

PROPHECY PLATINUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED: January 31, 2012

DATE OF THE REPORT: March 27, 2012

INTRODUCTION

This management discussion and analysis ("MD&A") of financial position and results of operations of Prophecy Platinum Corp. ("Prophecy Platinum", "the Company") is prepared as at March 27, 2012 and should be read in conjunction with the condensed consolidated interim financial statements as at and for the three and six months ended January 31, 2012, and the annual consolidated financial statements as at and for the years ended July 31, 2011 and 2010. The Company prepares and files its January 31, 2012 condensed consolidated interim financial statements and notes in Canadian ("CDN") dollars and in accordance with International Financial Reporting Standards ("IFRS"). Additional information related to the Company is available at www.prophecyplat.com.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the preparation and integrity of the condensed consolidated interim 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, 2012. 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.

The adoption of IFRS impacts the Company's presentation of financial results and accompanying disclosures. The Company has evaluated the impact of IFRS on its processes, controls and financial reporting systems and has made modifications to its control environment accordingly. There have been no significant changes in the Company's internal control over financial reporting during the three and six month period ended January 31, 2012 that have materially affected, or are reasonably likely to materially effect, the Company's internal control over financial reporting.

The management of the Company has filed the Venture Issuer Basic Certificate with the Interim Filings on SEDAR at www.sedar.com.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing certificates for venture issuers are not making any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificate(s).

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

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.

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. This Interim MD&A contains forward-looking statements which reflect management’s expectations regarding Prophecy Platinum’s future growth, results of operations, performance, business prospects and opportunities. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or similar expressions, are forward-looking statements within the meaning of securities laws. Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of Prophecy. These statements are not historical facts but instead represent only Prophecy’s expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. In addition to the factors that Prophecy Platinum currently believes to be material such as, but not limited to, its ability to obtain adequate working capital, the cyclical nature of the industry within which it operates and price fluctuations in the demand and supply of the products it produces, key suppliers and third party service providers, changes in currency exchange rates and interest rates, as well as other factors, such as general, economic and business conditions and opportunities available to or pursued by Prophecy Platinum, which are not currently viewed as material but could cause actual results to differ materially from those described in the forward-looking statements. Although Prophecy Platinum has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements as such information may not be appropriate for other purposes.

Prophecy Platinum maintains a forward-looking statement database which is reviewed by management on a regular basis to ensure that no material change has occurred with respect to such forecasts. The Company will publicly disclose such material changes to its forward-looking statements as soon as they are known to management.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Prophecy Platinum’s condensed consolidated interim financial statements and the financial data included in the interim MD&A have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are expected to be effective as at March 31, 2012, the date of the Company’s first annual reporting under IFRS, as a result of changing its year end from July 31st to March 31st (see 2012 Highlights and Significant Events). The adoption of IFRS does not impact the underlying economics of the Company’s operations or its cash flows.

Note 20 to the condensed consolidated interim financial statements contains a detailed description of the Company’s adoption of IFRS, including a reconciliation of the consolidated financial statements previously prepared under Canadian GAAP to those under IFRS for the following:

- The consolidated statements of financial position as at January 31, 2011
- The consolidated statements of operations and comprehensive loss for the three and six month period ended January 31, 2011
- There is no effect of transition from Canadian GAAP to IFRS on the cash flow. Therefore, a reconciliation of cash flows has not been presented.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

The reader may refer to the condensed consolidated interim financial statements for the three and six month period ended January 31, 2012 that included the reconciliations of the consolidated interim financial statements previously reported under Canadian GAAP at January 31, 2011.

The most significant impacts of the adoption of IFRS, together with details of the IFRS 1 exemptions taken, are described in the "Transition to International Financial Reporting Standards" section of this interim MD&A. Comparative information has been restated to comply with IFRS requirements, unless otherwise indicated.

2012 HIGHLIGHTS AND SIGNIFICANT EVENTS

- On August 1, 2011, the Company entered into a Service Agreement with a related company whereby the related company will provide commercial office space, information technology and accounting services to the Company for \$28,000 per month. On January 1, 2012, the terms of the Service Agreement was modified whereby the monthly payment for shared office fees is increased from \$28,000 to \$40,000 to accommodate increased expenditures as a result of an overall increase in business operations.
- On August 4, 2011 the Company and Strategic Metals Ltd. entered into an agreement for the Company to acquire a 100% interest in the Burwash property. The purchase agreement replaces the previous agreement entered into April 1, 2011. The purchase price was set at \$1,000,000 cash and the transaction closed August 31, 2011.
- On August 30, 2011 the Company granted 450,000 incentive options for the purchase of common shares of the Company at \$5.59 per share. The options vest 50% per year in arrears and expire August 30, 2016.
- On September 6, 2011, the Company announced that it commenced Wellgreen Metallurgical and PEA studies with SGS Canada Inc. and Tetra Tech Wardrop
- On September 11, 2011, the Company amended the vesting period on 3,200,000 stock options granted to directors of the Company, from 50% per year in arrears to vest immediately. The options were granted on June 17, 2011 and were for the purchase of common shares of the Company at \$0.90 per share.
- On November 17, 2011, the Company closed a non-brokered private placement whereby the Company issued 3,709,489 common shares at \$2.70 per share for total gross proceeds of \$10,015,620. Finder's fees of 6% of the proceeds placed were paid on portions of the placement and share issuance cost totaled \$515,886. Company insider Sprott Asset Management LP and company management subscriptions accounted for approximately 25% of this financing. Proceeds will be used for the Wellgreen property and as an addition to general working capital.
- On December 12, 2011, 840,000 stock options were granted to directors, officers, employees and consultants of the Company. Of the 840,000 stock options, 190,000 stock options are granted to directors and vest immediately, and 650,000 stock options are granted to employees and consultants of the Company and vest 50% per year for two years.
- On December 12, 2011, the Company amended the vesting period on 600,000 stock options granted to employees and a director of the Company, from 50% per year in arrears to vest immediately. The options were granted on June 17, 2011 and were for the purchase of common shares of the Company at \$0.90 per share.
- On December 12, 2011, the Company approved a \$99,400 bonus to directors, officers, employees and consultants of the Company.
- On December 13, 2011, the Company and Prophecy Coal Corp. entered into a loan facility whereby each company can request a loan from the other company up to \$2 million at an interest rate of 14.4% per annum, compounded annually. The loan facility would allow either company to provide and request short term funding from the other, provided that such loans would be due 60 days after demand. As at January 31, 2012, Prophecy Coal has made a drawdown of \$800,000 on the loan facility. Subsequent to period end, Prophecy Coal Corp. repaid the \$800,000 loan due to the Company, pursuant to the loan facility agreement as described in Note 8 of the interim financial statements, plus \$15,189 in interest income, and subsequently cancelled the loan facility agreement.

2012 HIGHLIGHTS AND SIGNIFICANT EVENTS (continued)

- In December 2011, the Company diversified its cash holding by purchasing approximately \$2 million each in platinum and palladium exchange traded funds. An aggregate of approximately \$4 million of PPLT and PALL, both traded on NYSE, was purchased at an average price of \$162 for PPLT and \$64 and PALL.
- In December 2011, Mr. John McGoran has retired from his directorship but will remain an advisor to the Company.
- On January 9, 2012, 90,000 stock options were granted to employees of the Company and vest 50% at the end of each year for two years.

Subsequent to period-end

- Subsequent to period end, 170,000 stock options were granted to a director and consultants of the Company and vest 50% at the end of each year for two years.
- Subsequent to period end, 70,000 stock options was granted to an employee of the Company and vest 50% fifteen months from grant date, and the remaining 50% vest twenty-seven months from the grant date.
- Subsequent to period end, the Company paid \$1,000,000 to Victory Nickel Corp. pursuant to the terms of the mineral property option agreement.
- Subsequent to period end, Prophecy Coal Corp. repaid the \$800,000 loan due to the Company, pursuant to the loan facility agreement as described in Note 8 in the interim financial statements, plus \$15,189 in interest income, and subsequently cancelled the loan facility agreement.
- Subsequent to period end, 150,000 stock options were exercised for \$135,000.
- Subsequent to period end, Mr. Mike Sylvestre was appointed as a director of the Company.
- Subsequent to period end, the Company and Ursa Major Minerals Incorporated (“Ursa”) (TSX: UML) entered into a letter of agreement (“Letter of Agreement”) whereby the Company will acquire all of the issued and outstanding shares of Ursa in exchange for shares of the Company on the basis of 25 shares of Ursa for 1 share of the Company. As a result of the Letter of Agreement, all existing warrants, options and other rights to acquire common shares of Ursa will be exchanged for options and warrants of the Company such that each former Ursa option and warrant will be exchanged for a Prophecy option or warrant, respectively, exercisable for that number of Prophecy shares that is equal to the number of Ursa shares that would otherwise have been issuable thereunder. In connection with the Letter of Agreement, the Company will subscribe for 16,666,667 common shares of Ursa at gross proceeds \$0.06 per share for gross proceeds of \$1,000,000. The use of the proceeds shall be confined to payment of current accounts payable, general working capital purposes and expenditures on the mineral properties of Ursa for the purposes of developing such properties. The Ursa Letter of Agreement was entered into to acquire additional nickel, copper, cobalt, platinum, palladium, gold and silver assets. Ursa has a 100% interest in the Shining Tree nickel-copper deposit located 110km north of Sudbury, Ontario, and an option to earn a 70% interest in the past producing Nickel Offsets Mine, 40 km northwest of Sudbury, Ontario. Ursa’s Shakespeare Nickel Mine is located 70 km west of Sudbury, Ontario and produces nickel, copper, cobalt, platinum, palladium, gold and silver. The mine started commercial production in the second quarter of 2010. Subsequent to period end, the 16,666,667 common shares were subscribed by the Company for \$1,000,000. The acquisition of Ursa has not yet closed and is subject to the approval of the TSX Venture Exchange, Ursa’s shareholders and the Ontario Superior Court of Justice. Ursa files its financial statements on SEDAR.
- Subsequent to period end, the Company sold 1,560 units of platinum ETFs and 3,700 units of palladium ETFs with an average cost of \$237,241 USD and \$236,257 USD respectively for total proceeds of \$497,959 USD for a realized gain of \$24,461.
- Subsequent to period end, the Company changed its year end from July 31st to March 31st. The reason for the change is to make the Company’s reporting periods coincide with the Company’s parent company, Prophecy Coal Corp.’s quarterly filings. The Company’s former financial year end is July 31st, and the Company’s new financial year end will be March 31st. Please refer to the Notice filed on www.sedar.com for the length and ending date of the periods, including the comparative periods of the interim and annual financial statements to be filed for the transition year and new financial year.

For further information, please refer to www.prophecyplat.com.

OVERALL PERFORMANCE

Description of Business

Prophecy Platinum Corp. (formerly Pacific Coast Nickel Corp.), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol NKL. The address of the Company's corporate office and its principal place of business is 342 Water Street, 2nd Floor, Vancouver British Columbia, Canada.

The principal business of the Company is the acquisition, exploration and development of high value nickel-copper and platinum group metals. The Company's principal assets include:

- A 100% interest in the Wellgreen property which is a nickel-copper and platinum group metals project located in the Yukon Territories. The Company also has a 100% interest in the Burwash property, which is adjacent to the Wellgreen property, and also go by the name "Wellgreen East Zone";
- An interest to acquire a 100% interest in the Lynn Lake property which is a nickel project located in northern Manitoba;
- An interest to acquire 70% interest in the Las Aguilas property which is a nickel-copper and platinum group metals project located in San Luis Province, Argentina;
- Five prospecting licenses in Uruguay.

As of the date of this report the Company has five exploration projects; two properties adjacent to each other within the Yukon Territories, one property within Manitoba, one property in the country of Argentina and a final property within the country of Uruguay.

At March 27, 2012, the Company had 55,353,543 common shares issued and outstanding, stock options outstanding for 7,156,250 common shares, and warrants outstanding for 1,217,000 common shares.

Head office

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Share Information

Common shares of Prophecy Platinum Corp. are listed for trading under the symbol "NKL", OTC-QX under symbol "PNIKF", and Frankfurt Stock Exchange under symbol "P94P".

Investor Information

All financial reports, news releases and corporate information can be accessed on our web site at www.prophecyplat.com

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Directors and Officers

As at the date of this report, the Company's Directors and Officers are as follows:

Directors	Officers
John Lee, Chairman	John Lee, Interim CEO
Mike Sylvestre	Irina Plavutska, Interim CFO
Greg Hall	Joseph Li, General Manager and Corporate Secretary
Donald Gee	Patrick Langlois, VP Corporate Development
David Patterson	
Joseph Li	

Audit Committee

Donald Gee (Chairman)
Greg Hall
David Patterson

Compensation Committee

Greg Hall (Chairman)
John Lee
David Patterson

Corporate Governance Committee

Joseph Li
Don Gee
David Patterson

OVERALL PERFORMANCE (continued)

Description of Business (continued)

On June 13, 2011, the Company purchased the Wellgreen and Lynn Lake properties from Prophecy Coal Corp. by a plan of arrangement (the "Arrangement"). Under the Arrangement, Prophecy Coal Corp. spun out its Wellgreen and Lynn Lake mineral properties along with \$2,000,000 cash into a newly incorporated company named 0905144 BC Ltd. Prophecy Coal Corp. then transferred all the issued and outstanding 0905144 BC Ltd.'s shares to the Company in consideration for 450,000,000 (45,000,000 post consolidation) of the Company's shares.

Subsequent to the transaction, the Company changed its name to Prophecy Platinum Corp. and consolidated its share capital on a 10 old for 1 new basis

The following is a summary of the acquisition cost allocation at the date of purchase based upon the estimated fair values of the assets acquired and liabilities assumed:

Purchase price of 45,000,000 common shares issued	\$ 49,007,724
Transaction costs	126,730
Acquisition	\$ 49,134,454
Purchase price allocation:	
Cash	\$ 2,000,000
Mineral properties – Wellgreen	14,783,596
Mineral properties – Lynn Lake	32,350,858
Net assets acquired	\$ 49,134,454

Wellgreen Nickel Property

The Wellgreen property is located approximately 35 km northwest of Burwash Landing in the Yukon, 320 km from Whitehorse, and about 400 Km from Alaska's deep sea port at Haines. The Wellgreen property is a platinum group metal (PGM)-rich, nickel (Ni)-copper (Cu) project located in the south-western Yukon Territory.

From its July 2011 independent NI 43-101 compliant resource calculation from Wardrop Engineering, a Tetra Tech Company, the Wellgreen deposit is estimated to contain a total inferred resource of 289.2 million tonnes at an average grade of 0.53 g/t platinum, 0.42 g/t palladium, 0.23 g/t gold (1.18g/t PGM+Gold), 0.38% nickel, and 0.35% copper. Separately, the deposit also contains an indicated resource of 14.3 million tonnes at an average grade of 0.99 g/t platinum, 0.74 g/t palladium, 0.52 g/t gold (2.25 g/t PGM+Gold), 0.69% nickel, and 0.69% copper. A 0.4% nickel equivalent cutoff grade was adopted for reporting. The resource estimate incorporated drill data from 701 diamond drill holes (182 surface and 519 underground) totalling over 53,222 metres. The resource includes both the East Zone and the West Zone of the Wellgreen project, which are tabulated in Table 1 showing respective metal grades which are also expressed as nickel equivalent (NiEq) values. The report is authored by Todd McCracken, P. Geo. of Wardrop Engineering Inc., a Tetra Tech Company, who is an independent Qualified Person under NI 43-101. Wellgreen indicated and inferred resource summary:

NiEq% cutoff	Category	Zone	Tonnes	NiEq%	Pt (g/t)	Pd (g/t)	Au (g/t)	PGM+Au (g/t)	Ni (%)	Cu (%)	Co (%)
0.400	Indicated	East	14,308,000	1.36	0.99	0.74	0.52	2.25	0.69	0.62	0.05
NiEq% cutoff	Category	Zone	Tonnes	NiEq%	Pt (g/t)	Pd (g/t)	Au (g/t)	PGM+Au (g/t)	Ni (%)	Cu (%)	Co (%)
0.400	Inferred	East	219,327,000	0.76	0.54	0.45	0.26	1.25	0.39	0.34	0.03
0.400	Inferred	West	69,919,000	0.67	0.50	0.34	0.12	0.96	0.34	0.38	0.02
Total inferred			289,246,000	0.74	0.53	0.42	0.23	1.18	0.38	0.35	0.03

OVERALL PERFORMANCE (continued)

Wellgreen Nickel Property (continued)

Several parameters were used in calculating the reported resource:

- $NiEq = ((Ni\% * \$Ni * 22.0462) + (Cu\% * \$Cu * 22.0462) + (Co\% * \$Co * 22.0462) + (Au\ grade * \$Au * 0.029167) + (Pt\ grade * \$Pt * 0.029167) + (Pd\ grade * \$Pd * 0.029167)) / (\$Ni * 22.0462)$;
- Long term average metal prices in \$USD of \$9.52/lb nickel (NiEq prices based on this amount), \$2.96/lb copper, \$15.78/lb cobalt, \$1085/troy ounce gold, \$1776/troy ounce platinum, \$689/troy ounce palladium;
- Visual comparison of colour-coded block model grades with composite grades on section and plan;
- Comparison of the global mean block grades for ordinary kriging (OK), inverse distance squared (ID2), nearest neighbor (NN) and composites;
- Swath Plots comparing NN estimates and OK estimates;
- 701 drill hole database used compiling over 12,000 assays.

Contained Metals at Wellgreen*

Metal	Indicated Resource	Inferred Resource
Nickel (Ni)	0.22 Billion lbs.	2.42 Billion lbs.
Copper (Cu)	0.20 Billion lbs.	2.23 Billion lbs.
Cobalt (Co)	15.77 Million lbs.	191.30 Million lbs.
Platinum (Pt)	0.46 Million oz.	4.93 Million oz.
Palladium (Pd)	0.34 Million oz.	3.91 Million oz.
Gold (Au)	0.24 Million oz.	2.14 Million oz.
PGM+Gold	1.04 Million oz.	10.97 Million oz.

* Based on resource estimated at 0.4% Neq cut-off, and 100% metals recoveries.

Prophecy Platinum has adopted a 0.4% nickel equivalent cut-off pending further work on the economics regarding the deposit. The Company believes that this represents a conservative cut-off value with a demonstrated NiEq value 0.74% for the inferred resource and 1.36% NiEq for the indicated resource. Additional payable metals such as rhodium, iridium, osmium and ruthenium are not figured into the current resource estimate. Resource numbers at their various cut-off values are tabulated on a zone-by-zone basis (i.e. East Zone and West Zone) the reader can find on the Prophecy Platinum website at <http://www.prophecyplat.com>.

In October 2011 the Company completed a planned drill program that was commenced in May, 2011. A total of 2,200 meters of the projected 8,000 meters announced in May 2011 was completed during the program due to technical difficulties associated with ground conditions. On August 22, 2011, Prophecy Platinum announced it has drilled 49.5 meters grading 1.27 g/t PGM+Au, 0.71% Ni, 0.45% Cu within 472 meters grading 0.43% NiEq. Additional results were reported on September 26, 2011 where it was disclosed that drillhole WS11-188 encountered 457 meters of mineralization grading 0.47% NiEq (including 0.72 g/t Pt+Pd+Au) from surface to the footwall contact. Within this larger swath of mineralization, the hole encountered a high grade section of 17.8 meters of 3.14 g/t Pt+Pd+Au, 1.03% Ni, 0.74% Cu (1.77% NiEq). NiEq values were calculated using the same parameters noted in Table 1. On December 8th, 2011 the Company released its final drill results from the 2011 Wellgreen drilling program, featuring drillhole WS11-192 which intercepted 384.9 meters of 0.45% NiEq starting from 9.45 meters depth. Included in this greater interval of continuous mineralization is a PGM-rich zone with a combined Pt+Pd+Au grade of 1.358 g/t over 19.23 meters (NiEq 0.74%).

OVERALL PERFORMANCE (continued)

Wellgreen Nickel Property (continued)

The Company previously announced that it retained SGS Mineral Services to commence a metallurgical study on the Wellgreen mineralization in early September, 2011. The Company submitted 150 kg of representative grade material to SGS' laboratories to commence flotation tests and to ascertain optimized recoveries for mineralization at Wellgreen. Results are now expected in Q1 of 2012 pending final tests and additional downstream bench-level testing of the final concentrate.

The commencement of a Preliminary Economic Assessment (PEA) was announced in early September. The PEA will examine the Wellgreen deposit in the context of an open pit project and determine preliminary economics for the project. The results of this work are on schedule and are expected in April of 2012.

In November of 2011, the Company announced the appointment of Mr. Gary Johnson as metallurgical advisor. Mr. Johnson has over 30 years' experience in the industry including as a member of the team operating the metallurgical pilot plant at the giant Roxby Downs (also known as Olympic Dam) copper, gold and uranium project in South Australia. He has also worked closely with LionOre Mining International to develop the Activox process for treating sulphide concentrates and was closely involved with Tati Nickel Mining Company (Pty) Limited, in Botswana, which grew to become the largest nickel mine in Africa.

In January 2012, the Company announced it will be commencing a 9,000 meter underground diamond drilling program that will launch an infill program for the existing resource as released in July 2011, and summarized above. The company outlined its strategy to complete 20,000 meters of drilling in 2012, with a combined surface and underground program. This program will be aimed at upgrading the current inferred resource material into a measured and indicated categorization as standardized by NI43-101. This drilling program will also include exploration drilling outside of the current resource that will examine future potential of the project.

Danniel Oosterman, P. Geo., a consultant of the Company, is the Qualified Person under National Instrument 43-101 who has approved the technical content above.

At January 31, 2012, the Company incurred a total of \$2,975,500 in exploration costs on the Wellgreen property.

Burwash Property

The Burwash property is located immediately east of the Wellgreen project, known to host extensive nickel-copper-platinum group metal (PGM) mineralization.

On August 4, 2011, the Company entered into a purchase agreement with Strategic Metals Ltd. ("Strategic") to acquire a 100% working interest in the Burwash in consideration for \$1,000,000 in cash payable on August 31, 2011 (paid). This purchase agreement replaces agreements dated May 14, 2008 as amended December 2, 2008, February 23, 2010, and April 1, 2011 previously entered into with Strategic.

At January 31, 2012, \$756,565 in exploration costs had been spent on the Burwash property.

The Company will conduct future exploration work on the property in conjunction with the Wellgreen property which adjoins the Burwash property. Historical assay results are available on the Company's website

From an updated resource estimate released in April 2011, Lynn Lake has 22.9 million tons of measured and indicated resources grading 0.57% nickel or 263 million pounds of in-situ nickel as well as 8.1 million tons inferred resources grading 0.51% nickel which contains an additional 81.6 million pounds of in-situ nickel. In addition, the updated resource estimated stated that the resource contained measured and indicated resources grading 0.30% copper or 138 million pounds of in-situ copper plus inferred resources grading 0.28% copper or 45.6 million pounds of in-situ copper.

OVERALL PERFORMANCE (continued)

Lynn Lake Nickel Property (continued)

Measured and indicated resources at Lynn Lake are categorized in the following table:

Zone	Category	NiEq Cutoff	Tones	Nickel%	Copper%	NiEq%	Ni (lbs)	Cu (lbs)
N	Measured	>= 0.4	461,496	0.84	0.41	1.05	7,753,133	3,784,267
O	Measured	>= 0.4	556,062	0.7	0.32	0.87	7,784,868	3,558,797
<i>Total</i>	<i>Measured</i>	<i>>= 0.4</i>	<i>1,017,558</i>	<i>0.76</i>	<i>0.36</i>	<i>0.95</i>	<i>15,538,001</i>	<i>7,343,064</i>
N	Indicated	>= 0.4	12,680,895	0.56	0.31	0.71	142,026,024	78,621,549
O	Indicated	>= 0.4	9,203,226	0.57	0.28	0.71	104,916,776	51,538,066
<i>Total</i>	<i>Indicated</i>	<i>>= 0.4</i>	<i>21,884,121</i>	<i>0.56</i>	<i>0.3</i>	<i>0.71</i>	<i>246,942,800</i>	<i>130,159,615</i>
Measured								
Totals	+Indicated	>= 0.4	22,901,679	0.57	0.3	0.72	262,480,801	137,502,679

At January 31, 2012, the Company incurred a total of \$401,423 in exploration costs on the Lynn Lake property.

A 1,500 meter drill hole program was conducted in September and October of 2011 testing some existing induced polarization (IP) geophysical anomalies. Modest intercepts of mineralization were encountered including 0.3% nickel and 0.2% copper over 11.4 meters on hole NKL11-003, and 0.03% nickel and 1.3% copper for 3.7 meters on hole NKL-004, explaining the occurrence of the 'North Anomaly' which remains open with increasing chargeability with lower associated resistivities with depth.

The Company received final results for its metallurgical study on the amenability Lynn Lake mineralization to the bioleach process, achieving nickel extractions in excess of 95% using a moderate grind and leach temperature, whereas high copper recoveries generally require finer grinding and higher temperatures. The study was completed by Mintek in South Africa and overseen by Andy Carter, Manager of Metallurgical Engineering for Tetra Tech Inc.

Danniel Oosterman, P. Geo., a consultant of the Company, is the Qualified Person under National Instrument 43-101 who has approved the technical content above.

Las Aguilas Property

On December 10, 2010, further amended March 13, 2011, 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 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.

On May 12, 2011, Prophecy Platinum released an updated NI 43-101 compliant indicated and inferred resource for the Las Aguilas property, which is summarized categorically in the table below, as documented in report by Wardrop Engineering Inc., a TetraTech company, dated April 29, 2011 entitled NI 43-101 Technical Report and Resource Estimate of the Las Aguilas Project, San Luis Province, Argentina.

OVERALL PERFORMANCE (continued)

Las Aguilas (continued)

Las Aguilas NI 43-101 resource calculation summary as follows:

Zone	Category	NiEq Cutoff	Tons	Nickel %	Copper %	Cobalt %	Au (ppm)	Ag (ppm)	Pt (ppm)	Pd (ppm)	NiEq %
East	Indicated	>= 0.4	1,036,800	0.52	0.35	0.03	0.09	0.53	0.19	0.19	0.77
West	Indicated	>= 0.4	2,227,000	0.36	0.45	0.03	0.03	0.29	0.15	0.19	0.62
Total	Indicated	>= 0.4	3,263,800	0.41	0.42	0.03	0.05	0.37	0.16	0.19	0.67
East	Inferred	>= 0.4	650,000	0.48	0.33	0.03	0.03	0.31	0.05	0.04	0.65
West	Inferred	>= 0.4	689,000	0.35	0.43	0.03	0.01	0.01	0.01	0.01	0.53
Total	Inferred	>= 0.4	1,339,000	0.41	0.38	0.03	0.02	0.16	0.03	0.03	0.59

Notes: Nickel price = US\$9.02/lb and copper = US\$2.66/lb, platinum = US\$1842/oz, palladium = US\$681/oz, gold = US\$1058/oz, silver = US\$16.57/oz. The following formulas were used in Datamine to calculate Nickel Equivalence: $NiEq = [(Ni \text{ grade} \times \$Ni) + (Cu \text{ grade} \times \$Cu) + (Co \text{ grade} \times \$Co)] \times 20 + [(Au \text{ grade} \times \$Au) + (Ag \text{ grade} \times \$Ag) + (Pt \text{ grade} \times \$Pt) + (Pd \text{ grade} \times \$Pd) \times 0.0291667] / (\$Ni \times 20)$. A total of 79 drill holes comprising 1,815 assays were used for resource model validation. Specific gravities of 3.5 were used in this resource calculation. Block sizes of 8x8x4 meters for mineralized lodes with two minor lodes on eastern zone given 1x1x1 meter block. The interpolation of the East and West zones was completed using the estimation methods: nearest neighbour (NN), inverse distance squared (ID2) and ordinary kriging (OK). Validation was carried out by visual comparison of colour-coded block model grades with composite grades on section and plan, comparison of the global mean block grades for OK, ID2, NN and composites, and Swath Plots comparing NN estimates and OK estimates. Danniël Oosterman, P. Geo., a consultant of Platinum, is the Qualified Person under National Instrument 43-101 who has approved the technical content above.

The letter agreement dated for an initial 6 month earn-in and due diligence period 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 (paid) and 250,000 shares (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

At January 31, 2012, \$150,677 in exploration costs had been spent on the Las Aguilas Property.

Work Commitments:

- 1) On or before 3 months from the agreement date complete a resource estimate (completed)
- 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

OVERALL PERFORMANCE (continued)

Cerro Chato, Molles North, Molles South, Quebracho and Polanco, Uruguay Property

The Company's wholly-owned incorporated subsidiary in Uruguay, Pacific Nickel Sudamerica SA, owns 5 prospecting licenses for properties in Uruguay totalling approximately 28,000 h.a. Of the 28,000 h.a., 400 h.a. from the Molles North license was forfeited in late September, 2011 as a result of it being in a cultivated forest area. The only work done on the 400 h.a. was BRGM regional geochemical sampling and there were no anomalies noted. The Company has no future obligations or expenditures requirements related to the Uruguayan properties. The Company is currently reviewing a number of future plans for the properties and will disclose such plans once they have been determined.

RESULTS OF OPERATIONS

All of the information below is accounted for in accordance with IFRS. The reader is encouraged to refer to Note 20 of the Company's condensed consolidated interim financial statements for the Company's IFRS accounting policies and a complete analysis and reconciliation of the Company's accounting under pre-transition Canadian GAAP and IFRS. Certain prior year figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously reported results.

Three month period ended January 31, 2012

For the three month period ended January 31, 2012, the Company incurred a net loss of \$2,191,810 compared to a net loss of \$611,920 in the prior year. The overall increase in the loss as compared to last year was due to the factors discussed below.

	Three months ended January 31, 2012 (IFRS)	Three months ended January 31, 2011 (IFRS)
Expenses		
Share-based compensation	\$ 1,483,630	\$ 487,548
Business development and promotion	227,550	30,114
Consulting	154,000	40,862
Office and miscellaneous	209,274	17,411
Professional fees	70,024	12,500
Conference	36,817	-
Foreign exchange (recovery)	(16,986)	991
Transfer agent and filing fees	24,790	15,010
Salaries	20,263	10,524
Insurance	9,093	-
Depreciation	6,522	49
Loss before other items	\$ (2,224,977)	\$ (615,009)
Interest income (expense)	15,873	(2,030)
Realized gain on marketable securities	-	-
Unrealized gain on marketable securities	-	5,119
Loss before income taxes and other comprehensive income item	\$ (2,209,104)	\$ (611,920)
Deferred income tax recovery	17,294	-
Net loss before other comprehensive item	\$ (2,191,810)	(611,920)
Unrealized gain on available for sale securities (net of tax)	121,057	-
Comprehensive loss	\$ (2,070,753)	(611,920)

OVERALL PERFORMANCE (continued)

Three months ended January 31, 2012 compared to three months ended January 31, 2011

During the three months ended January 31, 2012, net loss increased by \$1,579,890 from \$611,920 for the three months ended January 31, 2011 to \$2,191,810 for the three months ended January 31, 2012. The increased net loss is mainly attributed to the following:

- i) increase in share-based compensation of \$996,082 from \$487,548 for the three months ended January 31, 2011 to \$1,483,630 for the three months ended January 31, 2012 relating to stock incentive options granted to new directors, officers and consultants of the Company. Increase is attributed to more stock options granted during the three month period ended January 31, 2012 (930,000 stock options granted for the three month period ended January 31, 2012 compared to 250,000 post consolidated stock options for the three month period ended January 31, 2011). Both the exercise price and the share price at grant date is higher for options granted for the three month period ended January 31, 2012 compared to the three month period ended January 31, 2011 thus making the overall share-based compensation higher for the 2012 period.
- ii) increase in business development and promotion expense of \$197,436 from \$30,114 for the three months ended January 31, 2011 to \$227,550 for the three months ended January 31, 2012. The purchase of the Wellgreen and Lynn Lake properties through the Plan of Arrangement has resulted in the Company's need to further promote the Company's business resulting in higher business development and promotion expense.
- iii) increase in consulting fees of \$113,138 from \$40,862 for the three months ended January 31, 2011 to \$154,000 for the three months ended January 31, 2012. The \$154,000 balance includes amounts paid to John Lee, Chairman of the Company, and includes consulting fees paid to the vice president of corporate development. Payments to both of these individuals were not incurred in the comparative period.
- iv) increase in office and miscellaneous expense of \$191,863 from \$17,411 for the three months ended January 31, 2011 to \$209,274 for the three months ended January 31, 2012 as a result of an overall increase in business operations. On August 1, 2011, the Company entered into a Service Agreement with a related company whereby the related company will provide commercial office space, information technology and accounting services to the Company for \$28,000 per month. On January 1, 2012, the terms of the Service Agreement was modified whereby the monthly payment for shared office fees is increased from \$28,000 to \$40,000 to accommodate increased expenditures as a result of an overall increase in business operations.
- v) increase in professional fees of \$57,524 from \$12,500 for the three months ended January 31, 2011 to \$70,024 for the three months ended January 31, 2012 as a result of additional legal fees incurred from the purchase of the Wellgreen and Lynn Lake properties through the Plan of Arrangement.
- vi) increase in conference expense of \$36,817 from \$Nil for the three months ended January 31, 2011 to \$36,817 for the three months ended January 31, 2012 to promote the Company's business.
- vii) increase in foreign exchange gain of \$17,977 from a foreign exchange loss of \$991 for the three months ended January 31, 2011 to a foreign exchange gain of \$16,986 for the three months ended January 31, 2012.
- viii) increase in transfer agent and filing fees of \$9,780 from \$15,010 for the three months ended January 31, 2011 to \$24,790 for the three months ended January 31, 2012. The increase is attributed to an overall increase in business operations, stock option grants and private placement transactions resulting in the need for exchange approvals, therefore increasing overall transfer agent and filing fees.
- ix) increase in salaries and wages of \$9,739 from \$10,524 for the three months ended January 31, 2011 to \$20,263 for the three months ended January 31, 2012. The increase is attributed to employees hired during the period as a result of an overall increase in business operations.

OVERALL PERFORMANCE (continued)

Three months ended January 31, 2012 compared to three months ended January 31, 2011

- x) increase in insurance expense of \$9,093 from \$Nil for the three months ended January 31, 2011 to \$9,093 for the three months ended January 31, 2012 due to new insurance coverage to reduce the Company's legal risk and exposure.

Six month period ended January 31, 2012

For the six month period ended January 31, 2012, the Company incurred a net loss of \$5,288,491 compared to a net loss of \$658,034 in the prior year. The overall increase in the loss as compared to last year was due to the factors discussed below.

	Six months ended January 31, 2012 (IFRS)	Six months ended January 31, 2010 (IFRS)
Expenses		
Share-based compensation	\$ 3,892,675	\$ 499,841
Business development and promotion	506,438	30,114
Consulting	211,708	64,020
Office and miscellaneous	350,544	26,553
Professional fees	206,115	12,980
Conference	49,568	-
Foreign exchange	(16,205)	1,304
Transfer agent and filing fees	50,148	19,884
Salaries	45,630	22,752
Insurance	19,186	-
Depreciation	6,654	98
Loss before other items	\$ (5,322,461)	\$ (677,546)
Interest income (expense)	16,676	2,542
Realized gain on marketable securities	-	8,000
Unrealized gain on marketable securities	-	8,970
Loss before income taxes and other comprehensive item	\$ (5,305,785)	\$ (658,034)
Deferred income tax recovery	17,294	-
Net loss before other comprehensive item	\$ (5,288,491)	\$ (658,034)
Unrealized gain on available for sale securities (net of tax)	121,057	-
Comprehensive loss	\$ (5,167,434)	\$ (658,034)

Six months ended January 31, 2012 compared to six months ended January 31, 2011

During the six months ended January 31, 2012, net loss increased by \$4,630,457 from \$658,034 for the six months ended January 31, 2011 to \$5,288,491 for the six months ended January 31, 2012. The increased net loss is mainly attributed to the following:

- i) increase in share-based compensation of \$3,392,834 from \$499,841 for the six months ended January 31, 2011 to \$3,892,675 for the six months ended January 31, 2012 relating to stock incentive options granted to new directors, officers and consultants of the Company. Of the \$3,892,675 balance, \$2,116,900 relates to stock options granted to directors on June 20, 2011 that became fully vested on September 11, 2011. The remaining balance pertains to the vesting of stock options granted to employees, directors, officers and consultants during the period. Increase is also attributed to more stock options granted during the six month period ended January 31, 2012 (1,380,000 stock options granted for the six month period ended January 31, 2012 compared to 250,000 post consolidated stock options for the six months ended January 31, 2011). Both the exercise price and the share price at grant date is higher for options granted for the six month period ended January 31, 2012 compared to the six month period ended January 31, 2011 thus making the overall share-based compensation higher for the 2012 period.

OVERALL PERFORMANCE (continued)

Six months ended January 31, 2012 compared to six months ended January 31, 2011

- ii) increase in business development and promotion expense of \$476,324 from \$30,114 for the six months ended January 31, 2011 to \$506,438 for the six months ended January 31, 2012. The purchase of the Wellgreen and Lynn Lake properties through the Plan of Arrangement has resulted in the Company's need to further promote the Company's business resulting in higher business development and promotion expense.
- iii) increase in consulting fees of \$147,688 from \$64,020 for the six months ended January 31, 2011 to \$211,708 for the six months ended January 31, 2012. The \$211,708 balance includes amounts paid to John Lee, Chairman of the Company, and includes consulting fees paid to the vice president of corporate development. Payments to both of these individuals were not incurred in the comparative period.
- iv) increase in office and miscellaneous expense of \$323,991 from \$26,553 for the six months ended January 31, 2011 to \$350,544 for the six months ended January 31, 2012 as a result of an overall increase in business operations. On August 1, 2011, the Company entered into a Service Agreement with a related company whereby the related company will provide commercial office space, information technology and accounting services to the Company for \$28,000 per month. On January 1, 2012, the terms of the Service Agreement was modified whereby the monthly payment for shared office fees is increased from \$28,000 to \$40,000 to accommodate increased expenditures as a result of an overall increase in business operations.
- v) increase in professional fees of \$193,135 from \$12,980 for the six months ended January 31, 2011 to \$206,115 for the six months ended January 31, 2012 as a result of additional legal fees incurred from the purchase of the Wellgreen and Lynn Lake properties through the Plan of Arrangement.
- vi) increase in conference expense of \$49,568 from \$Nil for the six months ended January 31, 2011 to \$49,568 for the six months ended January 31, 2012 to promote the Company's business.
- vii) increase in foreign exchange gain of \$17,509 from foreign exchange loss of \$1,304 for the six months ended January 31, 2011 to foreign exchange gain of \$16,205 for the six months ended January 31, 2012.
- viii) increase in transfer agent and filing fees of \$30,264 from \$19,884 for the six months ended January 31, 2011 to \$50,148 for the six months ended January 31, 2012. The increase is attributed to an overall increase in business operations, stock option grants and private placement transactions resulting in the need for exchange approvals, therefore increasing overall transfer agent and filing fees.
- ix) increase in salaries and wages of \$22,878 from \$22,752 for the six months ended January 31, 2011 to \$45,630 for the six months ended January 31, 2012. The increase is attributed to employees hired during the period as a result of an overall increase in business operations.
- x) increase in insurance expense of \$19,186 from \$Nil for the six months ended January 31, 2011 to \$19,186 for the six months ended January 31, 2012 due to new insurance coverage to reduce the Company's legal risk and exposure.

OVERALL PERFORMANCE (continued)

Quarterly results

The quarterly results are as follows:

	January 31, 2012 (IFRS)	October 31, 2011 (IFRS)	July 31, 2011 (IFRS)	April 30, 2011 (IFRS)
(a) Net sales or total revenues	\$0	\$0	\$0	\$0
(b) Loss before other items				
- total	\$(2,224,977)	\$(3,097,484)	\$(763,036)	\$(102,933)
- per share undiluted	\$(0.04)	\$(0.06)	\$(0.03)	\$(0.02)
- per share diluted	\$(0.04)	\$(0.06)	\$(0.03)	\$(0.02)
(c) Net Loss before other comprehensive item				
- total	\$(2,191,810)	\$(3,096,681)	\$(668,923)	\$(94,406)
- per share basic and diluted	\$(0.04)	\$(0.06)	\$(0.02)	\$(0.02)

The quarterly results are as follows:

	January 31, 2011 (IFRS)	October 31, 2010 (IFRS)	July 31, 2010 (CDN GAAP)	April 30, 2010 (CDN GAAP)
(a) Net sales or total revenues	\$0	\$0	\$0	\$0
(b) Loss before other items				
- total	\$(615,009)	\$(62,537)	\$(87,427)	\$(71,207)
- per share undiluted	\$(0.12)	\$(0.02)	\$(0.03)	\$(0.02)
- per share diluted	\$(0.12)	\$(0.02)	\$(0.03)	\$(0.02)
(c) Net Loss before other comprehensive item				
- total	\$(611,920)	\$(46,114)	\$(98,244)	\$(60,721)
- per share basic and diluted	\$(0.12)	\$(0.01)	\$(0.03)	\$(0.02)

During the three months ended January 31, 2012, net loss before other comprehensive item decreased by \$904,871 from \$3,096,681 for the three months ended October 31, 2011 to \$2,191,810 for the three months ended October 31, 2011. The decreased net loss is mainly attributed to a decrease in share-based compensation of \$925,415 from \$2,409,045 for the three months ended October 31, 2011 to \$1,483,630 for the three months ended January 31, 2012 relating to stock incentive options granted to new employees, directors, officers and consultants of the Company. Of the \$2,409,045 balance for the three months ended October 31, 2011, \$1,835,927 relates to stock options granted to directors on June 20, 2011 that became fully vested on September 11, 2011. The remaining balance pertains to the vesting of stock options granted to employees, directors, officers and consultants on June 20, 2011 and August 31, 2011. During the three months ended January 31, 2012, the Company granted a total of 930,000 options to employees, directors, officers and consultants of the Company. 50% of the options vest in year one and 50% in year two. For the three months ended January 31, 2012, the Company charged \$1,483,630 to operations as share-based compensation and capitalized \$266,575 to mineral properties.

During the three months ended October 31, 2011, net loss before other comprehensive item increased by \$2,427,758 from \$668,923 for the three months ended July 31, 2011 to \$3,096,681 for the three months ended October 31, 2011. The increased net loss is mainly attributed to an increase in share-based compensation of \$2,039,881 from \$369,164 for the three months ended July 31, 2011 to \$2,409,045 for the three months ended October 31, 2011 relating to stock incentive options granted to new directors, officers and consultants of the Company. Of the \$2,409,045 balance, \$1,835,927 relates to stock options granted to directors on June 20, 2011 that became fully vested on September 11, 2011. The remaining balance pertains to the vesting of stock options granted to employees, directors, officers and consultants on June 20, 2011 and August 31, 2011. During the period ended October 31, 2011, the Company granted a total of 450,000 options to employees, officers and consultants of the Company. 50% of the options vest in year one and 50% in year two. For the three months ended October 31, 2011, the Company charged \$2,409,045 to operations as share-based compensation and capitalized \$62,218 to mineral properties.

LIQUIDITY

The Company has financed its operations to date through the issuance of common shares. For the foreseeable future as existing properties are developed and as new properties are identified the Company will continue to seek capital through the issuance of equity. Currently the Company has sufficient capital to conduct further exploration on its existing properties.

	January 31, 2012	July 31, 2011	July 31, 2010
	\$	\$	\$
Working capital	6,245,299	2,096,171	565,455
Deficit	(10,016,487)	(4,727,996)	(3,233,231)

The Company's working capital has increased since the year ended July 31, 2011 as the Company closed a non-brokered private placement whereby the Company issued 3,709,489 common shares at \$2.70 per share for total gross proceeds of \$10,015,620. Finder's fees of 6% of the proceeds placed were paid on portions of the placement and total share issuance costs totaled \$515,886. Proceeds were used for the Wellgreen property and general working capital. During the six months ended January 31, 2012, \$3,153,780 was used on exploration expenditures.

CASH FLOW

	Six months ended January 31, 2012	Six months ended January 31, 2011
Cash used in operating activities	\$ (1,919,108)	\$ (168,096)
Cash used in investing activities	(8,342,938)	(238,133)
Cash provided by financing activities	9,392,468	1,226,409
Decrease in cash for the period	\$ (869,578)	\$ 820,180
Cash balance, beginning of the period	2,842,105	505,249
Cash balance, end of the period	1,972,527	1,325,429

Operating activities:

During the six months ended January 31, 2012, cash used in operating activities increased by \$1,751,012 from cash used of \$168,096 for the six month period ended January 31, 2011 to cash used of \$1,919,108 for the six month period ended January 31, 2012. The increase in cash used in operating activities was mainly due to an overall increase in business operations resulting in increased overall operating expenditures.

Investing activities:

During the six months ended January 31, 2012, cash used in investing activities increased by \$8,104,805 from cash used of \$238,133 for the six month period ended January 31, 2011 to cash used of \$8,342,938 for the six month period ended January 31, 2012. The increase in cash used in investing activities was mainly due to increase in exploration expenditures of \$2,838,144 from \$315,636 in exploration expenditures for the six month period ended January 31, 2011 compared to \$3,153,780 for the six month period ended January 31, 2012 as a result of the acquisition of the Wellgreen and Lynn Lake properties, the increase in acquisition of marketable securities of \$4,084,144 from proceeds of \$75,640 for the six months ended January 31, 2011 to acquisition of \$4,008,474 in platinum and palladium exchange traded funds, an increase in purchase of equipment of \$380,684 from Nil for the six months ended January 31, 2011 to \$380,684 for the six months ended January 31, 2012, and cash loaned out to Prophecy Coal Corp. of \$800,000 during the six months ended January 31, 2012 compared to \$Nil for the six months ended January 31, 2011.

CASH FLOW (continued)

Financing activities:

During the six months ended January 31, 2012, cash provided from financing activities increased by \$8,166,059 from cash provided of \$1,226,409 for the six month ended January 31, 2011 to cash provided of \$9,392,468 for the six month ended January 31, 2012. The increase in cash provided in financing activities was mainly due net cash proceeds received on the private placement of \$9,437,320 compared to \$1,252,888 for the six months ended January 31, 2011, cash received on the exercise of options and warrants of \$258,749 for the six months ended January 31, 2012 compared to \$Nil for the six months ended January 31, 2011, share subscriptions received of \$21,250 for the six months ended January 31, 2012 compared to \$Nil for the six months ended January 31, 2011, and cash advanced to related parties of \$324,851 as reimbursements on expenditures made on behalf of the company, compared to \$26,479 for the six month period ended January 31, 2010.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

On January 1, 2011, the International Accounting Standards Board (“IASB”) replaced Canadian GAAP with IFRS for publicly accountable enterprises, with a transition date of January 1, 2010. IFRS represents standards and interpretations approved by the IASB and are comprised of IFRSs, International Accounting Standards (“IAS”), and interpretations issued by the IFRS Interpretation Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”). As previously discussed in the Company’s MD&A for the year ended July 31, 2011, the Company IFRS conversion plan addressed matters including changes in accounting policies, IT and data systems, restatement of comparative periods, and any required changes to business processes. The accounting staff also attended several training courses on the adoption and implementation of IFRS. Through in-depth training and detailed analysis of IFRS standards, the Company’s accounting personnel obtained a thorough understanding of IFRS and possess sufficient financial reporting expertise to support the Company’s future needs.

The Company also reviewed its internal and disclosure control processes and no significant modification were needed as a result of the conversion to IFRS. Further, the Company assessed the impact on IT and data systems and concluded there was no significant impact to applications arising from the transition to IFRS.

The Company’s unaudited condensed consolidated interim financial statements as at and for the three and six month period ended January 31, 2012 have been prepared in accordance with IAS 34 and existing IFRS standards and has restated previous comparative balance sheets as at January 31, 2011 and statements of earnings and comprehensive income for the three and six month period ended January 31, 2011 that were originally prepared in accordance with Canadian GAAP. In the preparation of these 2012 financial statements, the Company utilized certain elections provided under IFRS 1 for first time IFRS adopters. Set forth below are the IFRS 1 applicable exemptions applied in the Company’s conversion from Canadian GAAP to IFRS.

Share-based payments – The Company elected under IFRS 1 to apply IFRS 2, *Share-Based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date

Business combinations – The Company elected under IFRS 1 to not to apply IFRS 3, *Business Combinations* retrospectively to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

Compound financial instruments – The Company has elected under IFRS 1 not to retrospectively separate the liability and equity components of any compound instruments for which the liability component is no longer outstanding at the Transition Date. The most significant areas of impact of IFRS on the Company’s consolidated financial statements are as follows:

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Income taxes

On June 13, 2011, the Company purchased the Wellgreen and Lynn Lake properties from Prophecy Coal Corp. by a plan of arrangement in consideration for 450,000,000 of the Company's shares. On acquisition of the Wellgreen and Lynn Lake properties, the Company recognized a future income tax liability of \$11,716,747 in accordance with Canadian GAAP. Under IAS 12 Income Taxes, deferred taxes cannot be recognized for the acquisition of assets that do not constitute a business combination. There is no similar prohibition under Canadian GAAP. Accordingly, on transition to IFRS, we have reversed the deferred tax liability recorded in the acquisition of an asset in a prior period that did not constitute a business combination. The cumulative adjustment as at July 31, 2011 was a decrease in mineral properties and exploration, and a decrease in equity by \$11,716,747 and \$503,744 respectively, and an increase in deficit by \$83,402.

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("premium") between the amounts recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liabilities which is reversed into the statement of loss within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represented the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares. The cumulative premium and renunciation adjustment as at August 1, 2010 related to flow-through shares issued before August 1, 2010 is \$120,000.

Share-based payments

Under Canadian GAAP, forfeitures of awards are recognized as they occur. However, under IFRS, forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

IFRS has a broader definition of an employee than Canadian GAAP, whereby consultants providing employee-like services would also be classified as employees for the purposes of share-based payment valuation.

CAPITAL RESOURCES

At January 31, 2012, the Company had \$1,972,527 (July 31, 2011 - \$2,842,105) 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 ETFs.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries PCNC Holdings Corp., Pacific Coast Nickel Corp. USA, 0905144 BC Ltd. and Pacific Nickel Sudamerica Sociedad Anonima, Uruguay.

During the six months ended January 31, 2012 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:

- i) The Company incurred consulting fees of \$211,708 (2011 - \$64,020). This includes \$75,000 (2010 - \$Nil) paid to Linx Partners Ltd., a company controlled by the Chairman of the Company, \$36,000 (2010 - \$Nil) paid to Joseph Li, director, \$25,000 (2010 - \$Nil) paid to Greg Hall, director, \$25,500 (2010 - \$Nil) paid to MaKevco Consulting Inc., a company with a common director and \$Nil (2010 - \$64,020) paid to James Walchuck, former President and CEO.
- ii) The Company incurred director fees of \$17,693 (2011 - \$19,740) to various directors of the Company
- iii) The Company incurred accounting fees of \$14,800 (2011 - \$Nil) paid to Irina Plavutska, interim Chief Financial Officer.
- iv) The Company incurred rent expense of \$Nil (2011 - \$5,700) paid to Encato Potash Corp., a company controlled by James Walchuck, former President and CEO.

TRANSACTIONS WITH RELATED PARTIES (continued)

- v) The Company incurred rent and general office expense of \$180,000 (2011 - \$Nil) paid to Prophecy Coal Corp., a company with common directors and officers.
- vi) The Company incurred share-based compensation of \$3,892,675 (2011 - \$499,841). This includes \$2,116,900 (2011 - \$490,954) to key management personnel.

At January 31, 2012, due to related parties include \$Nil (July 31, 2011 - \$306,338) for reimbursable expenses to Prophecy Coal Corp., a company with common directors and officers.

At January 31, 2012, loan receivables includes \$800,000 drawn by Prophecy Coal pursuant to the loan facility the Company has with Prophecy Coal as described in Note 6 plus \$9,649 in accrued interest.

At January 31, 2012, accounts payable and accrued liabilities include \$16,790 (July 31, 2011 - \$18,512) owing to directors for director fees.

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.

COMMITMENT

On August 1, 2011, the Company entered into a Service Agreement with a related company whereby the related company will provide commercial office space, information technology and accounting services to the Company for \$28,000 per month. On January 1, 2012, the terms of the Service Agreement was modified whereby the monthly payment for shared office fees is increased from \$28,000 to \$40,000 to accommodate increased expenditures as a result of an overall increase in business operations.

PROPOSED TRANACTIONS

Subsequent to period end, the Company and Ursa entered into a letter of agreement whereby the Company will acquire all of the issued and outstanding shares of Ursa in exchange for shares of the Company on the basis of 25 shares of Ursa for 1 share of the Company. Please refer to 2012 highlights and significant events.

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 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 will be capitalizing costs related to the exploration and evaluation 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.

CRITICAL ACCOUNTING ESTIMATES (continued)

Share-Based Payment

The Company uses the Black-Scholes valuation model in calculating share-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.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board. The condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries PCNC Holdings Corp., Pacific Coast Nickel Corp. USA, 0905144 BC Ltd. and Pacific Nickel Sudamerica Sociedad Anonima, Uruguay. All significant inter-company balances and transactions have been eliminated.

Cash and Cash Equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of 90 days or less when acquired to be cash equivalents

Mineral Properties

All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as mineral properties exploration and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full be development or sale.

The recoverability of mineral properties and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

Impairment of assets

Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Marketable securities

Investments in mutual funds and shares of public companies traded on an active market over which the Company does not have control or exercises significant influence are classified as held-for-trading and accounted for at fair market value, based upon quoted market share prices at the balance sheet date. Unrealized gains or losses on these investments are recorded in

Functional currency

The Company has operations in Canada, Argentina and in Uruguay and is exposed to foreign exchange risk. The Company and all of its wholly owned subsidiaries reporting and functional currency is the Canadian dollar. This is mostly attributed to the fact that:

- i.) the Canadian dollar influences labour, material and other costs of providing goods and services;
- ii.) funds from financing activities are denominated in Canadian dollar;
- iii.) funds from operating activities are retained in Canadian dollar and;
- iv.) the activities of the operations in Argentina and Uruguay is viewed as an extension of the reporting entity, which has a reporting and functional currency in the Canadian dollar.

Share-Based Compensation

The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

Income Taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any deferred income tax asset to the extent that it is not probable the asset will be realized.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue 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 share issue costs related to financing transactions that are not completed are charged to expenses.

Loss per Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

SIGNIFICANT ACCOUNTING POLICIES (continued)

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 share-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.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference (“premium”) between the amounts recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liabilities which is reversed into the statement of loss within other income when the eligible expenditures are incurred.

Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss (“FVTPL”). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, marketable securities and accounts payable. At initial recognition management has classified financial assets and liabilities as follows:

a) Financial assets

The Company has recognized its cash and cash equivalents. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income. The Company’s present investment in marketable securities is classified as available for sale due to management’s intention not to trade them for short-term gain. The Company’s loan receivable is measured at amortized cost using the effective interest method.

b) Financial liabilities

The Company has recognized its accounts payable as other financial liabilities. Accounts payable are recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

RECENT ACCOUNTING PRONOUNCEMENTS

New accounting standards effective April 1, 2013

IFRS 10 Consolidated Financial Statements - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

RECENT ACCOUNTING PRONOUNCEMENTS (continued)

New accounting standards effective April 1, 2013 (continued)

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 10 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim financial statements or whether to early adopt any of the new requirements.

New accounting standards effective April 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for the Company's annual period beginning on April 1, 2015. The Company has not yet began the process of assessing the impact that IFRS 9 will have on the condensed interim financial statements or whether to early adopt this new requirement.

OTHER ITEMS**Common Shares** January 31, 2012 and March 27, 2012

	Number of Shares	Amount
July 31, 2010	3,489,400	\$ 3,744,875
August 12, 2010 private placement, net of share issue costs	556,584	218,666
Shares issued for mineral property – Las Aguilas	25,000	46,250
January 10, 2011 private placement, net of share issue costs	1,500,000	829,392
Shares issued on exercise of options	92,500	127,250
Shares issued on exercise of warrants	601,000	601,000
Shares issued for mineral properties	20,000	29,000
Exercise of option and warrants reallocated from contributed surplus	-	116,409
Share subscriptions receivable on 17,500 shares	-	(21,250)
Shares issued on June 13, 2011 acquisition	45,000,000	49,007,724
Adjustment on share consolidation	(163)	-
July 31, 2011	51,284,321	\$ 54,699,316
Shares issued on private placement, net of shares issue costs	3,709,489	9,437,320
Options and warrants exercised	227,500	347,360
Share subscriptions received	-	21,250
Shares returned to treasury	(17,767)	-
January 31, 2012	55,203,543	\$ 64,505,246
Options exercised	150,000	86,059
March 27, 2012	55,353,543	\$ 64,591,305

On June 13, 2011, the Company enacted a one for ten common shares consolidation and all share amounts presented have been retroactively restated.

Stock Options January 31, 2012 and March 27, 2012

	Number	Weighted Average Exercise Price	Expiry
	3,750	1.60	January 7, 2013
	12,500	1.50	May 27, 2013
	97,500	1.00	August 7, 2014
	35,000	1.00	November 6, 2014
	175,000	1.40	December 13, 2015
	25,000	2.00	January 11, 2016
	5,670,000	0.90	June 20, 2016
July 31, 2011	6,018,750	\$ 0.92	
Granted	450,000	5.59	August 30, 2016
Granted	840,000	2.25	December 12, 2016
Granted	90,000	2.40	January 9, 2017
Exercised	(25,000)	2.00	
Exercised	(82,500)	1.00	
Exercised	(12,500)	1.50	
Exercised	(15,000)	1.00	
Forfeited	(72,500)		
Forfeited	(125,000)		
January 31, 2012	7,066,250	1.36	
Granted	240,000	3.68	
Exercised	(150,000)	0.90	
Mar 27, 2012	7,156,250	\$ 1.45	

OTHER ITEMS (continued)

Warrants January 31, 2012 and March 27, 2012

	Number	Weighted Average Exercise Price	Expiry
	329,500	1.00	August 3, 2012
	980,000	1.00	June 1, 2013
July 31, 2011	1,309,500	\$ 1.00	
Exercised	(92,500)	1.00	
Mar 27, 2012 and Jan 31, 2012	1,217,000	\$ 1.00	

RISKS AND UNCERTAINTIES

The Company has incurred losses since inception and as of January 31, 2012 had an accumulated deficit of \$10,016,487. 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.

RISKS AND UNCERTAINTIES (continued)

General Risk Associated with the Mining Industry (continued)

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.

OVERSIGHT ROLE OF THE AUDIT COMMITTEE

The Audit Committee reviews, with management and the external auditors, the Company's MD&A and related condensed consolidated interim financial statements and approves the release of such information to shareholders.

MANAGEMENT AND DIRECTORS

Management of the Company at January 31, 2012 and March 27, 2012 was as follows:

Name and Residence	Position
John Lee Vancouver, BC	Chairman, Interim CEO and Director
Irina Plavutska Vancouver, BC	Interim CFO ⁽²⁾
Greg Hall Vancouver, BC	Director ⁽¹⁾
Donald Gee Burnaby, BC	Director ⁽¹⁾
David Patterson Vancouver, BC	Director ⁽¹⁾
Mike Sylvestre Port Hope, ON	Director ⁽³⁾
Mr. Patrick Langlois Toronto, On	Vice President Corporate Development
Mr. Joseph Li Vancouver, BC	General Manager, Corporate Secretary and Director ⁽²⁾

(1) Member of the audit committee

(2) Appointed November 2011

(3) Appointed February 2012



**PROPHECY PLATINUM CORP.
(AN EXPLORATION STAGE COMPANY)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

FOR THE THREE AND SIX MONTHS ENDED

JANUARY 31, 2012

(Unaudited)

(Expressed in Canadian Dollars)

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Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors. The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established for a review of interim financial statements by an entity's auditors.

PROPHECY PLATINUM CORP. (An exploration company)**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**(Unaudited) (Expressed in Canadian Dollars)

	As at January 31 2012	As at July 31 2011
ASSETS		
Current		
Cash and cash equivalents <i>[Note 5]</i>	\$ 1,972,527	\$ 2,842,105
Marketable securities <i>[Note 6]</i>	4,146,825	-
Amounts receivable	148,937	91,877
Prepaid expenses <i>[Note 7]</i>	388,790	50,936
	6,657,079	2,984,918
Exploration deposits	118,278	162,125
Loan receivable <i>[Note 8]</i>	809,469	-
Equipment <i>[Note 9]</i>	380,348	7,252
Exploration and evaluation assets <i>[Note 11]</i>	53,337,637	49,916,348
	\$ 61,302,811	\$ 53,070,643

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued expenses <i>[Note 10]</i>	\$ 411,780	563,896
Due to related parties <i>[Note 14]</i>	-	324,851
Total liabilities	411,780	888,747

SHAREHOLDERS' EQUITY

Share capital <i>[Note 12]</i>	64,627,589	54,699,316
Contributed surplus	6,158,872	2,210,576
Accumulated other comprehensive income	121,057	-
Deficit	(10,016,487)	(4,727,996)
	60,891,031	52,181,896
	\$ 61,302,811	\$ 53,070,643

Subsequent events (Note 19)

Approved on behalf of the Board on March 27, 2012:

"John Lee"
John Lee, Director

"Donald Gee"
Donald Gee, Director

(The Accompanying Notes are an Integral Part of These Condensed Consolidated Interim Financial Statements)

PROPHECY PLATINUM CORP. (An exploration company)**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**(Unaudited)(Expressed in Canadian Dollars)

	Three Months Ended January 31		Six Months Ended January 31	
	2012	2011	2012	2011
		(Note 20)		(Note 20)
EXPENSES				
Share-based payments	\$ 1,483,630	\$ 487,548	\$ 3,892,675	\$ 499,841
Business development and promotion	227,550	30,114	506,438	30,114
Consulting	154,000	40,862	211,708	64,020
Office and miscellaneous	209,274	17,411	350,544	26,553
Professional fees	70,024	12,500	206,115	12,980
Conferences	36,817	-	49,568	-
Foreign exchange (recovery)	(16,986)	991	(16,205)	1,304
Transfer agent and filing fees	24,790	15,010	50,148	19,884
Salaries and wages	20,263	10,524	45,630	22,752
Insurance	9,093	-	19,186	-
Depreciation	6,522	49	6,654	98
	2,224,977	615,009	5,322,461	677,546
Loss before other items	(2,224,977)	(615,009)	(5,322,461)	(677,546)
OTHER ITEMS				
Interest income (expense)	15,873	(2,030)	16,676	2,542
Realized gain on marketable securities	-	-	-	8,000
Unrealized gain on marketable securities	-	5,119	-	8,970
Loss before income taxes and other comprehensive income item	(2,209,104)	(611,920)	(5,305,785)	(658,034)
Deferred income tax recovery	17,294	-	17,294	-
Net loss before other comprehensive item	(2,191,810)	(611,920)	(5,288,491)	(658,034)
OTHER COMPREHENSIVE INCOME ITEM				
Unrealized gain on available for sale securities (net of tax)	121,057	-	121,057	-
COMPREHENSIVE LOSS	(2,070,753)	(611,920)	(5,167,434)	(658,034)
LOSS PER COMMON SHARE, BASIC AND DILUTED	\$ (0.04)	\$ (0.12)	\$ (0.10)	\$ (0.14)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
	54,575,270	5,030,767	52,996,915	4,538,376

(The Accompanying Notes are an Integral Part of These Condensed Consolidated Interim Financial Statements)

PROPHECY PLATINUM CORP. (An exploration company)**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited)(Expressed in Canadian Dollars)

	Three Months Ended January 31		Six Months Ended January 31	
	2012	2011	2012	2011
CASH FROM (USED IN):				
OPERATIONS				
Net loss	\$ (2,191,810)	\$ (611,920)	\$ (5,288,491)	\$ (658,034)
Add (deduct) items not affecting cash:				
Deferred income tax recovery	(17,294)	-	(17,294)	-
Unrealized gain on marketable securities	-	(3,851)	-	(4,049)
Share-based payment	1,483,630	487,548	3,892,675	499,841
Depreciation	6,522	49	6,654	98
	(718,952)	(128,174)	(1,406,456)	(162,144)
Changes in non-cash working capital balances:				
Increase in amounts receivable	(17,716)	4,182	(66,529)	(8,589)
Increase in prepaid expenses	(174,623)	20,585	(294,007)	(2,910)
Increase (decrease) in accounts payable	(213,446)	21,793	(152,116)	5,547
	(1,124,737)	(81,614)	(1,919,108)	(168,096)
INVESTING				
Exploration expenditures	(889,322)	(133,671)	(3,153,780)	(315,636)
Acquisition costs	-	(10,000)	-	(10,000)
Purchase of equipment	(363,688)	-	(380,684)	-
Increase in exploration deposit	-	5,000	-	11,863
Loan receivable	(800,000)	-	(800,000)	-
Acquisition of marketable securities	(4,008,474)	(2,948)	(4,008,474)	75,640
	(6,061,484)	(141,619)	(8,342,938)	(238,133)
FINANCING				
Proceeds from share issuance	9,437,320	1,003,223	9,437,320	1,252,888
Proceeds from exercise of options and warrants	15,000	-	258,749	-
Share subscriptions received (applied)	(249,950)	-	21,250	-
Due to related parties	(307,016)	(10,750)	(324,851)	(26,479)
	8,895,354	992,473	9,392,468	1,226,409
NET INCREASE (DECREASE) IN CASH	\$ 1,709,133	\$ 769,240	\$ (869,578)	\$ 820,180
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 263,394	\$ 556,189	\$ 2,842,105	\$ 505,249
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,972,527	\$ 1,325,429	\$ 1,972,527	\$ 1,325,429

Supplemental cash flow information (Note 18)

(The Accompanying Notes are an Integral Part of These Condensed Consolidated Interim Financial Statements)

PROPHECY PLATINUM CORP. (An exploration company)**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**(Unaudited)(Expressed in Canadian Dollars)

	Number of Common Shares	Common Shares Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
As at August 1, 2010	3,489,400	\$ 3,744,875	\$ 1,257,311	\$ –	(3,223,231)	\$ 1,778,955
Shares issued for private placement	2,056,584	1,064,749	–	–	–	1,064,749
Shares issued for mineral properties	25,000	15,000	–	–	–	15,000
Fair value of options granted	–	–	672,781	–	–	672,781
Net loss for the period	–	–	–	–	(658,034)	(658,034)
As at January 31, 2011	5,570,984	\$ 4,824,624	\$ 1,930,092	\$ –	(3,881,265)	\$ 2,873,451
As at July 31, 2011	51,284,321	\$ 54,699,316	\$ 2,210,576	\$ –	(4,727,996)	\$ 52,181,896
Shares issued for private placement	3,709,489	9,437,320	–	–	–	9,437,320
Shares issued on warrants exercised	92,500	92,500	–	–	–	92,500
Shares issued on options exercised	135,000	377,203	(210,954)	–	–	166,249
Shares returned to treasury	(17,767)	–	–	–	–	–
Share subscriptions received	–	21,250	–	–	–	21,250
Fair value of options granted	–	–	4,159,250	–	–	4,159,250
Unrealized gain on marketable securities	–	–	–	121,057	–	121,057
Net loss for the period	–	–	–	–	(5,288,491)	(5,288,491)
As at January 31, 2012	55,203,543	\$ 64,627,589	\$ 6,158,872	\$ 121,057	(10,016,487)	\$ 60,891,031

(The Accompanying Notes are an Integral Part of These Condensed Consolidated Interim Financial Statements)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JANUARY 31, 2012

(Unaudited) (Expressed in Canadian Dollars)

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Prophecy Platinum Corp. (formerly Pacific Coast Nickel Corp.), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol NKL. The address of the Company's corporate office and its principal place of business is 342 Water Street, 2nd Floor, Vancouver British Columbia, Canada.

The Company is in the exploration stage and its principal business activity is the sourcing and exploration of mineral properties in North America and South America. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as our condensed consolidated interim financial statements for the three months ended October 31, 2011. Subject to certain IFRS transition elections disclosed in the condensed consolidated interim financial statements for the three month period ended October 31, 2011, the Company has consistently applied the same accounting policies in these condensed consolidated financial statements as if the policies have always been in effect. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. The Company prepared its previous 2011 annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and these condensed interim financial statements should be read in conjunction with the Company's 2011 annual financial statements considering the IFRS transition disclosures included in Note 20.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement basis - These condensed consolidated interim financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3. All amounts are expressed in Canadian dollars unless otherwise stated.

Consolidation - The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries PCNC Holdings Corp., Pacific Coast Nickel Corp. USA, 0905144 BC Ltd. and Pacific Nickel Sudamerica Sociedad Anonima, Uruguay. All significant inter-company balances and transactions have been eliminated.

Cash and cash equivalents - The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of 90 days or less when acquired to be cash equivalents.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JANUARY 31, 2012

(Unaudited) (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates - The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets, asset retirement obligations, deferred income tax assets and liabilities, and assumptions used in valuing options and warrants in share-based compensation calculations. Actual results could differ from these estimates.

Amounts receivable – Amounts receivable is comprised of Canadian harmonized sales tax.

Exploration and evaluation assets - All expenditures related to the cost of exploration and evaluation of mineral resources including acquisition costs for interests in mineral claims are capitalized as mineral properties exploration and are classified as intangible assets. General exploration costs not related to specific mineral properties are expensed as incurred. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors are present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full by development or sale.

The recoverability of exploration and evaluation assets is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to exploration and evaluation assets do not necessarily reflect present or future values.

Impairment of assets – Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Provisions - Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JANUARY 31, 2012

(Unaudited) (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Marketable securities – Investments in mutual funds and shares of public companies traded on an active market over which the Company does not have control or exercises significant influence are classified as available for sale investments and accounted for at fair market value, based upon quoted market share prices at the balance sheet date. Unrealized gains or losses on these investments are recorded in other comprehensive income or loss.

Income taxes - The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any deferred income tax asset to the extent that it is not probable the asset will be realized.

Share-based payments - The Company records all share-based payments at their fair value. The share-based compensation costs are charged to operations over the stock option vesting period and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

Loss per share - Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Share issue costs - Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue 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 share issue costs related to financing transactions that are not completed are charged to expenses.

Financial instruments - All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, marketable securities, loan receivable, accounts payable and amounts due to related parties. At initial recognition management has classified financial assets and liabilities as follows:

a) Financial assets

The Company has recognized its cash and cash equivalents at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income. The Company's present investment in marketable securities is classified as available for sale due to management's intention not to trade them for short-term gain. The Company's loan receivable are measured at amortized cost using the effective interest method.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JANUARY 31, 2012

(Unaudited) (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial liabilities

The Company has recognized its accounts payable and amounts due to related parties as other financial liabilities. Accounts payable are recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Flow-through shares - The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liabilities which is reversed into the statement of loss within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represented the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares.

New accounting standards issued but not yet effective - Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for future accounting periods which have not yet been adopted. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective April 1, 2013

IFRS 10 Consolidated Financial Statements - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 Joint Arrangements - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 Disclosure of Interests in Other Entities - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 Fair Value Measurement - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JANUARY 31, 2012

(Unaudited) (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 10 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim financial statements or whether to early adopt any of the new requirements.

New accounting standards effective April 1, 2015

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for the Company's annual period beginning on April 1, 2015. The Company has not yet began the process of assessing the impact that IFRS 9 will have on the condensed interim financial statements or whether to early adopt this new requirement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**THREE AND SIX MONTHS ENDED JANUARY 31, 2012**(Unaudited) (Expressed in Canadian Dollars)

4. ACQUISITION OF MINERAL PROPERTIES FROM PROPHECY COAL CORP.

On June 13, 2011, the Company purchased the Wellgreen and Lynn Lake properties from Prophecy Coal Corp. by a plan of arrangement in consideration for 450,000,000 of the Company's pre-consolidation shares. The balances in acquisition costs for the Wellgreen and Lynn Lake properties represent the estimated fair value of these properties at the time of the acquisition.

Under the arrangement, Prophecy Coal Corp. spun out its Wellgreen and Lynn Lake mineral properties along with \$2,000,000 cash into a newly incorporated company named 0905144 BC Ltd. Prophecy Coal Corp then transferred all the issued and outstanding shares of 0905144 BC Ltd shares to the Company in consideration for 450,000,000 of the Company's pre-consolidation shares. Subsequent to the transaction the Company changed its name to Prophecy Platinum Corp. and consolidated its share capital for 10 old for 1 new basis. This transaction has been accounted for as an acquisition of assets rather than a business combination because the acquisition does not meet the definition of a business as outlined in the IFRS 3, Business Combinations. The operations of 0905144 BC Ltd. have been included in these consolidated financial statements from the date of acquisition.

The following is a summary of the acquisition cost allocation at the date of purchase based upon the estimated fair values of the assets acquired and liabilities assumed:

Purchase price of 450,000,000 (45,000,000 post share-consolidation) common shares issued	\$ 49,007,724
Transaction costs	126,730
Acquisition	\$ 49,134,454
<hr/>	
Purchase price allocation:	
Cash	\$ 2,000,000
Mineral properties – Wellgreen	14,783,596
Mineral properties – Lynn Lake	32,350,858
Assets acquired	\$ 49,134,454

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Company are comprised of bank balances and short term money market instruments with original maturities of three months or less.

The Company's cash and cash equivalents broken down as follows:

	January 31, 2012	July 31, 2011
Cash	\$ 968,142	\$ 2,709,605
Short-term deposits	1,004,385	132,500
	1,972,527	2,842,105

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**THREE AND SIX MONTHS ENDED JANUARY 31, 2012**(Unaudited) (Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES

In December 2011, the Company purchased platinum and palladium ETFs from BMO Nesbitt Burns in the amounts of \$1,969,407 USD (\$2,004,211 CAD) and \$1,969,234 USD (\$2,004,263 CAD) respectively. These investments are classified as available-for-sale financial instruments and are detailed as follows:

Available for sale investments	Cost	Fair value adjustment January 31, 2012	Balance, January 31, 2012
Platinum ETF	\$ 2,004,211	\$ 37,689	\$ 2,041,900
Palladium ETF	2,004,263	100,662	2,104,925
Balance, January 31, 2012	4,008,474	138,351	4,146,825

7. PREPAID EXPENSES

	January 31, 2012	July 31, 2011
Prepaid insurance	\$ 16,669	\$ -
Prepaid geological study contracts	177,597	-
Other prepaid expenses	194,524	50,936
	388,790	50,936

8. LOAN RECEIVABLE

On December 13, 2011, the Company and Prophecy Coal Corp., a related party with common officers and directors, entered into a loan facility whereby each company can request a loan from the other company up to \$2 million at an interest rate of 14.4% per annum, compounded annually. The facility would allow either company to provide and request short term funding from the other, provided that such loans would be due 60 days after demand. As at January 31, 2012, Prophecy Coal has drawn down \$800,000 of the loan facility and accrued interest payable to the Company of \$9,649.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**THREE AND SIX MONTHS ENDED JANUARY 31, 2012**(Unaudited) (Expressed in Canadian Dollars)

9. EQUIPMENT

	Computer equipment	Exploration equipment	Portables	Total
Cost				
Balance, August 1, 2010 and July 31, 2011	\$ 1,572	\$ 23,304	–	\$ 24,876
Additions for the period	–	55,684	325,000	380,684
Balance, January 31, 2012	1,572	78,988	325,000	405,560
Accumulated depreciation				
Balance, August 1, 2010	(917)	(14,812)	–	(15,729)
Depreciation for the year	(196)	(1,699)	–	(1,895)
Balance, July 31, 2011	(1,113)	(16,511)	–	(17,624)
Depreciation for the period	(98)	(7,490)	–	(7,588)
Balance, January 31, 2012	(1,211)	(24,001)	–	(25,212)
Total	\$ 361	54,987	325,000	380,348

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	January 31, 2012	July 31, 2011
Trade accounts payable	\$ 380,763	\$ 488,467
Accrued liabilities	31,017	75,429
	411,780	563,896

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JANUARY 31, 2012

(Unaudited) (Expressed in Canadian Dollars)

11. EXPLORATION AND EVALUATION ASSETS

	Wellgreen	Lynn Lake	Burwash	Cerro Chato, Molles North, Molles South, Quebracho and Polanco, Uruguay
Acquisition costs				
Balance, August 1, 2010	\$ –	\$ –	\$ 97,500	\$ 7,048
Option payment	–	–	29,000	–
Acquisition from Prophecy Coal (Note 4)	14,783,596	32,350,858	–	–
Balance, July 31, 2011	14,783,596	32,350,858	126,500	7,048
Option payment	–	–	1,000,000	–
Balance, January 31, 2012	14,783,596	32,350,858	1,126,500	7,048
Exploration and evaluation				
Balance, August 1, 2010	–	–	547,215	540,727
Amortization	–	–	177	1,522
Assay	–	–	168	–
Camp and general	141,223	31,471	–	–
Consulting	–	–	10,483	45,578
Drilling	627,953	–	–	–
Field expenses	–	–	5,617	501
Geophysical	87,626	32,713	180,914	–
Leases and licensing	14,511	–	2,766	–
Legal	–	–	750	28,820
Property fees	–	–	–	55,894
Share-based compensation	22,907	4,821	–	27,728
Travel	–	–	–	2,137
Wages	43,673	–	7,117	–
Balance, July 31, 2011	937,893	69,005	755,207	675,179
Amortization	–	–	158	775
Assay	–	–	–	–
Camp and general (recovery)	172,386	(37,925)	–	–
Claims	10,080	29,892	–	–
Drilling	586,870	243,219	–	–
Field expenses	–	–	–	135
Geophysical	505,244	75,199	1,200	25,012
Leases and licensing	1,591	–	–	–
Legal	79,691	–	–	2,165
Mapping	13,975	–	–	–
Share-based compensation	255,753	10,822	–	–
Survey & estimates	198,726	–	–	–
Travel	32,788	11,211	–	336
Wages	180,503	–	–	–
Balance, January 31, 2012	2,975,500	401,423	756,565	703,602
Total	\$ 17,759,096	\$ 32,752,281	\$ 1,883,065	\$ 710,650

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JANUARY 31, 2012

(Unaudited) (Expressed in Canadian Dollars)

11. EXPLORATION AND EVALUATION ASSETS (Continued)

	Las Aguilas, Argentina	Total
Acquisition costs		
Balance, August 1, 2010	\$ —	\$ 104,548
Option payment	81,868	110,868
Acquisition from Prophecy Coal (Note 4)	—	47,134,454
	—	—
Balance, July 31, 2011	81,868	47,349,870
Option payment	—	1,000,000
Balance, January 31, 2012	81,868	48,349,870
Exploration and evaluation		
Balance, August 1, 2010	—	1,087,942
Amortization	—	1,699
Assay	53,484	53,652
Camp and general	—	172,694
Consulting	40,063	96,124
Drilling	—	627,953
Field expenses	—	6,118
Geophysical	—	301,253
Leases and licensing	—	17,277
Legal	—	29,570
Property fees	—	55,894
Share-based compensation	—	27,728
Travel	35,647	37,784
Wages	—	50,790
Balance, July 31, 2011	129,194	2,566,478
Amortization	—	933
Assay	14,271	14,271
Camp and general	—	134,461
Claims	—	39,972
Drilling	—	830,089
Field expenses	—	135
Geophysical	—	606,655
Leases and licensing	—	1,591
Legal	7,212	89,068
Mapping	—	13,975
Share-based compensation	—	266,575
Survey and estimates	—	198,726
Travel	—	44,335
Wages	—	180,503
Balance, January 31, 2012	150,677	4,987,767
Total	\$ 232,545	\$ 53,337,637

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JANUARY 31, 2012

(Unaudited) (Expressed in Canadian Dollars)

11. EXPLORATION AND EVALUATION ASSETS (Continued)

Burwash Property, Canada

On August 4, 2011 the company entered into a letter agreement with Strategic Metals Ltd. to acquire a 100% interest in the Burwash property for \$1,000,000 (paid). The agreement replaces the Burwash option agreement dated February 23, 2010 and letter agreement entered into on April 1, 2011.

Cerro Chato, Molles North, Molles South, Quebracho and Polanco, 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 \$710,650 on the properties and intends to continue exploration work.

Las Aguilas Property, Argentina

On December 10, 2010, further amended March 13, 2011 the Company entered into a letter agreement with Marifil Mines Limited ("Marifil") with an option to acquire up to 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 to earn a 49% interest in the property as follows:

Cash and shares

- \$25,000 upon signing and 250,000 shares (paid and 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 3 months from the agreement date complete a resource estimate (completed)
- On or before April 1, 2012 incur \$500,000 in exploration expenditures,
- On or before April 1, 2013 incur \$500,000 in exploration expenditures,
- On or before April 1, 2014 incur \$1,000,000 in exploration expenditures,

The agreement also provides for the Company to earn an additional 11% by preparing a pre-feasibility study on the property and issuing an aggregate of 2,000,000 shares from April 1, 2014 to April 1, 2015. A further 10% can be earned by completing a feasibility study on the property, making cash payment of \$100,000 and issuing an aggregate of 1,000,000 shares from April 1, 2015 to April 1, 2016.

The agreement also provides for granting of a 3% NSR to Marifil of which 0.5% can purchased for \$1,000,000 and a further 0.5% of the royalty at any time upon the payment of a further \$2,000,000. The Company retains the option of buying Marifil's 30% interest for \$5,000,000

Wellgreen Property, Canada

The Wellgreen property, a nickel-copper and platinum group metals project located in southwestern Yukon Territory, Canada, was acquired from Prophecy Coal Corp. through the June 2011 acquisition, see Note 4. The Wellgreen property is located approximately 35 km northwest of Burwash Landing in the Yukon, and about 400 Km from Alaska's deep sea port at Haines. The Wellgreen property is a platinum group metal (PGM)-rich, nickel (Ni)-copper (Cu) project located in the south-western Yukon Territory.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JANUARY 31, 2012

(Unaudited) (Expressed in Canadian Dollars)

11. EXPLORATION AND EVALUATION ASSETS (Continued)

Lynn Lake Property

The Company has an option to acquire 100% of the Lynn Lake property which is a nickel project located in northern Manitoba, Canada. In June 2011 the Company purchased the Lynn Lake option from Prophecy Coal Corp. in the June 2011 acquisition (See Note 4). The Company has assumed the original terms of the October 20, 2009 option agreement that Prophecy Coal Corp. entered into with Victory Nickel Inc. ("Victory")

The Company has the right to earn a 100% interest in Lynn Lake by paying Victory an aggregate of \$4,000,000 and by incurring an aggregate of \$3,000,000 exploration expenditures at Lynn Lake and by issuing 2,419,548 shares to Victory (issued by Prophecy Coal Corp.). The option agreement also provided Victory with a right to participate in future financings or acquisitions on a pro-rata basis so that Victory may maintain its 10% interest in the number of outstanding shares of the Company. Pursuant to the option agreement, the Company is subject to a 3% net smelter return royalty.

Pursuant to the option agreement, the schedule of cash payments to Victory is as follows:

- (i) \$300,000 within five business days after the approval from the TSX Venture Exchange (paid);
- (ii) \$300,000 on January 9, 2010 (paid);
- (iii) \$400,000 within 180 days of the option agreement (paid);
- (iv) \$1,000,000 on or before March 1, 2011 (paid);
- (v) \$1,000,000 on or before March 1, 2012; and (paid subsequent to period end)
- (vi) \$1,000,000 on or before March 1, 2013.

The schedule of expenditures to be incurred at Lynn Lake is as follows:

- (i) \$500,000 on or before November 1, 2010 (incurred);
- (ii) an aggregate of \$1,500,000 on or before November 1, 2011 (incurred by October 31, 2011); and
- (iii) an aggregate of \$3,000,000 on or before November 1, 2012.

12. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common voting shares without par value. Disclosures on any common shares issued are provided in the Statements of Changes in Shareholders' Equity.

At January 31, 2012, there were 16,821,936 common shares held in escrow. All escrowed shares will be fully released by December 13, 2012.

On June 13, 2011, the Company enacted a one for ten common share consolidation and all share amounts presented have been retroactively restated.

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THREE AND SIX MONTHS ENDED JANUARY 31, 2012

(Unaudited) (Expressed in Canadian Dollars)

13. STOCK OPTION PLAN AND SHARE-BASED PAYMENTS

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 10,120,695 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 October 31, 2011

	Number	Weighted Average Exercise Price	Expiry
Outstanding, August 1, 2010	255,000	\$ 1.10	
Granted	25,000	1.00	November 9, 2015
Granted	175,000	1.40	December 13, 2015
Granted	50,000	2.00	January 11, 2016
Granted	5,670,000	0.90	June 20, 2016
Exercised	(92,500)		
Forfeited	(63,750)		
Outstanding, July 31, 2011	6,018,750	0.92	
Granted	450,000	5.59	August 30, 2016
Granted	840,000	2.25	December 12, 2016
Granted	90,000	2.40	January 9, 2017
Exercised	(25,000)	2.00	
Exercised	(82,500)	1.00	
Exercised	(12,500)	1.50	
Exercised	(15,000)	1.00	
Forfeited	(72,500)		
Forfeited	(125,000)		
Outstanding, January 31, 2012	7,066,250	1.36	

The following table summarizes the stock options outstanding and exercisable at January 31, 2012:

Price	Number Outstanding	Number Exercisable	Expiry Date
\$1.60	3,750	3,750	January 7, 2013
\$1.00	12,500	12,500	November 6, 2014
\$1.40	175,000	175,000	December 13, 2015
\$0.90	5,545,000	3,800,000	June 20, 2016
\$5.59	400,000	-	August 30, 2016
\$2.25	840,000	-	December 12, 2016
\$2.40	90,000	-	January 9, 2017
	7,066,250	3,991,250	

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13. STOCK OPTION PLAN AND SHARE-BASED PAYMENTS (continued)

During the six months ended January 31, 2012, the Company granted a total of 1,380,000 options (6 months ended January 31, 2011 – 2,750,000 options) to employees, officers and consultants of the Company. 50% of the options vest in year one and 50% in year two. For the six months ended January 31, 2012, the Company charged \$3,892,675 to operations as share-based compensation and capitalized \$266,575 to mineral properties. The weighted average assumptions used in calculating the fair value of options were as follows:

	<u>2012</u>	<u>2011</u>
Expected dividend yield	0.00%	0.00%
Expected volatility	74%	160%
Risk-free interest rate	1.68%	2.37%
Expected term in years	4.99 years	5.00 years

The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued shares at the time the options are granted. The aggregate number of options granted to any one optionee in a 12-month period is limited to 5% of the issued shares of the corporation.

A summary of the Company's stock options for the period ended January 31, 2012 is presented below:

	Number	Weighted Average Exercise Price
Outstanding, January 31, 2012	7,066,250	\$ 1.36

Warrants

The following table summarizes the warrant transactions to January 31, 2012"

	Number	Weighted Average Exercise Price	Expiry
Outstanding, August 1, 2010	-	\$ -	
Granted	329,500	1.00	August 3, 2012
Granted	1,581,000	1.00	January 6, 2013
Exercised	(601,000)	1.00	
Outstanding, July 31, 2011	1,309,500	\$ 1.00	
Exercised	(92,500)	1.00	
Outstanding, January 31, 2012	1,217,000	1.00	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**THREE AND SIX MONTHS ENDED JANUARY 31, 2012**(Unaudited) (Expressed in Canadian Dollars)

13. STOCK OPTION PLAN AND SHARE-BASED PAYMENTS (continued)**Warrants (continued)**

At January 31, 2012, there were 1,217,000 (July 31, 2011 – 1,309,000) warrants outstanding enabling holders to acquire common shares of the company at \$1.00 per share.

Price	Number Outstanding	Number Exercisable	Expiry Date
\$1.00	327,000	327,000	August 3, 2012
\$1.00	890,000	890,000	January 6, 2013
	1,217,000	1,217,000	

14. RELATED PARTY TRANSACTIONS

- a) The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties and on terms and conditions similar to non-related parties as follows:

During the six month period ended January 31, 2012:

- i) The Company incurred consulting fees of \$211,708 (2011 – \$64,020). This includes \$75,000 (2011 - \$Nil) paid to Linx Partners Ltd., a company controlled by the Chairman of the Company, \$36,000 (2011 - \$Nil) paid to Joseph Li, director, \$25,000 (2011 - \$Nil) paid to Greg Hall, director, \$25,500 (2011 - \$Nil) paid to MaKevco Consulting Inc., a company with a common director and \$Nil (2011 - \$64,020) paid to James Walchuck, former President and CEO.
- ii) The Company incurred director fees of \$17,693 (2011 - \$19,740) to various directors of the Company
- iii) The Company incurred accounting fees of \$14,800 (2011 - \$Nil) paid to Irina Plavutska, interim Chief Financial Officer.
- iv) The Company incurred rent expense of \$Nil (2011 - \$5,700) paid to Encato Potash Corp., a company controlled by James Walchuck, former President and CEO.
- v) The Company incurred rent and general office expense of \$180,000 (2011 - \$Nil) paid to Prophecy Coal Corp., a company with common directors and officers.
- vi) The Company incurred share-based compensation of \$3,892,675 (2011 - \$499,841). This includes \$2,116,900 (2011 - \$490,954) to key management personnel.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**THREE AND SIX MONTHS ENDED JANUARY 31, 2012**(Unaudited) (Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS (continued)

- b) At January 31, 2012, due to related parties include \$Nil (July 31, 2011 - \$306,338) for reimbursable expenses to Prophecy Coal Corp., a company with common directors and officers.
- c) At January 31, 2012, loan receivables includes \$800,000 drawn by Prophecy Coal pursuant to the loan facility the Company has with Prophecy Coal as described in Note 8 plus \$9,649 in accrued interest.
- d) At January 31, 2012, accounts payable and accrued liabilities include \$16,790 (July 31, 2011 - \$18,512 recorded in due to related parties) owing to directors for director fees.

15. FINANCIAL INSTRUMENTS

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 marketable securities are carried at fair values based on quoted market prices.

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

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	Jan 31, 2012 Total
Cash and cash equivalents	\$ 1,972,527	\$ -	\$ -	\$ 1,972,527
Marketable securities	4,146,825	-	-	4,146,825
	\$ 6,119,352	\$ -	\$ -	\$ 6,119,352

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THREE AND SIX MONTHS ENDED JANUARY 31, 2012

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15. FINANCIAL INSTRUMENTS (continued)

Credit Risk - 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 concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk - Liquidity risk is the risk that the Company cannot meet its financial obligations. 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.

Foreign Exchange Risk - The Company has operations in Canada, Argentina and in Uruguay and undertakes transactions in various foreign currencies. The Company is therefore exposed to foreign currency risk arising from transactions denominated in a foreign currency. The Company's reporting and functional currency is Canadian dollars. Based on the above, a 5% strengthening (weakening) of the Argentine peso and Uruguayan peso will have an insignificant impact on total assets and loss. The Company's marketable securities are denominated in USD. A 5% strengthening (weakening) of the USD will increase (decrease) total assets by approximately \$207,000 Canadian dollars respectively. The Company currently does not use any foreign exchange contracts to hedge this currency risk.

Interest Rate Risk - The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions on its cash and cash equivalents.

Market risk - Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in market prices, such that changes in market prices result in a proportionate change in the carrying value of the Company's investments. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

16. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital, stock options and warrants. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative returns on capital criteria for management.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six months ended January 31, 2012. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, all held within major Canadian financial institutions

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**THREE AND SIX MONTHS ENDED JANUARY 31, 2012**(Unaudited) (Expressed in Canadian Dollars)

17. OPERATING SEGMENT INFORMATION

The Company's operations are limited to a single industry segment being the acquisition, exploration and development of mineral properties. The Company has mineral properties located in Canada in the and South America.

<i>January 31, 2012</i>	Canada	South America	Total
Current assets	6,645,647	11,432	6,657,079
Non-current assets	54,093,836	551,896	54,645,732
Total assets	60,739,483	563,328	61,302,811
Current liabilities	406,751	5,029	411,780
Non-current liabilities	-	-	-
Total liabilities	406,751	5,029	411,780

<i>July 31, 2011</i>	Canada	South America	Total
Current assets	2,828,708	156,210	2,984,918
Non-current assets	49,677,591	408,134	50,085,725
Total assets	52,506,299	564,344	53,070,643
Current liabilities	868,450	20,297	888,747
Total liabilities	868,450	20,297	888,747

<i>Three months ended January 31, 2012</i>	Canada	South America	Total
Expenses	(2,253,691)	28,714	(2,224,977)
Other items	15,873	-	15,873
Net loss before income taxes and other comprehensive item	(2,237,818)	28,714	(2,209,104)
Deferred income tax recovery	17,294	-	17,294
Loss before other comprehensive item	(2,220,524)	28,714	(2,191,810)
Unrealized gain on available for sale securities	121,057	-	121,057
Net loss and comprehensive loss	(2,099,467)	28,714	(2,070,753)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**THREE AND SIX MONTHS ENDED JANUARY 31, 2012**(Unaudited) (Expressed in Canadian Dollars)

17. OPERATING SEGMENT INFORMATION (continued)

<i>Six months ended January 31, 2012</i>	Canada	South America	Total
Expenses	(5,351,175)	28,714	(5,322,461)
Other items	16,676	-	16,676
Net loss before income taxes and other comprehensive item	(5,334,499)	28,714	(5,305,785)
Deferred income tax recovery	17,294	-	17,294
Loss before other comprehensive item	(5,317,205)	28,714	(5,288,491)
Unrealized gain on available for sale securities	121,057	-	121,057
Net loss and comprehensive loss	(5,196,148)	28,714	(5,167,434)

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended January 31		Six Months Ended January 31	
	2012	2011	2012	2011
Cash paid for:				
Interest	\$ 173	\$ -	\$ 2,155	\$ -
Non-cash Financing and Investing Activities				
Capitalized amortization of equipment	425	424	933	849
Capitalized share-based compensation	204,356	-	266,575	-

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19. SUBSEQUENT EVENTS

Subsequent to period end, 170,000 stock options were granted to a director and consultants of the Company and vest 50% at the end of each year for two years.

Subsequent to period end, 70,000 stock options was granted to an employee of the Company and vest 50% fifteen months from grant date, and the remaining 50% vest twenty-seven months from the grant date.

Subsequent to period end, the Company paid \$1,000,000 to Victory Nickel Corp. pursuant to the terms of the option agreement as described in Note 11.

Subsequent to period end, Prophecy Coal Corp. repaid the \$800,000 loan due to the Company, pursuant to the loan facility agreement as described in Note 8, plus \$15,189 in interest income, and subsequently cancelled the loan facility agreement.

Subsequent to period end, 150,000 stock options were exercised for \$135,000.

Subsequent to period end, the Company and Ursa Major Minerals Incorporated ("Ursa") (TSX: UML) entered into a letter of agreement ("Letter of Agreement") whereby the Company will acquire all of the issued and outstanding shares of Ursa in exchange for shares of the Company on the basis of 25 shares of Ursa for 1 share of the Company. As a result of the Letter of Agreement, all existing warrants, options and other rights to acquire common shares of Ursa will be exchanged for options and warrants of the Company such that each former Ursa option and warrant will be exchanged for an option or warrant of the Company, respectively, exercisable for that number of the Company's shares that is equal to the number of Ursa shares that would otherwise have been issuable thereunder. In connection with the Letter of Agreement, the Company will subscribe for 16,666,667 common shares of Ursa at gross proceeds \$0.06 per share for gross proceeds of \$1,000,000. The use of the proceeds shall be confined to payment of current accounts payable, general working capital purposes and expenditures on the mineral properties of Ursa for the purposes of developing such properties. Subsequent to period end, the \$1,000,000 has been paid. The acquisition of Ursa has not yet closed and is subject to the approval of the TSX Venture and Ursa's shareholders.

Subsequent to period end, the Company sold 1,560 units of platinum ETFs and 3,700 units of palladium ETFs with an average cost of \$237,241 USD and \$236,257 USD respectively for total proceeds of \$497,959 USD for a realized gain of \$24,461.

Subsequent to period end, the Company changed its year end from July 31 to March 31 to coincide with Prophecy Coal Corp.'s ("Coal") quarterly periods. Coal is a significant shareholder of the Company with common officers and directors and the Company's financial statements are consolidated with Coal.

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20. TRANSITION TO IFRS

a) Transition to IFRS

The Company has adopted IFRS effective August 1, 2011 with a transition date of August 1, 2010. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP.

The comparative information presented in these condensed consolidated interim financial statements for the three months and six months ended January 31, 2011 and year ended July 31, 2011 have been prepared in accordance with the accounting policies referenced in Note 3. For disclosures and reconciliations related to the first time adoption of IFRS refer to the Company's condense consolidated interim financial statements for the three months ended October 31, 2011.

b) Reconciliation between Canadian GAAP and IFRS

In preparing the Company's statement of financial position for January 31, 2011 period presented for comparative purposes, management noted that adjustments related to flow-through shares was necessary to be made by the Company previously in its financial statements prepared in accordance with previous Canadian GAAP.

Flow-through shares – The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference (“premium”) between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liabilities which is reversed into the statement of loss within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represented the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares. The cumulative premium and renunciation adjustment as at August 1, 2010 related to flow-through shares issued before August 1, 2010 is \$120,000.

The January 31, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	January 31, 2011 Canadian GAAP	Effect of IFRS Transition	January 31, 2011 IFRS
Total Assets	\$ 2,959,093	\$ –	\$ 2,959,093
Total Liabilities	\$ 85,642	\$ –	\$ 85,642
Shareholders' Equity			
Share capital (Note 17 (d)(i))	4,704,624	120,000	4,824,624
Contributed surplus	1,930,092	–	1,930,092
Deficit (Note 17 (d)(i))	(3,761,265)	(120,000)	(3,881,265)
Total Shareholders' Equity	2,873,451	–	2,873,451
Total Liabilities and Shareholders' Equity	\$ 2,959,093	\$ –	\$ 2,959,093

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20. TRANSITION TO IFRS (continued)

The six months ended January 31, 2011 Canadian GAAP consolidated statement of operations and comprehensive loss has been reconciled to IFRS as follows:

Statement of Operations and Comprehensive Loss	6 months ended January 31, 2011 Canadian GAAP	Effect of IFRS Transition	6 months ended January 31, 2011 IFRS
Revenue	\$ –	\$ –	\$ –
Total expenses	\$ (677,546)	\$ –	\$ (677,546)
Total other items	19,512	–	19,512
Net Loss and comprehensive loss	\$ (658,034)	\$ –	\$ (658,034)

The three months ended January 31, 2011 Canadian GAAP consolidated statement of operations and comprehensive loss has been reconciled to IFRS as follows:

Statement of Operations and Comprehensive Loss	3 months ended January 31, 2011 Canadian GAAP	Effect of IFRS Transition	3 months ended January 31, 2011 IFRS
Revenue	\$ –	\$ –	\$ –
Total expenses	\$ (615,009)	\$ –	\$ (615,009)
Total other items	3,089	–	3,089
Net Loss and comprehensive loss	\$ (611,920)	\$ –	\$ (611,920)

There is no effect of transition from Canadian GAAP to IFRS on the cash flow. Therefore, a reconciliation of cash flows has not been presented.