MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED: JANUARY 31, 2011
DATE OF THE REPORT: APRIL 1, 2011

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 April 1, 2011 and should be read in conjunction with the interim consolidated financial statements for the period ended January 31, 2011 and annual audited consolidated financial statements for the years ended July 31, 2010 and 2009. 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 January 31, 2011. 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 principal business of the Company is the acquisition, exploration and development of high value nickel mineral properties. As of the date of this report the Company has three exploration projects, one located within the Yukon Territory, a second within Uruguay and a third project located within Argentina. As well the Company has entered into a proposed plan of arrangement to acquire three additional properties in Canada (see Subsequent Event)

SELECTED ANNUAL INFORMATION

The annual information for the years ended July 31, 2010, 2009, and 2008 is as follows:

	Year Ended July 31, 2010	Year Ended July 31, 2009	Year Ended July 31, 2008
Revenue	$Nil	$Nil	$Nil
Interest income	$33,444	$26,748	$97,651
Net loss	$(300,365)	$(321,696)	$(1,506,866)
Net loss per share	$(0.01)	$(0.01)	$(0.04)
Total Assets	$1,885,528	$2,099,195	$2,580,628
Long term Liabilities	$Nil	$Nil	$Nil
Dividends	$Nil	$Nil	$Nil

RESULTS OF OPERATIONS FOR SIX MONTHS ENDED JANUARY 31, 2011

For the six month period ended January 31, 2011, the Company incurred a net loss of $658,034 compared to a net loss of $141,400 in the prior six month period. The increased loss was largely due to an increase in stock based compensation as compared to the prior period of $420,823 and a $30,114 increase in Investor relation fees. The Company issued 2.75 million incentive stock options to Directors in the period that resulted in the high stock based compensation expense. Also during the period the Company engaged a new investor relations firm.

MINERAL PROPERTIES

Yukon Territory

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 and included in the proposed plan of arrangement noted in the subsequent event note. At January 31, 2011, $838,639 had been spent on the Burwash property including a detailed geophysical survey on the property during the summer of 2010. Assay results are available on the Company's website.

The Company's option agreement (the "Agreement") dated May 14, 2008, amended on December 9, 2008, and further amended February 23, 2010 grants the Company an option (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 (paid);
- (iv) an additional $50,000 on or before March 31, 2011 (paid)

MINERAL PROPERTIES (continued)

(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 (issued); and
(iv) an additional 200,000 shares on or before March 31, 2011 (issued)

(c) incurring the following expenditures on the property.

(i) $400,000 on or before December 1, 2008 (incurred);
(ii) an additional $250,000 on or before December 1, 2010 (incurred);
(iii) an additional $750,000 on or before December 1, 2011; and
(iii) an additional $1,600,000 on or before December 1, 2012;

The Company may acquire an additional 10% interest by providing the Optionor with a positive bankable feasibility study on the property on or before March 31, 2016, and a further 15% interest by providing all of the funding required to put the Property into commercial production on or before March 31, 2019.

A detailed geophysical survey was completed during the period and the Company is currently assessing the results that have been completed. Future work on the property will be decided when all final interpretations have been received and reviewed.

Uruguay

The Company's wholly-owned incorporated subsidiary in Uruguay, Pacific Nickel Sudamerica SA, is conducting a review of several properties with demonstrated nickel potential within Uruguay. During fiscal 2009 the Company applied for and acquired 5 prospecting licences for properties it had reviewed. As of January 31, 2011, $590,144 had been spent on the properties. The expenditures have consisted of reviews of existing data and site visits by our geological consultants based in the area. The Company has no future obligations or expenditures requirements related to the Uruguayan properties with the exception of annual governmental fees.

The Company is currently reviewing a number of future plans for the property and will disclose such plans once they have been determined.

Argentina

On December 10, 2010, further amended March 13,2011, the Company announced it has entered into a letter agreement with Marifil Mines Limited ("Marifil") with an option to acquire a 70% interest in the Las Aguilas Nickel-Copper-PGM property located in San Luis Province, Argentina.

The Las Aguilas Property is located in San Luis Province, Central Argentina, approximately 730 km WNW of Buenos Aires, and 50 km NE of San Luis, the province capital.

Marifil has reported that the Las Aguilas deposit contains a historical resource of 2.2 million tonnes grading about 0.52% nickel, 0.5% copper, 0.04% cobalt and significant amounts of platinum group elements. (this is not a National Instrument 43-101 compliant resource estimate). This resource was calculated from 10,000 meters of diamond drilling between 1970 and 1984.

The resources are categorized as "historical estimates" and have not been reviewed or verified under National Instrument 43-101. However, the Company believes that the property has the potential to add significant additional nickel mineralization. The historical exploration data was developed by the Argentine government agency Fabricaciones Militares which conducted an exploration program in the area. Recent drilling was conducted by a former partner of the property in 2007 and 2008 and significantly expanded the resource in size however resource estimates have not been updated.

An initial 6 month earn-in and due diligence period is to allow the Company to update this resource estimate, study the economics of the resulting deposit and review other environmental and socio-economic issues that pertain to this area of Argentina.

The agreement with Marifil provides for payments and work commitments as follows:

To earn a 49% interest in the property:

Cash and Shares

1) $25,000 upon signing and 250,000 shares on approval of the TSX Venture Exchange; (paid and issued) and
2) $75,000 and 250,000 shares on or before April 1, 2012;
3) $100,000 and 250,000 shares on or before April 1, 2013
4) $100,000 and 250,000 shares on or before April 1, 2014

Work Commitments

1) On or before April 1, 2011 complete a resource estimate based on work completed to date,
2) On or before April 1, 2012 incur $500,000 in exploration expenditures,
3) On or before April 1, 2013 incur $500,000 in exploration expenditures,
4) On or before April 1, 2014 incur $1,000,000 in exploration expenditures.

In the event the Company has not completed the resource estimate three months from the original signing of the agreement, Marifil will permit the Company two additional months to complete for a payment of $5,000 per month.

The agreement also provides for Pacific Coast to earn an additional 11% (bringing the interest to 60%) for preparation of a pre feasibility study and issue of 1,000,000 shares and payment of $100,000 on or before April 1 2015 and a further 10% (bringing the total interest to 70%) for completion of a feasibility study before April 15, 2016.

The agreement also provides for granting of a 3% NSR to Marifil of which 0.5% can be purchased for $1,000,000 and Pacific Coast retains the option of buying Marifil's 30% for $5,000,000.

SUMMARY OF QUARTERLY RESULTS

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

	January 31, 2011	October 31, 2010	July 31, 2010	April 30, 2010
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before extraordinary items				
- total	$(615,613)	$(46,114)	$(98,244)	$(60,721)
- per share undiluted	$(0.00)	$(0.00)	$(0.01)	$(0.00)
- per share diluted	$(0.00)	$(0.00)	$(0.01)	$(0.00)
(c) Net Loss				
- total	$(615,613)	$(46,114)	$(98,244)	$(60,721)
- per share undiluted	$(0.00)	$(0.00)	$(0.01)	$(0.00)
- per share diluted	$(0.01)	$(0.00)	$(0.01)	$(0.00)

	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before extraordinary items				
- total	$(71,678)	$(69,722)	$(111,240)	$(62,264)
- per share undiluted	$(0.00)	$(0.00)	$(0.01)	$(0.00)
- per share diluted	$(0.00)	$(0.00)	$(0.01)	$(0.00)
(c) Net Loss				
- total	$(71,678)	$(69,722)	$(111,240)	$(62,264)
- per share undiluted	$(0.00)	$(0.00)	$(0.01)	$(0.00)
- per share diluted	$(0.00)	$(0.00)	$(0.01)	$(0.00)

SECOND QUARTER

The quarterly losses recorded in each of the past eight quarters have remained consistent with the exception of the second quarter of fiscal July 31, 2011 which contained stock based compensation of $499,841 and the first fourth quarter of July 31, 2009 which contained a $56,893 write-down in mineral properties related to the Big Nic, Devil's Lake and La Paz County.

LIQUIDITY

The Company has financed its operations to date through the issuance of common shares. As the Company develops its existing properties and as new properties are added to its portfolio of properties the Company will continue to seek capital through the issuance of equity. In addition the Company will require additional capital to conduct further exploration on its existing properties. 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.

	January 31, 2011	July 31, 2010 $	July 31, 2009 $	July 31, 2008 $
Working capital	$1,356,276	565,455	974,153	1,607,665
Deficit	(3,761,276)	(3,103,231)	(2,802,866)	(2,481,170)

Cash used in operating activities for the period ended January 31, 2011 was $81,614 compared to $58,916 during the period ended January 31, 2010. Cash used in investing activities for the period ended January 31, 2011 was $141,619 compared to $40,021 during the period ended January 31, 2010. Cash provided by financing activities for the period ended January 31, 2011 was $992,473 compared to $Nil during the period ended January 31, 2010.

CAPITAL RESOURCES

At January 31, 2011, the Company had $1,404,397 (July 31, 2010 - $656,006) in cash, cash equivalents and marketable securities to continue its business plan. All of the Company's cash, cash equivalents and marketable 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 $1,508,976 in exploration expenditures that qualify as CEE in order to satisfy the renunciation made in connection with the flow through financing in July 2007 and August 2010.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

RELATED PARTIES TRANSACTIONS

During the six month period ended January 31, 2011, the Company was charged the following expenses by related parties:

- Consulting fees of $64,020 (2010 – $49,250) by the CEO, former CEO, CFO and Corporate Secretary of the Company
- Director and technical review committee fees of $19,740 (2010 - $8,750) by the directors of the Company
- Rent of $5,700 (2010 - $5,700) by a Company the CEO is an Officer of.

These fees were recorded at their exchange amount, which is the amount agreed upon by the transacting parties on terms and conditions similar to no-related entities.

At January 31, 2011, due to related parties include $Nil (July 31, 2010 - $8,750) owing to directors for director fees and technical review fees.

PROPOSED TRANACTIONS

The Company is currently waiting for regulatory and shareholder approval for its proposed plan of arrangement with Prophecy Resource Corp. (See subsequent event note) and is assessing various joint venture agreements for its Uruguay property, in addition to conducting further exploration work on its Canadian properties. As the Company reviews potential agreements and conducts exploration work on its existing properties 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 Equipment. The Company has not yet recorded any amounts in respect of impairment, as none of these costs has been identified.

Mineral Properties

The Company capitalizes costs related to the development and furtherance of its resource properties. The recovery of those costs will be dependent upon the Company's ability 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, 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period consolidated financial statements:

Emerging Issues Committee Abstracts ("EIC") 173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* provides guidance on how to take into account an entity's own credit risk and the credit risk of the counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this standard had no impact on the Company's financial statements for fiscal 2011.

EIC 174 *Mining Exploration Costs* provides guidance related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The adoption of this standard had no impact on the Company's financial statements for fiscal 2011.

Amendments to CICA Section *3862 Financial Instruments – Disclosures*. These amendments are applicable to the Company's annual financial statements, requiring additional disclosure about fair value measurements of financial instruments and enhanced liquidity disclosure requirements for publically accountable enterprises. The disclosures required by these new standards are included in Note 13 of the consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

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 IFRS transition date for the Company will be August 1, 2011 and will require the restatement for comparative purposes the amounts reported by the Company for the year ended July 31, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS. The conversion to IFRS will impact the Company's accounting policies, information technology processes and financial reporting systems, including internal controls over financial reporting, data systems and disclosure controls and procedures. The transition may also impact certain business processes, accounting for contractual agreements, debt covenants and compensation arrangements.

To prepare for the conversion to IFRS, the Company has developed a plan as follows:

Phase 1 - Impact assessment

The impact assessment included a diagnostic of the major differences between current Canadian GAAP and IFRS that will impact the Company's financial statements. This diagnostic has identified and ranked the key IFRS-to-Canadian GAAP differences applicable to the Company, assessed the potential impact to the financial statements, note disclosures and exemptions available on transition. A detailed project plan with timelines and key milestones will be completed by the project team and is being continually updated to take into account any timetable changes as required. At this time, key standards which are expected to affect the Company include exploration for, and evaluation of, mineral resources (IFRS 6), accounting for business combinations (IFRS 3), and accounting for stock-based payments (IFRS 2). The overall adoption of IFRS is governed by IFRS 1 – "First-time adoption of International Financial Reporting Standards".

Phase 2 - Planning & solution development

The planning & solution development phase requires detailed analysis of each of the key IFRS conversion topics identified, while continually monitoring information and changes to IFRS currently in discussion by standard setters. Many IFRS policies in effect at the date of this report are expected to change by the time the Company adopts IFRS on July 1, 2011. An analysis will be completed for all accounting policies as part of the conversion process, according to IFRS 1. The Company has begun this analysis.

RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Phase 3 - Implementation

During the implementation phase, activities will include implementing the required changes to accounting and operational information systems, disclosure controls and internal controls over financial reporting and determining accounting policies and additional training of employees. The majority of this phase will be executed over the first half of 2011, preparing the Company for the date of adoption on August 1, 2011.

During the implementation phase, activities will include implementing the required changes to accounting and operational information systems as well as to disclosure and internal controls over financial reporting, determining accounting policies and additional training of employees.

Phase 4 - Post implementation review

The post implementation and review phase will involve a continuation of the monitoring of changes in IFRS, International Accounting Standards and associated interpretation bulletins.

OTHER ITEMS

Common Shares   January 31, 2011 and April 1, 2011

	Number of Shares		Amount
July 31, 2010	34,894,000	$	3,624,875
Share issued for private placement - August 12, 2010	5,565,842	$	274,666
Shares issued for mineral properties	250,000	$	15,000
Share issued for private placement - January 10, 2011	15,000,000	$	988,223
January 31, 2011	55,709,842	$	4,852,764
Share issued on exercise of options	125,000	$	12,500
Shares issued for mineral properties	200,000	$	29,000
April 1, 2011	56,034,842	$	4,894,264

Stock Options   January 31, 2011 and April 1, 2011

	Number		Weighted Average Exercise Price	Expiry
	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
	750,000		0.10	November 6, 2014
	250,000		0.10	May 25, 2012
	500,000		0.05	August 3, 2012
October 31, 2010	3,050,000	$	0.11	
	(250,000)		0.10	May 25, 2012
	250,000		0.10	November 9, 2012
	250,000		0.12	December 6, 2015
	250,000		0.12	December 6, 2015
	1,750,000		0.14	December 13, 2015
January 31, 2011	5,300,000	$	0.12	
	(125,000)		0.10	Exercised
	(125,000)		0.10	Cancelled
March 28, 2011	5,050,000	$	0.12	

Warrants January 31, 2011 and April 1, 2011

	Number	Weighted Average Exercise Price	Expiry
July 31, 2010	Nil	$ -	
August 3, 2010 Private Placement	2,565,000	$ 0.10	August 3,2012
August 3, 2010 Private Placement	250,000	$ 0.10	(1)
December 3,2010 Private Placement	15,818,000	$ 0.10	December 3,2012
April 1, 2011	18,633,000	$ 0.10	

(1) Exercisable upon the exercising of stock options granted during August 3, 2010 private placement

RISKS AND UNCERTAINTIES

The Company has incurred losses since inception and as of January 31, 2011 had an accumulated deficit of $3,729,958. 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. Management attempts to mitigate its exploration risk by maintaining a diversified portfolio, our strategy of developing joint venture agreements with other companies 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 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.

SUBSEQUENT EVENTS

On January 17, 2011 the Company entered into a Proposed Plan of Arrangement involving Prophecy Resource Corp. ("Prophecy") and its security holders whereby it will acquire Prophecy's Nickel PGM properties located in the Yukon Territory and Manitoba respectively by issuing common shares to Prophecy.

On February 17, 2011 the proposed plan of arrangement was amended based on independent fairness opinions each received by Prophecy and PCNC. The proposed plan of arrangement is subject to shareholder and regulatory approval.

Terms of the Transaction

Under the proposed transaction, the Company will acquire Spinco from Prophecy in exchange for issuing 450,000,000 common shares of the Company, as directed by Prophecy to the shareholders of Prophecy. The common shares are to be issued at a deemed price per share equal to the $0.195 (closing price of the common shares on January 17, 2011, the last day the common shares traded prior to announcement of the acquisition), for an aggregate deemed value of $87,750,000.

Spinco will become a wholly owned subsidiary of the Company upon acquisition. The acquisition of Spinco is accounted as a purchase of assets. The total purchase price of $87,750,000 has been allocated as follows:

Cash	$	2,000,001
Mineral properties		112,390,354
		114,390,355
Future income tax liability		(26,640,355)
Total purchase price	$	87,750,000

After the proposed plan of arrangement is complete Company will consolidate its share capital on a 10 old for 1 new basis and change its name to Prophecy Platinum Corp. after the completion of the agreement.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(An Exploration Stage Company)

SIX MONTHS ENDED JANAURY 31, 2011

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
JANUARY 31, 2011 AND JULY 31, 2010

	January 31, 2011 (unaudited)	July 31, 2010 (audited)
ASSETS		
Current		
Cash and cash equivalents	**$ 1,325,429**	**$ 505,249**
Marketable securities	**78,968**	**150,757**
Amounts receivable	**18,497**	**9,908**
Prepaid expenses	**9,024**	**6,114**
Deferred acquisition costs	**10,000**	**-**
	1,441,918	**672,028**
Exploration deposit (Note 3)	**-**	**11,863**
Equipment (Note 4)	**8,199**	**9,147**
Mineral properties (Note 5)	**1,508,976**	**1,192,490**
	$ 2,959,093	**$ 1,885,528**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 85,642**	**$ 80,094**
Due to related parties (Note 8)	**-**	**26,479**
	85,642	**106,573**
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**4,704,624**	**3,624,875**
Contributed surplus (Note 7)	**1,930,092**	**1,257,311**
Deficit	**(3,761,265)**	**(3,103,231)**
	2,873,451	**1,778,955**
	$ 2,959,093	**$ 1,885,528**

Nature and Continuance of Operations (Note 1)

APPROVED ON BEHALF OF THE BOARD:

Donald Gee Director   *Michael Sweatman* Director

(The accompanying notes are an integral part of the consolidated financial statements)

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE SIX AND THREE MONTHS ENDED JANUARY 31, 2011 AND 2010 (UNAUDITED)

	Three Months Ended January 31		**Six Months Ended January 31**	
	2011	2010	**2011**	2010
EXPENSES				
Office and miscellaneous	**$ 17,411**	$ 9,929	**$ 26,752**	$ 25,329
Professional fees	**12,500**	12,925	**12,980**	12,925
Stock-based compensation	**487,548**	32,765	**499,841**	79,018
Consulting fees	**40,862**	21,750	**64,020**	49,250
Director and technical review committee fees	**8,990**	5,000	**19,740**	8,750
Transfer agent and filing fees	**15,010**	8,840	**19,884**	14,418
Investor relations fees	**30,114**	-	**30,114**	-
Salaries and wages	**1,534**	1,049	**3,012**	1,893
Foreign exchange	**991**	(93)	**1,304**	1,249
Amortization	**49**	70	**98**	140
	615,009	92,235	**677,546**	192,972
Loss before other items	**(615,009)**	(92,235)	**(677,546)**	(192,972)
OTHER ITEMS				
Interest income (expense)	**(2,030)**	9,370	**2,542**	19,799
Write-down of mineral properties	**-**	-	**-**	-
Realized gain (loss) on marketable securities	**-**	-	**8,000**	-
Unrealized gain (loss) on marketable securities	**5,119**	11,187	**8,970**	15,520
Renouncement penalty	**-**	-	**-**	16,253
Net loss and comprehensive loss	**(611,920)**	(71,678)	**(658,034)**	(141,400)
Deficit, beginning of year	**(3,149,345)**	(2,872,587)	**(3,103,231)**	(2,802,865)
Deficit, end of year	**$ (3,761,265)**	$ (2,944,265)	**$ (3,761,265)**	$ (2,944,265)
Basic and diluted loss per share	**$ (0.01)**	$ (0.00)	**$ (0.01)**	$ (0.00)
Weighted average number of shares outstanding	**50,307,668**	34,744,000	**45,383,755**	34,744,000

(The accompanying notes are an integral part of the consolidated financial statements)

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX AND THREE MONTHS ENDED JANUARY 31, 2010 AND 2010 (UNAUDITED)

	Three Months Ended January 31, 2011	Three Months Ended January 31, 2010	Six Months Ended January 31, 2011	Six Months Ended January 31, 2010
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss	**$ (611,920)**	$ (71,678)	**$ (658,034)**	$ (141,400)
Items not affecting cash:				
Stock-based compensation	**487,548**	32,765	**499,841**	79,018
Write-down of mineral properties	**-**	-	**-**	-
Unrealized loss (gain) on marketable securities	**(3,851)**	(11,187)	**(4,049)**	(15,520)
Loss on disposal of equipment	**-**	-	**-**	-
Amortization	**49**	70	**98**	140
	(128,174)	(50,030)	**(161,748)**	(77,762)
Changes in non-cash working capital:				
Amounts receivable	**4,182**	(1,108)	**(8,589)**	(3,591)
Prepaid expenses	**20,585**	2,258	**(2,910)**	8,130
Accounts payable	**21,793**	(9,316)	**5,547**	(86,327)
	(81,614)	(58,916)	**(168,096)**	(159,550)
INVESTING ACTIVITIES				
Additions in mineral properties	**(133,671)**	(11,259)	**(315,636)**	(14,339)
Additions in deferred acquisition costs	**(10,000)**	-	**(10,000)**	-
Decrease (increase) in exploration deposit	**5,000**	(2)	**11,863**	(2)
Proceeds (acquisition) from marketable securities	**(2,948)**	(28,760)	**75,640**	(51,199)
	(141,619)	(40,021)	**(238,133)**	(65,540)
FINANCING ACTIVITY				
Due to related parties	**(10,750)**	-	**(26,479)**	-
Proceeds from private placement	**1,003,223**	-	**1,252,888**	-
	992,473	-	**1,226,409**	-
Net increase (decrease) in cash	**$ 769,240**	$ (98,937)	**$ 820,180**	$ (225,090)
Cash and cash equivalents, beginning of period	**$ 556,189**	$ 866,935	**$ 505,249**	$ 993,088
Cash and cash equivalents, end of period	**$ 1,325,429**	$ 767,998	**$ 1,325,429**	$ 767,998

Non-cash Transactions (Note 9)

(The accompanying notes are an integral part of the consolidated financial statements)

1. NATURE AND CONTINUANCE OF OPERATIONS

Pacific Coast Nickel Corp. (the "Company") was incorporated under the Business Corporations Act of B.C. on April 5, 2006. The Company is listed on TSX Venture Exchange ("TSX-V") and trades under the symbol NKL.

The Company is primarily engaged in the acquisition and exploration of mineral properties and is considered to be in the exploration stage. No revenues have been earned to date from its operations. The Company has not yet determined whether its mineral properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

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 $3,761,265 to January 31, 2011. The Company's ability to continue as a going concern is dependent upon the Company obtaining 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. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. 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. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for interim period. Operating results for the six and three months ended January 31, 2011 are not necessarily indicative of the results that may be expected for the year ending July 31, 2011. These interim consolidated financial statements follow the same accounting policies as the annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the 2010 annual consolidated financial statements and notes thereto.

3. EXPLORATION DEPOSIT

At January 31, 2011, exploration deposit was $Nil (July 31, 2010 - $11,863) held by the operator of the Burwash Property (Note 5) exploration program for exploration work.

4. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value Jan 31, 2011	Net Book Value July 31, 2010
Computer equipment	$ 1,572	$ 1,016	$ 556	$ 655
Exploration equipment	23,304	15,661	7,643	8,492
	$ 24,876	$ 16,677	$ 8,199	$ 9,147

5. MINERAL PROPERTIES

	July 31, 2009	Expenditures	July 31, 2010	Expenditures	January 31, 2011
Burwash, Canada					
Acquisition costs	$ 61,500	$ 36,000	$ 97,500	$ -	$ 97,500
Exploration costs					
Amortization	6,323	1,868	8,191	88	8,279
Assays	6,764	662	7,426	168	7,594
Consulting	44,874	-	44,874	-	44,874
Drilling	185,452	-	185,452	-	185,452
Field expenses	86,833	569	87,402	5,486	92,888
Government fee	2,690	-	2,690	-	2,690
Geological surveys	-	76,156	76,156	180,914	257,070
Legal	-	858	858	750	1,608
Labour	133,488	678	134,166	6,518	140,684
	$ 527,924	$ 116,791	$ 644,715	$ 193,924	$ 838,639

5. MINERAL PROPERTIES (cont'd…)

	July 31, 2009	Expenditures	July 31, 2010	Expenditures	January 31, 2011
Sarandi del Yi, Durazno, Uruguay					
Acquisition costs	$ 7,048	$ -	$ 7,048	$ -	$ 7,048
Exploration costs					
Amortization	1,782	1,901	3,683	761	4,444
Assays	16,634	-	16,634	-	16,634
Equipment rental	6,059	(6,059)	-	-	-
Field expenses	69,803	6,933	76,736	184	76,920
Consulting	231,101	42,063	273,164	22,185	295,349
Legal	44,355	5,375	49,730	18,010	67,740
Mapping	20,760	-	20,760	-	20,760
Property fees	11,066	(508)	10,558	-	10,558
Stock-Comp.	18,000	-	18,000	-	18,000
Travel	64,851	6,612	71,462	1,229	72,691
	$ 491,459	$ 56,317	$ 547,775	$ 42,369	$ 590,144

	July 31, 2009	Expenditures	July 31, 2010	Expenditures	January 31, 2011
Las Aguilas, Argentina					
Acquisition costs	-	-	-	$ 40,473	$ 40,473
Exploration costs					
Consulting	-	-	-	5,314	5,314
Travel				34,406	34,406
				$ 80,193	$ 80,193
Total Expenditures	**$ 1,019,983**	**$ 173,108**	**$ 1,192,490**	**$ 316,486**	**$ 1,508,976**

5. MINERAL PROPERTIES (cont'd…)

Burwash, Canada

Pursuant to an option agreement (the "Agreement") dated May 14, 2008, amended on December 9, 2008 and further amended February 23, 2010, 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 (paid); 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 (issued);
- (iv) an additional 200,000 shares on or before March 31, 2011.

(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 $250,000 on or before December 1, 2010; (incurred)
- (iii) an additional $750,000 on or before December 1, 2011; and
- (iv) an additional $1,600,000 on or before December 1, 2012.

The Company may acquire an additional 10% interest by providing the optionor with a positive feasibility study in respect of the property on or before March 31, 2016 and a further 15% interest by providing all of the funding required to put the Property into commercial production on or before March 31, 2019.

Sarandi del Yi Durazno, 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 $590,144 on the properties and intends to continue exploration work.

Las Aguilas, Uruguay

On December 10, 2010 the Company entered into a letter agreement with Marifil Mines Limited ("Marifil") with an option to acquire a 70% interest in the Las Aguilas Nickel-Copper-PGM property located in San Luis Province, Argentina. The agreement with Marifil provides for payments and work commitments as follows:

5. MINERAL PROPERTIES (cont'd…)

To earn a 49% interest in the property:

Cash and shares

- $25,000 upon signing and 250,000 shares (paid & issued)
- $75,000 and 250,000 shares on or before April 1, 2012
- $100,000 and 250,000 shares on or before April 1, 2013
- $100,000 and 250,000 shares on or before April 1, 2014

Work Commitments

- On or before April 1, 2012 complete a resource estimate based on work completed to date
- On or before April 1, 2013 incur $500,000 in exploration expenditures,
- On or before April 1, 2014 incur $500,000 in exploration expenditures,
- On or before April 1, 2015 incur $1,000,000 in exploration expenditures,

The agreement also provides for the Company to earn an additional 11% for preparation of a pre feasibility study and issuance of 1,000,000 shares and payment of $100,000 on or before April 1, 2015 and a further 10% for completion of a feasibility study before April 15, 2016

The agreement also provides for granting of a 3% NSR to Marifil of which 0.5% can purchased for $1,000,000 and the Company retains the option of buying Marifil's 30% interest for $5,000,000

6. SHARE CAPITAL

Common Shares

Authorized:
Unlimited number of common shares without par value

Issued:	Number		Amount
Balance – July 31, 2009	34,744,000	$	3,618,875
Shares issued for mineral properties	150,000		6,000
Balance – July 31, 2010	34,894,000	$	3,624,875
Shares issued for private placement – August 12. 2010	5,565,842		249,666
Shares issued for mineral properties	250,000		15,000
Shares issued for private placement – January 10, 2011	15,000,000		815,083
Balance – January 31, 2011	55,709,842	$	4,704,624

6. **SHARE CAPITAL (cont'd…)**

During the year ended July 31, 2010, the Company issued 150,000 common shares at a fair value of $6,000 for payment of the Burwash property.

On August 12, 2010 the Company completed a private placement and issued 5,515,842 shares for gross proceeds of $275,792. Each unit consists of one flow through share and one-half of one common share purchase warrant. Each whole warrant is exercisable for one common share of the Company at a price of $0.10 per share until August 12, 2012. In relation to this placement, the Company issued 50,000 shares and 500,000 options as a commission fee to the agent.

On November 8, 2010 the Company issued 250,000 shares at a fair value of $15,000 for payment of the Las Aguilas property.

On January 10, 2011 the Company completed a private placement and issued 15,000,000 shares for gross proceeds of $1,049,898. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the company at a price $0.10 per share until January 10, 2013. Finders' fees of 6 per cent of the proceeds raised are payable in cash and 5.5 per cent of the units placed are payable through the issuance of Warrants on portions of the financing.

Escrow

At January 31, 2011, there were Nil common shares held in escrow. The Company released 2,936,850 shares in January 10, 2010 and July 10, 2010.

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. The options can be granted for a maximum term of five years and vest at the discretion of the Board of Directors. The following table summarizes the stock option plan transactions to January 31, 2011:

	Number	Weighted Average Exercise Price	Expiry
Outstanding, July 31, 2009	2,075,000	0.50	
Granted	1,000,000	0.10	August 7, 2014
Granted	75,000	0.10	September 17, 2014
Cancelled	(1,600,000)	-	-
Granted	750,000	0.10	November 6, 2014
Granted	250,000	0.10	May 25, 2012
Outstanding, July 31, 2010	2,550,000	0.11	
Granted	500,000	0.10	August 3, 2012
Cancelled	(250,000)	-	-
Granted	250,000	0.10	November 9, 2015
Granted	500,000	0.12	December 7, 2015
Granted	1,750,000	0.14	December 13, 2015
Outstanding, January 31, 2011	5,300,000	0.12	

6. SHARE CAPITAL (cont'd…)

During the period ended January 31, 2011, the Company granted 2,750,000 options. The options granted vest on the date of grant. The Company charged $499,841 to operations as stock-based compensation.

Price	Number Outstanding	Number Exercisable	Expiry Date
$0.16	275,000	275,000	January 7, 2013
$0.15	200,000	200,000	May 27, 2013
$0.10	1,000,000	1,000,000	August 7, 2014
$0.10	75,000	75,000	September 17, 2014
$0.10	750,000	750,000	November 6 ,2014
$0.10	500,000	500,000	August 3, 2012
$0.10	250,000	125,000	November 9, 2012
$0.10	500,000	500,000	December 7, 2015
$0.10	1,750,000	1,750,000	December 13, 2015
	5,300,000	5,175,000	

At January 31, 2011, 5,175,000 outstanding options were exercisable and had a weighted average remaining contractual life of 3.7 years.

Warrants

At January 31, 2011, there were 18,633,000 (2010 – Nil) warrants outstanding enabling holders to acquire common shares of the company at $0.10 per share.

Price	Number Outstanding	Number Exercisable	Expiry Date
$0.10	2,565,000	2565,000	August 3, 2012
$0.10	250,000	-	(1)
$0.10	15,818,000	15,818,000	January 10, 2014
	18,633,000	18,465,000	

(1) Exercisable upon the exercising of stock options, granted during August 3, 2010 private placement.

7. CONTRIBUTED SURPLUS (cont'd…)

The following table summarizes the Company's contributed surplus:

Balance – July 31, 2009	$	1,191,131
Fair value of options granted		66,180
Balance – July 31, 2010	$	1,257,311
Fair value of options and warrants granted		672,781
Balance – January 31, 2011	$	1,930,092

8. RELATED PARTY TRANSACTIONS

During the six month period ended January 31, 2011, 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:

Consulting fees of $64,020 (2010 – $49,250)

Director and technical review committee fees of $19,740 (2010 - $8,750)

Rent of $5,700 (2010 - $5,700)

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 January 31, 2011, due to related parties include $ Nil (2010 - $8,750) owing to directors for director fees and technical review fees.

9. 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 period ended January 31, 2011:

a) The Company capitalized amortization on equipment of $849 to mineral properties.

During the period ended January 31, 2010:

b) The Company capitalized amortization on equipment of $950 to mineral properties.

10. SEGMENTED INFORMATION

The Company operates in three geographic areas with mineral properties at carrying values as follows:

		January 31, 2011		July 31, 2010
Mineral Properties				
Canada	$	838,639	$	644,715
Uruguay		590,144		547,775
Argentina		80,192		-
	$	1,508,975	$	1,192,490

11. 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.

12. 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, amounts receivable, accounts payable, and due to related parties. Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The Company classifies its cash and cash equivalents and its marketable securities as held-for-trading, amounts receivable as loans and receivables, and its accounts payable and due to related parties as other financial liabilities.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

		January 31, 2011		July 31, 2010
Held for trading (i)	$	1,404,397	$	656,006
Loans and receivables (ii)	$	18,497	$	9,908
Other financial liabilities (iii)	$	85,642	$	106,573

(i) Cash and cash equivalents and marketable securities
(ii) Amounts receivable
(iii) Accounts payable and due to related parties

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

12. FINANCIAL INSTRUMENTS (cont'd…)

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.

Fair Value

The estimated fair values of cash and cash equivalent, accounts payable and due to related parties approximate their respective carrying values due to the immediate or short period to maturity. The fair value of marketable securities is determined directly by reference to quoted market prices. For fair value estimates the Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in CICA Handbook section 3862 *Financial Instruments –Disclosures*:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	January 31, 2011
Cash and cash equivalents	$ 1,325,429	$ -	$ -	$ 1,325,429
Marketable securities	78,968	-	-	78,169
	$ 1,404,397	$ -	$ -	$ 1,404,397

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity and equity prices. The Company does not actively trade in marketable securities. As of January 31, 2011 the Company had $78,968 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.

a. 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 January 31, 2011, 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.

12. FINANCIAL INSTRUMENTS (cont'd…)

b. 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.

c. 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 in 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 amounts receivable. The company places its cash and cash equivalents with high credit quality financial institutions and amounts receivable are due from government departments.

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.

13. MANAGEMENT OF CAPITAL

The Company considers the following the components of shareholders' equity to comprise its capital:

	January 31, 2011	July 31, 2010
Share capital	4,704,624	3,624,875
Contributed surplus	1,930,092	1,257,311
Deficit	(3,761,265)	(3,103,231)
Total Capital	2,873,451	1,778,955

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.

14. SUBSEQUENT EVENTS

On January 17, 2011 the Company entered into a Proposed Plan of Arrangement involving Prophecy Resource Corp. ("Prophecy") and its securityholders whereby it will acquire Prophecy's Nickel PGM properties located in the Yukon Territory and Manitoba respectively by issuing common shares to Prophecy.

On February 17, 2011 the proposed plan of arrangement was amended based on independent fairness opinions each received by Prophecy and PCNC. The proposed plan of arrangement is subject to shareholder and regulatory approval.

Terms of the Transaction

Under the proposed transaction, the Company will acquire Spinco from Prophecy in exchange for issuing 450,000,000 common shares of the Company, as directed by Prophecy to the shareholders of Prophecy. The common shares are to be issued at a deemed price per share equal to the $0.195 (closing price of the common shares on January 17, 2011, the last day the common shares traded prior to announcement of the acquisition), for an aggregate deemed value of $87,750,000.

14. SUBSEQUENT EVENTS (cont'd …)

Spinco will become a wholly owned subsidiary of the Company upon acquisition. The acquisition of Spinco is accounted as a purchase of assets. The total purchase price of $87,750,000 has been allocated as follows:

Cash	$	2,000,001
Mineral properties		112,390,354
		114,390,355
Future income tax liability		(26,640,355)
Total purchase price	$	87,750,000

After the proposed plan of arrangement is complete Company will consolidate its share capital on a 10 old for 1 new basis and change its name to Prophecy Platinum Corp. after the completion of the agreement.