PROPHECY PLATINUM CORP.
(AN EXPLORATION STAGE COMPANY)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MARCH 31, 2012

(Expressed in Canadian Dollars)

CONTENTS

1. INTRODUCTION

The following discussion of the results of operations, financial condition and cash flows of Prophecy Platinum Corp. (formerly, Pacific Coast Nickel Corp.) ("Platinum" or the "Company") prepared as of July 27, 2012 consolidates management's review of the factors that affected the Company's financial and operating performance for the eight months ended March 31, 2012 (the new year end) and the year ended July 31 2011, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's audited financial statements for the eight months ended March 31, 2012 (prepared in accordance with International Financial Reporting Standards or "IFRS") and the year ended July 31 2011. Readers are encouraged to consult the 2012 Audited Financial Statements and Note 22 to those statements include a detailed explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of Platinum for the comparative periods presented.
Additional information related to the Company is available at http:///www.prophecyplat.com.

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 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 referred to as the "Wellgreen East Zone";
- An option to acquire a 100% interest in the Lynn Lake property which is a nickel project located in northern Manitoba;
- An option 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;
- A 100% interest in 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 31, 2012 and July 27, 2012, the Company had: (i) 55,453,543 and 58,755,459 common shares issued and outstanding, respectively; (ii) 6,706,250 and 6,716,250 stock options for common shares outstanding, respectively; and (iii) 1,142,000 and 1,271,097 warrants outstanding common shares.

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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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1. INTRODUCTION (continued)

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	
David Patterson	
Joseph Li	
Harald Batista	
Myron Manternach	

Audit Committee	***Compensation Committee***	***Corporate Governance Committee***
Donald Gee (Chairman)	Greg Hall (Chairman)	Joseph Li
Greg Hall	John Lee	Don Gee
David Patterson	David Patterson	David Patterson

2. DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. Management has evaluated the Company's disclosure controls and procedures and internal controls over financial reporting and has concluded that they were effective at March 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 eight months period ended March 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 Annual 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

2. DISCLOSURE CONTROLS AND PROCEDURES (continued)

- 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.

3. FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" within the meaning of Canadian securities legislation. These forward-looking statements are made as of the date of this MD&A and 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.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral resource and mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage

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 for the ensuing year, our medium and long term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our belief, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements. In particular, statements regarding the Company's future operations, future exploration and development activities or other development plans and estimated future financing requirements contain forward-looking statements.

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 current beliefs as well as assumptions made by and information currently available to the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration and development activities and commitments and future opportunities. Although management considers those assumptions to be reasonable based on information currently available to them, they may prove to be incorrect.

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.

By their very nature, 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, 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.

3. FORWARD-LOOKING STATEMENTS (continued)

These factors include, but are not limited to, developments in world financial and commodity markets, changes in exploration plans due to exploration results and changing budget priorities of the Company or its joint venture partners, changes in project parameters as plans continue to be refined; possible variations in resources and reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing, the effects of competition in the markets in which the Company operates, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks and the Company's anticipation of and success in managing the foregoing risks. The Company cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

4. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Platinum's consolidated financial statements and the financial data included in this MD&A has been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) . The adoption of IFRS does not impact the underlying economics of the Company's operations or its cash flows.

Note 22 to the annual consolidated 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 transitional consolidated statements of financial position as at August 1, 2010
- The consolidated statements of financial position as at July 31, 2011
- The consolidated statements of operations and comprehensive loss for the year ended July 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.

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 MD&A. Comparative information has been restated to comply with IFRS requirements, unless otherwise indicated.

5. 2012 HIGHLIGHTS AND SIGNIFICANT EVENTS

- 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 stock options for the purchase of common shares of the Company at $5.59 per share for a period of five years.

- On September 6, 2011, the Company announced that it commenced Wellgreen Metallurgical and Preliminary Economic Assessment ("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 20, 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 of 3,709,489 common shares at a price of $2.70 per share for total gross proceeds of $10,015,620.

5. 2012 HIGHLIGHTS AND SIGNIFICANT EVENTS (continued)

- On December 12, 2011, the Company granted 840,000 stock options to directors, officers, employees, and consultants of the Company with an exercise price of $2.25 for a period of five years.

- On December 12, 2011, the Company approved a $99,400 bonus to directors, officers, employees and consultants of the Company.

- 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 $152 for PPLT and $64 PALL.

- In December 2011, Mr. John McGoran has retired from his directorship but will remain an advisor to the Company.

- On January 9, 2012, the Company granted 90,000 stock options to employees of the Company with an exercise price of $2.40 for a period of five years.

- On February 3, 2012, the Company granted 240,000 stock options to employees, directors, and consultants of the Company with an exercise price of $3.68 for a period of five years.

- In February 2012, the Company paid $1,000,000 to Victory Nickel Corp. pursuant to the terms of the mineral property option agreement.

- On February 6, 2012, Mr. Mike Sylvestre was appointed as a director of the Company.

- In March 2012, the Company and Ursa Major Minerals Incorporated ("Ursa") (TSX: UML) entered into a letter of agreement ("Letter 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 Agreement, all existing warrants to acquire common shares of Ursa will be exchanged for warrants of the Company such that each former Ursa warrant will be exchanged for a Prophecy warrant, exercisable for that number of Prophecy shares that is equal to the number of Ursa shares that would otherwise have been issuable thereunder. The Ursa options will be terminated in accordance with their terms unless exercised within five days of the closing. In connection with the Letter of Agreement, the Company subscribed 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.

- On April 4, 2012, the Company granted 230,000 stock options to employees of the Company with an exercise price of $3.09 for a period of five years.

- During January – March 2012, the Company sold 4,610 units of platinum ETFs and 11,100 units of palladium ETFs with an average cost of $713,490 and $721,389 respectively for total proceeds of $1,434,879 for a realized gain of $45,246.

5. 2012 HIGHLIGHTS AND SIGNIFICANT EVENTS (continued)

- 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 (The "Coal") 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.

Subsequent to period-end

- On July 16, 2012 the Company completed its acquisition of Ursa Major Minerals Incorporated ("Ursa") (TSX: UML). The Company issued a total of 3,186,916 common shares to acquire all of the outstanding shares in Ursa using an agreed share exchange ratio of one common share in the Company for each twenty-five common shares in Ursa. The balance of shares of Ursa that were held by the Company as at March 31, 2012 (refer to Note 6 in the financial statements) were cancelled pursuant to the terms of the acquisition. On completion of the acquisition Ursa delisted its shares from the TSX and is wholly-owned subsidiary of the Company.

- The Company announced results of a preliminary economic assessment report prepared by Tetratech in respect of the Wellgreen project, and metallurgical recovery results for the Wellgreen project.

- 280,000 stock options were granted to employees of the Company and vest 50% at the end of each year for two years.

- The Company sold the remaining ETFs, 8,340 units of platinum ETFs and 19,740 units of palladium ETFs with an average cost of $1,290,776 and $1,282,851 respectively for total proceeds of $2,464,009 for a realized loss of $109,618.

- On July 10, 2012, Mr. Harald Batista and Mr. Myron Manternach were appointed as directors of the Company.

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

6. OVERALL PERFORMANCE

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 cost	$ 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) totaling 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.

6. OVERALL PERFORMANCE (continued)

Wellgreen Nickel Property (continued)

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) (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**

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 Billioin 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.

6. OVERALL PERFORMANCE (continued)

Wellgreen Nickel Property (continued)

To date, Platinum has adopted a 0.4% nickel equivalent cut-off pending further work on the economics regarding the deposit. Recently the Company announced results from its Preliminary Economic Assessment (PEA) where a new cutoff was determined. The resource under this scheme is summarized within the reported results of the PEA announced in the Company's June 18, 2012 press release, and reviewed later in the Wellgreen Nickel Property section of this MD&A. 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.

On May 10, 2012 the Company announced initial results of its ongoing metallurgical testing. A total of 41 rougher and cleaner tests, and 4 locked cycle flotation tests were conducted and completed at SGS Laboratories in Vancouver, British Columbia. Results ("LCT-3") indicate that a bulk concentrate of 5.6% nickel, 6.0% copper, 3.5 g/t platinum, 6.3 g/t palladium and 0.5 g/t gold can be produced. These results represent recoveries of 68% nickel, 88% copper, 46% platinum, 73% palladium and 59% gold. LCT-3 results are in the following table:

Product	Weight	Assays, (Cu, Ni, Pt, Pd, Au g/t)					% Recovery				
	%	%Cu	%Ni	g/t Pt	g/t Pd	g/t Au	Cu	Ni	Pt	Pd	Au
LCT-3 CONCENTRATE	5.36	6.01	5.66	3.57	6.22	0.48	87.8	67.6	46.0	72.9	58.9

The LCT-3 tests focused on metal recovery from Wellgreen's mineralization of typical representative grade, an additional test ("LCT-4") was conducted using material with a higher calculated head feed grade of 0.83% nickel, 0.55% copper, 0.57 g/t platinum, 0.57 g/t palladium, and 0.08 g/t Au. LCT-4 produced a concentrate containing 8.2% nickel, 6.5% copper, 2.9 g/t platinum, 5.6 g/t palladium and 0.6 g/t gold. These results represent recoveries of 73% nickel, 88% copper, 38% platinum, 73% palladium, and 62% gold. LCT-4 results are in the following table:

Product	Weight	Assays, (Cu, Ni, Pt, Pd, Au g/t)					% Recovery				
	%	%Cu	%Ni	g/t Pt	g/t Pd	g/t Au	Cu	Ni	Pt	Pd	Au
LCT-4 CONCENTRATE	7.42	6.48	8.15	2.89	5.59	0.64	88.0	72.9	37.7	72.6	62.2

A 150 kg composite blend of the prevalent host-mineralized rocks was crushed to a -10 mesh size and used as the sample for testing. A calculated head feed grade of 0.45% nickel, 0.35% copper, 0.42 g/t platinum, and 0.46 g/t palladium was tested for LCT-3. Conventional flotation conditions were used to produce a concentrate with emphasis on base metal recoveries from locked-cycle testing. The 41 batch tests were designed to test different flowsheet and reagent combinations. Conditions for the reported test LCT-3 include Xanthate, CMC, guar gum and $CuSO_4$. Test conditions for LCT-4 utilized the same reagents as LCT-3 except for the exclusion of $CuSO_4$. LCT-3 and LCT-4 demonstrate that metals can be recovered from varied Wellgreen mineralization through substantially identical flowsheets and common reagents.

In January 2012, the Company announced the commencement of 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. Results of the underground portion have been announced in Q2 and will continue as the program continues.

6. OVERALL PERFORMANCE (continued)

Wellgreen Nickel Property (continued)

A summary of the results are tabulated below:

BHID	From	To	Length (m)	Cu%	Ni%	Pt g/t	Pd g/t	Au g/t	PGM+Au g/t	NiEQ %
WU12-520	26.01	148.11	122.10	0.15	0.27	0.20	0.25	0.04	0.49	0.42
WU12-524	50.60	200.86	150.27	0.14	0.25	0.26	0.25	0.04	0.54	0.41
including…	71.63	92.96	21.34	0.25	0.39	0.39	0.46	0.05	0.90	0.65
WU12-525	13.72	150.27	136.55	0.13	0.25	0.20	0.20	0.04	0.44	0.40
including…	56.69	71.93	15.24	0.16	0.36	0.49	0.24	0.03	0.76	0.59
WU12-526	73.38	101.19	27.81	0.14	0.27	0.28	0.19	0.08	0.55	0.43
WU12-527	28.33	242.32	213.99	0.14	0.25	0.24	0.26	0.04	0.54	0.41
including…	40.54	62.18	21.64	0.30	0.35	0.40	0.52	0.07	0.98	0.63
WU12-531	0.00	215.19	215.19	0.17	0.26	0.26	0.24	0.05	0.54	0.43
including…	2.74	17.98	15.24	0.68	0.23	0.62	0.39	0.10	1.12	0.67
and…	37.80	60.66	22.86	0.25	0.38	0.31	0.41	0.09	0.80	0.61
WU12-532	0.00	151.49	151.49	0.12	0.26	0.22	0.24	0.05	0.50	0.40
WU12-533	0.00	129.24	129.24	0.18	0.29	0.22	0.25	0.04	0.50	0.45
including…	0.00	10.36	10.36	0.98	0.24	0.65	0.41	0.12	1.18	0.79
and…	101.80	114.00	12.19	0.18	0.44	0.25	0.38	0.04	0.66	0.63
WU12-534	0.00	117.04	117.04	0.14	0.28	0.20	0.29	0.04	0.52	0.42
including…	0.00	19.51	19.51	0.36	0.19	0.42	0.36	0.11	0.89	0.48
WU12-523	28.65	271.27	242.62	0.13	0.24	0.22	0.21	0.04	0.47	0.39
including…	37.80	88.70	50.90	0.23	0.38	0.31	0.40	0.04	0.74	0.60
and…	55.32	73.46	18.14	0.27	0.50	0.42	0.59	0.04	1.05	0.78

On June 18, 2012, the Company announced the results of an independent NI 43-101 compliant Preliminary Economic Assessment ("PEA"). The independent PEA, prepared by Tetra Tech was supervised by Todd McCracken, P.Geo., Andrew Carter, C.Eng., Pacifico Corpuz, P.Eng., Philip Bridson, P.Eng and Wayne Stoyko, P.Eng who are the Qualified Persons, as defined under National Instrument 43-10. The PEA evaluates a base case of an open-pit mine (111,500 tonne/day mining rate), an onsite concentrator (32,000 tonne/day milling rate) and an initial capital cost of $863 million. The project is expected to produce (in concentrate) 1.959 billion pounds of nickel, 2.058 billion pounds of copper and 7.119 million ounces of platinum+palladium+gold over 37 year mine life with an average strip ratio of 2.57.

The financial highlights are shown. (All amounts are in US dollars unless otherwise stated).

Table 1. Financial Highlights:

Payback Period:	6.29 years
Initial Capital Investment:	$863 million
IRR Pre-tax (100% equity):	32%
NPV Pre-tax (8% discount):	$2.4 billion
Mine Life:	37 years
Total Mill Feed:	405.3 million tonnes
Mill Throughput:	32,000 tonnes per day
Foreign Exchange:	CAD$1=US$0.9970

6. OVERALL PERFORMANCE (continued)

Wellgreen Nickel Property (continued)

Commodity pricing used in the June 18, 2012 press release was obtained from the Q2, 2012 Energy and Metals Consensus Forecast (EMCF), a long-term forward consensus among 20 leading international financial institutions published by Consensus Economics. On July 25, 2012, the Company announced it had revised its base case metal pricing assumptions for the PEA from EMCF to the London Metals Exchange three year trailing average in order to be in line with pricing assumptions used by comparable issuers. The long term LME pricing method is more commonly adopted in base case studies of comparable issuers and closer to current spot metals pricing, which offers investors a more balanced view of project economics. Table 2 below provides a comparison of the EMCF assumptions used in the June 18, 2012 press release, the LME base case pricing assumptions and spot pricing.

Table 2: Metal Prices

Commodity	Base Case LME 3 Year Trailing	LME Spot Price	EMCF in June 18 Press release	Units
Platinum	1,587.97	1,468.00	2,043.50	US$/oz
Palladium	581.28	588.00	932.00	US$/oz
Nickel	9.48	7.71	10.82	US$/lb
Copper	3.56	3.49	3.11	US$/lb
Cobalt	16.23	13.15	16.70	US$/lb
Gold	1,377.87	1,604.00	1,347.50	US$/oz

*LME three year trailing average ended July 6, 2012 and spot prices as at July 6, 2012, being the proposed effective date of the PEA.

The Company restated the financial model results from the June 18, 2012 press release to reflect the LME base case:

Table 3: Financial Model Results

	NPV @ 8% ($ million)	IRR (%)	Payback (years)
Base Case (LME 3 year trailing average) (base case)	2,396	32	4.88
LME (spot price)	1,783	26	6.29
EMCF (in June 18 Press Release)	3,044	38	3.55

A PEA should not be considered to be a pre-feasibility or feasibility study, as the economics and technical viability of the project has not been demonstrated at this time. The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Furthermore, there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserve do not have demonstrated economic viability.

The Company advises that investors should rely on the new base case data. Results based on EMCF pricing assumptions are provided as a sensitivity analysis.

Further sensitivity analyses may be found in the PEA executive summary included in the expected written report due to be filed within 7-10 days of July 25, 2012 news release.

CAPITAL and OPERATING COSTS

The initial capital cost for the Wellgreen project is estimated at $863 million, including 25% contingency and is summarized below:

6. OVERALL PERFORMANCE (continued)

Wellgreen Nickel Property (continued)

Table 4. Initial Capital Costs:

Project Execution:	$23 million
Surface Facilities	$692 million
Mine Equipment:	$148 million
Total Initial Capex:	**$863 million**

Total operating costs are estimated to be $29.74 per tonne of mill feed over the life of mine. These operating costs are based on an estimated diesel power rate of $0.28 per kWh. Liquid natural gas power option will be examined in the prefeasibility study.

Table 5. Operating Costs:

Mining:	$9.02/tonne
Site Services:	$1.08/tonne
Milling:	$17.34/tonne
General & Administration:	$2.30/tonne
Total Operating Costs:	**$29.74/tonne**

DEVELOPMENT PLAN

The PEA study recommends development of the Wellgreen deposit as a conventional, diesel truck-shovel open pit mine. The deposit will be processed using a conventional concentrator to produce bulk Ni-Cu-PGE concentrate.

The mill will have a nominal production rate of 32,000 tonnes of mill feed per day (averaged over the life of mine) with average annual stripping ratio estimated at 2.57 over the life of mine.

Over a projected mine life of 37 years, the mill will produce 1.959 billion pounds of nickel, 2.058 billion pounds of copper and 7.119 million ounces of platinum+palladium+gold in concentrate.

The average feed is graded at Ni 0.32%, Cu 0.26%, Pt 0.411 g/t, Pd 0.347 g/t, Au 0.177 g/t, & Co 0.02%.

The following flotation concentrate recoveries from May 2012 SGS Studies are adopted in the PEA:

Ni 67.60%, Cu 87.80%, Pt 46.00%, Pd 72.90%, Au 58.90%, & Co 64.40%

Once metals in concentrate are determined, the following smelting/refining recoveries are applied, together with a **25% cost factor** against gross metals recovered to account for smelting, refining, transportation, and marketing cost: Ni 90.00%, Cu 98.00%, Pt 96.00%, Pd 96.00%, Au 96.00%, & Co 90.00%.

RESOURCE ESTIMATE

At a 0.22% NiEq cut-off, the Wellgreen Project is estimated to contain an Indicated Resource of 14.4 Mt at 0.68% Ni, 0.62% Cu, and 2.23 g/t Pt+Pd+Au grade. In additional, the Wellgreen Project is estimated to contain an Inferred Resource of 446.6 Mt at 0.31% Ni, 0.25% Cu, and 0.87 g/t Pt+Pd+Au grade. The table below summarizes the results of the resource estimate constrained by an optimized open pit.

Wellgreen Mineral Resource Summary as Highlighted in PEA:

NiEq Cut-off (%)	Category Zone	Tonnes	NiEq (%)	Ni (%)	Cu (%)	Co (%)	Au (g/t)	Pt (g/t)	Pd (g/t)
0.22	Indicated Pitshell	14,432,900	1.4	0.68	0.62	0.05	0.51	0.99	0.73
0.22	Inferred Pitshell	446,649,000	0.6	0.31	0.25	0.02	0.16	0.38	0.33

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 March 31, 2012, the Company had incurred a total of $4,448,257 in exploration costs on the Wellgreen property.

6. OVERALL PERFORMANCE (continued)

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 March 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.

Lynn Lake Nickel Property

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.

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
Total	*Measured*	*>= 0.4*	*1,017,558*	*0.76*	*0.36*	*0.95*	*15,538,001*	*7,343,064*
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
Total	*Indicated*	*>= 0.4*	*21,884,121*	*0.56*	*0.3*	*0.71*	*246,942,800*	*130,159,615*
Totals	**Measured +Indicated**	**>= 0.4**	**22,901,679**	**0.57**	**0.3**	**0.72**	**262,480,801**	**137,502,679**

At March 31, 2012, the Company incurred a total of $404,108 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.

6. OVERALL PERFORMANCE (continued)

Lynn Lake Nickel Property (continued)

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, as amended March 13, 2011 and March 21, 2012, 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.

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 grade x $Ni)+(Cu grade x $Cu)+(Co grade x $Co)] x 20+[(Au grade x $Au)+(Ag grade X $Ag)+(Pt grade x $Pt)+(Pd grade x $Pd) x 0.0291667)]/($Nix20). 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.

6. OVERALL PERFORMANCE (continued)

Las Aguilas Property (continued)

Danniel 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 provided 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.

On December 10, 2010, as amended March 13, 2011 and March 21, 2012 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; 25,000 post consolidation)
- $125,000 and 250,000 shares on or before April 1, 2012 (paid and issued; 25,000 post consolidation)
- $100,000 and 250,000 shares on or before April 1, 2013 (25,000 post consolidation)
- $100,000 and 250,000 shares on or before April 1, 2014 (25,000 post consolidation)

Work Commitments

- On or before 3 months from the agreement date complete a resource estimate (completed)
- On or before November 1, 2012 incur $500,000 in exploration expenditures,
- On or before October 1, 2013 incur a further $500,000 in exploration expenditures,
- On or before July 1, 2014 incur a further and final $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 (200,000 post consolidation) 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.

At March 31, 2012, the Company incurred a total of $151,528 in exploration costs on the Las Aguilas property.

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.

7. SELECTED ANNUAL RESULTS

	Period ended March 31, 2012	Year ended July 31, 2011	Year ended July 31, 2010
	IFRS	IFRS	CGAAP
	2012	2011	2010
Operating expense	$ (7,203,499)	$ (1,543,515)	$ (352,106)
Loss Before Other Items and Deferred Income Tax Recovery	(7,203,499)	(1,543,515)	(352,106)
Other items	69,549	38,750	51,741
Loss Before Future Income Tax Recovery	(7,133,950)	(1,504,765)	(300,365)
Deferred income tax recovery	109,842	-	-
Net Loss for Year	(7,024,108)	(1,504,765)	(300,365)
Fair value gain (loss) on available-for-sale investments	768,896	-	-
Comprehensive Loss	(6,255,211)	(1,504,765)	(300,365)
Share Information			
Net loss per share, basic and diluted	(0.13)	(0.11)	(0.09)
Comprehensive loss per share, basic and diluted	(0.12)	(0.11)	(0.09)
Weighted average number of common shares outstanding	53,563,299	13,717,707	3,479,400
Financial Position			
Total assets	62,115,657	53,070,643	1,885,528
Non-current liabilities	-	-	-
Dividends	$ -	$ -	$ -

For the eight months ended March 31, 2012, net loss was $7,024,108 or $0.13 per share compared to a loss of $1,504,765 or $0.10 per share for comparative year ended July 31, 2011, and $300,365 or $0.09 for comparative year ended July 31, 2010.

In 2012, the net loss resulted primarily from the share-based payments of $5,080,989 (2011 - $868,805) due to the issuance of new stock options during the eight months ended March 31, 2012. Results in 2012 also include increases in business development and promotional expenses to $863,343, office expenses to $429, 642 due to higher rental and office expenditures at the new office location, and professional fees to $348,255 due to higher expenditure on legal counsel, audit, and accounting consulting fees, related to increase in business and acquisition related activities.

2012 results of comprehensive loss of $6,255,212 include fair value gain on available for sale investments of $768,896.

8. SUMMARY OF QUARTERLY RESULTS

The quarterly results are as follows:

	31-Mar-12 2 months ended (IFRS)	31-Jan-12 3 months ended (IFRS)	31-Oct-11 3 months ended (IFRS)	31-Jul-11 3 months ended (IFRS)
Operating expense	$ (1,881,038)	$ (2,224,977)	$ (3,097,484)	$ (763,036)
Net Loss before other items	(1,735,617)	(2,191,810)	(3,097,484)	(763,036)
Net Loss per share basic and diluted	(0.03)	(0.04)	(0.06)	(0.02)
Comprehensive Loss	(1,087,778)	(2,070,753)	(3,096,681)	(668,923)
Net Comprehensive loss per share basic and diluted	$ (0.02)	$ (0.04)	$ (0.06)	$ (0.02)

	30-Apr-11 3 months ended (IFRS)	31-Jan-11 3 months ended (IFRS)	31-Oct-10 3 months ended (IFRS)	31-Jul-10 3 months ended (CDN GAAP)
Operating expense	$ (102,933)	$ (615,009)	$ (62,537)	$ (87,427)
Net Loss before other items	(94,406)	(611,920)	(62,537)	(87,427)
Net Loss per share basic and diluted	(0.02)	(0.12)	(0.02)	(0.03)
Comprehensive Loss	(94,406)	(611,920)	(46,114)	(98,244)
Net Comprehensive loss per share basic and diluted	$ (0.02)	$ (0.12)	$ (0.01)	$ (0.03)

During two months ended March 31, 2012, net loss before other comprehensive item and comprehensive loss was $1,735,618 and $1,087,779 respectively, compared with $2,191,810 and $2,070,753 for the three months ended January 31, 2012. The increase in losses compared to the January 31, 2012 period are due to more options being issued, business development and promotion activities, consulting and professional fee increase related to an increase in general activity. The losses were offset by a $729,167 unrealized gain on available for sale shares of URSA purchased in March 2012.

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 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

9. DISCUSSION 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 consolidated 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.

Eight months ended March 31, 2012 compared to the year ended July 31, 2011

For the eight months ended March 31, 2012, the Company incurred a net loss of $7,024,108 compared to a net loss of $1,504,765 in the prior year. The overall increase in the loss as compared to last year was due to the factors discussed below.

i) Share-based payments expense increased to $5,080,989 from $868,805 relating to increased stock incentive options granted to new directors, officers and consultants of the Company. Both the exercise price and the share price at grant date were higher for options granted for the eight month period ended March 31, 2012 compared to the twelve month period ended July 31, 2011 thus making the overall share-based compensation higher for the March 31, 2012 period.

ii) Business development and promotion expense increased to $863,343 from $160,822 relating to the purchase of the Wellgreen and Lynn Lake properties through the Plan of Arrangement that has resulted in the Company's need to further promote the Company's business.

iii) Consulting fees include fees charged by officers of the Company. The increase to $292,708 from $207,419 was due to amounts paid to the Interim CEO, and Chairman of the Company, and consulting fees paid to the vice president of corporate development. Payments to both of these individuals were not incurred in the comparative period.

iv) Office and miscellaneous expense increased to $429,640 from $59,995 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 were 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. Additional increase was related to increased travel related to increased promotional activities of the Company.

v) Professional fees increased to $376,105 from $137,785 as a result of additional legal fees incurred from the purchase of the Wellgreen and Lynn Lake properties through the Plan of Arrangement and from various matters arising related to support of corporate governance and the higher level of business development activities of the Company

vi) Foreign exchange gain increased to $9,234 from $6,335 loss related to the general increase in strength of the foreign currencies.

vii) Transfer agent and filing fees increased to $72,974 from $42,402 for the twelve months ended July 31, 2011. The increase was 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.

viii) Salaries and wages increased to $61,504 from $59,756 due to new employees hired as a result of an overall increase in business operations.

ix) Insurance expense increased to $19,186 from $Nil due to new insurance coverage to reduce the Company's legal risk and exposure.

9. DISCUSSION OF OPERATIONS (continued)

Use of funds raised in November 2011

In November 2011, the Company closed a non-brokered private placement whereby the company issued 3,709,489 common shares for net proceeds of $9,437,320 (after 6% finder's fee). Funds used from November 17, 2011 (closing date) to March 31, 2012 as set out below:

Options Payment to Victory Nickel	$	1,000,000
URSA Share Purchase		1,000,750
Equipment Purchases		394,672
Acquisition of marketable securities		4,008,474
Exploration Expenditures		1,812,396
	$	8,216,292

See financial statements note 9 for details of expenditures. Further expenditures were made for general and business expenses.

10. FOURTH QUARTER

The Company changed its year end from July 31st to March 31st to make the Company's reporting periods coincide with the Company's parent company, Prophecy Coal Corp.'s quarterly filings. Therefore, the Company does not have fourth quarter results.

11. LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2012 the Company had working capital, including cash and cash equivalents and marketable securities, of $3,047,048 (July 31, 2011 - $2,096,171). Marketable securities are available for sale for liquidity purposes, as the Company requires, to provide funds for its operations and exploration, evaluation and development activities. The Company sold marketable securities during eight months ended March 31, 2012 and continues to do so. The Company has also 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.

Cash Flow Highlights

		Eight months ended 31-Mar-12		Year ended 31-Jul-11
Cash used in operating activities	$	(2,531,927)	$	(312,538)
Cash used in investing activities		(9,335,845)		422,824
Cash provided by financing activities		9,607,806		2,226,570
Net increase (decrease) in cash for the period		(2,259,966)		2,336,856
Cash balance, beginning of the period		2,842,105		505,249
Cash balance, end of the period	$	582,139	$	2,842,105

11. LIQUIDITY AND CAPITAL RESOURCES (Continued)

Operating activities

Cash used in operating activities was $2,531,927 for the eight months ended March 31, 2012 compared to $312,538 for the year ended July 31, 2011. The increase in cash used in operating activities was mainly due to an overall increase in business development, marketing, consulting, professional fees and general operating expenditures.

Investing activities

Cash used in investing activities was $9,335,845 for the eight months ended March 31, 2012 compared to an inflow of $422,824 for the year ended July 31, 2011. The increased outflow primarily resulted from an increase of $3,807,957 for exploration activities related to the Wellgreen and Lynn Lake properties. Additional outflows resulted from purchases of exchange trade funds of $4,008,474, URSA shares of $1,000,750, acquisition of equipment of $394,762 offset by sales of exchange traded funds of $1,487,464. There was $nil inflows related to acquisitions for the eight months March 31, 2012 compared to an inflow of $2,000,000 as part of the Wellgreen and Lynn Lake transaction for year ended July 31, 2011.

Financing activities

Cash inflows from financing activities was $9,607,806 for the eight months ended March 31, 2012 compared to $2,226,570 for the year ended July 31, 2011. The increase in cash from financing activities was mainly due to cash received during the period on private placement of $9,437,320 compared to $1,221,198 for the year ended July 31, 2011, proceeds received from option and warrant exercises of $443,749 compared to $707,000 for the year ended July 31, 2011, and proceeds received from share subscriptions of $21,250 compared to $Nil for the year end July 31, 2011.

Capital Resources

At March 31, 2012, the Company had $582,139 (July 31, 2011 - $2,842,105) in cash and cash equivalents. All of the Company's cash equivalents are on deposit with Canadian banks and brokerage houses.

Contractual Commitments

Lynn Lake Property

Pursuant to the option agreement, the remaining payments to Victory Nickel and work commitments are as follows:

- Cash payment of $1,000,000 on or before March 1, 2013.
- Remaining expenditures to be incurred of $1,500,000 on or before November 1, 2012.

Las Aguilas, Argentina

Pursuant to agreement with Marifil the remaining payments and work commitments are as follows.

Cash and shares
- $100,000 and 250,000 shares on or before April 1, 2013 (25,000 post consolidation)
- $100,000 and 250,000 shares on or before April 1, 2014 (25,000 post consolidation)

Work Commitments
- On or before November 1, 2012 incur $500,000 in exploration expenditures;
- On or before October 1, 2013 incur $500,000 in exploration expenditures; and
- On or before July 1, 2014 incur $1,000,000 in exploration expenditures.

12. TRANSACTIONS WITH RELATED PARTIES

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 as follows:

During the eight months period ended March 31, 2012:

i) The Company incurred consulting fees of $220,900 (during year ended July 31, 2011 – $196,747). This includes:

- $105,000 (during year ended July 31, 2011 - $77,000) paid to Linx Partners Ltd., a private company controlled by the Chairman of the Company;
- $48,000 (during year ended July 31, 2011 - $Nil) paid to JWL Investment Corp, a private company owned by the Corporate Secretary;
- $25,000 (during twelve months ended July 31, 2011 - $Nil) paid to Greg Hall, director and $25,500 (during twelve months ended July 31, 2011 - $Nil) paid to MaKevco Consulting Inc., a private company 50% owned by him;
- $17,400 (during year ended July 31, 2011 - $Nil) paid to Irina Plavutska, interim CFO and $Nil (during year ended July 31, 2011 - $25,500) paid to James Walchuck, former President and CEO.

ii) The Company incurred director fees of $26,193 (during year ended July 31, 2011 - $39,000) to various directors of the Company

iii) The Company incurred rent expense of $Nil (during year ended July 31, 2011 - $9,500) paid to Encato Potash Corp., a company controlled by James Walchuck, former President and CEO.

iv) The Company incurred rent and general office expense of $260,000 (during year ended July 31, 2011 - $Nil) paid to Prophecy Coal Corp., a company with common directors and officers.

b) The Company incurred share-based compensation of $5,080,989 (during year ended July 31, 2011 - $552,322). This includes $1,999,013 (2011 - $552,322) to key management personnel. As at March 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) As at March 31, 2012, accounts payable and accrued liabilities include $15,000 (July 31, 2011 - $18,512 recorded in due to related parties) owing to directors for director fees (paid subsequent to period end).

d) As at March 31, 2012, due to related parties include $30,338 (July 31 - $Nil) for reimbursable expenses to officers and directors of the Company (paid subsequent to period end).

e) As at March 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.

f) As at March 31, 2012, accounts payable and accrued liabilities include $15,000 (July 31, 2011 - $18,512 recorded in due to related parties) owing to directors for director fees and $30,338 (July 31 - $Nil) for reimbursable expenses to officers and directors of the Company. These amounts were paid subsequent to period end.

12. TRANSACTIONS WITH RELATED PARTIES (continued)

The key management of the Company comprises executives and non-executive directors and senior management. The remuneration of directors and other members of key management were as follows:

	March 31, 2012	July 31, 2011
Remuneration and short-term benefits	$ 247,093	$ 235,747
Share-based payment compensation	1,999,013	552,322

13. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates used in the preparation of the consolidated financial statements include determining the carrying value of exploration and evaluation projects and property and equipment, assessing the impairment of long-lived assets, determining deferred income taxes, and the valuation of share-based payments. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

Readers are encouraged to read the significant accounting policies and estimates as described in note 3 of the Company's audited consolidated financial statements for the eight months ended March 31, 2012. Note 22 to the audited consolidated financial statements provides readers with information, analyses and reconciliations of historic information from pre-transition Canadian GAAP to IFRS. The Company's eight months ended March 31, 2012 consolidated financial statements have been prepared using the going concern assumption; reference should be made to note 1 to the Company's annual consolidated financial statements.

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 have 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.

Impairment of Long-Lived Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets ("CGU"), where the recoverable amount of CGU is the greater of the CGU's fair value less costs to sell and its value in use) to which the assets belong.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

13. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expense.

Deferred Income Taxes

The Company uses the asset and liability method to account for income taxes. Deferred income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax basis on the statement of financial position date. Deferred income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse.

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.

14. CRITICAL ACCOUNTING POLICIES AND ADOPTION OF IFRS

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 consolidated financial statements as at and for the eight months period ended March 31, 2012 have been prepared in accordance with IFRS with restatements of comparative balance sheets as at August 1, 2010, July 31, 2011 and statements of earnings and comprehensive income for the year ended July 31, 2011 as previously reported and prepared in accordance with Canadian GAAP. 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. In the preparation of these consolidated 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.

IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1")

Under IFRS 1, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit unless certain exemptions are applied. IFRS 1 provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adopters.

14. CRITICAL ACCOUNTING POLICIES AND ADOPTION OF IFRS (continued)

Initial elections upon adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the 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.

IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1")(continued)

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:

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.

New Accounting Pronouncements

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.

14. CRITICAL ACCOUNTING POLICIES AND ADOPTION OF IFRS (continued)

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.

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 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.

14. CRITICAL ACCOUNTING POLICIES AND ADOPTION OF IFRS (continued)

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 financial statements or whether to early adopt this new requirement.

New accounting standards effective January 1, 2013

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement.

The Interpretation requires stripping activity costs which provide improved access to ore are recognized as a non-current "stropping activity asset" when certain criteria are met. The stripping activity asset is depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate. Applies to annual periods beginning on or after January 1, 2013.

15. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Board of Directors, through the Audit Committee is responsible for identifying the principal risks of the company and ensuring that risk management systems are implemented. The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk, and credit risk in accordance with its risk management framework. The Company's Board of Directors reviews the Company's policies on an ongoing basis.

Financial Instruments (see note 15 to the annual consolidated financial statements)

The following table sets forth the Company's financial assets and liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at March 31, 2012, those financial assets and liabilities are classified in their entirety based on the level of input that is significant to the fair value measurement.

As at March 31, 2012	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss	$ 582,139	$ –	$ –	$ 582,139
Available-for-sale investments	4,445,744	–	–	4,445,744
	$ 5,027,883	$ –	$ –	$ 5,027,883

Related Risks

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 fulfill 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.

15. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)

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. As at March 31, 2012, the Company has cash and cash equivalents of $582,139 (July 31, 2011 - $2,842,105, August 1, 2010 - $505,249) and financial liabilities of $368,540 (July 31, 2011 - $813,318, August 1, 2010 - $59,966), which have contractual maturities of 90 days or less.

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 $138,953 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 unfavorable 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. Based on the Company's investment position at March 31, 2012, a 10% increase (decrease), net of tax of the market price of the available for sale URSA shares held would have resulted in an increase (decrease) to comprehensive income (loss) of approximately $160,417. The Company also holds investments in precious metal exchange traded funds, which a 35% increase (decrease) in the market price of the investment held would result in increase (decrease) to comprehensive income (loss) of approximately $802,798.

16. RISKS AND UNCERTAINTIES

An investment in the common shares of the Company involves a significant degree of risk and ought to be considered a highly speculative investment. The following is brief discussion of those factors which may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance:

Exploration, Development and Production Risks - The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in an increase in Platinum's resource base.

16. RISKS AND UNCERTAINTIES (continued)

Exploration, Development and Production Risks (Continued)

Platinum's operations will be subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution, and consequent liability that could have a material adverse impact on the business, operations and financial performance of Platinum.

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection.

The remoteness and restrictions on access of properties in which Platinum will have has an interest will have an adverse effect on profitability as a result of higher infrastructure costs. There are also physical risks to the exploration personnel working in the terrain in which Platinum's properties are located, often in poor climate conditions.

The long-term commercial success of Platinum depends on its ability to find, acquire, develop and commercially produce minerals. No assurance can be given that Platinum will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Platinum may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Title Risks - Title to mineral properties, as well as the location of boundaries on the grounds may be disputed. Moreover, additional amounts may be required to be paid to surface right owners in connection with any mining development. At all of such properties where there are current or planned exploration activities, Platinum believes that it has either contractual, statutory, or common law rights to make such use of the surface as is reasonably necessary in connection with those activities. Although Platinum believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to its properties will not be challenged or impaired. Successful challenges to the title of Platinum's properties could impair the development of operations on those properties.

Substantial Capital Requirements - The proposed management of Platinum anticipates that it may make substantial capital expenditures for the acquisition, exploration, development and production of its properties, in the future. As Platinum will be in the exploration stage with no revenue being generated from the exploration activities on its mineral properties, Platinum may have limited ability to raise the capital necessary to undertake or complete future exploration work, including drilling programs. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Platinum. Moreover, future activities may require Platinum to alter its capitalization significantly. The inability of Platinum to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. In particular, failure to obtain such financing on a timely basis could cause Platinum to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations.

Competition - The mining industry is highly competitive. Many of Platinum's competitors for the acquisition, exploration, production and development of minerals, and for capital to finance such activities, will include companies that have greater financial and personnel resources available to them than Platinum.

16. RISKS AND UNCERTAINTIES (continued)

Volatility of Mineral Prices - The market price of any mineral is volatile and is affected by numerous factors that are beyond Platinum's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Sustained downward movements in mineral market prices could render less economic, or uneconomic, some or all of the mineral extraction and/or exploration activities to be undertaken by Platinum.

Mineral Reserves / Mineral Resources - All of the properties in which Platinum will hold an interest are considered to be in the early exploration stage only and do not contain a known body of commercial minerals. Mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of metals, as well as increased production costs or reduced recovery rates may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different mineral grades may cause a mining operation to be unprofitable in any particular accounting period.

Recent Global Financial Conditions - Recent global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of Platinum to obtain equity or debt financing in the future and, if obtained, on terms favourable to it. If these increased levels of volatility and market turmoil continue, Platinum's operations could be adversely impacted and the value and the price of the Platinum Shares could continue to be adversely affected.

Environmental Risks - All phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Platinum and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

16. RISKS AND UNCERTAINTIES (continued)

Additionally, the Yukon Government is currently considering whether it will require Prophecy, and any successor issuer in title, to carry out reclamation activities or pay costs of reclamation of the historical liabilities. In August 2010, Prophecy advised the Yukon Government that it is not legally responsible or liable for the Historic Liabilities and Prophecy has received no response to date. A determination of responsibility and liability as well as an investigation of the Historic Liabilities and design of a reclamation plan would be necessary before any fiscal determination could be made of the historic liabilities and accordingly same cannot reasonably be determined at this stage. Please see "Information Concerning the Significant Assets - Wellgreen Property - Environmental Liabilities" below for more information.

Foreign Operations - While Platinum's principal exploration properties will be located in Canada, it will continue to hold properties in Argentina and Uruguay. Its operations in those countries or in other countries it determines to operate in may be exposed to various levels of political, economic, and other risks and uncertainties depending on the country or countries in which it operates. These risks and uncertainties include, but are not limited to, terrorism; hostage taking; military repression; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls, and governmental regulations that favour or require the awarding of contracts to local contractors, or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Future political and economic conditions may result in a government adopting different policies with respect to foreign development and ownership of mineral resources. Any changes in policy may result in changes in laws affecting ownership of assets, foreign investment, taxation, rates of exchange, resource sales, environmental protection, labour relations, price controls, repatriation of income, and return of capital, which may affect both the ability of Platinum to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore, develop, and operate those properties to which it has rights relating to exploration, development, and operations.

Property Interests - The agreements pursuant to which Platinum will hold its rights to certain of its properties, including the Lynn Lake Property, provided that Platinum must make a series of cash payments over certain time periods or make minimum exploration expenditures. If Platinum fails to make such payments or expenditures in a timely manner, Platinum may lose its interest in those projects.

Reliance on Key Employees - The success of Platinum will be largely dependent upon the performance of its management and key employees. In assessing the risk of an investment in the Platinum Shares, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the proposed management of Platinum. Platinum will not maintain life insurance policies in respect of its key personnel. Platinum could be adversely affected if such individuals do not remain with the Issuer.

Conflicts of Interest - Certain of the directors and officers of Platinum will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of Platinum may become subject to conflicts of interest. The BCBCA provides that if a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and must refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

Dividends - To date, Prophecy has not paid any dividends on its outstanding shares. Any decision to pay dividends on the shares of Platinum will be made by its board of directors on the basis of its earnings, financial requirements and other conditions.

16. RISKS AND UNCERTAINTIES (continued)

Permits and Licenses - The activities of Platinum are subject to government approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local native populations. Although Platinum believes its activities are carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of Platinum. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of Platinum's investments in such projects may decline.

Potential Volatility of Share Price - In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many junior companies have experienced wide fluctuations in price. The market price of the Company's shares may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: actual or anticipated fluctuations in the Company's results of operations; changes in estimates of the Resulting Issuer's future results of operations by management or securities analysts; and general industry changes. In addition, the financial markets have in the past experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many venture issuers and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the solar installation industry specifically, may adversely affect the market price of the Company's shares.

Currency Fluctuations - Platinum will maintain its accounts in Canadian dollars. Platinum's operations in Argentina and Uruguay will make it subject to foreign currency fluctuations and such fluctuations may materially affect its financial position and results. Platinum does not plan to engage in currency hedging activities.

Uninsured Risks - Platinum, as a participant in mining and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, Platinum may incur a liability to third parties (in excess of any insurance coverage) arising from negative environmental impacts or any other damage or injury.

Dilution - The number of common shares the Company is authorized to issue is unlimited. The Company may, in its sole discretion, issue additional shares from time to time, and the interests of the shareholders may be diluted thereby. The Audit Committee meets regularly to review reports and discuss significant risk areas with the internal and external auditors. Management and the Board of Directors continuously assess risks that the Company is exposed to, and attempt to mitigate these risks where practical through a range of risk management strategies.

Other Risks and Hazards

- The Company's operations are subject to a number of risks and hazards including:
- environmental hazards;
- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- failure of processing and mining equipment;
- labour disputes;
- supply problems and delays;
- changes in regulatory environment;
- encountering unusual or unexpected geologic formations or other geological or grade problems;
- encountering unanticipated ground or water conditions;
- cave-ins, pit wall failures, flooding, rock bursts and fire;
- periodic interruptions due to inclement or hazardous weather conditions;
- uncertainties relating to the interpretation of drill results;
- inherent uncertainty of production and cost estimates and the potential for unexpected costs and
- expenses;

16. RISKS AND UNCERTAINTIES (continued)

- results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future
- exploration or development results will not be consistent with the Company's expectations;
- the potential for delays in exploration or the completion of feasibility studies;
- other acts of God or unfavourable operating conditions.
- Such risks could result in damage to, or destruction of, mineral properties or processing facilities,
- personal injury or death, loss of key employees, environmental damage, delays in mining, monetary
- losses and possible legal liability. Satisfying such liabilities may be very costly and could have a material adverse effect on future cash flow, results of operations and financial condition.

17. PROPOSED TRANSACTIONS

Subsequent to period end, the Company and Ursa have signed an Arrangement Agreement in connection with the Ursa acquisition. Prophecy has agreed to issue one common share for each 25 common shares of Ursa held. Shareholders of Ursa have approved the business combination at annual and special meeting held on May 30, 2012. The Transaction was completed on July 16, 2012. 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.

18. DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares

Authorized – unlimited number of common shares without par value.
At the date of this MD&A issued and outstanding – common shares outstanding 58,755,459 with recorded value of $70,352,426.

Common Shares (continued)

Summary of securities issued during the period:

	Common shares		Value
Outstanding, 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 exercised	285,000		475,919
Warrants exercised	167,500		289,843
Share subscriptions received	-		21,250
Shares returned to treasury	(17,767)		-
Shares issued for mineral properties	25,000		73,750
Outstanding, March 31, 2012	55,453,543		64,997,398
Options exercised	100,000		147,373
Warrants exercised	15,000		34,839
Shares issued on Ursa acquisition	3,186,916		5,099,066
	58,755,459	$	70,352,426

18. DISCLOSURE OF OUTSTANDING SHARE DATA (continued)

Stock Options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10,120,695 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.

Summary of options granted during the eight months year ended March 31, 2012 and after the year end:

Exercise Price		Number of Options Granted	Expiry Date
$	2.25	840,000	December 12, 2016
$	2.40	90,000	January 9, 2017
$	3.68	240,000	February 3, 2017
$	3.09	230,000	April 4, 2017
$	2.67	50,000	May 9, 2017
		1,450,000	

As at the date of this report, the outstanding options of the Company are comprised as follows:

Exercise Price		Number of Options Outstanding	Expiry Date	Exercisable	Unvested
$	1.60	3,750	January 7, 2013	3,750	
$	1.00	12,500	November 6, 2014	12,500	
$	1.40	175,000	December 13, 2015	175,000	
$	0.90	5,295,000	June 20, 2016	4,472,500	822,500
$	2.25	770,000	December 12, 2016	190,000	580,000
$	2.40	90,000	January 9, 2017		90,000
$	3.68	240,000	February 3, 2017		240,000
$	3.09	80,000	April 4, 2017		80,000
$	2.67	50,000	May 9, 2017		50,000
		6,716,250		4,853,750	1,862,500

Warrants

On completion of Ursa's acquisition on July 16, 2012, each outstanding Ursa warrant has been exchanged for 0.04 of the Company warrant. Ursa warrants were thereafter cancelled, with each such Company warrant being exercisable for that number of the Company shares that is equal to the number of Ursa shares that would be otherwise have been issuable upon the exercise of the Ursa warrant divided by 25, with the exercise price of such the Company warrant being equal to the exercise price of the applicable Ursa warrant multiplied by 25.

18. DISCLOSURE OF OUTSTANDING SHARE DATA (continued)

Warrants (continued)

The following table summarizes the number of warrants outstanding as of the date of this MD&A:

Exercise Price		Number of Warrants Outstanding	Expiry Date
$	1.00	252,000	August 3, 2012
$	1.00	875,000	January 6, 2013
$	7.50	107,980	January 31, 2013
$	4.75	36,117	January 31, 2013
		1,271,097	

19. OFF-BALANCE SHEET ARRANGEMENTS

During the period ended March 31, 2012, the Company was not a party to any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources of the Company.

PROPHECY PLATINUM CORP.
(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE EIGHT MONTHS ENDED MARCH 31, 2012 AND THE YEAR ENDED JULY 31, 2011

(Expressed in Canadian Dollars)

Contents

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Prophecy Platinum Corp. are the responsibility of the Company's management. The consolidated financial statements have been prepared by management in conformity with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board. These statements include amounts that are based on management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information used elsewhere in annual filings is consistent with that in the financial statements.

The Company maintains a system of internal control, which provides management with reasonable assurance that assets are safeguarded and that reliable financial records are maintained.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting solely of outside directors. The Audit Committee meets periodically with management, as well as the external auditors, to review the consolidated financial statements and to satisfy itself that each party is properly discharging its responsibilities.

The external auditors, Manning Elliott LLP, have been appointed by the shareholders to render their opinion on the consolidated financial statements. The auditors have full and free access to the Audit Committee and their report is included herein.

"John Lee"	"*Irina Plavutska*"
John Lee, CEO	Irina Plavutska, CFO

Vancouver, British Columbia

July 27, 2012

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver BC, Canada V6E 3S7
Phone: 604.714.3600 Fax: 604.714.3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Prophecy Platinum Corp.

We have audited the accompanying consolidated financial statements of Prophecy Platinum Corp. which comprise the consolidated statements of financial position as at March 31, 2012, July 31, 2011 and August 1, 2010, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the eight months period ended March 31, 2012 and for the year ended July 31, 2011, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Prophecy Platinum Corp. as at March 31, 2012, July 31, 2011 and August 1, 2010, and its financial performance and cash flows for the eight months period ended March 31, 2012 and for the year ended July 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

July 27, 2012

PROPHECY PLATINUM CORP. (An exploration stage company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	Note	March 31, 2012	July 31, 2011	August 1, 2010
ASSETS				
Current Assets				
Cash and cash equivalents	5	**$ 582,139**	$ 2,842,105	$ 505,249
Available for sale investments	6	**2,611,661**	–	150,757
Amounts receivable		**242,594**	91,877	9,908
Prepaid expenses	7	**333,948**	50,936	6,114
		3,770,342	2,984,918	672,028
Non-current Assets				
Exploration deposits		**118,278**	162,125	11,863
Available for sale investments	6	**1,834,083**	–	–
Equipment	8	**373,874**	7,252	9,147
Exploration and evaluation assets	9	**56,019,080**	49,916,348	1,192,490
		58,345,315	50,085,725	1,213,500
TOTAL ASSETS		**$ 62,115,657**	$53,070,643	$ 1,885,528
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	10	**$ 692,956**	$ 563,896	$ 80,094
Due to related parties	13	**30,338**	324,851	26,479
TOTAL LIABILITIES		**723,294**	888,747	106,573
EQUITY				
Share capital	11	**64,997,398**	54,699,316	3,744,875
Contributed surplus		**7,378,173**	2,210,576	1,257,311
Accumulated other comprehensive income		**768,896**	–	–
Deficit		**(11,752,104)**	(4,727,996)	(3,223,231)
TOTAL EQUITY		**61,392,363**	52,181,896	1,778,955
		$ 62,115,657	$53,070,643	$ 1,885,528

Subsequent events (Note 21)

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

"Joseph Li"

Joseph Li, Director

"Donald Gee"

Donald Gee, Director

PROPHECY PLATINUM CORP. (An exploration stage company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Eight Months Ended March 31, 2012	Year Ended July 31, 2011
EXPENSES		
Share-based payments	**$ 5,080,989**	$ 868,805
Business development and promotion	**863,343**	160,822
Office and miscellaneous	**429,640**	59,995
Professional fees	**376,105**	137,785
Consulting	**292,708**	207,419
Transfer agent and filing fees	**72,974**	42,402
Salaries and wages	**61,504**	59,756
Insurance	**19,186**	–
Depreciation	**16,284**	196
Foreign exchange (recovery)	**(9,234)**	6,335
	7,203,499	1,543,515
Loss before other items	**(7,203,499)**	(1,543,515)
OTHER ITEMS		
Investment income	**24,303**	38,750
Realized gain on available-for-sale investments	**45,246**	–
Loss before income taxes and other comprehensive income items	**(7,133,950)**	(1,504,765)
Deferred income tax recovery	**109,842**	–
Net loss before other comprehensive items	**(7,024,108)**	(1,504,765)
OTHER COMPREHENSIVE INCOME ITEMS		
Unrealized gain on URSA available for sale securities (net of tax)	**729,167**	–
Unrealized gain on ETF available for sale securities (net of tax)	**39,729**	–
COMPREHENSIVE LOSS	**$ (6,255,212)**	$ (1,504,765)
LOSS PER COMMON SHARE, BASIC AND DILUTED	**$ (0.13)**	$ (0.11)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**53,563,299**	13,717,707

PROPHECY PLATINUM CORP. (An exploration stage company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	Eight Months Ended March 31, 2012	Year Ended July 31, 2011
OPERATIONS		
Net loss	**$ (7,024,108)**	$ (1,504,765)
Add (deduct) items not affecting cash:		
Deferred income tax recovery	**(109,842)**	–
Share-based payments	**5,080,989**	868,805
Depreciation	**16,284**	196
Realized gain on available for sale investment	**(45,246)**	–
Investment income	**–**	(33,785)
	(2,081,923)	(669,549)
Changes in non-cash working capital balances:		
Increase in amounts receivable	**(150,717)**	(81,969)
Increase in prepaid expenses	**(239,165)**	(44,822)
Increase (decrease) in accounts payable	**(60,122)**	483,802
	(2,531,927)	(312,538)
INVESTING		
Exploration expenditures	**(5,419,413)**	(1,611,456)
Cash received in acquisition	**–**	2,000,000
Acquisition of available for sale investments	**(4,008,474)**	–
Proceeds form sale of available for sale investments	**1,487,464**	184,542
Acquisition of URSA shares	**(1,000,750)**	–
Purchase of equipment	**(394,672)**	–
Increase in exploration deposit	**–**	(150,262)
	(9,335,845)	422,824
FINANCING		
Proceeds from share issuance	**9,437,320**	1,221,198
Proceeds from exercise of options	**301,250**	116,000
Proceeds from exercise of warrants	**142,499**	591,000
Share subscriptions received	**21,250**	–
Due to related parties	**(294,513)**	298,372
	9,607,806	2,226,570
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,259,966)**	2,336,856
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**2,842,105**	505,249
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 582,139**	$ 2,842,105

Supplemental cash flow information (Note 20)

PROPHECY PLATINUM CORP. (An exploration stage company)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

	Number of Common Shares	Common Shares Amount	Contributed Surplus Reserve	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**
Private placements, net of share issue costs	2,056,584	1,048,058	–	$ –	–	1,048,058
Shares issued for mineral properties	45,000	75,250	–	–	–	75,250
Shares issued on June 13, 2011 acquisition	45,000,000	49,007,724	_	_	_	49,007,724
Options exercised	92,500	127,250	_	_	_	127,250
Warrants exercised	601,000	601,000	_	_	_	601,000
Exercise of option and warrants reallocation from reserves	_	116,409	_	_	_	116,409
Adjustment on share consolidation	(163)	-	_	_	_	–
Share subscription receivable on 17,500 shares	_	(21,250)	_	_	_	(21,250)
Fair value of options granted	–	–	1,069,674	–	–	1,069,674
Options and warrants exercised	–	–	(116,409)	–	–	(116,409)
Net loss for the year	–	–	–	–	(1,504,765)	(1,504,765)
As at July 31, 2011	**51,284,321**	**54,699,316**	**2,210,576**	**–**	**(4,727,996)**	**52,181,896**
Private placements, net of share issue costs	3,709,489	9,437,320	–	–	–	9,437,320
Shares issued for mineral properties	25,000	73,750	–	–	–	73,750
Options exercised	285,000	475,919	–	–	–	475,919
Warrants exercised	167,500	289,843	_	–	–	289,843
Exercise of option and warrants reallocation from reserves	_	_	(322,013)	–	–	(322,013)
Shares returned to treasury	(17,767)	–	–	–	–	–
Share subscriptions received	–	21,250	–	–	–	21,250
Fair value of options granted	_	_	5,489,610	–	–	5,489,610
Unrealized gain on marketable securities	–	–	–	768,896	–	768,896
Net loss for the period	–	–	–	–	(7,024,108)	(7,024,108)
As at March 31, 2012	**55,453,543**	**64,997,398**	**7,378,173**	**$ 768,896**	**$(11,752,104)**	**$ 61,392,363**

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 changed its financial year-end from July 31 to March 31. These financial statements are for the period of eight months ended March 31, 2012 with comparative figures of twelve months for the year ended July 31, 2011.

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

(a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These are the Company's first IFRS annual consolidated financial statements for the period ending March 31, 2012. Subject to certain IFRS transition elections disclosed in Note 22, the Company has consistently applied the same accounting policies in its opening IFRS Statement of Financial Position at August 1, 2010 and throughout all periods presented, as if the policies have always been in effect.

(b) Approval of the consolidated financial statements

The consolidated financial statements of the Company for the year ended March 31, 2012 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on July 27, 2012.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement basis - These consolidated 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 the Company's functional currency which is the Canadian dollar unless otherwise stated.

Consolidation - 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. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates - The preparation of these consolidated 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 intangible exploration and evaluation 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 – Exploration and evaluation assets 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.

Equipment - Equipment is recorded at cost less accumulated depreciation. Depreciation is provided over the estimated useful life of the asset using the declining balance method at annual rates of between 20% and 30% pro-rated to the number of months in use during the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Upon derecognition, the realized gain or loss is reclassified from accumulated other comprehensive income through profit and 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 payment 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. All transactions related to financial instruments are recorded on a settlement date basis. Financial instruments comprise cash and cash equivalents, available for sale investment, 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 available for sale investment is classified as available for sale due to management's intention not to trade them for short-term gain.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (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.

c) Impairment on financial assets

At each reporting date, the Company assess whether there is any objective evidence that a financial asset or a group of financial assets is impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

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 liability which is reversed into the statement of loss as other income when the eligible expenditures are incurred.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards effective April 1, 2013 (continued)

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.

Amendments to IAS 1 *Presentation of Financial Statements* - The IASB has amended IAS 1 to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset.

Each of the new standards, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, is effective for the Company beginning on January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new standards will have on its 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.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards effective April 1, 2015 (continued)

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 financial statements or whether to early adopt this new requirement.

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 (the "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 cost	$49,134,454
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 are denominated in the following currencies:

	March 31, 2012	July 31, 2011	August 1, 2010
Cash			
Denominated in Canadian dollars	$ 399,264	$ 2,680,028	$ 491,362
Denominated in US dollars	167,397	–	–
Denominated in Uruguayan pesos	15,233	29,577	13,887
	581,894	2,709,605	505,249
Short-term deposits			
Denominated in Canadian dollars	245	132,500	–
	$ 582,139	$ 2,842,105	$ 505,249

6. AVAILABLE-FOR-SALE-INVESTMENTS

In December 2011, the Company purchased platinum and palladium ETFs from BMO Nesbitt Burns in the amounts of $1,969,407 USD ($2,004,263 CAD) and $1,969,234 USD ($2,004,211 CAD) respectively.

On March 8, 2012, the Company subscribed for 16,666,667 common shares of Ursa Major Minerals Incorporated ("Ursa") (TSX: UML) at $0.06 per share for a total cost of $1,000,000 representing 17.3% of URSA's common shares. The fair market value based on published price quotation in an active market at March 31, 2012 was $1,834,083. An unrealized gain on this investment was recorded in other comprehensive income.

These investments are classified as available-for-sale financial instruments and are detailed as follows:

Available for sale investments	**Cost**	**Sale at Cost**	**Balance**	**March 31, 2012 FV Change**	**March 31, 2012 Fair Value**
Current Assets					
Platinum ETF	$ 2,004,263	$ (713,487)	$ 1,290,776	$ 53,065	$ 1,343,841
Palladium ETF	2,004,211	(721,360)	1,282,851	(15,031)	1,267,820
	4,008,474	1,434,847	2,573,627	38,034	2,611,661
Non-current Assets					
URSA Shares	1,000,750	–	1,000,750	833,333	1,834,083
Balance	**$ 5,009,224**	**$ (1,434,847)**	**$ 3,574,377**	**$ 871,367**	**$ 4,445,744**

(Expressed in Canadian Dollars)

7. PREPAID EXPENSES

	March 31, 2012	July 31, 2011	August 1, 2010
Prepaid insurance	$ 10,608	$ –	$ –
Prepaid geological study contracts and other	323,340	50,936	6,114
	$ 333,948	**$ 50,936**	**$ 6,114**

8. EQUIPMENT

	Computer equipment	Computer software	Exploration equipment	Portables	Total
Cost					
Balance, August 1, 2010 and July 31, 2011	$ 1,572	$ –	$ 23,304	$ –	$ 24,876
Additions for the period	–	59,087	10,585	325,000	394,672
Balance, March 31, 2012	**1,572**	**59,087**	**33,889**	**325,000**	**419,548**
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	(131)	(15,372)	(1,714)	(10,833)	(28,050)
Balance, March 31, 2012	**(1,244)**	**(15,372)**	**(18,225)**	**(10,833)**	(45,674)
Net book value					
As at March 31, 2012	$ 328	$ 43,715	$ 15,664	$ 314,167	$ 373,874
As at July 31, 2011	$ 459	$ –	$ 6,793	$ –	$ 7,252

(Expressed in Canadian Dollars)

9. 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	1,000,000	–
Balance, March 31, 2012	14,783,596	33,350,858	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 payments	22,907	4,821	–	0
Travel	–	–	–	2,137
Wages	43,673	–	7,117	–
Balance, July 31, 2011	937,893	69,005	755,207	675,179
Amortization	10,833	–	158	775
Assay	–	–	–	–
Camp and general (recovery)	427,015	(35,240)	–	–
Claims	10,080	29,892	–	–
Drilling	1,122,353	243,219	–	–
Field expenses	–	–	–	135
Geophysical	726,870	75,199	1,200	31,906
Leases and licensing	1,591	–	–	–
Legal	128,209	–	–	2,165
Mapping	22,975	–	–	–
Share-based payments	397,799	10,822	–	–
Survey & estimates	317,226	–	–	–
Travel	68,167	11,211	–	336
Wages	277,246	–	–	–
Balance, March 31, 2012	4,448,257	404,108	756,565	710,497
Total	**$ 19,231,853**	**$ 33,754,966**	**$ 1,883,065**	**$ 717,545**

(Expressed in Canadian Dollars)

9. 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	124,505	1,124,505
Share Issuance	73,750	73,750
Balance, March 31, 2012	280,123	48,548,125
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 payments	–	27,728
Travel	35,647	37,784
Wages	–	50,790
Balance, July 31, 2011	129,194	2,566,478
Amortization	–	11,766
Assay	14,272	14,272
Camp and general	–	391,775
Claims	–	39,972
Drilling	–	1,365,572
Field expenses	–	135
Geophysical	–	835,175
Leases and licensing	–	1,591
Legal	8,062	138,437
Mapping	–	22,975
Share-based payments	–	408,621
Survey and estimates	–	317,226
Travel	–	79,714
Wages	–	277,246
Balance, March 31, 2012	151,528	6,470,955
Total	**$ 431,651**	**$ 56,019,080**

9. 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 $717,545 on the properties and intends to continue exploration work.

Las Aguilas Property, Argentina

On December 10, 2010, further amended March 21, 2012 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; 25,000 post consolidation)
- $125,000 and 250,000 shares on or before April 1, 2012 (paid and issued; 25,000 post consolidation)
- $100,000 and 250,000 shares on or before April 1, 2013 (25,000 post consolidation)
- $100,000 and 250,000 shares on or before April 1, 2014 (25,000 post consolidation)

Work Commitments

- On or before 3 months from the agreement date complete a resource estimate (completed)
- On or before November 1, 2012 incur $500,000 in exploration expenditures,
- On or before October 1, 2013 incur $500,000 in exploration expenditures,
- On or before July 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 (200,000 post consolidation) 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.

Lynn Lake Property, Canada

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 (refer to 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").

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

Lynn Lake Property (continued)

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);
(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;

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2012	July 31, 2011	August 1, 2010
Trade accounts payable	$ 338,202	$ 488,467	$ 33,487
Accrued liabilities	354,755	75,429	46,607
	$ 692,956	**$ 563,896**	**$ 80,094**

11. SHARE CAPITAL

The Company is authorized to issue 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.

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

At March 31, 2012, there were 16,745,496 common shares held in escrow. All escrowed shares will be fully released by December 13, 2012.

12. 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 ten years and vest at the discretion of the Board of Directors. The following table summarizes the stock option plan transactions to March 31, 2012.

(Expressed in Canadian Dollars)

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

	Number of Options	Weighted Average Exercise Price
Outstanding, August 1, 2010	255,000	$1.10
Granted	5,920,000	0.92
Exercised	(92,500)	1.38
Forfeited	(63,750)	1.13
Outstanding, July 31, 2011	6,018,750	0.92
Granted	1,620,000	3.40
Exercised	(285,000)	1.06
Expired/Cancelled	(400,000)	5.59
Forfeited	(247,500)	2.13
Outstanding, March 31, 2012	6,706,250	$1.19

The following table summarizes the stock options outstanding at March 31, 2012:

Exercise Price	Number of Options Outstanding	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	5,395,000	3,650,000	June 20, 2016
$2.25	790,000	190,000	December 12, 2016
$2.40	90,000	–	January 9, 2017
$3.68	240,000	–	February 3, 2017
	6,706,250	4,031,250	

As March 31, 2012, 4,031,250 outstanding options were exercisable and had a weighted average remaining contractual life of 4.22 years.

For the periods ended March 31, 2012 and July 31, 2011, share-based payments were recorded as follows:

	March 31, 2012	**July 31, 2011**
Consolidated Statement of Operations		
Share-based payments expensed	5,080,989	868,805
Consolidated Statement of Financial Position		
Lynn Lake exploration	10,822	4,822
Wellgreen exploration	397,799	22,907
Share-based payments capitalized	408,621	27,729
Total	5,489,610	896,534

(Expressed in Canadian Dollars)

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

During the eight months ended March 31, 2012, the Company granted a total of 1,620,000 options (year ended July 31, 2011 – 5,920,000 options) to employees, officers and consultants of the Company. 50% of the options vest in year one and 50% in year two. For the eight months ended March 31, 2012, the Company charged $5,080,989 to operations as share-based compensation and capitalized $408,621 to exploration and evaluation assets. The weighted average assumptions used in calculating the fair value of options were as follows:

	March 31, 2012	July 31, 2011
Grant date share price and exercise price	$3.40	$0.92
Expected dividend yield	0.00%	0.00%
Expected volatility	77%	81%
Risk-free interest rate	1.95%	2.17%
Expected term in years	4.87	4.97

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.

Warrants

The following table summarizes the warrant transactions to March 31, 2012.

	Number of Warrants	Weighted Average Exercise Price
Outstanding, August 1, 2010	–	–
Granted	1,910,500	$ 1.00
Exercised	(601,000)	1.00
Outstanding, July 31, 2011	1,309,500	1.00
Exercised	(167,500)	0.85
Outstanding, March 31, 2012	1,142,000	$ 1.00

At March, 2012, there were 1,142,000 (July 31, 2011 – 1,309,500) warrants outstanding enabling holders to acquire common shares of the company at $1.00 per share.

Exercise Price	Number of Warrants Outstanding	Expiry Date
$ 1.00	252,000	August 3, 2012
$ 1.00	875,000	January 6, 2013
	1,127,000	

(Expressed in Canadian Dollars)

13. 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 as follows:

During the eight months period ended March 31, 2012:

i) The Company incurred consulting fees of $220,900 (during year ended July 31, 2011 - $196,747). This includes $105,000 (during the year ended July 31, 2011 - $77,000) paid to a company controlled by the Chairman of the Company, $48,000 (during the year ended July 31, 2011 - $Nil) paid to a company controlled by a director , $25,000 (during the year ended July 31, 2011 - $Nil) paid to a director, $42,900 (during the year ended July 31, 2011 - $Nil) paid to companies with common directors, and $Nil (during the year ended July 31, 2011 - $25,500) paid to the former President and CEO.

ii) The Company incurred director fees of $26,193 (during year ended July 31, 2011 - $39,000).

iii) The Company incurred rent and general office expenses of $260,000 (during year ended July 31, 2011 - $Nil) to Prophecy Coal Corp., a company with common directors and officers.

b) As at March 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) As at March 31, 2012, accounts payable and accrued liabilities include $15,000 (July 31, 2011 - $18,512 recorded in due to related parties) owing to directors for director fees and $30,338 (July 31 - $Nil) for reimbursable expenses to officers and directors of the Company. The amounts due to related parties are non-interest bearing and are due upon demand.

14. KEY MANAGEMENT COMPENSATION

The key management of the Company comprises executives and non-executive directors and senior management. The remuneration of directors and other members of key management were as follows:

	March 31, 2012	July 31, 2011
Renumeration and short-term benefits	$ 247,093	$ 235,747
Share-based payment compensation	1,999,013	552,322

15. INCOME TAX

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

	2012	2011
Canadian statutory income tax rate	26%	27%
Expected income tax recovery	$ 1,850,588	$ (411,403)
Decrease resulting from:		
Non-deductible expenses	(1,314,780)	205,805
Change in tax rate	(20,891)	17,587
Change in unrecognized deferred tax assets	(405,074)	188,011
Deferred income tax recovery	$ 109,843	$ –

(Expressed in Canadian Dollars)

15. INCOME TAX (continued)

The Company's deferred income tax assets and liabilities are as follows:

	March 31, 2012	July 31, 2011
Non-capital loss carry forwards	$ 1,256,054	$ 690,647
Share issue costs	156,356	65,045
Exploration and evaluation assets	(185,349)	(35,612)
Equipment	15,979	8,966
Available for sale investments	(108,920)	–
	1,134,120	729,046
Unrecognized deferred tax assets	(1,134,120)	(729,046)
Net deferred tax assets	$ –	$ –

The Company has non-capital loss carryforwards of $4,986,000 available to reduce future Canadian taxable income subject to final determination by the Canada Revenue Agency. The losses expire as follows:

Year	Amount
2015	$ 26,000
2026	46,000
2027	427,000
2028	479,000
2029	474,000
2030	440,000
2031	830,000
2032	2,264,000
	$4,986,000

16. FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities are categorized as follows:

	March 31, 2012	July 31, 2011	August 1, 2010
Fair value through profit or loss			
Cash and cash equivalents	$ 582,139	$ 2,842,105	$ 505,249
Marketable securities	–	–	150,757
	$ 582,139	$ 2,842,105	$ 656,006
Available-for-sale investments			
Platinum ETF	$ 1,343,841	$ –	$ –
Palladium ETF	1,267,820	–	–
URSA Shares	1,834,083	–	–
	$ 4,445,744	$ –	$ –
Other financial liabilities			
Accounts payable and due to related parties	$ 368,540	$ 813,318	$ 59,966

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS (continued)

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 published price quotation in an active market.

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.

As at March 31, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Fair value through profit or loss	$ 582,139	$ –	$ –	$ 582,139
Available-for-sale investments	4,445,744	–	–	4,445,744
	$ 5,027,883	$ –	$ –	$ 5,027,883

As at July 31, 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Fair value through profit or loss	$ 2,842,105	$ –	$ –	$ 2,842,105
Available-for-sale investments	–	–	–	–
	$ 2,842,105	$ –	$ –	$ 2,842,105

As at August 1, 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Fair value through profit or loss	$ 656,006	$ –	$ –	$ 656,006
Available-for-sale investments	–	–	–	–
	$ 656,006	$ –	$ –	$ 656,006

17. FINANCIAL RISK MANAGEMENT DISCLOSURES

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. As at March 31, 2012, the Company has cash and cash equivalents of $582,139 and financial liabilities of $368,540 which have contractual maturities of 90 days or less.

17. FINANCIAL RISK MANAGEMENT DISCLOSURES (continued)

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 $138,953 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. Based on the Company's investment position at March 31, 2012, a 10% increase (decrease), net of tax of the market price of the available for sale URSA shares held would have resulted in an increase (decrease) to comprehensive income (loss) of approximately $160,417. The Company also holds investments in precious metal exchange traded funds, which a 35% increase (decrease) in the market price of the investment held would result in increase (decrease) to comprehensive income (loss) of approximately $802,798.

18. 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 eight months ended March 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

(Expressed in Canadian Dollars)

19. 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 and South America.

March 31, 2012	**Canada**	**South America**	**Total**
Current assets	$ 3,750,862	$ 19,480	$ 3,770,342
Non-current assets	57,786,525	558,790	58,345,315
Total assets	61,537,387	578,270	62,115,657
Current liabilities	712,380	10,914	723,294
Non-current liabilities	–	–	–
Total liabilities	$ 712,380	$ 10,914	$ 723,294

July 31, 2011	**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
Non-current liabilities	–	–	–
Total liabilities	$ 868,450	$ 20,297	$ 888,747

Eight months ended March 31, 2012	**Canada**	**South America**	**Total**
Expenses	$ 7,229,933	$ (26,434)	$ 7,203,499
Other items	(69,549)	–	(69,549)
Net loss before income taxes and other comprehensive item	7,160,384	(26,434)	7,133,950
Deferred income tax recovery	(109,842)	–	(109,842)
Loss before other comprehensive item	7,050,542	(26,434)	7,024,108
Unrealized gain on available for sale securities	(768,896)	–	(768,896)
Net loss and comprehensive loss	$ 6,281,646	$ (26,434)	$ 6,255,212

Year ended July 31, 2011	**Canada**	**South America**	**Total**
Expenses	$ 1,535,162	$ 8,354	$ 1,543,516
Other items	(38,751)	–	(38,751)
Net loss before income taxes and other comprehensive item	1,496,411	8,354	1,504,765
Loss before other comprehensive item	1,496,411	8,354	1,504,765
Unrealized gain on available for sale securities	–	–	–
Net loss and comprehensive loss	$ 1,496,411	$ 8,354	$ 1,504,765

(Expressed in Canadian Dollars)

20. SUPPLEMENTAL CASH FLOW INFORMATION

	March 31, 2012	July 31, 2011	August 1, 2010
Cash paid for:			
Interest	$ 2,155	$ –	$ –
Non-cash Financing and Investing Activities:			
Mineral property included in accounts payable	189,182	–	–
Capitalized depreciation of equipment	11,766	1,699	–
Capitalized share-based payments	408,621	27,729	3,769
Shares issued for exploration and evaluation assets	73,750	49,082,974	6,000

21. SUBSEQUENT EVENTS

a) On July 16, 2012 the Company completed its acquisition of Ursa Major Minerals Incorporated ("Ursa") (TSX: UML). The Company issued a total of 3,186,916 common shares to acquire all of the outstanding shares in Ursa using an agreed share exchange ratio of one common share in the Company for each twenty-five common shares in Ursa. The balance of shares of Ursa that were held by the Company as at March 31, 2012 (refer to Note 6) were cancelled pursuant to the terms of the acquisition. On completion of the acquisition Ursa delisted its shares from the TSX and is wholly-owned subsidiary of the Company.

b) Subsequent to period end, 280,000 stock options were granted to employees of the Company and vest 50% at the end of each year for two years.

c) Subsequent to period end, the Company sold all of its platinum ETFs and palladium ETFs on hand on March 31, 2012 with a cost of $2,573,627 and received proceeds of $2,464,009 for a realized loss of $109,618.

22. 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 consolidated financial statements in accordance with Canadian GAAP.

The comparative information presented in these consolidated financial statements for the year ended July 31, 2011 and the opening financial position as at August 1, 2010 (the "Transition Date") have been prepared in accordance with the accounting policies referenced in Note 3 and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

22. TRANSITION TO IFRS (continued)

b) Initial elections upon adoption

The Company adopted IFRS in accordance with IFRS 1 which requires the retrospective application of IFRS at the Transition Date with all adjustments to assets and liabilities taken to deficit, subject to mandatory exceptions and the application of optional exemptions. The IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS by the Company are explained as follows:

(i) 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

(ii) 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.

(iii) 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.

c) Estimates

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used at the Transition Date are consistent with estimates made at the same date under Canadian GAAP.

d) Reconciliation between Canadian GAAP and IFRS

In preparing the Company's IFRS Transition Date consolidated statement of financial position management noted that adjustments related to flow-through shares and income taxes were necessary to be made by the Company previously in its financial statements prepared in accordance with previous Canadian GAAP.

(i) 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 as 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.

(ii) Income taxes – Under IFRS, 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, the Company reversed the deferred tax liability recorded in the acquisition of an asset in a prior period that did not constitute a business combination. This decreased mineral properties and exploration, and equity by $11,716,747 and $503,744 respectively, and increased deficit by $83,402 on transition to IFRS.

(Expressed in Canadian Dollars)

22. TRANSITION TO IFRS (continued)

d) Reconciliation between Canadian GAAP and IFRS (continued)

The August 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	August 1, 2010 Canadian GAAP	Effect of IFRS Transition	August 1, 2010 IFRS
Total Assets	$ 1,885,528	$ –	$ 1,885,528
Total Liabilities	$ 106,573	$ –	$ 106,573
Shareholder's Equity			
Share capital (Note 22(d)(i))	$ 3,624,875	$ 120,000	$ 3,744,875
Contributed surplus	1,257,311	–	1,257,311
Deficit (Note 22(d)(i))	(3,103,231)	(120,000)	(3,223,231)
Total Shareholder's Equity	1,778,955	–	1,778,955
Total Liabilities and Shareholder's Equity	$ 1,885,528	$ –	$ 1,885,528

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

Statement of Financial Position	July 31, 2011 Canadian GAAP	Effect of IFRS Transition	July 31, 2011 IFRS
Total current assets	$ 2,984,918	$ –	$ 2,984,918
Exploration deposits	162,125	–	162,125
Equipment	7,252	–	7,252
Mineral properties and exploration	61,633,095	(11,716,747)	49,916,348
Total Assets (Note 22(d)(ii))	$ 64,787,390	$ (11,716,747)	$ 53,070,643
Total Liabilities (Note 22(d)(ii))	$ 12,018,348	$ (11,129,601)	$ 888,747
Shareholder's Equity			
Share capital (Note 22(d)(ii))	$ 55,083,060	$ (383,744)	$ 54,699,316
Contributed surplus	2,210,576	–	2,210,576
Deficit (Note 22(d)(i)(ii))	(4,524,594)	(203,402)	(4,727,996)
Total Shareholder's Equity	52,769,042	(587,146)	$ 52,181,896
Total Liabilities and Shareholder's Equity	$ 64,787,390	$ (11,716,747)	$ 53,070,643

(Expressed in Canadian Dollars)

22. TRANSITION TO IFRS (continued)

d) Reconciliation between Canadian GAAP and IFRS (continued)

The Canadian GAAP Consolidated Statement of Operations and Comprehensive Loss for the year ended July 31, 2011 has been reconciled to IFRS as follows:

Statement of Operations and Comprehensive Loss	**Year Ended July 31, 2011 Canadian GAAP**	**Effect of IFRS Transition**	**Year Ended July 31, 2011 IFRS**
Revenue	$ –	$ –	$ –
Total expenses	$ (1,543,515)	$ –	$ (1,543,515)
Total other items	38,750	–	38,750
Loss before taxes	$ (1,504,765)	–	(1,504,765)
Future income tax recovery (Note 22 (d)(ii))	83,402	(83,402)	–
Net loss and comprehensive loss	$ (1,421,363)	$ (83,402)	$ (1,504,765)

There are no material differences between the consolidated statement of cash flows presented under IFRS and the consolidated statement of cash flows presented under Canadian GAAP.