PROPHECY PLATINUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED: October 31, 2011
DATE OF THE REPORT: January 24, 2012

INTRODUCTION

This management discussion and analysis ("MD&A") of financial position and results of operations of Prophecy Platinum Corp. ("Prophecy Platinum", "the Company") is prepared as at January 24, 2012 and should be read in conjunction with the condensed consolidated interim financial statements as at and for the three months ended October 31, 2011, and the annual consolidated financial statements as at and for the years ended July 31, 2011 and 2010. The Company prepares and files its October 31, 2011 condensed consolidated interim financial statements and notes in Canadian ("CDN") dollars and in accordance with International Financial Reporting Standards ("IFRS"). Additional information related to the Company is available at www.prophecyplat.com.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the preparation and integrity of the condensed consolidated interim financial statements, including the maintenance of appropriate information systems, procedures and internal controls to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. Management has evaluated the Company's disclosure controls and procedures and internal controls over financial reporting and has concluded that they were effective at October 31, 2011. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The audit committee meets with management to review the financial statements and the MD&A, and to discuss other financial, operating and internal control matters.

The adoption of IFRS impacts the Company's presentation of financial results and accompanying disclosures. The Company has evaluated the impact of IFRS on its processes, controls and financial reporting systems and has made modifications to its control environment accordingly. There have been no significant changes in the Company's internal control over financial reporting during the three month period ended October 31, 2011 that have materially affected, or are reasonably likely to materially effect, the Company's internal control over financial reporting.

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

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

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and

- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

Note 14 to the condensed consolidated interim financial statements contains a detailed description of the Company's adoption of IFRS, including a reconciliation of the consolidated financial statements previously prepared under Canadian GAAP to those under IFRS for the following:

- The consolidated statements of financial position as at August 1, 2010, October, 31, 2010 and July 31, 2011.
- The consolidated statements of operations and comprehensive loss for the three month period ended October 31, 2010 and for the year ended July 31, 2011.
- The consolidated statements of cash flows for the three month period ended October 31, 2010.

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

The reader may refer to the condensed consolidated interim financial statements for the three month period ended October 31, 2011 that included the reconciliations of the consolidated financial statements previously reported under Canadian GAAP to those under IFRS at the transition date August 1, 2010, October 31, 2010 and July 31, 2011.

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

FIRST QUARTER 2012 HIGHLIGHTS AND SIGNIFICANT EVENTS

- On August 1, 2011, the Company entered into a Service Agreement with a related company whereby the related company will provide commercial office space, information technology and accounting services to the Company for $28,000 per month. The terms of the Service Agreement are effective August 1, 2011 and remain in effect until 30 days following written notice of termination.

- On August 4, 2011 the Company and Strategic Metals Ltd. entered into an agreement for the Company to acquire a 100% interest in the Burwash property. The purchase agreement replaces the previous agreement entered into April 1, 2011. The purchase price was set at $1,000,000 cash and the transaction closed August 31, 2011.

- On August 30, 2011 the Company granted 450,000 incentive options for the purchase of common shares of the Company at $5.59 per share. The options vest 50% per year in arrears and expire August 30, 2016.

- On September 6, 2011, the Company announced that it commenced Wellgreen Metallurgical and PEA studies with SGS Canada Inc. and Tetra Tech Wardrop

- On September 11, 2011, the Company amended the vesting period on 3,200,000 stock options granted to directors of the Company, from 50% per year in arrears to vest immediately. The options were granted on June 17, 2011 and were for the purchase of common shares of the Company at $0.90 per share.

Subsequent to period-end

- On November 17, 2011, the Company closed a non-brokered private placement whereby the Company issued 3,709,489 common shares at $2.70 per share for total gross proceeds of $10,015,620. Finder's fees of 6% of the proceeds placed were paid on portions of the placement and share issuance cost totaled $515,886. Company insider Sprott Asset Management LP and company management subscriptions accounted for approximately 25% of this financing. Proceeds will be used for the Wellgreen property and as an addition to general working capital.

- On December 12, 2011, 840,000 stock options were granted to directors, officers, employees and consultants of the Company. Of the 840,000 stock options, 190,000 stock options are granted to directors and vest immediately, and 650,000 stock options are granted to employees and consultants of the Company and vest 50% per year for two years.

- On December 12, 2011, the Company amended the vesting period on 600,000 stock options granted to employees and a director of the Company, from 50% per year in arrears to vest immediately. The options were granted on June 17, 2011 and were for the purchase of common shares of the Company at $0.90 per share.

- On January 9, 2012, 90,000 stock options were granted to employees of the Company and vest 50% at the end of each year for two years.

- Subsequent to period end, 15,000 stock options were exercised for proceeds of $15,000.

- Subsequent to period end, the Company approved a $99,400 year-end bonus to directors, officers, employees and consultants of the Company.

FIRST QUARTER 2012 HIGHLIGHTS AND SIGNIFICANT EVENTS (continued)

Subsequent to period-end (continued)

- Subsequent to period end, the Company and Prophecy Coal Corp. entered into a loan facility whereby each company can request a loan from the other company up to $2 million at an interest rate of 14.4% per annum, compounded annually. The loan facility would allow either company to provide and request short term funding from the other, provided that such loans would be due 60 days after demand. Prophecy Coal has made an initial request to draw down $500,000 of the loan facility.

- Subsequent to period end, 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 Area, was purchased at an average price of $162 for PPLT and $64 and PALL.

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

OVERALL PERFORMANCE

Description of Business

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

The principal business of the Company is the acquisition, exploration and development of high value nickel mineral properties. As of the date of this report the Company has five nickel 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.

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

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

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

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

OVERALL PERFORMANCE (continued)

Description of Business (continued)

Wellgreen Nickel Property

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.

On July 14, 2011 the Company received an independent NI 43-101 compliant resource calculation from Wardrop Engineering, a Tetra Tech Company. 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.

The independent study incorporated drill data from 701 diamond drill holes (182 surface and 519 underground) totalling over 53,222 metres. Using a 0.4% NiEq (nickel equivalent) cut-off grade, the Wellgreen deposit now contains 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. 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:

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.

BUSINESS OVERVIEW (continued)

Wellgreen Nickel Property (continued)

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.

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

In October 2011 the Company completed a planned drill program that was commenced in May, 2011. A total of 2,200 meters was completed during the program. Technical difficulties associated with ground conditions hampered progress leading to a shortfall of metrage from the projected 8,000 meters announced in May 2011.On August 22, 2011, Prophecy Platinum announced it has drilled 49.5 meters grading 1.27 g/t PGM+Au, 0.71% Ni, 0.45% Cu within 472 meters grading 0.43% NiEq.Additional results were reported on September 26, 2011 where it was disclosed that borehole WS11-188 encountered 457 meters of mineralization grading 0.47% NiEq (including 0.72 g/t Pt+Pd+Au) from surface to the footwall contact. Within this larger swath of mineralization, the hole encountered a high grade section of 17.8 meters of 3.14 g/t Pt+Pd+Au, 1.03% Ni, 0.74% Cu (1.77% NiEq). NiEq values were calculated using the same parameters noted in Table 1. On December 8th, 2011 the Company released it's final drill results from the 2011 Wellgreen drilling program, featuring borehole WS11-192 which intercepted 384.9 meters of 0.45% NiEq starting from 9.45 meters depth. Included in this greater interval of continuous mineralization is a PGM-rich zone with a combined Pt+Pd+Au grade of 1.358 g/t over 19.23 meters (NiEq 0.74%).

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

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

In November of 2011, the Company announced the appointment of Mr. Gary Johnson as metallurgical advisor. Mr. Johnson has over 30 years experience in the industry including as a member of the team operating the metallurgical pilot plant at the giant Roxby Downs (also known as Olympic Dam) copper, gold and uranium project in South Australia. He has also worked closely with LionOre Mining International to develop the Activox process for treating sulphide concentrates and was closely involved with Tati Nickel Mining Company (Pty) Limited, in Botswana, which grew to become the largest nickel mine in Africa.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 October 31, 2011, the Company incurred a total of $1,996,375 in exploration costs on the Wellgreen property.

BUSINESS OVERVIEW (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 October 31, 2011, $756,520 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 February 2010, 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 October 31, 2011, the Company incurred a total of $301,575 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 that exist on the property. Modest intercepts of mineralization were encountered including 0.3% nickel and 0.2% copper over 11.4 meters on hole NKL11-003, and 0.03% nickel and 1.3% copper for 3.7 meters on hole NKL-004, explaining the occurrence of the 'North Anomaly' which remains open with increasing chargeability with lower associated resistivities with depth.

The Company received final results for it's 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.

BUSINESS OVERVIEW (continued)

Las Aguilas Property

On December 10, 2010, further amended March 13, 2011, the Company entered into a letter agreement with Marifil Mines Limited ("Marifil") with an option to acquire a 70% interest in the Las Aguilas Nickel-Copper-PGM property located in San Luis Province, Argentina. The Las Aguilas Property is located in San Luis Province, Central Argentina, approximately 730 km WNW of Buenos Aires, and 50 km NE of San Luis, the province capital.

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

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

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

To earn a 49% interest in the property:

Cash and Shares

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

At October 31, 2011, $145,630 in exploration costs had been spent on the Las Aguilas Property.

BUSINESS OVERVIEW (continued)

Las Aguilas Property (continued)

Work Commitments:

1) On or before 3 months from the agreement date complete a resource estimate (completed)
2) On or before April 1, 2012 incur $500,000 in exploration expenditures
3) On or before April 1, 2013 incur $500,000 in exploration expenditures
4) On or before April 1, 2014 incur $1,000,000 in exploration expenditures

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

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

RESULTS OF OPERATIONS

All of the information below is accounted for in accordance with IFRS. The reader is encouraged to refer to Note 15 of the Company's condensed consolidated interim financial statements for the Company's IFRS accounting policies and a complete analysis and reconciliation of the Company's accounting under pre-transition Canadian GAAP and IFRS. Certain prior year figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously reported results.

Three month period ended October 31, 2011

For the three month period ended October 31, 2011, the Company incurred a net loss of $3,096,681 compared to a net loss of $46,114 in the prior year. The overall increase in the loss as compared to last year was due to the factors discussed below.

		Three months ended October 31, 2011 (IFRS)		Three months ended October 31, 2010 (IFRS)
Expenses				
Share-based compensation	$	2,409,045	$	12,093
Business development and promotion		263,698		-
Professional fees		136,091		481
Shared office expense		84,000		-
Consulting		57,708		23,158
Office and miscellaneous		57,270		9,350
Transfer agent and filing fees		25,358		4,874
Salaries and wages		25,367		12,228
Investor relations		15,190		-
Conferences		12,751		-
Insurance		10,093		-
Foreign exchange		781		304
Amortization		132		49
Loss before other items	$	(3,097,484)	$	(62,537)
Interest income		803		4,572
Realized gain on marketable securities		-		8,000
Unrealized gain on marketable securities		-		3,851
Net loss and comprehensive loss	$	(3,096,681)	$	(46,114)

RESULTS OF OPERATIONS (continued)

Quarterly results

The quarterly results are as follows:

	October 31, 2011 (IFRS)	July 31, 2011 (IFRS)	April 30, 2011 (IFRS)	January 31, 2010 (IFRS)
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before other items				
- total	$(3,097,484)	$(763,036)	$(102,933)	$(615,009)
- per share undiluted	$(0.06)	$(0.03)	$(0.02)	$(0.12)
- per share diluted	$(0.06)	$(0.03)	$(0.02)	$(0.12)
(c) Net Loss				
- total	$(3,096,681)	$(668,923)	$(94,406)	$(611,920)
- per share basic and diluted	$(0.06)	$(0.02)	$(0.02)	$(0.12)

The quarterly results are as follows:

	October 31, 2010 (IFRS)	July 31, 2010 (CDN GAAP)	April 30, 2010 (CDN GAAP)	January 31, 2010 (CDN GAAP)
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before other items				
- total	$(62,537)	$(87,427)	$(71,207)	$(92,235)
- per share undiluted	$(0.02)	$(0.03)	$(0.02)	$(0.03)
- per share diluted	$(0.02)	$(0.03)	$(0.02)	$(0.03)
(c) Net Loss				
- total	$(46,114)	$(98,244)	$(60,721)	$(71,678)
- per share basic and diluted	$(0.01)	$(0.03)	$(0.02)	$(0.02)

Three months ended October 31, 2011 compared to three months ended October 31, 2010

During the three months ended October 31, 2011, net loss and comprehensive loss increased by $3,050,567 from $46,114 for the three months ended October 31, 2010 to $3,096,681 for the three months ended October 31, 2011. The increased net loss is mainly attributed to the following:

i) increase in share-based compensation of $2,396,952 from $12,093 for the three months ended October 31, 2010 to $2,409,045 for the three months ended October 31, 2011 relating to stock incentive options granted to new directors, officers and consultants of the Company. Of the $2,409,045 balance, $1,835,927 relates to stock options granted to directors on June 20, 2011 that became fully vested on September 11, 2011. The remaining balance pertains to the vesting of stock options granted to employees, directors, officers and consultants on June 20, 2011 and August 31, 2011. During the period ended October 31, 2011, the Company granted a total of 450,000 options to employees, officers and consultants of the Company. 50% of the options vest in year one and 50% in year two. For the three months ended October 31, 2011, the Company charged $2,409,045 to operations as share-based compensation and capitalized $62,218 to mineral properties.

ii) increase in business development and promotion expense of $263,698 from $Nil for the three months ended October 31, 2010 to $263,698 for the three months ended October 31, 2011. The purchase of the Wellgreen and Lynn Lake properties through the Plan of Arrangement has resulted in the Company's need to further promote the Company's business resulting in higher business development and promotion expense.

iii) increase in professional fees of $135,610 from $481 for the three months ended October 31, 2010 to $136,091 for the three months ended October 31, 2011 as a result of additional legal fees incurred from the purchase of the Wellgreen and Lynn Lake properties through the Plan of Arrangement.

RESULTS OF OPERATIONS (continued)

Three months ended October 31, 2011 compared to three months ended October 31, 2010 (continued)

iv) increase in shared office fees of $84,000 from $Nil for the three months ended October 31, 2010 to $84,000 for the three months ended October 31, 2011. 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. The terms of the Service Agreement are effective August 1, 2011 and remain in effect until 30 days following written notice of termination.

v) increase in consulting fees of $34,550 from $23,158 for the three months ended October 31, 2010 to $57,708 for the three months ended October 31, 2011. The $57,708 balance includes amounts paid to John Lee, Chairman of the Company, and includes consulting fees paid to the vice president of corporate development. Payments to both of these individuals were not incurred in the comparative period.

vi) increase in office and miscellaneous expense of $47,920 from $9,350 for the three months ended October 31, 2010 to $57,270 for the three months ended October 31, 2011 as a result of an overall increase in business operations.

vii) increase in transfer agent and filing fees of $20,484 from $4,874 for the three months ended October 31, 2010 to $25,358 for the three months ended October 31, 2011. The increase is attributed to an overall increase in business operations, stock option grants and private placement transactions resulting in the need for exchange approvals, therefore increasing overall transfer agent and filing fees.

viii) increase in salaries and wages of $13,139 from $12,228 for the three months ended October 31, 2010 to $25,367 for the three months ended October 31, 2011. The increase is attributed to employees hired during the period as a result of an overall increase in business operations.

ix) increase in investor relations expense of $15,190 from $Nil for the three months ended October 31, 2010 to $15,190 for the three months ended October 31, 2011. The increase is attributed to investor relation managers hired during the period as a result of an overall increase in business operations.

x) increase in conference expense of $12,751 from $Nil for the three months ended October 31, 2010 to $12,751 for the three months ended October 31, 2011 to promote the Company's business.

xi) increase in insurance expense of $10,093 from $Nil for the three months ended October 31, 2010 to $10,093 for the three months ended October 31, 2011 to reduce the Company's legal risk and exposure.

Three months ended October 31, 2011 compared to three months ended July 31, 2011

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

RESULTS OF OPERATIONS (continued)

LIQUIDITY

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

	October 31, 2011 $	July 31, 2011 $	July 31, 2010 $
Working capital (deficiency)	(357,838)	2,096,171	565,455
Deficit	(7,824,677)	(4,727,996)	(3,233,231)

The Company's working capital has decreased since the year ended July 31, 2011 as the Company incurred exploration expenditures of $2,264,460 during the period. Cash used in investing activities for the period ended October 31, 2011 was $2,281,455 compared to cash provided in investing activities of $422,824 for year ended July 31, 2011, and was due to cash used in exploration expenditures of $2,264,460, as well as cash used to purchase equipment of $16,995.

Subsequent to period end, the Company closed a non-brokered private placement whereby the Company issued 3,709,489 common shares at $2.70 per share for total gross proceeds of $10,015,620. Finder's fees of 6% of the proceeds placed were paid on portions of the placement and total share issuance costs totaled $515,886. Company insider Sprott Asset Management LP and Company management subscriptions accounted for approximately 25% of this financing. Proceeds will be used for the Wellgreen property as an addition to general working capital.

CASH FLOW

		Three months ended October 31, 2011		Three months ended October 31, 2010
Cash used in operating activities	$	(794,371)	$	(90,334)
Cash used in investing activities		(2,281,455)		(92,663)
Cash provided by financing activities		497,115		233,937
Decrease in cash for the period	$	(2,578,711)	$	50,940
Cash balance, beginning of the period		2,842,105		505,249
Cash balance, end of the period		263,394		556,189

Operating activities:

During the three months ended October 31, 2011, cash used in operating activities increased by $704,037 from cash used of $90,334 for the three month period ended October 31, 2010 to cash used of $794,371 for the three month period ended October 31, 2011. The increase in cash used in operating activities was mainly due to decrease in working capital.

CASH FLOW (continued)

Investing activities:

During the three months ended October 31, 2011, cash used in investing activities increased by $2,188,792 from cash used of $92,663 for the three month period ended October 31, 2010 to cash used of $2,281,455 for the three month period ended October 31, 2011. The increase in cash used in investing activities was mainly due to increase in exploration expenditures of $2,082,495 from $181,965 in exploration expenditures for the three month period ended October 31, 2010 compared to $2,264,460 for the three month period ended October 31, 2011 as a result of the acquisition of the Wellgreen and Lynn Lake properties, offset by a decrease in proceeds from marketable securities of $82,439 from proceeds of $82,439 for the three month period ended October 31, 2010 to $Nil for the three month period ended October 31, 2011.

Financing activities:

During the three months ended October 31, 2011, cash provided from financing activities increased by $263,178 from cash provided of $233,937 for the three month period ended October 31, 2010 to cash provided of $497,115 for the three month period ended October 31, 2011. The increase in cash provided in financing activities was mainly due to cash received on the exercise of options and warrants of $243,750 compared to $Nil for the three month period ended October 31, 2010 and share subscriptions received of $271,200 compared to $Nil for the three month period ended October 31, 2010, offset by cash proceeds from shares issuance of $Nil compared to $249,666 for the three month ended October 31, 2010.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

The Company's unaudited condensed consolidated interim financial statements as at and for the three month period ended October 31, 2011 have been prepared in accordance with existing IFRS standards and restatements of comparative balance sheets as at October 31, 2010 and statements of earnings and comprehensive income for the three month period ended October 31, 2010 as previously reported and prepared in accordance with Canadian GAAP. In the preparation of these financial statements, the Company utilized certain elections provided under IFRS 1 for first time IFRS adopters. Set forth below are the IFRS 1 applicable exemptions applied in the Company's conversion from Canadian GAAP to IFRS.

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

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

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

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Income taxes

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

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

Share-based payments

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

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

CAPITAL RESOURCES

At October 31, 2011, the Company had $263,394 (July 31, 2011 - $2,842,105) in cash and cash equivalents to continue its business plan. All of the Company's cash equivalents are on deposit with Canadian banks and brokerage houses as redeemable GIC's or redeemable mutual funds. Subsequent to period end, the Company closed a non-brokered private placement whereby the Company issued 3,709,489 common shares at $2.70 per share for total gross proceeds of $10,015,620. Finder's fees of 6% of the proceeds placed were paid on portions of the placement and share issuance cost totaled $515,886. As at January 10, 2012, the Company has approximately $2 million in cash, and approximately $7 million in short term investments.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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

During the year ended October 31, 2011 the Company was charged the following expenses by directors or officers of the Company of by companies with directors or officers in common with the Company:

i) The Company incurred consulting fees of $57,708 (2010 – $10,408). This includes $30,000 (2010 - $Nil) paid to John Lee, the Chairman of the Company, and $Nil (2010 - $10,408) paid to James Walchuck, former President and CEO.

ii) The Company incurred director fees of $8,693 (2010 - $10,750) to various directors of the Company

iii) The Company incurred rent expense of $Nil (2010 - $2,850) paid to Encato Potash Corp., a company controlled by James Walchuck, former President and CEO.

TRANSACTIONS WITH RELATED PARTIES (continued)

iv) The Company incurred rent and general office expense of $84,000 (2010 - $Nil) paid to Prophecy Coal Corp., a company that has significant influence over the Company.

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

At October 31, 2011, due to related parties include $307,017 (July 31, 2011 - $306,338)) for reimbursable expenses to Prophecy Coal Corp., a company that has significant influence over the Company.

At October 31, 2011, accounts payable and accrued liabilities include $26,560 (July 31, 2011 - $18,512) owing to directors for director fees

COMMITMENT

On August 1, 2011, the Company entered into a Service Agreement with a related company whereby the related company will provide commercial office space, information technology and accounting services to the Company for $28,000 per month. The terms of the Service Agreement shall be effective August 1, 2011 and will remain in effect until 30 days following written notice of termination.

PROPOSED TRANACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

Equipment

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

Mineral Properties

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

Share-Based Payment

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

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

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

Mineral Properties

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

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

Impairment of assets

Mineral properties are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. If such an indication exists, the entity shall estimate the recoverable amount of the asset by performing a one-step impairment test, which requires a comparison of the carrying value of the asset to the higher of value in use and fair value less costs to sell. Value in use is defined as the present value of future cash flows of the relevant cash-generating unit. The Company considers each mineral property as a separate cash-generating unit.

Equipment

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

Marketable securities

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

Functional currency

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

i.) the Canadian dollar influences labour, material and other costs of providing goods and services;

ii.) funds from financing activities are denominated in Canadian dollar;

iii.) funds from operating activities are retained in Canadian dollar and;

iv.) the activities of the operations in Argentina and Uruguay is viewed as an extension of the reporting entity, which has a reporting and functional currency in the Canadian dollar.

Share-Based Compensation

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

Income Taxes

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

Share issue costs

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

Loss per Share

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

Use of Estimates

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Flow-through shares

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

Financial Instruments

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

a) Financial assets

The Company has recognized its cash and cash equivalents and marketable securities 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.

b) Financial liabilities

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

RECENT ACCOUNTING PRONOUNCEMENTS

New accounting standards effective August 1, 2013

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

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

IFRS 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 9 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim financial statements or whether to early adopt any of the new requirements.

OTHER ITEMS

Common Shares October 31, 2011 and January 24, 2012

	Number of Shares	Amount
July 31, 2010	3,489,400	$ 3,744,875
August 12, 2010 private placement, net of share issue costs	556,584	218,666
Shares issued for mineral property – Las Aguilas	25,000	46,250
January 10, 2011 private placement, net of share issue costs	1,500,000	829,392
Shares issued on exercise of options	92,500	127,250
Shares issued on exercise of warrants	601,000	601,000
Shares issued for mineral properties	20,000	29,000
Exercise of option and warrants reallocated from contributed surplus	-	116,409
Share subscriptions receivable on 17,500 shares	-	(21,250)
Shares issued on June 13, 2011 acquisition	45,000,000	49,007,724
Adjustment on share consolidation	(163)	-
July 31, 2011	51,284,321	$ 54,699,316
Options and warrants exercised	212,500	252,247
Shares returned to treasury	(17,767)	-
Share subscriptions	-	271,200
October 31, 2011	51,479,054	$ 55,222,763
Shares issued on private placement, net of shares issue costs	3,709,489	9,437,320
Options and warrants exercised	15,000	15,364
Share subscriptions applied on private placement	-	(249,950)
January 24, 2012	55,203,543	$ 64,425,497

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

Stock Options October 31, 2011 and January 24, 2012

	Number	Weighted Average Exercise Price	Expiry
	3,750	1.60	January 7, 2013
	12,500	1.50	May 27, 2013
	97,500	1.00	August 7, 2014
	35,000	1.00	November 6, 2014
	175,000	1.40	December 13, 2015
	25,000	2.00	January 11, 2016
	5,670,000	0.90	June 20, 2016
July 31, 2011	6,018,750	$ 0.92	
Granted	450,000	5.59	August 30, 2016
Forfeited	(72,500)	2.24	
Exercised	(120,000)	1.26	
October 31, 2011	6,276,250	1.25	
Granted	840,000	2.25	December 12, 2016
Granted	90,000	2.40	January 9, 2017
Forfeited	(125,000)	2.78	
Exercised	(15,000)	1.00	
January 24, 2012	7,066,250	$ 1.36	

OTHER ITEMS (continued)

Warrants October 31, 2011 and January 24, 2012

	Number	Weighted Average Exercise Price	Expiry
	329,500	1.00	August 3, 2012
	980,000	1.00	June 1, 2013
July 31, 2011	1,309,500	$ 1.00	
Exercised	(92,500)	1.00	
Jan 24, 2012 and Oct 31, 2011	1,217,000	$ 1.00	

RISKS AND UNCERTAINTIES

The Company has incurred losses since inception and as of October 31, 2011 had an accumulated deficit of $7,824,677 The Company expects to report substantial net losses for the foreseeable future. The Company has not paid any cash or other dividends on its common stock and does not expect to pay any dividends, as all available funds will be invested primarily to further its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

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

Capital Risk

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

Dependence on Key Personnel

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

General Risk Associated with the Mining Industry

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

RISKS AND UNCERTAINTIES (continued)

General Risk Associated with the Mining Industry (continued)

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

Foreign Currency Risk

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

MANAGEMENT AND DIRECTORS

Management of the Company at October 31, 2011 and January 24, 2012 was as follows:

Name and Residence	Position
John Lee Vancouver, BC	Chairman, CEO and Director
Irina Plavutska Vancouver, BC	Interim CFO [3]
Greg Hall Vancouver, BC	Director [1]
Donald Gee Vancouver, BC	Director [1]
David Patterson Vancouver, BC	Director [1]
John McGoran Vancouver, BC	Director [2]
Mr. Patrick Langlois Toronto, On	Vice President Corporate Development
Mr. Joseph Li Vancouver, BC	General Manager and Corporate Secretary

(1) Member of the audit committee

PROPHECY PLATINUM CORP.
(AN EXPLORATION STAGE COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

OCTOBER 31, 2011

(Unaudited)

(Expressed in Canadian Dollars)

Contents

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Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

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

PROPHECY PLATINUM CORP. (An exploration company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited) (Expressed in Canadian Dollars)

	October 31, 2011	July 31, 2011 (Note 15)	August 1, 2010 (Note 15)
ASSETS			
Current			
Cash and cash equivalents	**$ 263,394**	$ 2,842,105	$ 505,249
Marketable securities	**-**	-	150,757
Amounts receivable	**140,690**	91,877	9,908
Prepaid expenses	**170,320**	50,936	6,114
	574,404	2,984,918	672,028
Exploration deposits	**162,125**	162,125	11,863
Equipment *[Note 5]*	**23,607**	7,252	9,147
Mineral properties and exploration *[Note 6]*	**52,243,534**	49,916,348	1,192,490
	$ 53,003,670	$ 53,070,643	$ 1,885,528
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued expenses	**$ 625,226**	563,896	80,094
Due to related parties *[Note 9]*	**307,016**	324,851	26,479
Total liabilities	**932,242**	888,747	106,573
SHAREHOLDERS' EQUITY			
Share capital	**55,222,763**	54,699,316	3,744,875
Contributed surplus	**4,673,342**	2,210,576	1,257,311
Deficit	**(7,824,677)**	(4,727,996)	(3,223,231)
	52,071,428	52,181,896	1,778,955
	$ 53,003,670	$ 53,070,643	$ 1,885,528

Subsequent events (Note 14)

Approved on behalf of the Board on January 23, 2012:

"John Lee"
John Lee, Director

"Donald Gee"
Donald Gee, Director

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

PROPHECY PLATINUM CORP. (An exploration company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)(Expressed in Canadian Dollars)

	Three months ended October 31, 2011	Three months ended October 31, 2010
EXPENSES		
Share-based payments *[Note 8]*	**$ 2,409,045**	$ 12,093
Business development and promotion	**263,698**	-
Professional fees	**136,091**	481
Shared office expense *[Note 9]*	**84,000**	-
Consulting	**57,708**	23,158
Office and miscellaneous	**57,270**	9,350
Transfer agent and filing fees	**25,358**	4,874
Salaries and wages	**25,367**	12,228
Investor relations	**15,190**	-
Conferences	**12,751**	-
Insurance	**10,093**	-
Foreign exchange	**781**	304
Depreciation	**132**	49
	3,097,484	62,537
Loss before other items	**(3,097,484)**	(62,537)
OTHER ITEMS		
Interest income	**803**	4,572
Realized gain on marketable securities	**-**	8,000
Unrealized gain on marketable securities	**-**	3,851
	803	16,423
NET LOSS AND COMPREHENSIVE LOSS	**(3,096,681)**	(46,114)
LOSS PER COMMON SHARE, BASIC AND DILUTED	**($0.06)**	($0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**51,418,559**	3,977,386

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

PROPHECY PLATINUM CORP. (An exploration company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)(Expressed in Canadian Dollars)

	Three months ended October 31, 2011	Three months ended October 31, 2010
CASH FROM (USED IN):		
OPERATIONS		
Net loss	**$ (3,096,681)**	$ (46,114)
Add (deduct) items not involving cash:		
Share-based payments	**2,409,045**	12,093
Depreciation	**132**	49
Unrealized loss (gain) on marketable securities	**-**	(3,851)
	(687,504)	(37,823)
Changes in non-cash working capital balances:		
Increase in amounts receivable	**(48,813)**	(12,771)
Increase in prepaid expenses	**(119,384)**	(23,495)
Increase (decrease) in accounts payable	**61,330**	(16,245)
	(794,371)	(90,334)
INVESTING		
Exploration expenditures	**(2,264,460)**	(181,965)
Purchase of equipment	**(16,995)**	-
Increase in exploration deposit	**-**	6,863
Proceeds of marketable securities	**-**	82,439
	(2,281,455)	(92,663)
FINANCING		
Due to related parties	**(17,835)**	(15,729)
Proceeds from exercise of options and warrants	**243,750**	-
Share subscriptions received	**271,200**	-
Proceeds from share issuance	**-**	249,666
	497,115	233,937
NET (DECREASE) INCREASE IN CASH	**(2,578,711)**	50,940
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**2,842,105**	505,249
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 263,394**	$ 556,189

Supplemental cash flow information (Note 13)

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

PROPHECY PLATINUM CORP. (An exploration company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)(Expressed in Canadian Dollars)

	Number of Common Shares		Amount		Contributed Surplus		Deficit		Total Equity
As at August 1, 2010	3,489,400	$	3,744,875	$	1,257,311	$	(3,223,231)	$	1,778,955
Shares issued for private placement	556,584		249,666		–		–		249,666
Fair value of options granted	–		–		12,093		–		12,093
Net loss for the period	–		–		–		(46,114)		(46,114)
As at October 31, 2010	4,045,984	$	3,994,541	$	1,269,404	$	(3,269,345)	$	1,994,600
As at July 31, 2011	51,284,321	$	54,699,316	$	2,210,576	$	(4,727,996)	$	52,181,896
Shares issued on warrants exercised	92,500		92,500		–		–		92,500
Shares issued on options exercised	120,000		159,747		(8,497)		–		151,250
Shares returned to treasury	(17,767)		–		–		–		–
Share subscriptions received	–		271,200		–		–		271,200
Fair value of options granted					2,471,263		–		2,471,263
Net loss for the period	–		–		–		(3,096,681)		(3,096,681)
As at October 31, 2011	51,479,054	$	55,222,763	$	4,673,342	$	(7,824,677)	$	52,071,428

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

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

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

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

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These are the Company's first IFRS condensed consolidated interim financial statements for a portion of the period covered by the Company's first IFRS annual financial statements for year ending July 31, 2012. Subject to certain IFRS transition elections disclosed in Note 15, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet at August 1, 2010 and throughout all periods presented, as if the policies have always been in effect. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. The Company prepared its previous 2011 annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and these condensed interim financial statements should be read in conjunction with the Company's 2011 annual financial statements considering the IFRS transition disclosures included in Note 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation - The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries PCNC Holdings Corp., Pacific Coast Nickel Corp. USA, 0905144 BC Ltd. and Pacific Nickel Sudamerica Sociedad Anonima, Uruguay. All 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 condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the determination of impairment of mineral properties exploration 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 harmonized sales tax.

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Marketable securities – Investments in mutual funds and shares of public companies traded on an active market over which the Company does not have control or exercises significant influence are classified as fair value through profit or loss 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 income.

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

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

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

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

Financial instruments - All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, marketable securities, 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 and marketable securities 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial liabilities

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

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

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

New accounting standards effective August 1, 2013

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

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

IFRS 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.*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Each of the new standards, IFRS 9 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim financial statements or whether to early adopt any of the new requirements.

4. ACQUISITION OF MINERAL PROPERTIES FROM PROPHECY COAL CORP.

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

Under the arrangement, Prophecy Coal Corp. spun out its Wellgreen and Lynn Lake mineral properties along with $2,000,000 cash into a newly incorporated company named 0905144 BC Ltd. Prophecy Coal Corp then transferred all the issued and outstanding shares of 0905144 BC Ltd shares to the Company in consideration for 450,000,000 of the Company's pre-consolidation shares. Subsequent to the transaction the Company changed its name to Prophecy Platinum Corp. and consolidated its share capital for 10 old for 1 new basis.

This transaction has been accounted for as an acquisition of assets rather than a business combination because the acquisition does not meet the definition as outlined in the IFRS 3, Business Combinations. The operations of 0905144 BC Ltd. have been included in these consolidated financial statements from the date of acquisition.

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

Purchase price of 450,000,000 (45,000,000 post share-consolidation) common shares issued	$ 49,007,724
Transaction costs	126,730
Acquisition	$ 49,134,454
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. EQUIPMENT

	Computer equipment	Exploration equipment	Total
Cost			
Balance, August 1, 2010 and July 31, 2011	$ 1,572	$ 23,304	$ 24,876
Additions for the period	–	16,995	16,995
Balance, October 31, 2011	**1,572**	**40,299**	**41,871**
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	(49)	(591)	(640)
Balance, October 31, 2011	(1,162)	(17,102)	(18,264)
Total	**$ 410**	**23,197**	**23,607**

6. MINERAL PROPERTIES AND EXPLORATION

Expenditures on interests in mineral properties are considered exploration and evaluation assets.

	Wellgreen	Lynn Lake	Burwash	Cerro Chato, Molles North, Molles South, Quebracho and Polanco, Uruguay
Acquisition costs				
Balance, August 1, 2010	$ –	$ –	$ 97,500	$ 7,048
Option payment	–	–	29,000	–
Acquisition from Prophecy Coal (Note 4)	14,783,596	32,350,858	–	–
Balance, July 31, 2011	14,783,596	32,350,858	126,500	7,048
Option payment	–	–	1,000,000	–
Balance, October 31, 2011	14,783,596	32,350,858	1,126,500	7,048
Exploration and evaluation				
Balance, August 1, 2010	–	–	547,215	540,727
Amortization	–	–	177	1,522
Assay	–	–	168	–
Camp and general	141,223	31,471	–	–
Consulting	–	–	10,483	45,578
Drilling	627,953	–	–	–
Field expenses	–	–	5,617	501
Geophysical	110,533	37,534	180,914	–
Leases and licensing	14,511	–	2,766	–
Legal	–	–	750	28,820
Property fees	–	–	–	55,894
Travel	–	–	–	2,137
Wages	43,673	–	7,117	–
Balance, July 31, 2011	937,893	69,005	755,207	675,179
Amortization	–	–	113	395
Assay	–	–	–	–
Camp and general (recovery)	132,397	(51,023)	–	–
Consulting	–	–	–	–
Drilling	444,398	213,192	–	–
Field expenses	–	–	–	135
Geophysical	204,021	40,494	1,200	15,689
Leases and licensing	–	3,053	–	–
Legal	34,836	–	–	2,166
Mapping	2,920	–	–	–
Stock-based compensation	74,304	15,643	–	–
Survey & estimates	32,189	–	–	–
Travel	26,665	11,211	–	–
Wages	106,752	–	–	–
Balance, October 31, 2011	1,996,375	301,575	756,520	693,564
Total	**$ 16,779,971**	**$32,652,433**	**$ 1,883,020**	**$ 700,612**

6. MINERAL PROPERTIES AND EXPLORATION (Continued)

Expenditures on interests in mineral properties are considered exploration and evaluation assets.

	Las Aguilas, Argentina	Total
Acquisition costs		
Balance, August 1, 2010	$ –	$ 104,548
Option payment	81,868	110,868
Acquisition from Prophecy Coal		47,134,454
(Note 4)	–	–
Balance, July 31, 2011	81,868	47,349,870
Option payment		1,000,000
Balance, October 31, 2011	81,868	48,349,870
Exploration and evaluation		
Balance, August 1, 2010	–	1,087,942
Amortization	–	1,699
Assay	53,484	53,652
Camp and general	–	172,694
Consulting	40,063	96,124
Drilling	–	627,953
Field expenses	–	6,118
Geophysical	–	328,981
Leases and licensing	–	17,277
Legal	–	29,570
Property fees	–	55,894
Travel	35,647	37,784
Wages	–	50,790
Balance, July 31, 2011	129,194	2,566,478
Amortization	–	508
Assay	14,271	14,271
Camp and general	–	81,374
Consulting	–	–
Drilling	–	657,590
Field expenses	–	135
Geophysical	–	261,404
Leases and licensing	–	3,053
Legal	2,165	39,167
Mapping	–	2,920
Stock-based compensation	–	89,947
Survey and estimates	–	32,189
Travel	–	37,876
Wages	–	106,752
Balance, October 31, 2011	145,630	3,893,664
Total	**$ 227,498**	**$ 52,243,534**

6. MINERAL PROPERTIES AND EXPLORATION (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 $700,612 on the properties and intends to continue exploration work.

Las Aguilas Property, Argentina

On December 10, 2010, further amended March 13, 2011 the Company entered into a letter agreement with Marifil Mines Limited ("Marifil") with an option to acquire up to a 70% interest in the Las Aguilas Nickel-Copper-PGM property located in San Luis Province, Argentina. The agreement with Marifil provides for payments and work commitments to earn a 49% interest in the property as follows:

Cash and shares

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

Work Commitments

- On or before 3 months from the agreement date complete a resource estimate (completed)
- On or before April 1, 2012 incur $500,000 in exploration expenditures,
- On or before April 1, 2013 incur $500,000 in exploration expenditures,
- On or before April 1, 2014 incur $1,000,000 in exploration expenditures,

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

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

Wellgreen Property, Canada

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

6. MINERAL PROPERTIES AND EXPLORATION (Continued)

Lynn Lake Property

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

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

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

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

7. SHARE CAPITAL

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

At October 31, 2011, there were 20,462,246 common shares held in escrow. All escrowed shares will be fully released by December 13, 2012.

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

8. STOCK OPTION PLAN AND SHARE-BASED PAYMENTS

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10,120,695 common shares of the Company. The options can be granted for a maximum term of five years and vest at the discretion of the Board of Directors. The following table summarizes the stock option plan transactions to October 31, 2011:

	Number	Weighted Average Exercise Price	Expiry
Outstanding, August 1, 2010	255,000	$ 1.10	
Granted	25,000	1.00	November 9, 2015
Granted	175,000	1.40	December 13, 2015
Granted	50,000	2.00	January 11, 2016
Granted	5,670,000	0.90	June 20, 2016
Exercised	(92,500)		
Forfeited	(63,750)		
Outstanding, July 31, 2011	6,018,750	0.92	
Granted	450,000	5.59	August 30, 2016
Exercised	(25,000)	2.00	
Exercised	(82,500)	1.00	
Exercised	(12,500)	1.50	
Forfeited	(72,500)		-
Outstanding, October 31, 2011	6,276,250	1.25	

The following table summarizes the stock options outstanding and exercisable at October 31, 2011:

Price	Number Outstanding	Number Exercisable	Expiry Date
$1.60	3,750	3,750	January 7, 2013
$1.00	15,000	15,000	August 7, 2014
$1.00	12,500	12,500	November 6, 2014
$1.40	175,000	175,000	December 13, 2015
$0.90	5,620,000	3,200,000	June 20, 2016
$5.59	450,000	-	August 30, 2016
	6,276,250	3,406,250	

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

During the period ended October 31, 2011, the Company granted a total of 450,000 options to employees, officers and consultants of the Company. 50% of the options vest in year one and 50% in year two. For the three months ended October 31, 2011, the Company charged $2,409,045 to operations as share-based compensation and capitalized $62,218 to mineral properties. No stock options were granted for the three-month period ended October 31, 2010. The weighted average assumptions used in calculating the fair value of options were as follows:

	2011
Expected dividend yield	0.00%
Expected volatility	77%
Risk-free interest rate	1.60%
Expected term in years	5.00 years

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

A summary of the Company's stock options for the period ended October 31, 2011 is presented below:

	Number	**Weighted Average Exercise Price**
Outstanding, October 31, 2011	6,276,250	$ 1.25

Warrants

The following table summarizes the warrant transactions to October 31, 2011:

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

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

Warrants (continued)

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

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

9. RELATED PARTY TRANSACTIONS

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

i) The Company incurred consulting fees of $57,708 (2010 – $10,408). This includes $30,000 (2010 - $Nil) paid to John Lee, the Chairman of the Company, and $Nil (2010 - $10,408) paid to James Walchuck, former President and CEO.

ii) The Company incurred director fees of $8,693 (2010 - $10,750) to various directors of the Company

iii) The Company incurred rent expense of $Nil (2010 - $2,850) 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 $84,000 (2010 - $Nil) paid to Prophecy Coal Corp., a company with common directors and officers.

b) At October 31, 2011, due to related parties include $307,016 (July 31, 2011 - $306,338) for reimbursable expenses to Prophecy Coal Corp., a company with common directors and officers.

c) At October 31, 2011, accounts payable and accrued liabilities include $26,560 (July 31, 2011 - $18,512) owing to directors for director fees.

10. FINANCIAL INSTRUMENTS

Fair Value – The estimated fair values of cash and cash equivalent, accounts payable and due to related parties approximate their respective carrying values due to the immediate or short period to maturity.

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

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

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

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

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

	Level 1	Level 2	Level 3	Oct 31, 2011 Total
Cash and cash equivalents	$ 263,394	$ -	$ -	$ 263,394
Marketable securities	-	-	-	-
	$ 263,394	$ -	$ -	$ 263,394

Credit Risk - The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation. The Company does not have any asset-backed commercial instruments. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

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

Foreign Exchange Risk - The Company has operations in Canada, Argentina and in Uruguay and undertakes transactions in various foreign currencies. The Company is therefore exposed to foreign currency risk arising from transactions denominated in a foreign currency. The Company's reporting and functional currency is Canadian dollars. Based on the above, a 5% strengthening (weakening) of the Argentine peso and Uruguayan peso will have an insignificant impact on total assets and loss. The Company 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.

10. FINANCIAL INSTRUMENTS (continued)

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.

11. 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 three months ended October 31, 2011. 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

12. OPERATING SEGMENT INFORMATION

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

October 31, 2011	Canada	South America	Total
Current assets	550,781	23,623	574,404
Non-current assets	51,887,029	542,237	52,429,266
Total assets	52,437,810	565,860	53,003,670
Current liabilities	922,722	9,520	932,242
Non-current liabilities	-	-	-
Total liabilities	922,722	9,520	932,242

12. OPERATING SEGMENT INFORMATION (continued)

Three months ended October 31, 2011	Canada	South America	Total
Expenses	3,096,897	587	3,097,484
Other items	(803)	-	(803)
Net loss	3,096,094	587	3,096,681

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
Total liabilities	868,450	20,297	888,747

Three months ended October 31, 2010	Canada	South America	Total
Expenses	61,822	715	62,537
Other items	(16,423)	-	(16,423)
Net loss	45,399	715	46,114

13. SUPPLEMENTAL CASH FLOW INFORMATION

	October 31, 2011	October 31, 2010
Cash paid for:		
Interest	$ 1,982	$ -
Income taxes	$ -	$ -
Non-cash Financing and Investing Activities	$ -	
Capitalized amortization of equipment	$ 508	$ 425
Capitalized share-based compensation	$ 62,218	$ -

14. SUBSEQUENT EVENTS

On November 17, 2011, the Company closed a non-brokered private placement whereby the Company issued 3,709,489 common shares at $2.70 per share for total gross proceeds of $10,015,620. Finder's fees of 6% of the proceeds placed were paid on portions of the placement and share issuance cost totaled $515,886. Company insider Sprott Asset Management LP and company management subscriptions accounted for approximately 25% of this financing. Proceeds will be used for the Wellgreen property and as an addition to general working capital.

On December 12, 2011, 840,000 stock options were granted to directors, officers, employees and consultants of the Company. Of the 840,000 stock options, 190,000 stock options are granted to directors and vest immediately, and 650,000 stock options are granted to employees, consultants and directors of the Company and vest 50% at the end of each year for two years.

On December 12, 2011, the Company amended the vesting period on 600,000 stock options granted to employees and a director of the Company, from 50% per year in arrears to vest immediately. The options were granted on June 17, 2011 and were for the purchase of common shares of the Company at $0.90 per share.

On January 9, 2012, 90,000 stock options were granted to employees of the Company and vest 50% at the end of each year for two years.

Subsequent to period end, 15,000 stock options were exercised for proceeds of $15,000.

Subsequent to period end, the Company approved a total $99,400 year-end bonus to directors, officers, employees and consultants of the Company.

Subsequent to period end, the Company announced that Prophecy Platinum and Prophecy Coal Corp., a related party with common officers and directors, have entered into a loan facility whereby each company can request a loan from the other company up to $2 million at an interest rate of 14.4% per annum, compounded annually. The facility would allow either company to provide and request short term funding from the other, provided that such loans would be due 60 days after demand. Prophecy Coal has made an initial request to draw down $500,000 of the loan facility.

15. FIRST TIME ADOPTION OF IFRS

a) Transition to IFRS

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

The comparative information presented in these first condensed consolidated interim financial statements for the three months ended October 31, 2010, 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").

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

(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, 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. 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.

15. FIRST TIME ADOPTION OF 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
Shareholders' Equity			
Share capital (Note 15 (d)(i))	3,624,875	120,000	3,744,875
Contributed surplus	1,257,311	–	1,257,311
Deficit (Note 15 (d)(i))	(3,103,231)	(120,000)	(3,223,231)
Total Shareholders' Equity	1,778,955	–	1,778,955
Total Liabilities and Shareholders' Equity	$ 1,885,528	$ –	$ 1,885,528

The October 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

Statement of Financial Position	October 31, 2010 Canadian GAAP	Effect of IFRS Transition	October 31, 2010 IFRS
Total Assets	$ 2,069,199	$ –	$ 2,069,199
Total Liabilities	$ 74,599	$ –	$ 74,599
Shareholders' Equity			
Share capital (Note 15 (d)(i))	3,874,541	120,000	3,994,541
Contributed surplus	1,269,404	–	1,269,404
Deficit (Note 15 (d)(i))	(3,149,345)	(120,000)	(3,269,345)
Total Shareholders' Equity	1,994,600	–	1,994,600
Total Liabilities and Shareholders' Equity	$ 2,069,199	$ –	$ 2,069,199

15. FIRST TIME ADOPTION OF IFRS (continued)

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 15 (d)(ii))	$	64,787,390	$	(11,716,747)	$	53,070,643
Total Liabilities (Note 15 (d)(ii))	$	12,018,348	$	(11,129,601)	$	888,747
Shareholders' Equity						
Share capital (Note 15 (d)(i)(ii))		55,083,060		(383,744)		54,699,316
Contributed surplus		2,210,576		–		2,210,576
Deficit (Note 15 (d)(i)(ii))		(4,524,594)		(203,402)		(4,727,996)
Total Shareholders' Equity		52,769,042		(587,146)		52,181,896
Total Liabilities and Shareholders' Equity	$	64,787,390	$	(11,716,747)	$	53,070,643

IFRS 1 also requires reconciliation disclosures that explain how the transition from Canadian GAAP to IFRS has affected the Company's previously reported comprehensive income (loss) for the year ended July 31, 2011 and three months ended October 31, 2010.

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 15 (d)(ii))		83,402		(83,402)		–
Net loss and comprehensive loss	$	(1,421,363)	$	(83,402)	$	(1,504,765)

Statement of Operations and Comprehensive Loss		3 months ended October 31, 2010 Canadian GAAP		Effect of IFRS Transition		3 months ended October 31, 2010 IFRS
Revenue	$	–	$	–	$	–
Total expenses	$	(62,537)	$	–	$	(62,537)
Total other items		16,423		–		16,423
Net Loss and comprehensive loss	$	(46,114)	$	–	$	(46,114)

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