

ANNUAL INFORMATION FORM

For the year ended March 31, 2012



Dated as at August 2, 2012

PROPHECY PLATINUM CORP.

("Prophecy Platinum" or the "Company")

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ITEM 1: GENERAL

1.1 Effective Date of Information

All information in this AIF is as of August 2, 2012 unless otherwise indicated.

1.2 Forward Looking Statements

Cautionary Statement Regarding Forward-Looking Statements

This AIF contains “forward-looking statements” concerning anticipated developments and events that may occur in the future. All statements, other than statements of historical fact, are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved.

Such forward-looking statements, which reflect management’s expectations regarding Prophecy’s future growth, results of operations, performance, business prospects and opportunities are based on certain factors and assumptions and involve known and unknown risks and uncertainties 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. Forward-looking statements in this AIF include, without limitation, statements regarding the permitting, development and production of the Company’s Wellgreen property and completion of a pre-feasibility study or resource update on the Wellgreen property within the next 12 months or feasibility study on the Lynn Lake property in 2012, estimated production at the Company’s Shakespeare property and other information concerning possible or assumed future results of operations of Prophecy Platinum.

Material risks and uncertainties which could cause actual results to differ materially from such forward-looking statements include, but are not limited to, exploration, development and production risks, risks related to the Company not having a history of mineral production, risks related to the uncertainty of mineral resource and mineral reserve estimates, the cyclical nature of the mining industry, risks related to the availability of capital and financing on acceptable terms, commodity price fluctuations, currency exchange rate and interest rate risks, risks associated with operating in foreign jurisdictions, uninsured risks, regulatory changes, defects in title, availability of personnel, materials and equipment on a timely basis, accidents or equipment breakdowns, delays in receiving government approvals, and unanticipated environmental impacts on operations and costs to remedy same.

Assumptions underlying our expectations regarding forward-looking statements or information contained in this AIF include, among others, that all required third party contractual, regulatory and governmental approvals will be obtained for the development, construction and production of the Company’s properties, there being no significant disruptions affecting operations, whether due to labour disruptions, currency exchange rates being approximately consistent with current levels, certain price assumptions for nickel, copper, platinum group metals and other base and precious metals, production forecasts meeting expectations, the accuracy of the Company’s current mineral resource and reserve estimates, labour and materials costs increasing on a basis consistent with the Company’s current expectations and that any additional required financing will be available on reasonable terms.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this AIF and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

Notice Regarding Presentation of Mineral Resource Estimates

In accordance with applicable Canadian securities regulatory requirements, all mineral resource estimates of Prophecy Platinum in this AIF have been prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”), classified in accordance with the Canadian Institute of Mining Metallurgy and Petroleum’s “*CIM Standards on Mineral Resources and Reserves Definitions and Guidelines*” (the “**CIM Guidelines**”).

Prophecy Platinum uses the terms “mineral resources”, “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources”. While those terms are recognized by Canadian securities regulatory authorities under the CIM Guidelines, they are not recognized by the U.S. Securities and Exchange Commission (“**SEC**”). Pursuant to the CIM Guidelines, mineral resources have a higher degree of uncertainty than mineral reserves as to their existence as well as their economic and legal feasibility. Inferred mineral resources, when compared with measured or indicated mineral resources, have the least certainty as to their existence, and it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration. Pursuant to NI 43-101, inferred mineral resources may not form the basis of any economic analysis, including any feasibility study. Accordingly, investors are cautioned not to assume that all or any part of a mineral resource exists, will ever be converted into a mineral reserve, or is or will ever be economically or legally mineable or recovered.

1.3 Incorporated by Reference

In addition to the documents indicated as being incorporated by reference through the balance of this AIF, incorporated by reference into this AIF are:

- (a) the audited financial statements of the Company for the years ended March 31, 2012 and July 31, 2011;
- (b) management’s discussion and analysis of the Company for the year ended March 31, 2012;
- (c) the business acquisition report of the Company dated July 24, 2012 prepared in respect of the acquisition of Ursa Major Minerals Incorporated (“**Ursa**”);
- (d) certain portions of the preliminary economic assessment titled “Wellgreen Project Preliminary, Economic Assessment, Yukon, Canada” (the “**Wellgreen Report**”) having an effective date of August 1, 2012 and a filing date of August 2, 2012 and prepared by Andrew Carter, Eur. Ing., C.Eng., MIMMM, MSAIMM, SME, Pacifico Corpuz, P.Eng., Philip Bridson, P.Eng., Todd McCracken, P.Geo. of Tetra Tech Wardrop.(“**Wardrop**”) as specified at “*Mineral Properties – Wellgreen Property*”;

- (e) certain portions of the technical report titled “Technical Report on the Lynn Lake Nickel Project, Northern Manitoba, Canada” (the “**Lynn Lake Report**”) dated April 14, 2011 and prepared by Todd McCracken, P.Geo. and Lyndsey MacBride, P. Geo. of Wardrop as specified at “*Mineral Properties – Lynn Lake Property*”;
- (f) certain portions of the technical report titled “NI 43-101 Technical Report and Resource Estimate on the Las Aguilas Project, San Luis Province, Argentina” (the “**Las Aguilas Report**”) dated April 29, 2011 and prepared by Todd McCracken, P.Geo. and Callum Grant, P. Eng. of Wardrop as specified at *Mineral Properties – Las Aguilas Property*; and
- (g) certain portions of the feasibility study titled “An Updated Mineral Resource Estimate and Feasibility Study Summary on the Shakespeare Deposit, Shakespeare Property, Near Espanola, Ontario, Volume I of II.” (the “**Shakespeare Report**”) dated January 2006 and prepared by Mr. B. Terrence Hennessey, P. Geo., and Mr. Ian R. Ward, P. Eng., of Micon International Limited (“**Micon**”); Mr. Eugene Puritch, P. Eng., and Mr. Bruce S. Brady, P.Eng., of P&E Mining Consultants Inc.; Mr. Lionel Poulin, P.Eng., of Met-Chem Canada Inc.; Mr. Steve Aiken, P.Eng., of Knight Piesold Group; and Mr. Donald Welch, P.Eng., of Golder Associates Ltd, as specified at “*Mineral Properties – Shakespeare Property*”;

all of which were filed via SEDAR and are accessible for review at www.sedar.com. Copies may also be obtained from the Company upon request. Please note that the Shakespeare Report is available under the SEDAR profile for Ursa. See “*Additional Information*” in this AIF.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Annual Information Form to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Annual Information Form.

1.4 Currency

Unless otherwise indicated, all references to “\$”, “CDN\$” or “dollars” in this AIF refer to Canadian dollars and references to “US\$” or “US dollars” refer to United States dollars. The Company’s accounts are maintained in Canadian dollars.

The exchange rates as at August 1, 2012 as reported by the Bank of Canada for the conversion of Canadian dollars were CDN\$1.00 equals 0.9948US\$. (US\$1.00 equals \$1.0052 CDN\$).

The following table sets forth, for each of the years indicated, the year-end exchange rate, the average closing rate and the high and low closing exchange rates of one Canadian dollar in exchange for United States dollars as quoted by the Bank of Canada.

	Year Ended March 31		
	2010	2011	2012
High	US\$0.9888	US\$1.0324	US\$1.0583
Low	US\$0.7910	US\$0.9278	US\$0.9430
Average	US\$0.9190	US\$0.9846	US\$1.0077
Year End	US\$1.0009	US\$1.0290	US\$0.9846

1.5 Accounting Principles

All financial information in this AIF is prepared in accordance with International Financial Reporting Standard.

ITEM 2: CORPORATE STRUCTURE

2.1 Names, Address and Incorporation

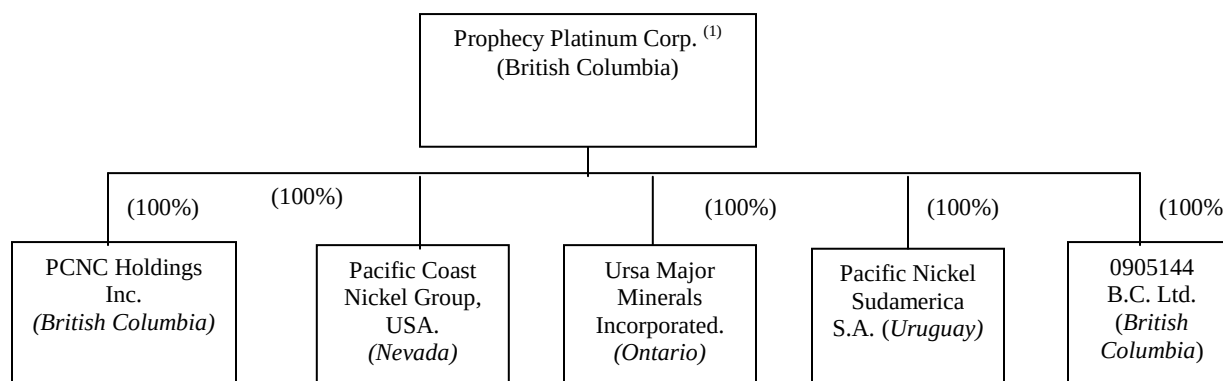
Prophecy Platinum was incorporated under the BCBCA on April 5, 2006 under the name “Fargo Capital Corp.” Prophecy Platinum changed its name to “Pacific Coast Nickel Corp.” on July 10, 2007 and to “Prophecy Platinum Corp.” on June 13, 2011. Prophecy Platinum’s registered address is located at Suite 2080-777 Hornby Street, Vancouver, British Columbia, V6Z 1S4. Prophecy Platinum’s head office is located at 2nd Floor, 342 Water Street, Vancouver, British Columbia, V6B 1B6.

Prophecy Platinum is a reporting issuer in the Provinces of British Columbia, Alberta and Manitoba, and its common shares are listed for trading on the TSX Venture Exchange under the symbol “NKL” and on the OTCQX under the symbol “PNIKF”.

Prophecy Platinum currently has five wholly owned subsidiaries. The following diagram sets forth the corporate structure of the Prophecy Platinum and its subsidiaries as of the date of this AIF.

2.2 Intercorporate Relationships

The corporate structure of the Company and its material subsidiaries as at the date of this AIF is as follows:



The Company holds its mineral properties either directly or through the following material subsidiaries:

- (a) Prophecy Platinum Corp. a British Columbia company holding: (i) a 100% interest in the Burwash nickel project (the “**Burwash Property**”) located in the Yukon Territory; and (ii) the right to acquire a 70% interest in the Las Aguilas nickel project (the “**Las Aguilas Property**”) located in Argentina, subject to certain option payments and a 3% net smelter royalty.
- (b) 0905144 B.C. Ltd. a British Columbia company holding: (i) a 100% interest in the Wellgreen nickel-platinum project (the “**Wellgreen Property**”) located in Yukon Territory; (ii) an exclusive option to acquire a 100% interest, subject to certain option payments, in the Lynn Lake nickel- platinum project (the “**Lynn Lake Property**”) located in Manitoba, and (iii) a 100% interest in the Lynn Gabbros nickel-platinum claims which form part of the Lynn Lake Property, subject to a 3% net smelter royalty.
- (c) Ursa Major Minerals Incorporated. an Ontario company holding at 100% interest in the Shakespeare nickel mine (the “**Shakespeare Property**”) located in Ontario as well as interests in certain other nickel exploration properties in Ontario.
- (d) Pacific Nickel Sudamerica S.A. an Uruguay company holding a 100% interest in certain staked claims located in Uruguay.

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

Prophecy Platinum is principally engaged in the identification, acquisition and exploration for mineral resource properties in Canada and in Argentina and Uruguay. Prophecy Platinum acquires properties directly or through option agreements with other exploration companies. None of the properties Prophecy Platinum currently owns or holds under option have been adequately explored to prove the existence of ore reserves. Prophecy Platinum’s current projects comprise primarily of nickel projects located in Canada and Argentina.

In the Yukon Territory, Prophecy Platinum holds a 100% interest in the Wellgreen Property and a 100% interest in the Burwash Property. The Burwash Property is located 8km from the Alaska Highway and adjoins the Wellgreen Project.

In Ontario, Prophecy Platinum holds a 100% interest in the Shakespeare Property, an approximately 80% interest in a joint venture exploration property surrounding the Shakespeare property, as well as a 100% interest in certain nickel exploration properties, including the Fox Mountain property, the Porter-Baldwin property and the Shining Tree property.

In Manitoba, Prophecy Platinum is earning a 100% interest in the Lynn Lake Property, which is currently 100% owned by Victory Nickel Inc. (“**Victory**”).

In Argentina, Prophecy Platinum is earning into a 70% interest in the Las Aguilas Property, which is currently 100% owned by Marifil Mines Ltd (“**Marifil**”). 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.

In Uruguay, Prophecy Platinum incorporated a wholly-owned subsidiary, Pacific Nickel Sudamerica SA. Through this subsidiary, Prophecy Platinum has applied for and acquired five prospecting licences. Prophecy Platinum is currently reviewing a number of future plans for the properties in Uruguay.

3.1 Three Year History

Acquisition of Ursa

On July 16, 2012, Prophecy Platinum acquired all of the issued and outstanding securities of Ursa pursuant to a court approved statutory plan of arrangement under the *Business Corporations Act* (Ontario) involving Prophecy Platinum, Ursa and its securityholders (the “**Ursa Transaction**”). Pursuant to the arrangement, Ursa amalgamated with a wholly owned subsidiary of Prophecy Platinum and all of the securityholders of Ursa, other than option holders, exchanged their Ursa securities for securities of Prophecy Platinum.

For each one share of Ursa held, an Ursa shareholder received 0.04 of a common share of Prophecy Platinum. Each Ursa warrant was exchanged for a warrant of Prophecy Platinum exercisable for that number of shares that is equal to the number of Ursa shares that would otherwise have been issuable thereunder multiplied by 0.04 with the exercise price of such convertible security of the Company being adjusted to equal the exercise price of the applicable Ursa warrant divided by 0.04.

On March 9, 2012, Prophecy Platinum acquired from Ursa 16,666,667 Ursa common shares at a price of \$0.06 per share for aggregate proceeds of \$1,000,000. All of the Ursa shares held by Prophecy Platinum on July 16, 2012 were cancelled without repayment of capital.

As a result of the Ursa Transaction, Ursa, as amalgamated, is now a wholly owned subsidiary of Prophecy Platinum and its common shares were delisted from the TSX.

Ursa holds a 100% interest in the Shakespeare Property, the Shining Tree nickel property, the Port-Baldwin property and the Fox Mountain property, all located in Ontario and further described below.

Shakespeare Nickel Mine

Ursa acquired the Shakespeare Property located 70 km west of Sudbury Ontario from Xstrata Nickel (“**Xstrata**”) in 2000. Ursa completed a positive feasibility study on a 4,500 t/d open pit mining operation and on-site processing plant. The Shakespeare Property has a diluted probable mineral reserve of 11,828,000 tonnes grading 0.33% nickel, 0.35% copper, 0.02% cobalt, 0.33 g/t platinum, 0.36 g/t palladium and 0.18 g/t gold. Ursa permitted an open-pit mine and 4,500 t/d concentrator at the Shakespeare Property.

On May 27, 2010, Ursa declared commercial production and the mine was in production for twenty months until January 27, 2012. On December 13, 2011, Ursa announced that it had limited operations at the Shakespeare Property to crushing of existing broken ore, ore sampling and trucking operations as a consequence of reduced base metals prices. On February 3, 2012, Ursa announced it had temporarily suspended operations at the Shakespeare Property following the expiration, on December 31, 2011, of the milling agreement in place with Xstrata. Ursa was not able to conclude a new processing agreement.

During the twelve months of production ending January 31, 2012, Ursa delivered 151,910 (2011: 166,913) tonnes of ore to the Strathcona Mill for processing. Contained metals in the delivered ore totalled approximately 1,052,000 pounds of nickel (2011: 1,314,000), 1,234,000 pounds of copper (2011: 1,499,000), 64,700 pounds of cobalt (2011: 92,204) and 1,650 ounces of platinum (2011: 1,900), 1,840

ounces of palladium (2011: 2,100), 960 ounces of gold (2011: 1,100) and 10,260 ounces of silver (2011: 12,100). The recovered and contained metals are subject to smelter recoveries and to further smelter deductions.

For the twelve production months ended January 31, 2012, the ore averaged 0.314% nickel (2011: 0.357%), 0.368% copper (2011: 0.0407%), 0.019% cobalt (2011: 0.025%), and 0.941 gram/tonne precious metals (2011: 0.989). This is approximately 84% of the average budgeted grade for 2011 that is based on the previous mined grades 0.373% nickel, 0.419% copper, 0.027% cobalt and 1.069 grams/tonne precious metals.

Ursa currently has a 100% beneficial interest in the Shakespeare Property area which contains all of the Shakespeare reserves and resources and is subject to a 1.5% net smelter royalty in favour of Xstrata. The Shakespeare Property area is partially surrounded by an exploration property that is the basis of a joint venture between Ursa and Xstrata with Ursa as the project operator. Ursa holds an approximately 80% beneficial interest in the joint venture area.

Shining Tree Nickel Project

In 2005, Ursa acquired an option to earn a 100% interest in the Shining Tree nickel-copper deposit located in Fawcett Township, 110 km north of Sudbury. During 2007, Ursa exercised its option and now holds a 100% of the project subject to a 1% net smelter royalty. The Shining Tree property covers certain staked claims covering approximately 1,600 acres.

Porter Baldwin Property

Ursa's 100%-owned Porter Baldwin property comprises certain claims that cover a 15 km strike length extending from the Shakespeare Property towards the Sudbury intrusive complex. The majority of the property was acquired by claim staking. Part of the Porter Baldwin property was acquired by an option agreement dated February 10, 2004 to acquire certain claims known as the Porter option located in Shakespeare Dunlop and Porter Townships. The optionor retains a 2% net smelter royalty. Advance royalty payments of C\$24,000 per year commenced January 15, 2007. Ursa has the right to purchase one-half of the royalty at any time for C\$1,000,000.

Fox Mountain

The 100%-owned Fox Mountain property is located approximately 50 km north of Thunder Bay, within the Mid-Continent rift of Northwestern Ontario. The property consists of certain claims covering approximately 5,600 ha. In November 2010, Ursa completed airborne magnetic and EM surveys on the Fox Mountain property. In early 2011, Ursa completed two (2) holes for a total of 513 meters of drilling at the Fox Mountain property.

Wellgreen and Lynn Lake Property Acquisition

On June 13, 2011, Prophecy Platinum completed the acquisition of all of the issued and outstanding shares of 0914144 B.C. Ltd, which held \$2,000,000 in cash, the Wellgreen Property and the Lynn Lake Property from Prophecy Coal Corp. ("**PCY Coal**") in consideration of the issuance of 45,000,000 post consolidation common shares. PCY Coal retained 22,500,000 post consolidation common shares and distributed the balance to its securityholders pursuant to a plan of arrangement. Immediately thereafter, Prophecy Platinum completed a consolidation of its share capital on a 10 old for 1 new basis.

On October 20, 2009, PCY Coal entered into the an option agreement (the “**Lynn Lake Option Agreement**”) with Victory, pursuant to which PCY Coal was granted the right to earn a 100% interest in the Lynn Lake Property located in northern Manitoba by agreeing to pay Victory an aggregate of \$4,000,000 (\$600,000 paid) over a four year period, agreeing to incur exploration expenditures of an aggregate of \$3,000,000 over a three year period on the property, and issuing a total of 2,419,548 PCY Coal Shares to Victory. The Lynn Lake Option Agreement also provided Victory with the 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 PCY Coal, which participation right has since terminated.

The cash payments due pursuant to the Lynn Lake Option agreement with Victory are payable as follows:

- (i) \$300,000 within five business days of TSX Venture Exchange approval (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 (paid); and
- (vi) \$1,000,000 on or before March 1, 2013.

The expenditure requirements on the Lynn Lake Property are to be incurred as follows:

- (i) \$500,000 on or before November 1, 2010 (completed);
- (ii) an aggregate of \$1,500,000 on or before November 1, 2011 (completed); and
- (iii) an aggregate of \$3,000,000 on or before November 1, 2012 (of which approximately \$1,823,067 has been completed to date).

On January 11, 2010, PCY Coal entered into a purchase agreement with VMS Ventures Inc., pursuant to which Prophecy Platinum acquired the Lynn Gabbros property, which for the purposes of the Acquisition shall form part of the Lynn Lake Property, located in northern Manitoba by issuing VMS Ventures Inc. an aggregate of 750,000 PCY Coal Shares and reimbursing up to \$100,000 of expenditure obligations. The property is subject to a 3% net smelter return royalty, of which 50% may be purchased for \$1,500,000.

Burwash Property Acquisition

Pursuant to an option agreement dated May 14, 2008, as amended on December 9, 2008, and as further amended February 23, 2010, Prophecy Platinum acquired from Strategic Metals Ltd. (“**Strategic**”) a sole and exclusive option to acquire up to a 75% interest in the Burwash Property located in the Yukon Territory.

A detailed geophysical survey was completed on the Burwash Property in 2010

On April 1, 2011, Prophecy Platinum and Strategic Metals Ltd. entered into a letter agreement which replaced the amended option agreement, allowing Prophecy Platinum to acquire a 100% interest in the Burwash Property in exchange for the payment of \$1,000,000 in cash or through the issuance of common shares of Prophecy Platinum. The agreement grants Strategic Metals Ltd. a right to participate pro rata in any financings of Prophecy Platinum for a period of 5 years from the closing date. On August 30, 2011,

Prophecy Platinum and Strategic Metals Ltd. entered into a formal purchase agreement dated August 4, 2011 concerning the transaction and completed the purchase of the Burwash Property in exchange for the payment of \$1,000,000 in cash.

Las Aguilas Property – Option with Marifil

On November 18, 2010, Prophecy Platinum entered into a letter agreement, as amended March 13, 2011 and March 21, 2012 with Marifil whereby Marifil granted to Prophecy Platinum an option to acquire a 70% interest in the Las Aguilas Property located in San Luis Province, Argentina. Pursuant to the letter agreement, Prophecy Platinum has a six-month period to conduct due diligence and update the resource estimates on the Las Aguilas Property.

In order to earn a 49% interest in the Las Aguilas Property, Prophecy Platinum shall:

- (a) make the following cash payments to Marifil:
 - (i) \$25,000 upon the execution of the option agreement (paid);
 - (ii) an additional \$125,000 on or before April 1, 2012 (paid);
 - (iii) an additional \$100,000 on or before April 1, 2013;
 - (iv) an additional \$100,000 on or before April 1, 2014.
- (b) issue the following common shares to Marifil:
 - (i) 25,000 shares upon the execution of the agreement (issued);
 - (ii) an additional 25,000 shares on or before April 1, 2012 (issued);
 - (iii) an additional 25,000 shares on or before April 1, 2013; and
 - (iv) an additional 25,000 shares on or before April 1, 2014.
- (c) incur the following expenditures on the Las Aguilas Property:
 - (i) On or before 3 months from the agreement date complete a resource estimate (completed);
 - (ii) \$500,000 on or before November 1, 2012;
 - (iii) an additional \$500,000 on or before October 1, 2013; and
 - (iv) an additional \$1,000,000 on or before July 1, 2014.

Prophecy Platinum may earn an additional 11% interest in the Las Aguilas Property (bringing the aggregate interest to 60%) by completing a pre-feasibility study on the Las Aguilas Property and issuing to Marifil 200,000 shares on or before April 1 2015. Prophecy Platinum may acquire a further and final 10% interest in the Las Aguilas Property (bringing the total interest to 70%) by completing a feasibility study on the Las Aguilas Property before April 15, 2016, making a cash payment of \$100,000 to Marifil and issuing 100,000 shares to Marifil. Prophecy Platinum retains the right to obtain a six month extension to complete such feasibility study by making a cash payment of \$100,000 and issuing a further and final 50,000 common shares to Marifil on or before October 1, 2016.

In the event that Marifil determines not to participate in a joint venture with Prophecy Platinum on the Las Aguilas Property, Prophecy Platinum will have the right at any time to acquire all of Marifil's interest in the Property for \$5,000,000 and shall grant to Marifil a 3% net smelter returns royalty in respect of the Las Aguilas Property, of which 0.5% can be purchased for \$1,000,000 and a further 0.5% (for an aggregate 1.0%) may be purchased for a further \$2,000,000. Upon the formation of a joint venture between Prophecy Platinum and Marifil, Prophecy Platinum agreed to make annual payments of \$95,000 per year until a positive production decision is made.

Purchase of Platinum ETFs

On December 13, 2011, Prophecy Platinum announced it had diversified its cash holdings by recently 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 Arca, was purchased at an average price of \$152.05 for PPLT and \$63.85 for PALL.

As of the date of this AIF Prophecy Platinum has sold all the ETFs for a realized loss of \$109,618.

Recent Financings

On July 31, 2012, Prophecy Platinum completed a private placement raising aggregate gross proceeds of \$7,251,749.35 through the sale of 807,655 flow through shares at a price of \$1.45 per flow through share and 5,067,208 units at a price of \$1.20 per unit. Each unit comprised one common share and a half (1/2) share purchase warrant exercisable until July 31, 2014. Each whole warrant entitled the holder thereof to acquire one additional common share at a price of \$1.50 per share in the first year of the warrant term and \$2.00 per share in the second year of the warrant term. The warrants are subject to 30 day accelerated conversion if the closing price of Prophecy Platinum's shares on the TSX Venture Exchange is \$2.80 or above for a period of 10 consecutive days. Aggregate finder's fees of \$465,806.21 in cash were paid in respect of portions of the placement.

On November 15 and 16, 2011, Prophecy Platinum completed a private placement raising aggregate gross proceeds of \$10,015,620 through the sale of 3,709,489 common shares. Finder's fees of \$578,299 in cash were paid on portions of the placement

On January 6, 2011, Prophecy Platinum completed a private placement raising aggregate gross proceeds of \$1,050,000 through the sale of 15,000,000 pre-consolidation units at a price of \$0.07 per unit. Each unit comprised one common share and one warrant exercisable for a period of two years at a price of \$0.10 per pre-consolidation common share. Finder's fee of \$56,700 cash and 818,000 warrants were paid to Capital Street Group on a portion of the placement.

On August 27, 2010, Prophecy Platinum completed the second tranche of the offering issuing 90,000 flow through units at a price of \$0.05 per flow through unit and 425,842 flow through shares at a price of \$0.05 per flow through share for aggregate gross proceeds of \$25,792.00.

On August 9, 2010, Prophecy Platinum completed the first tranche of a private placement raising proceeds of \$250,000 through the sale of 5,000,000 pre-consolidation flow through units at a price of \$0.05 per unit. Each flow through unit comprised one flow through one common share and one half of a warrant. Each whole warrant is exercisable for a period of two years at a price of \$0.10 per pre-consolidation share. Finder's fees of \$10,000 payable in cash and agent's options entitling the holder to acquire 500,000 units having the same terms as the flow through units were issued in relation to the placement. A due diligence fee of \$12,500 in cash and 50,000 shares were also paid.

Change of Year End

In March 2012, Prophecy Platinum changed its year end from July 31 to March 31 to coincide with PCY Coal's quarterly periods. PCY Coal is a significant shareholder of Prophecy Platinum with common officers and directors and Prophecy Platinum's financial statements are consolidated with PCY Coal.

Loan to PCY Coal

On December 14, 2011 Prophecy Platinum and PCY Coal entered into an intercompany loan facility (the "Inter-Co Facility") whereby each company could a loan from the other company of up to \$2 million at an interest rate of 14.4% per annum, compounded annually. The Inter-Co 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. PCY Coal borrowed an aggregate of \$800,000 under the Inter-Co Facility, all of which was repaid to Prophecy Platinum on March 1, 2012. The Inter-Co Facility was terminated upon repayment by PCY Coal.

Qualified Persons under NI 43-101

Prophecy Platinum's exploration activities are conducted under the supervision of Danniël Oosterman, P. Geo., who is a "Qualified Person" under NI 43-101.

3.2 Significant Acquisitions and Dispositions

The Ursa Transaction represented a "significant acquisition" of a business for Prophecy Platinum within the meaning of National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102"). As a result, Prophecy Platinum is required under NI 51-102 to incorporate by reference into this AIF, certain additional disclosure regarding Ursa in the form of a business acquisition report as such term is defined in NI 51-102. A business acquisition report dated July 24, 2012 was filed with respect to the Ursa Transaction, which report is incorporated by reference herein and available under the Company's SEDAR profile at www.sedar.com.

The acquisitions of the Lynn Lake Project and Wellgreen Project pursuant to the NKL Arrangement do not trigger additional disclosure requirements for the Company under NI 51-102.

Other than the Ursa Transaction described above, no other significant acquisitions or significant dispositions have been completed by Prophecy Platinum during the last three financial years nor are any contemplated for the foreseeable future.

ITEM 4: DESCRIPTION OF THE BUSINESS

4.1 General

Prophecy Platinum is a natural resource company engaged in the business of the exploration and development of the nickel and platinum properties primarily in Canada and Argentina. At present, Prophecy Platinum is an early stage exploration and development stage company with no current operating income cash flow or revenues. While commercial production was declared at the Shakespeare Property in 2010, no current production activities are currently taking place. There is no assurance that a commercially viable mineral deposit exists on any of Prophecy Platinum's mineral properties.

Stated Business Objectives

The principal business carried on and intended to be carried on by Prophecy Platinum is the acquisition, exploration and development of mineral properties. The properties in which Prophecy Platinum currently has an interest are in the exploration and development stage. During 2012, Prophecy Platinum intends to expand existing working capital and to conduct exploration primarily on the Wellgreen Property, but will also proposes to conduct work on the Lynn Lake Property and the Las Aguilas Property. Prophecy Platinum will continue to assess new mineral properties worldwide and will seek to acquire interests if Prophecy Platinum concludes they have sufficient geological or economic potential and if Prophecy Platinum has sufficient financial resources to complete such acquisitions.

Principal Products

Prophecy Platinum's principal products under exploration are nickel and platinum group elements, including ruthenium, rhodium, palladium, osmium, iridium and platinum.

Platinum is used in catalytic converters, laboratory equipment, electrical contacts and electrodes, platinum resistance thermometers, dentistry equipment and jewelry. Because only a few hundred tonnes are produced annually, it is a scarce material, and is highly valuable. Most of the world's platinum production comes from South Africa, Russia and Canada.

Nickel is used in many industrial and consumer products, including stainless steel, magnets, coinage, rechargeable batteries, electric guitar strings and special alloys. It is also used for plating and as a green tint in glass. Nickel is pre-eminently an alloy metal, and its chief use is in the nickel steels and nickel cast irons, of which there are many varieties. It is also widely used in many other alloys, such as nickel brasses and bronzes, and alloys with copper, chromium, aluminum, lead, cobalt, silver, and gold. Canada produces approximately 30% of the world's supply of nickel.

Most of the world's nickel is produced from deposits in Russia, Canada, Australia and Indonesia. The bulk of the nickel mined comes from two types of ore deposits. The first are laterites where the principal ore minerals are nickeliferous limonite and garnierite (a hydrous nickel silicate). The second are magmatic sulfide deposits where the principal ore mineral is pentlandite.

Prophecy Platinum is currently in the exploration stage and does not currently produce, develop or sell mineral products at this time.

Specialized Skills and Knowledge

All aspects of Prophecy Platinum's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, drilling, logistical planning and implementation of exploration programs and accounting. Prophecy Platinum has relied on and may continue to rely upon consultants and others for exploration and development expertise. Recent increased activity in the resource mining industry has made it more difficult to locate competent employees and consultants in such fields, and may affect Prophecy Platinum's ability to grow at the pace it desires. See "Risk Factors".

Market and Marketing

Prophecy Platinum's principal products under exploration are platinum group elements and nickel. There is a worldwide nickel market into which Prophecy Platinum could sell, if and when it reaches production, and, as a result, Prophecy Platinum would not be dependent on a particular purchaser with regard to the

sale of the nickel which it produces. As Prophecy Platinum is not yet producing, it is not marketing and does not require a marketing plan or strategy.

In December 2007, Ursa signed an agreement with Xstrata that provided for the further treatment of ore from the Shakespeare Property at Xstrata's Strathcona Mill. In addition to the custom milling of Shakespeare ore at the Strathcona Mill, Ursa has an agreement with Xstrata that provides terms for the smelting of Ursa's concentrates for a period of seven years. In January 2010, Ursa Major entered into an agreement with Xstrata Nickel to process 200,000 tonnes of Shakespeare ore per annum at the Strathcona mill located in Sudbury, Ontario, for 24 months. Ursa's processing agreement with Xstrata expired in December 2011 and Ursa was not able to conclude a new processing agreement for Shakespeare ore. Ursa temporarily suspended its mining operation in February 2012.

Competitive Conditions

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. Prophecy Platinum competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral tenements, claims, leases and other mineral interests for exploration and development projects. Prophecy Platinum also competes with other mining companies for investment capital with which to fund such projects and for the recruitment and retention of qualified employees. As a result of this competition, Prophecy Platinum may not be able to acquire attractive properties in the future on terms it considers acceptable. The abilities of Prophecy Platinum to acquire attractive mineral properties in the future depends not only on its success in exploring and developing its current properties, but also on its ability to select, acquire and bring to production suitable properties or prospects for exploration, mining and development. Factors beyond the control of Prophecy Platinum may affect the marketability of base metals and precious metals mined or discovered by Prophecy Platinum. Base metal and precious metal prices have historically been subject to fluctuations and are affected by numerous factors beyond the control of Prophecy Platinum.

Components

The raw materials Prophecy Platinum requires to carry on its business are available through normal procurement and/or business contracting channels. Prophecy Platinum has secured personnel to conduct its currently contemplated development programs. Over the past several years, increased mineral exploration activity on a global scale has made some services difficult to procure, particularly skilled and experienced contract drilling personnel. It is possible that delays or increased costs may be experienced in order to proceed with drilling activities during the current period. Such delays could significantly affect Prophecy Platinum if, for example, commodity prices fall significantly, thereby reducing the opportunity Prophecy Platinum may have had to develop a particular project had such tests been completed in a timely manner before the fall of such prices. Such delays can slow down work programs, thus increasing field expenses or other costs (such as property payments which may have to be made before all information to assess the desirability of making such payment is known, or causing Prophecy Platinum to not make such a payment and terminate its interest in a property rather than make a significant property payment before all information is available).

Cycles

The mining business is subject to mineral price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles. Nickel markets are affected by global expansion and demand for steel. Platinum markets are affected by demands of the auto and jewellery industry. Fluctuations in supply and demand in various regions throughout the world are common.

As Prophecy Platinum's mining and exploration business is in the development stage, Prophecy Platinum's revenues, if any, are not currently significantly affected by changes in commodity demand and prices. As it does not currently carry on production activities, Prophecy Platinum's ability to fund ongoing exploration is affected by the availability of financing which is, in turn, affected by the strength of the economy and other general economic factors.

Economic Dependence

Prophecy Platinum's business is substantially dependent on the completion of the option agreements pertaining to the Lynn Lake Property and the Las Aguilas Property, but is not dependent on any a contract to sell the major part of its products or services or to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends. It is not expected that Prophecy Platinum's business will be affected in the current financial year by the renegotiation or termination of contracts or sub-contracts. The development of the Shakespeare Property is dependent in part on Ursa's agreement with Xstrata for the smelting of Ursa's concentrates which provides Xstrata with a first right of refusal on the purchase of Ursa concentrates until late 2014. As noted above, Ursa was not able to conclude a new processing agreement with Xstrata following the expiration of its initial processing agreement in December 2011.

Environmental Conditions

All aspects of Prophecy Platinum's field operations will be subject to environmental regulations and generally will require approval by appropriate regulatory authorities prior to commencement. Any failure to comply could result in fines and penalties.

Employees

As of the date of this AIF, Prophecy Platinum had the following number of employees and contractors:

Location	Employees	Contractors when required
Canada	10	10
South America	Nil	Nil

Prophecy Platinum utilizes consultants and contractors to carry on many of its activities. As Prophecy Platinum expands its activities, it is probable that it will hire additional employees and engage additional contractors.

Foreign Operations

Prophecy Platinum currently holds an interest in certain exploration stage mineral resource properties located in Argentina and Uruguay and, as such, Prophecy Platinum's business is exposed to various degrees of political, economic and other risks and uncertainties. Prophecy Platinum's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of government orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on mineral exports, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other non-governmental organizations, government

participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation. See “*Risk Factors*”.

Lending

Prophecy Platinum does not currently hold any investments other than 125,000 common shares of Auriga Gold Corp. held by Ursa as at the time of completion of the Ursa Transaction. Prophecy Platinum does not have any material long term liabilities. Prophecy Platinum has not adopted any specific policies or restrictions regarding investments or lending, but will ensure any investment or debt activities incurred are in the best interests of Prophecy Platinum and its securityholders. Prophecy Platinum expects that in the immediate future in order to maintain and develop its mineral properties, it will need to raise additional capital through a combination of debt and equity.

Bankruptcy and Similar Procedures

There are no bankruptcies, receivership or similar proceedings against Prophecy Platinum, nor is Prophecy Platinum aware of any such pending or threatened proceedings. There has not been any voluntary bankruptcy, receivership or similar proceedings by Prophecy Platinum during its last three financial years.

Reorganization

Prophecy Platinum has not completed any reorganizations, other than the Ursa Transaction and the acquisition of the Wellgreen and Lynn Lake properties from PCY Coal as described above in its last three financial years.

Social or Environmental Policies

Prophecy Platinum has not adopted any specific social or environmental policies that are fundamental to its operations (such as policies regarding its relationship with the environment, with the communities in the vicinity of its mineral exploration projects or human rights policies). However, Prophecy Platinum’s management, with the assistance of its contractors and advisors, ensures its ongoing compliance with local environmental laws in the jurisdictions in which it does business. As the Shakespeare Property has reached commercial production, Ursa is subject to various reclamation-related conditions imposed under provincial rules and permits in relation thereto.

4.2 Risk Factors

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

Exploration, Development and Production Risks

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling

up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in an increase in Prophecy Platinum's resource base.

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

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The remoteness and restrictions on access of properties in which Prophecy Platinum will have an interest will have an adverse effect on profitability as a result of higher infrastructure costs. There are also physical risks to the exploration personnel working in the terrain in which Prophecy Platinum's properties are located, often in poor climate conditions.

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

No History of Mineral Production

The Company has no history of commercially producing metals from its mineral exploration properties and there can be no assurance that it will successfully establish mining operations or profitably produce coal or other base and precious metals.

None of the Company's properties, other than the Shakespeare Property, are currently under development or production. The future development of any properties found to be economically feasible will require the construction and operation of mines, processing plants and related infrastructure. As a result, the Company is subject to all of the risks associated with establishing new mining operations and business enterprises, including:

- the timing and cost of the construction of mining and processing facilities;
- the availability and costs of skilled labour and mining equipment;
- the availability and cost of appropriate smelting and/or refining arrangements;
- the need to obtain necessary environmental and other governmental approvals and permits and the timing of those approvals and permits; and
- the availability of funds to finance construction and development activities.

It is common in new mining operations to experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there are no assurances that Prophecy Platinum's activities will result in profitable mining operations or that Prophecy Platinum will successfully establish mining operations or profitably produce nickel or other metals at any of its properties.

Speculative Nature of Mineral Development Activities

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by Prophecy may be affected by numerous factors which are beyond the control of Prophecy and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in Prophecy not receiving an adequate return of investment capital.

Estimates of reserves, resources, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

The Shakespeare Property has temporarily suspended commercial production. Other mineral properties of Prophecy are in the exploration stage only and are without known bodies of commercial ore. Few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, develop metallurgical processes and construct mining and processing facilities at a particular site. There is no assurance that Prophecy's mineral exploration activities will result in any discoveries of new commercial bodies of ore. There are no reassurances that Prophecy will recommence commercial production activities at the Shakespeare Property.

Title Risks

Title to mineral properties, as well as the location of boundaries on the grounds may be disputed. Moreover, additional amounts may be required to be paid to surface right owners in connection with any mining development. At all of such properties where there are current or planned exploration activities, Prophecy Platinum believes that it has either contractual, statutory, or common law rights to make such use of the surface as is reasonably necessary in connection with those activities.

Title insurance generally is not available for mining claims in Canada, and Prophecy Platinum's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Prophecy Platinum has not conducted surveys of all the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. Accordingly, the properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, Prophecy Platinum may be unable to operate the properties as permitted or to enforce its rights with respect to its properties.

Substantial Capital Requirements

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

Competition

The mining industry is highly competitive. Many of Prophecy Platinum's competitors for the acquisition, exploration, production and development of platinum group metals, nickel copper and other precious and base metals, and for capital to finance such activities, will include companies that have greater financial and personnel resources available to them than Prophecy Platinum.

Volatility of Mineral Prices

Metal prices fluctuate considerably and are affected by numerous factors beyond Prophecy Platinum's control, such as industrial demand, inflation and expectations with respect to the rate of inflation, the strength of the U.S. dollar and of other currencies, interest rates, forward sales by producers, production and cost levels and changes in investment trends. Nickel, PGM and copper prices are sometimes subject to rapid short-term changes because of speculative activities. If these prices were to decline significantly or for an extended period of time, Prophecy Platinum might be unable to continue its operations, develop its properties or fulfill its obligations under its agreements with its partners or under its permits and licenses. As a result, Prophecy Platinum might lose its interest in, or be forced to sell, some of its properties. In the event of a sustained, significant drop in nickel, PGM and copper prices, Prophecy Platinum may be required to re-evaluate its assets, resulting in reduced estimates of reserves and resources and in material write-downs of Prophecy Platinum's investment in mining properties and increased amortization, reclamation and closure charges. Furthermore, since nickel, PGM and copper prices are established in US dollars, a significant increase in the value of the Canadian dollar relative to the US dollar coupled with stable or declining nickel and copper prices could adversely affect Prophecy Platinum's results with respect to development of and eventual sale of these metals.

Mineral Reserves / Mineral Resources

Some of the properties in which Prophecy Platinum holds an interest are considered to be in the early exploration stage only and do not contain a known body of commercial minerals. Mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized.

Such figures have been determined based upon assumed metal prices and operating costs. Future production could differ dramatically from reserve estimates for, among other reasons:

- o mineralization or formations could be different from those predicted by drilling, sampling and similar examinations;
- o increases in operating mining costs and processing costs could adversely affect resources and reserves;
- o the grade of the resources and reserves may vary significantly from time to time and there is no assurance that any particular level of metals may be recovered from the ore; and
- o declines in the market price of the metals may render the mining of some or all of the reserves uneconomic.

Estimated mineral resources and reserves may require downward revisions based on changes in metal prices, further exploration or development activity, increased production costs or actual production experience. This could materially and adversely affect estimates of the tonnage or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource and reserve of estimates.

Any reduction in estimated mineral reserves or estimated resources as a result could require material write downs in investment in the affected mining property and increased amortization, reclamation and closure charges, which could have a material and adverse effect on Prophecy Platinum's future cash flows, earnings, results of operations and financial condition.

Because the Company has not commenced production at all of its properties, and has not defined or delineated any proven or probable reserves on all of its properties, mineralization estimates for Prophecy Platinum's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

The resource and reserve estimates contained in this AIF and in the documents incorporated herein by reference have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for PGM metals, nickel or other metals may render portions of Prophecy Platinum's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of Prophecy Platinum's ability to extract this mineralization, could have a material adverse effect on Prophecy Platinum's results of operations or financial condition.

Capital Costs, Operating Costs, Production and Economic Returns

Actual capital costs, operating costs, production and economic returns may differ significantly from those the Company has anticipated and there are no assurances that any future development activities will result in profitable mining operations. The capital costs required to take the Company's projects into production may be significantly higher than anticipated.

None of the Company's mineral properties, including the Shakespeare Property, have sufficient operating history upon which the Company can base estimates of future operating costs. Decisions about the development of these and other mineral properties will ultimately be based upon feasibility studies. Feasibility studies derive estimates of cash operating costs based upon, among other things:

- o anticipated tonnage, grades and metallurgical characteristics of the ore to be mined and processed;

- o anticipated recovery rates metals from the ore;
- o cash operating costs of comparable facilities and equipment; and
- o anticipated climatic conditions.

Cash operating costs, production and economic returns, and other estimates contained in studies or estimates prepared by or for the Company, including the Shakespeare Report or other feasibility studies, if prepared, may differ significantly from those anticipated by the Company's current studies and estimates, and there can be no assurance that Prophecy Platinum's actual operating costs will not be higher than currently anticipated.

Recent Global Financial Conditions

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

Environmental Risks

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

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

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

Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Prophecy Platinum believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. Prophecy Platinum cannot give any assurance that, notwithstanding its precautions and history of activities, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not result in additional costs or curtailment of planned activities and investments, which could have a material and adverse effect on Prophecy Platinum's future cash flows, earnings, results of operations and financial condition. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Additionally, the Yukon Government is currently considering whether it will require Prophecy Platinum, and any successor issuer in title, to carry out reclamation activities or pay costs of reclamation of the Historical Liabilities. In August 2010, Prophecy Platinum advised the Yukon Government of its position that it is not legally responsible or liable for the Historic Liabilities and Prophecy Platinum has not received a response to date. A determination of responsibility and liability as well as an investigation of the Historic Liabilities and design of a reclamation plan would be necessary before any fiscal determination could be made of the Historic Liabilities and accordingly same cannot reasonably be determined at this stage. Please see "*Material Properties – Wellgreen Property*" below for more information.

Foreign Operations

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

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

On October 26, 2011, the Federal Government of Argentina promulgated an "economic emergency" decree requiring all oil, gas and mining exporters to repatriate 100% of revenue receipts, in an attempt to stem ongoing capital flight. The Government of Argentina has also instituted certain other currency and

import and export controls which will likely have a negative impact on the Company's operations in Argentina.

Property Interests

The agreements pursuant to which Prophecy Platinum holds rights to certain of its properties, including the Lynn Lake Property and the Las Aguilas Property, provide that Prophecy Platinum must make a series of cash payments over certain time periods or make minimum exploration expenditures. If Prophecy Platinum fails to make such payments or expenditures in a timely manner, Prophecy Platinum may lose its interest in those projects.

Reliance on Key Employees

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

Conflicts of Interest

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

Dividends

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

Permits and Licenses

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

to the revocation of such licenses. In the event of revocation, the value of Prophecy Platinum's investments in such projects may decline.

Prophecy Platinum's mineral claims and licences are subject to periodic renewal and may only be renewed a limited number of times for a limited period of time. While Prophecy Platinum anticipates that renewals will be given as and when sought, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith. Prophecy Platinum's business objectives may also be impeded by the costs of holding and/or renewing the mineral claims and licenses.

History of Net Losses

Prophecy Platinum has received no revenue to date from the exploration activities on its properties, and there is no assurance that any of the properties that it will acquire pursuant to the Acquisition or otherwise will generate earnings, operate profitably or provide a return on investment in the future. Prophecy Platinum has not determined that production activity is warranted on any of its mineral properties. Even if Prophecy Platinum does undertake development and production activities on any of its mineral properties, there is no certainty that Prophecy Platinum will produce revenue, operate profitably or provide a return on investment in the future.

The exploration of Prophecy Platinum's properties depends on its ability to obtain additional required financing. There is no assurance that Prophecy Platinum will be successful in obtaining the required financing, which could cause it to postpone its exploration plans or result in the loss or substantial dilution of its interest in its properties.

While Ursa commenced producing nickel, copper and precious metals from the Shakespeare Property on May 27, 2010, it temporarily suspended such operations in January 2012. Prophecy is subject to all of the risks associated with new mining operations and business enterprises including:

- o the timing and cost, which can be considerable, for the further construction of mining and processing facilities;
- o the availability and costs of skilled labour, consultants, mining equipment and supplies;
- o the availability and cost of appropriate smelting and/or refining arrangements;
- o the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits; and
- o the availability of funds to finance construction and development activities.

It is common in new mining operations to experience unexpected problems and delays during construction, development, and mine start-up. In addition, delays in mineral production often occur. Accordingly, there are no assurances that Prophecy Platinum's activities will result in sustainable profitable mining operations or that Prophecy will successfully establish mining operations or profitably produce metals at any of its other properties.

Potential Volatility of Share Price

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many junior companies have experienced wide fluctuations

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

Currency Fluctuations

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

Uninsured Risks

The Company's business is subject to a number of risks and hazards, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in amounts that it considers reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company may also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance, results of operations and business outlook.

Dilution

The number of common shares the Company is authorized to issue is unlimited. The Company may, in its sole discretion, issue additional shares from time to time, and the interests of the shareholders may be diluted thereby.

Other Risks and Hazards

The Company's operations are subject to a number of risks and hazards including:

- o environmental hazards;
- o discharge of pollutants or hazardous chemicals;
- o industrial accidents;

- o failure of processing and mining equipment;
- o labour disputes;
- o supply problems and delays;
- o changes in regulatory environment;
- o encountering unusual or unexpected geologic formations or other geological or grade problems;
- o encountering unanticipated ground or water conditions;
- o cave-ins, pit wall failures, flooding, rock bursts and fire;
- o periodic interruptions due to inclement or hazardous weather conditions;
- o uncertainties relating to the interpretation of drill results;
- o inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- o results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration or development results will not be consistent with the Company's expectations;
- o the potential for delays in exploration or the completion of feasibility studies;
- o other acts of God or unfavourable operating conditions.

Such risks could result in damage to, or destruction of, mineral properties or processing facilities, personal injury or death, loss of key employees, environmental damage, delays in mining, monetary losses and possible legal liability. Satisfying such liabilities may be very costly and could have a material adverse effect on future cash flow, results of operations and financial condition.

ITEM 5: MINERAL PROPERTIES

The Company has interests in mineral properties located in Canada, Argentina and Uruguay. As at March 31, 2012, these properties were carried on the Company's balance sheet as assets with a book value of approximately \$56,019,080. The book value consists of acquisition costs plus cumulative expenditures on properties for which the Company has future exploration plans. The current book value is not necessarily the same as the total expenditures on each property by the Company, as part of the expenditures on some properties have been written down. The book value is also not necessarily the fair market value of the properties.

For the purposes of National Instrument 43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101"), the Wellgreen Property, the Shakespeare Property, the Lynn Lake Property and the Las Aguilas Property are the Company's material projects as at the date of this AIF. None of the Company's other mineral property interests are considered material for the purposes of NI 43-101.

5.1 Wellgreen Property

Except as otherwise stated, the information in this section is based on the Wellgreen Report. References should be made to the full text of the Wellgreen Report which is available for review on SEDAR located at www.sedar.com.

The information below is excerpted from the summary section of the Wellgreen Report. The following information contained in the Wellgreen Report is incorporated by reference into and forms an integral part of this Annual Information Form, including the text, maps, tables, figures and charts contained within the following sections of the Wellgreen Report:

4.0 Property Description and Location

5.0 Accessibility, Climate, Local Resources, Infrastructure and Physiography

6.0 History
7.0 Geological Setting and Mineralization
9.0 Exploration
10.0 Drilling
11.0 Sample Preparation, Analyses and Security
13.0 Mineral Processing and Metallurgical Testing
14.0 Mineral Resource Estimates
15.0 Mineral Reserve Estimates
16.0 Mining Methods
17.0 Recovery Methods
18.0 Infrastructure
19.0 Market Studies and Contracts
20.0 Environmental Studies, Permitting and Social or Community Impact
21.0 Capital and Operating Costs
22.0 Economic Analysis
25.0 Interpretations and Conclusions
26.0 Recommendations

Introduction

Tetra Tech Wardrop (in this section “**Tetra Tech**”) was retained by Prophecy Platinum to prepare a National Instrument 43 101 (**NI 43-101**) compliant preliminary economic assessment (“**PEA**”) for the Wellgreen Project (in this section the “**Project**”) located in Yukon, Canada. The Wellgreen Property is being investigated as a potential source of a platinum group metal (“**PGM**”)-rich, nickel- copper located approximately 317 km northwest of Whitehorse in south western Yukon (Figure 1.1). The Project will be a 32,000 t/d open pit operation with ore processed using a Mill and Float Twice (MF2) circuit.

Table 1.1 outlines general information of the Project.

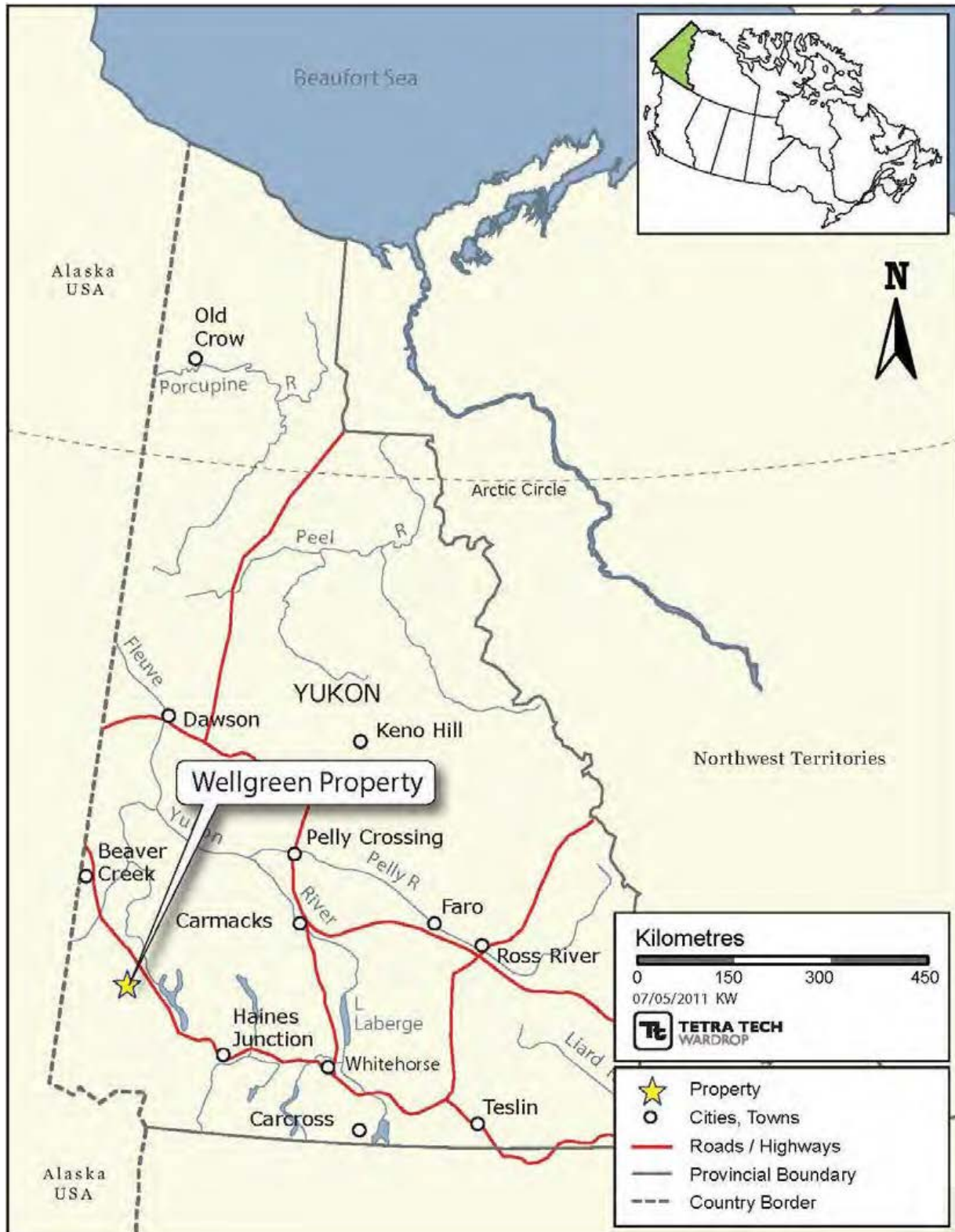
Table 1.1 General Project Information

Description	Unit	Amount
Estimated Mineral Resources (Measured + Indicated)	Mt	14.5
Estimated Mineral Resources (Inferred)	Mt	390.8
Mine Life	years	37
Milling Rate	t/d	32,000
Strip Ratio	t waste:t mineralized material	2.57:1
Total Project Capital Cost	US\$ million	863.1
Average Overall Operating Cost	US\$/t milled	29.74
Net Present Value (NPV) at 8% Discount Rate	US\$ billion	2,396
Internal Rate of Return (IRR)	%	32

All dollar figures presented in this PEA are stated in US dollars, unless otherwise specified. The London Metal Exchange (LME) three year trailing metal prices, effective date of July 6, 2012, with an exchange rate of Cdn\$1.00 to US\$0.9794 has been used, unless otherwise specified.

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Figure 1.1 Wellgreen Property Location



This PEA has been prepared by Tetra Tech for Prophecy Platinum based on work by the following independent consultants:

- o Mr. Doug Ramsey, R.P. Bio (BC), for matters relating to environmental studies, permitting and social or community impact in Sections 1.0, 20.0 and 25.0 to 27.0.
- o ALS Minerals for matters relating to history, sample preparation, analyses, and security and data verification in Sections 6.0, 11.0 and 12.0.
- o Lakefield Research Ltd. (Lakefield) laboratories for matters relating to mineral processing and metallurgical testing in Sections 1.0, 13.0, 17.0, 25.0 and 26.0.
- o SGS Vancouver (SGS) laboratories for matters relating to mineral processing and metallurgical testing in Sections 1.0, 13.0, 17.0, 25.0 and 26.0.
- o Watts, Griffis and McQuat Limited (WGM) for matters relating to history, mineral processing and metallurgical testing and mineral resource estimates in Sections 6.0 and 13.0.
- o G&T Metallurgical Services Ltd. (G&T) for matters relating to mineral processing and metallurgical testing in Sections 1.0, 13.0, 17.0, 25.0 and 26.0.
- o LME three-year trailing metal prices, effective date of July 6, 2012, for matters relating to resource model parameters, metal pricing and economic analysis, in Sections 1.0 and 22.0.
- o Ms. Michelle Pockey of Fasken Martineau DuMoulin LLP for matters relating to the Old Mill Site in Sections 4.0 and 20.0.

Property Description

The Wellgreen Property is located approximately 317 km northwest of Whitehorse in southwestern Yukon, at approximate latitude 61°28'N, longitude 139°32'W on National Topography System (NTS) map sheet 115G/05 and 115G/06.

The Wellgreen Property can be reached from the Alaska Highway by a gravel road. An all-weather airstrip located 30 km southeast of the Wellgreen Property at Burwash Landing is maintained by NAV CANADA. An all-season, deep sea port is located in Haines, Alaska, 410 km to the southeast and is accessible by a high-quality paved highway.

The climate is alpine but tempered by west coast climate influences. Despite lengthy winter seasons, the temperatures are less extreme than areas further east. The daily average temperature at the Burwash Landing station is -22°C in January and 12.8°C in July. Average annual precipitation for the Burwash Landing station is 279.7 mm, of which 192 mm is rain and 106.4 cm is snow.

History

The Wellgreen Property has an exploration and production history dating back to its discovery in 1952. Please refer to Table 6.1 in Section 6.0 of the Wellgreen Report for more information on the history of the Wellgreen Property.

Geology

The Wellgreen Property is contained within the Kluane Ultramafic Belt, which is situated within the Wrangellia Terrane, a complex and variable terrane that extends from Vancouver Island to central Alaska. The Wrangellia Terrane is characterized by widespread exposure of Triassic flood basalts and complementary intrusive rocks. The ultramafic intrusives of the Wrangellia Terrane represents one of the largest tracts of nickel-copper-platinum group element (PGE) mineralization in North America, second in size to the Proterozoic Circum-Superior Belt (Thompson to Raglan).

The Wellgreen deposit occurs along the lower margin of an Upper Triassic ultramafic-mafic intrusion. Known as the Quill Creek Complex, it is 20 km long and is thought to have intruded along the contact between the Station Creek and Hasen Creek formations. The Station Creek formation consists of light to medium green volcanic breccia, tuffs, and tuffaceous sandstones. The Hasen Creek formation consists of a range of metasediments, including greywacke, thinly-bedded siltstone turbidites and limestones, together with volcanoclastics and tuffs.

The main body of the Quill Creek Complex is 4.2 km long, up to 700 m wide, and is located on the Northern Platinum claim group of the Wellgreen Property. A smaller, similar intrusive is located along strike to the northwest and southeast. The Quill Creek Complex consists of a main intrusion and an associated group of upright to locally overturned, steeply south dipping sills. These associated sills may be remnants of the main intrusion separated from the main mass by folding and shearing. The intrusions are crudely layered, variably serpentinized, and deformed. The sills locally have a lower gabbroic margin adjacent to a chilled contact with Paleozoic rocks. Mafic-rich skarns occur in the floor rocks adjacent to the marginal facies gabbro, particularly where the metasediment host includes limestone or calcareous rocks. The intrusives are zoned upwards away from the lower gabbroic zone through zones of clinopyroxenite, peridotite, and dunite.

Mineralization within the Quill Creek Complex has delineated into four zones of gabbro-hosted massive and disseminated mineralization known respectively as the East Zone, West Zone, Central Zone, and North Zone. Mineralization is typical of gabbro-associated nickel deposits such as Noril'sk, Russia; Stillwater, Montana; Duluth, Minnesota; and Sudbury, Ontario.

Numerous operators have worked on the Project since the initial discovery in 1952. Completed work includes 183 diamond surface drill holes, underground development and 519 holes underground diamond drill holes, together with mapping, trenching and geophysics. The majority of the work focused on the East Zone, which has underground development on six levels.

Mineral Resource Estimate

This PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically, on which to apply economic considerations to categorize them as mineral reserves. There is no certainty that the estimates contained in this PEA will be realized.

The resource estimation at a 0.2% nickel equivalent (NiEq) cut-off resulted in an Indicated Resource of 14.4 Mt at grades of 0.68% nickel, 0.62% copper, and 2.23 g/t platinum+palladium+gold. An additional Inferred Resource of 446.6 Mt at grades of 0.31% nickel, 0.25% copper, and 0.87 g/t platinum+palladium+gold. Table 1.2 summarizes the results of the resource estimate from within the optimized open pit.

Table 1.2 Wellgreen Mineral Resource Summary

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

The fundamental difference between the 2011 Tetra Tech resource and the 2012 Tetra Tech resource is that the new metal pricing allowed for a greater amount of the PGE material to be included with the potential pit, resulting in the application of a lower NiEq cut-off. In addition, the application of engineering design at a PEA level supports the low mining cost per unit tonnes processed.

	Tonnes	Ni (%)	Cu (%)	Co (%)	Au (g/t)	Pt (g/t)	Pd (g/t)
2012 Tetra Tech PEA Model							
Indicated Resource @ 0.2% NiEq cut-off	14,423,900	0.68	0.62	0.05	0.51	0.99	0.73
Inferred Resources @ 0.2% NiEq cut-off	446,649,000	0.31	0.25	0.02	0.16	0.38	0.33
2011 Tetra Tech Resource Model							
Indicated Resource @ 0.4% NiEq cut-off	14,308,000	0.69	0.62	0.05	0.52	0.99	0.74
Inferred Resources @ 0.4% NiEq cut-off	289,246,000	0.38	0.35	0.03	0.23	0.53	0.42

Previous exploration has concentrated on the lower gabbroic section of the ultramafic body for semi-massive nickel sulphides. Recent exploration has concentrated on the evaluation of the Wellgreen Property's potential to host larger, but lower grade, tonnages of PGM-enriched nickel-copper mineralization for potential open pit extraction. Higher- grade pockets of semi-massive sulphides (more than 1% copper and nickel and more than 2 g/t platinum), as historically mined by Hudson Yukon Mining Company ("**Hudson Yukon Mining**"), are expected to be continually located through exploration efforts. These higher grade pockets, although not continuous, could be targeted in a potential open pit operation to accelerate the Project's pay back.

The Project database is relatively up-to-date, and includes the results of the 2011 drilling program. Coronation Minerals Inc. ("**Coronation Minerals**"), a previous owner, carried out the most recent twin-hole drilling program and this was generally successful in confirming historic results. As a result, Tetra Tech is of the opinion that using the historic drilling is appropriate for any future resource estimates, although additional analysis will be required before a definitive conclusion can be reached.

The Prophecy Platinum drilling confirmed the presence of a substantial mineralized system located in the hanging wall of the semi-massive sulphide pods previously targeted as the Wellgreen deposit, thus defining a new geological target previously untested at Wellgreen. Table 1.3 summarizes the parameters used to generate the resource block model.

Table 1.3 Resource Model Parameters

	2012 Tetra Tech Pea Model
Number of Drillholes	702 (55,000 m used)
Grade Capping	Parrish Analysis
	East Zone - 4.14% Cu, 2.05 g/t gold (Au), 5.15 g/t palladium (Pd), 5.72 g/t platinum (Pt)
	West Zone - 2.29 g/t Au
Composite Length	East Zone - 2.5 m
	West Zone - 2.5 m
Cut-off Grade	0.2% nickel equivalent (NiEq)
Number of Mineral Zones	2
Block Size	20 x 10 x 20 (4,000 m ³)
Resource Summary	All blocks above cut-off within optimized pitshell
Estimation Method	Ordinary kriging (OK) with inverse distance (ID) and nearest neighbor (NN) validation

Note: *Obtained from the EMCF of metal prices, in effect for Q2 2012. The EMCF is a long term metal consensus amongst 20 international financial institutions and represents an average of the long-term (five to ten years) forecasts in nominal 2012 dollars. The estimate of metal prices used in the geological model was assumed to best represent the project economics.

A large portion of the drill data set does not include platinum and palladium assays or rhodium), ruthenium), rhenium, iridium, or osmium, which would potentially enhance an economic evaluation of the Wellgreen Property. Specific gravity (SG) measurements are also lacking with in the data set.

Mining Methods

The Project is a 32,000 t/d open pit mine that will be mined using conventional open pit mining methods. A mine production schedule consisting of five mining stages was developed for the Project starting with the development of a starter pit, located roughly in the centre of the mineralized area. Table 1.4 summarizes key mining details.

Table 1.4 Summary of Mining Details

Description	Unit	Amount
Mine Life	years	37
Mining Rate (average)	t/d	111,500
Strip Ratio	t waste:t mineralized material	2.57:1
Milling Rate	t/d	32,000

An economic cut-off grade of 0.22% nickel was calculated for planning mine production. The total material (waste and mineralized material) produced annually at the mine will peak at 51,000,000 t/a and will average 39,000,000 t/a, with a 37-year life-of-mine (LOM) and a stripping ratio of 2.57:1.

Mineral Processing and Metallurgical Testing

Mineral Processing

The current proposal under consideration for Wellgreen includes a 32,000 t/d conventional crushing and grinding circuit comprising a jaw crusher and semi- autogenous grinding (SAG) mill combination

followed by a MF2 type process in order to produce a bulk nickel-copper concentrate for sale and treatment off site. Although developed primarily for UG2 ores (South African PGE deposit), the MF2 configuration offers certain advantages such as prevention of over-grinding and slimes generation, increased rejection of talc, chlorite and pyrrhotite and early recovery of PGM. The concept is to gradually reduce the size of the ore particles, and float the liberated material immediately after each size reduction. Secondary grinding will be by ball mills and tertiary grinding by vertimills. The process will be comprised of two trains, which are identical from crushing through to the concentrate and tailings thickeners. The concentrate will be thickened, filtered, and loaded on trucks to be transported for further processing off-site (eg. sale or toll smelting). The tailings will be thickened and pumped to the tailings management facility (TMF).

Metallurgical Testing

A review of the test work by Lakefield, G&T, and the latest test program at SGS was completed. Favourable nickel, copper, platinum, and palladium grades and recoveries were achieved with the test samples. The flotation concentrate recoveries and grades from the current test program at SGS were used for the design and are summarized in Table 15.

Table 1.5 Summary Grade and Recovery Data

Metal	Flotation Concentrate Grade	Flotation Concentrate Recovery (%)
Nickel	5.7%	67.6
Copper	6.0%	87.8
Cobalt	0.6%	64.4
Gold	0.48 g/t	58.9
Platinum	3.57 g/t	46.0
Palladium	6.22 g/t	72.9

Infrastructure

The Wellgreen open pit area is located approximately 14 km away from the Alaska Highway and is accessible by a gravel road. The process plant area is 5 km from the access road turn off and the open pit a further 9 km along the same access road.

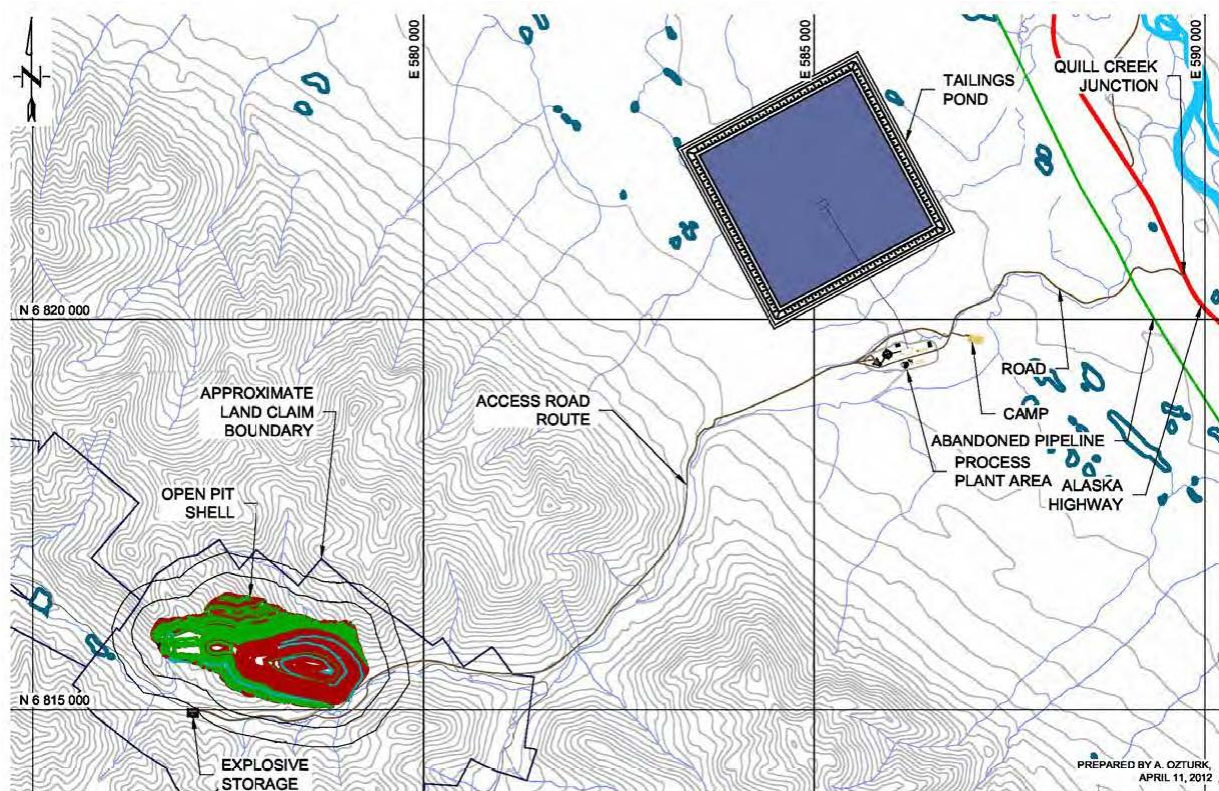
The processing plant, primary crusher, ancillary buildings, power plant and permanent camp are located within the process plant area.

A combined heat & power (CHP) plant with low speed engine generator sets (6x10 MW) operating at 13.8 kV, 60 Hz output voltage, has been considered to meet the Project's power demands. Fuel supply is assumed to be diesel which will be delivered by truck to the power plant.

The proposed tailings pond will be constructed of compacted rock fill using the downstream method with a geomembrane liner on the upstream face. The tailings impoundment footprint will be lined with a low density polyethylene liner over a layer of broadly graded silty sand and gravel, acting as low permeability bedding material and providing secondary containment.

Figure 1.2 illustrates the overall site plan for the Project.

Figure 1.2 Wellgreen Project Overall Site Plan



Environmental Studies, Permitting and Social or Community Impact

Environmental Considerations

Environmental permits and registrations that may be required for the Project are summarized in Section 20.0 of the Wellgreen Report.

Environmental assessments (EAs) in Yukon are administered by the Yukon Environmental and Socio-economic Assessment Board (YESAB), as governed by the Yukon Environmental and Socio-economic Assessment Act (YESAA). The EA process in Yukon is a single assessment process that applies throughout Yukon, to all projects, and to the federal, territorial, and First Nations governments. Quartz mining projects that are conducted anywhere other than on an Indian Reserve, are subject to an EA. The Project will be subject to an EA under the YESAA.

Social Considerations

Several First Nations are identified as having interests encompassing the Wellgreen Property and access road. The implementation of an effective community and Aboriginal engagement program is fundamental to the successful environmental permitting of mining projects. Consultations with First Nations whose land is part of the Project (or who might be significantly affected environmentally or socioeconomically), must be conducted before submitting a proposal for an EA in Yukon. This is a legal obligation on the part of the industry under the YESAA.

Capital and Operating Costs

Capital Costs

The total capital cost required for the Project, including a 25% contingency is estimated at US\$2.0 billion and is distributed based on the following costs:

- o pre-production costs – US\$0.9 billion;
- o sustaining capital for the LOM – US\$1.1 billion.

The capital costs are itemized as pre-production and sustaining as summarized in Table 1.6.

Table 1.6 Capital Cost Summary (US\$ billion)

Item	Pre-production (2012 to 2018)	Sustaining (2019 to 2060)	LOM Total (2012 to 2060)
Pre-production	0.9	0	0.9
Sustaining	0	1.1	1.1
Total	0.9	1.1	2.0

The total pre-production costs are shown in Table 1.7 and the total sustaining capital is show in Table 1.8.

Table 1.7 Pre-production Capital (US\$ million)

	2012	2013	2014	2015	2016	2017	2018	Total
Project Execution	6.2	3.3	7.1	5.5	1.2	0.0	0.0	23.3
Surface Facilities	0.0	0.0	0.0	0.0	105.7	326.8	259.1	691.6
Mine Equipment	0.0	0.0	0.0	0.0	0.0	0.0	148.2	148.2
Total Pre-production	6.2	3.3	7.1	5.5	106.9	326.8	407.3	863.1

Table 1.8 Sustaining Capital (US\$ million)

Sustaining Capital (2019 to 2054)		
	Equipment Units	Total Cost
Major Mine Equipment	119	521.3
Other Mine Equipment	260	30.0
Support Mine Equipment	57	5.3
Refurbished Power Plant		61.7
Tailings Management Facility	-	503.5
Total Sustaining	436	1,121.8

Operating Cost

The total operating cost for the Project LOM is estimated at US\$12.1 billion. A summary of the Project LOM mine costs, organized by category, is shown in Table 1.9. Units are expressed in total US dollars, a unit per tonne mined and a unit per tonne milled.

Table 1.9 LOM Operating Cost Summary

Item	Cost (US\$ million)	Cost (%)	Unit Cost US\$/t mined	Unit Cost US\$/t milled
Open Pit Mining	3,656.5.	30	2.52	9.02
Site Services	436.9	4	0.30	1.08
G&A	931.6	8	0.65	2.29
Processing	7,030.8	58	4.85	17.35
Total	12,055.8	100	8.32	29.74

The total operating cost for the Project LOM is calculated based on the following area costs:

- o The open pit mining LOM average unit cost was determined to be US\$2.52/t mined.
- o The site services LOM average unit cost was estimated to be US\$0.30/t mined.
- o The general and administrative (G&A) LOM average unit cost was estimated to be US\$0.65/t mined.
- o The mill process LOM average unit cost was estimated to be US\$4.85/t mined.

Economic Analysis

An economic evaluation of the Project was prepared by Tetra Tech based on a pre-tax financial model. The financial results and inputs for the Project are summarized in Table 1.10.

Table 1.10 Summary of Pre-tax Financial Results and Inputs

Item	Unit	Value
NPV (8%)	US\$ thousand	2,396
IRR	%	32
Payback	Years	4.88
Gross Revenue	US\$ thousand	33,240
Smelting & Refining Cost	US\$ thousand	8,310
Net Revenue	US\$ thousand	24,930
Operating Cost	US\$ thousand	12,056
Operating Margin	US\$ thousand	12,874
Capital Cost	US\$ thousand	1,985
Closure Cost	US\$ thousand	61
Pre-tax Cash Flow	US\$ thousand	10,828

The following financial results were established for the Project:

- o The Project has:

- o a pre-tax NPV of US\$2.4 billion at a discount rate of 8%;
 - o an IRR of 32%;
 - o a payback period of 4.88 years.
- o Gross metal revenue was determined from recovered metal grades and metal prices. Base case metal prices are listed in Table 1.12.
 - o Net smelter return (NSR) revenue was determined by applying a 25% cost factor against gross metal revenue to account for smelting, refining, transportation and marketing costs. The LOM net NSR revenue was determined to be US\$24.9 billion. The smelting recoveries were 90.00% nickel, 98.00% copper, 96.00% platinum, 96.00% palladium, 96.00% gold and 90.00% cobalt.
 - o Pre-tax cash flow or earnings before interest, tax, depreciation and amortization (EBITDA), determined as net revenue less operating, capital and closure costs, was determined to be US\$10.8 billion.

Metal production from the Project is presented in Table 1.11 and base case metal prices are shown in Table 1.12.

Table 1.11 Metal Production from the Wellgreen Project

Item	Unit	Value
Total Material to Mill	t	405,331,683
Average Annual Material to Mill	t	10,954,900
Mine Life	years	37
NSR		
Average LOM NSR*	US\$5/ milled	61.51
Average Grade		
Nickel	%	0.32
Copper	%	0.26
Cobalt	%	0.02
Gold	g/t	0.177
Platinum	g/t	0.411
Palladium	g/t	0.347
Total Production		
Nickel	lb	1,959,299,445
Copper	lb	2,057,705,063
Cobalt	lb	133,775,733
Gold	oz	1,355,782
Platinum	oz	2,463,685
Palladium	oz	3,299,404

Item	Unit	Value
Average Annual Production		
Nickel	lb	52,954,039
Copper	lb	55,613,650
Cobalt	lb	3,615,560
Gold	oz	36,643
Platinum	oz	66,586
Palladium	oz	89,173

Note: * NSR Revenue was determined by applying a 25% cost factor against gross metal revenue to account for smelting, refining, transportation and marketing costs.

Table 1.12 Wellgreen Project Base Case Metal Prices*

Base Case Metal Prices

Ni (US\$/lb)	Cu (US\$/lb)	Co (US\$/lb)	Au (US\$/oz)	Pt (US\$/oz)	Pd (US\$/oz)
9.48	3.56	16.23	1,377.87	1,587.97	581.28

Note: *Obtained from the LME three year trailing metal prices, in effect July 6, 2012.

Sensitivity Analysis

Sensitivity analysis was carried out on the following parameters:

- o exchange rates
- o nickel prices
- o operating costs
- o capital costs.

Sensitivity analyses are presented graphically as financial outcomes in terms of NPV and IRR.

Table 1.13 shows the corresponding sensitivity parameters and the resulting NPVs.

Table 1.13 Sensitivity Parameters and NPVs @ 8%(US\$ million)

Parameter	Foreign Exchange	Nickel Price	Operating Costs	Capital Costs
-20%	3,045	1,820	2,890	2,551
-10%	2,721	2,108	2,643	2,474
Base	2,396	2,396	2,396	2,396
+10%	2,073	2,685	2,150	2,319
+20%	1,748	2,973	1,903	2,242

Figure 1.3 illustrates that the Project NPV (at 8% discount) is most sensitive to exchange rate, and in decreasing order, nickel price, operating cost and capital cost.

Figure 1.3 Pre-tax NPV at 8% – Sensitivity Analysis

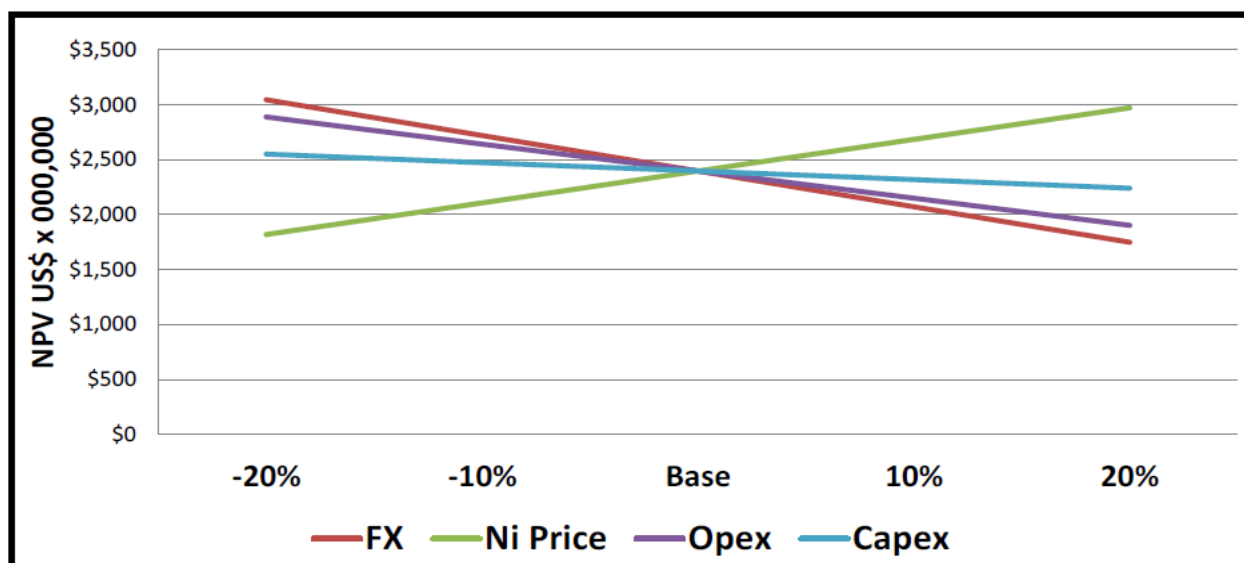


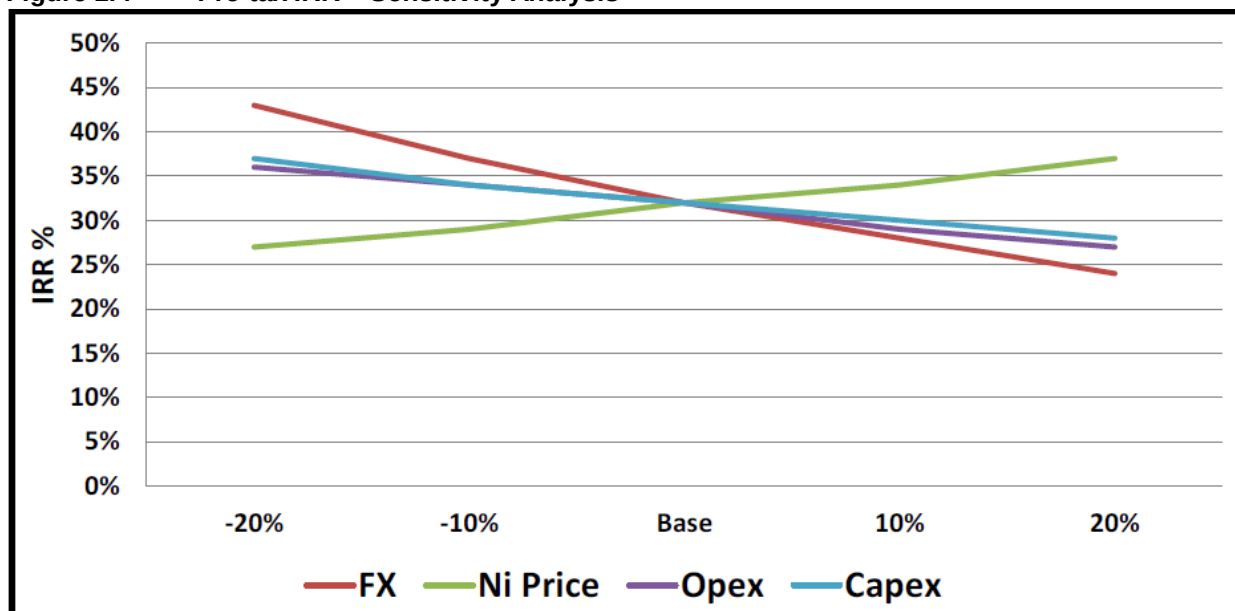
Table 1.14 shows the corresponding sensitivity parameters and the resulting IRRs.

Table 1.14 Sensitivity Parameters and IRRs (%)

Parameter	Foreign Exchange	Nickel Price	Operating Costs	Capital Costs
-20%	43	27	36	37
-10%	37	29	34	34
Base	32	32	32	32
+10%	28	34	29	30
+20%	24	37	27	28

Figure 1.4 illustrates the effect that the sensitivities have on IRR with exchange rate having the greater effect, and (in decreasing order), nickel price, operating cost and capital cost.

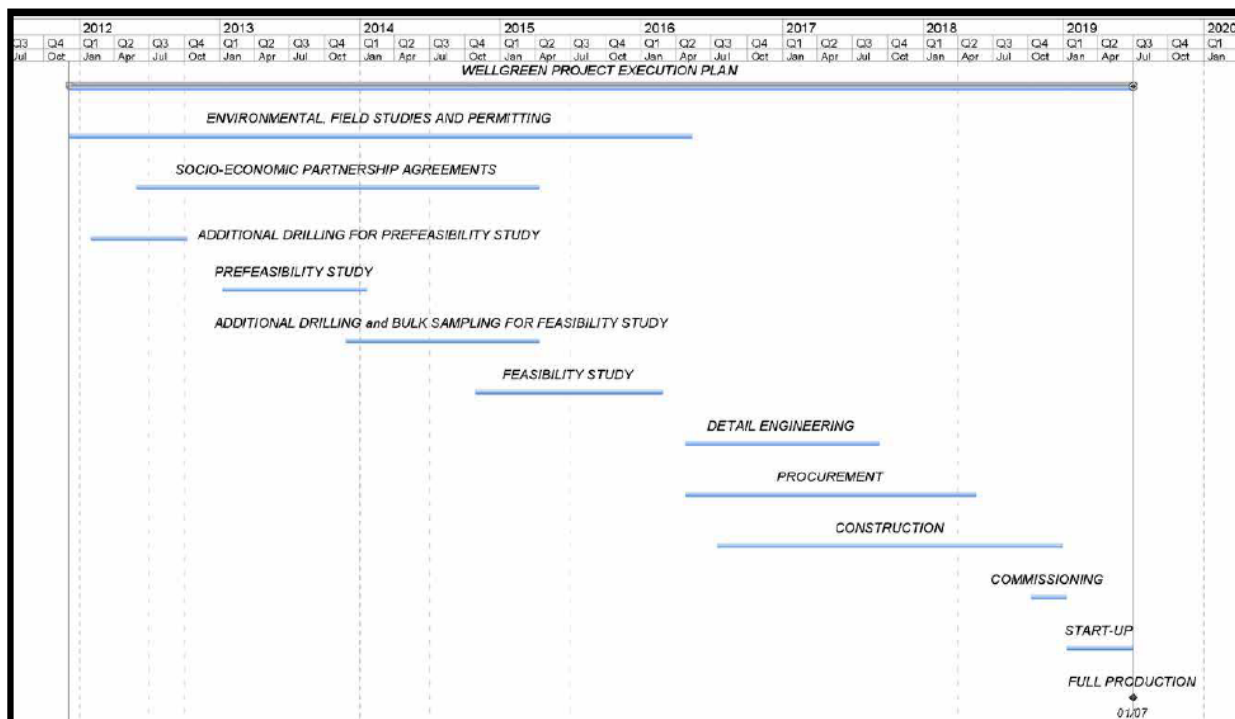
Figure 1.4 Pre-tax IRR – Sensitivity Analysis



Project Development Plan

The Project will take approximately 2.5 years of construction activities to complete. Construction permitting is expected in Q2 2016. The mine will commence operation Q3 2018. Figure 1.5 illustrates the execution plan for the Project.

Figure 1.5 Project Execution Plan



Opportunities and Recommendations

Opportunities for this project include the following:

- o The use of liquid natural gas (LNG) to supply to energy needs of the Project. The results of a preliminary trade-off study indicate that the total cost (capital and sustaining) of the LNG may be less than diesel and that the operating costs decrease from \$0.28/kWh to \$0.18/kWh. This decrease in operating costs over the lifetime of the Project would have a positive effect on the Project economics.
- o The optimization of the process. The plant has been designed for a 32,000 t/d milling operation and is based on preliminary results. Additional modifications to the process may result in better recoveries than currently being stated in this PEA.
- o The reduction of smelting charges via a split stream copper concentrate and nickel concentrate.
- o The inclusion of revenue from the recoveries of rhodium, ruthenium, iridium and osmium.
- o The optimization of the pit. This PEA is based on an assumed mining rate of 32,000 t/d mining operation. It has been observed that the resource lends itself to a higher mining rate and that this increased mining rate would have an additional positive effect on the overall economics of the Project.

Based on the work carried out in this PEA and the results of the economic evaluation, this study should be followed by phased work recommended in Section 26.0 of the Wellgreen Report. The cost for Phase I of this work is US\$8,497,000. Table 1.15 outlines the phased approach of the work for the Project. It should be noted that the work in Phase I and Phase II can be completed in series or in parallel.

Table 1.15 Costs by Phase

	Phase I (US\$)	Phase II (US\$)	Prefeasibility (US\$)
Geology	6,372,000	6,372,000	200,000
Mining	50,000	75,000	100,000
Metallurgy	400,000	400,000	400,000
Infrastructure	1,250,000	0	1,000,000
Environmental	200,000	400,000	2,000,000
Social Considerations	50,000	250,000	350,000
Subtotal	8,322,000	7,497,000	4,050,000
NI 43-101 Report	175,000	250,000	1,000,000
Total	8,497,000	7,747,000	5,050,000

Detailed recommendations are provided in Section 26.0 of the Wellgreen Report.

Environmental Liabilities

Prophecy Platinum's interest in the Wellgreen Property consists of one surface lease issued by the Government of Canada and administered by the Yukon Government plus 139 mineral claims. The lease covers a 69.754 hectare parcel of land located at approximately Mile 1111 of the Alaska Highway (the "Mine Site") on which historic exploration activities have been conducted since approximately the 1950's by various operators, and where exploration activities have been carried out by Northern since the late 1990's. The lease was held by Northern from approximately the early 1990's until October 31, 2011. Prior to the expiry of the Mine Site lease, the lease was assigned to Prophecy Platinum which applied for the Mine Site lease to be renewed. Prophecy Platinum is expecting to receive a renewal notice concerning the Mine Site lease in due course.

In addition, with the knowledge and consent of the Yukon Government, PCY also occupies a 62.56 hectare parcel of land located approximately 1 km from the Mine Site and adjacent to the Alaska Highway (the "Mill Site") in which Northern held a leasehold interest from approximately the late 1990's until October 31, 2011. The Mill Site was operated by an entity unrelated to Northern, PCY Coal or Prophecy Platinum in the early 1970's for approximately one year as a mill site and tailings impoundment (the "Mill Site"). Since approximately the late 1990's, Northern has used the Mill Site for its core shack and in order to access the Mine Site. Pursuant to the requirements of the lease for the Mill Site, Northern finalized a reclamation plan (the "Reclamation Plan") for the Mill Site which was approved by the Yukon Government in early 2010. PCY Coal took an assignment from Northern of the Mill Site lease prior to its expiry on October 31, 2011. Pursuant to the Reclamation Plan and in accordance with requirements of the lease for the Mill Site, PCY Coal is cleaning up surface debris at the Mill Site and some contaminated soils pursuant to the terms of the Mile Site lease. Such clean-up activities began in 2009 and are ongoing at a total cost of approximately CAD \$141,000 - \$192,000. The Yukon Government has taken the position that PCY Coal must carry out reclamation activities in relation to the historic tailings impoundment, the former mill infrastructure and related alleged impacts at the Mill Site (the "Historic Liabilities"). In August 2010, PCY Coal advised the Yukon Government that it is not legally responsible or liable for the Historic Liabilities. PCY Coal and the Yukon Government are in discussions concerning responsibility for the Historic Liabilities. A determination of responsibility and liability as well as an investigation of the Historic Liabilities and design of a reclamation plan would be necessary before any final determination could be made of the Historic Liabilities and accordingly same cannot reasonably be determined at this stage.

Prophecy Platinum is working with the Yukon Government toward concluding a lease agreement by which it will obtain a leasehold interest in a portion of the Mill Site, excluding the area containing the Historic Liabilities. Lease negotiations are in process. During the interim period until the finalization of a new surface lease for the Mill Site, the Yukon Government has agreed not to (a) proceed with any enforcement actions against Prophecy Platinum under the *Territorial Lands (Yukon Act)* relating to its current occupation or use of the lands in the Mill Site, (b) sell, lease or dispose of the Mill Site area without prior reasonable notice to Prophecy Platinum; (c) alter the use of the Mill Site that is being made by Prophecy Platinum without prior reasonable notice or (d) grant any other surface land use rights to persons other than Prophecy Platinum without prior reasonable notice to Prophecy Platinum.

Recent Exploration Activities

On September 6, 2011, Prophecy Platinum reported that it had prepared and shipped 150kg samples to SGS Minerals Services ("SGS") to initiate a metallurgical and mineralogy study on the Wellgreen deposit.

In October 2011 the Company completed a planned drill program that was commenced in May, 2011. A total of 2,200 meters of the projected 8,000 meters announced in May 2011 was completed during the program due to technical difficulties associated with ground conditions. On August 22, 2011, the

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

On January 3, 2012, the Company announced it would commence a 2012 drill program on its Wellgreen Property. Approximately 9,000 meters of underground drilling is planned, targeting the infill areas of the existing Wellgreen inferred resource, and potential expansion of the resource southward. To date, a total of 14 drill holes have been completed totalling 3,000 metres of a planned 9,000 metres of underground drilling throughout 2012.

Separately, the Company also signed a contract for a minimum 10,000 meters of surface drilling starting in early June 2012. The surface drilling program will focus on infill drilling to upgrade the Wellgreen Property's inferred resource, and exploration drilling to test several soil and VTEM anomalies seen at the eastern and western extensions which occur over several kilometres.

On May 10, 2012, the Company announced the results of its preliminary metallurgical tests for the Wellgreen Property, which focused on producing a bulk Ni-Cu-PGE-Au concentrate from disseminated sulphide, ultramafic mineralized rocks comprising the majority of the resource on the Wellgreen Property.

To date, a total of 41 rougher and cleaner tests, and 4 locked cycle flotation tests have been conducted and completed at SGS Laboratories in Vancouver, British Columbia. Results ("LCT-3") indicate that a bulk concentrate of 5.6% nickel, 6.0% copper, 3.5 g/t platinum, 6.3 g/t palladium and 0.5 g/t gold can be produced. These results represent recoveries of 68% nickel, 88% copper, 46% platinum, 73% palladium and 59% gold. LCT-3 results are in the following table:

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

A 150 kg composite blend of the prevalent host-mineralized rocks was crushed to a -10 mesh size and used as the sample for testing. A calculated head feed grade of 0.45% nickel, 0.35% copper, 0.42 g/t platinum, and 0.46 g/t palladium was tested. Conventional flotation conditions were used to produce a concentrate with emphasis on base metal recoveries from locked-cycle testing.

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

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

The 41 batch tests were designed to test different flowsheet and reagent combinations. Conditions for the reported test LCT-3 include Xanthate, CMC, guar gum and CuSO₄. Test conditions for LCT-4 utilized the same reagents as LCT-3 except for the exclusion of CuSO₄. LCT-3 and LCT-4 demonstrate that metals can be recovered from varied Wellgreen mineralization through substantially identical flowsheets and common reagents.

On May 25, 2012, the Company provided the results of a full spectrum 6E (Pt, Pd, Rh, Ru, Os & Ir) analysis of PGEs on the first batch of samples from Wellgreen Property as sent in September 2011. The Company enlisted Activation Laboratories (Actlabs), based out of Ancaster, Ontario to conduct a full spectrum 6E analysis of samples taken from the 2011 drill hole WS11-188. Adding Rh, Ru, Os and Ir to Pt and Pd increased the total PGE content (6E) by an average of 28%, based on a population of 90 samples, most of which are from disseminated sulphide-type mineralization.

On May 28, 2012, the Company provided the initial results of its 2012 underground drill program on the Wellgreen Property. Wide and continuous mineralizations were intercepted in all 7 drill hole results received, including higher grade intercepts of 21.3 metres of 0.90 g/t Pt+Pd+Au, 0.39% Ni, 0.25% Cu, (0.65% NiEq; WU12-524), 21.6 metres of 0.98 g/t Pt+Pd+Au, 0.35% Ni, 0.30% Cu (0.63% NiEq; WU12-527), and 15.2 metres of 1.12 g/t Pt+Pd+Au, 0.23% Ni, 0.68% Cu (0.67% NiEq; WU12-531).

On June 4, 2012, the Company provided additional results of its 2012 underground drill program on the Wellgreen Property. Wide and continuous mineralization continues to be intercepted with results from 2 drill holes, including higher grade intercepts of 10.4 metres of 0.98% Cu, 1.18 g/t Pt+Pd+Au, 0.24% Ni (2.54% CuEq; WU12-533), and 19.51 metres of 0.36% Cu, 0.89 g/t Pt+Pd+Au, 0.19% Ni (1.54% CuEq; WU12-534). These sub-intervals occur within appreciable widths of 129.2 metres and 117.0 metres respectively. Further results were announced on June 19, 2012, whereby WU12-523 intercepted significant widths of mineralization of 242.6 metres containing 0.47 g/t Pt+Pd+Au, 0.24% Ni and 0.13% Cu (0.39% NiEq), including 18.1 metres grading 1.05 g/t Pt+Pd+Au, 0.50% Ni and 0.27% Cu (0.78% NiEq), nested within 50.9 metres of 0.74 g/t Pt+Pd+Au, 0.38% Ni, and 0.23% Cu (0.60% NiEq). On July 11, 2012, the Company announced further results - WU12-528, WU12-529 and WU12-536 intercepted mineralized widths ranging from 46.8 metres (WU12-536) and up to 191.1 metres (WU12-528) with composited grades in excess of 0.4% NiEq. Highlights include WU12-529 which returned assays of 1.16 g/t Pt+Pd+Au, 0.44% Cu, 0.24% Ni over a core length of 14.2 metres.

5.2 **Lynn Lake Property**

Except as otherwise stated, the information in this section is based on the Lynn Lake Report. References should be made to the full text of the Lynn Lake Report which is available for review on SEDAR located at www.sedar.com.

The information below is excerpted from the summary section of the Lynn Lake Report. The following information contained in the Lynn Lake Report is incorporated by reference into and forms an integral part of this Annual Information Form, including the text, maps, tables, figures and charts contained within the following sections of the Lynn Lake Report:

4.0 Property Description and Location

5.0 Accessibility, Climate, Local Resources, Infrastructure and Physiography

6.0 History

7.0 Geological Setting

9.0 Mineralization

10.0 Exploration

11.0 Drilling

12.0 Sampling Method and Approach

13.0 Sample Preparation, Analyses and Security

17.0 Mineral Resource and Mineral Reserve Estimates

19.0 Requirements for Technical Reports on Production Properties

20.0 Interpretations and Conclusions

21.0 Recommendations

The Lynn Lake Property is located in the historic mining town of Lynn Lake, in northern Manitoba, about 320 km by road access, northwest of the Thompson mining camp. Pacific Coast Nickel Corp. (Pacific Coast) has entered into an option agreement with Prophecy Resources Corp. (Prophecy) on January 17th 2010, whereby Pacific Coast has the right to acquire a 100% interest in the Lynn Lake Nickel Project. The Lynn Lake Property was operated by Sherritt Gordon Mines Limited (Sherritt) from 1953 to 1976 for a total of 24 years with production of 22.2 million tons at an average grade of 1.023% nickel (Ni) and 0.535% copper (Cu). The production includes material from the EL Plug that is situated 3.8 km southeast of the A Plug shaft, with a contribution of up to 1.0 million tons grading 3.25% Ni and 1.09% Cu. The mine closed in 1976 with a historic in-situ nickel and copper resource remaining.

The Property contains eleven zones; A, B, C, D (upper and lower), E-J, F-K, G, M-N, O, P, and Disco and several areas of lower grade mineralization. The upper and lower N and O, and the G zone are the subject of this report. They were sub-economic at the time of mine closure and remain either undeveloped or partially mined.

Geology

Prophecy and Pacific Coast retained Wardrop, a Tetra Tech Company (Wardrop) to complete a resource estimate on the upper and lower N and O, and G zones. The estimate conforms to the CIM Mineral Resource and Mineral Reserve definitions referred to in National Instrument 43-101 (NI 43-101), Standards of Disclosure of Mineral Projects.

The Lynn Lake A Plug property occurs in the deformed Precambrian metavolcanic and metasedimentary rocks, which belong to the Wasekwan Group. This is overlain by a metasedimentary succession, which is known as the Sickle Group. Nickel- copper-cobalt mineralization occurs only within the basic igneous plutons in the Lynn Lake Greenstone Belt, which extends westward from Southern Indian Lake in the east, to Laurie Lake on the Manitoba-Saskatchewan border. The A Plug nickel and copper deposits occur in one of these intrusions.

The A Plug is a complex intrusion where mineralization typically occurs within structurally controlled vertical pipes of remobilized peridotite and amphibolite that is largely discordant. The mineralization is magmatic in origin and was initially segregated and concentrated in a magma chamber prior to the vertical injections into pipes or lenticular shoots. The mineralized pipes are generally associated with extensive faulting and fracturing. Faulting ranges from imperceptible to right-hand off-set of 60 to 100 m where the west side is thrust upward to the north. Fracturing is related to one or more of the west dipping thrust faults and imbricate shearing, and is more evident where the faults pass through the contact area between amphibolite and a more competent member of the intrusion.

The mined zones occur in the western half of the A Plug associated with more mafic to ultramafic rocks of gabbro, amphibolite and peridotite that are centred in three main areas of the intrusion: situated around the A Shaft area, immediately west of the Farley Shaft in the middle of the Plug; and towards the southern contact of the Plug. The mineralization is quite diverse from each individual zone with lenses of tabular nature to crudely sub-circular in extent. Mineralization consists mainly of pyrrhotite, pentlandite, chalcopyrite, and minor amounts of pyrite occurring as disseminated, stringer, semi-massive to massive sulphides and areas of cemented breccia sulphides types.

The drill hole database for the Lynn Lake Property contains 3,709 historic diamond drill holes with an aggregate length of 1,309,345 ft. The historic holes were drilled from the early years of exploration to later years of mining delineation drilling. The drill holes were selected and entered within areas of interest and from an exploration viewpoint from a total of more than 7,800 drilled on the Lynn Lake Property.

Independent Nickel has completed an additional 28,000 plus metres of exploration drilling. This has included exploration targets Golf, Hotel, N, O and Echo zones. Prophecy completed six diamond drill holes in 2010 totalling approximately 3,330 m.

Pacific Coast has not conducted any exploration work on the property at the time this report was authored.

Resource Statement

At a nickel equivalent (NiEQ) cut-off grade of 0.4% NiEQ, using a US\$7.22/lb Ni and US\$2.00/lb Cu, the N and O zones contain a Measured and Indicated Resource of about 22.9 million tons with an average grade of 0.57% Ni and 0.30% Cu. The Inferred Resource totals 8.1 million tons with an average grade of 0.51% Ni and 0.28% Cu in the N, O and G zones.

Recommendations

Wardrop recommends that Pacific Coast proceed with a small geophysical exploration program and continue with the metallurgical testing.

The total estimated cost of the work is \$180,000. The continued bioleach testing is estimated to cost \$150,000. A downhole IP survey of the drill holes completed in 2010 is estimated to cost \$30,000.

Recent Activities

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

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

5.3 Las Aguilas Property

Except as otherwise stated, the information in this section is based on the Las Aguilas Report. References should be made to the full text of the Las Aguilas Report which is available for review on SEDAR located at www.sedar.com.

The information below is excerpted from the summary section of the Las Aguilas Report. The following information contained in the Las Aguilas Report is incorporated by reference into and forms an integral part of this Annual Information Form, including the text, maps, tables, figures and charts contained within the following sections of the Las Aguilas Report:

4.0 Property Description and Location

5.0 Accessibility, Climate, Local Resources, Infrastructure and Physiography

6.0 History

7.0 Geological Setting

9.0 Mineralization

10.0 Exploration

11.0 Drilling

12.0 Sampling Method and Approach

13.0 Sample Preparation, Analyses and Security

17.0 Mineral Resource and Mineral Reserve Estimates

19.0 Interpretations and Conclusions

20.0 Recommendations

Summary

The Las Aguilas Property is located in the province of San Luis, Argentina approximately 800 km to the west of Buenos Aires. The Las Aguilas Property is accessible by paved and dirt roads from the San Luis, the Provincial Capital, approximately 35 km to the east. The Las Aguilas Property consists of 33 concessions totalling 57,597.8 ha and is located at approximately 33°07' S, and 66°08' W. The UTM coordinates are 767,800E and 6,331,400N (zone 19H, WGS-84 datum).

Pacific Coast Nickel Corp. (Pacific Coast) has the option to acquire an interest in the Las Aguilas Property by joint venture agreement from the current owner, Marifil S.A., a wholly- owned subsidiary of Marifil Mines Ltd. (Marifil).

In December 2010, Wardrop, a Tetra Tech Company, (Wardrop) was commissioned by Pacific Coast to complete a resource estimate and technical report on the Las Aguilas deposit, based on historic and current diamond drill holes on the Las Aguilas Property since 2010. This report is to comply with disclosure and reporting requirements set forth in National Instrument 43-101 (NI 43-101) Standards of Disclosure for Mineral Projects, Companion Policy 43-101CP to NI 43-101, and Form 43-101F of NI 43-101.

Geology

The Las Aguilas Property is located in the southern sector of a distinct Argentine geological (and metallogenic) province known as the “Sierras Pampeanas”, a series of mountain ranges stretching north-south for more than 1,000 km over three provinces. The Sierras Pampeanas are underlain by crystalline rocks of late Proterozoic or early Palaeozoic basement rocks intruded by later igneous granitoids (mainly Carboniferous and Devonian).

The nickel-copper-platinum group elements (Ni-Cu-PGE) mineralization at Las Aguilas is located within small, variably differentiated mafic/ultramafic bodies intruding the Pringles metamorphic complex.

The main mineralized zones are associated with a fine-grained orthopyroxenite, consisting mostly of orthopyroxene, amphibole, biotite, and variable proportions of plagioclase.

The bulk of the mineralization is composed of pyrrhotite, chalcopyrite and pentlandite in a matrix-supported texture, with some fracture-controlled massive sulphide veins. Pyrrhotite and chalcopyrite occur as disseminations, patches of net-textured accumulations, as well as mineralized fractures and veinlets found throughout the intrusion and until the western contacts with the garnet-amphibolite gneisses. However, the gneisses contain norite intercalations that are not mineralized. The sulphide content varies between 10% and 50% sulphides (15% to 20% on average). Significant PGE mineralization, particularly represented by platinum (Pt) and palladium (Pd), has been identified at Las Aguilas, as well as minor copper and gold contents.

Two mineralized intrusions separated 300 m from each other, Las Aguilas East and Las Aguilas West, have been identified on the Las Aguilas Property.

Conclusion

The resource estimate at Las Aguilas is supported by 79 diamond drillholes. The protocols and procedures used to acquire the data from the drillholes meet industry standards and support the resource estimate.

The Las Aguilas Mineral Resource was developed on two parallel nickel sulphide- bearing zones. At a nickel equivalent (NiEq) cut-off grade of 0.4%, the zones collectively contain an Indicated Resource of about 3.3 million tonnes with an average grade of 0.41% Ni and 0.42% Cu. An additional Inferred Resource of about 1.3 million tonnes with an average grade of 0.41% Ni and 0.38% Cu exists. Table 1.1 summarizes the resource estimate at a 0.4% NiEq.

Table 1.1 Las Aguilas Resource Estimate Summary

Total Class	NiEq% Cut-off	Tonnes	Ni%	Cu %	Co%	Au (ppm)	Ag (ppm)	Pt (ppm)	Pd (ppm)	NiEq %
IND	East	1,036,800	0.52	0.35	0.03	0.09	0.53	0.19	0.19	0.77
	West	2,227,000	0.36	0.45	0.03	0.03	0.29	0.15	0.19	0.62
	Total	3,263,800	0.41	0.42	0.03	0.05	0.37	0.16	0.19	0.67
INF	East	650,000	0.48	0.33	0.03	0.03	0.31	0.05	0.04	0.65
	West	689,000	0.35	0.43	0.03	0.01	0.01	0.01	0.01	0.53
	Total	1,339,000	0.41	0.38	0.03	0.02	0.16	0.03	0.03	0.59

Recommendations

It is the author's opinion that additional exploration expenditures are warranted. Two separate exploration programs, Phase 1 and Phase 2, are proposed. The initiation of Phase 2 should be dependent on the results of Phase 1.

Phase 1: Las Aguilas Expansion

Phase 1 is designed to expand the current resource at Las Aguilas by testing the strike extension of the deposit. This will entail a geophysical and diamond drilling program.

An Induced Polarization (IP) survey should be conducted to identify chargeability anomalies that may be associated with the disseminated sulphides. The survey should be conducted along the strike extension of the West Zone, as well as in areas to the north of the East Zone.

The drilling campaign should be designed to target the potential strike extensions of Las Aguilas particularly along strike of the West Zone. Drillhole spacing should continue at approximately 100 to 150 m along strike for the West Zone in order to support an Inferred Resource.

A downhole IP survey should be conducted in order to test for off-hole anomalies. Electromagnetic surveys are not recommended as such systems do not function well in a disseminated sulphide environment.

The estimated cost for Phase 1 is \$750,000.

Phase 2: Las Aguilas Delineation

Phase 2 is designed to delineate the resource at Las Aguilas by infilling of the deposit. This will entail a diamond drilling program.

The drilling campaign should be designed to target the core areas of the Las Aguilas deposit. Drillhole spacing should be at approximately 30 to 50 m along section and 25 to 50 m vertically on section in order to improve the resource classification.

The estimated cost for Phase 2 is \$1.25 million.

5.4 Shakespeare Property

Except as otherwise stated, the information in this section is based on the Shakespeare Report. References should be made to the full text of the Las Shakespeare Report which is available for review on SEDAR located at www.sedar.com under the profile of Ursa.

The information below is excerpted from the summary section of the Shakespeare Report. The following information contained in the Shakespeare Report is incorporated by reference into and forms an integral part of this Annual Information Form, including the text, maps, tables, figures and charts contained within the following sections of the Shakespeare Report:

4.0 Property Description and Location

5.0 Accessibility, Climate, Local Resources, Infrastructure and Physiography

6.0 History

7.0 Geological Setting

8.0 Deposit Types

9.0 Mineralization

10.0 Exploration

11.0 Drilling

12.0 Sampling Method and Approach

13.0 Sample Preparation, Analyses and Security

14.0 Data Verification

16.0 Mineral Processing and Mineral Reserve Estimates

17.0 Mineral Resource and Mineral Reserve Estimates

18.00 Other Relevant Data and Information

Introduction and Terms of Reference

Micon was retained by Ursa, to prepare an Addendum to the Shakespeare Report, originally completed by Micon and published in January, 2006, concerning the Shakespeare Property. The Shakespeare deposit comprises nickel-copper mineralization with associated cobalt, platinum, palladium and gold. The 2006 feasibility study demonstrated that the deposit has potential for development as an open pit mining operation. This addendum, prepared approximately two years after the feasibility study, updates that study to take account of changes in metal price outlook, the decision to market separate nickel and copper concentrates, the finalization of treatment and refining (“**TC/RC**”) terms with Xstrata, as successor to Falconbridge Limited (“**Falconbridge**”), and escalation in capital and operating cost estimates that have occurred in the interim. Discussion concerning the additional information gained through the extraction and processing of a 50,000-t bulk sample from the Shakespeare mineral reserve during 2007 has also been added.

The Shakespeare Property is located just north of Agnew Lake, near the village of Webbwood, Ontario. Webbwood lies just west of Espanola on Highway 17, and approximately one hour by road from Sudbury. .

The climate in the area is characterized by moderately long, cold winters and shorter, warm summers and is typical of continental conditions.

The project, which was initially a joint venture between Ursa and Xstrata, is now 100% owned by URSA Major, subject to a royalty to Xstrata. The joint venture agreement, dated June 16, 2000 and originally between Ursa and Falconbridge, gave Ursa the right to acquire up to a 75% interest in the Shakespeare Property. Ursa has a further beneficial ownership resulting from its expenditure. Falconbridge chose not to participate in the feasibility study and its interest in the joint venture was diluted. As of January, 2006, Ursa's beneficial interest increased to 86%. As a result of expenditures incurred during the bulk sample program in the third quarter of 2007, Ursa reported that its interest exceeded 90% and that it owns 100% of the property, and the interest of Xstrata has reverted to a 1.5% net smelter return (NSR) royalty.

The 28 leased and patented claims which make up the core of the Shakespeare project are thus 100% legally owned by Ursa.

Geology and Mineral Resources

The project area is located along the southern margin of the Superior Province of the Canadian Shield. The Shakespeare deposit is hosted within a north-dipping differentiated gabbroic sill, approximately 80 m thick, situated along the north contact of a Nipissing Suite mafic intrusive with quartzites of the Mississagi Formation.

The bulk of the mineralization occurs as a broad conformable zone of magmatic sulphides located approximately 30 m to 80 m below the upper contact of the intrusion with the quartzites. The style of magmatic sulphides in the mineralized zone progresses downward from sporadically disseminated, to scattered multi-centimetre sized blebby composite to locally net-textured pyrrhotite-chalcopyrite-pentlandite grains, to more evenly distributed, heavily disseminated magmatic sulphides. The overall dip of the deposit is steeply northwards.

The zone of nickel, copper, cobalt and platinum group metal-bearing sulphide mineralization plunges 30° to the northeast. It remains open along strike and at depth, and the potential exists for an economically viable zone of underground mineable mineralization.

Exploration

Five separate diamond drill programs had been completed on the Shakespeare Property by Falconbridge over the period between 1942 and 1986. These programs amount to 47 holes totalling 6,655 m.

Work by Ursa since 2000 has involved digital compilation, geological mapping, sampling, geophysics and diamond drilling. Drilling at the Shakespeare Property that has been completed by URSA Major is summarized in Table I.

TABLE I
URSA MAJOR DIAMOND DRILL HOLES

Year	Number of Holes	Metreage
2002	9	4,904.90
Winter 2003	18	3,263.00
2003/2004	28	5,950.33
Summer 2004	10	3,648.90
2005	19	2,443.10
Total	84	20,210.23

The results of the diamond drilling programs carried out by Ursa were positive and encouraging. Most of the drill holes intersected a wide interval of sulphide mineralization and collectively defined a single layer of nickel-copper-gold-platinum group metal-bearing sulphide mineralization divided into two adjacent zones known as East and West. Typical widths are approximately 40 m and grades for nickel, copper and precious metals in the East Zone are generally higher than the average grade of the original Shakespeare, or West, deposit discovered by Falconbridge.

Drill core logging, sampling and sample preparation throughout the URSA Major exploration program have been carried out within normal industry standards, with periodic independent review. Similarly, independent review of the assaying, data verification, quality assurance and quality control procedures such as the use of blanks, standard and duplicate samples, have been fully described and documented.

Mineral Resource Estimation

A Gemcom database was constructed, the data validated and all identified errors corrected. The data in the assay table included values for nickel, copper, cobalt, gold, platinum and palladium.

A geological domain model was constructed to control grade interpolation. Domain boundaries were determined by lithology, mineralization style and grade boundary interpretation from visual inspection of drill hole sections, taking account of faults interpreted from stratigraphic offsets and logged fault gouge in drill-holes. The geological domains were extrapolated 25 m in either direction from the end of drilling. The gap between the East and West Zones has received relatively little drilling and was not modelled. As a result, a two-part geological domain model, with an aggregate length of approximately 1,435 m in total, has been generated.

Four separate domains, called “Disseminated” (West and East) and “Blebbly” (West and East) were established to represent the two styles of sulphide mineralization in the two deposits after a statistical analysis of all assays from the entire mineralized body indicated separate populations of data. The polylines from each section and domain were wireframed into 3-dimensional solids using Gemcom. The resulting domain solids were used for grade interpolation purposes.

Grade capping was utilized where appropriate to ensure that erratic high values did not bias the grade estimation. Grade capping values used are set out in Table II.

Semivariograms were created and analyzed for the nickel, copper, cobalt, gold, platinum and palladium data from the constrained assay composite extraction files for both Blebbly and Disseminated domains.

TABLE II
GRADE CAPPING VALUES

Element	East Blebby Domain	East Disseminated Domain	West Blebby Domain	West Disseminated Domain
Nickel	1.10%	1.05%	No capping	No capping
Copper	No capping	1.40%	No capping	0.92%
Cobalt	0.11%	0.107%	No capping	0.10%
Gold	0.420 g/t	0.861 g/t	0.355 g/t	No capping
Platinum	0.725 g/t	No capping	No capping	0.758 g/t
Palladium	0.943 g/t	1.000 g/t	No capping	0.799 g/t

The specific gravities used for the mineral resource estimate were obtained from measurements on a total of 257 samples, representing all lithologies, which were subjected to wet/dry bulk specific gravity determination tests.

A block model framework was created with 380 columns (X), 200 rows (Y) and 120 levels (Z), for a total of 9,120,000 blocks, each measuring 5 m x 5 m x 5 m. Inverse distance squared (ID2) interpolation was used for the West Blebby domain while Ordinary Kriging (OK) interpolation was used for the East Blebby and both East and West Disseminated domains. Two interpolation passes were used to determine the Indicated and Inferred classifications and to interpolate nickel, copper, cobalt, gold, platinum and palladium grades into each block.

Resources

Under the CIM definitions, a mineral resource must be potentially economic in that it must be “in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction”. The bulk of the resource is expected to be amenable to open pit mining although the deeper part of the resource may be mined by underground methods. The resource may therefore be divided between these two mining methods, and different criteria must therefore be applied in assessing the prospects of economic extraction. Micon has used an internal open pit NSR cut-off equal to Cdn\$24.23/t within a Whittle-optimized pit shell for the reporting of the mineral resources in the Shakespeare West and East Zones. Mineralization outside the pit limit was evaluated at a Cdn\$50.00/t cut-off to determine the underground potentially mineable portion of the mineral resource.

Mineral resources were classified as indicated or inferred based on search ellipse distances required for interpolation of grade into a block and the ranges from the nickel variograms.

The resources within and beneath the optimized pit shell are shown in Table IIIa and IIIb, respectively. The mineral resources presented are current as of September 18, 2005. The mineral resource estimate has not been formally updated. Although data collected specifically for the purpose of detailed analysis of the area of the bulk sample was incorporated into the model the global resource estimate was essentially unchanged.

Mining and Mineral Reserves

Mining will be carried out with standard open pit methods. Drilling will be performed on all ore and waste by conventional in-the-hole hammer rigs with single pass drilling capability. Blasting operations will use an emulsion-ANFO blend and a downhole delay initiation system. A hydraulic shovel and a front-end-loader will be used to load haulage trucks of 91-t capacity.

TABLE IIIA
MINERAL RESOURCES WITHIN OPTIMIZED PIT SHELL ABOVE CDN\$24.23/T NSR CUT-OFF

Category	Tonnes	Ni (%)	Cu (%)	Co (%)	Au (g/t)	Pt (g/t)	Pd (g/t)	NSR Cdn\$/t
Indicated								
East	9,460,000	0.37	0.38	0.02	0.204	0.357	0.393	61.25
West	2,970,000	0.29	0.33	0.02	0.181	0.333	0.361	50.90
Total	12,430,000	0.35	0.37	0.02	0.199	0.351	0.386	58.78
Inferred								
East	220,000	0.32	0.24	0.02	0.127	0.225	0.208	48.95
West	30,000	0.32	0.38	0.02	0.171	0.307	0.340	54.56
Total	250,000	0.32	0.26	0.02	0.132	0.234	0.222	49.54

TABLE IIIB
MINERAL RESOURCES BENEATH OPTIMIZED PIT SHELL ABOVE CDN\$50.00/T NSR CUT-OFF

Category	Tonnes	Ni (%)	Cu (%)	Co (%)	Au (g/t)	Pt (g/t)	Pd (g/t)	NSR Cdn\$/t
Indicated								
East	1,763,000	0.37	0.41	0.03	0.219	0.363	0.388	62.68
West	69,000	0.35	0.43	0.02	0.176	0.327	0.361	60.17
Total	1,832,000	0.37	0.41	0.03	0.218	0.361	0.387	62.59

Category	Tonnes	Ni (%)	Cu (%)	Co (%)	Au (g/t)	Pt (g/t)	Pd (g/t)	NSR Cdn\$/t
Inferred								
East	716,000	0.38	0.39	0.03	0.181	0.317	0.334	62.12
West	20,000	0.31	0.35	0.02	0.157	0.283	0.317	52.21
Total	736,000	0.37	0.39	0.03	0.180	0.316	0.333	61.85

The pits will be developed using double-benching with 8.5 m catch berms and a 75° bench face angle. This results in an inter-ramp slope of 55°. Pre-split blasting techniques will be required for the final 20-m high bench faces.

Open Pit Optimization

The Shakespeare deposit is amenable to development as an open pit mine. To determine the economic limits of open pit mining, optimized open pit shells were developed using Whittle 4X pit optimization software.

For a polymetallic deposit such as Shakespeare, the NSR value of the resource is used to determine the net value of each mining block, and may be used in the same way as grades in a single-metal deposit in determining economic cut-off grades.

The NSR for each block model was calculated utilizing a number of parameters on the basis of the anticipated concentrate recovery, smelter payables and applicable refining charges, for a nickel concentrate and a separate copper concentrate. The parameters for each are shown in Table IV.

TABLE IV
PARAMETERS FOR CALCULATION OF NSR FOR PIT OPTIMIZATION
NI CONCENTRATE

Metal	Unit	Metal Prices US\$ per unit	Concentrate Recovery (%)
Nickel	lb	8.00	70.3
Copper	lb	1.90	7.3
Cobalt	lb	20.00	62.5
Gold	oz	538	20.0
Platinum	oz	968	42.9
Palladium	oz	343	26.4

Metal	Unit	Metal Prices US\$ per unit	Concentrate Recovery (%)
Nickel	lb	8.00	7.4
Copper	lb	1.90	87.2
Cobalt	lb	20.00	8.7
Gold	oz	538	13.8
Platinum	oz	968	20.3
Palladium	oz	343	12.6

Concentration ratios and smelter terms, based on payable metal and refining charges provided by URSA Major, were:

Concentration ratios: Ni Concentrate – 23.6:1 and Cu Concentrate – 45:1.

Smelter treatment charges: Ni Concentrate Cdn\$249/t or Cdn\$11.37/t of ore milled.

Cu Concentrate Cdn\$182/t or Cdn\$4.36/t of ore milled.

A currency exchange rate of US\$0.865:Cdn \$1.00 was used in all pit optimizations.

A total of 89 nested pit shells were generated over an NSR value range of 10% to 110% of the value determined using the parameters set out above. Maximum operating revenue was obtained from shell number 70 using a factor around 80% applied to the NSR.

Mineral Reserves

The mineral reserves are determined by applying the NSR internal cut-off value of Cdn\$12.84/t to the mineral resource contained within the final pit design, after adjusting for mining losses and dilution.

All of the material designated as ore in the pit design was derived from Indicated Resources. That material, having been demonstrated to be economic in this feasibility study, is thus classified as a Probable Mineral Reserve using the CIM definitions. The Mineral Reserve Statement for the Shakespeare project is shown in Table V below.

TABLE V
MINERAL RESERVE STATEMENT

Classification	Tonnes	Ni	Cu	Co	Au	Pt	Pd
Probable Mineral Reserve	11,828,000	0.33	0.35	0.02	0.18	0.33	0.36

The mineral reserve estimate presented in the table above is current as of June 30, 2007.

Production Schedule

Ore will be mined at a rate of 4,500 t/d for approximately seven years (see Table VI). The average stripping ratio for the project is 5.4 t of waste per tonne of ore. However, 10 million t have been scheduled for pre-stripping and the ratio is 6.1:1 during the period Year 1 to Year 5. Subsequently, the ratio will fall, when operations will be recovering ore from the deepest benches of the East Pit.

The West Pit will be mined out by early Year 5, after which it will be used to store potentially acid generating mine rock.

TABLE VI
OPEN PIT PRODUCTION SCHEDULE

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	LOM
	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Production										
Waste mined (thou. t)	10,000	10,037	10,037	10,037	10,037	10,037	3,650	456	42	64,336
Ore mined (thou. t)	-	1,643	1,643	1,643	1,643	1,643	1,643	1,643	327	11,824
Waste:ore ratio	-	6.1	6.1	6.1	6.1	6.1	2.2	0.3	0.1	5.4
Total Mined (thou. t)	10,000	11,680	11,680	11,680	11,680	11,680	5,293	2,099	369	76,166
Ore Grade										
Nickel (%)	-	0.357	0.384	0.340	0.278	0.267	0.332	0.345	0.345	0.329
Copper (%)	-	0.339	0.396	0.380	0.313	0.288	0.354	0.373	0.397	0.350
Cobalt (%)	-	0.024	0.024	0.023	0.020	0.020	0.023	0.023	0.023	0.022
Platinum (g/t)	-	0.330	0.368	0.365	0.300	0.261	0.328	0.343	0.341	0.328
Palladium (g/t)	-	0.366	0.421	0.412	0.325	0.282	0.355	0.377	0.373	0.363
Gold (g/t)	-	0.176	0.202	0.198	0.163	0.144	0.190	0.208	0.214	0.184

Open Pit Mining Operations

Open pit operations will be carried out on two 12-hour shifts, seven days per week for 50 working weeks per year. Most employees will work on a rotation schedule of seven days on, seven days off. All equipment will be diesel powered. It is planned to lease much of the primary earthmoving equipment, with ancillary equipment being purchased outright. Lease terms are assumed to include a 10% cash deposit and 10% rate of interest. A five-year lease period with zero residual has been allowed for in the cash flow. On completion of the lease, the project assumes ownership of the equipment. It is assumed that individual pieces of equipment which become redundant through age or reductions in required fleet capacity, will then be disposed of to realise their residual value.

Grade control will be overseen by the mine geologists. Cuttings from blastholes in or near ore will be sampled for grade control purposes. The results of these samples will be used to determine which portion of the mineralization is above the internal NSR cut-off value of Cdn\$12.84/t. Ore blasting limits will be set accordingly.

Metallurgy and Process

Four phases of metallurgical testing have been conducted by SGS Lakefield (SGS) during the development of the Shakespeare project. Work started in 2003 and results from the 2005 program were

used for process design based on the concept of an on-site milling facility producing a single nickel-copper concentrate. Additional work in 2007 was conducted to investigate production of separate nickel and copper concentrates, culminating in mining of a large bulk sample which was successfully milled at the Strathcona concentrator of Xstrata.

A thorough testing program was conducted in 2004, with composite samples, in order to investigate the production of separate nickel and copper concentrates using a flowsheet similar to the Strathcona mill flowsheet. The primary objective was to determine if the Shakespeare ore could be processed effectively at the Strathcona mill, either as a blend or alone. Results were encouraging although the recovery levels for nickel and copper were below expectations, partly as a result of the small scale of the testing. The work did show that the separate concentrates could be produced and set recovery levels.

The following 2005 metallurgical test program was aimed at optimizing the recoveries of nickel, copper and platinum group metals. Work focused on production of a single nickel-copper concentrate with a target combined copper and nickel content of between 15 and 20% which was believed, at the time, to be a saleable product to Sudbury-area smelters. This program simplified the flowsheet examined in 2004 and did, in fact, improve upon the overall recoveries of nickel, copper and platinum group metals attained in 2004. It culminated in locked cycle testing which provided the results shown in Table VII. An optimum grind size of 85 microns was identified. Processing design work to support a feasibility study design was also completed, including variability testing, grindability work, mineralogical investigations and tailings characterization studies. Processing design and operating cost estimates for the feasibility study were based on these results.

TABLE VII
COMBINED CONCENTRATE RECOVERY ESTIMATES

Element	Feed Grade (% or g/t)	Product 15% (Cu+Ni)		Product 18% (Cu+Ni)		Product 20% (Cu+Ni)	
		Recovery (%)	Grade (% or g/t)	Recovery (%)	Grade (% or g/t)	Recovery (%)	Grade (% or g/t)
Copper	0.42	96.1	8.7	95.9	10.6	95.6	11.9
Nickel	0.37	79.8	6.3	76.4	7.4	73.5	8.1
Platinum	0.34	81.0	5.9	74.8	6.7	69.5	7.0
Palladium	0.41	49.0	4.3	42.4	4.6	36.2	4.4
Gold	0.21	43.8	2.0	38.4	2.1	33.4	2.1

Following the feasibility study, additional testing was conducted to re-examine flotation performance after a coarser grind and with separate concentrate production. In early-2007, tests indicated that a grind of up to 160 microns (similar to that used at the Strathcona operation) provided acceptable recoveries and locked cycle testing proved the success of producing separate nickel and copper concentrates of marketable grade. In mid-2007, a bulk sample comprising 50,000 t at an average grade of 0.40% nickel and 0.46% copper was mined from a trial pit on the Shakespeare deposit and hauled by road to Xstrata's Strathcona concentrator facility. During a 9-day run, 45,487 t were batch processed through the unmodified mill circuit using standard grinding and reagent conditions. Some interruptions and the short duration of the test prevented any optimization of the process. Consequently, the separation of nickel and copper was less than optimum. However, metal recoveries at the coarse grind, particularly for the platinum group metals, were excellent and acceptable concentrates for smelting were produced. Following this test, the remaining approximately 5,000 t were processed in the mill as a blend with Xstrata ores. The aggregate results from the batch processing are presented in Table VIII.

TABLE VIII
STRATHCONA MILL BATCH TEST RESULTS

	Mill Feed	Nickel Concentrate	Copper Concentrate
Dry metric t	45,487	1,730	483
Assays			
Ni (%)	0.396	7.179	2.703
Cu (%)	0.459	2.945	28.157
Co (%)	0.026	0.365	0.137
Au (ppm)	0.186	1.919	4.094
Ag (ppm)	2.675	30.201	74.231
Pd (ppm)	0.378	5.117	5.228
Pt (ppm)	0.483	4.449	5.134
Distribution			
Ni (%)	100.00	68.96	7.24
Cu (%)	100.00	24.38	65.04
Co (%)	100.00	54.33	5.70
Au (ppm)	100.00	39.22	23.34
Ag (ppm)	100.00	42.95	29.45
Pd (ppm)	100.00	51.46	14.66
Pt (ppm)	100.00	35.01	11.27

The 2007 laboratory testing and the Strathcona batch test provided results leading to a modification of the Shakespeare process design that was intended to optimize the two-concentrate process.

Process Description

The broken ore from the open pit is hauled by mine trucks to the primary crusher located about 1,700 m from the middle point of the West and East pits. The trucks dump the ore into a 150-t hopper from which an apron feeder is used to feed the 36-in by 48-in (0.91 by 1.22 m) jaw crusher. The equipment is enclosed and a rock breaker is provided at the feed grizzly.

The ore is crushed to minus 150 mm and transported on a short transverse conveyor belt to a 0.91-m wide stacking conveyor, which discharges onto a 4,500-t capacity stockpile.

Two reciprocating feeders located in a tunnel at the base of the stockpile are used to reclaim the crushed ore from the stockpile. The ore is then conveyed to feed the SAG mill located in the main mill building. The grinding circuit comprises a 24 ft (7.31 m) diameter by 10 ft (3.05 m) long SAG mill with a 3,000 kW motor, and a 15.5 ft (4.72 m) diameter by 21 ft (6.60 m) long ball mill with a 2,200 kW motor. The product from the SAG mill discharges onto a vibrating screen from where material larger than 15 mm is conveyed to a 5½-ft (1.68-m) diameter short head cone crusher. The product from the crusher is recycled to the SAG mill. The undersize product from the vibrating screen is pumped to cyclones which are in closed circuit with the ball mill. The target grind size is 80% passing 85 microns for flotation.

The flotation circuit comprises two conditioners, a primary rougher stage (two 50-m³ tank cells), a secondary rougher stage (six 50-m³ tank cells), four nickel-copper cleaner stages, copper cleaning column cell and a regrind circuit with two stages of flotation. The cleaner circuits comprise four stages with sets of 5-m³ and 1.5-m³ conventional cells. The final nickel-copper concentrate is conditioned with reagents to effect separation and refloated in the 1,200-mm column cell to produce the final copper

concentrate and the nickel concentrate as the reject. The concentrate slurries are delivered to two 4,000-mm diameter thickeners for dewatering prior to filtration.

The secondary rougher concentrate, which contains a high proportion of pyrrhotite and platinum group metals, is fed to the regrind mill circuit. The discharge from the 6.5-ft (1.98-m) high by 10-ft (3.05-m) long regrind mill, with a 150-kW motor, is cycloned to produce a (80% passing) 40 micron product which is cleaned in two stages by three 20-m³ tank cells and two 5-m³ conventional cells. The cleaned regrind product joins the nickel-copper cleaning circuit and the reject, high in sulphides, is pumped to tailings as a separate stream.

The overflow from the concentrate thickeners is pumped to the process water tank while the underflows are pumped to individual stock tanks. The thickened concentrates are pumped at a controlled rate from the stock tanks to feed the 35-m² pressure filter. This is equipped with a reversing discharge conveyor such that the two concentrates may be filtered in alternating campaigns of approximately eight hours per day and discharged to separate stockpiles. Concentrate moisture content after filtering will be approximately 7%. Concentrates will be loaded periodically to a truck for transport to the smelters.

The high-sulphide tailings slurry is pumped to a lined disposal area situated within the tailings and effluent treatment catchment area.

The non-sulphide tailings slurry from the secondary rougher flotation is pumped to a high-compression tailings thickener where flocculant is added to aid settling. The thickener overflow stream is pumped to the settling pond while the underflow, containing 75% solids by weight, is pumped to the tailings co-disposal area, where it is mixed with mine rock from the open pit mine. Seepage from the co-disposal area is directed to the settling pond. The overflow from the settling pond gravitates to the recirculation pond where lime is added for pH adjustment. The overflow from the recirculation pond is directed to the polishing pond where it is either reclaimed to the process water tank at the plant site or discharged to the environment.

Process Plant and Site

The main criteria considered during the site layout development for the process plant and surface infrastructure were:

- o The minimum haulage distance from the pit to the crusher and to the mine rock storage.
- o Minimal site visibility for cottagers on the edge of Agnew Lake.
- o Minimal noise emissions from the plant site.

The process plant and mine buildings are located on an area to the northeast of the open pits, at a distance averaging 1,700 m from the mid-point between the West and East pits. The total site area to be cleaned and levelled for construction is approximately 40 – 45 ha. The surface site plan has been designed to have a minimum footprint. Facilities comprise:

- o A main mill/concentrator building with an adjacent building housing mechanical and electrical maintenance workshops below second floor offices, conference room, lunchroom and washrooms.
- o Pre-fabricated trailers for the office complex, changehouse and laboratory.

- o Mobile equipment maintenance shops and warehouse in a combined structure,
- o The main electrical substation located adjacent to the mill building.

Sewage generated at the mine site will be collected in septic holding tanks and treated in the septic tank and filtration bed system. All non-toxic garbage from the operation would be disposed of using a waste disposal contractor removing materials to an appropriate disposal site. A plant site run-off collection pond is provided to ensure that all contaminated surface water will be collected and pumped to the tailings area for treatment.

Process plant production schedule

Table IX presents the process plant production schedule.

TABLE IX
PROCESS PLANT PRODUCTION SCHEDULE

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	LOM
Production		2010	2011	2012	2013	2014	2015	2016	2017	Total
Ore milled	thou. t	1,643	1,643	1,643	1,643	1,643	1,643	1,643	327	11,824
Ore grade										
Nickel	%	0.357	0.384	0.340	0.278	0.267	0.332	0.345	0.345	0.329
Copper	%	0.339	0.396	0.380	0.313	0.288	0.354	0.373	0.397	0.350
Cobalt	%	0.024	0.024	0.023	0.020	0.020	0.023	0.023	0.023	0.022
Platinum	g/t	0.330	0.368	0.365	0.300	0.261	0.328	0.343	0.341	0.328
Palladium	g/t	0.366	0.421	0.412	0.325	0.282	0.355	0.377	0.373	0.363
Gold	g/t	0.176	0.202	0.198	0.163	0.144	0.190	0.208	0.214	0.184
Nickel concentrate	thou. dmt	36.92	40.99	36.27	29.64	28.49	35.45	36.79	7.33	251.89
Recovery to nickel conc.										
Nickel	%	63.0	65.0	65.0	65.0	65.0	65.0	65.0	65.0	64.7
Copper	%	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Cobalt	%	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0
Platinum	%	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Palladium	%	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0
Gold	%	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	LOM
Production		2010	2011	2012	2013	2014	2015	2016	2017	Total
Recovered metal										
Nickel	thou. lb	8,140	9,037	7,995	6,534	6,282	7,816	8,112	1,616	55,532
Copper	thou. lb	1,717	2,009	1,926	1,586	1,462	1,796	1,891	401	12,789
Cobalt	thou. lb	475	488	453	401	392	453	463	91	3,215
Platinum	thou. oz	8.70	9.73	9.63	7.93	6.90	8.67	9.06	1.79	62.41
Palladium	thou. oz	5.99	6.90	6.74	5.31	4.62	5.80	6.18	1.21	42.76
Gold	thou. oz	3.25	3.74	3.66	3.01	2.67	3.52	3.84	0.79	24.46
Concentrate grade										
Nickel	%	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Copper	%	2.11	2.22	2.41	2.43	2.33	2.30	2.33	2.48	2.30
Cobalt	%	0.58	0.54	0.57	0.61	0.62	0.58	0.57	0.56	0.58
Platinum	g/t	7.33	7.38	8.26	8.32	7.54	7.61	7.66	7.60	7.71
Palladium	g/t	5.05	5.23	5.78	5.58	5.04	5.09	5.22	5.15	5.28
Gold	g/t	2.73	2.83	3.14	3.16	2.91	3.09	3.25	3.34	3.02
Copper concentrate	thou. dmt	18.55	21.69	20.80	17.12	15.79	19.40	20.43	4.33	138.12
Recovery to copper conc.										
Nickel	%	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Copper	%	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Cobalt	%	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Platinum	%	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Palladium	%	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Gold	%	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Recovered metal										
Nickel	thou. lb	1,292	1,390	1,230	1,005	966	1,202	1,248	249	8,583
Copper	thou. lb	9,200	10,761	10,319	8,495	7,833	9,624	10,133	2,147	68,511

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	LOM
Production		2010	2011	2012	2013	2014	2015	2016	2017	Total
Cobalt	thou. lb	60	62	58	51	50	58	59	12	409
Platinum	thou. oz	2.96	3.31	3.27	2.70	2.35	2.95	3.08	0.61	21.22
Palladium	thou. oz	1.93	2.23	2.17	1.71	1.49	1.87	1.99	0.39	13.79
Gold	thou. oz	2.32	2.67	2.61	2.15	1.91	2.51	2.74	0.56	17.47
Concentrate grade										
Nickel	%	3.16	2.91	2.68	2.66	2.78	2.81	2.77	2.61	2.82
Copper	%	22.50	22.50	22.50	22.50	22.50	22.50	22.50	22.50	22.50
Cobalt	%	0.15	0.13	0.13	0.14	0.14	0.13	0.13	0.12	0.13
Platinum	g/t	4.96	4.74	4.90	4.90	4.62	4.73	4.69	4.38	4.78
Palladium	g/t	3.24	3.19	3.25	3.11	2.94	3.00	3.03	2.82	3.11
Gold	g/t	3.89	3.83	3.91	3.91	3.76	4.03	4.18	40.4	3.94

Mine Rock and Tailings Disposal

The proposed deposition area is a large valley to the northeast of the pits. Potentially acid generating material (mine rock and tailings) will be disposed of within a sub-aqueous facility fully contained within a larger co-disposal area (CDA).

Non-sulphide process plant tailings will be thickened and pumped to the CDA. The main pipeline from the thickening plant will branch out to the east and west sections of the CDA where spigot lines will be used to deposit and integrate the thickened tailings and mine rock. Thickener overflow will be pumped by centrifugal pumps (one service, one standby) out to the settling/polishing pond before returning to the process plant.

A second tailings slurry pump and pipeline from the process plant will transport the pyrrhotite (sulphide) concentrate slurry directly to the CDA. Based on the geochemistry and disposal design, this stream does not require thickening and will therefore bypass the thickening plant.

Water Management

Site water management will be undertaken by means of six ponds including one in the CDA that will permanently maintain the acid-generating materials in a submerged state.

All water collected on the property will be passed through a settling pond before treatment and recycling to the process plant.

Seven dams and dykes will be required for the water management system. All will be conventional zoned water retaining dams founded on overburden or grouted bedrock.

Environmental Management and Permitting

Various environmental baseline studies were completed for the Shakespeare project between 2004 and 2007. N.A.R. Environmental Consultants Inc. (NAR) undertook several formal and informal desktop reviews to provide input on environmental permitting and present and future environmental management issues for the Preliminary Feasibility Study. In August 2004, several specific technical tasks were implemented by NAR to determine baseline conditions both within the physical limits of the project and the zone of potential impact, notably the receiving water environment (Agnew Lake).

Knight Piésold was retained early in 2005 to provide environmental management services. The field program was expanded in early to mid 2005 to include the collection of benthic macroinvertebrate community and sediment quality data from three stations in Agnew Lake, installation of several groundwater monitoring wells and collection and testing of groundwater samples, acid rock drainage testing of waste rock and tailings samples and the installation of an on site weather station. The surface water quality and quantity monitoring program continued. In early fall 2005 terrestrial habitat and heritage studies were completed for the project site. An environmental baseline report was prepared for the project and in support of the feasibility study.

Golder Associates Ltd. (Golder) was retained in 2006 to provide environmental permitting and further management services. Golder continued baseline studies in 2006 and submitted permit applications in late 2006 and early 2007.

The results of the surface water, groundwater and sediment sampling programs are considered as background values prior to the pre-production and production phases of the Shakespeare project.

No areas of nesting, breeding or significant bird habitat were identified by NAR, nor in subsequent studies by Golder in 2006.

A field inspection was conducted by NAR in August, 2005 on a series of ponds located north of the open pits. These ponds are not fish habitat as defined by the Fisheries Act. Also NAR reported that there was no evidence of undisturbed wetlands which supported unique plant assemblages or rare, threatened or endangered wildlife habitat. These ponds were further evaluated by Golder in 2006 prior to permit applications.

Since November, 2006, Golder has submitted applications and supporting reports for all of the necessary major permits. As of November 6, 2007, Ursa has received all of the major permits for the Shakespeare mine and mill. These include Permit to Take Water (PTTW), the Certificate of Approval (COA) for air and noise, COA for a sedimentation pond, the COA for the co-disposal waste management facility, and a Certified Closure Plan for the Shakespeare mine and mill.

Heritage Study

Stage 1 and Stage 2 archaeological and heritage impact assessments were completed for the project site by Horizon Archaeology in early fall 2005. It was concluded that there are no concerns related to the destruction of cultural materials by the continued development of this project.

Ursa conducted extensive consultation with Sagamok Anishnawbek First Nations (Sagamok) based in Massey, Ontario. The Shakespeare project lies within the Spanish River watershed, which is considered to be the traditional territory of Sagamok.

Capital Expenditures

The total pre-production capital expenditure for the Shakespeare property, at a production rate of 4,500 t/d, is estimated at Cdn\$148.2 million (including contingencies, expressed in 2007 constant money terms). This estimate is summarized in Table X.

TABLE X
TOTAL INITIAL CAPITAL COST ESTIMATE

	Thou. Cdn\$
Mining equipment (inc. deposits on leased equipment)	9,801
Pre-Stripping (10 million t)	19,454
Process plant direct costs	65,436
Infrastructure direct costs	10,721
Tailings dams (CDA)	8,891
High compression thickener (HCT) plant	5,461
Sub-total Direct Costs	119,764
Owner's costs	4,341
EPCM	10,422
Contingency	13,668
Total Capital Costs	148,193

The contingency was calculated as a specific percentage of each of the direct cost items. The provision of Cdn\$13.67 million represents an average of 13.6% of the direct cost estimate for the mining equipment, process plant, infrastructure, the tailings co-disposal area and HCT plant.

Table VII shows a breakdown of direct capital costs, before contingency, for the process plant area only.

TABLE XI
PROCESS PLANT DIRECT CAPITAL COST ESTIMATE

Direct Capital Cost Before Contingency	Thou. Cdn\$
Access and plant site preparation	3,806
Primary crushing area	4,287
Reclaim tunnel area	1,742

Direct Capital Cost Before Contingency	Thou. Cdn\$
Pebble crushing area	1,942
Concentrator area	37,112
Piping and electrical services	16,549
Process Plant Direct Total	65,436

Operating Costs

The costs summarized in Table VIII reflect the proposed overall mining rate of 36,500 t/d, and an ore production rate of 4,500 t/d.

TABLE XII
OPERATING COST SUMMARY

Area	Payroll Complement	Total Cost (thou. Cdn\$/y)	Unit Cost (Cdn\$/t ore)
Mining labour (average)	57	5,820	3.54
Plant labour	44	3,424	2.08
G&A labour	14	1,077	0.66
Sub-total labour	125	10,321	6.28
Mining lease payments		4,083	2.49
Concentrate transportation		751	0.46
Mining consumables		13,427	8.17
Plant consumables, etc.		13,806	8.41
G&A and other		1,367	0.83
Total		43,755	26.64

Economic Analysis

The economic analysis takes as its base case the assumption of a reversion of metal prices to their long-term historical median Canadian dollar prices, expressed in 2007 money terms. The long term median has been computed over a period equivalent to the expected productive life of the mine, i.e., eight years. Current price levels, whether lying above or below the median price, are assumed to regress exponentially

toward the median, with a ‘decay’ half-life of three years. The resulting average prices over the life of the project, expressed in 2007 US dollars, are given in Table XIII.

TABLE XIII
AVERAGE METAL PRICE FORECASTS
(LIFE OF MINE, 2007 CONSTANT DOLLARS)

Metal	Unit	Price
Nickel	(US\$/lb)	9.37
Copper	(US\$/lb)	2.11
Cobalt	(US\$/lb)	27.57
Platinum	(US\$/oz)	995.52
Palladium	(US\$/oz)	342.49
Gold	(US\$/oz)	563.27

The base exchange rate for the economic analysis is the average for the nine months to September 30, 2007, of US\$0.9052:Cdn \$1.00. No escalation has been applied to the discounted cash flow (DCF) model, which is presented in 2007 constant money terms.

Table XIV shows a summary of NSR calculation and the annual cash inflows to the project.

TABLE XIV
NSR AND ROYALTY CALCULATION SCHEDULE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
	2010	2011	2012	2013	2014	2015	2016	2017	
Metal prices									
Nickel (US\$/lb)	13.03	11.06	9.72	8.76	8.08	7.57	7.19	6.90	9.37
Copper (US\$/lb)	2.62	2.36	2.18	2.04	1.94	1.86	1.80	1.76	2.11
Cobalt (US\$/lb)	27.67	27.63	27.59	27.56	27.53	27.52	27.50	27.49	27.57
Platinum (US\$/oz)	1,121.58	1,060.26	1,013.99	978.70	951.57	930.57	914.24	901.48	995.52
Palladium (US\$/oz)	347.80	345.31	343.35	341.80	340.57	339.60	338.84	338.23	342.49
Gold (US\$/oz)	614.70	590.89	572.65	558.58	547.66	539.14	532.47	527.24	563.27
Exchange Rate (US\$:Cdn\$)	0.9052	0.9052	0.9052	0.9052	0.9052	0.9052	0.9052	0.9052	0.9052
Metal Prices									
Nickel (Cdn\$/lb)	14.39	12.22	10.73	9.68	8.92	8.36	7.94	7.62	10.35
Copper (Cdn\$/lb)	2.89	2.61	2.41	2.26	2.14	2.06	1.99	1.94	2.33
Cobalt (Cdn\$/lb)	30.57	30.52	30.48	30.45	30.42	30.40	30.38	30.37	30.46
Platinum (Cdn\$/oz)	1,239.10	1,171.36	1,120.23	1,081.25	1,051.28	1,028.08	1,010.04	995.94	1,099.83
Palladium (Cdn\$/oz)	384.24	381.49	379.33	377.61	376.26	375.19	374.34	373.67	378.38
Gold (Cdn\$/oz)	679.11	652.81	632.66	617.11	605.04	595.63	588.27	582.48	622.29

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
	2010	2011	2012	2013	2014	2015	2016	2017	
Gross sales revenue	159,945	156,981	129,616	98,494	87,121	102,713	103,077	20,181	858,127
Less: smelting and refining	25,221	26,165	22,367	17,603	16,211	19,597	20,036	3,993	151,192
Net Smelter Return	134,724	130,816	107,249	80,891	70,910	83,116	83,041	16,188	706,935
Xstrata royalty (1.5%)	2,021	1,962	1,609	1,213	1,064	1,247	1,246	243	10,604
Net revenue (thou. Cdn\$)	132,703	128,854	105,640	79,678	69,846	81,869	81,796	15,945	696,331

Table XV shows the schedule of cash flows and the computation of Net Present Value (NPV) and Internal Rate of Return (IRR).

The cash flow projection reflects a maximum cash outflow of Cdn\$141.6 million at the end of the construction period when pre-stripping of the open pit is complete but no milling of ore has yet taken place. Year 1 (2010) is the first year of full production, and is cash positive despite an increase in working capital. Undiscounted payback occurs at the end of Year 4, leaving more than four years of production ‘tail’.

The impact of lower grades in Years 4 and 5 is shown to result in lower free cash flows during this period. A subsequent improvement in grades at greater depth in the pit creates strongly positive cash flows in Years 6 and 7. The closure of operations in year 8 releases working capital and allows redundant mining and processing equipment to be disposed of, further enhancing cash flows.

The base case cash flow provides a pre-tax IRR of 29.1% and 22.6% after tax. The NPV of the project at a real discount rate of 8% per year (NPV8) is Cdn\$73.3 million after tax.

TABLE XV
ANNUAL CASH FLOWS AND DISCOUNTED CASH FLOW VALUATION
(THOUSAND 2007 CONSTANT CANADIAN DOLLARS)

	Year (-1)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	LOM
Net Revenue			132,703	128,854	105,640	79,678	69,846	81,869	81,796	15,945	696,331
Mining labour			6,679	6,977	6,977	7,423	7,423	4,179	1,873	368	41,900
Mining consumables			15,885	16,340	16,270	17,742	18,209	8,277	3,377	560	96,661
Mining equipment leases		4,175	4,601	5,026	5,026	5,878	1,704	1,278	852	852	29,392
Process labour			3,424	3,424	3,424	3,424	3,424	3,424	3,424	681	24,651
Process consumables			8,833	8,833	8,833	8,833	8,833	8,833	8,833	1,757	63,591
Power and heating costs			4,972	4,972	4,972	4,972	4,972	4,972	4,972	989	35,794
Concentrate transport			769	869	792	649	614	761	794	162	5,409
G & A labour			1,077	1,077	1,077	1,077	1,077	1,077	1,077	214	7,753
G & A other			1,367	1,367	1,367	1,367	1,367	1,367	1,367	272	9,841
Total Operating Costs		4,175	47,608	48,887	48,739	51,366	47,624	34,169	26,569	5,855	314,992
Pre-tax operating		-4,175	85,096	79,967	56,901	28,312	22,222	47,701	55,226	10,090	381,339
Less: Federal/Provincial Tax	56	148	224	3,699	19,392	8,845	6,662	16,212	18,973	0	74,211
Profit after tax	-56	-4,322	84,872	76,268	37,509	19,467	15,560	31,488	36,253	10,890	307,129
Less: Initial capital expenditure											
Mining equipment	0	9,801	0	0	0	0	0	0	0	0	9,801
Pre-stripping	0	19,454	0	0	0	0	0	0	0	0	19,454

	Year (-1)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	LOM
Process plant direct costs	19,631	45,805	0	0	0	0	0	0	0	0	65,436
Infrastructure direct costs	5,360	5,360	0	0	0	0	0	0	0	0	10,721
Tailings dams	2,667	6,223	0	0	0	0	0	0	0	0	8,891
HCT	1,638	3,823	0	0	0	0	0	0	0	0	5,461
Owner's costs	1,405	2,936	0	0	0	0	0	0	0	0	4,341
EPCM	3,373	7,048	0	0	0	0	0	0	0	0	10,422
Contingency	4,424	9,244	0	0	0	0	0	0	0	0	13,668
Total initial capital expenditure	38,499	109,694	0	0	0	0	0	0	0	0	148,193
Sustaining/replacement capital											
Mining equipment	0	0	1,294	369	1,412	1,005	1,184	30	30	30	5,353
Mine services	0	0	75	75	75	75	0	0	0	0	300
Tailings and water management	0	0	295	295	295	295	295	0	0	0	1,474
Contingency/(residual value)	0	0	253	114	271	210	236	-3,905	-775	-15,877	-19,472
Permits, reclamation, closure	200	0	0	0	0	0	0	0	0	1,500	1,700
Change in working capital	-3,700	-7,500	42,300	-800	-6,000	-6,300	-2,300	3,900	1000	-19,500	0
Annual Cash Flow	-35,056	-106,517	40,655	76,215	41,457	24,183	16,145	31,463	37,098	43,936	169,581
	Discount Rate	Pre-tax	After tax								
IRR		29.1%	22.6%								
NPV Thou. Cdn\$, Real 2007 terms	0%	243,792	169,581								
	6%	141,492	91,631								
	8%	117,281	73,297								
	10%	96,659	57,729								
	12%	79,036	44,470								

Sensitivity Study

The NPV is most sensitive to revenue drivers (metal prices, grade and recovery factors). An adverse variance of 25% in overall project revenues is seen to result in NPV8 falling to near zero. The project is less sensitive to operating costs and project capital costs. All else being equal, the project is able to accommodate adverse variances of more than 25% in either of these factors.

The impact of a delay in completion of the processing plant has been modelled, applying an assumption of delay as a percentage of the anticipated 16-month construction schedule (i.e., a 25% adverse variance would represent a 4-month increase, to 20 months in total). The delay curve suggests that project returns are not particularly sensitive to a delay of this magnitude.

The impact of accelerating the mining schedule and increasing plant throughput to 10% above nameplate capacity has also been modelled. Owing to the existence of some underutilization in the base case, the increase in output from the open pit can be accomplished without further increase in the fleet capacity. Equally, some additional capacity in the process plant could be available through coarser grinding as demonstrated during the batch test at the Strathcona mill.

Recommendations and Conclusions

The Shakespeare project contains an economic mineral reserve and is worthy of continued development through detailed engineering and construction to produce 4,500 t/d of mined ore and subsequent metal concentrates for sale. Environmental studies indicate that no significant negative impact from the project

will be encountered. The co-disposal concept for tailings and mine rock will mitigate effects from disposal of these materials.

All permits required for construction of the mine and process plant have now been granted.

Processing of a bulk sample of Shakespeare ore at the Strathcona mill has shown that on an industrial scale, the nickel and copper recoveries predicted at laboratory scale are achievable and that a coarser grind than was used in optimized laboratory tests is possible. Acceptable nickel-copper separation was achieved in the plant test and platinum group metal recoveries exceeded the levels attained in previous laboratory scale testing.

The 2006 feasibility study has been updated through the revision of the process flow sheet, capital and operating cost estimates, smelting and refining terms, metal price and cash flow forecasts. This exercise has shown that, increases in capital cost notwithstanding, the project remains economically robust.

Since the 2006 feasibility study, the fabrication and delivery schedule of some specialized equipment has become a concern. The project schedule is based on 18 months for engineering, procurement and construction. Recent investigations have shown that the delivery time from placement of the order for the SAG mill could now be up to 36 months, well outside the suggested project development schedule. Alternatives for reducing this delay are the purchase of used equipment or selection of a process including finer crushing and high pressure grinding rolls (HPGR). Micon recommends that testwork to support sizing of an HPGR unit be conducted and the selection of an optimum comminution circuit, which can suit required delivery schedules, be part of the basic engineering process.

Micon recommends that URSA Major proceeds with detailed engineering and construction, with a view to commencing production as soon as possible. In the interim, the possibility of trucking ore by road to the Strathcona mill for toll treatment should be evaluated.

Subsequent Activities

Exploration and Development Activities.

Ursa completed the trucking of a 50,000 tonne bulk sample from the Shakespeare West Deposit to Xstrata's Strathcona Mill in October 2007. Batch processing of the sample at the Strathcona Mill was completed in October 2007 and in November 2007 blending tests with Strathcona ore feed were also completed.

During February and March 2010, a total of 29,187 tonnes of ore were processed by Xstrata. The 29,187 tonnes of ore contained approximately 203,000 lbs of nickel, 218,000 lbs of copper, 13,000 lbs of cobalt, and approximately 750 oz of precious metals.

In December 2010, Ursa initiated a drill program to test the down plunge extension of the Shakespeare East Deposit. An immediate goal of the program is to expand the size of the Shakespeare East Deposit and assess the potential of underground production from this section of the deposit. During the three months May 1, 2011 to July 31, 2011, Ursa completed eleven (11) holes for a total of approximately 6,000 meters drilling at the Shakespeare East deposit consisting of both infill and step out drilling. This drilling has been successful in extending the strike length and down plunge extent of the Shakespeare deposit.

During the year ended January 31, 2012, Ursa Major also completed five (5) vertical drill holes totalling approximately 560 meters were drilled in the central portion of the planned Shakespeare East pit. The

drilling has confirmed near surface mineralization in the East Pit area that is significantly higher grade than the material being mined from the Shakespeare west pit. Holes U3-127 to 131 were drilled vertically to depths of 127 meters to confirm grade continuity and to provide additional geotechnical information to assist with commencement of mining the Shakespeare East Pit.

Xstrata Agreement.

In December 2007, Ursa signed an agreement with Xstrata that provides for the further treatment of ore from the Shakespeare nickel deposit at Xstrata's Strathcona Mill. In addition to the custom milling of Shakespeare ore at the Strathcona Mill, Ursa has an agreement with Xstrata that provides terms for the smelting of Ursa's concentrates for a period of seven years. In January 2010, Ursa entered into an agreement with Xstrata Nickel to process 200,000 tonnes of Shakespeare ore per annum at the Strathcona mill located in Sudbury, Ontario, for 24 months. Ursa's processing agreement with Xstrata expired in December 2011 and Ursa was not able to conclude a new processing agreement for Shakespeare ore. Ursa temporarily suspended its mining operation in February 2012.

Permitting and Environmental Matters.

URSA Major engaged Golder Associates Ltd. in early 2006, to manage environmental baseline studies and permitting activities. In November 2007, the Company received permits from the Ontario Ministry of the Environment including a Permit to Take Water, a Certificate of Approval for noise and air emissions, and a Certificate of Approval for the Shakespeare mine and mill co-disposal facility and sedimentation pond for water treatment. Ursa also received confirmation of the acceptance of a certified Closure Plan for the Shakespeare mine and mill from the Ontario Ministry of Northern Development and Mines on September 12, 2007.

Ursa also has received a permit from the Ontario Ministry of Natural Resources for the operation of a gravel pit located approximately 3 km north of the Shakespeare Project, in the Sudbury area of Ontario. The 290 acre (120 ha) gravel pit will be used as an aggregate source for site improvements and construction at the Shakespeare Project.

Mining

On May 27, 2010, Ursa declared commercial production and was in production for twenty months until January 27, 2012. On December 13, 2011, Ursa announced that it had limited operations at the Shakespeare Property to crushing of existing broken ore, ore sampling and trucking operations as a consequence of reduced base metals prices. On February 3, 2012, Ursa announced it had temporarily suspended operations at the Shakespeare Property following the expiration, on December 31, 2011, of the milling agreement in place with Xstrata and a failure to conclude a new processing agreement.

During the twelve months of production ending January 31, 2011, Ursa delivered 151,910 (2011: 166,913) tonnes of ore to the Strathcona Mill for processing. Contained metals in the delivered ore totalled approximately 1,052,000 pounds of nickel (2011: 1,314,000), 1,234,000 pounds of copper (2011: 1,499,000), 64,700 pounds of cobalt (2011: 92,204) and 1,650 ounces of platinum (2011: 1,900), 1,840 ounces of palladium (2011: 2,100), 960 ounces of gold (2011: 1,100) and 10,260 ounces of silver (2011: 12,100). The recovered and contained metals are subject to smelter recoveries and to further smelter deductions. For the twelve production months ended January 31, 2012, the ore averaged 0.314% nickel (2011: 0.357%), 0.368% copper (2011: 0.407%), 0.019% cobalt (2011: 0.025%), and 0.941 gram/tonne precious metals (2011: 0.989 grams).

ITEM 6: DIVIDENDS

The Company has not paid dividends on its common shares since incorporation. The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance further acquisition, exploration and development of its mineral properties. Payment of dividends in the future will be dependent on the earnings and financial condition of the Company and other factors which the directors may deem appropriate at that time.

Subject to the requirements of the *Business Corporations Act* (British Columbia), there are no restrictions which could prevent the Company from paying dividends.

ITEM 7: DESCRIPTION OF CAPITAL STRUCTURE

7.1 General Description of Capital Structure

As of the date of this AIF the Company has an authorized capital of an unlimited number of common shares without par value (the “**Common Shares**”), of which 64,630,323 Common Shares were issued and outstanding as fully paid and non-assessable. A further 10,520,591 Common Shares have been reserved and allotted for issuance upon the due and proper exercise of certain incentive options and share purchase warrants outstanding as of the date of this AIF.

The following is a summary of the principal attributes of the Common Shares:

Voting Rights. The holders of the Common Shares are entitled to receive notice of, attend and vote at any meeting of the shareholders of the Company. The Common Shares carry one vote per share. There are no cumulative voting rights, and directors do not stand for re-election at staggered intervals.

Dividends. The holders of Common Shares are entitled to receive on a pro rata basis such dividends as may be declared by the board of directors, out of funds legally available therefor. There are no indentures or agreements limiting the payment of dividends.

Profits. Each Common Share is entitled to share pro rata in any profits of the Company to the extent they are distributed either through the declaration of dividends or otherwise distributed to shareholders, or on a winding up or liquidation.

Rights on Dissolution. In the event of the liquidation, dissolution or winding up of the Company, the holders of the Common Shares will be entitled to receive on a pro rata basis all of the assets of the Company remaining after payment of all the Company’s liabilities.

Pre-Emptive, Conversion and Other Rights. No pre-emptive, redemption, sinking fund or conversion rights are attached to the Common Shares, and the Common Shares, when fully paid, will not be liable to further call or assessment. No other class of shares may be created without the approval of the holders of Common Shares. There are no provisions discriminating against any existing or prospective holder of Common Shares as a result of such shareholder owning a substantial number of Common Shares.

Stock Option Plan

Under its Stock Option Plan, the Company may grant options to purchase up to 10,120,695 Common Shares at the time of grant to directors, officers, employees and consultants. As of the date of this AIF, the Company has outstanding options to purchase 6,716,250 Common Shares at exercise prices from \$0.90 to \$3.68 per share and terms expiring between January 7, 2013 and May 9, 2017.

In addition to the outstanding options noted above, the Company also has 3,804,701 share purchase warrants outstanding to acquire common shares of the Company at exercise prices ranging from \$1.00 to \$7.50 and expiring on dates ranging from August 3, 2012 to July 31, 2014.

7.2 Constraints

There are no known constraints on the ownership of securities of the Company to ensure that the Company has a required level of Canadian ownership.

7.3 Ratings

There are no known ratings, including provisional ratings, by rating organizations for securities of the Company which are outstanding and that continue in effect.

ITEM 8: MARKET FOR SECURITIES

8.1 Trading Price and Volume

The Common Shares of the Company are listed for trading on the TSX Venture Exchange under the symbol “NKL”.

The following table provides the high, low and close prices and average volume for the Company’s shares for the periods indicated as traded on the TSX Venture Exchange:

Month	High	Low	Close	Average Volume
August 2011 ⁽¹⁾	\$1.17	\$1.06	\$1.10	110,200
July 2012	\$2.21	\$1.13	\$1.14	123,900
June 2012	\$2.86	\$1.89	\$2.15	150,500
May 2012	\$2.95	\$1.95	\$1.98	70,900
April 2012	\$3.26	\$2.57	\$2.87	52,800
March 2012	\$3.82	\$2.60	\$2.92	90,600
February 2012	\$4.30	\$3.25	\$3.61	119,700
January 2012	\$3.50	\$2.09	\$3.25	85,300
December 2011	\$2.70	\$1.70	\$2.05	82,600
November 2011	\$3.16	\$2.18	\$2.52	133,600
October 2011	\$3.67	\$2.30	\$3.21	178,700
September 2011	\$5.48	\$2.71	\$2.82	159,500
August 2011	\$5.96	\$3.01	\$5.35	592,000

(1) Up to and including the date preceding this AIF.

8.2 Prior Sales

The Company has no class of securities that is outstanding but not listed or quoted on a market place.

ITEM 9: ESCROWED SECURITIES

The Company has no securities currently subject to any contractual restrictions on transfer.

The following table lists the holders of escrowed securities, the number of securities held in escrow, and the percentage of securities held in escrow by each person who is a holder of escrowed securities:

Name and Municipality of Resident of Security Holder ⁽³⁾	Designation of Class	Number of Shares to be held in Escrow	Percentage of Class
John Lee, Taipei Taiwan	Common	344,860	0.50%
	Warrants	64,000	N/A
	Options	40,000	N/A
Merit Holdings Ltd. Taipei, Taiwan	Common	122,447	0.18%
John Icke, Vancouver, B.C.	Common	4,096	<0.01%
Greg Hall, West Vancouver, B.C.	Common	56,452	0.08%
	Warrants	14,000	N/A
	Options	10,000	N/A
Donald Gee, Burnaby, B.C.	Options	10,000	N/A
David Patterson, West Vancouver, B.C.	Common	8,000	0.01%
	Warrants	8,000	N/A
	Options	10,000	N/A
Prophecy Coal Corp., Vancouver, B.C.	Common	9,000,000	13.11%
TOTAL	Common Shares	9,535,856	14.87%
	Warrants	86,000	N/A
	Options	70,000	N/A

Notes:

(1) Merit Holdings Ltd. is a company wholly-owned by John Lee.

The escrowed shares noted above are held pursuant to the escrow agreements between Computershare Investor Services Inc., the Company, and certain shareholders and include the following principal terms:

- o 10% of the seed escrow securities were released from escrow on June 17, 2011(the date of the acceptance of the TSX Venture Exchange of a transaction with PCY Coal regarding the acquisition of the Lynn Lake Property and the Wellgreen Property (the “RTO”));
- o The remaining seed escrow securities will be released in three tranches of 20%, 30% and 40%, respectively, every six months following completion of the RTO;

- o While in escrow, none of the escrowed securities can be transferred, either directly or indirectly through a change in control of a holding company without the consent of the TSX Venture Exchange.

ITEM 10: DIRECTORS & OFFICERS

10.1 Name, Occupation and Security Holding

The following table sets out the names of the directors and officers of the Company, all officers in the Company each now holds, each person's principal occupation, business or employment, the period of time during which each has been a director of the Company and the number of Common Shares beneficially owned by each, directly and indirectly, or over which each exercised control or direction as at the date of this Annual Information Form.

Name and Municipality of Residence⁽³⁾	Current Positions and Offices Held	Principal Occupations During Last Five Years⁽³⁾	Date of Appointment as a Director or Officer	Shares Beneficially Owned (Number and %)⁽³⁾
John Lee ⁽²⁾ Taipei Taiwan	Chief Executive Officer, Chairman, Director	President, Mau Capital Management, LLC, President of Prophecy Resource Corp. from October 2009 to Present	December 13, 2010	1,492,356 ⁽⁴⁾
Donald Gee ⁽¹⁾ , Burnaby, B.C., Canada	Director	President of Cantech Capital Corp. , a private BC management company, from January 1994 to Present; President of Javelle Capital Corp from November 2010 to present; President of Ocean Park Ventures Corp. January 2010 to July 2010; President of Great Bear Resources Ltd from April 2008 to March 2010; President of Electric Metals Corp. from June 2009 to November 2010.	December 13, 2010	Nil ⁽⁵⁾
David Patterson ⁽¹⁾ ⁽²⁾ , West Vancouver, B.C., Canada	Director	Director of Elysian Enterprises, a private BC management company since August 2001; Chairman and CFO of Donner Metals Ltd., a mineral exploration company listed on the TSX Venture Exchange, since August 2005 to present; Chairman & CFO of Knight Metals Ltd., a mineral exploration company listed on the TSX Venture Exchange, from September 2002 to April 2012	December 13, 2010	20,000 ⁽⁶⁾
D. Greg Hall ⁽¹⁾⁽²⁾ , West Vancouver, B.C., Canada	Director	Chairman and Director, Ivory Energy Inc. from June, 2006 to March, 2009; Financial Consultant, February, 2005 to present; Senior Vice President, Leede Financial Markets from February, 2003 to February, 2005	December 13, 2010	141,129 ⁽⁷⁾

Name and Municipality of Residence⁽³⁾	Current Positions and Offices Held	Principal Occupations During Last Five Years⁽³⁾	Date of Appointment as a Director or Officer	Shares Beneficially Owned (Number and %)⁽³⁾
Michel Sylvestre, Port Hope, ON., Canada	Director	COO of Castle Resources Inc. from July 2010 to July, 2011 and President, CEO and a director of Castle Resources Inc. from July, 2011 to Present, director of James Bay Resources Limited since June, 2010, COO of Linear Gold Corp. from October 2009 to July 2010, CEO of Vale Inco New Caledonia from July 2008 to October 2010, President of Manitoba operations of Inco Ltd. from July 2006 to July 2008	February 3, 2012	Nil ⁽⁸⁾
Joseph Li, Richmond, B.C. Canada	Corporate Secretary, General Manager, Director	Senior Auditor for Consumer Taxation Audit Branch of B.C. Ministry of Finance from January 1998 to January 2011, Corporate Secretary and General Manager of Prophecy Coal Corp. since February 1, 2011	September 16, 2011	165,934 ⁽⁹⁾
Harald Batista, Los Altos Hills, CA, USA	Director	Power Messaging Coach at Corporate Visions Inc., a private company, since 2008 to present; Silicon Valley/Brazil/Germany Entrepreneur at Aura since March 2008 to present; Partner, C-Level Executive at eParkguide from December 2008 to October 2009; Account Sales Manager at Right90 from March 2007 to November 2007.	July 10, 2012	5,000
Myron Manternach, Brooklyn, NY, USA	Director	Managing Director of Composite Capital LLC, an investment advisory firm in Greenwich, CT, since January 2012 to present; Research Analyst/Investment Manager at Octavian Advisors, LP a global investment fund in New York, NY, from April 2006 to December 2011.	July 10, 2012	Nil
Irina Plavutska, Port Coquitlam, B.C., Canada	Interim Chief Financial Officer	Interim Chief Financial Officer for Prophecy Coal Corp. from August 2011 to Present, Controller for Prophecy Coal Corp. from September 2010 to August 2011; Controller for Chris Dikeakos Architects, an International architectural firm from September 2006 to September 2010, Senior accountant for Carlyle Shepherd Chartered Accountant from 2004 to September 2006.	October 31, 2011	10,000 ⁽¹⁰⁾

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

- (3) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of the management of Prophecy Platinum and has been furnished by the respective individuals. Each director or officer has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years.
- (4) Mr. Lee holds 448,011 Common Shares directly and 1,044,345 Common Shares indirectly through Merit Holdings Limited, a private entity of which he is the sole shareholder. In addition to the above, Mr. Lee holds 50,000 Options exercisable at a price of \$2.25 per Common Share until December 12, 2016, 2,500,000 Options exercisable at a price of \$0.90 per Common Share until June 17, 2016, 100,000 Options exercisable at a price of \$1.40 per Common Share until December 13, 2015 and 160,000 Warrants exercisable at a price of \$1.00 per Common Share until January 6, 2013.
- (5) Mr. Gee holds 20,000 Options exercisable at a price of \$2.25 per Common Share until December 12, 2016, 150,000 Options exercisable at a price of \$0.90 per Common Share until June 17, 2016 and 25,000 Options exercisable at a price of \$1.40 per Common Share until December 13, 2015.
- (6) In addition to the Common Shares noted above, Mr. Patterson holds 20,000 Options exercisable at a price of \$2.25 per Common Share until December 12, 2016, 150,000 Options exercisable at a price of \$0.90 per Common Share until June 17, 2016 and 25,000 Options exercisable at a price of \$1.40 per Common Share until December 13, 2015.
- (7) In addition to the Common Shares noted above, Mr. Hall holds 50,000 Options exercisable at a price of \$2.25 per Common Share until December 12, 2016, 250,000 Options exercisable at a price of \$0.90 per Common Share until June 17, 2016, 25,000 Options exercisable at a price of \$1.40 per Common Share until December 13, 2015 and 35,000 Warrants exercisable at a price of \$1.00 per Common Share until January 6, 2013.
- (8) Mr. Sylvestre holds 100,000 Options exercisable at a price of \$3.68 per Common Share until February 3, 2017.
- (9) Mr. Li holds 18,335 Common Shares directly, 47,599 Common Shares indirectly through immediate family members and 100,000 Common Shares indirectly through JWL Investments Corp., a private entity of which he is a controlling shareholder. In addition to the above, Mr. Li holds 50,000 Options exercisable at a price of \$2.25 per Common Share until December 12, 2016, 200,000 Options exercisable at a price of \$0.90 per Common Share until June 17, 2016.
- (10) In addition to the Common Shares noted above, Ms. Plavutsky holds 10,000 Options exercisable at a price of \$2.25 per Common Share until December 12, 2016, 100,000 Options exercisable at a price of \$0.90 per Common Share until June 17, 2016.

The term of office of each of the directors expires at the next general meeting of shareholders.

As of the date hereof, all of the directors and officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control over 1,834,419 Common Shares in the capital of the Company.

10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as described below, no director or executive officer of the Company is, as of the date of the AIF or has been, within the 10 years preceding the date of this AIF, a director, chief executive officer or chief financial officer of any issuer that:

- (a) was the subject of a cease trade or similar order, or an order that denied the issuer access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days or while the director or officer was acting in the capacity of director, chief executive officer or chief financial officer of the issuer;
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer and resulted in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days.

Donald Gee, a director of Prophecy, has been a director of Magdalena Ventures Ltd., since September 2001. Cease trade orders were issued by the British Columbia Securities Commission on February 27, 2002, December 11, 2002 and September 11, 2003, all for failure to timely file financial statements as required pursuant to applicable securities laws. The cease trade orders remain in effect until April 4, 2002, February 18, 2003 and December 23, 2003 respectively.

No director, executive officer or promoter of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has, within the ten years prior to the date of this AIF, been subject to:

- (a) any penalties or sanctions imposed by a court or securities regulatory authority relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

10.3 Conflicts of Interest

Directors and officers of the Company may also serve as directors and or officers of other companies in the mining industry, and may be presented from time to time with situations or opportunities which give rise to potential conflicts of interest which cannot be resolved by arm's length negotiations, but only through the exercise by such director or officer of such judgment as is consistent with his fiduciary duties to the Company which arise under British Columbia corporate law. All conflicts of interest will be resolved in accordance with the BCBCA. Any transactions with directors and officers will be made on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those persons to the Company, and, depending on the magnitude of the transactions and the absence of any disinterested directors of the Company, may be submitted to the shareholders of the Company for their approval.

John Lee and D. Greg Hall, who are directors and/or officers of the Company, are also directors and/or of PCY Coal.

In the opinion of the Company, there are no existing or potential conflicts of interest between the Company or its Subsidiaries and any director or officer of the Company or its Subsidiaries.

ITEM 11: AUDIT COMMITTEE

NI 52-110 requires Prophecy Platinum's audit committee (in this section the "**Audit Committee**") to meet certain requirements. It also requires Prophecy Platinum to disclose in this Circular certain information regarding the Audit Committee. That information is disclosed below.

11.1 Overview

The Audit Committee of the Prophecy Platinum Board is principally responsible for

- o recommending to the Prophecy Platinum Board the external auditor to be nominated for election by the Prophecy Platinum Shareholders at each annual general meeting and negotiating the compensation of such external auditor.
- o overseeing the work of the external auditor.
- o reviewing Prophecy Platinum's annual and interim financial statements, MD&A and press releases regarding earnings before they are reviewed and approved by the Prophecy Platinum Board and publicly disseminated by Prophecy Platinum.

- o reviewing Prophecy Platinum's financial reporting procedures and internal controls to ensure adequate procedures are in place for Prophecy Platinum's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph.

11.2 Audit Committee Charter

A copy of the Charter of the Audit Committee is attached hereto as Schedule "1".

11.3 Composition of the Audit Committee

The following table sets out the names of the members of the Audit Committee and whether they are 'independent' and 'financially literate'.

Name of Member		
David Patterson	Independent ⁽¹⁾	Financially Literate ⁽²⁾
Greg Hall	Independent ⁽¹⁾	Financially Literate ⁽²⁾
Donald Gee	Independent ⁽¹⁾	Financially Literate ⁽²⁾

(1) To be considered to be independent, a member of the Committee must not have any direct or indirect 'material relationship' with Prophecy Platinum. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

(2) To be considered financially literate, a member of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Prophecy Platinum's financial statements.

11.4 Relevant Education and Experience

Each member of the Audit Committee has extensive experience in dealing with financial statements, accounting issues, internal controls and other matters relating to public companies.

David Patterson holds a Masters of Business Administration from Simon Fraser University (1991) and a Bachelor of Arts from Simon Fraser University (1977). For more than 25 years he has been involved in the administration and finance of exploration companies based in North America. Mr. Patterson has been a director and/or officer of a number of public companies listed on the TSX Venture Exchange.

Greg Hall is an independent business advisor to the mining industry. His previous positions include: Director at Haywood Securities Inc.; Vice-President, Canaccord Capital Corporation; and Senior Vice-President of Leede Financial Markets Inc. He is a graduate of the Rotman School of Management, University of Toronto, SME Enterprise Board Program, and a Member of the Institute of Corporate Directors.

Donald Gee graduated with a B.Sc. in Geology from the University of British Columbia and has been a Chartered Accountant since 1979. He was the successful founder of Gee & Company Chartered Accountants, a Vancouver based public accounting firm. More recently, Mr. Gee has served as a key executive and director for several publicly listed resource companies. Mr. Gee is a native of Vancouver, British Columbia, a member of the Canadian Institute of Chartered Accountants, Canadian Institute of Mining and Metallurgy and the Society of Economic Geologists.

11.5 Audit Committee Oversight

At no time since the commencement of the Company's most recent completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

11.6 Pre-Approval Policies and Procedures

The Audit Committee has adopted policies and procedures for the pre-approval of non-audit services to be provided by the Company's independent auditors. As a general policy, all services provided by the independent auditors must be pre-approved by the Audit Committee. Unless a service has received general approval from the Audit Committee, it will require specific pre-approval by the Audit Committee. When specific pre-approval is required, the Audit Committee has delegated the authority to the Chair of the Audit Committee.

11.7 External Auditor Services Fees

Aggregate fees paid to the Auditor during the fiscal years ended March 31, 2012 and July 31, 2011 were as follows:

Financial Year Ended	Audit Fees	Audit Related Fees ¹	Tax Fees ²	All Other Fees ³
March 31, 2012	\$78,800	\$6,500	\$6,000	\$700
July 31, 2011	\$45,000	\$Nil	\$Nil	\$Nil

Notes:

1. Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under "Audit Fees".
2. Fees charged for tax compliance, tax advice and tax planning services.
3. Fees for services other than disclosed in any other column.

11.8 Reliance on Exemptions in NI 52-110 regarding De Minimis Non-audit Services or on a Regulatory Order Generally

Since the commencement of Prophecy Platinum's most recently completed financial year, Prophecy Platinum has not relied on the exemption in section 2.4 (De Minimis Non-audit Services) of NI 52-110 (which exempts all non-audit services provided by Prophecy Platinum's auditor from the requirement to be preapproved by the Audit Committee if such services are less than 5% of the auditor's annual fees charged to Prophecy Platinum, are not recognized as non-audit services at the time of the engagement of the auditor to perform them and are subsequently approved by the Audit Committee prior to the completion of that year's audit) or an exemption from NI 52-110, in whole or in part, granted by a securities regulator under Part 8 (Exemptions) of NI 52-110.

11.9 Reliance on Exemptions in NI 52-110 regarding Audit Committee Composition & Reporting Obligations

Since Prophecy Platinum is a 'venture issuer', as defined in NI 52-110, it relies on the exemption contained in section 6.1 of NI 52-110 from the requirements of Part 3 Composition of the Audit Committee (as described in "Composition of the Audit Committee" above) and Part 5 Reporting Obligations of NI 52-110.

ITEM 12: PROMOTERS

Other than the directors and officers of the Company and Prophecy Coal Corp., management is not aware of any person or company who could be characterized as a promoter of the Company or a subsidiary of the Company within the two most recently completed financial years or during the current financial year.

Executive compensation for the past three years is disclosed under the heading “Executive Compensation” in the management information circular dated April 28, 2011, which section is incorporated by reference in this AIF and a copy of which is available for viewing under the Company’s corporate profile at www.sedar.com.

ITEM 13: LEGAL PROCEEDINGS

The Company is not a party to any outstanding legal or regulatory proceedings, and the directors of the Company do not have any knowledge of any contemplated legal or regulatory proceedings that are material to the business and affairs of the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as previously disclosed herein or in regards to the executive compensation of directors and officers in their roles as same or the participation by directors and officers in recently completed private placements of the Company, no director or executive officer, insider, or any associate or affiliate of such insider or director or executive officer, have had any material interest, direct or indirect, in any material transaction of Prophecy Platinum within the Company’s three most recently completed financial years or during the current financial year, which has materially affected or will materially affect Prophecy Platinum.

John Lee and Greg Hall, who are directors and/or officers of the Company, are also directors and/or officers of PCY Coal. Mssrs. Hall and Lee abstained from voting as directors of Prophecy Platinum and of PCY Coal in respect of acquisition of the Wellgreen Property and Lynn Lake Property from PCY Coal.

ITEM 14: TRANSFER AGENTS AND REGISTRARS

The Company’s transfer agent and registrar is Computershare Investor Services Inc. of 510 Burrard Street, 2nd Floor, Vancouver, British Columbia, V6C 3B9.

ITEM 15: MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by Prophecy Platinum in the two years immediately prior to the date of this Annual Information that can reasonably be regarded as presently material to Prophecy Platinum are:

- (a) the arrangement agreement dated April 16, 2012 between Prophecy Platinum and Ursa regarding the acquisition of Ursa;
- (b) the arrangement agreement dated March 30, 2011 between Prophecy Platinum and PCY Coal regarding the acquisition of the Lynn Lake Project and the Wellgreen Project; and
- (c) the option agreement dated October 20, 2009 between PCY Coal and Victory Nickel Inc. concerning the acquisition of a 100% interest in the Lynn Lake Project, as assigned to Prophecy Platinum effective June 13, 2011.

All of the contracts specified above may be inspected at the registered and records offices of Prophecy Platinum at 2080-777 Hornby Street, Vancouver, British Columbia, during normal business hours.

ITEM 16: INTERESTS OF EXPERTS

16.1 Names of Experts

Prophecy Platinum retained Todd McCracken, P.Geo and Lyndsey MacBride, P. Geo of Wardrop Engineering to prepare the Lynn Lake Report and each are independent qualified persons as defined in NI 43-101.

Prophecy Platinum retained Todd McCracken, P. Geo. Of Wardrop Engineering Inc. to prepare the Wellgreen Report and he is an independent qualified person as defined in NI 43-101

Prophecy Platinum retained Todd McCracken, P.Geo and Callum Grant, P. Eng. or Wardrop Engineering to prepare the Lynn Lake Report and each are independent qualified persons as defined in NI 43-101.

Ursa retained Micon to prepare the Shakespeare Report and addendum thereto and is an independent qualified person as defined in NI 43-101.

Manning Elliott LLP, Chartered Accountants prepared the auditors report for the audited annual financial statements of Prophecy Platinum for the years ended July 31, 2011 and July 31, 2010. Manning Elliott LLP, Prophecy Platinum's auditor, is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

16.2 Interests of Experts

To the knowledge of Prophecy Platinum, none of the experts above or their respective associates or affiliates, beneficially owns, directly or indirectly, any securities of Prophecy Platinum, has received or will receive any direct or indirect interests in the property of Prophecy Platinum or is expected to be elected, appointed or employed as a director, officer or employee of Prophecy Platinum or any associate or affiliate thereof.

ITEM 17: ADDITIONAL INFORMATION

Additional information on the Company:

- (a) can be found on the Company's website at www.prophecyplat.com or on SEDAR at www.sedar.com;
- (b) including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors;
- (c) is provided in the Company's most recent financial statements and the management's discussion and analysis for its most recently completed financial year.

ITEM 18: SCHEDULE “1”

PROPHECY PLATINUM CORP.

AUDIT COMMITTEE CHARTER

1.0 Purpose of the Committee

1.1 The Audit Committee represents the Prophecy Platinum Board in discharging its responsibility relating to the accounting, reporting and financial practices of Prophecy Platinum and its subsidiaries, and has general responsibility for oversight of internal controls, accounting and auditing activities and legal compliance of Prophecy Platinum and its subsidiaries.

2.0 Members of the Committee

2.1 The Audit Committee shall consist of no less than three directors a majority of whom shall be "independent" as defined under NI 52-110, while Prophecy Platinum is in the developmental stage of its business. The members of the Audit Committee shall be selected annually by the Prophecy Platinum Board and shall serve at the pleasure of the Prophecy Platinum Board.

2.2 At least one member of the Audit Committee must be "financially literate" as defined under NI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Prophecy Platinum's financial statements.

3.0 Meeting Requirements

3.1 The Audit Committee will, where possible, meet on a regular basis at least once every quarter, and will hold special meetings as it deems necessary or appropriate in its judgment. Meetings may be held in person or telephonically, and shall be at such times and places as the Audit Committee determines. Without meeting, the Audit Committee may act by unanimous written consent of all members which shall constitute a meeting for the purposes of this charter.

3.2 A majority of the members of the Audit Committee shall constitute a quorum.

4.0 Duties and Responsibilities

The Audit Committee's function is one of oversight only and shall not relieve Prophecy Platinum's management of its responsibilities for preparing financial statements which accurately and fairly present Prophecy Platinum's financial results and conditions or the responsibilities of the external auditors relating to the audit or review of financial statements. Specifically, the Audit Committee will:

- (a) have the authority with respect to the appointment, retention or discharge of the independent public accountants as auditors of Prophecy Platinum (the "auditors") who perform the annual audit in accordance with applicable securities laws, and who shall be ultimately accountable to the Prophecy Platinum Board through the Audit Committee;
- (b) review with the auditors the scope of the audit and the results of the annual audit examination by the auditors, including any reports of the auditors prepared in connection with the annual audit;
- (c) review information, including written statements from the auditors, concerning any relationships between the auditors and Prophecy Platinum or any other relationships that may adversely affect the independence of the auditors and assess the independence of the auditors;
- (d) review and discuss with management and the auditors Prophecy Platinum's audited financial statements and accompanying MD&A, including a discussion with the auditors of their judgments as to the quality of Prophecy Platinum's accounting principles and report on them to the Prophecy Platinum Board;
- (e) review and discuss with management Prophecy Platinum's interim financial statements and interim MD&A and report on them to the Prophecy Platinum Board;

- (f) pre-approve all auditing services and non-audit services provided to Prophecy Platinum by the auditors to the extent and in the manner required by applicable law or regulation. In no circumstances shall the auditors provide any non-audit services to Prophecy Platinum that are prohibited by applicable law or regulation;
- (g) evaluate the external auditor's performance for the preceding fiscal year, reviewing their fees and making recommendations to the Prophecy Platinum Board;
- (h) periodically review the adequacy of Prophecy Platinum's internal controls and ensure that such internal controls are effective;
- (i) review changes in the accounting policies of Prophecy Platinum and accounting and financial reporting proposals that are provided by the auditors that may have a significant impact on Prophecy Platinum's financial reports, and report on them to the Prophecy Platinum Board;
- (j) oversee and annually review Prophecy Platinum's Code of Business Conduct and Ethics;
- (k) approve material contracts where the Prophecy Platinum Board determines that it has a conflict;
- (l) establish procedures for the receipt, retention and treatment of complaints received by Prophecy Platinum regarding the audit or other accounting matters;
- (m) where unanimously considered necessary by the Audit Committee, engage independent counsel and/or other advisors at Prophecy Platinum's expense to advise on material issues affecting Prophecy Platinum which the Audit Committee considers are not appropriate for the full Prophecy Platinum Board;
- (n) satisfy itself that management has put into place procedures that facilitate compliance with the provisions of applicable securities laws and regulation relating to insider trading, continuous disclosure and financial reporting;
- (o) review and monitor all related party transactions which may be entered into by Prophecy Platinum; and
- (p) periodically review the adequacy of its charter and recommending any changes thereto to the Prophecy Platinum Board.

5.0 Miscellaneous

5.1 Nothing contained in this Charter is intended to extend applicable standards of liability under statutory or regulatory requirements for the directors of Prophecy Platinum or members of the Audit Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Audit Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.