US0.55/lb ($US1.21/kg) for lead.

Mercator notes that ASC used a sectional approach to resource estimation while Micon developed a geostatistical block model. Micon's deposit average silver grade of 43.04 g/t is substantially lower than the 130g/t and 157g/t noted for the two deposit zones modeled by ASC. Average zinc and lead grades estimated by ASC are also higher than those of Micon but show less pronounced variation. Mercator has not investigated possible explanations for the grade differences between the two historic estimates but notes that the ASC drilling was focused entirely on definition of the high grade breccia style of mineralization. It is probable that the

early geological model developed by ASC to constrain high grade mineralization differed significantly from that subsequently developed by Micon using the expanded drilling database that included an additional 76 drill holes completed by Apogee. In addition, the Micon project utilized a NSR based block parameter to develop a calculated pit shell used for resource reporting

The current estimate by Mercator is most similar in modeling methodology to that of Micon. However, it reflects application of parameters to define and assess only higher grade silver zones of the Paca mineralized system that may have potential for economic development using underground mining methods. This approach excluded much of the mineralized material assessed in earlier estimates for open pit purposes and resulted in the substantially higher average silver grades that characterize the current Paca resource estimate. Metal values used by Mercator to calculate silver equivalence are also different from those used by Micon to calculate NSR values. Mercator's US$16.50 per ounce silver value is higher than the Micon US$10.50 per ounce value, while Micon's zinc value of $1.30 per pound exceeds the Mercator value of $1.00 per pound. The Mercator lead value of $0.94 per pound also exceeds the $0.55 per pound Micon value.

As mentioned earlier, Mercator believes that future assessment of Paca deposit mineral resources should include definition of near surface resources potentially amenable to open pit mining as well as resources potentially amenable to underground mining. These should be reported at different grade thresholds that reflect the assumed method of potential development.

# 14.0 Mineral Reserve Estimates

No mineral reserves have been defined for the Paca Deposit to date.

# 15.0 Mining Methods

Detailed mining method studies have not been completed to date for the Paca deposit by Prophecy. For resource estimation purposes, Mercator has assumed that conventional underground mining methods such as shrinkage stoping, long hole open stoping with fill or cut and fill would be considered for any future mining of the deposit. However, Mercator also recognizes that the deposit's configuration in part lends itself to development using open pit methods, possibly in conjunction with underground mining of deeper deposit areas. Mercator recommends that assessment of open pit and combined open-pit and underground mining scenarios be assessed during preparation of any future resource estimate for the Paca deposit.

# 16.0 Recovery Methods

Detailed metallurgical recovery and process studies for the Paca deposit have not been completed to date by Prophecy.

# 17.0 Project Infrastructure

Mercator understands that project infrastructure considerations have been initiated by Prophecy to support evaluation of potential future Paca development models. This is in conjunction with separate infrastructure assessments being carried out for the nearby Pulacayo site, located only 7 km to the south of the Paca deposit. These considerations were on-going at the effective date of this report.

# 18.0 Market Studies and Contracts

Prophecy has not disclosed results of any market studies or studies related to possible sale of future concentrates from future mining and milling operations at, or associated with, the Paca deposit site.

# 19.0 Environmental Studies, Permitting and Social or Community Impact

Prophecy advised Mercator that applications had been filed with Bolivian authorities for authorization to carry out a 200 tonne per day test mining and processing program at the Paca site. Mercator has relied upon Prophecy with respect to this assertion and has not independently investigated or reviewed associated documentation.

# 20.0 Capital and Operating Costs

Prophecy has not disclosed results of any capital or operating cost studies related to possible future mining and milling operations at the Paca site.

# 21.0 Economic Analysis

Prophecy has not disclosed results of any economic analyses that it or another party has carried out with respect to possible future mining and milling operations at the Paca site.

# 22.0 Adjacent Properties

There are no immediately adjacent properties as defined under NI43-101 that are pertinent to the Paca mineral resource estimate described in this report. However, three currently producing silver mines are located within 150 km of the Pulacayo site and all exploit silver-base metal mineralization associated with volcanic complexes of similar age to those present in the Pulacayo and Paca areas. The producing mines include San Cristobal, owned by Sumitomo Corp. and located approximately 100 km southwest of Pulacayo, San Vincente, owned by Pan American Silver Corp. and located approximately 150 km southeast of Pulacayo and San Bartolome, owned by Coeur d'Alene Mines Corp. and located at Potosi, approximately 150 km northeast of Pulacayo. These mines are primarily silver producers that also produce significant amounts of lead and zinc in concentrates. All exploit deposits associated with epithermal volcanic systems similar to those documented at Paca and Pulacayo.

Minera San Cristobal S.A. reported San Cristobal proven and probable reserves in 2010 to be 285,303,000 tonnes grading 53.0 g/t silver, 1.41% zinc and 0.48% lead. Approximately 40,000 tonnes of ore is produced for processing each day using open pit mining methods (Minera San Cristobal website: www.sancristobal.com – July 24, 2015).

Pan America Silver Ltd. reported San Vincente proven and probable reserves at December 31$^{st}$, 2014 to be 2.6 million tonnes grading 451g/t silver, 2.86% zinc and 0.42% lead Approximately 750 tonnes of ore is processed each day (Pan American Silver: www.panamericansilver .com – July 24, 2015).

Coeur d'Alene Mines Corp. reported San Bartolomé proven and probable reserves at December 31st, 2014 to be 14.5 million tons (13.2 million tonnes) grading 2.73 oz/ton (98.8 g/tonne). Approximately 6000 tons of ore is processed each day (www.coeur.com – July 24, 2015).

Prophecy has identified the above operations based upon their location and broad similarities to Pulacayo with respect to their geological setting and mineralization styles. It is not proposing that the Pulacayo project is directly comparable in development or exploration potential to any of these operating mines or their associated exploration holdings.

# 23.0 Other Relevant Data and Information

Mercator is not aware of any other relevant data or information that is necessary to support the mineral resource estimate and project discussions presented in this report.

# 24.0 Interpretation and Conclusions

Mercator was retained by Prophecy in June of 2015 to complete a new mineral resource estimate for the Paca silver-zinc-lead deposit, with this being focused specifically on high grade silver mineralization. After review of deposit characteristics, it was determined through discussions with Prophecy management that mineralization meeting or exceeding a silver equivalent cutoff value of 300 g/t would form the basis of the resource estimation project. This reflects Prophecy's intention to assess the deposit's potential to support a future high grade underground mining operation with potential for output in the vicinity of 500 tonnes per day or less.

The extent of mineralization comprising the current mineral resource estimate is defined by the extent of modern era diamond core drilling along a strike length of approximately 750 meters and north-south extent of approximately 700 meters. Limited underground exploratory workings accessible from the historic Esmeralda adit are present along approximately 100 meters of the deposit's strike length in its central area.

The Paca deposit is interpreted to be a low to transitional sulphidation epithermal deposit that contains both precious and base metal mineralization. Mineralization of economic interest occurs in association with the Tertiary age Paca volcanic dome complex and takes the form of thin veinlets, fracture fillings, disseminations and breccia matrix replacements hosted by either altered volcaniclastic sedimentary lithologies, or altered, intermediate to felsic composition igneous and tectonic breccia lithologies. The intensity of argillic alteration is greatest in areas of highest concentrations of metallic mineral phases such as sphalerite, galena, argentite and tetrahedrite. Stratabound, disseminated mineralization and breccia hosted mineralization predominate within the deposit, but subordinate, discrete, mineralized veins are also present locally. The deposit occurs at the contact of the andesitic intrusive Paca dome with volcaniclastic sedimentary host lithologies. The latter include fine to medium grained sandstones plus siltstone as well as less frequent interbedded conglomeratic units. Bedded and cross-cutting breccia deposits that are important host rocks to high grade mineralization commonly show close spatial association with the contact zone of the predominantly andesitic, central Paca dome intrusion.

The current mineral resource estimate prepared by Mercator for the Paca deposit is tabulated below and has an effective date of September 9th, 2015. It reflects a silver equivalent (Ag Eq.) reporting cut-off value of 300 g/t Ag and is based on a fully constrained, three dimensional block model developed by Mercator using Geovia-Surpac ® Version 6.7 modeling software. The supporting analytical database incorporates validated results of 19,718 meters of combined diamond and reverse circulation surface drilling completed by Apogee Silver Ltd. and ASC Bolivia LDC (ASC) between 2002 and the end of 2006. Historic underground sampling results for re-sampling programs carried out by ASC in 2006 were also used in the current mineral resource estimation program.

**Table 24.1: Paca Inferred Mineral Resource Statement – Effective Date: September 9th, 2015**

| Ag Eq. Cut-Off (g/t) | Tonnes** | Ag (g/t) | Pb (%) | Zn (%) | Ag Eq. (g/t) |
|---|---|---|---|---|---|
| **200** | 2,540,000 | 256 | 1.03 | 1.10 | 342 |
| **300*** | **1,260,000** | **363** | **1.02** | **0.98** | **444** |
| **400** | 650,000 | 462 | 1.00 | 0.90 | 538 |
| **500** | 330,000 | 558 | 1.04 | 0.79 | 631 |

*Notes:*

1. *Mineral resources are estimated in conformance with the CIM Standards referenced in NI 43-101.*
2. *Raw silver assays were capped at 1,050 g/t, raw lead assays were capped at 5% and raw zinc assays were capped at 5%.*
3. *Silver equivalent Ag Eq. (g/t) = Ag (g/t) + (Pb% *(US$0.94/ lb. Pb /14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000) + (Zn% *(US$1.00/lb. Zn/14.583 Troy oz./lb./US$16.50 per Troy oz. Ag)*10,000). 100 % metal recoveries are assumed based on lack of comprehensive metallurgical results*
4. *Metal prices used in the silver equivalent calculation are US$16.50/Troy oz. Ag, US$0.94/lb Pb and US$1.00/lb Zn and reflect June 2015 metal pricing used for the recent Pulacayo deposit mineral resource estimate by Mercator for Prophecy.*
5. *Metal grades were interpolated within wireframed, three dimensional solids using Geovia-Surpac Ver. 6.7 software and inverse distance squared interpolation methods. Block size is 5m (X) by 5m (Z) by 2.5m (Y). Historic mine void space was removed from the model prior to reporting of resources.*
6. *Block density factors of 2.26g/cm³ reflects the average values of 799 density measurements*
7. *Mineral resources are considered to have reasonable expectation for economic development using underground mining methods based on the deposit history, resource amount and metal grades, current metal pricing and comparison to broadly comparable deposits elsewhere.*
8. *Mineral resources that are not mineral reserves do not have demonstrated economic viability.*
9. **Mineral resource statement cut-off value is 300 g/t Ag Eq.; resource statement values are presented in bolded form*
10. ***Tonnes are rounded to nearest 10,000*

Prophecy's current strategy in pursuing exploration and potential future development of the Paca deposit is that it has potential to be operated as either a stand-alone site or a satellite operation that would provide feed to a central milling complex located at the nearby Pulacayo site that is also held by Prophecy. Ore from Paca could be trucked to the Pulacayo site for processing. Focus has been placed on higher grade mineralization in the current resource estimate model and it is assumed for present resource purposes that any future development of the deposit would be carried out using underground mining methods. This approach differs from that envisioned for the previous resource estimate for the Paca deposit that was prepared in accordance with the CIM Standards for Apogee in 2007 by Micon. The earlier estimate and model focused on open pit mining methods and lower metal cut-off values. Apogee commissioned a feasibility study for the nearby Pulacayo project in 2013 but this study did not include consideration of Paca mineral resources defined in the Micon study

Mercator has concluded that further technical and financial assessment of the Paca deposit is required and warranted and that both resource upgrading and deposit extension drilling opportunities should be pursued. Specifically, continuity confirmation for higher grade mineralization in the central breccia zone, the adjacent mantos zones and the outcropping

mineralized conglomerate zone is necessary to upgrade currently defined Inferred mineral resources in these zones to Indicated mineral resource status. This will require infill core drilling at 25 m section spacing in most areas. Remapping and sampling of the Esmeralda adit underground workings would also usefully contribute to understanding of mineralized zone characteristics and thereby increase confidence in the resource model.

Potential exits at Paca to extend currently defined zones of high grade mineralization in both strike and dip extents. However, this is qualified by the observation that results of historic drilling generally show reduction in mineralized zone widths and associated metal grades in some areas peripheral to current mineral resource limits. Notwithstanding this qualification, step out drilling to test high grade trend extensions is required at east, west and down dip limits of the current resource area and can initially be accomplished by drilling at 50m spaced sections.

Finally, and on the broader front of project assessment, Mercator believes that any future evaluation of Paca deposit mineral resources should include assessment of open pit development potential of near-surface mineralization as well as assessment of underground mining potential of deeper mineralization. It is assumed that this combined approach would lead to optimization of deposit potential.

In addition to preparation of the new Paca mineral resource estimate, Mercator reviewed further results of Prophecy's tailings/waste rock sampling program as well as results of surface sampling and mapping programs carried out by Prophecy staff that were disclosed subsequent to the last technical report prepared for the property in 2015, On the basis of this review, Mercator remains of the opinion that good potential exists at several of the tailings/waste rock sites for future definition of mineral resources of economic interest. The largest deposits that occur at the Pulacayo site are of greatest interest and are considered worthy of additional testing. However, Mercator continues to be of the opinion that spatial and analytical data necessary to support preparation of mineral resource estimates for the tailings/waste rock deposits in accordance with NI43-101 and the CIM Standards can only be attained through completion of sufficiently systematic and comprehensive drilling and sampling programs. Such programs have not been carried out by Prophecy to date but continue to be warranted at this time. Definition of associated mineral resources could materially affect any future financial analysis carried out by Prophecy with respect to the Pulacayo property.

Results of Prophecy's recent surface mapping and sampling programs are generally encouraging and planned follow-up of the most promising areas with induced polarization surveying leading to core drilling is consistent with earlier recommendations provided by Cullen and Webster (2015). Mercator continues to support these earlier recommendations.

Finally, Mercator recognizes that a component of risk exists for all mining projects in Bolivia due to potential for on-going changes in government regulatory frameworks. With respect to the

new Mining and Metallurgy Law, Mercator understands from Prophecy that the primary Pulacayo contract (that incorporates consideration of the Paca deposit area) is a special case, being a Lease Agreement executed between COMIBOL and the Pulacayo Cooperative, and that the terms and conditions of this type of contract will be maintained as defined in the Mining and Metallurgy Law. The percentages for COMIBOL and the Pulacayo Cooperative (a 4% NSR in total) are defined and established on an amendment to the Lease Agreement, and this amendment is part of the primary contract. Furthermore, the current Joint Venture Agreement was executed between ACS Bolivia LDC and the Pulacayo Cooperative. COMIBOL, as administrator of the mine, is only entitled to receive a percentage of the NSR (2.5% NSR) and COMIBOL is not a party to the Joint Venture Agreement. As explained in earlier in report 3, the rights of the Mining Cooperatives will be respected and maintained without changes under the Mining and Metallurgy Law. The Lease Agreement is a pre-established right of the Pulacayo Cooperative.

Other risk factors that can impact the Pulacayo project (and therefore the Paca deposit) include, but are not limited to, those associated with fluctuating metal markets, inability to carry out future mining operations as planned due to unforeseen mining conditions, uncertainty of mineral resource and future mineral reserve estimates and capital and operating cost estimates, and inability to obtain necessary project financing.

# 25.0 Recommendations

## 25.1 Introduction and Recommendations

Mercator has prepared Paca project recommendations with respect to advancement of financial and technical assessments of the deposit and further exploration of new resource definition opportunities that are present on the property. Recommendations presented below are specific to the Paca deposit and the property exploration programs carried out during 2015 by Prophecy staff. The recommendations previously provided by Cullen and Webster (2015) that are specific to the current Pulacayo deposit mineral resource estimate are considered to remain applicable but are not represented below. These address new mineral resource studies and completion of mine planning studies leading to completion of a new Preliminary Economic Assessment (PEA) study. Results of such work would inform Prophecy with respect to the requirement for Pre-feasibility or Feasibility level studies necessary to define mineral reserves in accordance with NI43-101 and the CIM Standards.

Recommendations arising directly from the current Paca mineral resource estimation program and Mercator's associated review of recent project exploration results are as follows:

(1) Additional drilling is required to better define and confirm metal grade trends within the deposit. It is recommended that infill drilling of the currently defined deposit be carried out at 50 meter spaced sections along the length of the deposit. This program should include initial testing of potential deposit extension areas both down dip and along strike to both east and west. A core drilling allocation of 5000 meters is recommended for this phase of work.

(2) The mineralized conglomerate unit that is exposed at surface immediately north of the main deposit should be investigated by core drilling to better define geometry and grade characteristics. This zone should also be mapped in detail at surface to provide additional data inputs for future deposit modeling. A core drilling allocation of 500 meters is recommended for this phase of work.

(3) Further metallurgical studies focused on the main styles of mineralization at Paca are required to allow future economic assessment of the deposit. It is recommended that such work be coordinated with studies being carried out by Prophecy for the Pulacayo deposit, since future milling of Paca material could take place at a milling facility established initially for Pulacayo mineralization.

(4) The Esmeralda adit and associated underground workings that were re-habilitated by Apogee in 2006 should be accessed and a program of detailed geological mapping and sampling should be completed to confirm earlier work and to enhance understanding of the mineralization styles present.

(5) After completion of the recommended core drilling, mapping, metallurgical and underground sampling programs, a new mineral resource estimate should be completed for the Paca deposit. This should be based on revised geological and grade distribution models that reflect all new drilling results. At that time, consideration should be given to reporting of near-surface resources within an optimized open pit shell and reporting of resources below this shell at a higher underground mining cut-off value.

(6) A preliminary economic assessment (PEA) of the Paca deposit should be completed after the new resource estimate noted in item 4 above is finalized.

Mercator has proposed a two phase framework for the recommended future exploration programs, with items 1 through 4 above assigned to Phase I and item 5, the PEA, assigned to Phase II. Commitment to Phase II would require satisfactory results being returned from Phase I.

Recommendations previously presented in the Pulacayo deposit mineral resource estimate technical report by Mercator (Cullen and Webster, 2015) are considered by Mercator to remain valid at the current report date. These overlap to some degree with those reported above in the context of 2015 property exploration. For the most part, they are additional to those below that pertain directly to the Paca resource estimate project that is the main focus of this technical report.

## 25.2 Proposed Budget

The $(US) $1.87 million budget presented in Table 25.1 below is proposed to support the recommendations presented above.

**Table 25.1: Proposed Phase I and Phase II Budgets**

| Program Phase | Program Component | Estimated Cost ($US) |
|---|---|---|
| I | Infill drilling to upgrade Inferred mineral resources to Indicated status plus deposit extension drilling – 5,000 meters | 1,000,000 |
| I | Drilling to assess near surface conglomerate zone – 500 meters | 100,000 |
| I | Initial metallurgical studies to support a future PEA | 50,000 |
| I | Continuation of non-resource property exploration programs, including initial drilling program of 1000 meters | 275,000 |
| I | Completion of an updated Paca deposit NI 43-101 resource estimate and technical report | 75,000 |
| Subtotal | | 1,500,000 |
| II | Completion of a PEA for the Paca deposit based on the Phase I updated Paca mineral resource estimate to determine future Pre-feasibility or Feasibility study requirements | 200,000 |
| | Subtotal | 1,700,000 |
| | Contingency | 170,000 |
| | **Total** | **1,870,000** |

# 26.0 Statements of Qualifications

## CERTIFICATE of AUTHOR

I, Peter C. Webster, *P. Geo.* do hereby certify that:

1. I currently reside in Dartmouth, Nova Scotia and I am currently employed as President and Senior Manager with Mercator Geological Services Limited.

2. I graduated with a Bachelor of Science Degree in Geology from Dalhousie University in 1981. In addition, I obtained a Certificate in Environmental Management (C.E.M.) from the Technical University of Nova Scotia in 1996.

3. I am a registered member in good standing of the Association of Professional Geoscientists of Nova Scotia, registration number 047. I am a member in good standing of the Association of Professional Engineers and Geoscientists of Newfoundland and Labrador, member number 03337.

4. I have worked as a geologist in Canada and internationally for over 27 years since my graduation from university in 1981. I have a wide variety of commodity experience including, gold, VMS, base metals, nickel, and industrial minerals. I have completed numerous National Instrument 43-101 ("NI 43-101") Technical Reports and Resource Estimates.

5. I have relevant work experience and authored reports on similar epithermal gold deposits. I have worked in Mexico and evaluated similar style gold and silver mineralization and alteration.

6. I am a co-author of previous resource estimate technical reports covering the Pulacayo property by Mercator on behalf of Apogee Silver Inc., these having effective dates of October 19th, 2011 and September 28th, 2012, respectively. I am also co-author of a Pulacayo deposit resource estimate technical report prepared for Prophecy having an effective date of June 16, 2015.

7. I have read the definition of "qualified person" set out in and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101

8. I am one of the qualified persons responsible for preparation of the technical report titled "Prophecy Development Corp., Pulacayo Project, Paca Silver-Zinc-Lead Deposit Mineral Resource Estimate Technical Report, Potosí District, Antonnio Quijarro Province, Bolivia, Effective Date: September 9th, 2015". I am responsible for report sections 3.0, to 8.0, and 14.0 to 23.0 and have reviewed all report sections.

9. I visited the Pulacayo property between August 2, 2011 to August 10, 2011 at which time I completed a review of Apogee drill program components, including protocols for drill core logging, storage, handling, sampling and security, viewed mineralization and alteration, and carried out a drill core check sampling program, all of which are relevant to this report.

10. To the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make those sections of the technical report not misleading.

11. I am independent of Prophecy Development Corp. applying all of the tests in Section 1.5 of NI 43-101.

12. I have read NI43-101 and Form 43-101F1, and believe that this Technical Report has been prepared in compliance with that instrument and form.

Dated this 5th Day of November, 2015

_____

Peter C. Webster, P. Geo.
President
Mercator Geological Services Limited

## CERTIFICATE of AUTHOR

I, Michael P. Cullen, *P. Geo.* do hereby certify that:

1. I currently reside in Halifax, Nova Scotia, Canada and am employed as Chief Geologist by Mercator Geological Services Limited.

2. I received a Master of Science (Geology) degree from Dalhousie University in 1984 and received a Bachelor of Science degree (Honours, Geology) in 1980 from Mount Allison University.

3. I am a registered member in good standing of the following professional associations: (1) Association of Professional Geoscientists of Nova Scotia, registration number 064, (2) Professional Engineers and Geologists of Newfoundland and Labrador, registration number 05058 and (3) Association of Professional Engineers and Geoscientists of New Brunswick, registration number L4333.

4. I have worked as a geologist in Canada and internationally since graduation from university.

5. I have relevant professional experience that includes exploration for similar style deposits and have co-authored numerous National Instrument 43-101 ("NI 43-101") Technical Reports and Resource Estimates. I have specific previous experience with respect to epithermal precious metal deposits in Canada, Bolivia, Mexico, Colombia and the United States.

6. I am a co-author of previous resource estimate technical reports covering the Pulacayo property by Mercator on behalf of Apogee Silver Inc., these having effective dates of October 19th, 2011 and September 28th, 2012, respectively. I am also co-author of a Pulacayo deposit resource estimate technical report prepared for Prophecy having an effective date of June 16, 2015.

7. I have read the definition of "qualified person" set out NI 43-101and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

8. I am one of the qualified persons responsible for preparation of the technical report titled "Prophecy Development Corp., Pulacayo Project, Paca Silver-Zinc-Lead Deposit Mineral Resource Estimate Technical Report, Potosí District, Antonnio Quijarro Province, Bolivia, Effective Date: September 9th, 2015". I am responsible for report sections 1.0, 2.0, 9.0 through 12.0, 13.0 excepting 13.2 and 13.6, and 24 through 27.I have reviewed all report sections.

9. I visited the Pulacayo Property on April 26th through 28th, 2012 and completed a review of Apogee drill program components, including protocols for drill core logging, storage, handling, sampling and security, viewed mineralization and alteration, carried out discussions with Apogee staff and completed a drill core check sampling program for purposes of evaluation of oxide zone mineralization at Pulacayo. All of these activities were relevant to this report. I also visited the Pulacayo Property during the June 3rd to June 6th site visit period of 2015 at which time similar activities were completed with respect to the Paca deposit that occurs within that property.

10. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.

11. I am independent of Prophecy Development Corp. applying all of the tests in section 1.5 of NI 43-101.

12. I have read NI 43-101 and Form 43-101F1, and believe that this Technical Report has been prepared in compliance with that instrument and form.

Dated this 5th Day of November, 2015

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Michael P. Cullen, M. Sc., P. Geo.
Chief Geologist
Mercator Geological Services Limited

## CERTIFICATE of AUTHOR

I, Andrew C. Hilchey, P. Geo., do hereby certify that:

1. I currently reside in Halifax, Nova Scotia, Canada and am employed as a Senior Geologist by Mercator Geological Services Limited.

2. I received a Bachelor of Earth Science Degree (Honours) in 2004 from Dalhousie University.

3. I am a registered member in good standing of the Association of Professional Geoscientists of Nova Scotia, registration number 153.

4. I have worked as a geologist in Canada and internationally since graduation from university.

5. I have specific relevant previous experience with respect to the Pulacayo project epithermal precious metal deposits in Bolivia.

6. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

7. I am one of the qualified persons responsible for preparation of the technical report titled "Prophecy Development Corp., Pulacayo Project, Paca Silver-Zinc-Lead Deposit Mineral Resource Estimate Technical Report, Potosí District, Antonnio Quijarro Province, Bolivia, Effective Date: September 9th, 2015". I am responsible for report sections 13.2 and 13.6, and have reviewed all report sections.

8. I have not visited the Pulacayo Property that includes the Paca deposit.

9. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.

10. I am independent of Prophecy Development Corp. applying all of the tests in section 1.5 of NI 43-101.

11. I have read NI 43-101and Form 43-101F1, and believe that this Technical Report has been prepared in compliance with that instrument and form.

Dated this 5th Day of November, 2015

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Andrew C. Hilchey, P. Geo.
Senior Geologist
Mercator Geological Services Limited

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Coeur d'Alene Mines Corporation http://www.coeur.com

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Golden Minerals plc http://www.goldenminerals.com/

Pan American Silver http://www.panamericansilver.com/

# Appendix 1

## Drilling Related Documents

ASC and Apogee Drilling Intercept Tables

Drill Hole Location, Depth and Orientation Data

Note: Hole location coordinates, hole depths, and sample intervals contained in Appendix 1 are defined in meters

## ASC and Apogee Drill Hole Data

Coordination is Universal Transverse Mercator (UTM) Zone 19S
WGS 84 Datum, Sea Level Elevation Datum
ASC denotes ASC Bolivia, LDC
APE denotes Apogee Silver Ltd.
DDH denotes Diamond Drill Hole
RC denotes Reverse Circulation drill hole

| Hole | Northing (m) | Easting (m) | Elevation(m) | Depth (m) | Company | Type | Azimuth | Dip |
|---|---|---|---|---|---|---|---|---|
| PND001 | 7750241.376 | 739763.699 | 4258.056 | 197.65 | ASC | DDH | 220 | -45 |
| PND002 | 7750628.774 | 739787.283 | 4189.973 | 87.85 | ASC | DDH | 142 | -45 |
| PND003 | 7750570.769 | 739877.294 | 4203.245 | 76.87 | ASC | DDH | 160 | -45 |
| PND004 | 7750254.059 | 739961.728 | 4247.848 | 106.15 | ASC | DDH | 220 | -45 |
| PND005 | 7750163.358 | 739405.942 | 4283.093 | 181.8 | ASC | DDH | 130 | -45 |
| PND006 | 7750267.636 | 739988.650 | 4246.447 | 193.4 | ASC | DDH | 165 | -45 |
| PND007 | 7750242.381 | 739887.701 | 4253.901 | 351.4 | ASC | DDH | 170 | -45 |
| PND008 | 7750246.563 | 739810.438 | 4257.147 | 179.04 | ASC | DDH | 160 | -45 |
| PND009 | 7750174.370 | 739698.697 | 4295.408 | 226.9 | ASC | DDH | 140 | -45 |
| PND010 | 7750113.270 | 739685.108 | 4326.621 | 160.8 | ASC | DDH | 140 | -45 |
| PND011 | 7750116.355 | 739872.947 | 4335.612 | 183 | ASC | DDH | 165 | -50 |
| PND017 | 7749975.373 | 739762.837 | 4406.639 | 173.6 | ASC | DDH | 340 | -60 |
| PND020 | 7750195.775 | 739993.293 | 4278.964 | 172.94 | ASC | DDH | 160 | -75 |
| PND022 | 7750212.177 | 740076.630 | 4259.103 | 185.8 | ASC | DDH | 200 | -45 |
| PND023 | 7750120.307 | 739868.830 | 4333.563 | 207.4 | ASC | DDH | 340 | -55 |
| PND025 | 7750095.955 | 739785.094 | 4343.545 | 257.2 | ASC | DDH | 340 | -65 |
| PND026 | 7750343.377 | 739871.694 | 4228.439 | 249 | ASC | DDH | 155 | -45 |
| PND027 | 7750529.940 | 739957.181 | 4207.146 | 130 | ASC | DDH | 333 | -45 |
| PND028 | 7750610.760 | 739905.288 | 4199.062 | 52 | ASC | DDH | 335 | -45 |
| PND029 | 7750751.780 | 740007.294 | 4174.031 | 133.6 | ASC | DDH | 145 | -45 |
| PND030 | 7750299.424 | 739778.771 | 4235.860 | 255.3 | ASC | DDH | 160 | -45 |
| PND031 | 7750246.923 | 739809.710 | 4257.140 | 87.5 | APE | DDH | 160 | -45 |
| PND032 | 7750573.585 | 739870.680 | 4203.251 | 80 | APE | DDH | 160 | -45 |
| PND033 | 7750439.150 | 739889.852 | 4220.110 | 88 | APE | DDH | 0 | -45 |
| PND034 | 7750337.181 | 739991.729 | 4227.236 | 147 | APE | DDH | 180 | -45 |
| PND035 | 7750244.491 | 739885.034 | 4253.992 | 350 | APE | DDH | 170 | -45 |
| PND036 | 7750439.150 | 739889.852 | 4220.110 | 51 | APE | DDH | 180 | -45 |
| PND037 | 7750334.552 | 740091.628 | 4227.775 | 150 | APE | DDH | 180 | -45 |
| PND038 | 7750437.892 | 739791.091 | 4211.670 | 53 | APE | DDH | 180 | -45 |
| PND039 | 7750336.627 | 739690.482 | 4230.183 | 181 | APE | DDH | 180 | -45 |
| PND040 | 7750533.633 | 739790.860 | 4204.268 | 41 | APE | DDH | 180 | -45 |
| PND041 | 7750575.538 | 739867.668 | 4203.069 | 51 | APE | DDH | 0 | -90 |
| PND042 | 7750534.572 | 739989.779 | 4203.145 | 50 | APE | DDH | 0 | -90 |

| Hole | Northing (m) | Easting (m) | Elevation(m) | Depth (m) | Company | Type | Azimuth | Dip |
|---|---|---|---|---|---|---|---|---|
| PND043 | 7750637.983 | 739990.866 | 4189.585 | 35 | APE | DDH | 0 | -90 |
| PND044 | 7750437.841 | 739693.126 | 4217.744 | 53 | APE | DDH | 0 | -90 |
| PND045 | 7750345.593 | 739788.214 | 4224.783 | 45 | APE | DDH | 0 | -90 |
| PND046 | 7750129.670 | 739617.314 | 4307.166 | 186 | APE | DDH | 170 | -40 |
| PND047 | 7750341.768 | 739891.524 | 4229.984 | 47 | APE | DDH | 0 | -90 |
| PND048 | 7750539.198 | 739890.537 | 4208.756 | 45 | APE | DDH | 0 | -90 |
| PND049 | 7750635.770 | 739886.160 | 4198.855 | 41 | APE | DDH | 0 | -90 |
| PND050 | 7750072.159 | 739566.312 | 4327.305 | 130 | APE | DDH | 170 | -35 |
| PND051 | 7749213.121 | 739987.050 | 4425.696 | 120 | APE | DDH | 0 | -45 |
| PND052 | 7750060.938 | 739491.580 | 4321.516 | 151 | APE | DDH | 180 | -40 |
| PND053 | 7749932.852 | 739472.705 | 4342.082 | 119 | APE | DDH | 115 | -40 |
| PND054 | 7750291.039 | 739890.327 | 4238.660 | 400 | APE | DDH | 180 | -45 |
| PND055 | 7750387.758 | 739889.065 | 4225.319 | 354 | APE | DDH | 180 | -45 |
| PND056 | 7750195.828 | 739788.011 | 4282.129 | 329 | APE | DDH | 180 | -45 |
| PND057 | 7750487.582 | 739888.742 | 4214.921 | 300 | APE | DDH | 180 | -45 |
| PND058 | 7750609.095 | 739892.606 | 4199.103 | 81 | APE | DDH | 180 | -45 |
| PND059 | 7750609.095 | 739892.606 | 4199.103 | 32.2 | APE | DDH | 0 | -90 |
| PND060 | 7750086.897 | 739686.553 | 4339.359 | 201 | APE | DDH | 180 | -45 |
| PND061 | 7750141.962 | 739694.334 | 4312.460 | 250.5 | APE | DDH | 180 | -45 |
| PND062 | 7750583.240 | 739789.366 | 4200.416 | 82 | APE | DDH | 180 | -45 |
| PND063 | 7750392.213 | 739791.009 | 4216.777 | 306 | APE | DDH | 180 | -45 |
| PND064 | 7750272.765 | 739788.251 | 4243.963 | 313 | APE | DDH | 180 | -45 |
| PND065 | 7750037.692 | 739588.009 | 4345.822 | 255 | APE | DDH | 180 | -45 |
| PND066 | 7750487.236 | 739786.810 | 4205.930 | 61 | APE | DDH | 180 | -45 |
| PND067 | 7750089.280 | 739587.457 | 4323.175 | 198 | APE | DDH | 180 | -45 |
| PND068 | 7750137.146 | 739587.770 | 4303.099 | 216 | APE | DDH | 180 | -45 |
| PND069 | 7750246.018 | 739689.808 | 4256.641 | 220 | APE | DDH | 180 | -45 |
| PND070 | 7750190.031 | 739687.300 | 4286.332 | 258 | APE | DDH | 180 | -45 |
| PND071 | 7750188.348 | 739590.702 | 4281.930 | 268 | APE | DDH | 180 | -45 |
| PND072 | 7750140.281 | 739787.736 | 4316.012 | 363 | APE | DDH | 180 | -45 |
| PND073 | 7750087.547 | 739534.727 | 4316.587 | 201 | APE | DDH | 180 | -45 |
| PND074 | 7750239.547 | 739487.189 | 4263.516 | 206 | APE | DDH | 180 | -45 |
| PND075 | 7750190.543 | 739488.214 | 4278.913 | 191 | APE | DDH | 180 | -45 |
| PND076 | 7750100.986 | 739489.896 | 4310.252 | 177 | APE | DDH | 180 | -45 |
| PND077 | 7750189.482 | 739539.684 | 4279.002 | 230 | APE | DDH | 180 | -45 |
| PND078 | 7750141.201 | 739490.381 | 4296.395 | 219 | APE | DDH | 180 | -45 |
| PND079 | 7750238.573 | 739440.955 | 4263.340 | 276 | APE | DDH | 180 | -45 |
| PND080 | 7750248.384 | 739539.037 | 4262.401 | 281 | APE | DDH | 180 | -45 |
| PND081 | 7750241.936 | 739588.112 | 4264.397 | 383 | APE | DDH | 180 | -45 |
| PND082 | 7750144.931 | 739540.027 | 4294.054 | 240 | APE | DDH | 180 | -45 |

| Hole | Northing (m) | Easting (m) | Elevation(m) | Depth (m) | Company | Type | Azimuth | Dip |
|---|---|---|---|---|---|---|---|---|
| PND083 | 7750143.470 | 739443.035 | 4294.729 | 183 | APE | DDH | 180 | -45 |
| PND084 | 7750242.574 | 739632.608 | 4263.073 | 232 | APE | DDH | 180 | -45 |
| PND085 | 7750138.890 | 739633.099 | 4306.320 | 267 | APE | DDH | 180 | -45 |
| PND086 | 7750094.300 | 739431.935 | 4305.088 | 141 | APE | DDH | 180 | -45 |
| PND087 | 7750240.723 | 739744.182 | 4257.943 | 343 | APE | DDH | 180 | -45 |
| PND088 | 7750087.604 | 739640.016 | 4332.120 | 213 | APE | DDH | 180 | -45 |
| PND089 | 7750191.247 | 739738.696 | 4281.498 | 337 | APE | DDH | 180 | -45 |
| PND090 | 7750201.847 | 739438.957 | 4274.975 | 276 | APE | DDH | 180 | -45 |
| PND091 | 7750193.978 | 739640.192 | 4283.382 | 284 | APE | DDH | 180 | -45 |
| PND092 | 7750235.960 | 739936.543 | 4257.806 | 237 | APE | DDH | 180 | -45 |
| PND093 | 7750243.953 | 739843.259 | 4256.645 | 249 | APE | DDH | 180 | -45 |
| PND094 | 7750293.093 | 739940.131 | 4239.963 | 202 | APE | DDH | 180 | -45 |
| PND095 | 7750295.217 | 739991.116 | 4236.718 | 217 | APE | DDH | 180 | -45 |
| PND096 | 7750097.811 | 739739.403 | 4344.834 | 300 | APE | DDH | 180 | -65 |
| PND097 | 7750295.016 | 740040.340 | 4229.764 | 194 | APE | DDH | 180 | -45 |
| PND098 | 7750196.874 | 739919.701 | 4282.743 | 251 | APE | DDH | 180 | -45 |
| PND099 | 7750194.509 | 739825.912 | 4281.981 | 252 | APE | DDH | 180 | -45 |
| PND100 | 7750170.638 | 739347.559 | 4270.427 | 210 | APE | DDH | 0 | -90 |
| PND101 | 7750169.372 | 739292.790 | 4268.778 | 116 | APE | DDH | 0 | -90 |
| PND102 | 7750535.277 | 739848.263 | 4207.544 | 60 | APE | DDH | 180 | -65 |
| PND103 | 7750296.985 | 739734.847 | 4235.728 | 201 | APE | DDH | 180 | -45 |
| PND104 | 7750501.539 | 739947.342 | 4210.734 | 13 | APE | DDH | 0 | -90 |
| PND105 | 7750294.763 | 739849.768 | 4235.176 | 201 | APE | DDH | 180 | -45 |
| PND106 | 7750285.381 | 739641.240 | 4247.444 | 201 | APE | DDH | 180 | -45 |
| PNR001 | 7749259.368 | 740173.583 | 4466.622 | 200 | ASC | RC | 0 | -90 |
| PNR002 | 7749271.928 | 739985.704 | 4463.362 | 160 | ASC | RC | 0 | -90 |
| PNR004 | 7749649.591 | 739862.230 | 4528.766 | 188 | ASC | RC | 285 | -45 |
| PNR005 | 7749443.821 | 739867.033 | 4521.994 | 148 | ASC | RC | 320 | -45 |
| PNR006 | 7750501.531 | 739947.343 | 4211.181 | 25.4 | APE | RC | 0 | -90 |
| PSD001 | 7747518.867 | 740030.090 | 4259.260 | 202 | ASC | DDH | 310 | -60 |
| PSD002 | 7747692.187 | 739858.108 | 4328.453 | 139 | ASC | DDH | 110 | -45 |
| PSD003 | 7749059.186 | 740208.530 | 4333.378 | 291 | APE | DDH | 0 | -45 |
| PSR001 | 7747837.227 | 739639.067 | 4359.956 | 200 | ASC | RC | 280 | -45 |

## ASC Selected Drill Hole Intercepts

| Hole | Depth From (m) | Depth To (m) | Length (m) | Ag (g/t) | Pb (%) | Zn (%) | Zone |
|---|---|---|---|---|---|---|---|
| PND003 | 11.00 | 34.00 | 23.00 | 221.92 | 0.81 | 0.05 | Feeder (Silver-Breccia Domain) |
| PND004 | 78.00 | 106.15 | 28.15 | 226.75 | 0.54 | 0.37 | Feeder (Silver-Breccia Domain) |
| PND005 | 22.00 | 126.00 | 104.00 | 15.17 | 0.40 | 0.99 | Mantos (Peripheral Domain) |
| PND005 | 132.00 | 167.20 | 35.20 | 7.54 | 0.48 | 0.70 | Mantos (Peripheral Domain) |
| PND008 | 0.00 | 20.68 | 20.68 | 25.20 | 0.11 | 0.04 | Mantos (Peripheral Domain) |
| PND008 | 20.68 | 144.00 | 123.32 | 261.88 | 1.48 | 1.59 | Feeder (Silver-Breccia Domain) |
| PND008 | 144.00 | 174.00 | 30.00 | 11.57 | 0.75 | 0.92 | Mantos (Peripheral Domain) |
| PND023 | 122.95 | 167.00 | 44.05 | 338.05 | 1.54 | 1.27 | Feeder (Silver-Breccia Domain) |
| PND025 | 122.00 | 179.00 | 57.00 | 23.44 | 0.37 | 0.69 | Mantos (Peripheral Domain) |
| PND025 | 179.00 | 185.00 | 6.00 | 108.93 | 0.75 | 1.86 | Feeder (Silver-Breccia Domain) |
| PND025 | 185.00 | 229.00 | 44.00 | 24.59 | 1.43 | 1.95 | Mantos (Peripheral Domain) |

## Apogee Selected Drill Hole Intercepts

| Hole | Depth From (m) | Depth To (m) | Length (m) | Ag (g/t) | Pb (%) | Zn (%) | Zone |
|---|---|---|---|---|---|---|---|
| PND046 | 41.00 | 57.00 | 16.00 | 31.69 | 0.83 | 1.59 | Mantos (Peripheral Domain) |
| PND046 | 57.00 | 64.00 | 7.00 | 227.14 | 1.87 | 1.57 | Feeder (Silver-Breccia Domain) |
| PND046 | 64.00 | 97.00 | 33.00 | 46.76 | 1.35 | 1.70 | Mantos (Peripheral Domain) |
| PND062 | 10.00 | 52.00 | 42.00 | 405.57 | 0.82 | 0.10 | Feeder (Silver-Breccia Domain) |
| PND067 | 49.00 | 99.00 | 50.00 | 15.86 | 0.44 | 0.94 | Mantos (Peripheral Domain) |
| PND068 | 38.00 | 148.00 | 110.00 | 12.54 | 0.48 | 1.12 | Mantos (Peripheral Domain) |
| PND069 | 19.00 | 82.00 | 63.00 | 118.60 | 0.95 | 0.39 | Feeder (Silver-Breccia Domain) |
| PND070 | 15.00 | 21.00 | 6.00 | 32.33 | 0.48 | 1.45 | Mantos (Peripheral Domain) |
| PND070 | 21.00 | 46.00 | 25.00 | 156.80 | 0.83 | 0.74 | Feeder (Silver-Breccia Domain) |
| PND070 | 46.00 | 93.00 | 47.00 | 20.62 | 0.63 | 1.53 | Mantos (Peripheral Domain) |
| PND093 | 15.00 | 137.00 | 122.00 | 144.83 | 1.06 | 1.65 | Feeder (Silver-Breccia Domain) |

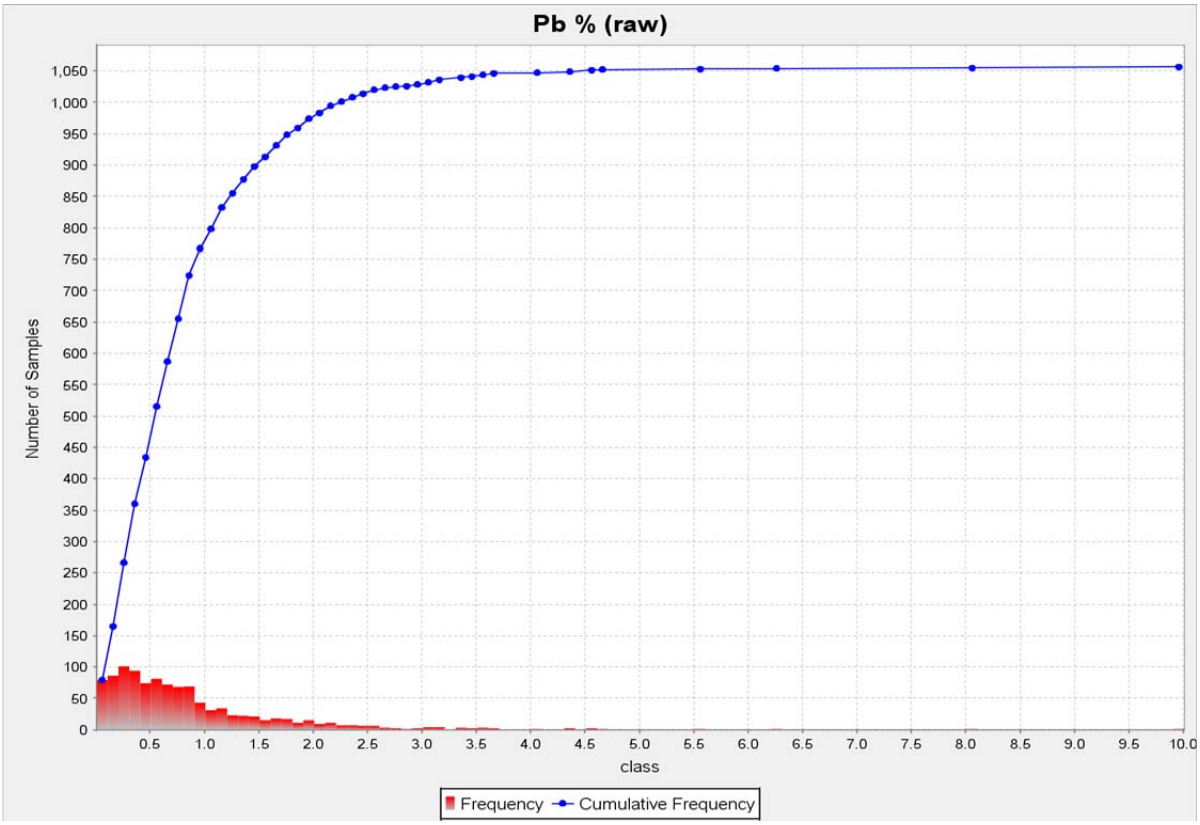
# Appendix 2

# Resource Estimate Support Documents

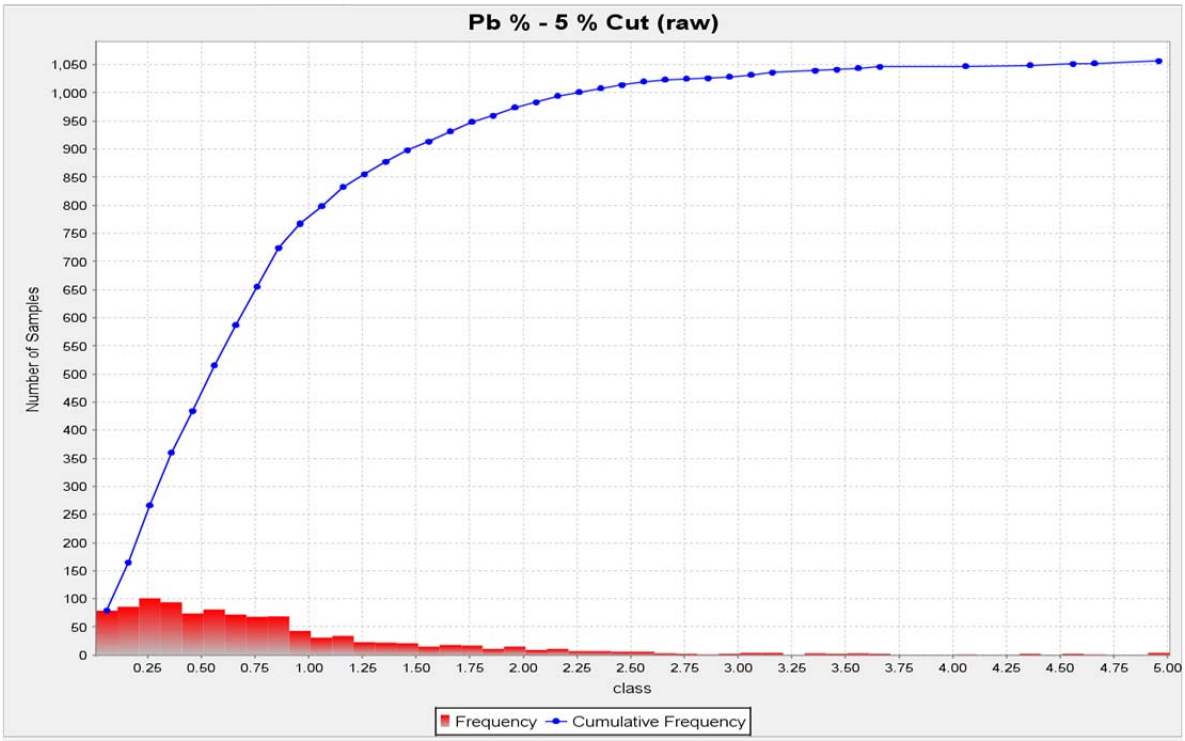
## Assay Frequency and Probability Plots
## Core Sample Sample Length Plots

# Paca Deposit 2015 Resource Estimate

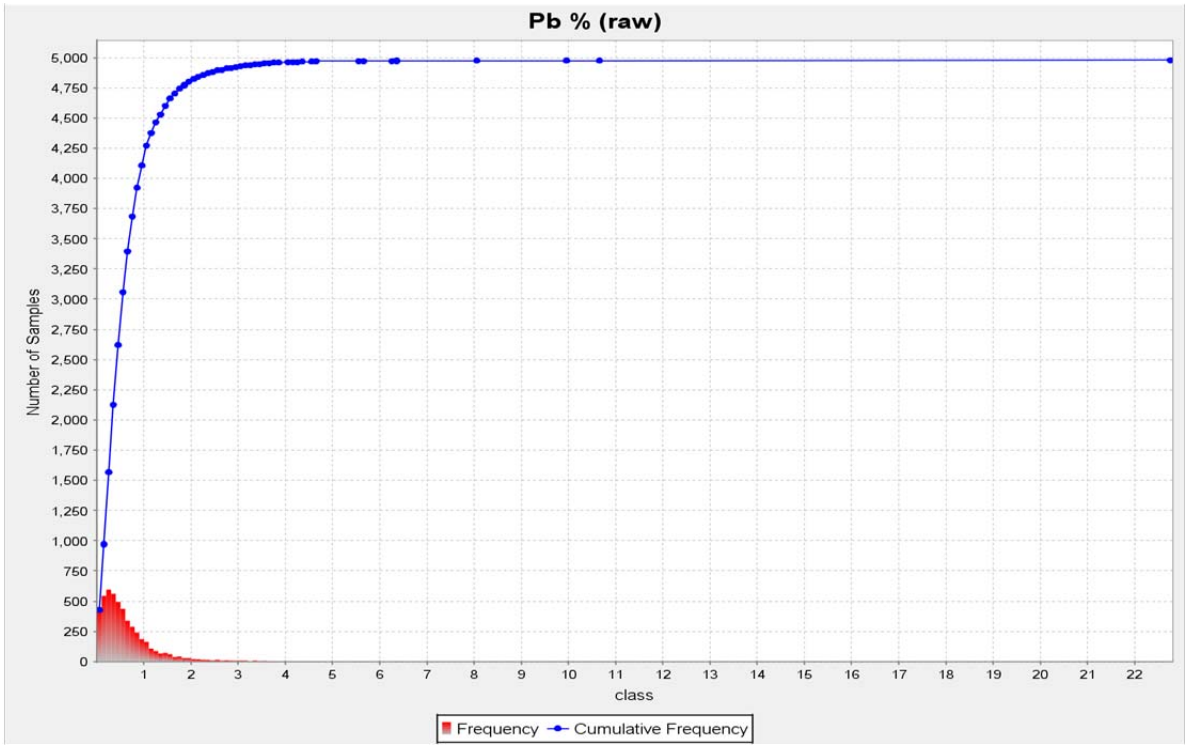
# Frequency and Probability Plots for Model Domains



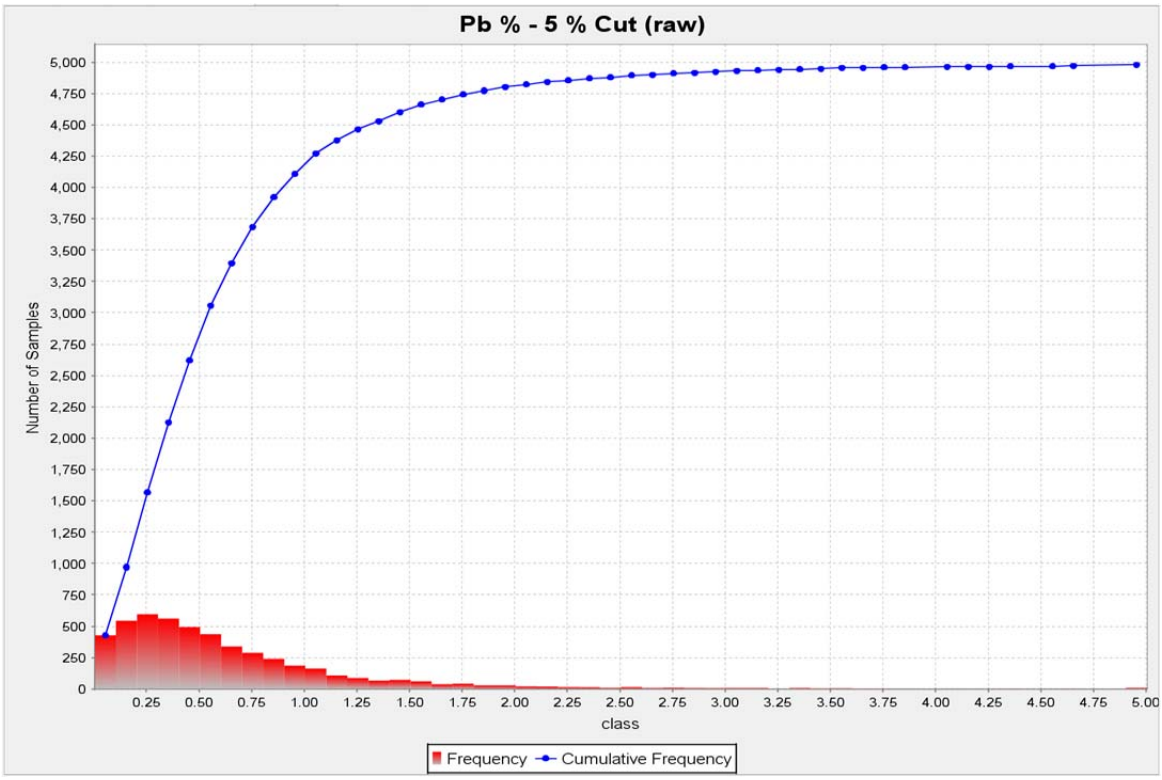

Assay - Feeder Zone Domain Raw Pb % Frequency Plot



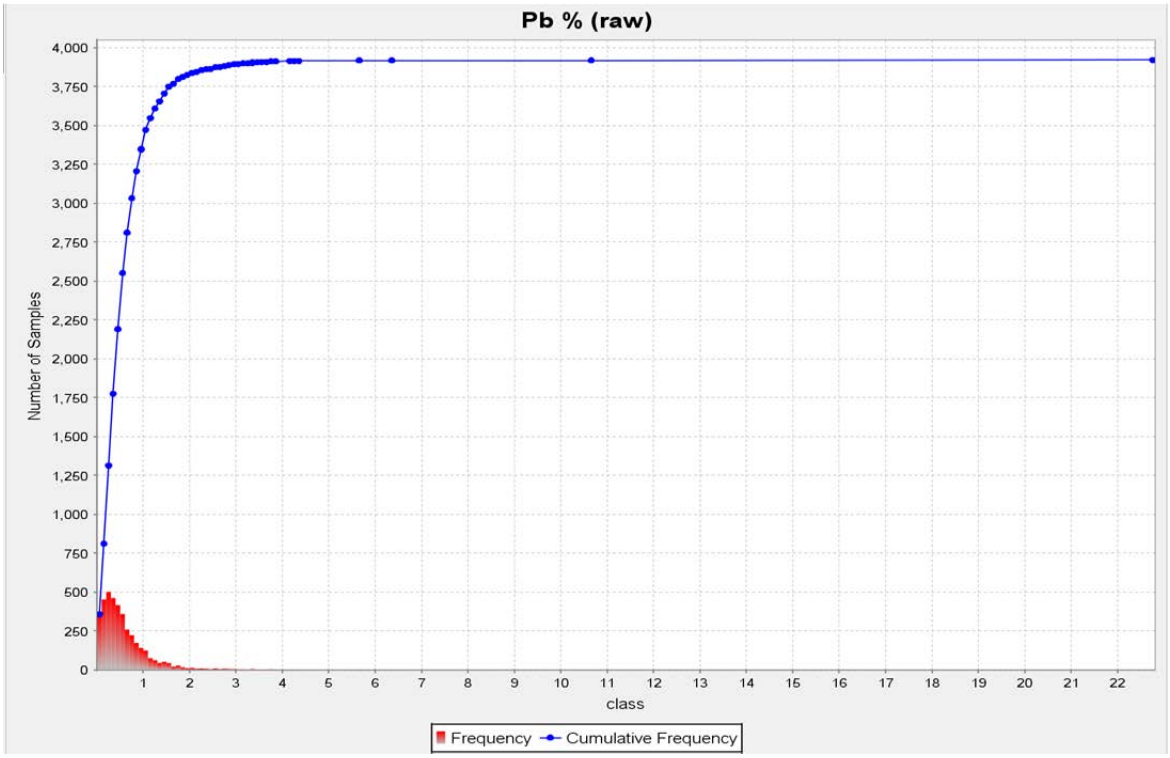

Assay - Feeder Zone Domain 5% Cut Pb % Frequency Plot



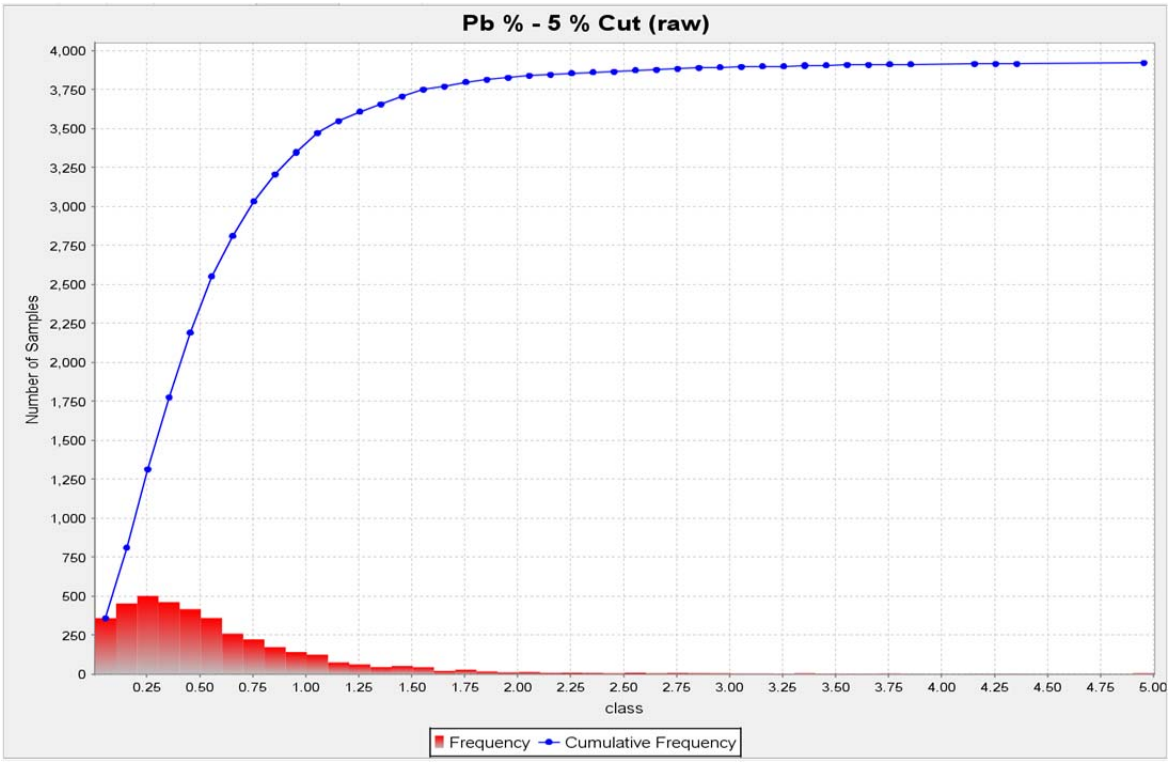

Assay - Peripheral Zone Domain Inclusive of Feeder Zone Raw Pb % Frequency Plot



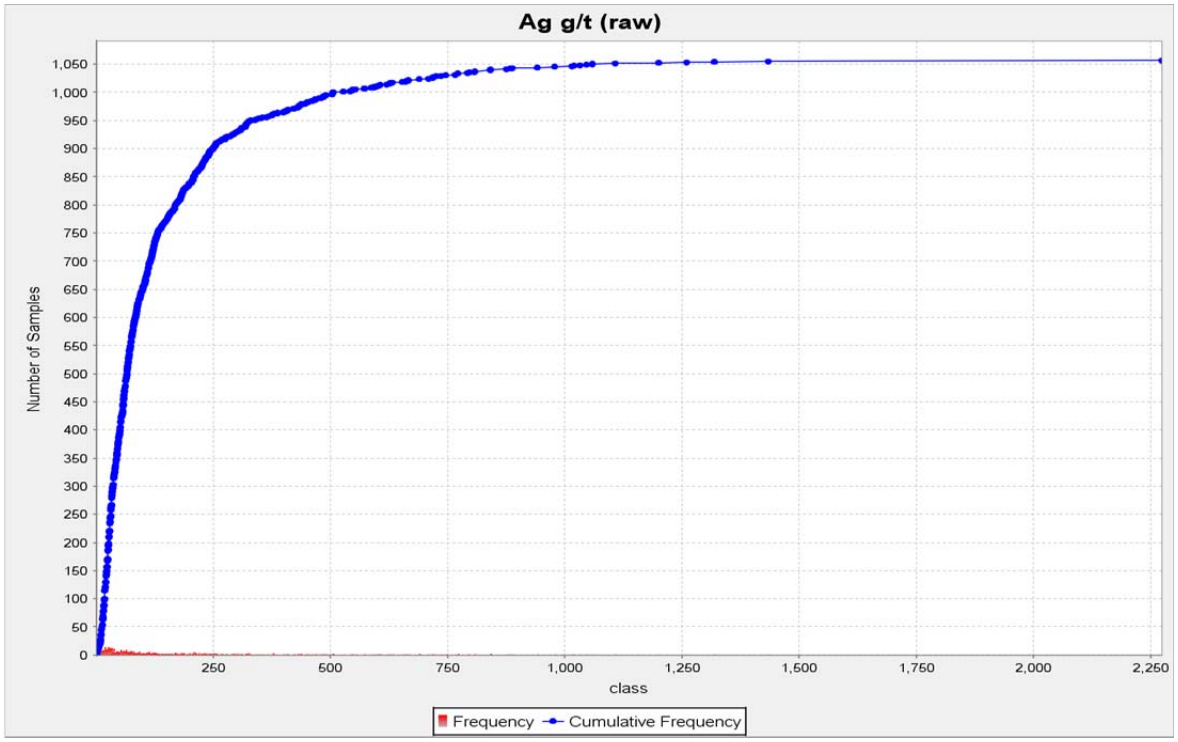

Assay - Peripheral Zone Domain Inclusive of Feeder Zone 5% Cut Pb % Frequency Plot



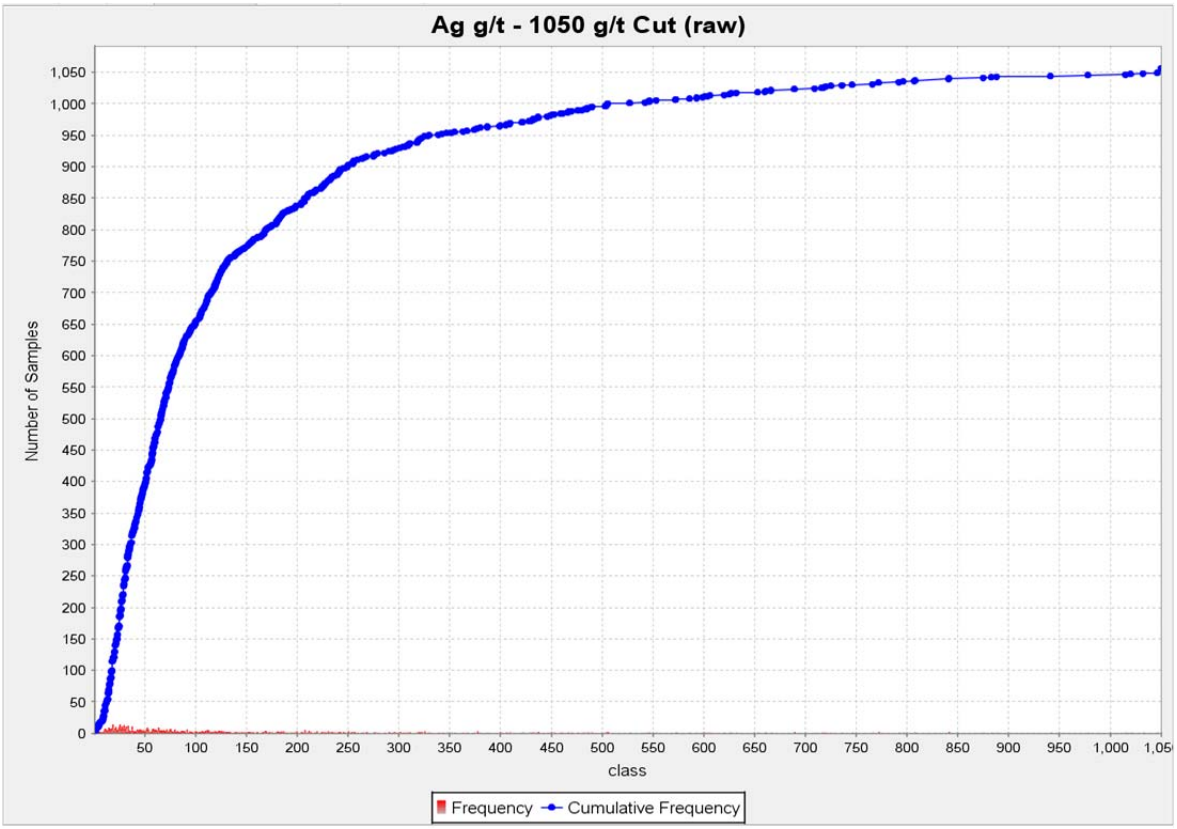

Assay - Peripheral Zone Domain Exclusive of Feeder Zone Raw Pb % Frequency Plot



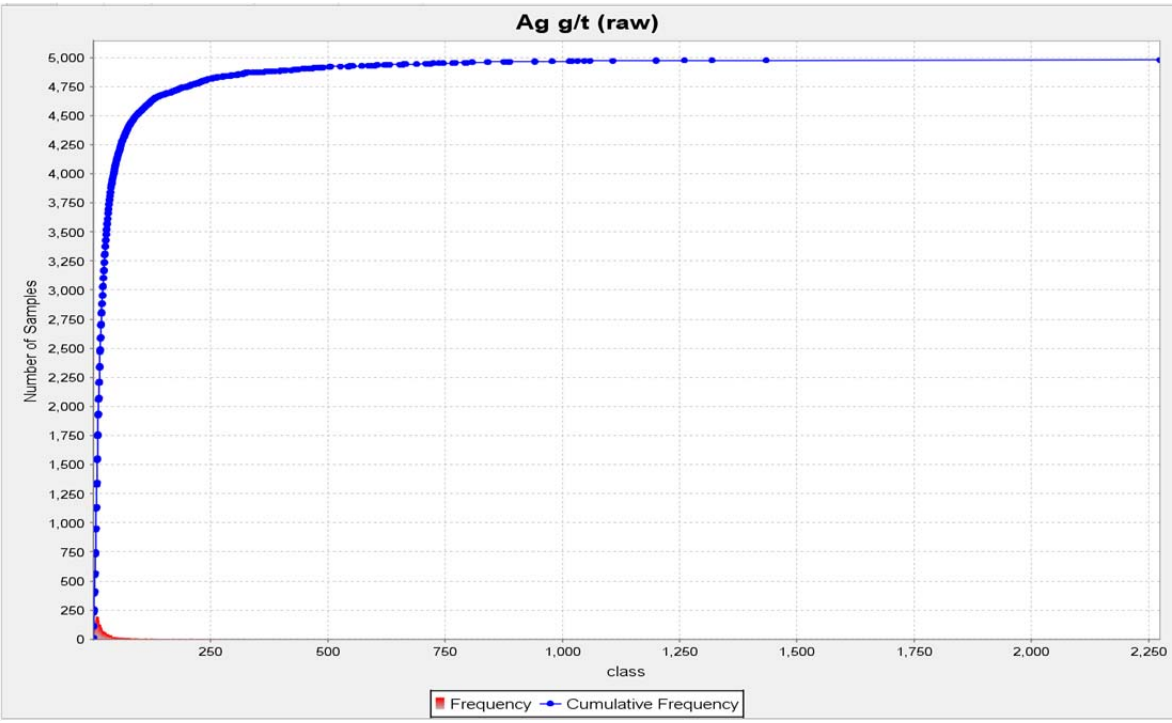

Assay - Peripheral Zone Domain Exclusive of Feeder Zone 5% Cut Pb % Frequency Plot



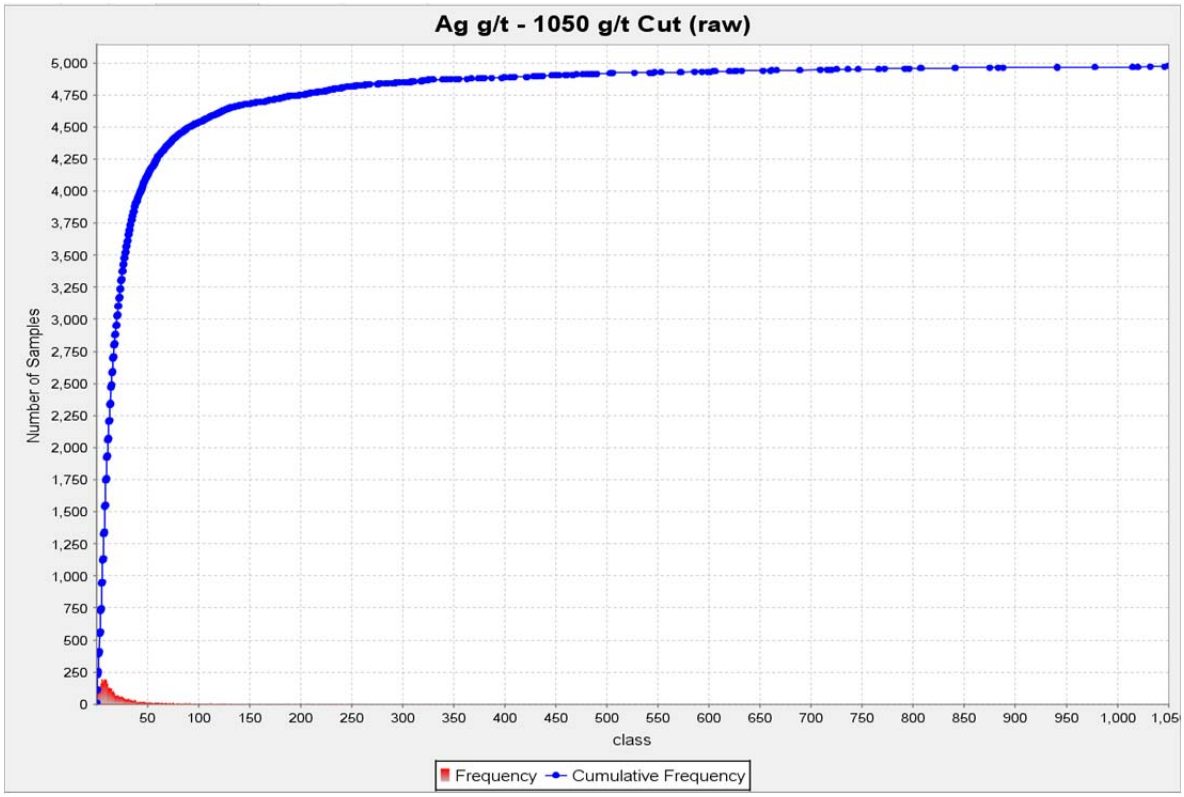

Assay - Feeder Zone Domain Raw Ag g/t Frequency Plot



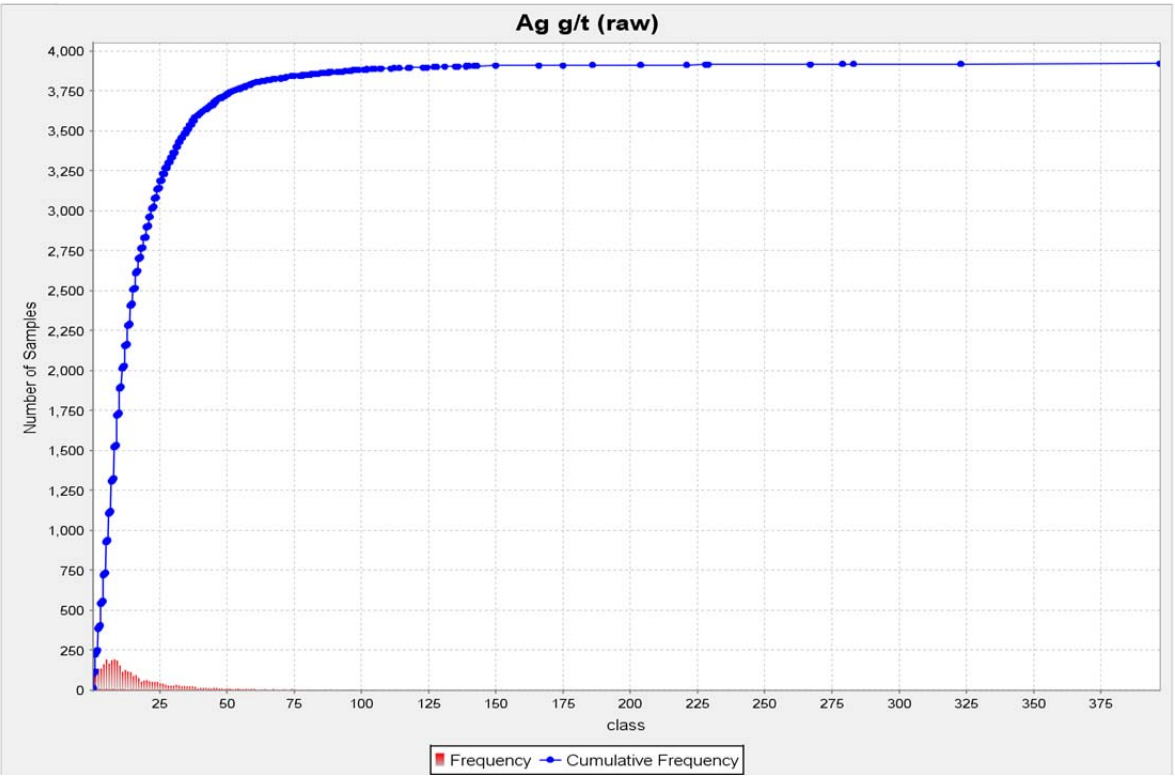

Assay - Feeder Zone Domain 1050 g/t Cut Ag g/t Frequency Plot



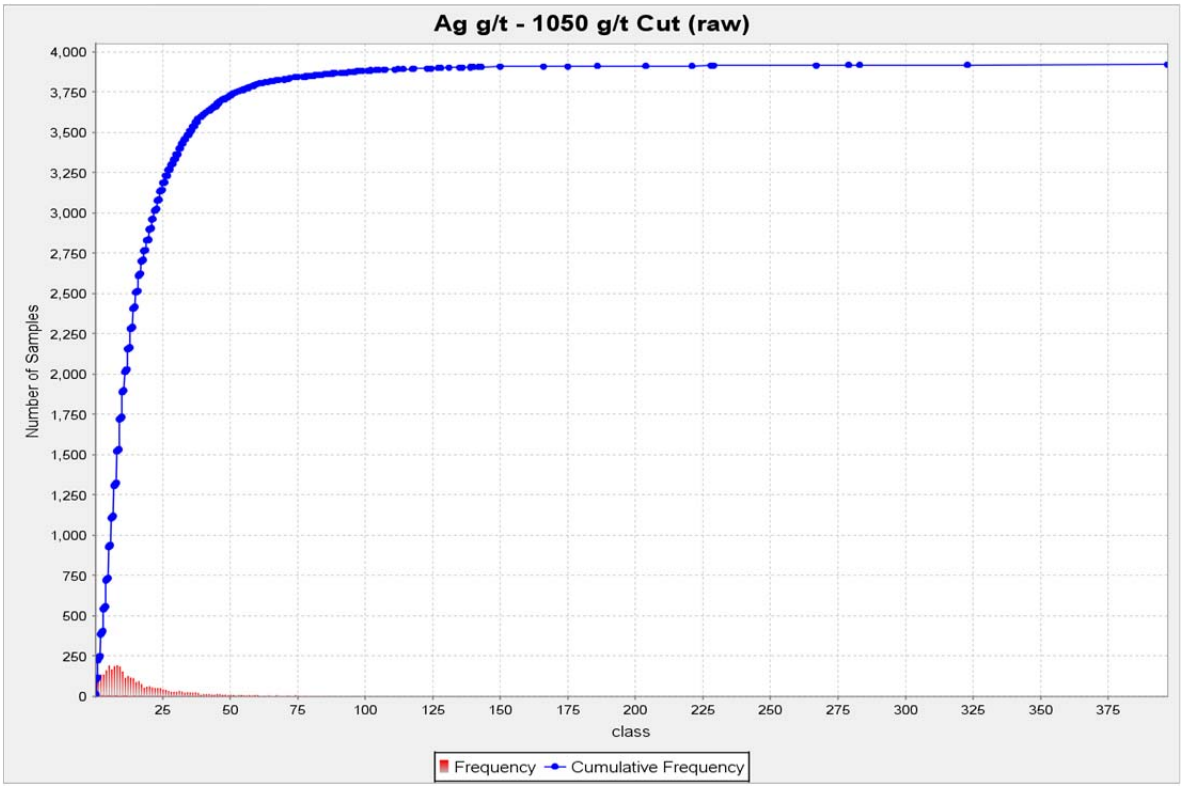

Assay - Peripheral Zone Domain Inclusive of Feeder Zone Raw Ag g/t Frequency Plot



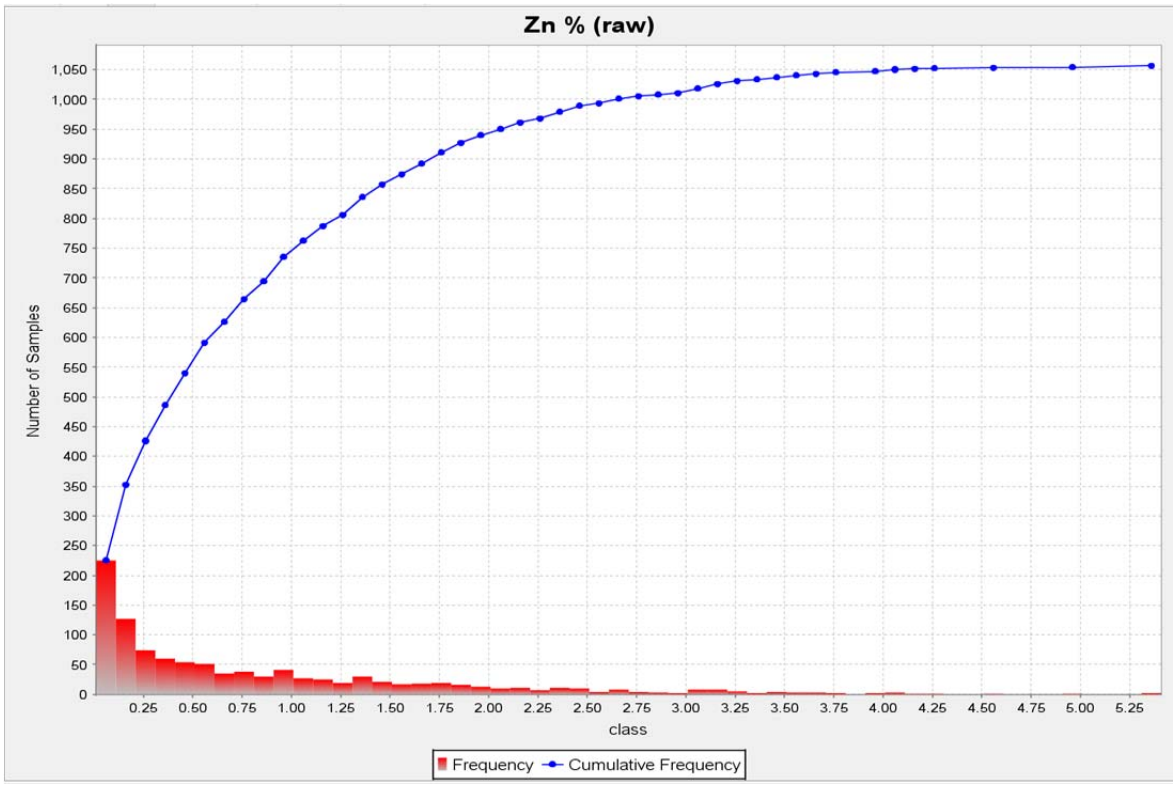

Assay - Peripheral Zone Domain Inclusive of Feeder Zone 1050 g/t Cut Ag g/t Frequency Plot



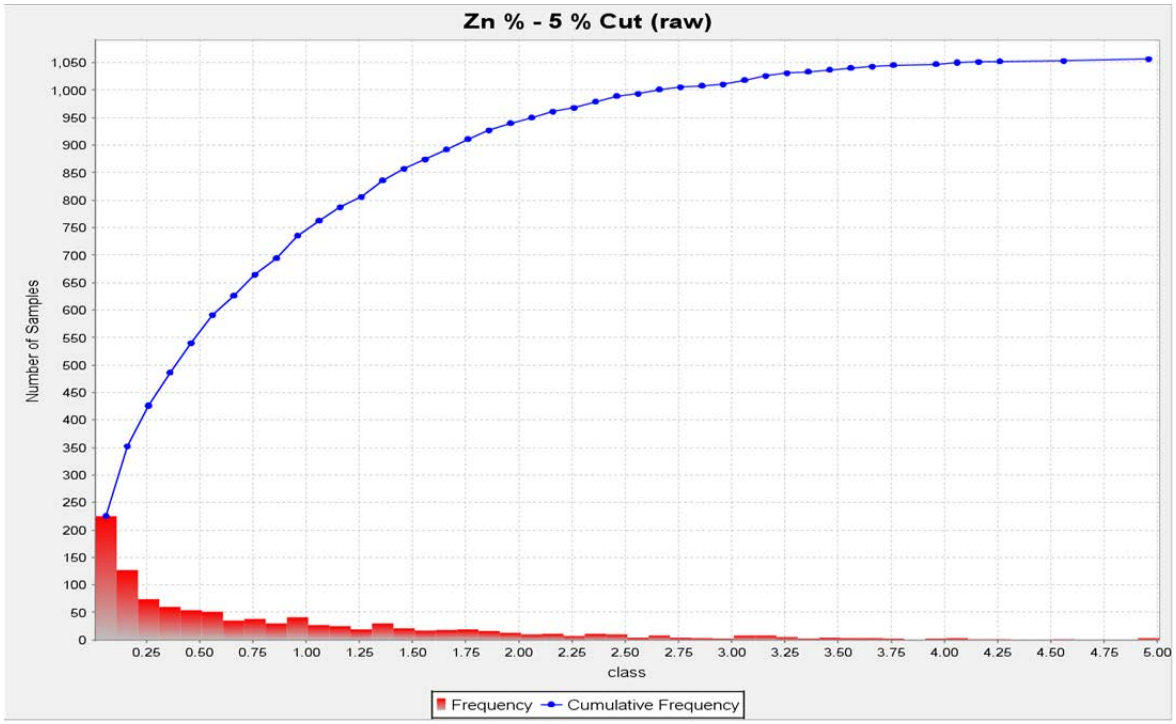

Assay - Peripheral Zone Domain Exclusive of Feeder Zone Raw Ag g/t Frequency Plot



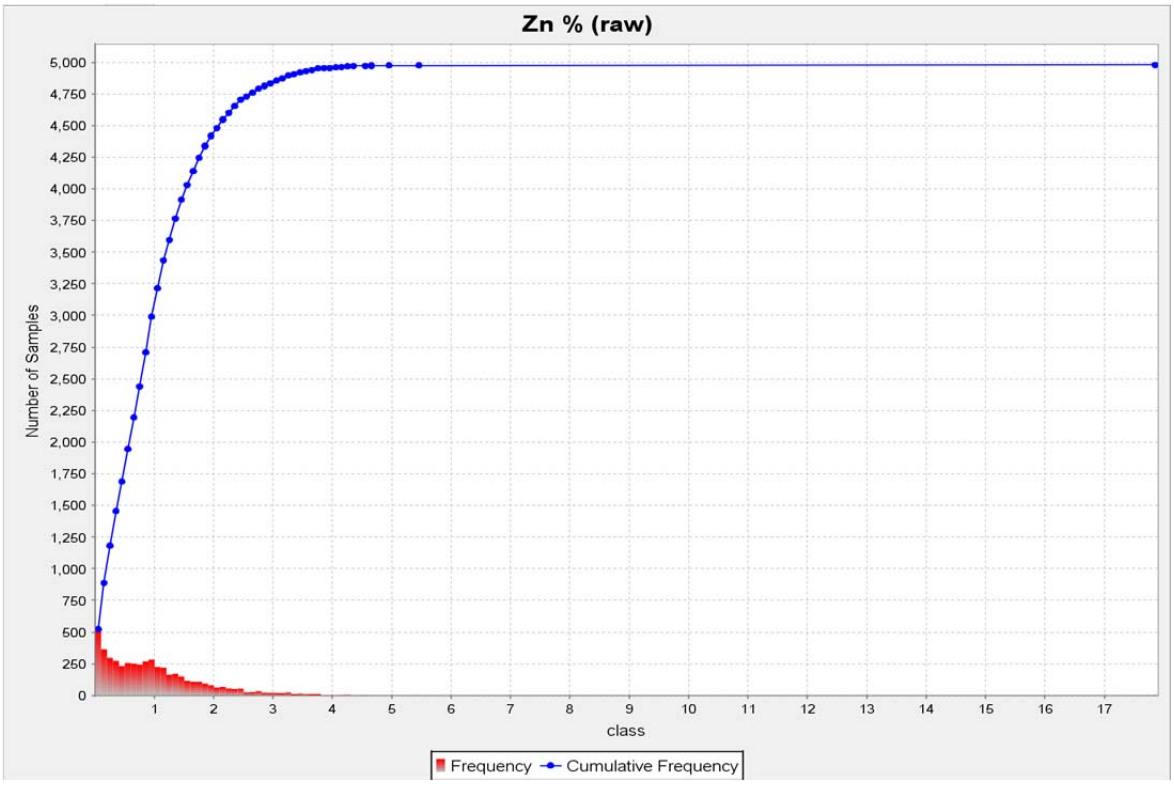

Assay - Peripheral Zone Domain Exclusive of Feeder Zone 1050 g/t Cut Ag g/t Frequency Plot



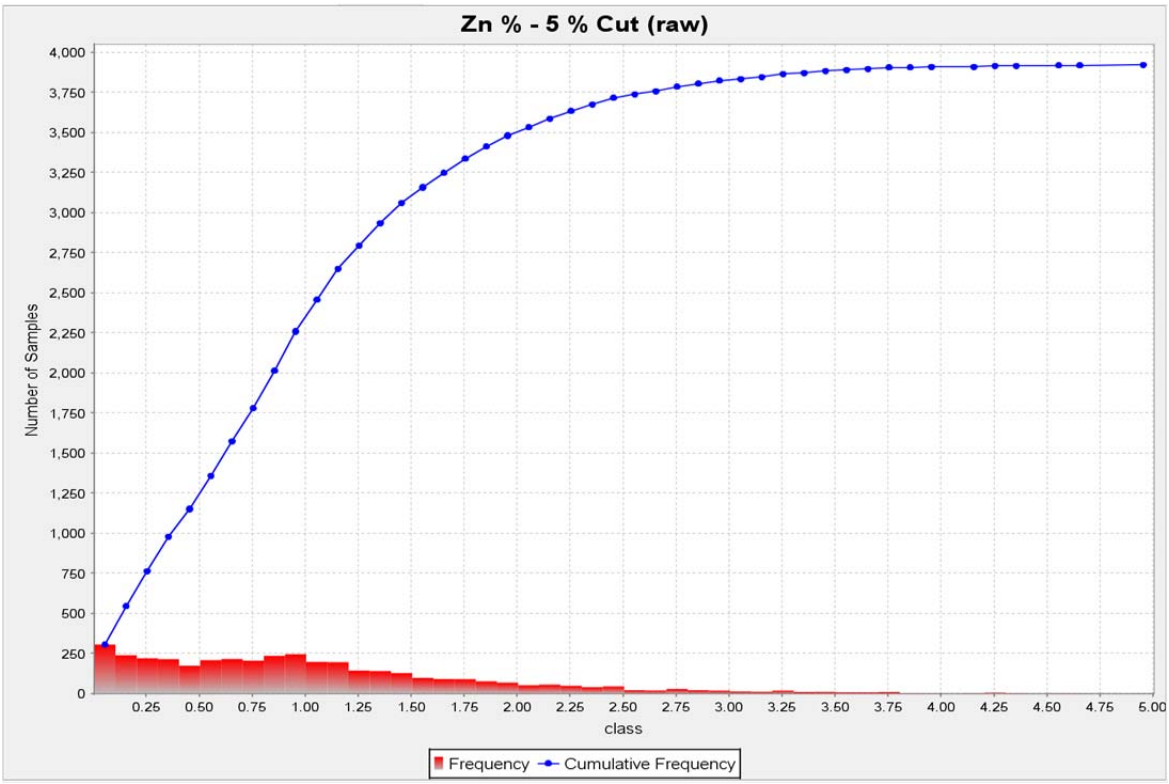

Assay - Feeder Zone Domain Raw Zn % Frequency Plot



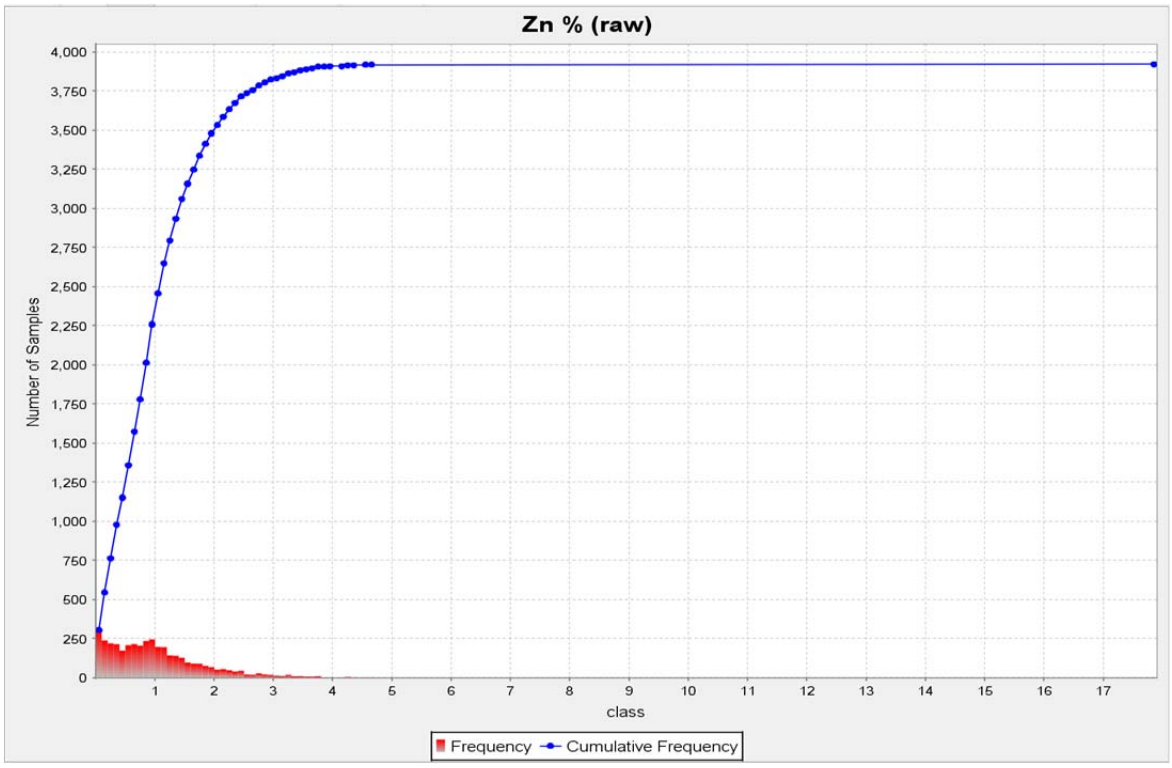

Assay - Feeder Zone Domain 5% Cut Zn % Frequency Plot



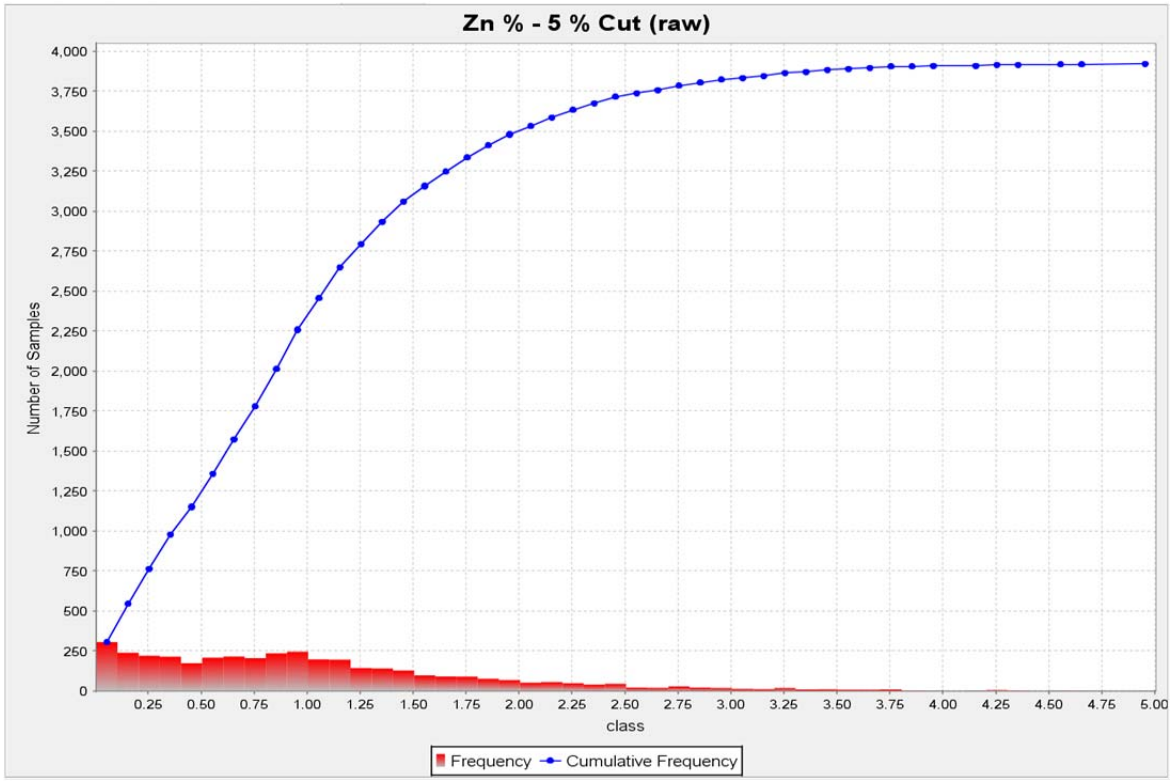

Assay - Peripheral Zone Domain Inclusive of Feeder Zone Raw Zn % Frequency Plot



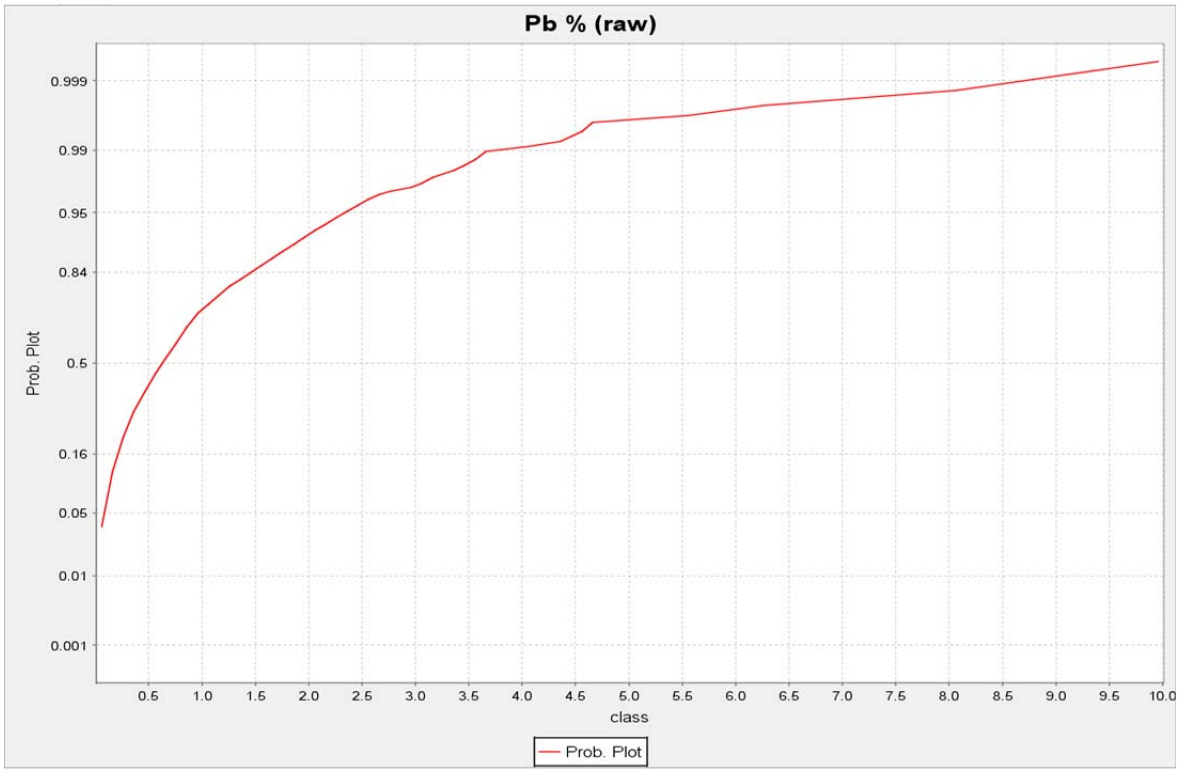

Assay - Peripheral Zone Domain Inclusive of Feeder Zone 5% Cut Zn % Frequency Plot



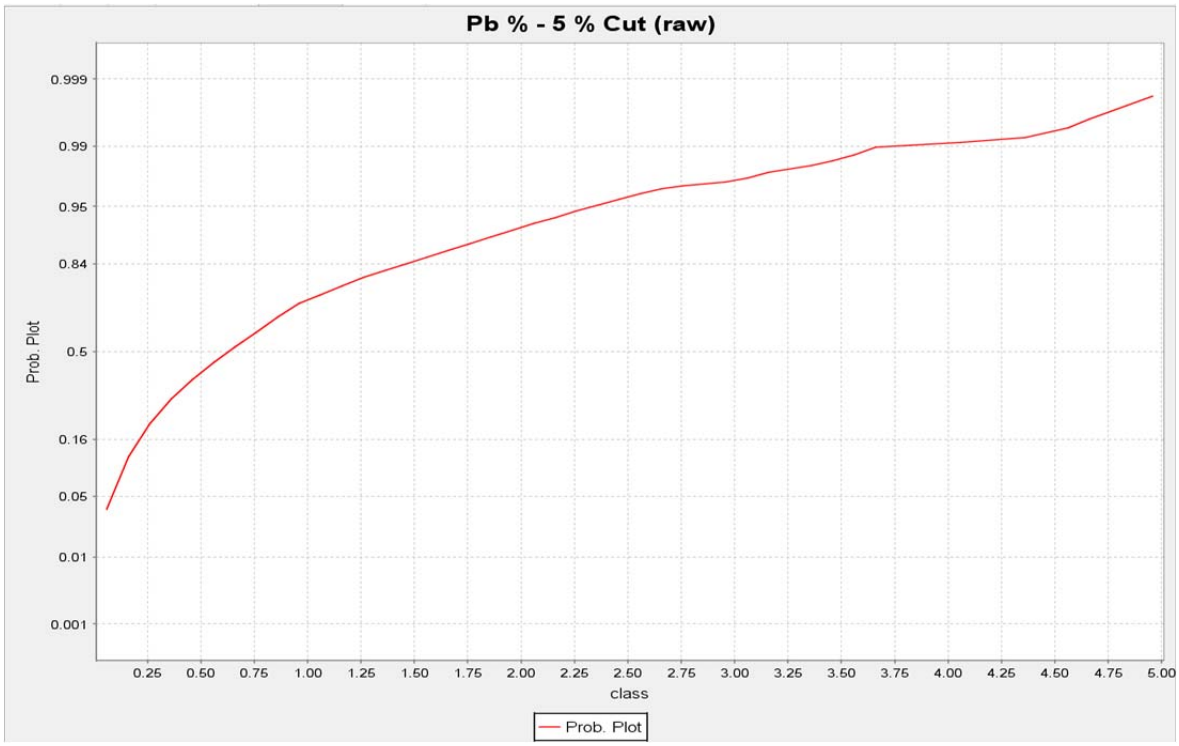

Assay - Peripheral Zone Domain Exclusive of Feeder Zone Raw Zn % Frequency Plot



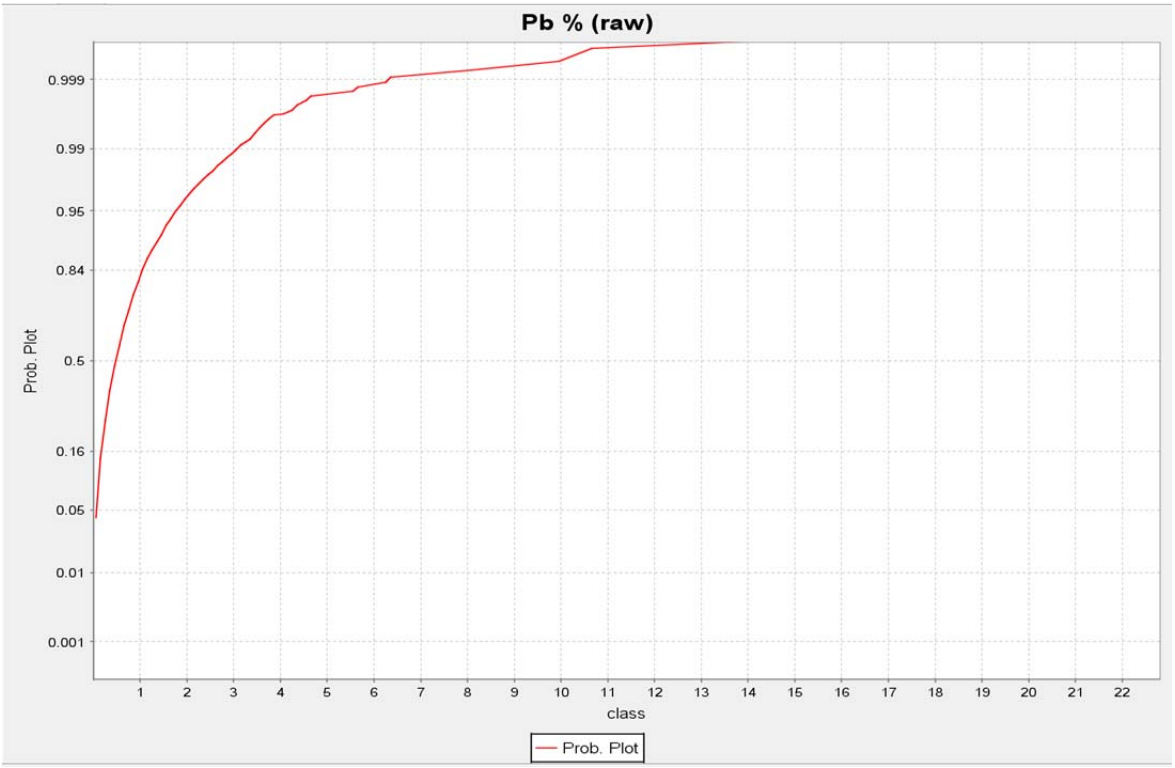

Assay - Peripheral Zone Domain Exclusive of Feeder Zone 5% Cut Zn % Frequency Plot



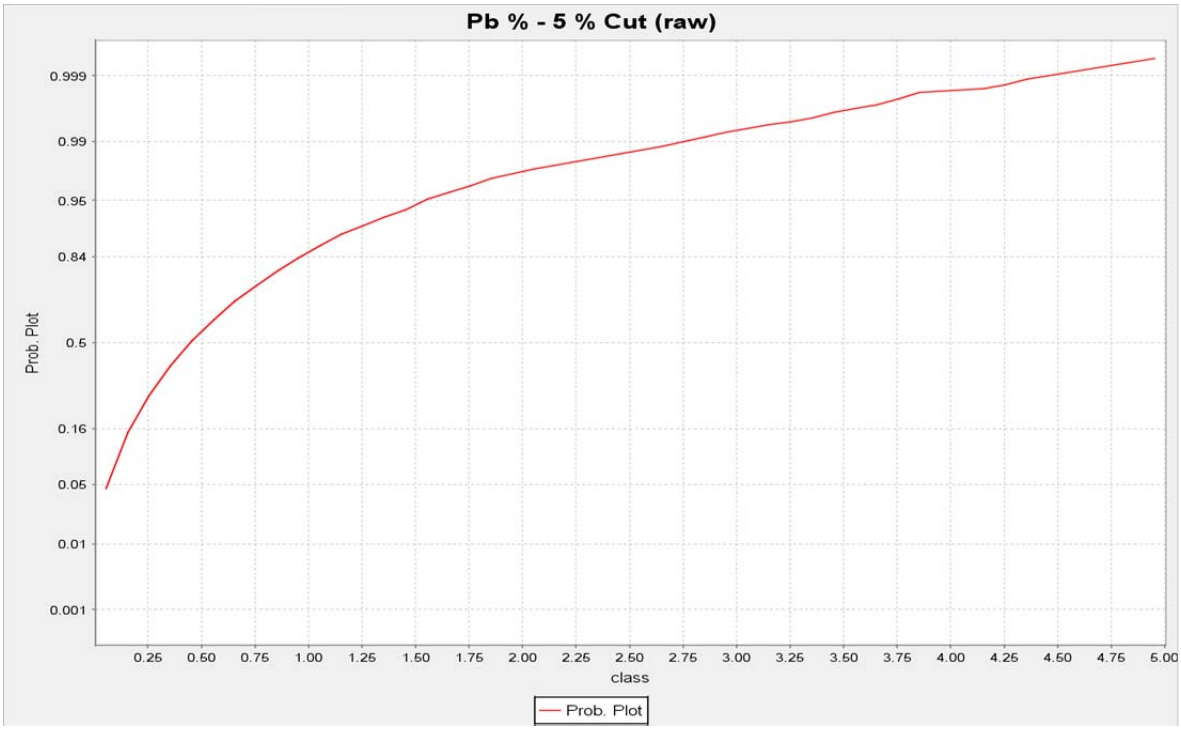

Assay - Feeder Zone Domain Raw Pb % Probability Plot



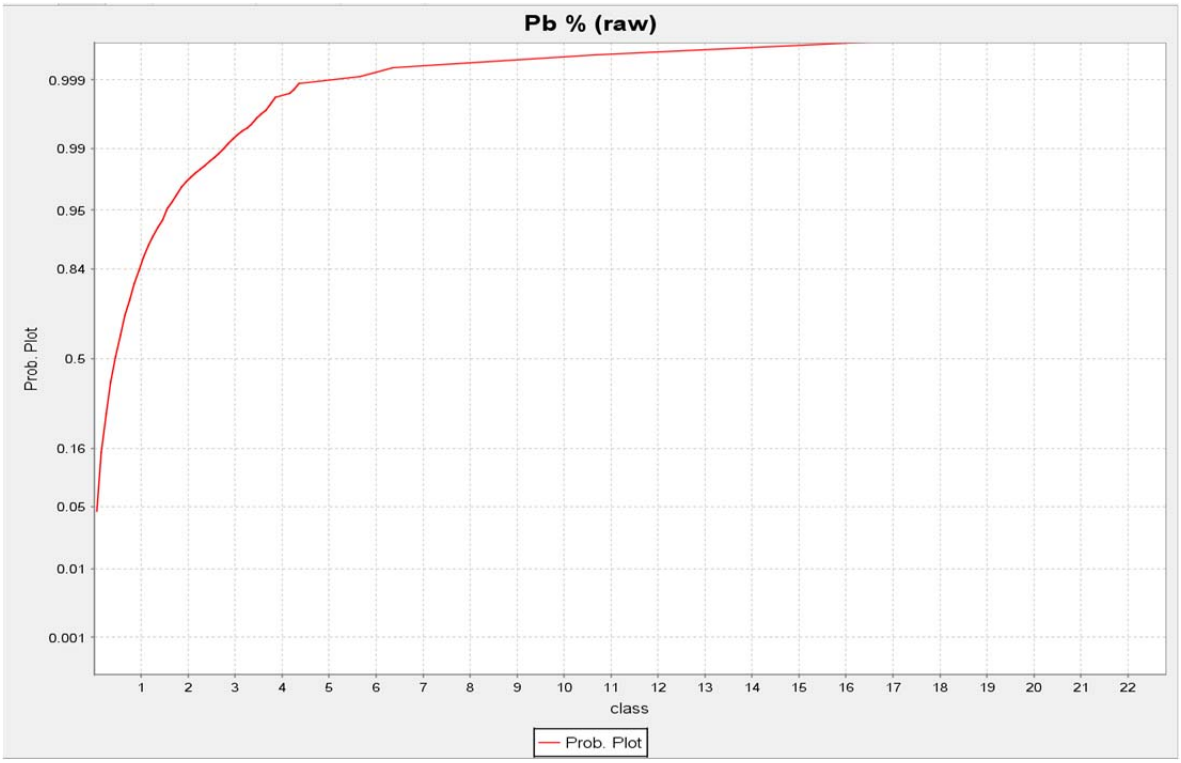

Assay - Feeder Zone Domain 5% Cut Pb % Probability Plot



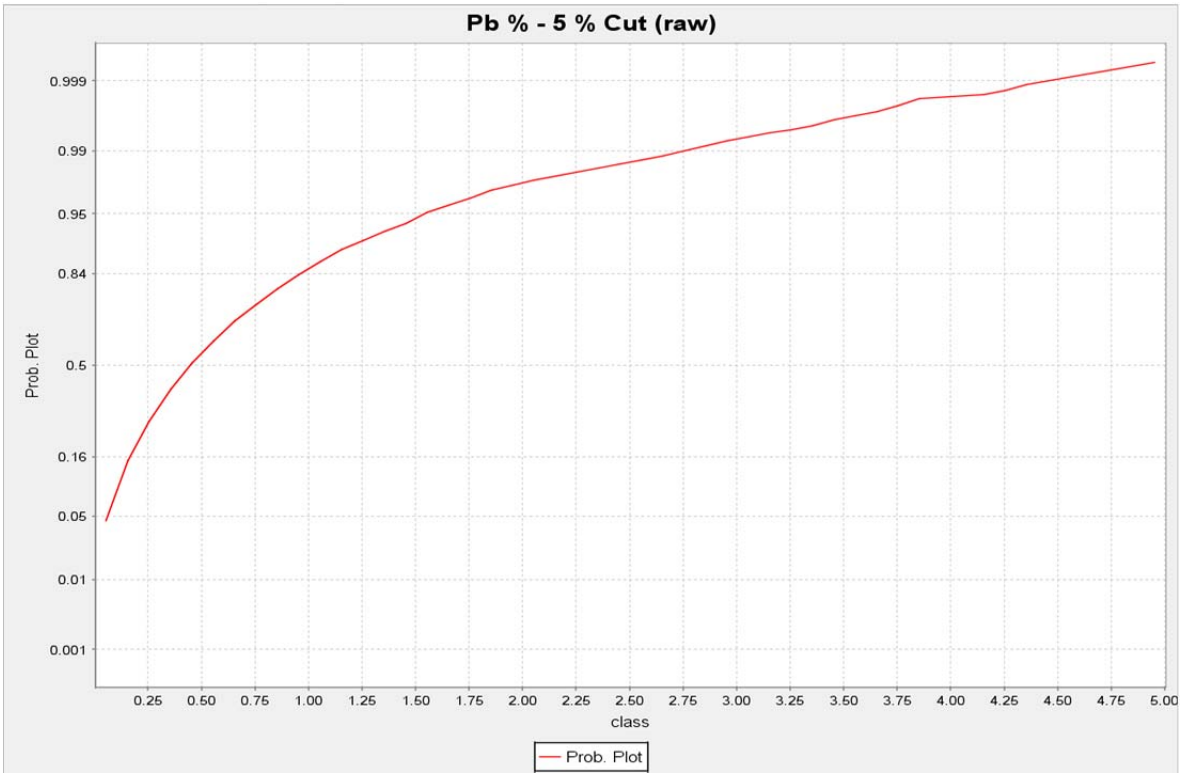

Assay - Peripheral Zone Domain Inclusive of Feeder Zone Raw Pb % Probability Plot



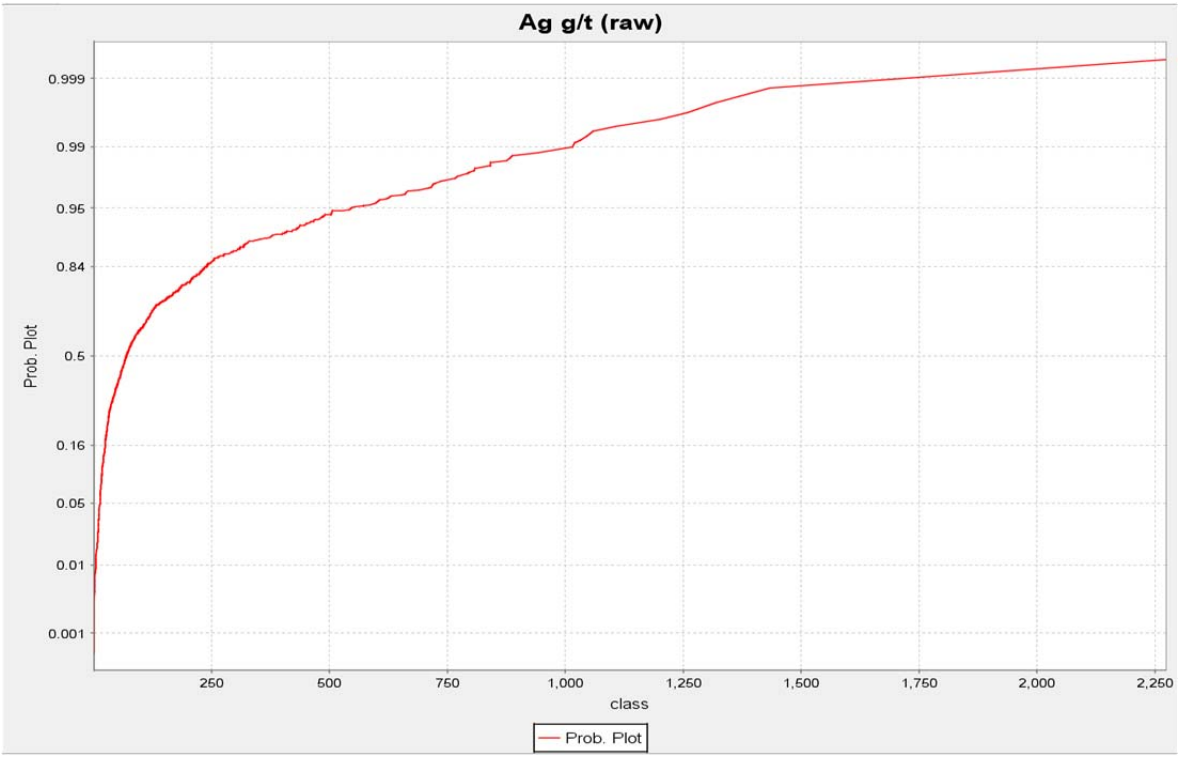

Assay - Peripheral Zone Domain Exclusive of Feeder Zone 5% Cut Pb % Probability Plot



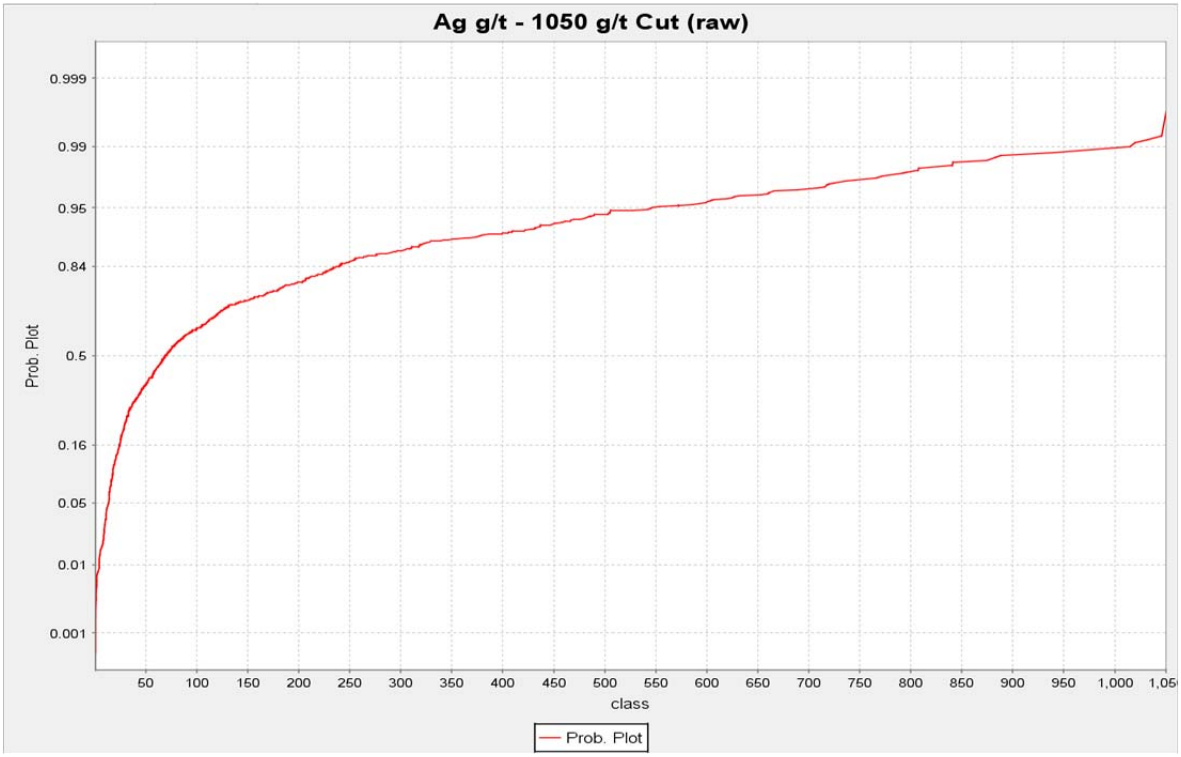

Assay - Peripheral Zone Domain Exclusive of Feeder Zone Raw Pb % Probability Plot



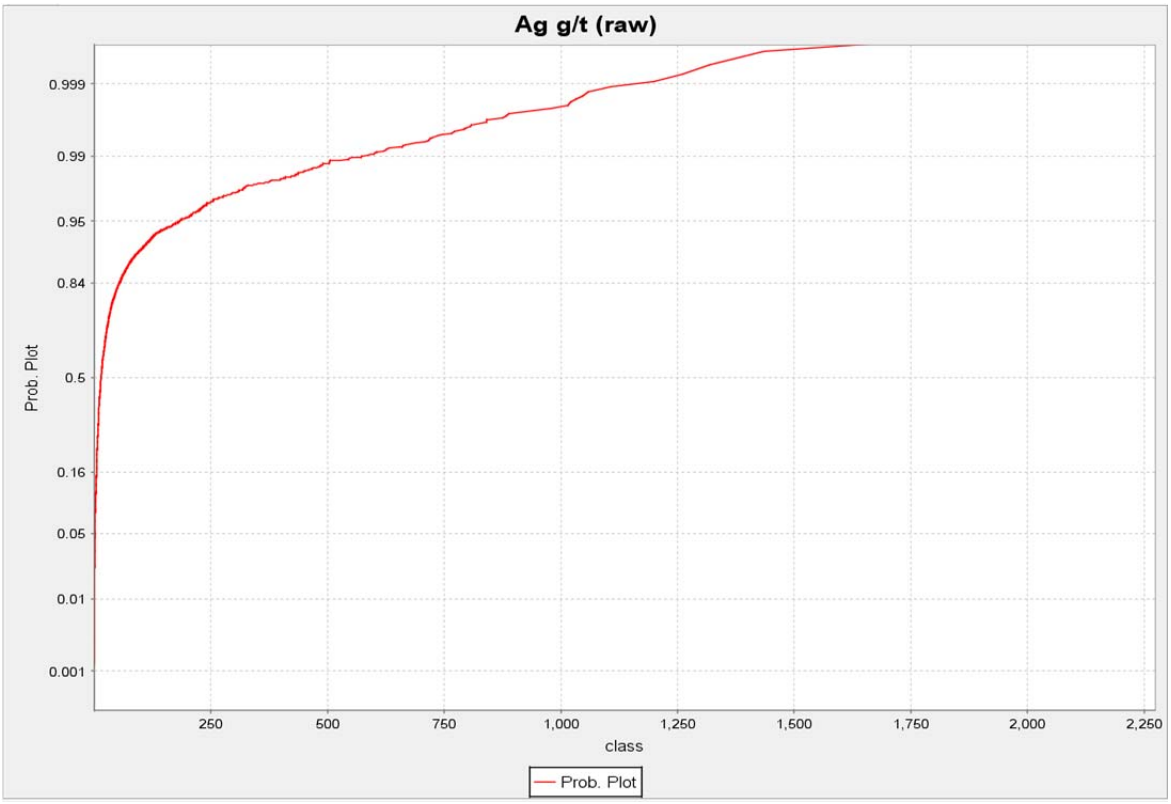

Assay - Peripheral Zone Domain Exclusive of Feeder Zone 5% Cut Pb % Probability Plot



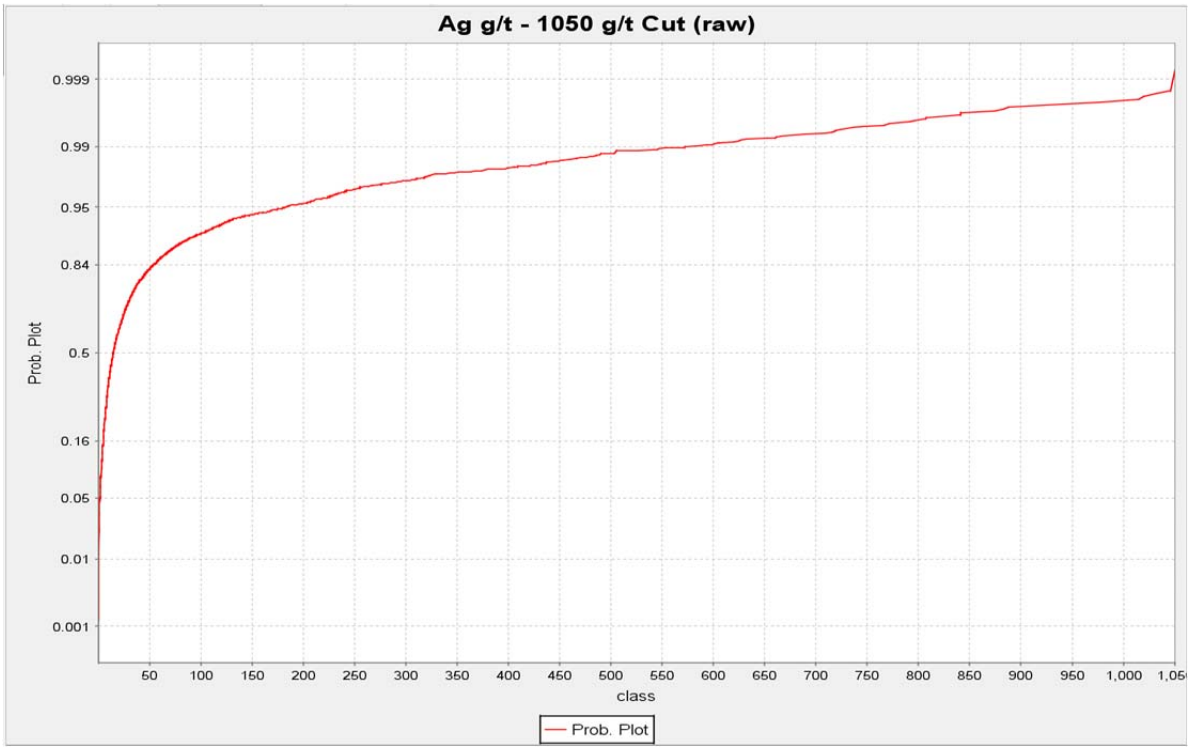

Assay - Feeder Zone Domain Raw Ag g/t Probability Plot



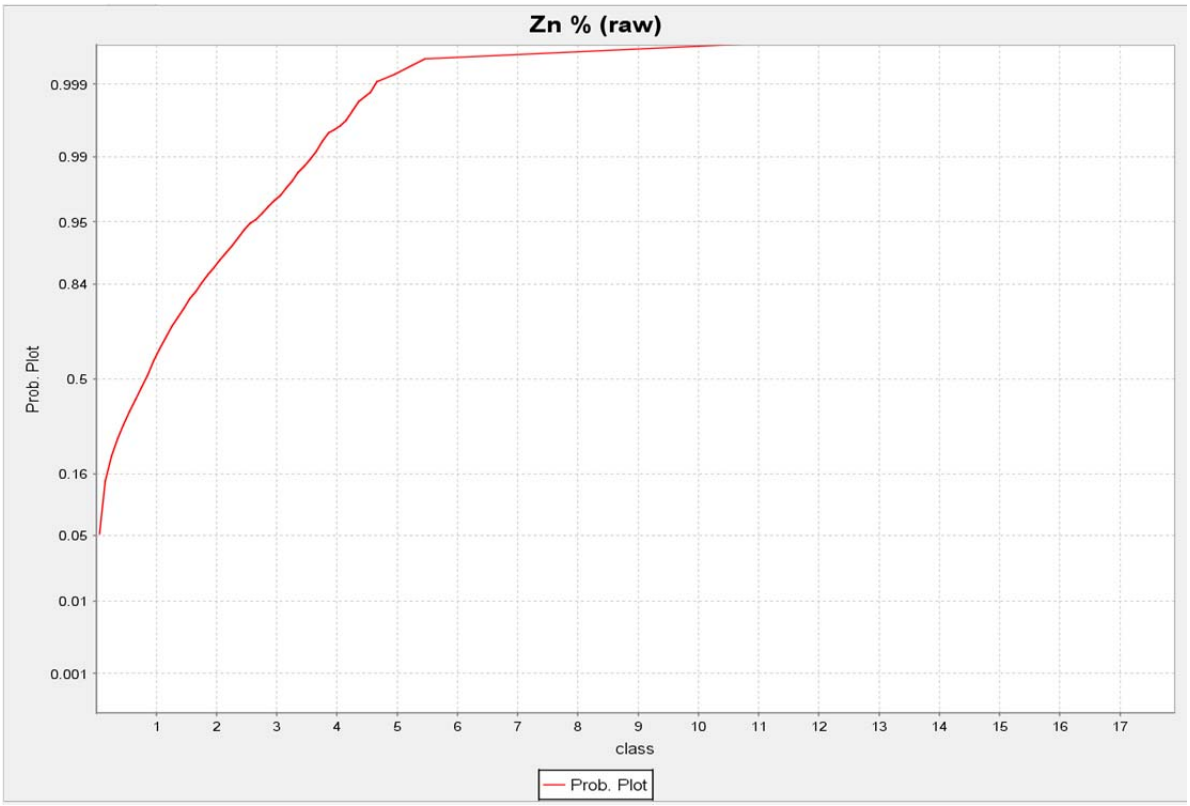

Assay - Feeder Zone Domain 1050 g/t Cut Ag g/t Probability Plot



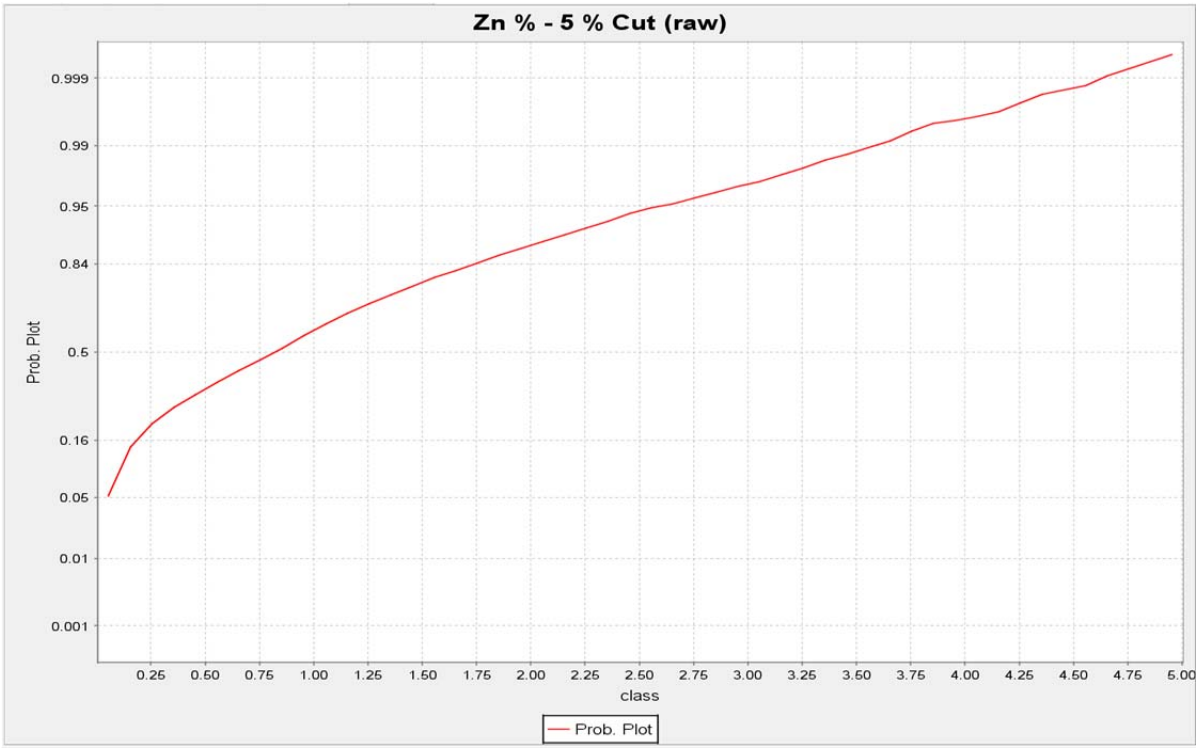

Assay - Peripheral Zone Domain Inclusive of Feeder Zone Raw Ag g/t Probability Plot



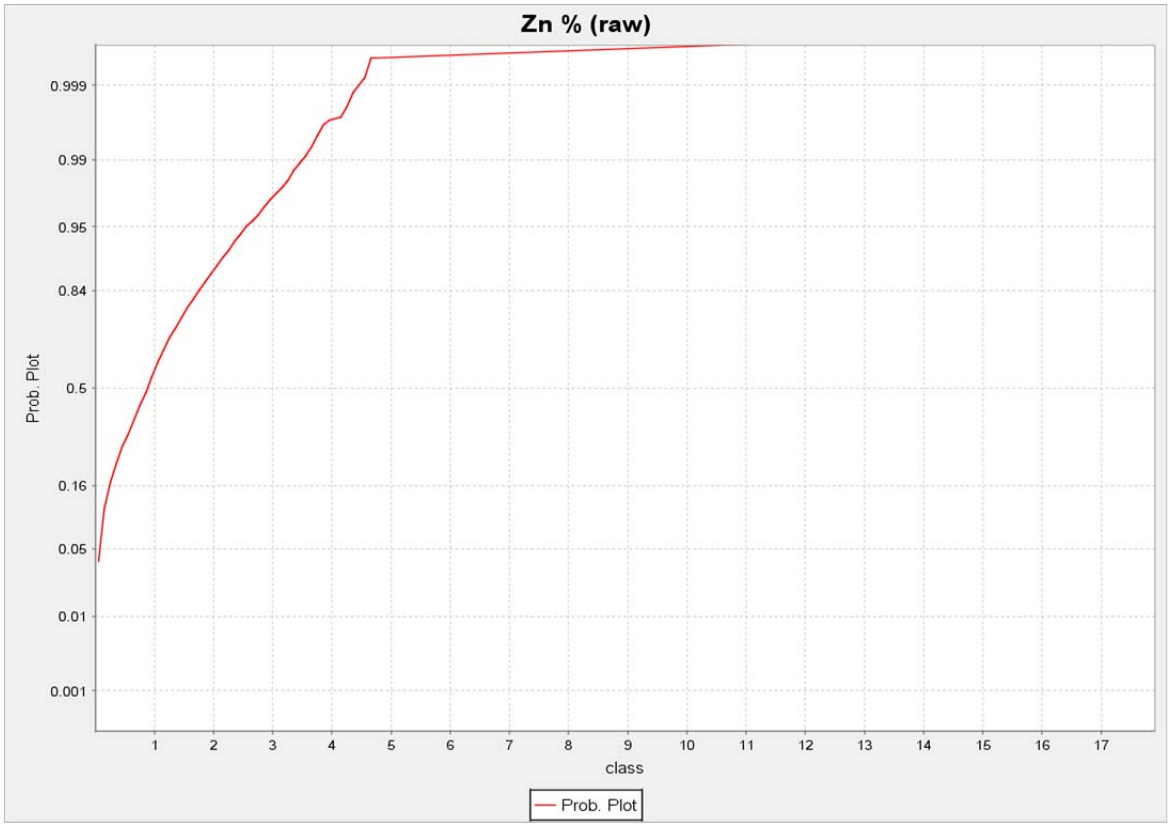

Assay - Peripheral Zone Domain Inclusive of Feeder Zone 1050 g/t Cut Ag g/t Probability Plot



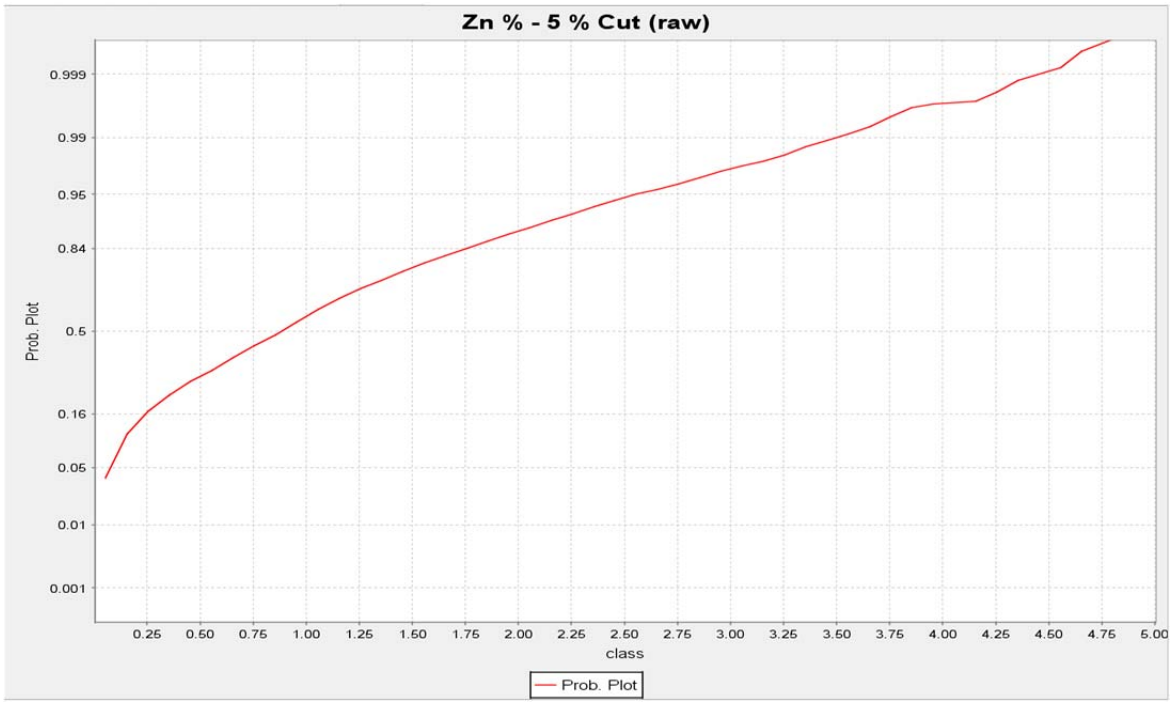

Assay - Peripheral Zone Domain Inclusive of Feeder Zone Raw Zn % Probability Plot



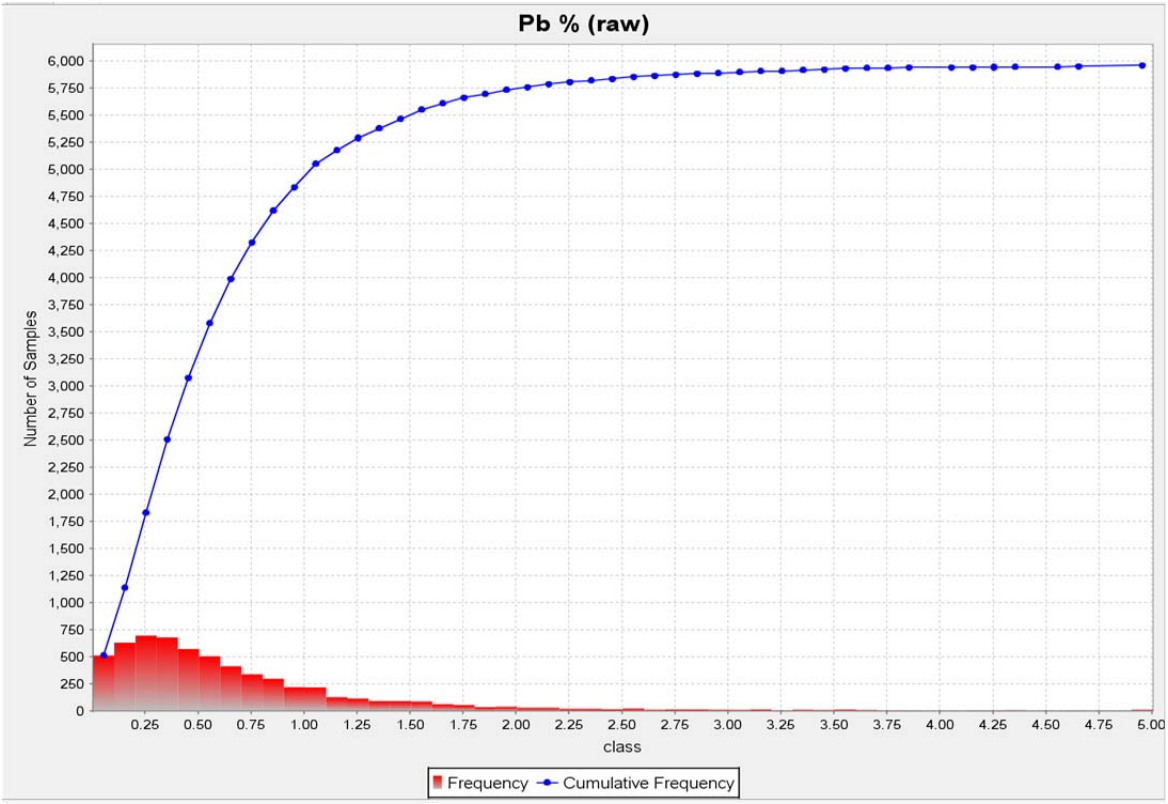

Assay - Peripheral Zone Domain Inclusive of Feeder Zone 5% Cut Zn % Probability Plot



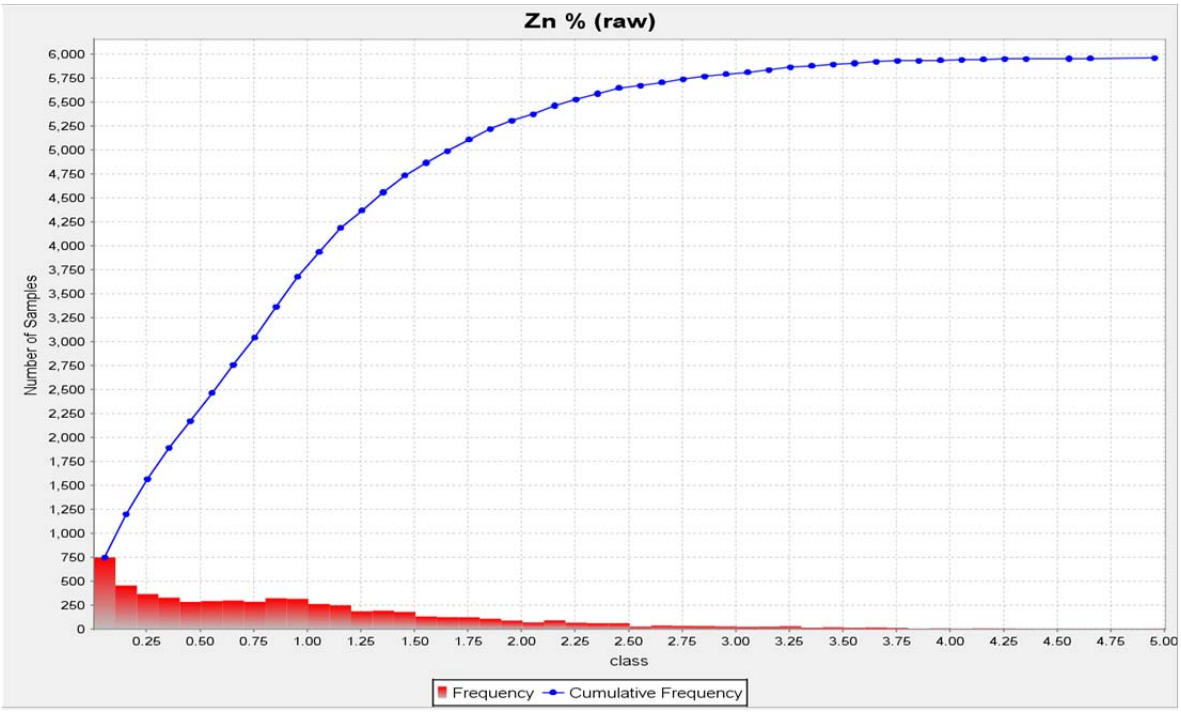

Assay - Peripheral Zone Domain Exclusive of Feeder Zone Raw Zn % Probability Plot



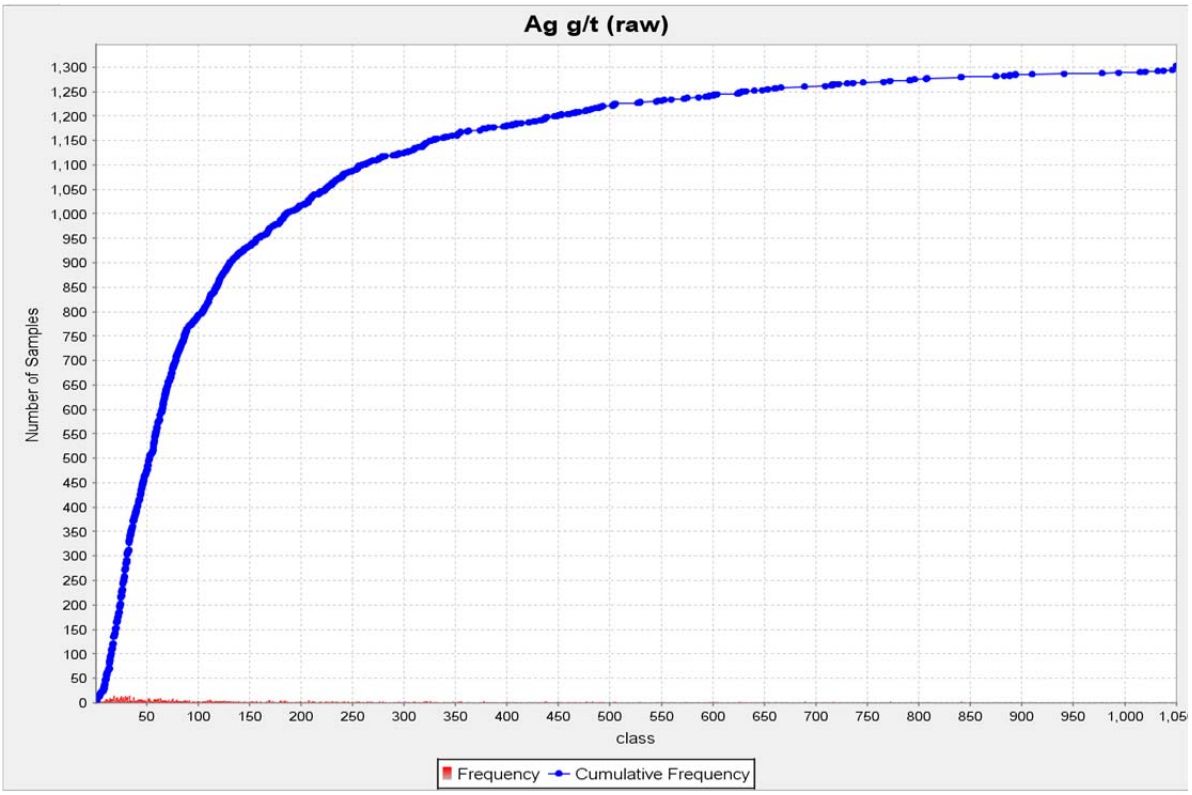

Assay - Peripheral Zone Domain Exclusive of Feeder Zone 5% Cut Zn % Probability Plot



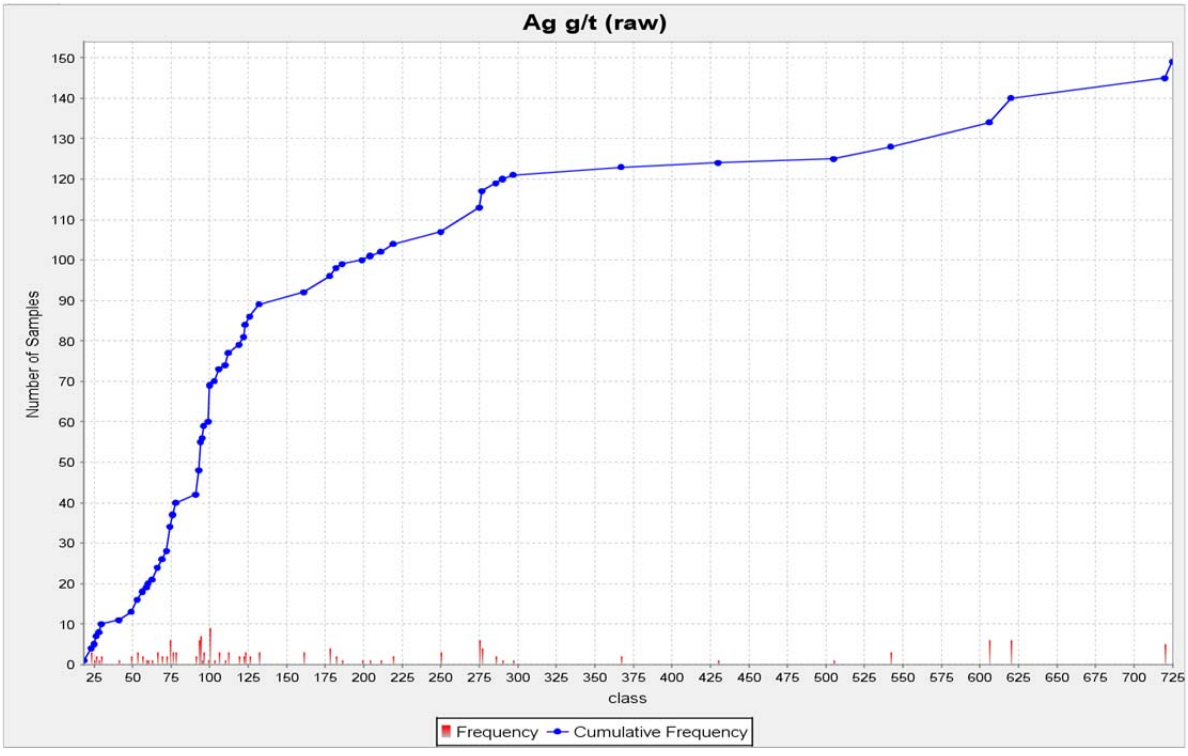

Composite - Peripheral Zone Domain Inclusive of Feeder Zone Pb % Frequency Plot



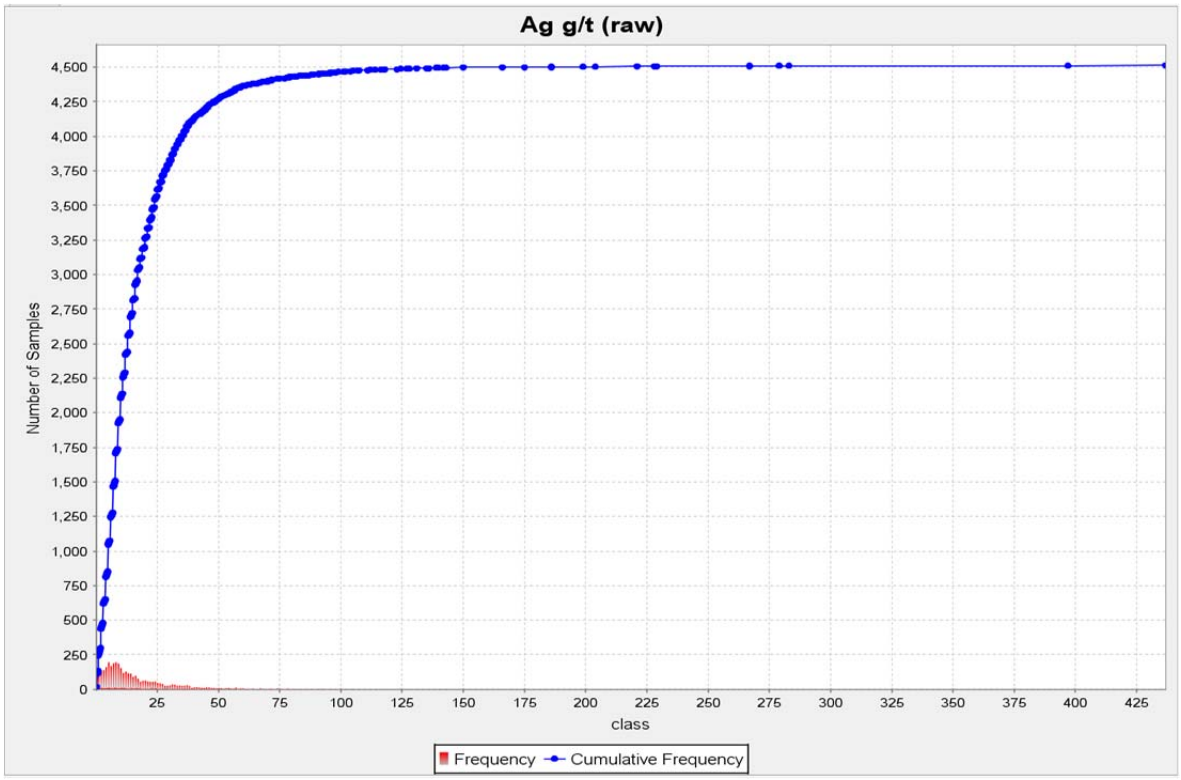

Composite - Peripheral Zone Domain Inclusive of Feeder Zone Zn % Frequency Plot



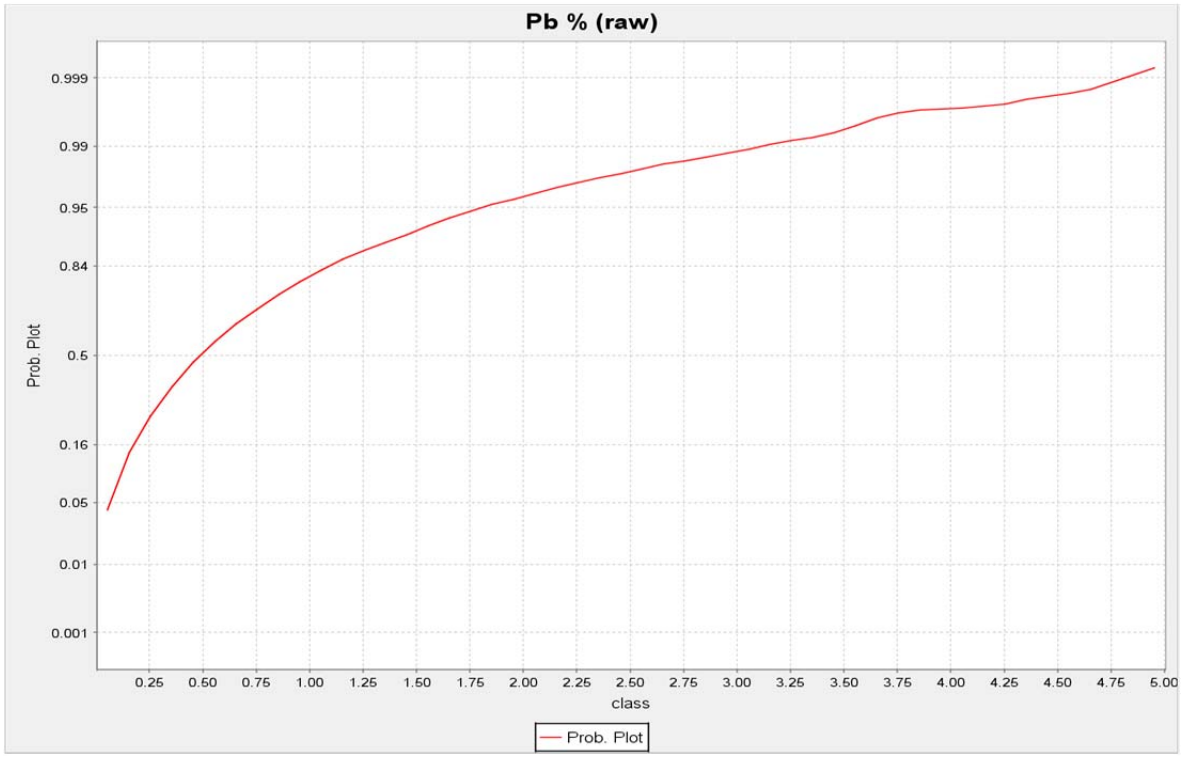

Composite – Feeder Zone Domain Ag g/t Frequency Plot



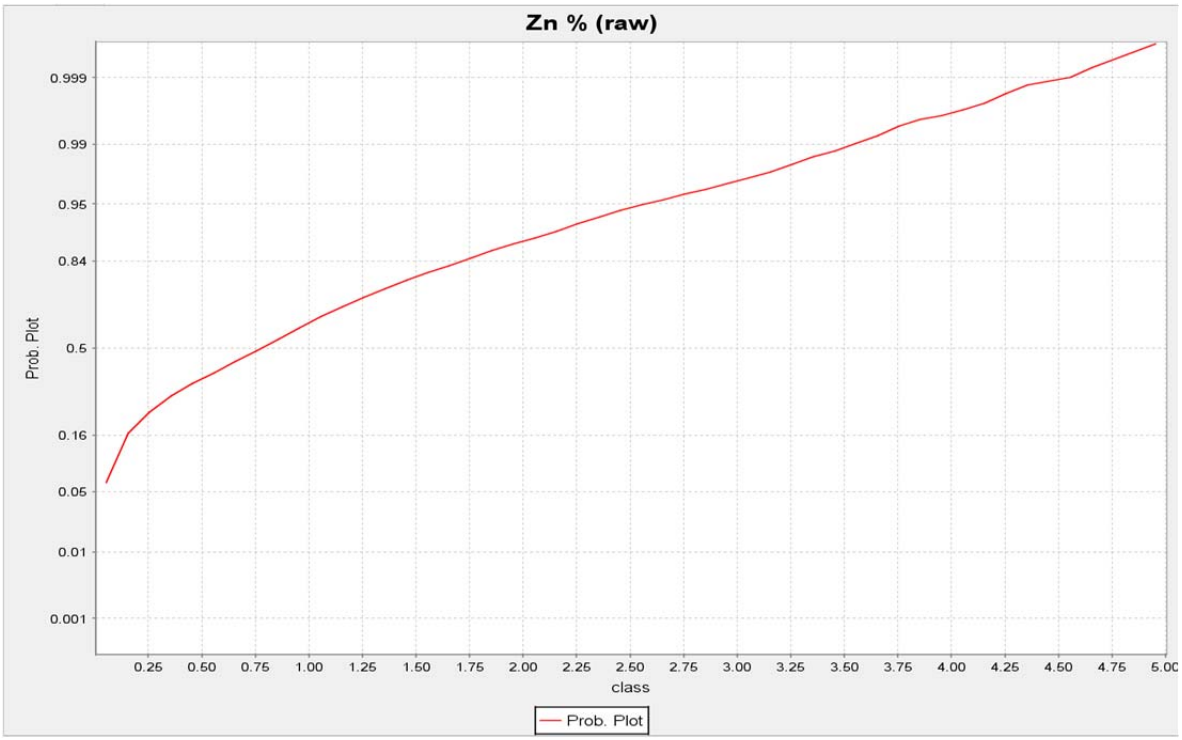

Composite - Peripheral Zone Domain Exclusive of Feeder Zone Ag g/t Frequency Plot



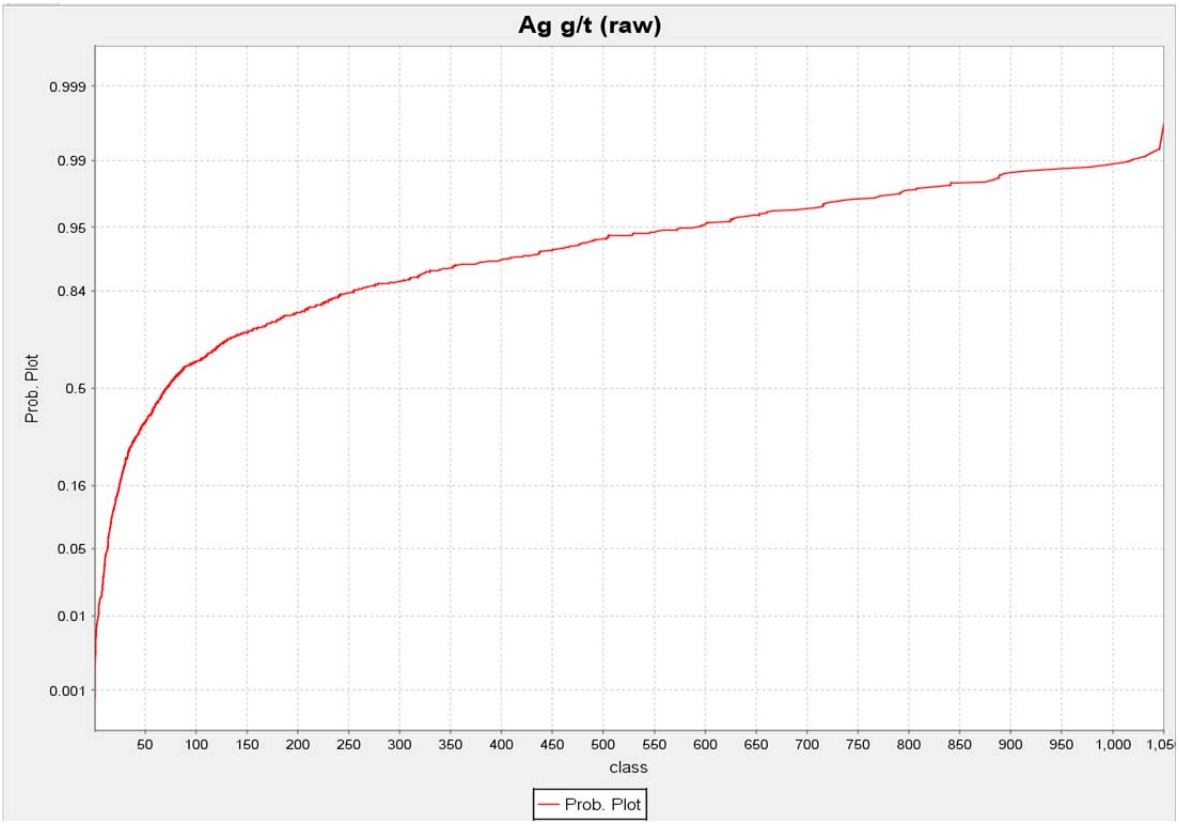

Composite - Peripheral Zone Domain Inclusive of Feeder Zone Ag g/t Frequency Plot




Composite - Peripheral Zone Domain Inclusive of Feeder Zone Pb % Probability Plot




Composite - Peripheral Zone Domain Inclusive of Feeder Zone Zn % Frequency Plot



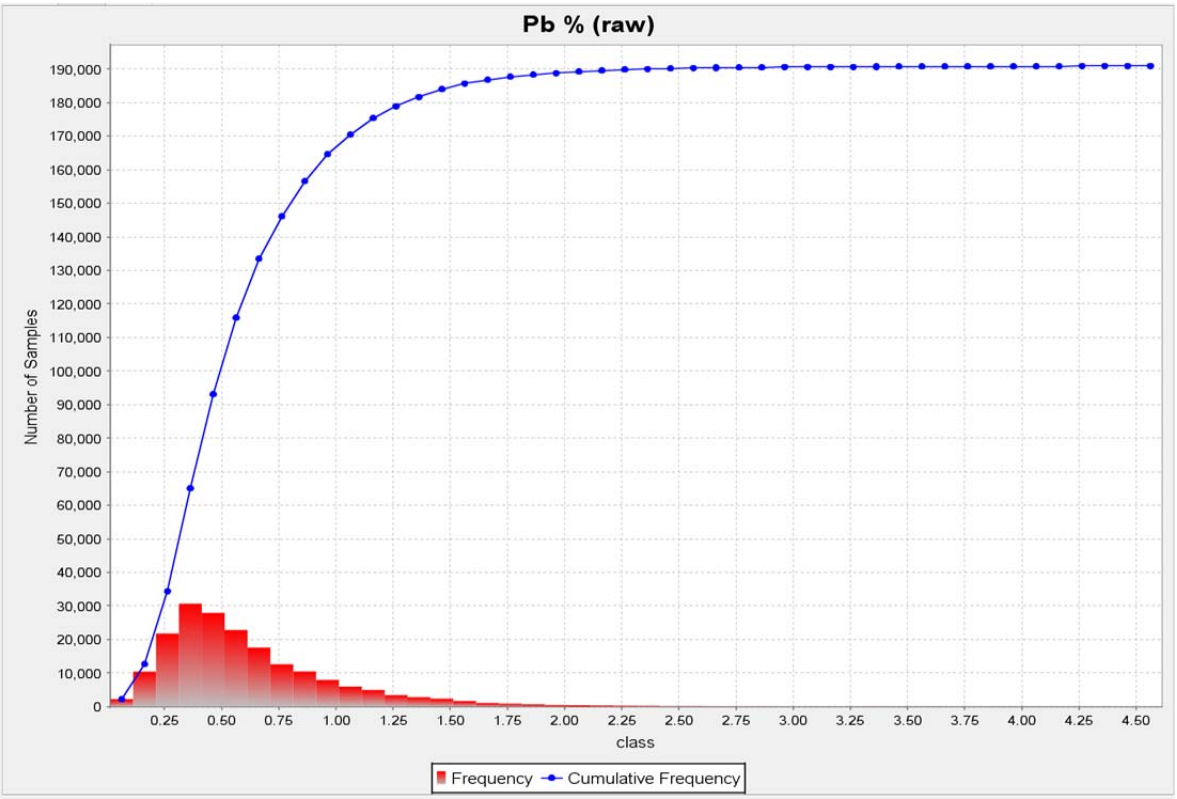

Composite – Feeder Zone Domain Ag g/t Probability Plot



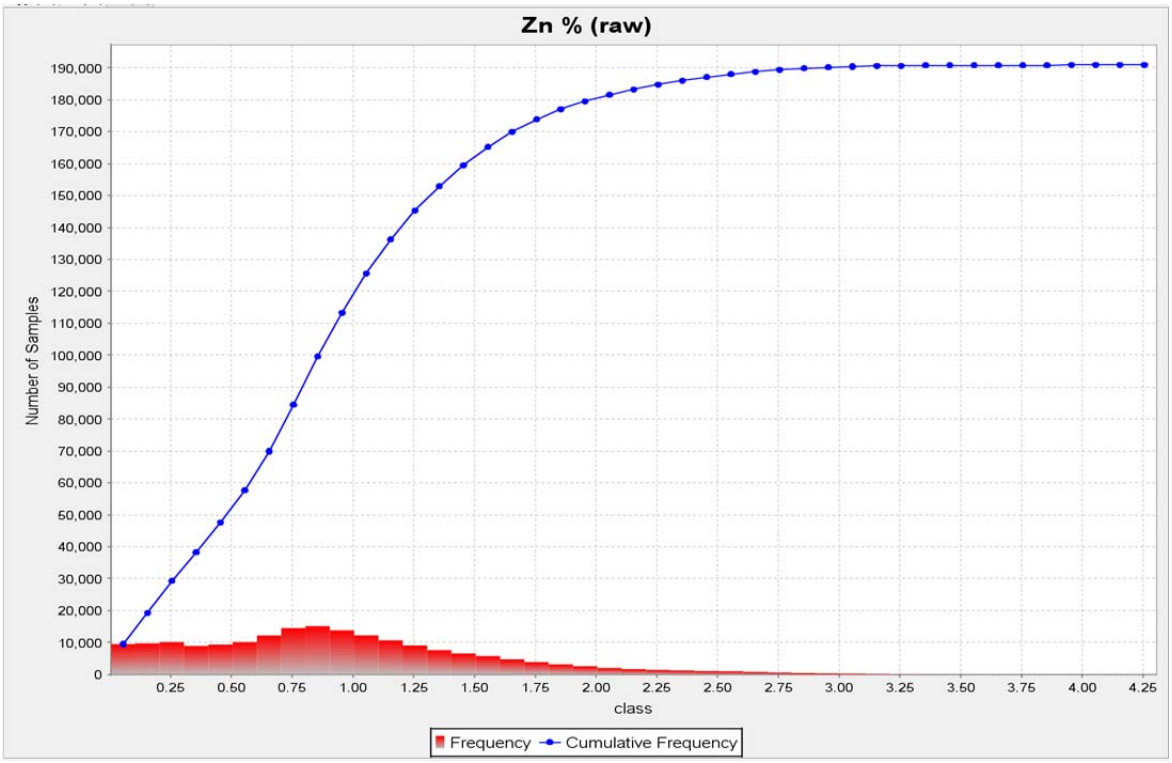

Composite - Peripheral Zone Domain Exclusive of Feeder Zone Ag g/t Probability Plot



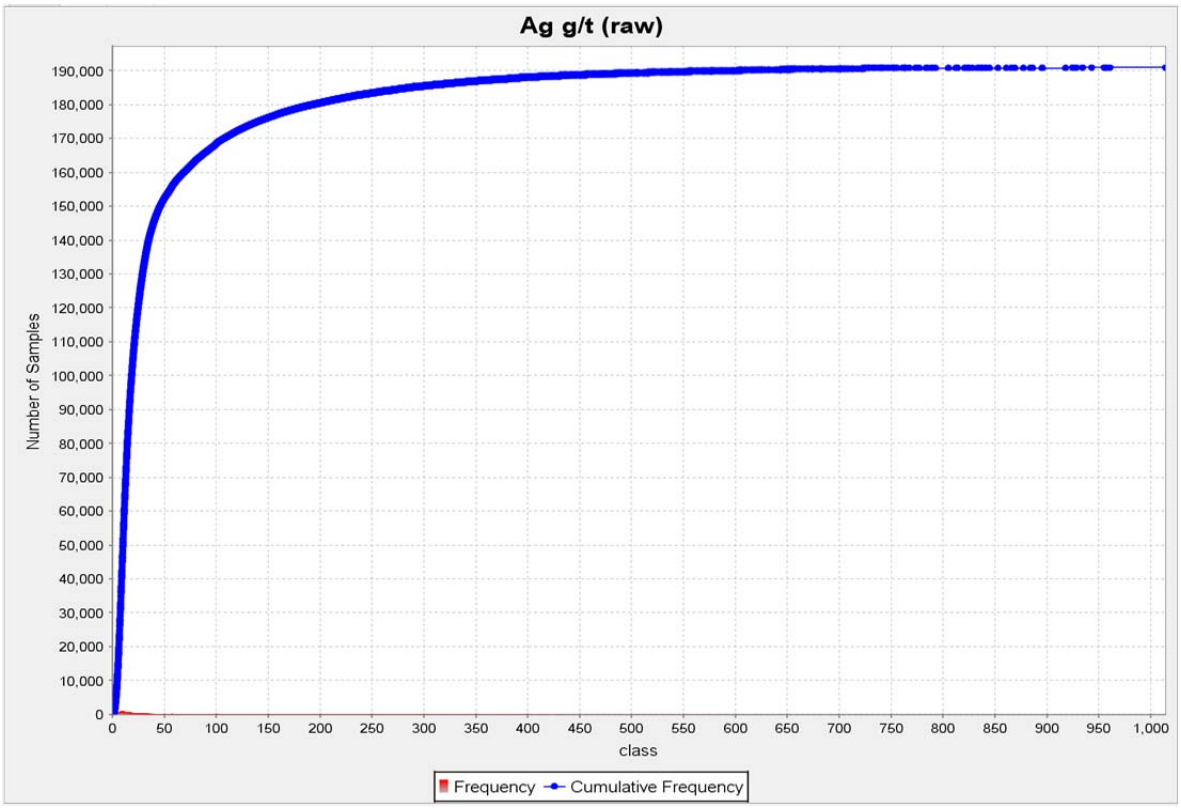

Composite - Peripheral Zone Domain Inclusive of Feeder Zone Ag g/t Frequency Plot



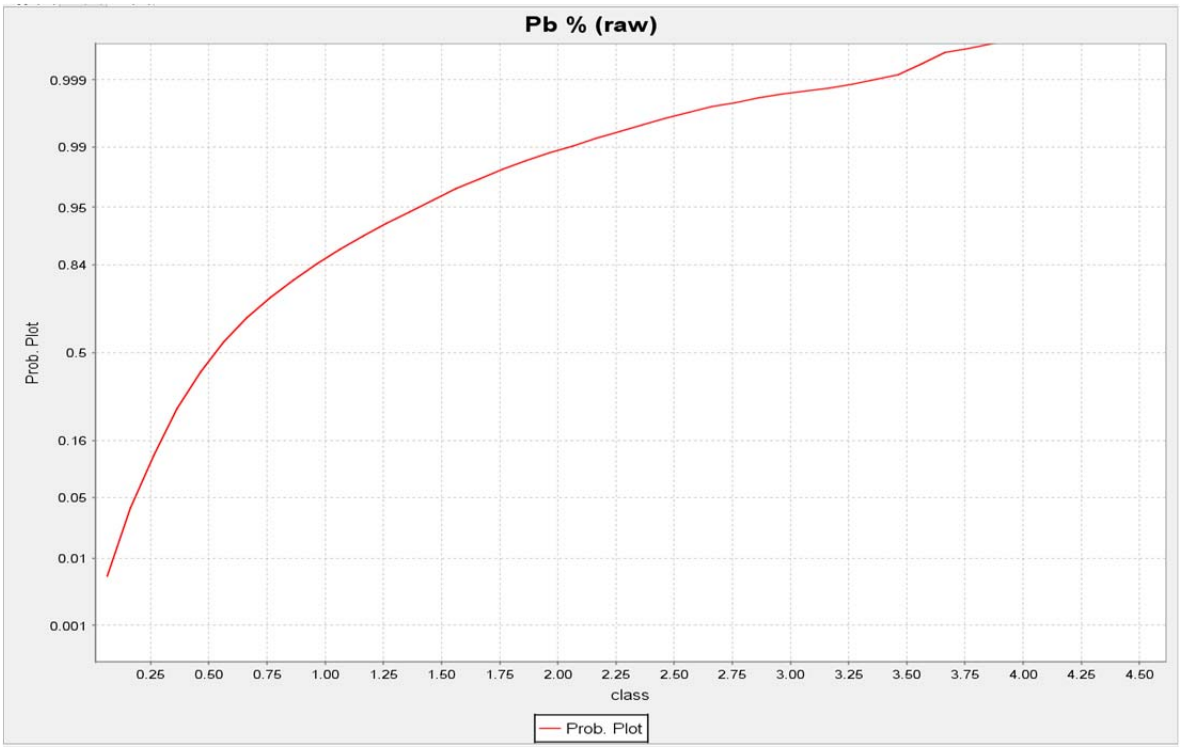

Block Model - Peripheral Domain Inclusive of Feeder Zone Pb% Frequency Plot



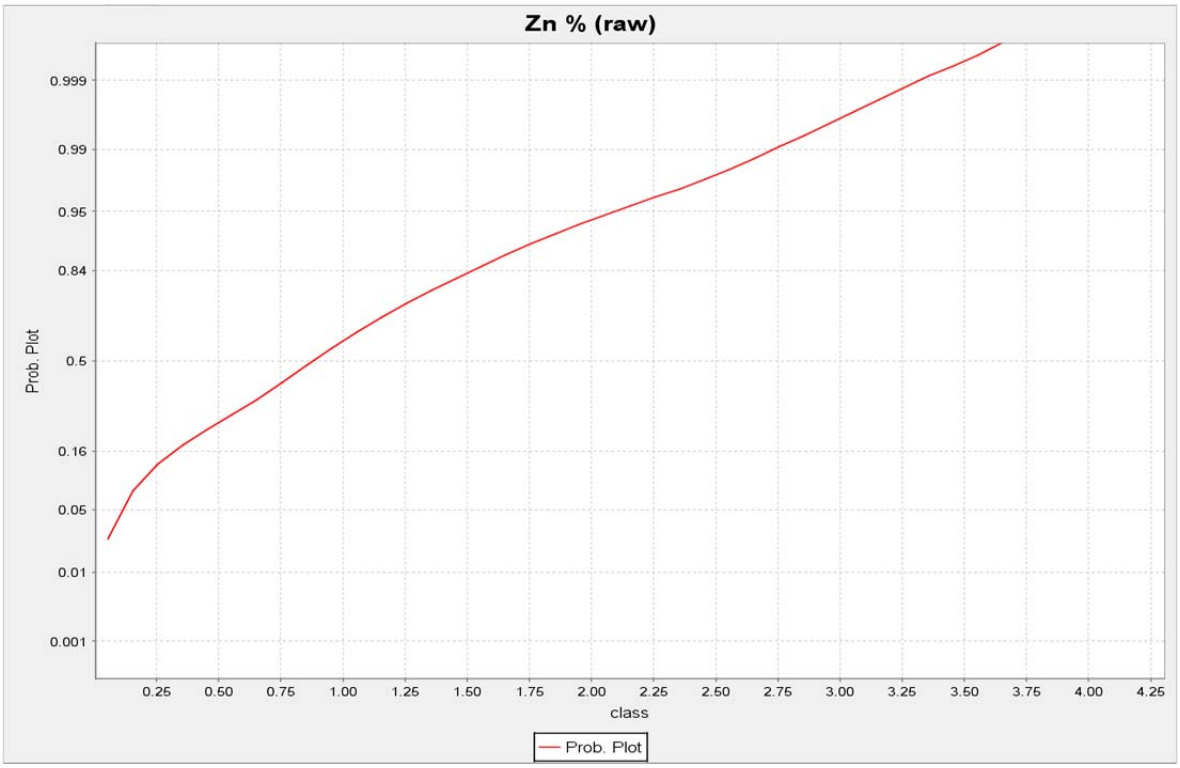

Block Model - Peripheral Domain Inclusive of Feeder Zone Zn % Frequency Plot



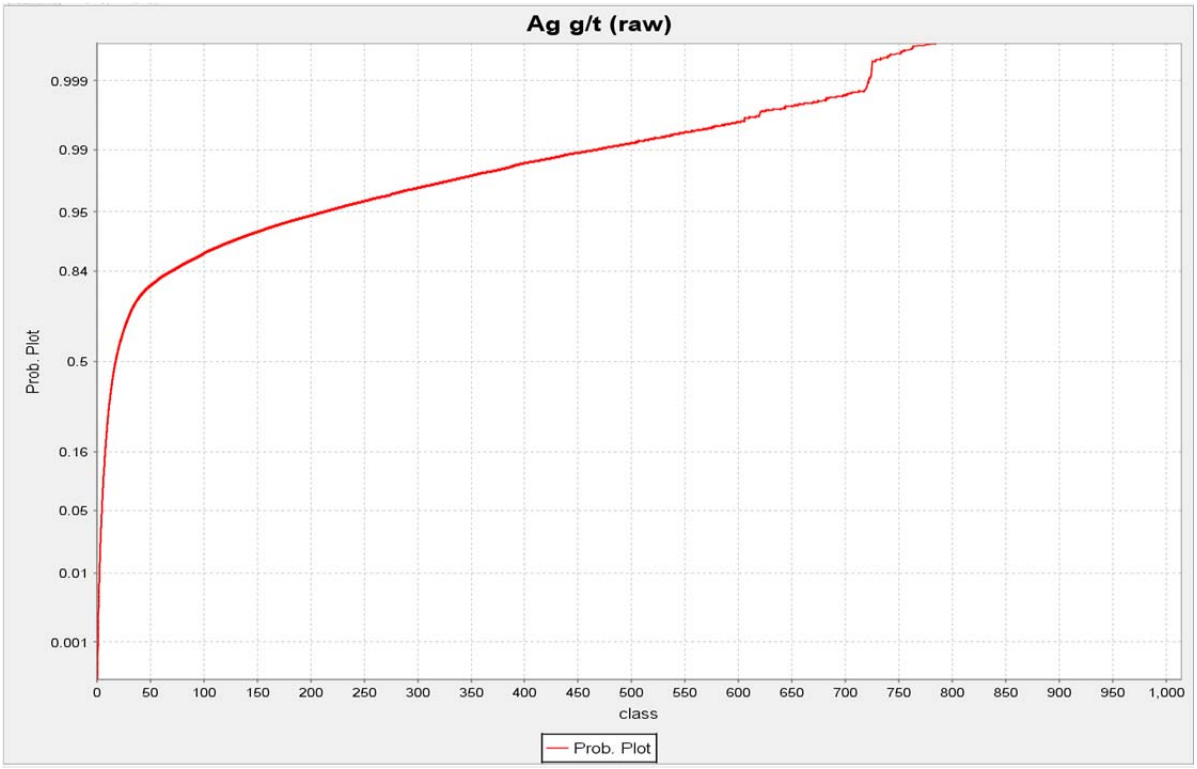

Block Model - Peripheral Domain Inclusive of Feeder Zone Ag g/t Frequency Plot




Block Model - Peripheral Domain Inclusive of Feeder Zone Pb % Probability Plot

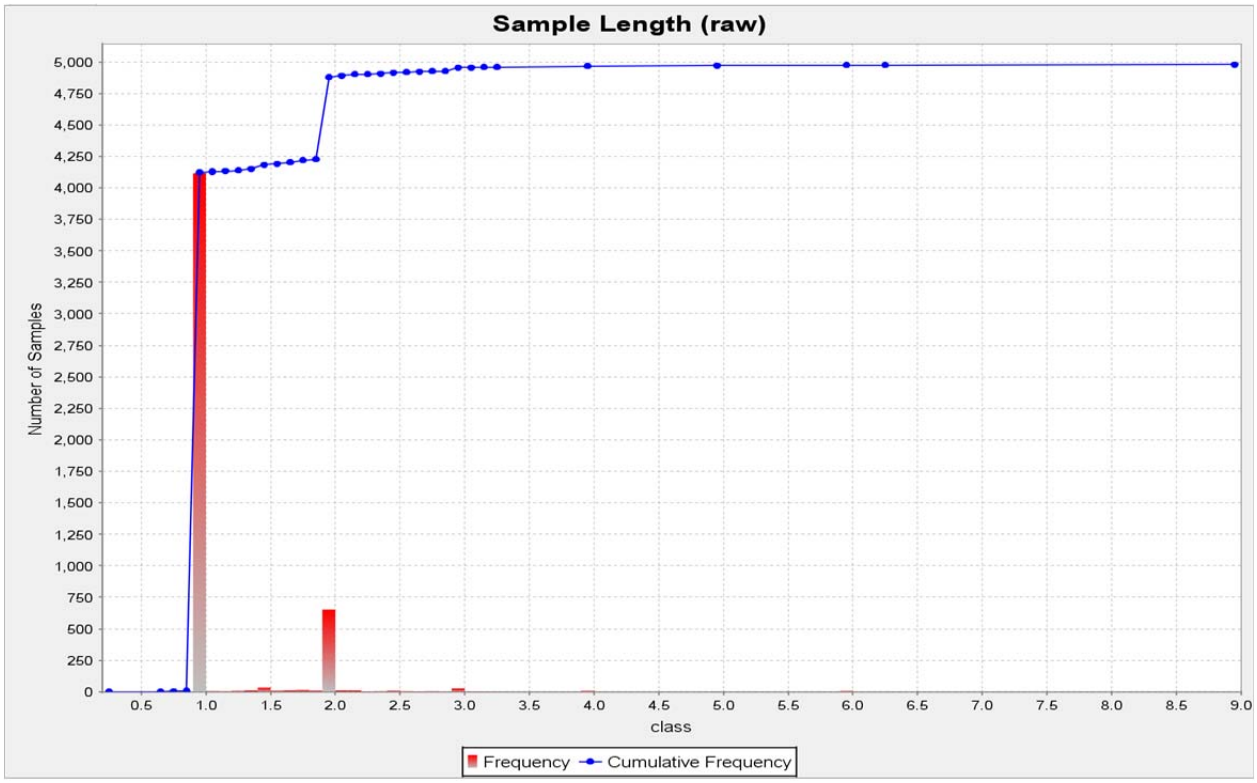



Block Model – Peripheral Domain Inclusive of Feeder Zone Zn % Probability Plot

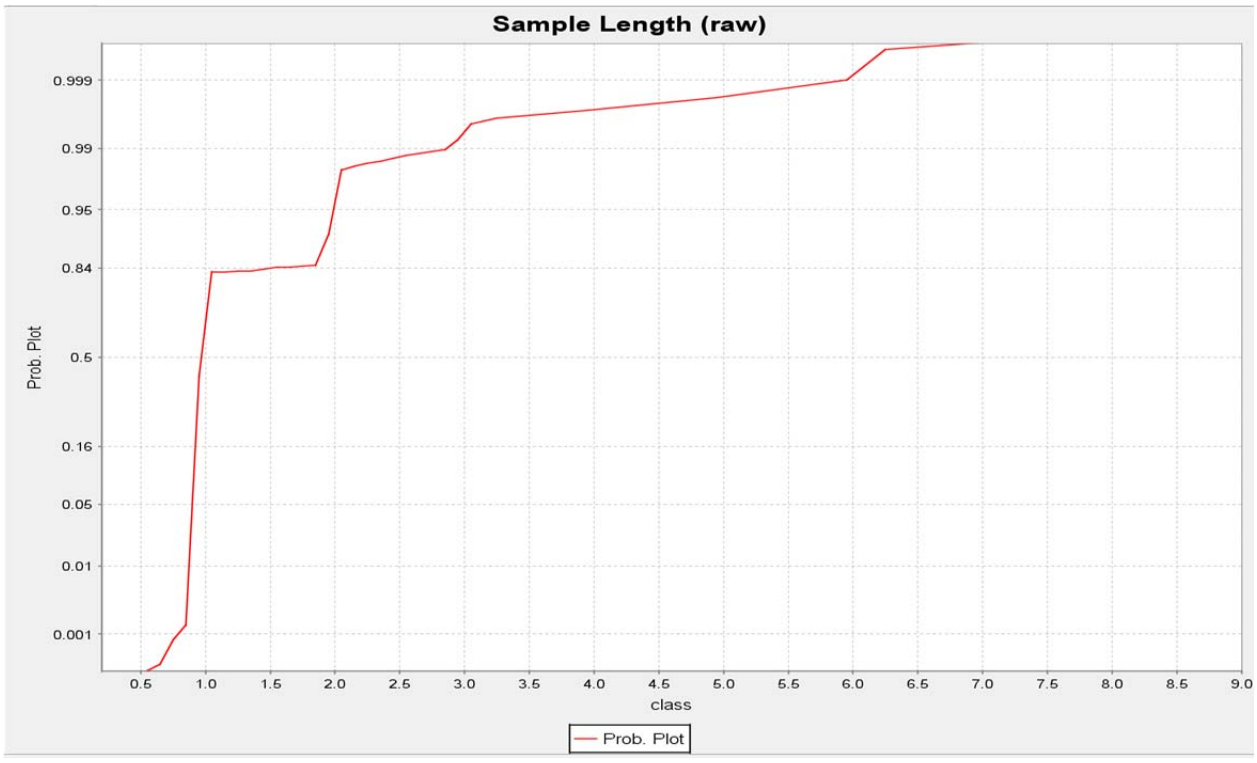



Block Model - Peripheral Domain Inclusive of Feeder Zone Ag g/t Probability Plot

# Sample Length Frequency Plots



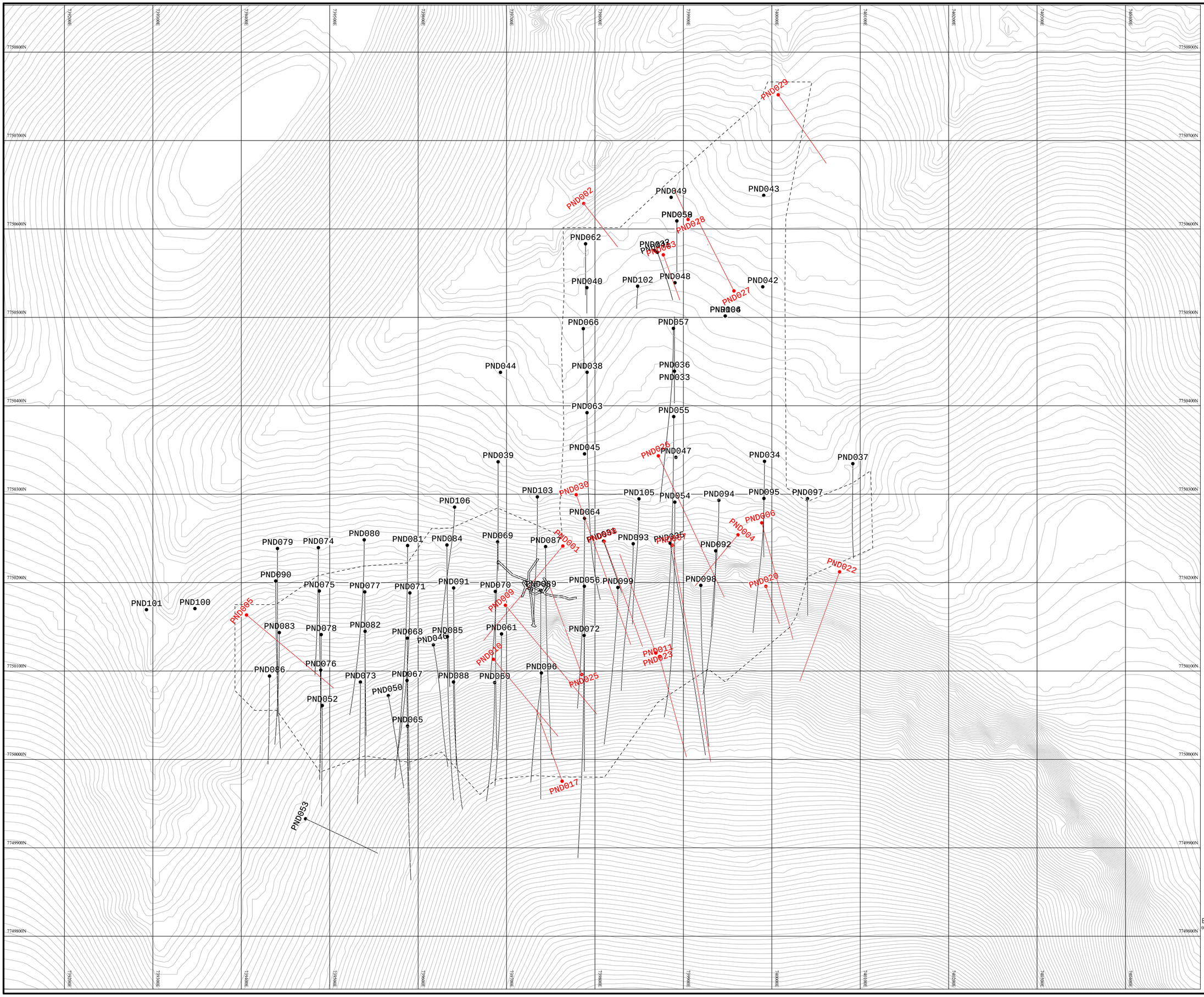

Core Sample Length Frequency Plot (m)




Core Sample Length Probability Plot (m)

# Appendix 3

# Plans and Sections




**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 40 80 120 160 200

# Prophecy Development Corp.

Paca Deposit Drill Plan
Red Drill Trace - ASC
Black Drill Tace - APE

| Scale: 1: 2000 | Plan No. | Date: 23-Oct-15 |
|---|---|---|

7758900N
7759000N
7759100N
7759200N
7759300N
7759400N
7759500N
7759600N
4400El
4300El
4200El
4100El
4000El
3900El
PND005
Peripheral Domain
Ag g/t Grade
> 500
400 - 500
300 - 400
200 - 300
100 - 200
< 100
0
20
40
60
80
100
Prophecy Development Corp.
Paca Deposit - Section 739400
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence
Scale: 1: 1000
Plan No.
Date: 23-Oct-15
section739400
SURPAC - GEOVIA

7749000N
7750000N
7751000N
7752000N
7753000N
7754000N
7755000N

4400El
4300El
4200El
4100El
4000El

PND053
PND086
PND083
PND090
PND079
PND005

**Silver Breccia Domain**

**Peripheral Domain**

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

**Prophecy Development Corp.**

Paca Deposit - Section 739450
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: 1000 | Plan No. | Date: 23-Oct-15 |
|---|---|---|

section739450

SURPAC - GEOVIA

7749900N
7759000N
7759100N
7759200N
7759300N
7759400N
7759500N

4400EI
4300EI
4200EI
4100EI
4000EI

PND053
PND052
PND076
PND078
PND075
PND074
PND065
PND080

**Silver Breccia Domain**

**Peripheral Domain**

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

**Prophecy Development Corp.**

Paca Deposit - Section 739500
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: 1000 | Plan No. | Date: 23-Oct-15 |
|---|---|---|

section739500

SURPAC - GEOVIA

7490600N
7490800N
7491000N
7491200N
7491400N
7491600N
7491800N

4400El
4300EL
4200EL
4100EL
4000EL

PND053
PND050
PND073
PND082
PND077
PND080
PND081

Peripheral Domain

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

**Prophecy Development Corp.**

Paca Deposit - Section 739550
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: | 1000 | Plan No. | Date: | 23-Oct-15 |
|---|---|---|---|---|

section739550

SURPAC - GEOVIA

7749090N
7759000N
7759100N
7759200N
7759300N
7759400N

4400EI
4300EI
4200EI
4100EI
4000EI

PND065
PND067
PND046
PND068
PND050
PND071
PND081

# Peripheral Domain

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

**Prophecy Development Corp.**

Paca Deposit - Section 739600
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: | 1000 | Plan No. | Date: | 23-Oct-15 |
|---|---|---|---|---|

section739600

SURPAC - GEOVIA

7749900N
7750000N
7750100N
7750200N
7750300N
7750400N
7750500N

4400El
4300El
4200El
4100El
4000El

PND088
PND085
PND091
PND084
PND106
PND046
PND087

Silver Breccia Domain

Peripheral Domain

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

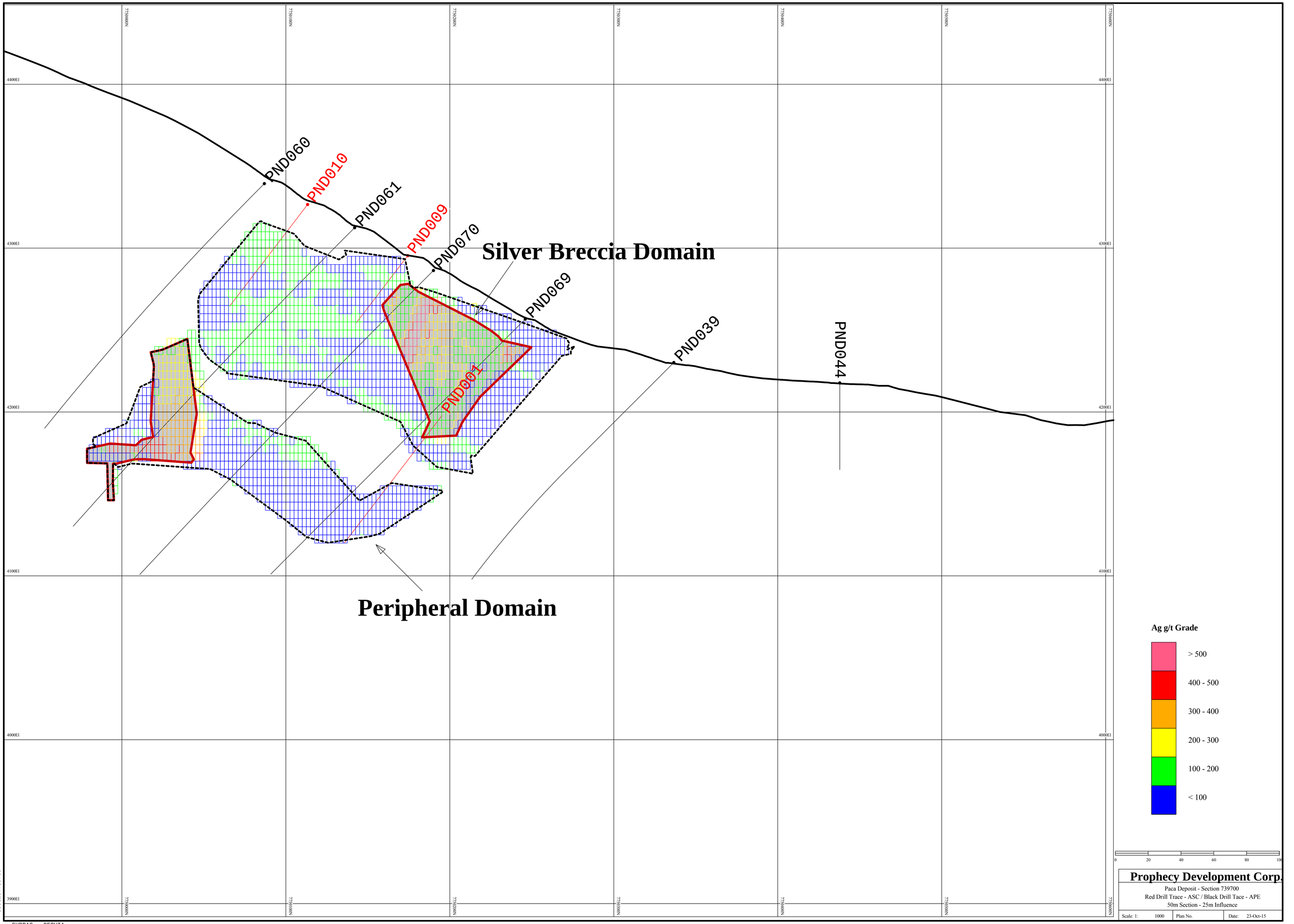
**Prophecy Development Corp.**

Paca Deposit - Section 739650
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: 1000 | Plan No. | Date: 23-Oct-15 |
|---|---|---|

section739650

SURPAC - GEOVIA


7759000N
7759100N
7759200N
7759300N
7759400N
7759500N
7759600N
4400El
4300El
4200El
4100El
4000El
3900El
PND060
PND010
PND061
PND009
PND070
PND069
PND039
PND044
PND001
Silver Breccia Domain
Peripheral Domain
Ag g/t Grade
> 500
400 - 500
300 - 400
200 - 300
100 - 200
< 100
0
20
40
60
80
100
Prophecy Development Corp.
Paca Deposit - Section 739700
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence
Scale: 1: 1000
Plan No.
Date: 23-Oct-15
section739700
SURPAC - GEOVIA

7759000N
7759100N
7759200N
7759300N
7759400N
7759500N

4400El
4300El
4200El
4100El
4000El

PND017
PND096
PND089
PND103
PND087
PND001
PND025
PND009
PND010

**Silver Breccia Domain**

**Peripheral Domain**

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

**Prophecy Development Corp.**

Paca Deposit - Section 739750
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: 1000 | Plan No. | Date: 23-Oct-15 |
|---|---|---|

section739750

SURPAC - GEOVIA

7759000N
7759100N
7759200N
7759300N
7759400N
7759500N

4400El
4300El
4200El
4100El
4000El

PND017
PND096
PND089
PND103
PND087
PND001
PND025
PND009
PND010

**Silver Breccia Domain**

**Peripheral Domain**

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

**Prophecy Development Corp.**

Paca Deposit - Section 739750
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: 1000 | Plan No. | Date: 23-Oct-15 |
|---|---|---|

section739750

SURPAC - GEOVIA

7580600N
7581000N
7581400N
7581800N
7582200N
7582600N
7583000N
7583400N
7583800N
7584200N
7584600N
7585000N
4400El
4300El
4200El
4100El
4000El
3900El

PND025
PND072
PND056
PND099
PND068
PND064
PND030
PND045
PND063
PND038
PND066
PND040
PND062
PND002
PND009

**Silver Breccia Domain**

**Peripheral Domain**

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

**Prophecy Development Corp.**

Paca Deposit - Section 739800
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: 1000 | Plan No. | Date: 23-Oct-15 |
|---|---|---|

section739800

SURPAC - GEOVIA

7759100N
7759200N
7759300N
7759400N
7759500N
7759600N

4400El
4300El
4200El
4100El
4000El
3900El

PND024
PND011
PND099
PND093
PND105
PND026
PND102
PND045
PND032
PND002
PND030
PND057

# Silver Breccia Domain

# Peripheral Domain

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

**Prophecy Development Corp.**

Paca Deposit - Section 739850
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: 1000 | Plan No. | Date: 23-Oct-15 |
|---|---|---|

section739850

SURPAC - GEOVIA

7759100N
7759200N
7759300N
7759400N
7759500N
7759600N

4400El
4300El
4200El
4100El
4000El
3900El

PND024
PND011
PND099
PND093
PND105
PND026
PND102
PND045
PND032
PND002
PND030
PND057

# Silver Breccia Domain

# Peripheral Domain

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

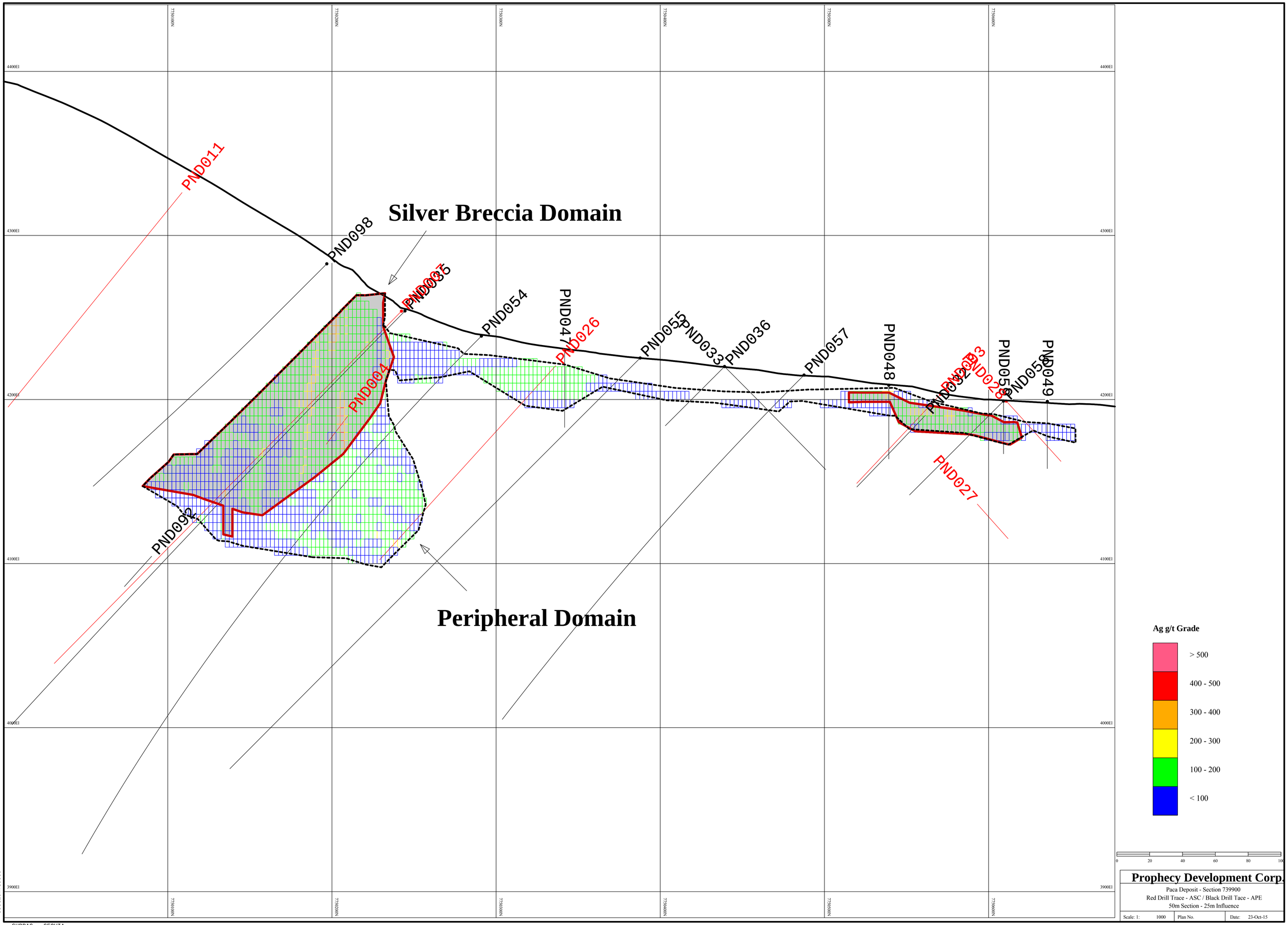
**Prophecy Development Corp.**

Paca Deposit - Section 739850
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: 1000 | Plan No. | Date: 23-Oct-15 |
|---|---|---|

section739850

SURPAC - GEOVIA




**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

**Prophecy Development Corp.**

Paca Deposit - Section 739900
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: | 1000 | Plan No. | Date: | 23-Oct-15 |
|---|---|---|---|---|

section739900

SURPAC - GEOVIA

7591010N
7592020N
7593030N
7594040N
7595050N
7596060N
7597070N

4400El
4300El
4200El
4100El
4000El
3900El

# Silver Breccia Domain

PND092
PND004
PND094
PND098
PND027
PND026

# Peripheral Domain

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

**Prophecy Development Corp.**

Paca Deposit - Section 739950
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: | 1000 | Plan No. | Date: | 23-Oct-15 |
|---|---|---|---|---|

section739950

SURPAC - GEOVIA

7759200N
7759300N
7759400N
7759500N
7759600N
7759700N

4400EI
4300EI
4200EI
4100EI
4000EI
3900EI

PND020
PND006
PND095
PND034
PND042
PND043
PND029

**Silver Breccia Domain**

**Peripheral Domain**

**Ag g/t Grade**

- > 500
- 400 - 500
- 300 - 400
- 200 - 300
- 100 - 200
- < 100

0 20 40 60 80 100

**Prophecy Development Corp.**

Paca Deposit - Section 740000
Red Drill Trace - ASC / Black Drill Tace - APE
50m Section - 25m Influence

| Scale: 1: 1000 | Plan No. | Date: 23-Oct-15 |
|---|---|---|

section740000

SURPAC - GEOVIA