PACIFIC COAST NICKEL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED: JULY 31, 2009
DATE OF THE REPORT: OCTOBER 21, 2009

INTRODUCTION

This management discussion and analysis ("MD&A") of financial position and results of operations of Pacific Coast Nickel Corp. (the "Company") is prepared as at October 21, 2009 and should be read in conjunction with the annual consolidated financial statements for the years ended July 31, 2009 and 2008. The Company prepares and files its financial statements and notes in Canadian ("CDN") dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information related to the Company is available at www.sedar.com and at www.pacificcoastnickel.com.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. Management has evaluated the Company's disclosure controls and procedures and internal controls over financial reporting and has concluded that they were effective at July 31, 2009. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The audit committee meets with management to review the financial statements and the MD&A, and to discuss other financial, operating and internal control matters.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under RISK AND UNCERTAINTIES section in this MD&A. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

OVERALL PERFORMANCE

Description of Business

The Company was incorporated under the Business Corporations Act of British Columbia on April 5, 2006 and was classified as a Capital Pool Company as defined in TSX Venture Exchange Policy 2.4. The principal business of the Company was the identification and evaluation of a Qualifying Transaction and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

On March 12, 2007, the Company entered into an agreement to acquire Pacific Coast Nickel Corp. ("PCNC"), a private company developing the Big Nic nickel project in British Columbia (the "Transaction"). The Transaction closed on July 10, 2007.

Pursuant to the Transaction, the Company issued to the shareholders of PCNC an aggregate of 17,525,000 common shares to acquire all of the issued and outstanding shares of PCNC. Concurrently with the closing of the Transaction, the Company undertook a partially brokered private placement to raise $2,680,000 through the sale of 4,200,000 common shares at $0.40 per share and 2,000,000 flow-through common shares at $0.50 per share.

The Transaction constituted the Company's "Qualifying Transaction", and upon completion resulted in the listing of the Company as a "Tier 2 Mining Issuer". At the close of the Transaction, the Company changed its name to Pacific Coast Nickel Corp. The Company adopted the year end of PCNC as its own as the private company was the accounting acquirer in the Transaction.

SELECTED ANNUAL INFORMATION

The annual information for the years ended July 31, 2009, 2008, and 2007 is as follows:

	Year Ended July 31, 2009	Year Ended July 31, 2008	Year Ended July 31, 2007
Revenue	$Nil	$Nil	$Nil
Interest income	$21,428	$97,651	$4,592
Net loss	$(321,696)	$(1,506,866)	$(851,908)
Net loss per share	$(0.01)	$(0.04)	$(0.05)
Total Assets	$2,099,195	$2,580,628	$4,022,110
Long term Liabilities	$Nil	$Nil	$Nil
Dividends	$Nil	$Nil	$Nil

RESULTS OF OPERATIONS

For the year ended July 31, 2009, the Company incurred a net loss of $321,696 compared to a net loss of $1,506,866 in the prior year. The decreased loss was mainly due to a $1,434,807 write-down of the Big Nic and Devil's Lake mineral properties that occurred in fiscal 2008. In addition, administrative expenses (excluding stock-based compensation expense) decreased by $193,295 over the prior year primarily due to a decrease in investor relations expense of $180,000 partially offset by a $30,817 increase in Office and Miscellaneous expenses and a $43,000 increase in Consulting fees. Other significant differences in comparison to the prior year were a decrease in stock-based compensation expense of $91,581, a decrease in future income tax recovery of $320,000 and a decrease in interest income of $70,903.

Canada

During the year ended July 31, 2008, the Company decided to write off its capitalized exploration expenses on the Big Nic and Devil's Lake properties as there were significant cash payments and share issuances due in the next 14 months and exploration results did not justify these payments at that time. This left the company with only the Burwash property located within Canada.

The Burwash property is located 8km from the Alaska Highway and adjoins the Wellgreen nickel deposit, a property which has been extensively explored since its discovery in 1952. The Company budgeted approximately $400,000 for an exploration program on the Burwash property during the 2008 summer season. At July 31, 2009, $527,924 had been spent on the Burwash property including acquisition costs. Assay results are available on the Company's website.

Pursuant to an option agreement (the "Agreement") dated May 14, 2008, and amended on December 9, 2008, the Company entered into an option agreement (the "Agreement") to acquire up to a 75% interest in the Burwash Property located in the Yukon Territory as follows:

The Company may acquire a 50% interest by:

(a) making the following payments to the Optionor:

- (i) $25,000 upon the execution of this Agreement (paid);
- (ii) an additional $25,000 on or before March 31, 2009 (paid);
- (iii) an additional $30,000 on or before March 31, 2010; and
- (iv) an additional $50,000 on or before March 31, 2011

(b) issuing the following common shares to the Optionor:

- (i) 100,000 upon the execution of the agreement (issued);
- (ii) an additional 100,000 shares on or before March 31, 2009 (issued);
- (iii) an additional 150,000 shares on or before March 31, 2010; and

RESULTS OF OPERATIONS (continued)

(c) incurring the following expenditures on the property by December 1, 2010:

(i) \$400,000 on or before December 1, 2008 (incurred);
(ii) an additional \$1,000,000 on or before December 1, 2010; and
(iii) an additional \$1,600,000 on or before December 1, 2011;

The Company may acquire an additional 10% interest by providing the Optionor with a positive bankable feasibility study in respect of the property on or before March 31, 2013.

The Company may acquire an additional 15% interest by providing all of the funding required to put the Property into commercial production on or before March 31, 2016.

During the spring and summer of 2009 the company halted all exploration work on the Burwash property in order to preserve its treasury and to monitor the fall out of the financial and economic crisis that began in the fall of 2008. The company continues to monitor the companies that have staked over 10,000 claims along the belt that contains the Burwash property. In conjunction with Strategic Metals (optionor), the Company will develop a program that will seek to advance this property.

Uruguay

The Company has incorporated a wholly-owned subsidiary in Uruguay, Pacific Nickel Sudamerica SA, the purpose of which was to conduct a low budget review of several properties with demonstrated nickel potential. The program to date has resulted in the expenditure of \$491,459. The expenditures consisted of reviews of existing data and initial site visits by our geological consultants based in the area. The Company's goal was to acquire several properties as a result of this work. During fiscal 2009 the company applied for and acquired 5 prospecting licences for properties it had reviewed. The company has no future obligations or expenditures requirements related to the Uruguayan properties.

Similar to the Burwash property the company halted all exploration work on the Uruguayan property to preserve capital and to monitor the fall out of the financial and economic crisis. The company intends to complete additional exploration work on the Uruguayan property once economic conditions improve and additional capital is raised. .

Outlook

During the 2009 summer the Company and its technical staff began a global search for precious metal properties with a focus on properties in Africa. During the coming months the Company will continue to assess available properties and develop an exploration budget for the 2010 exploration season for its existing properties.

SUMMARY OF QUARTERLY RESULTS

The quarterly results of Pacific Coast Nickel Corp. are as follows:

	July 31, 2009	April 30, 2009	January 31, 2009	October 31, 2008
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before extraordinary items				
- total	$(111,240)	$(62,264)	$(72,551)	$(75,641)
- per share undiluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
- per share diluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
(c) Net Loss				
- total	$(111,240)	$(62,264)	$(72,551)	$(75,641)
- per share undiluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
- per share diluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)

	July 31, 2008	April 30, 2008	January 31, 2008	October 31, 2007
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before extraordinary items				
- total	$(1,478,045)	$75,525	$(28,705)	$(75,641)
- per share undiluted	$(0.04)	$0.00	$(0.00)	$(0.00)
- per share diluted	$(0.04)	$0.00	$(0.00)	$(0.00)
(c) Net Loss				
- total	$(1,478,045)	$75,525	$(28,705)	$(75,641)
- per share undiluted	$(0.04)	$0.00	$(0.00)	$(0.00)
- per share diluted	$(0.04)	$0.00	$(0.00)	$(0.00)

FOURTH QUARTER

Quarterly results for the year ended July 31, 2009 were consistent throughout the year with the exception of the fourth quarter which contained an additional write-down related to the Big Nic and Devil's Lake properties totalling $24,801. Also during the fourth quarter management wrote-off the Arizona properties expenditures totalling $32,092.

LIQUIDITY

The Company has financed its operations to date through the issuance of common shares. Over the short term the Company will continue to seek capital through the issuance of equity as existing properties are developed and as new properties are identified. Over the long term the company will consider the issuance of debt to advance property development. Currently the Company has sufficient capital to conduct further exploration on its existing properties or to make possible property acquisitions. The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	July 31, 2009 $	July 31, 2008 $	July 31, 2007 $
Working capital	974,153	1,607,665	3,178,812
Deficit	(2,802,866)	(2,481,170)	(974,304)

The Company's working capital has continued to decrease since the year ended July 31, 2007 as the Company has conducted exploration work on its mineral properties.

Cash used in operating activities for the year ended July 31, 2009 was $394,916 compared to $187,273 during the year ended July 31, 2008. Cash used in investing activities for the year ended July 31, 2009 was $421,238 compared to $1,197,871 during the year ended July 31, 2008. Cash provided by financing activities for the year ended July 31, 2009 was $Nil compared to $Nil during the year ended July 31, 2008.

CAPITAL RESOURCES

Following the close of its Qualifying Transaction and private placement during fiscal 2007 the Company had $3,680,000 in capital resources to carry out its proposed business plan.

At July 31, 2009, the Company had $993,088 (2008 - $1,809,242) in cash and cash equivalents to continue its business plan. All of the Company's cash equivalents are on deposit with Canadian banks and brokerage houses as redeemable GIC's or redeemable mutual funds. None of the Company's cash is invested in asset backed commercial paper. The Company has spent $1,000,000 in exploration expenditures that qualify as CEE in order to satisfy the renunciation made in connection with the flow through financing in July 2007.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

TRANSACTIONS WITH RELTED PARTIES

During the year ended July 31, 2009, the Company was charged the following expenses by related parties:

- Wages of $38,500 (2008 - $42,000)
- Consulting fees $22,500 (2008 – Nil)
- Directors fees of $1,250 (2008 - $2,150)
- Accounting fees of $29,500 (2008 -$40,984)
- Investor relations fees of Nil (2008 - $180,000)
- Rent of $13,200 (2008 - $4,250)
- Geological consulting fees of $11,750 (2008 - $34,810)

At July 31, 2009, accounts payable and accrued liabilities included $8,970 – (2008 - $2,323) due to related parties.

PROPOSED TRANACTIONS

The Company is reviewing a number of potential property acquisitions in addition to conducting further exploration work on its properties. The search for additional properties is global in nature. As the company conducts exploration work on its existing properties and if an acquisition is made appropriate disclosures will be made.

CRITICAL ACCOUNTING ESTIMATES

Equipment

The Company has adopted amortization policies, which, in the opinion of management, are reflective of the estimated useful lives and abandonment cost, if any, of its assets. The Company has not yet recorded any amounts in respect of impairment, as none of these costs has been identified.

Mineral Properties

In addition, the Company will be capitalizing costs related to the development and furtherance of its resource properties. The recovery of those costs will be dependent on the ability of the Company to discover and develop economic reserves and then to develop such reserves in an economic fashion. Management believes that costs capitalized in respect of its projects are not impaired and no adjustments to carrying values are required at this time.

Stock-Based Compensation

The Company uses the Black-Scholes valuation model in calculating stock-based compensation expense. The model requires that estimates be made of stock price volatility, option life, dividend yield and risk free interest rate and the ensuing results could vary significantly if changes are made in these assumptions.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective August 1, 2008, The Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") Handbook. Section 1535 "Capital Disclosures", Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" which replaced Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 1400 "Going Concern".

Section 1535

Section 1535 applies to all entities regardless of whether they have financial instruments or are subject to external capital requirements. This new section establishes standards for disclosing information about an entity's capital and how it is managed. Disclosure requirements pertaining to this section are contained in Note #18 of the Consolidated Financial Statements.

Section 3862 & 3863

Section 3862 outlines the disclosure requirements for financial instruments and non-financial derivatives and places increased emphasis on disclosure regarding concentrations of risk, liquidity risk and price risk associated with both recognized and unrecognized financial instruments and how these risks are managed. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in section 3855, Financial Instruments – Recognition and Measurement, Section 3863, Financial Instruments – Presentation, and Section 3865, Hedges (See Note #17 of the Consolidated Financial Statements). Section 3863, Financial Instruments - Presentation is required to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Section 1400

This section provides revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. The adoption of this standard had no impact on these consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries PCNC Holdings Corp., Pacific Coast Nickel Corp. USA and Pacific Nickel Sudamerica Sociedad Anonima, Uruguay. All significant inter-company balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid short-term investments with a maturity of less than 90 days from the date of acquisition, or which are redeemable at the option of the Company.

Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future revenues from the property or from the sale of the property. Amounts shown for the properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Flow-Through Shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of EIC-146 with respect to flow-through shares. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided over the estimated useful life of the asset using the declining balance method at annual rates of between 20% and 30% with one-half year's amortization recorded in the year of acquisition.

Foreign Currency Translation

The Company's consolidated financial statements are expressed in Canadian dollars. The accounts of integrated foreign operations, which are initially recorded in United States dollars and Argentina Pesos, have been translated into Canadian dollars using the temporal method. Monetary assets and liabilities originating in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Expenses and income are translated at the rates of exchange in effect on the dates of the related transactions. Non-monetary items are translated at the rates in effect when the items were acquired. Exchange gains and losses arising on translation are included in determining current earnings.

Stock-Based Compensation

The Company has a stock-based compensation plan as disclosed in Note 9 whereby stock options are granted and share purchase warrants are issued in accordance with the policies of regulatory authorities. The fair value of all options and warrants is charged as a compensation cost over their respective vesting period with a corresponding increase to contributed surplus. Upon exercise of options and warrants, the consideration paid by the holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company uses the Black-Scholes option pricing model to calculate the fair value of stock-based compensation.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes, only if it is more likely than not that they can be realized. Future income tax assets are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.

Loss per Share

Basic loss per share is computed by dividing the net loss for the year by the weighted average number of shares outstanding during the year. Diluted loss per share is equal to basic loss per share since the effect of outstanding warrants and options is excluded in the calculation as they are anti-dilutive.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses for a period. Significant areas requiring the use of estimates include stock-based compensation, impairment of mineral properties, asset retirement obligations and future income tax asset valuation allowances. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. However, actual results may differ from the estimates.

Asset Retirement Obligations

The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statements of operations. The increase in the carrying value of the asset is amortized on the same basis as the related long-lived asset. The Company has not identified any asset retirement obligations for the years ended July 31, 2009 and 2008.

SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Impairment of Long-Lived Assets

Long-term assets are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3840, "Related Party Transactions".

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company classified its cash and cash equivalents and its marketable securities as held-for-trading, and its accounts payable as other financial liabilities.

Comprehensive Ioss

Comprehensive loss reflects net loss and other comprehensive loss for the period. Other comprehensive loss includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

RECENT ACCOUNTING PRONOUNCEMENTS

Goodwill and intangible assets

In February 2008, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing August 1, 2009. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS (cont'd…)

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

International Financial Reporting Standards ("IFRS")

In January 2006, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

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OTHER ITEMS

Common Shares July 31, 2009 and October 21, 2009

	Number of Shares	Amount
Issued:	34,644,000	$ 3,615,875

Stock Options October 21, 2009

Number	Weighted Average Exercise Price	Expiry
1,600,000	$ 0.60	July 16, 2012
275,000	0.16	January 7, 2013
200,000	0.15	May 27, 2013
1,000,000	0.10	August 7, 2014
75,000	0.10	September 17,2014
3,150,000	$ 0.36	

Broker Warrants July 31, 2009 and October 21, 2009

Number	Weighted Average Exercise Price	Expiry
Nil	$0.00	-
Nil	$ 0.00	

RISKS AND UNCERTAINTIES

The Company has incurred losses since inception and as of July 31, 2009 had an accumulated deficit of $2,481,170. The Company expects to report substantial net losses for the foreseeable future. The Company has not paid any cash or other dividends on its common stock and does not expect to pay any dividends, as all available funds will be invested primarily to further its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company has limited financial resources and has financed its operations through the sale of common shares. The Company will need to continue its reliance on the sale of such securities for future financing resulting in dilution to the Company's existing shareholders.

Capital Risk

The amount of financial resources available to the Company to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and the ability of the Company to issue common shares or obtain debt financing. Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Dependence on Key Personnel

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting professional personnel is time consuming, expensive and competitive. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

General Risk Associated with the Mining Industry

The Company is engaged in the exploration and development of mineral deposits. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases eliminate. The commercial viability of any mineral deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure, government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit. Management attempts to mitigate its exploration risk by maintaining a diversified portfolio, our strategy of joint ventures with other companies on a number of properties is a factor which balances risk while at the same time allowing properties to be advanced.

Management believes that climate change will have minimal effect on its current operations except that the length of field seasons may be affected to a minor extent. Management does however expect government regulation to increase as greater scrutiny is directed towards mining and its affects on climates and local environments. Management will monitor the trends as they develop and relevant literature to determine whether there are future effects on operations.

Foreign Currency Risk

The Company intends to continue business in South America and may conduct business in other foreign jurisdictions. In addition, prices of commodities mined are primarily quoted in US dollars as are the costs of development and equipment expenditures. Recent fluctuations in the Canadian dollar will have an impact on the mining industry and we will continue to be mindful of the effects on the Company of currency fluctuations.

MANAGEMENT

Management of the Company at July 31, 2009 and October 21, 2009 was as follows:

Name and Residence	Position	Principal Occupation
James Walchuck Vancouver, BC	President, Chief Executive Officer and Director	Professional Engineer, Former President and Chief Executive Officer of Tournigan Gold Ltd., Manager of Mining with a Barrick gold subsidiary and director of several public companies.
Murray McClaren North Vancouver, BC	Vice President and Director	Geologist, Professional Geoscientist
John Kerr Vancouver, BC	Director	Geologist, Professional Engineer and Director of two other companies.
Michael Sweatman Delta, BC	Director	Chartered Accountant. Chief Financial Officer of Marifil Mines Ltd and director of several public companies.
John Icke Vancouver, BC	Director	President and Chief Executive Officer of Longview Capital Partners Inc. and director of several public companies.
Roger Foster Vancouver, BC	Chief Financial Officer	Former Chief Financial Officer of Longview Capital Partners, Oriental Minerals, and Cue Resources. Ernst & Young Chartered Accountants (formerly Ellis Foster – Chartered Accountants)

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This management discussion and analysis ("MD&A") of financial position and results of operations of Pacific Coast Nickel Corp. (the "Company") is prepared as at October 21, 2009 and should be read in conjunction with the annual consolidated financial statements for the years ended July 31, 2009 and 2008. The Company prepares and files its financial statements and notes in Canadian ("CDN") dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information related to the Company is available at www.sedar.com and at www.pacificcoastnickel.com.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. Management has evaluated the Company's disclosure controls and procedures and internal controls over financial reporting and has concluded that they were effective at July 31, 2009. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The audit committee meets with management to review the financial statements and the MD&A, and to discuss other financial, operating and internal control matters.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under RISK AND UNCERTAINTIES section in this MD&A. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

OVERALL PERFORMANCE

Description of Business

The Company was incorporated under the Business Corporations Act of British Columbia on April 5, 2006 and was classified as a Capital Pool Company as defined in TSX Venture Exchange Policy 2.4. The principal business of the Company was the identification and evaluation of a Qualifying Transaction and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

On March 12, 2007, the Company entered into an agreement to acquire Pacific Coast Nickel Corp. ("PCNC"), a private company developing the Big Nic nickel project in British Columbia (the "Transaction"). The Transaction closed on July 10, 2007.

Pursuant to the Transaction, the Company issued to the shareholders of PCNC an aggregate of 17,525,000 common shares to acquire all of the issued and outstanding shares of PCNC. Concurrently with the closing of the Transaction, the Company undertook a partially brokered private placement to raise $2,680,000 through the sale of 4,200,000 common shares at $0.40 per share and 2,000,000 flow-through common shares at $0.50 per share.

The Transaction constituted the Company's "Qualifying Transaction", and upon completion resulted in the listing of the Company as a "Tier 2 Mining Issuer". At the close of the Transaction, the Company changed its name to Pacific Coast Nickel Corp. The Company adopted the year end of PCNC as its own as the private company was the accounting acquirer in the Transaction.

SELECTED ANNUAL INFORMATION

The annual information for the years ended July 31, 2009, 2008, and 2007 is as follows:

	Year Ended July 31, 2009	Year Ended July 31, 2008	Year Ended July 31, 2007
Revenue	$Nil	$Nil	$Nil
Interest income	$21,428	$97,651	$4,592
Net loss	$(321,696)	$(1,506,866)	$(851,908)
Net loss per share	$(0.01)	$(0.04)	$(0.05)
Total Assets	$2,099,195	$2,580,628	$4,022,110
Long term Liabilities	$Nil	$Nil	$Nil
Dividends	$Nil	$Nil	$Nil

RESULTS OF OPERATIONS

For the year ended July 31, 2009, the Company incurred a net loss of $321,696 compared to a net loss of $1,506,866 in the prior year. The decreased loss was mainly due to a $1,434,807 write-down of the Big Nic and Devil's Lake mineral properties that occurred in fiscal 2008. In addition, administrative expenses (excluding stock-based compensation expense) decreased by $193,295 over the prior year primarily due to a decrease in investor relations expense of $180,000 partially offset by a $30,817 increase in Office and Miscellaneous expenses and a $43,000 increase in Consulting fees. Other significant differences in comparison to the prior year were a decrease in stock-based compensation expense of $91,581, a decrease in future income tax recovery of $320,000 and a decrease in interest income of $70,903.

Canada

During the year ended July 31, 2008, the Company decided to write off its capitalized exploration expenses on the Big Nic and Devil's Lake properties as there were significant cash payments and share issuances due in the next 14 months and exploration results did not justify these payments at that time. This left the company with only the Burwash property located within Canada.

The Burwash property is located 8km from the Alaska Highway and adjoins the Wellgreen nickel deposit, a property which has been extensively explored since its discovery in 1952. The Company budgeted approximately $400,000 for an exploration program on the Burwash property during the 2008 summer season. At July 31, 2009, $527,924 had been spent on the Burwash property including acquisition costs. Assay results are available on the Company's website.

Pursuant to an option agreement (the "Agreement") dated May 14, 2008, and amended on December 9, 2008, the Company entered into an option agreement (the "Agreement") to acquire up to a 75% interest in the Burwash Property located in the Yukon Territory as follows:

The Company may acquire a 50% interest by:

(a) making the following payments to the Optionor:

- (i) $25,000 upon the execution of this Agreement (paid);
- (ii) an additional $25,000 on or before March 31, 2009 (paid);
- (iii) an additional $30,000 on or before March 31, 2010; and
- (iv) an additional $50,000 on or before March 31, 2011

(b) issuing the following common shares to the Optionor:

- (i) 100,000 upon the execution of the agreement (issued);
- (ii) an additional 100,000 shares on or before March 31, 2009 (issued);
- (iii) an additional 150,000 shares on or before March 31, 2010; and

RESULTS OF OPERATIONS (continued)

(c) incurring the following expenditures on the property by December 1, 2010:

(i) $400,000 on or before December 1, 2008 (incurred);
(ii) an additional $1,000,000 on or before December 1, 2010; and
(iii) an additional $1,600,000 on or before December 1, 2011;

The Company may acquire an additional 10% interest by providing the Optionor with a positive bankable feasibility study in respect of the property on or before March 31, 2013.

The Company may acquire an additional 15% interest by providing all of the funding required to put the Property into commercial production on or before March 31, 2016.

During the spring and summer of 2009 the company halted all exploration work on the Burwash property in order to preserve its treasury and to monitor the fall out of the financial and economic crisis that began in the fall of 2008. The company continues to monitor the companies that have staked over 10,000 claims along the belt that contains the Burwash property. In conjunction with Strategic Metals (optionor), the Company will develop a program that will seek to advance this property.

Uruguay

The Company has incorporated a wholly-owned subsidiary in Uruguay, Pacific Nickel Sudamerica SA, the purpose of which was to conduct a low budget review of several properties with demonstrated nickel potential. The program to date has resulted in the expenditure of $491,459. The expenditures consisted of reviews of existing data and initial site visits by our geological consultants based in the area. The Company's goal was to acquire several properties as a result of this work. During fiscal 2009 the company applied for and acquired 5 prospecting licences for properties it had reviewed. The company has no future obligations or expenditures requirements related to the Uruguayan properties.

Similar to the Burwash property the company halted all exploration work on the Uruguayan property to preserve capital and to monitor the fall out of the financial and economic crisis. The company intends to complete additional exploration work on the Uruguayan property once economic conditions improve and additional capital is raised. .

Outlook

During the 2009 summer the Company and its technical staff began a global search for precious metal properties with a focus on properties in Africa. During the coming months the Company will continue to assess available properties and develop an exploration budget for the 2010 exploration season for its existing properties.

SUMMARY OF QUARTERLY RESULTS

The quarterly results of Pacific Coast Nickel Corp. are as follows:

	July 31, 2009	April 30, 2009	January 31, 2009	October 31, 2008
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before extraordinary items				
- total	$(111,240)	$(62,264)	$(72,551)	$(75,641)
- per share undiluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
- per share diluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
(c) Net Loss				
- total	$(111,240)	$(62,264)	$(72,551)	$(75,641)
- per share undiluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
- per share diluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)

	July 31, 2008	April 30, 2008	January 31, 2008	October 31, 2007
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before extraordinary items				
- total	$(1,478,045)	$75,525	$(28,705)	$(75,641)
- per share undiluted	$(0.04)	$0.00	$(0.00)	$(0.00)
- per share diluted	$(0.04)	$0.00	$(0.00)	$(0.00)
(c) Net Loss				
- total	$(1,478,045)	$75,525	$(28,705)	$(75,641)
- per share undiluted	$(0.04)	$0.00	$(0.00)	$(0.00)
- per share diluted	$(0.04)	$0.00	$(0.00)	$(0.00)

FOURTH QUARTER

Quarterly results for the year ended July 31, 2009 were consistent throughout the year with the exception of the fourth quarter which contained an additional write-down related to the Big Nic and Devil's Lake properties totalling $24,801. Also during the fourth quarter management wrote-off the Arizona properties expenditures totalling $32,092.

LIQUIDITY

The Company has financed its operations to date through the issuance of common shares. Over the short term the Company will continue to seek capital through the issuance of equity as existing properties are developed and as new properties are identified. Over the long term the company will consider the issuance of debt to advance property development. Currently the Company has sufficient capital to conduct further exploration on its existing properties or to make possible property acquisitions. The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	July 31, 2009 $	July 31, 2008 $	July 31, 2007 $
Working capital	974,153	1,607,665	3,178,812
Deficit	(2,802,866)	(2,481,170)	(974,304)

The Company's working capital has continued to decrease since the year ended July 31, 2007 as the Company has conducted exploration work on its mineral properties.

Cash used in operating activities for the year ended July 31, 2009 was $394,916 compared to $187,273 during the year ended July 31, 2008. Cash used in investing activities for the year ended July 31, 2009 was $421,238 compared to $1,197,871 during the year ended July 31, 2008. Cash provided by financing activities for the year ended July 31, 2009 was $Nil compared to $Nil during the year ended July 31, 2008.

CAPITAL RESOURCES

Following the close of its Qualifying Transaction and private placement during fiscal 2007 the Company had $3,680,000 in capital resources to carry out its proposed business plan.

At July 31, 2009, the Company had $993,088 (2008 - $1,809,242) in cash and cash equivalents to continue its business plan. All of the Company's cash equivalents are on deposit with Canadian banks and brokerage houses as redeemable GIC's or redeemable mutual funds. None of the Company's cash is invested in asset backed commercial paper. The Company has spent $1,000,000 in exploration expenditures that qualify as CEE in order to satisfy the renunciation made in connection with the flow through financing in July 2007.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

TRANSACTIONS WITH RELTED PARTIES

During the year ended July 31, 2009, the Company was charged the following expenses by related parties:

- Wages of $38,500 (2008 - $42,000)
- Consulting fees $22,500 (2008 – Nil)
- Directors fees of $1,250 (2008 - $2,150)
- Accounting fees of $29,500 (2008 -$40,984)
- Investor relations fees of Nil (2008 - $180,000)
- Rent of $13,200 (2008 - $4,250)
- Geological consulting fees of $11,750 (2008 - $34,810)

At July 31, 2009, accounts payable and accrued liabilities included $8,970 – (2008 - $2,323) due to related parties.

PROPOSED TRANACTIONS

The Company is reviewing a number of potential property acquisitions in addition to conducting further exploration work on its properties. The search for additional properties is global in nature. As the company conducts exploration work on its existing properties and if an acquisition is made appropriate disclosures will be made.

CRITICAL ACCOUNTING ESTIMATES

Equipment

The Company has adopted amortization policies, which, in the opinion of management, are reflective of the estimated useful lives and abandonment cost, if any, of its assets. The Company has not yet recorded any amounts in respect of impairment, as none of these costs has been identified.

Mineral Properties

In addition, the Company will be capitalizing costs related to the development and furtherance of its resource properties. The recovery of those costs will be dependent on the ability of the Company to discover and develop economic reserves and then to develop such reserves in an economic fashion. Management believes that costs capitalized in respect of its projects are not impaired and no adjustments to carrying values are required at this time.

Stock-Based Compensation

The Company uses the Black-Scholes valuation model in calculating stock-based compensation expense. The model requires that estimates be made of stock price volatility, option life, dividend yield and risk free interest rate and the ensuing results could vary significantly if changes are made in these assumptions.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective August 1, 2008, The Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") Handbook. Section 1535 "Capital Disclosures", Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" which replaced Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 1400 "Going Concern".

Section 1535

Section 1535 applies to all entities regardless of whether they have financial instruments or are subject to external capital requirements. This new section establishes standards for disclosing information about an entity's capital and how it is managed. Disclosure requirements pertaining to this section are contained in Note #18 of the Consolidated Financial Statements.

Section 3862 & 3863

Section 3862 outlines the disclosure requirements for financial instruments and non-financial derivatives and places increased emphasis on disclosure regarding concentrations of risk, liquidity risk and price risk associated with both recognized and unrecognized financial instruments and how these risks are managed. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in section 3855, Financial Instruments – Recognition and Measurement, Section 3863, Financial Instruments – Presentation, and Section 3865, Hedges (See Note #17 of the Consolidated Financial Statements). Section 3863, Financial Instruments - Presentation is required to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Section 1400

This section provides revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. The adoption of this standard had no impact on these consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries PCNC Holdings Corp., Pacific Coast Nickel Corp. USA and Pacific Nickel Sudamerica Sociedad Anonima, Uruguay. All significant inter-company balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid short-term investments with a maturity of less than 90 days from the date of acquisition, or which are redeemable at the option of the Company.

Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future revenues from the property or from the sale of the property. Amounts shown for the properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Flow-Through Shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of EIC-146 with respect to flow-through shares. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided over the estimated useful life of the asset using the declining balance method at annual rates of between 20% and 30% with one-half year's amortization recorded in the year of acquisition.

Foreign Currency Translation

The Company's consolidated financial statements are expressed in Canadian dollars. The accounts of integrated foreign operations, which are initially recorded in United States dollars and Argentina Pesos, have been translated into Canadian dollars using the temporal method. Monetary assets and liabilities originating in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Expenses and income are translated at the rates of exchange in effect on the dates of the related transactions. Non-monetary items are translated at the rates in effect when the items were acquired. Exchange gains and losses arising on translation are included in determining current earnings.

Stock-Based Compensation

The Company has a stock-based compensation plan as disclosed in Note 9 whereby stock options are granted and share purchase warrants are issued in accordance with the policies of regulatory authorities. The fair value of all options and warrants is charged as a compensation cost over their respective vesting period with a corresponding increase to contributed surplus. Upon exercise of options and warrants, the consideration paid by the holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company uses the Black-Scholes option pricing model to calculate the fair value of stock-based compensation.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes, only if it is more likely than not that they can be realized. Future income tax assets are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.

Loss per Share

Basic loss per share is computed by dividing the net loss for the year by the weighted average number of shares outstanding during the year. Diluted loss per share is equal to basic loss per share since the effect of outstanding warrants and options is excluded in the calculation as they are anti-dilutive.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses for a period. Significant areas requiring the use of estimates include stock-based compensation, impairment of mineral properties, asset retirement obligations and future income tax asset valuation allowances. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. However, actual results may differ from the estimates.

Asset Retirement Obligations

The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statements of operations. The increase in the carrying value of the asset is amortized on the same basis as the related long-lived asset. The Company has not identified any asset retirement obligations for the years ended July 31, 2009 and 2008.

SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Impairment of Long-Lived Assets

Long-term assets are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3840, "Related Party Transactions".

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company classified its cash and cash equivalents and its marketable securities as held-for-trading, and its accounts payable as other financial liabilities.

Comprehensive loss

Comprehensive loss reflects net loss and other comprehensive loss for the period. Other comprehensive loss includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

RECENT ACCOUNTING PRONOUNCEMENTS

Goodwill and intangible assets

In February 2008, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing August 1, 2009. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS (cont'd…)

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

International Financial Reporting Standards ("IFRS")

In January 2006, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

In January 2006, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

OTHER ITEMS

Common Shares July 31, 2009 and October 21, 2009

	Number of Shares	Amount
Issued:	34,644,000	$ 3,615,875

Stock Options October 21, 2009

Number	Weighted Average Exercise Price	Expiry
1,600,000	$ 0.60	July 16, 2012
275,000	0.16	January 7, 2013
200,000	0.15	May 27, 2013
1,000,000	0.10	August 7, 2014
75,000	0.10	September 17,2014
3,150,000	$ 0.36	

Broker Warrants July 31, 2009 and October 21, 2009

Number	Weighted Average Exercise Price	Expiry
Nil	$0.00	-
Nil	$ 0.00	

RISKS AND UNCERTAINTIES

The Company has incurred losses since inception and as of July 31, 2009 had an accumulated deficit of $2,481,170. The Company expects to report substantial net losses for the foreseeable future. The Company has not paid any cash or other dividends on its common stock and does not expect to pay any dividends, as all available funds will be invested primarily to further its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company has limited financial resources and has financed its operations through the sale of common shares. The Company will need to continue its reliance on the sale of such securities for future financing resulting in dilution to the Company's existing shareholders.

Capital Risk

The amount of financial resources available to the Company to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and the ability of the Company to issue common shares or obtain debt financing. Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Dependence on Key Personnel

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting professional personnel is time consuming, expensive and competitive. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

General Risk Associated with the Mining Industry

The Company is engaged in the exploration and development of mineral deposits. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases eliminate. The commercial viability of any mineral deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure, government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit. Management attempts to mitigate its exploration risk by maintaining a diversified portfolio, our strategy of joint ventures with other companies on a number of properties is a factor which balances risk while at the same time allowing properties to be advanced.

Management believes that climate change will have minimal effect on its current operations except that the length of field seasons may be affected to a minor extent. Management does however expect government regulation to increase as greater scrutiny is directed towards mining and its affects on climates and local environments. Management will monitor the trends as they develop and relevant literature to determine whether there are future effects on operations.

Foreign Currency Risk

The Company intends to continue business in South America and may conduct business in other foreign jurisdictions. In addition, prices of commodities mined are primarily quoted in US dollars as are the costs of development and equipment expenditures. Recent fluctuations in the Canadian dollar will have an impact on the mining industry and we will continue to be mindful of the effects on the Company of currency fluctuations.

MANAGEMENT

Management of the Company at July 31, 2009 and October 21, 2009 was as follows:

Name and Residence	Position	Principal Occupation
James Walchuck Vancouver, BC	President, Chief Executive Officer and Director	Professional Engineer, Former President and Chief Executive Officer of Tournigan Gold Ltd., Manager of Mining with a Barrick gold subsidiary and director of several public companies.
Murray McClaren North Vancouver, BC	Vice President and Director	Geologist, Professional Geoscientist
John Kerr Vancouver, BC	Director	Geologist, Professional Engineer and Director of two other companies.
Michael Sweatman Delta, BC	Director	Chartered Accountant. Chief Financial Officer of Marifil Mines Ltd and director of several public companies.
John Icke Vancouver, BC	Director	President and Chief Executive Officer of Longview Capital Partners Inc. and director of several public companies.
Roger Foster Vancouver, BC	Chief Financial Officer	Former Chief Financial Officer of Longview Capital Partners, Oriental Minerals, and Cue Resources. Ernst & Young Chartered Accountants (formerly Ellis Foster – Chartered Accountants)

PACIFIC COAST NICKEL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

(An Exploration Stage Company)

JULY 31, 2009 AND 2008

MANNING ELLIOTT

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Pacific Coast Nickel Corp.

We have audited the consolidated balance sheets of Pacific Coast Nickel Corp. as at July 31, 2009 and 2008, and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

October 20, 2009

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
JULY 31, 2009 AND 2008

	2009	2008
ASSETS		
Current		
Cash and cash equivalents	**$ 993,088**	$ 1,809,242
Marketable securities	**44,149**	-
Amounts receivable	**9,116**	22,054
Prepaid expenses	**19,855**	31,161
	1,066,208	1,862,457
Exploration deposit (Note 5)	**408**	402,486
Reclamation deposit (Note 6)	**-**	4,100
Equipment (Note 7)	**13,196**	42,262
Mineral properties (Note 8)	**1,019,383**	269,323
	$ 2,099,195	$ 2,580,628
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	**$ 92,055**	$254,792
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**3,618,875**	3,615,875
Contributed surplus (Note 10)	**1,191,131**	1,191,131
Deficit	**(2,802,866)**	(2,481,170)
	2,007,140	2,325,836
	$ 2,099,195	$ 2,580,628

Nature and Continuance of Operations (Note 1)
Commitments (Note 14)

APPROVED ON BEHALF OF THE BOARD:

"Michael Sweatman" Director *"John Kerr"* Director

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED JULY 31, 2009 AND 2008

	2009	2008
EXPENSES		
Office and miscellaneous	**$ 79,493**	$ 48,676
Professional fees	**78,626**	78,765
Salaries and wages	**43,924**	47,667
Consulting fees	**43,000**	-
Transfer agent and filing fees	**28,695**	26,273
Foreign exchange	**5,764**	-
Amortization	**401**	236
Investor relations	**-**	180,000
Stock-based compensation	**-**	91,581
Loss before other items	**(279,903)**	(473,198)
OTHER ITEMS		
Interest income	**26,748**	97,651
Write-down of mineral properties	**(56,893)**	(1,434,807)
Loss on disposal of equipment	**(6,246)**	(340)
Unrealized loss on marketable securities	**(5,320)**	
Renouncement penalty	**(82)**	(16,172)
Loss before income taxes	**(321,696)**	(1,826,866)
Future income tax recovery	**-**	320,000
Net loss and comprehensive loss	**(321,696)**	(1,506,866)
Deficit, beginning of year	**(2,481,170)**	(974,304)
Deficit, end of year	**$ (2,802,866)**	$ (2,481,170)
Basic and diluted loss per share	**$ (0.01)**	$ (0.04)
Weighted average number of shares outstanding	**34,677,333**	34,314,575

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2009 AND 2008

	2009	2008
OPERATING ACTIVITIES		
Net loss	**$ (321,696)**	$ (1,506,866)
Items not affecting cash:		
Write-down of mineral properties	**56,893**	1,434,807
Stock-based compensation	**-**	91,581
Unrealized loss on marketable securities	**5,320**	-
Loss on disposal of equipment	**6,246**	340
Amortization	**401**	236
Future income tax recovery	**-**	(320,000)
	(252,836)	(299,902)
Changes in non-cash working capital:		
Amounts receivable	**12,938**	18,926
Prepaid expenses	**11,306**	9,774
Accounts payable and accrued liabilities	**(166,324)**	83,929
	(394,916)	(187,273)
INVESTING ACTIVITIES		
Increase in mineral properties	**(792,171)**	(775,753)
Decrease (Increase) in exploration deposit	**402,078**	(402,486)
Reclamation bond refunded	**4,100**	-
Acquisition of marketable securities	**(49,469)**	**-**
Proceeds from disposal of equipment	**14,224**	1,200
Acquisition of equipment	**-**	(20,832)
	(421,238)	(1,197,871)
Net increase (decrease) in cash	**(812,054)**	(1,385,144)
Cash and cash equivalents, beginning of year	**1,809,242**	3,194,386
Cash and cash equivalents, end of year	**$ 993,496**	$ 1,809,242

Non-cash Transactions (Note 12)

1. NATURE AND CONTINUANCE OF OPERATIONS

Pacific Coast Nickel Corp. (formerly Fargo Capital Corp.) (the "Company") was incorporated under the Business Corporations Act of B.C. on April 5, 2006. The Company was classified as a Capital Pool Company ("CPC") as defined in TSX Venture Exchange ("TSX-V") Policy 2.4. On July 10, 2007, the Company completed its qualifying transaction and began trading under the symbol NKL. The Company is now a mineral exploration company.

Exploration Stage and Going Concern

The Company is in the exploration stage. No revenues have been earned to date from its operations.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("GAAP") applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. The Company has accumulated losses of $2,802,866 to July 31, 2009. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective August 1, 2008, The Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") Handbook. Section 1535 "Capital Disclosures", Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" which replaced Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 1400 "Going Concern".

Section 1535

Section 1535 applies to all entities regardless of whether they have financial instruments or are subject to external capital requirements. This new section establishes standards for disclosing information about an entity's capital and how it is managed. Disclosure requirements pertaining to this section are contained in Note #18

Section 3862 & 3863

Section 3862 outlines the disclosure requirements for financial instruments and non-financial derivatives and places increased emphasis on disclosure regarding concentrations of risk, liquidity risk and price risk associated with both recognized and unrecognized financial instruments and how these risks are managed. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in section 3855, Financial Instruments – Recognition and Measurement, Section 3863, Financial Instruments – Presentation, and Section 3865, Hedges (See Note #17). Section 3863 is required to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

2. ADOPTION OF NEW ACCOUNTING STANDARDS (cont'd…)

Section 1400

This section provides revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. The adoption of this standard had no significant impact on these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries PCNC Holdings Corp., Pacific Coast Nickel Corp. USA and Pacific Nickel Sudamerica Sociedad Anonima, Uruguay. All significant inter-company balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid short-term investments with a maturity of less than 90 days from the date of acquisition, or which are redeemable at the option of the Company.

Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future revenues from the property or from the sale of the property. Amounts shown for the properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Flow-Through Shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of EIC-146 with respect to flow-through shares. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided over the estimated useful life of the asset using the declining balance method at annual rates of between 20% and 30% with one-half year's amortization recorded in the year of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign Currency Translation

The Company's consolidated financial statements are expressed in Canadian dollars. The accounts of integrated foreign operations, which are initially recorded in United States dollars and Argentina Pesos, have been translated into Canadian dollars using the temporal method. Monetary assets and liabilities originating in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Expenses and income are translated at the rates of exchange in effect on the dates of the related transactions. Non-monetary items are translated at the rates in effect when the items were acquired. Exchange gains and losses arising on translation are included in determining current earnings.

Stock-Based Compensation

The Company has a stock-based compensation plan as disclosed in Note 9 whereby stock options are granted and share purchase warrants are issued in accordance with the policies of regulatory authorities. The fair value of all options and warrants is charged as a compensation cost over their respective vesting period with a corresponding increase to contributed surplus. Upon exercise of options and warrants, the consideration paid by the holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company uses the Black-Scholes option pricing model to calculate the fair value of stock-based compensation.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes, only if it is more likely than not that they can be realized. Future income tax assets are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.

Loss per Share

Basic loss per share is computed by dividing the net loss for the year by the weighted average number of shares outstanding during the year. Diluted loss per share is equal to basic loss per share since the effect of outstanding warrants and options is excluded in the calculation as they are anti-dilutive.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses for a period. Significant areas requiring the use of estimates include stock-based compensation, impairment of mineral properties, asset retirement obligations and income taxes. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. However, actual results may differ from the estimates.

Asset Retirement Obligations

The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statements

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

of operations. The increase in the carrying value of the asset is amortized on the same basis as the related long-lived asset. The Company has not identified any asset retirement obligations for the years ended July 31, 2009 and 2008.

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Impairment of Long-Lived Assets

Long-term assets are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3840, "Related Party Transactions".

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company classified its cash and cash equivalents and its marketable securities as held-for-trading, and its accounts payable as other financial liabilities.

Comprehensive Ioss

Comprehensive loss reflects net loss and other comprehensive loss for the period. Other comprehensive loss includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Goodwill and intangible assets

In February 2008, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing August 1, 2009. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

International Financial Reporting Standards ("IFRS")

In January 2006, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

5. EXPLORATION DEPOSIT

At July 31, 2009, cash equivalents included $408 (2008 - $402,486) held by the operator of the Burwash Property (Note 8) exploration program.

6. RECLAMATION DEPOSIT

The reclamation deposit was a deposit recorded at cost and held as security by the Ministry of Energy and Mines with regards to the Big Nic Property. At July 31, 2008 the Company abandoned its interest in the Big Nic Property and during the period the reclamation deposit was repaid to the Company.

7. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2009	2008
Automotive equipment	$ -	$ -	$ -	$ 19,708
Computer equipment	1,572	636	936	1,336
Exploration equipment	23,304	11,044	12,260	21,218
	$ 24,876	$ 11,680	$ 13,196	$ 42,262

8. MINERAL PROPERTIES

Big Nic, Canada

	July 31, 2007 $	Expenditures $	Written-off $	July 31, 2008 $	Expenditures $	Written-off $	July 31, 2009 $
Acquisition costs	148,944	140,000	(288,944)	-	-	-	-
Exploration costs							
Geophysical	177,253	33,282	(210,535)	-	-	-	-
Consulting	90,703	102,492	(193,195)	-	5,853	(5,853)	-
Drilling	-	217,386	(217,386)	-	-	-	-
Field expenses	89,313	75,171	(164,484)	-	3,858	(3,858)	-
Stock-based compensation	57,500	18,750	(76,250)	-	-	-	-
Wages	52,181	104,198	(156,379)	-	1,887	(1,887)	-
Assessment fees	26,164	6,000	(32,164)	-	-	-	-
Assays and reports	22,134	3,769	(25,903)	-	12,503	(12,503)	-
Equipment rental	18,849	39,699	(58,548)	-	-	-	-
	534,097	600,747	(1,134,844)	-	24,101	(24,101)	-
	683,041	740,747	(1,423,788)	-	24,101	(24,101)	-

Devils Lake, Canada

Acquisition costs	-	3,250	(3,250)	-	-	-	-
Exploration costs							
Assays	-	1,910	(1,910)	-	-	-	-
Field expenses	-	1,534	(1,534)	-	-	-	-
Consulting	-	4,325	(4,325)	-	700	(700)	-
		7,769	(7,769)	-	700	(700)	
		11,019	(11,019)	-	700	(700)	

8. MINERAL PROPERTIES (cont'd…)

	July 31, 2007 $	Expenditures $	Written-off $	July 31, 2008 $	Expenditures $	Written-off $	July 31, 2009 $
Burwash, Canada							
Acquisition costs	-	33,500	-	33,500	28,000	-	61,500
Exploration costs							
Amortization	-	-	-	-	6,323	-	6,323
Assays	-	-	-	-	6,764	-	6,764
Geological consulting	-	13,292	-	13,292	31,582	-	44,874
Drilling	-	7,798	-	7,798	177,654	-	185,452
Field and supplies	-	14,972	-	14,972	71,861	-	86,833
Government fee	-	-	-	-	2,690	-	2,690
Labour	-	28,183	-	28,183	105,305	-	133,488
	-	64,245	-	64,245	402,179	-	466,424
	-	97,745	-	97,745	430,179	-	527,924
La Paz County, USA							
Acquisition costs	14,135	4,887		19,022	-	(19,022)	-
Research and other	11,914	-		11,914	1,156	(13,070)	-
	26,049	4,887		30,936	1,156	(32,092)	-
Sarandi del Yi, Durazno, Uruguay							
Acquisition costs	-	7,048	-	7,048	-	-	7,048
Exploration costs							
Amortization	-	-	-	-	1,782	-	1,782
Assays	-	-	-	-	16,634	-	16,634
Equipment rental	-	-	-	-	6,059	-	6,059
Field labour and supplies	-	8,490	-	8,490	61,313	-	69,803
Geological consulting	-	61,025	-	61,025	170,076	-	231,101
Legal	-	20,180	-	20,180	24,175	-	44,355
Mapping and reports	-	7,556	-	7,556	13,204	-	20,760
Property expenses	-	-	-	-	11,066	-	11,066
Stock-based compensation	-	18,000	-	18,000	-	-	18,000
Travel	-	18,343	-	18,343	46,508	-	64,851
	-	133,594	-	133,594	350,817	-	484,411
		140,642	-	140,642	350,817	-	491,459
	709,090	995,040	-	269,323	806,953	(56,893)	1,019,383

8. MINERAL PROPERTIES (cont'd…)

Big Nic Property

Pursuant to an agreement dated December 31, 2004, the Company was granted an option to acquire a 100% interest in 49 mineral claims known as the Big Nic Property located in the New Westminster Mining Division of British Columbia. The Company may earn the interest by making cash payments and issuing shares to the optionor and by incurring exploration expenditures on the property as follows:

	Cash Payments $	Exploration Expenditures $	Share Issuances #
Upon execution of the agreement (paid and issued)	10,000	-	*300,000
On or before December 31, 2005 (paid and issued)	15,000	66,000	*400,000
On or before December 31, 2006 (paid and issued)	30,000	35,000	*600,000
On or before December 31, 2007 (paid and issued)	50,000	35,000	*600,000
On or before December 31, 2008	60,000	75,000	*800,000
On or before December 31, 2009	-	75,000	-
	165,000	286,000	*2,700,000

*Adjusted on a two-for-one basis on acquisition of PCNC.

At July 31, 2008, the Company abandoned its interest in the Big Nic Property. At July 31, 2009 the company wrote off mineral property acquisition and exploration costs totalling $24,101 (2008 - $1,423,788).

Devils Lake Property

On December 6, 2007, the Company was granted the option to acquire a 100% interest in the Devils Lake Property located in the New Westminster Mining Division of British Columbia. In consideration, the Company paid $2,000, agreed to issue an aggregate of 80,000 common shares (10,000 issued) over a three year period and agreed to incur an aggregate of $10,000 (incurred) of exploration expenditures over a three year period.

At July 31, 2008, the Company abandoned its interest in the Devils Lake Property. At July 31, 2009 wrote off mineral property acquisition and exploration costs totalling $700 (2008 - $11,019).

8. MINERAL PROPERTIES (cont'd…)

Burwash Property

Pursuant to an option agreement (the "Agreement") dated May 14, 2008, and amended on December 9, 2008, the Company entered into an option agreement (the "Agreement") to acquire up to a 75% interest in the Burwash Property located in the Yukon Territory as follows:

The Company may acquire a 50% interest by:

(a) making the following payments to the optionor:

(i) $25,000 upon the execution of the Agreement (paid);
(ii) an additional $25,000 on or before March 31, 2009 (paid);
(iii) an additional $30,000 on or before March 31, 2010; and
(iv) an additional $50,000 on or before March 31, 2011

(b) issuing the following common shares to the optionor:

(i) 100,000 shares upon the execution of the agreement (issued);
(ii) an additional 100,000 shares on or before March 31, 2009 (issued);
(iii) an additional 150,000 shares on or before March 31, 2010;

(c) incurring the following expenditures on the property by December 1, 2010:

(i) $400,000 on or before December 1, 2008 (incurred);
(ii) an additional $1,000,000 on or before December 1, 2010; and
(iii) an additional $1,600,000 on or before December 1, 2011;

The Company may acquire an additional 10% interest by providing the optionor with a positive bankable feasibility study in respect of the property on or before March 31, 2013.

The Company may acquire an additional 15% interest by providing all of the funding required to put the Property into commercial production on or before March 31, 2016.

La Paz County Property, Arizona, U.S.A.

The Company has staked certain lode mining claims in La Paz County, Arizona.

At July 31, 2009, the Company abandoned its interest in La Paz County Property and written off mineral exploration costs totalling $32,092.

Prospecting Licences, Uruguay

The Company has received five prospecting licences in Uruguay and has begun an exploration program on these properties. To date the company has spent $491,459 on the properties and intends to continue exploration work.

9. SHARE CAPITAL

Common Shares

Authorized:
Unlimited number of common shares without par value

Issued:	Number		Amount
Balance – July 31, 2007	33,934,000		3,836,125
Shares issued for mineral properties	710,000		99,750
Future income tax benefits on expenditures renounced to shareholders	-		(320,000)
Balance – July 31, 2008	34,644,000	$	3,615,875
Shares issued for mineral properties	100,000		3,000
Balance – July 31, 2009	34,744,000	$	3,618,875

During the year ended July 31, 2008, the company issued 600,000, 100,000, and 10,000 common shares at fair values of $90,000, $8,500, and $1,250 for payments of the Big Nic, Burwash and Devils Lake properties

During the year ended July 31, 2009, the Company issued 100,000 common shares at a fair value of $3,000 for payment of the Burwash property respectively.

Escrow

At July 31, 2009, there were 5,873,700 common shares held in escrow. The Company will release 2,936,850 shares January 10, 2010 and July 10, 2010.

Warrants

At July 31, 2009, there were Nil (2008 – 715,000) warrants outstanding enabling holders to acquire common shares.

Description	Number	Weighted Average Exercise Price
Balance – July 31, 2008	715,000	$ 0.32
Cancelled	(715,000)	0.32
Balance – July 31, 2009	Nil	$ -

Stock Options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as of the date of grant. The options can be granted for a maximum term of five years and vest at the discretion of the Board of Directors.

9. SHARE CAPITAL

The following table summarizes the stock option plan transactions to July 31, 2009:

	Number	Weighted Average Exercise Price	Expiry
Outstanding, July 31, 2007	2,125,000	0.60	
Granted	412,500	0.16	January 7, 2013
Granted	200,000	0.15	May 27, 2013
Granted	300,000	0.15	June 18, 2013
Outstanding, July 31, 2008	3,037,500	$ 0.47	
Cancelled	(325,000)	0.60	July 16, 2012
Cancelled	(200,000)	0.60	July 20, 2012
Cancelled	(300,000)	0.15	June 18, 2013
Cancelled	(137,500)	0.16	June 18, 2013
Outstanding, July 31, 2009	2,075,000	0.50	

At July 31, 2009, all 2,075,000 outstanding options were exercisable and had a weighted average remaining contractual life of 3.1 years.

Price	Number Outstanding	Number Exercisable	Expiry Date
$0.60	1,600,000	1,600,000	July 16, 2012
$0.15	200,000	200,000	May 27, 2013
$0.16	275,000	275,000	January 7, 2013
	2,075,000	2,075,000	

During the year ended July 31, 2008, the Company granted 912,500 options to directors, officers and consultants of the Company which vested on the date of grant. The Company capitalized stock-based compensation of 36,750 to mineral properties and charged $91,581 to operations. The weighted average grant date fair value of the share purchase option granted in 2008 fiscal year was $0.12 per option and was estimated on the grant dates using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair value of options were as follows:

	2008
Expected dividend yield	0.00%
Expected volatility	156%
Risk-free interest rate	3.50%
Expected term in years	5 years

10. CONTRIBUTED SURPLUS

The following table summarizes the Company’s contributed surplus:

Balance – July 31, 2007	1,062,800
Fair value of options granted	128,331
Balance – July 31, 2008 & July 31, 2009	$ 1,191,131

11. RELATED PARTY TRANSACTIONS

During the year ended July 31, 2009, the Company was charged the following expenses by directors or officers of the Company or by companies with directors or officers in common with the Company:

Wages of $38,500 (2008 - $42,000)

Consulting fees of $22,500 (2008 – Nil)

Directors fees of $1,250 (2008 - $2,150)

Accounting fees of $29,500 (2008 - $40,984)

Investor relations fees of $Nil (2008 - $180,000)

Rent of $13,200 (2008 - $4,250)

Geological consulting fees of $11,750 (2008 - $34,810)

These fees were recorded at their exchange amount, which is the amount agreed upon by the transacting parties on terms and conditions similar to non-related entities.

At July 31, 2009, accounts payable and accrued liabilities include $8,970 (2008 - $2,323) due to related parties of the Company.

12. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows.

During the year ended July 31, 2009:

a) The Company issued 100,000 common shares valued at $3,000 pursuant to option payments on mineral property agreements.

b) The Company capitalized amortization on equipment of $8,105 to mineral properties.

During the year ended July 31, 2008:

a) The Company capitalized stock-based compensation of $36,750 to mineral properties and charged $91,581 to operations.

b) The Company issued 710,000 common shares valued at $99,750 pursuant to option payments on mineral property agreements.

c) The Company capitalized amortization on equipment of $9,413 to mineral properties.

d) The Company renounced exploration expenditures valued at $1,000,000 to investors and recorded a future income tax recovery of $320,000.

13. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2009 $	2008 $
Canadian statutory income tax rate	30.21%	32.00%
Income tax recovery at statutory rate	(82,313)	(584,087)
Increase (decrease) resulting from:		
Non-deductible expenses	7,676	488,810
Change in tax rate	(49,103)	72,102
Change in valuation allowance	(123,740)	(296,825)
Future income tax recovery	-	(320,000)

The Company's future income tax assets and liabilities at July 31, 2009 and July 31, 2008 comprised the following:

	2009 $	2008 $
Non-capital loss carryforwards	350,791	239,570
Share issue costs	81,057	123,206
Resource properties	228,774	(18,241)
Capital assets	(8,427)	4,077
Valuation allowance	(652,195)	(348,612)
Future income tax liability	-	-

The Company has non-capital loss carryforwards of $1,110,668 available to reduce future Canadian taxable income subject to final determination by the Canada Revenue Agency. The losses expire as follows:

Year	$
2026	12,475
2027	280,374
2028	421,594
2029	396,225
	1,110,668

14. COMMITMENTS

The Company is required to make cash payments, issue shares, and incur exploration expenditures in order to acquire an interest in the Burwash Property as described in Note 8.

15. SEGMENTED INFORMATION

The Company operates in three geographic segments as follows:

	2009	2008
	$	$
Mineral Properties		
Canada	527,924	97,745
USA	-	30,936
Uruguay	491,459	140,642
	1,019,383	269,323

16. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously-reported results.

17. FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable and accounts payable and accrued liabilities. The fair values of cash and cash equivalents and accounts payable approximate their carrying values because of their current nature. The fair value of marketable securities is determined directly by reference to quoted market prices.

The Company is exposed to certain risks through the use of financial instruments, including market risk (currency risk, interest rate risk and commodity risk), credit risk, and liquidity risk. The Company manages its exposure to risk through the identification and analysis of risks faced by the Company, setting appropriate risk limits and controls, and monitoring those risk and adherence to the limits and controls that are established. Risk management is carried out by senior management under the approval of the Board of Directors. Risk management practices are reviewed regularly by senior management and the Audit Committee to reflect changes in market conditions and the Company's activities.

Market risk:

Market risk is the risk of loss that may arise from changes n market factors such as interest rates, foreign exchange rates, commodity and equity prices. The Company does not actively trade in marketable securities. As of July 31, 2009 the Company had $44,149 invested in marketable securities and periodically monitors the investments it makes. It is management's opinion that the Company is not exposed to significant market risk.

17. FINANCIAL INSTRUMENTS (cont'd…)

i. Currency risk:

The Company has operations in both Canada and in Uruguay and is exposed to foreign exchange risk due to fluctuations in the Argentinean Peso. Foreign exchange arises from purchase transactions as well as financial assets and liabilities denominated in the Argentinean Peso. The Company's reporting and functional currency is Canadian dollars.

As at July 31, 2009, the Company has an immaterial amount of cash and cash equivalents and accounts payable and accrued liabilities in Argentinean Peso. The company currently does not use any foreign exchange contracts to hedge this currency risk.

ii. Interest rate risk:

The Company is exposed to interest rate risk on its cash and cash equivalents. It is in management's opinion that the Company is not exposed to significant interest risk.

iii. Commodity and equity risk:

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements individual equity prices or general movements in the level of stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

Credit risk:

Credit risk is the risk of financial loss associated with a counterparty's inability to fulfil its payment obligations.

The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation. The Company does not have any asset-backed commercial instruments.

Financial instruments that potentially subject the company to credit risk consist of cash and cash equivalents and accounts receivable. The company places its cash and cash equivalents with high credit quality financial institutions.

Liquidity risk:

Liquidity risk is the risk that the Company cannot meet its financial obligation. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flow to ensure that there is sufficient capital in order to meet short term obligations.

18. MANAGEMENT OF CAPITAL:

The Company considers the following to comprise its capital:

	2009	2008
Share capital	3,618,875	3,615,875
Contributed surplus	1,191,131	1,191,131
Deficit	(2,802,866)	(2,481,170)
Total Capital	2,007,140	2,325,836

The Company's objectives when managing capital are:

a) To ensure that the Company maintains the level of capital necessary to meet its operational requirements;

b) To allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new properties and to develop its existing properties;

c) To give shareholders sustained growth in shareholder value by increasing shareholders' equity; and

d) To maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

a) Raising capital through equity financings

The Company is not subject to any externally imposed capital requirements.

The Company's management monitors the Company's capital to ensure capital resources will be sufficient to discharge its liabilities on an on-going basis.

19. SUBSEQUENT EVENTS

On August 1, 2009, the Company notified its Corporate Secretary that it was terminating its consulting agreement. Based on the agreement, ninety days notice is to be given prior to termination. As a result, the agreement will be terminated on October 29, 2009.

On August 7, 2009, the Company granted 1 million stock options to officers and a director of the Company. The options are for a period of 5 years and allow the holder to purchase shares in the Company at a price of $0.10. Any shares issued on the exercise of these stock options are subject to a 4 month hold period from the date of grant.

On September 17, 2009, the Company granted an additional 75,000 options to an officer of the Company. The options are for a period of 5 years and will allow the holder to purchase shares in the Company at a price of $0.10. Any shares issued on the exercise of these stock options are subject to a 4 month hold period from the date of grant.