Prophecy Coal Corp.

Condensed Interim Consolidated Financial Statements
Unaudited
For the three and six month period ended June 30, 2012
(Expressed in Canadian Dollars)

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

PROPHECY COAL CORP.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited) (Expressed in Canadian Dollars)

	Notes		June 30 2012		December 31 2011
Assets					
Current assets					
Cash and cash equivalents	5	$	1,325,103	$	3,480,050
Receivables	6		1,248,435		1,105,429
Prepaid expenses	7		3,076,643		609,357
Available-for-sale-investments	8		1,390,781		3,839,988
			7,040,962		9,034,824
Non-current assets					
Reclamation deposits			6,500		6,500
Receivables	6		-		2,137,031
Equipment deposits and other			-		2,053,613
Available-for-sale-investments	8		2,164,626		3,796,175
Property and equipment	9		60,759,804		51,645,276
Mineral properties	10		71,317,751		62,169,481
		$	141,289,643	$	130,842,900
Liabilities and Equity					
Current liabilities					
Accounts payable & accrued liabilities	11	$	2,665,747	$	1,364,890
			2,665,747		1,364,890
Non-current liabilities					
Provision for closure and reclamation	12		294,262		257,355
			2,960,009		1,622,245
Equity					
Share capital	13		144,749,807		134,492,080
Common shares subscribed			1,350,000		-
Reserves			17,963,648		17,138,468
Accumulated other comprehensive loss			(4,840,804)		(1,842,782)
Deficit			(52,978,534)		(53,375,529)
Equity attributable to owners of the Company	3		106,244,117		96,412,237
Equity attributable to non-controlling interests	3		32,085,517		32,808,418
Total Equity			138,329,634		129,220,655
		$	141,289,643	$	130,842,900

Approved on behalf of the Board:

"Joseph Li"	*"Greg Hall"*
Director	Director

See Accompanying Notes to Condensed Interim Consolidated Financial Statements.

PROPHECY COAL CORP.
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Unaudited) (Expressed in Canadian Dollars)

	Notes	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
General and Administrative Expenses					
Consulting and management fees		$ 274,436	$ 359,499	$ 568,402	$ 666,256
Share-based payments	13	668,037	1,054,489	3,129,274	2,394,842
Advertising and promotion		519,251	114,274	1,238,854	331,317
Professional fees		248,316	173,695	500,041	294,295
Travel and accommodation		95,625	170,830	193,442	366,342
Stock exchange and shareholder services		49,268	35,467	158,090	91,967
Salary and benefits		372,941	49,963	506,714	158,492
Office and administration		79,919	52,537	156,491	156,708
Insurance		53,232	37,572	105,114	49,156
Director fees		70,758	2,500	139,908	6,706
Amortization		42,545	26,000	112,231	41,005
Loss Before Other Items and Deferred Income Tax Recovery		(2,474,327)	(2,076,826)	(6,808,560)	(4,557,086)
Other Items					
Interest income		17,156	68,969	37,031	120,172
Interest expense		(1,089)	-	(57,600)	-
Loss on acquisition of mineral properties		-	(2,350,462)	-	(2,350,462)
Loss on sale of investements		(100,147)	-	(17,619)	-
Foreign exchange gain (loss)	2	1,714,249	50,158	(42,059)	(76,557)
Mineral property written off	10	(190,980)	-	(190,980)	-
		1,439,189	(2,231,335)	(271,227)	(2,306,847)
Income (Loss) Before Deferred Income Tax Recovery		(1,035,138)	(4,308,161)	(7,079,787)	(6,863,933)
Deferred income tax recovery (expense)		(68,176)	-	53,285	-
Net Income (Loss) for Period		(1,103,314)	(4,308,161)	(7,026,502)	(6,863,933)
Fair value loss on available-for-sale investments		(2,114,759)	(1,998,493)	(1,241,772)	(366,185)
Unrealized loss on foreign exchange		(1,515,352)	-	(1,515,352)	-
Comprehensive Loss for Period		$ (4,733,425)	$ (6,306,654)	$ (9,783,626)	$ (7,230,118)
Net income (loss) for period attributable to:					
Owners of the Company		$ (289,024)	$ (4,266,227)	$ (4,802,593)	$ (6,821,999)
Non-controlling interest		(814,290)	(41,934)	(2,223,909)	(41,934)
		$ (1,103,314)	$ (4,308,161)	$ (7,026,502)	$ (6,863,933)
Comprehensive loss for period attributable to:					
Owners of the Company		$ (4,638,569)	$ (6,264,720)	$ (7,804,680)	$ (7,188,184)
Non-controlling interest		(94,856)	(41,934)	(1,978,946)	(41,934)
		$ (4,733,425)	$ (6,306,654)	$ (9,783,626)	$ (7,230,118)
Loss Per Common Share, basic and diluted		$ (0.00)	$ (0.02)	$ (0.03)	$ (0.04)
Weighted Average Number of Shares Outstanding		225,071,203	190,228,186	216,306,209	189,676,298

See Accompanying Notes to Condensed Interim Consolidated Financial Statements.

PROPHECY COAL CORP.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited) (Expressed in Canadian Dollars)

	Numbers of shares	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Deficit	Equity attributable to owners of the Company	Non-controlling Interest	Total
Balance, January 1, 2011	184,981,199	$ 125,458,376	$ 4,720,060	$ (512,616)	$ (27,579,123)	$ 102,086,697	$ -	$ 102,086,697
Options exercised	872,400	702,892	(335,557)	-	-	367,335	-	367,335
Warrants exercised	4,977,487	2,558,835	-	-	-	2,558,835	-	2,558,835
Share-based payments	-	-	2,917,060	-	-	2,917,060	56,932	2,973,992
Non-controlling interest on acquisition of Prophecy Platinum Corp.	-	-	-	-	-	-	5,725,409	5,725,409
Distribution to shareholders on spin-off								
Transfer on expiry of options	-	-	(12,058)	-	-	(12,058)	-	(12,058)
Loss for the period	-	-	-	-	(6,825,696)	(6,825,696)	(41,934)	(6,867,630)
Distribution to shareholders on spin-off	-	-	-	-	(18,475,792)	(18,475,792)	18,475,792	-
Unrealized gain on available-for-sale-invesments	-	-	-	366,185	-	366,185	-	366,185
Balance, June 30, 2011	190,831,086	128,720,103	$ 7,289,505	(146,431)	(52,880,611)	82,982,566	24,216,199	107,198,765
Expired escrowed shares cancelled	(187,500)	-	-	-	-	-	-	-
Options exercised	627,900	503,731	(208,368)	-	-	295,363	-	295,363
Warrants exercised	9,837,936	5,268,246	(156,347)	-	-	5,111,899	-	5,111,899
Share-based payments	-	-	10,213,678	-	-	10,213,678	3,602,808	13,816,486
Funding from non-controlling interest, net of dilution	-	-	-	-	2,888,033	2,888,033	7,668,585	10,556,618
Dilution on spin-out transaction	-	-	-	-	(3,071,334)	(3,071,334)	-	(3,071,334)
Loss for the period	-	-	-	-	(311,617)	(311,617)	(2,594,521)	(2,906,138)
Unrealized gain on available-for-sale-invesments	-	-	-	(1,696,351)	-	(1,696,351)	(84,653)	(1,781,004)
Balance, December 31, 2011	201,109,422	134,492,080	17,138,468	(1,842,782)	(53,375,529)	96,412,237	32,808,418	129,220,655
Private placement, net of share issue costs	22,363,866	9,594,618	-	-	-	9,594,618	-	9,594,618
Options exercised	187,500	159,875	(113,000)	-	-	46,875	-	46,875
Warrants exercised	1,479,509	762,578	(7,233)	-	-	755,345	-	755,345
Share-based payments	-	-	316,538	-	-	316,538	2,689,946	3,006,484
Bonus shares	-	(259,344)	259,344	-	-	-	-	-
Warrant modification	-	-	369,531	-	-	369,531	-	369,531
Common shares subscribed	-	-	-	-	-	1,350,000	-	1,350,000
Funding from non-controlling interest, net of dilution	-	-	-	-	5,243,132	5,243,132	(1,473,380)	3,769,752
Loss for the period	-	-	-	-	(4,862,103)	(4,862,103)	(2,164,399)	(7,026,502)
Unrealized gain (loss) on available-for-sale-invesments	-	-	-	(1,482,670)	15,966	(1,466,704)	224,932	(1,241,772)
Unrealized gain (loss) on foreign exchange	-	-	-	(1,515,352)	-	(1,515,352)	-	(1,515,352)
Balance, June 30, 2012	225,140,297	$ 144,749,807	$ 17,963,648	$ (4,840,804)	$ (52,978,534)	$ 106,244,117	$ 32,085,517	$ 138,329,634

See Accompanying Notes to Condensed Interim Consolidated Financial Statements.

PROPHECY COAL CORP.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited) (Expressed in Canadian Dollars)

	Six months ended June 30, 2012	2011
Operating Activities		
Net loss for the period	$ (7,026,502)	$ (6,863,933)
Items not involving cash		
Accretion of provision for closure and reclamation	6,838	-
Amortization	112,231	41,005
Share-based payments	3,129,274	2,394,842
Loss on exchange transaction with Platinum	-	1,875,689
Future income tax recovery	(53,285)	-
	(3,831,444)	(2,552,397)
Changes in non-cash working capital		
Receivables	1,994,025	(1,414,939)
Prepaid expenses	(2,467,286)	(379,169)
Accounts payable and accrued liabilities	1,108,200	(780,055)
	634,939	(2,574,163)
Cash Used in Operating Activities	(3,196,504)	(5,126,560)
Investing Activities		
Cash received upon acquisition of Platinum	-	671,726
Acquisition of property and equipment	(7,123,918)	(19,142,095)
Mineral property expenditures	(8,840,101)	(2,397,475)
(Purchase)/sale of available for sale investments	2,838,983	(1,750,000)
Cash Produced by (Used in) Investing Activities	(13,125,036)	(22,617,844)
Financing Activities		
Repayment of loan	-	(5,000,000)
Platinum shares issued	3,769,753	-
Prophecy shares issued, net of share issuance costs	10,396,840	2,926,170
Cash Provided by (Used in) Financing Activities	14,166,593	(2,073,830)
Net Increase (Decrease) in Cash	(2,154,947)	(29,818,234)
Cash and Cash Equivalents - Beginning of Period	3,480,050	39,324,151
Cash and cash equivalents - end of period	$ 1,325,103	$ 9,505,918

Supplemental cash flow information (Note 19)

1. NATURE AND CONTINUANCE OF OPERATIONS

Prophecy Coal Corp. (formerly Prophecy Resource Corp.) ("Prophecy Coal" or the "Company") is incorporated under the laws of the province of British Columbia, Canada, and is engaged in the acquisition, exploration, and development of energy, nickel, and platinum group metals projects. The Company maintains its head office at 2nd floor, 342 Water Street, Vancouver, BC, V6B 1B6.

On June 13, 2011, Northern Platinum Ltd. ("Northern Platinum"), Prophecy Holdings Inc., and Prophecy Resource Corp. were amalgamated as one company under the name Prophecy Resource Corp. On June 14, 2011, Prophecy Resource Corp. changed its name to Prophecy Coal Corp. (see note 2 for more details on the ownership of its subsidiaries).

2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2012 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited annual financial statements as at December 31, 2011.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as available-for-sale and fair value through profit or loss ("FVTPL"), which are stated at their fair values. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

In preparing the condensed interim consolidated financial statements for the three and six months ended June 30, 2012, the Company followed the same accounting policies and methods of computation as in Note 3 of the annual consolidated financial statements for the year ended December 31, 2011.

(b) Change in functional currency

As the operations of the Company's wholly owned Mongolian subsidiaries continue to gain significance relative to the operations of the Company as a whole, management has concluded that the most appropriate functional currency of the Mongolian subsidiaries is the Mongolian Tugriks; and this change was effective for the Company on April 1, 2012. This reflects the fact that the competitive and regulatory environment of the Mongolian subsidiaries are mainly influenced by the Mongolian currency, and the Mongolian currency now largely influences coal prices, labour, material and other costs of providing coal supply services. The previous functional currency of the Mongolian subsidiaries was the Canadian dollar. In accordance with IAS-21, this change in accounting policy was applied prospectively from April 1, 2012. The presentation currency of the Company remains the same; the Canadian Dollar.

2. BASIS OF PRESENTATION (Continued)

(b) Change in functional currency (continued)

The financial position and results of the Company's foreign subsidiary are translated from functional currency to Canadian dollars as follows:

- assets and liabilities are translated using exchange rates prevailing at the balance sheet date;
- income and expenses are translated using average exchange rates prevailing during the period; and
- all resulting exchange gains and losses are included in other comprehensive income.

The Company treats inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. The exchange differences on inter-company balances are taken directly to other comprehensive loss. When a foreign entity is disposed, such differences are recognized in the statement of income as part of the gain or loss on sale.

(c) Approval of the financial statements

The condensed interim consolidated financial statements of Prophecy Coal for the three and six months ended June 30, 2012 were reviewed by the Audit Committee, approved, and authorized for issue by the Board of Directors on August 13, 2012.

(c) Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation. Such reclassifications are for presentation purposes only and has no effect on previously reported results.

(d) New accounting pronouncements

There has not been any change in accounting policy due to changes required by an IFRS that will be effective for the annual financial statements and changes that are proposed to be adopted for the annual financial statements, in accordance with the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* since the consolidated financial statements for the year ended December 31, 2011.

(e) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All material intercompany balances and transactions have been eliminated. For a partially owned subsidiary, the interest attributable to non-controlling shareholders is reflected in non-controlling interest.

(Unaudited) (Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

Details of the Company's subsidiaries at June 30, 2012 are as follows:

	Principal Activity	Place of incorporation and operation	Ownership interest June 30, 2012
0912603 B.C. Ltd.	Exploration	Canada	100%
0912601 B.C. Ltd.	Exploration	Canada	100%
Chandgana Coal LLC	Exploration	Mongolia	100%
East Energy Development LLC	Exploration	Mongolia	100%
Red Hill Mongolia LLC	Mining	Mongolia	100%
UGL Enterprises LLC	Inactive	Mongolia	100%
Prophecy Platinum Corp.	Exploration	Canada	46.4%
Subsidiaries of Prophecy Platinum Corp.			
PCNC Holdings Corp.	Exploration	Canada	46.4%
Pacific Coast Nickel Corp. USA	Inactive	USA	46.4%
Pacific Nickel Sudamerica S.A.	Exploration	Uruguay	46.4%
0905144 B. C. Ltd.	Exploration	Canada	46.4%

3. ACQUISITIONS

Acquisition of Prophecy Platinum Corp.

On June 13, 2011, the Company completed the transfer of the Wellgreen and Lynn Lake properties to Pacific Coast Nickel Corp. (“PCNC”) through an Arrangement. Pursuant to the terms of the Arrangement, PCNC would issue 450,000,000 of its common shares to Prophecy Coal. The Company retained 269,176,425 of these shares, distributed 180,823,575 of these shares to Prophecy Coal shareholders. Of the 269,176,425, the Company has reserved 44,176,425 common shares for distribution to holders of Prophecy Coal options and warrants, upon the exercise of such options and warrants.

Immediately following the completion of the Arrangement, PCNC consolidated its share capital on a 10 old for one new basis (the “Consolidation”) and changed its name to Prophecy Platinum Corp. ("Platinum"). Platinum issued 450,000,000 to Prophecy.

As a result of the Arrangement and Consolidation, each Prophecy shareholder received 0.094758 of a post-Consolidation Platinum share for each Prophecy Coal share held by them as at the end of June 9, 2011. Each option holder and warrant holder of Prophecy Coal will, upon the exercise of their Prophecy Coal options and warrants, as the case may be, receive 0.094758 of a post-Consolidation Platinum share, in addition to one common share of Prophecy Coal for each whole option or warrant of Prophecy Coal held. Upon completion of the Transaction, Platinum had 50,657,321 post-Consolidation shares outstanding and Prophecy owned 26,971,621 common shares of Platinum.

(Unaudited) (Expressed in Canadian Dollars)

3. ACQUISITIONS (Continued)

As a result of the Arrangement, the Company acquired an interest of 53.24% of Platinum's issued and outstanding shares and through other relationships, is deemed to have control over Platinum. Accordingly, Prophecy consolidated the results of Platinum from June 14, 2011, the date of acquisition. The Company has recorded the interest in the Wellgreen and Lynn Lake properties at their carrying values as it has retained control of the properties. Platinum is considered a subsidiary of Prophecy and its financial results are consolidated into Prophecy's financial statements. Therefore, this transaction has been accounted for using the purchase method as an acquisition of assets. Additional information on Platinum as a publicly listed company is available on the SEDAR website, www.sedar.com.

The Company's ownership interest in Platinum was reduced to 46.4% as at June 30, 2012, which resulted in a dilution impact recorded to deficit. However, as there are common directors and officers, the Company is deemed to continue to have control over Platinum.

The fair value of Platinum's net assets on the date of acquisition was as follows:

Cash and cash equivalents	$	778,676
Receivables		17,421
Prepaids		4,810
Property and equipment		7,726
Mineral properties		1,928,300
Accounts payable and accrued liabilities		(82,820)
Net assets acquired	$	2,654,113

4. SEGMENTED INFORMATION

The Company operates in one operating segment, being the acquisition, exploration and development of mineral properties. Geographic segmentation of the Company's assets is as follows:

	June 30, 2012				
	Canada	Uruguay	Argentina	Mongolia	Total
Reclamation deposits	$ 6,500	$ -	$ -	$ -	$ 6,500
Equipment deposits and other	-	-	-	-	-
Long-term receivables	-	-	-	-	-
Property and equipment	664,569	-	-	60,095,235	60,759,804
Mineral properties	58,882,687	733,299	437,547	11,264,219	71,317,751
	$ 59,553,756	$ 733,299	$ 437,547	$ 71,359,454	$ 132,084,055

	December 31, 2011				
	Canada	Uruguay	Argentina	Mongolia	Total
Reclamation deposits	$ 6,500	$ -	$ -	$ -	$ 6,500
Equipment deposits and other	-	-	-	2,053,613	2,053,613
Long-term receivables	-	-	-	2,137,031	2,137,031
Property and equipment	1,172,979	-	-	50,472,297	51,645,276
Mineral properties	55,861,685	707,450	232,000	5,368,346	62,169,481
	$ 57,041,164	$ 707,450	$ 232,000	$ 60,031,287	$ 118,011,901

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Company are comprised of bank balances and short-term money market instruments with original maturities of three months or less. The Company's cash and cash equivalents are denominated in the following currencies:

	June 30, 2012	December 31, 2011
Cash		
Denominated in Canadian dollars	$ 918,502	$ 2,316,433
Denominated in US dollars	282,881	68,419
Denominated in Mongolian tugriks	104,530	86,530
Denominated in Uruguayan pesos	-	6,770
Cash equivalents		
Denominated in Canadian dollars	19,190	1,001,898
	$ 1,325,103	$ 3,480,050

(Unaudited) (Expressed in Canadian Dollars)

6. RECEIVABLES

		June 30, 2012		December 31, 2011
Current assets				
HST receivable	$	190,523	$	338,436
Trade receivable		614,314		730,373
Other receivables		443,598		36,620
	$	1,248,435	$	1,105,429
Non-current assets				
VAT receivable	$	-	$	2,137,031

7. PREPAID EXPENSES

		June 30, 2012		December 31, 2011
Prepaid insurance	$	92,442	$	29,360
Other prepaid expenses		2,984,201		579,997
	$	3,076,643	$	609,357

8. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are broken down as follows:

Available-for-sale investments		June 30, 2011		December 31, 2011
Current assets				
Platinum investments				
ETFS Physical Palladium	$	-	$	2,024,878
ETFS Physical Platinum		-		1,815,110
Ursa Major		1,390,781		-
	$	1,390,781	$	3,839,988
Non-current assets				
Prophecy investments				
Victory Nickel	$	1,464,626	$	2,746,175
Compliance Energy		700,000		1,050,000
	$	2,164,626	$	3,796,175

8. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

In May 2010, the Company and Victory Nickel Inc. (“Victory Nickel”) agreed to reciprocal private placements enabling Victory Nickel to acquire approximately 9.9% equity interest in the Company in accordance with the terms of an Equity Participation Agreement dated October 20, 2009. Victory Nickel subscribed for 7,000,000 shares of the Company at a price of $0.544 per share, while the Company purchased 36,615,385 common shares in Victory Nickel, which represented approximately 9.8% equity interest in Victory Nickel, for $3,808,001.

In March 2011, the Company acquired 5,000,000 common shares of Compliance Energy Corporation ("Compliance"), representing approximately 8% of Compliance outstanding shares by means of a non-brokered private placement. Prophecy paid $1,750,000 for its interest in Compliance.

In December 2011, Platinum purchased 30,840 at $65 ETFS Physical Palladium and 12,950 at $155 ETFS Physical Platinum exchange traded funds. At June 30, 2012, the Company sold all of its platinum ETFs and palladium ETFs on hand and received proceeds for a realized loss of $100,147.

On March 9, 2012 Platinum acquired 16,666,667 common shares of Ursa Major Minerals Inc. (“Ursa”) at a price of $0.06 per common share for aggregate proceeds of $1,000,000 representing approximately 17.3% of Ursa outstanding shares by means of non-brokered private placement.

9. PROPERTY AND EQUIPMENT

There are no restrictions on title, any expenditure to construct property, and equipment during the period, any contractual commitments to acquire property and equipment, and any compensation from third parties for items of property and equipment that were impaired, lost, or given up that is included in profit or loss.

(Unaudited) (Expressed in Canadian Dollars)

9. PROPERTY AND EQUIPMENT (Continued)

	Computer Equipment	Furniture & Equipment	Vehicles	Computer Software	Leasehold Improvements	Ulaan Ovoo Mining Equipment	Ulaan Ovoo Deferred Exploration	Exploration Equipment	Total
Cost									
Balance, December 31, 2011	144,445	224,564	772,111	234,068	172,818	14,248,586	38,338,876	28,299	54,163,767
Additions									
Assets acquired	23,259	143,007	-	-	-	449,265	11,948,515	330,590	12,894,636
Sale of coal	-	-	-	-	-	-	(1,857,245)	-	(1,857,245)
Disposals	-	-	(7,333)	(35,628)	-	-	-	-	(42,961)
Balance, June 30, 2012	167,704	367,571	764,778	198,440	172,818	14,697,851	50,287,391	358,889	65,158,197
Accumulated depreciation									
Balance, December 31, 2011	49,226	82,448	137,315	82,456	23,582	2,125,913	-	17,551	2,518,491
Depreciation for the period	15,701	28,582	84,333	55,037	17,282	1,650,968	-	27,999	1,879,902
Balance, June 30, 2012	64,927	111,030	221,648	137,493	40,864	3,776,881	-	45,550	4,398,393
Carrying amounts									
At December 31, 2011	95,219	142,116	634,796	151,612	149,236	12,122,673	38,338,876	10,748	51,645,276
At June 30, 2012	102,777	256,541	543,130	60,947	131,954	10,920,970	50,287,391	313,339	60,759,804

(Unaudited) (Expressed in Canadian Dollars)

10. MINERAL PROPERTIES

	Chandgana Tal	Chandgana Khavtgai	Titan	Okeover, others	Lynn Lake	Wellgreen	Burwash	Sarandi del Yi Durazno	Las Aguilas	Tugalgatai	Total
Notes	10(b)	10(c)	10(f)	10(e)	10(d)	10(g)	10(h)	10(i)	10(j)	10(l)	
Balance, December 31, 2011	4,752,701	2,124,768	738,649	1,366,912	32,760,807	17,603,145	1,883,050	707,450	231,999	-	62,169,481
											-
Acquisition cost	-	-	-	-	1,000,000	-	-	-	198,255	2,055,000	3,253,255
Deferred exploration costs:											-
Licenses, leases, and Power Plant application	1,143,319	135,112	5,739	976	(8,537)	3,987	-	-	-	-	1,280,595
engineering, and consulting	570,065	204,208	-	1,124	-	1,079,073	-	25,468	-	-	1,879,937
Drilling	-	-	-	-	-	1,477,906	-	-	-	-	1,477,906
Personnel	53,762	133,246	-	-	5,986	68,145	-	-	-	-	261,138
Camp and general	92,038	-	-	-	7,980	871,423	16,323	381	7,293	-	995,437
	1,859,183	472,566	5,739	2,100	5,428	3,500,534	16,323	25,848	7,293	-	5,895,015
Balance, June 30, 2012	**$6,611,884**	**$2,597,334**	**$744,388**	**$1,369,012**	**$33,766,235**	**$21,103,679**	**$1,899,373**	**$733,298**	**$437,547**	**$2,055,000**	**$71,317,751**

10. MINERAL PROPERTIES (Continued)

(a) Ulaan Ovoo property

In November 2005, the Company entered into a letter of intent with Ochir LLC that sets out the terms to acquire a 100% interest in the Ulaan Ovoo coal property. The Ulaan Ovoo property is located in Selenge province, Mongolia. It is held by the vendor under a transferable, 55-year mining license with a 45-year option for extension granted by the Government of Mongolia. The purchase price for the 100% interest, together with all equipment, buildings, and other facilities assembled and constructed at the property was US$9,600,000. Under the terms of the agreement, the Vendor retained a 2% net smelter return royalty (“NSR”).

In November 2006, the Company entered into an agreement with a private Mongolian corporation to purchase 100% title and interest in five mineral licenses including licenses that are contiguous and entirely surrounding the Ulaan Ovoo property. The aggregate purchase price for the licenses was US$400,000. Under the terms of the agreement the vendor retained a 2% NSR. A finder's fee of 58,500 shares was issued to a third party on the acquisition.

In March 2010, the Company was granted an option to purchase the 2% NSR on the Ulaan Ovoo property by cash payment of US$130,000 and issuance of 2,000,000 common shares of the Company. In April 2010, the Company exercised the option and a total of $1,570,000 was capitalized as acquisition costs of the property.

On November 9, 2010, the Company received a mine permit from the Mongolian Ministry of Mineral Resources and Energy (“MMMRE”) for the Ulaan Ovoo coal property.

During the year ended December 31, 2010, the Company had reached technical feasibility and commercial viability and has, accordingly, reclassified mineral property costs to Property and Equipment (Note 9).

Ilch Khujirt exploration license

The Company terminated the Ilch Khujirt option, which was part of the Ulaan Ovoo property, without further obligation as it is not a core asset to the Company. The Company recorded an impairment of $190,980 at June 30, 2012 for the full carrying amount of the property.

(b) Chandgana Tal property

In March 2006, the Company acquired a 100% interest in the Chandgana Tal property, a coal exploration property consisting of two exploration licenses located in the northeast part of the Nyalga coal basin, approximately 290 kilometers east of Ulaan Bataar, Mongolia, by cash payment of US$400,000 and issuance of 250,000 shares of the Company valued at $1.20 per share. A total of $814,334, which included a finder’s fee of 50,000 shares of the Company issued to a third party, was capitalized as acquisition costs of the Chandgana Tal property.

In March 2011, the Company obtained a mine permit from the MMMRE for the Chandgana Tal coal project.

10. MINERAL PROPERTIES (Continued)

(c) Chandgana Khavtgai property

In 2007, the Company acquired a 100% interest in the Chandgana Khavtgai property, a coal exploration property consisting of one license and located in the northeast part of the Nyalga coal basin by cash payment of US$570,000. A total of $589,053 was capitalized as acquisition costs of the Chandgana Khavtgai property.

(d) Lynn Lake property

The Company has acquired Lynn Lake property, a nickel project located in northern Manitoba, Canada, through the acquisition of Prophecy Holdings in April 2010. A total of $31,802,069 was capitalized as the acquisition cost of Lynn Lake.

On October 20, 2009, Prophecy Holdings entered into an option agreement with Victory Nickel. Pursuant to the option agreement, Platinum has the right to earn a 100% interest in Lynn Lake by paying Victory Nickel an aggregate of $4,000,000 over approximately four and one-half years and by incurring an aggregate of $3,000,000 exploration expenditures at Lynn Lake over a three-year period, and by issuing of 2,419,548 shares to Victory Nickel (issued). The option agreement also provided Victory Nickel with a right to participate in future financings or acquisitions on a pro-rata basis so that Victory Nickel may maintain its 10% interest in the number of outstanding shares of the Company.

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

- $300,000 within five business days after the approval from the TSX V Exchange (paid);
- $300,000 on January 9, 2010 (paid);
- $400,000 within 180 days of the option agreement (paid);
- $1,000,000 on or before March 1, 2011 (paid);
- $1,000,000 on or before March 1, 2012 (paid); and
- $1,000,000 on or before March 1, 2013.

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

- $500,000 on or before November 1, 2010 (incurred);
- an aggregate of $1,500,000 on or before November 1, 2011 (incurred); and
- an aggregate of $3,000,000 on or before November 1, 2012.

(e) Okeover property

The Company has a 60% interest in the Okeover property, a copper-molybdenum project in the Vancouver Mining Division of southwestern British Columbia, Canada.

A total of $1,246,890 was capitalized as the acquisition costs of Okeover.

10. MINERAL PROPERTIES (Continued)

(f) Titan property

The Company has an 80% interest in Titan property, a vanadium-titanium-iron project located in Ontario, Canada.

In January 2010, Prophecy Holdings entered into an option agreement with Randsburg International Gold Corp. (“Randsburg”) whereby Prophecy Holdings had the right to acquire an 80% interest in the Titan property by paying Randsburg an aggregate of $500,000 (paid), and by incurring exploration expenditures of $200,000 by December 31, 2010. Pursuant to the option agreement, Randsburg has the option to sell the remaining 20% interest in the Titan property to the Company for $150,000 cash or 400,000 shares of the Company. The Titan property is subject to a 3% NSR that may be purchased for $20,000.

On June 30, 2011, the Company paid Ransburg the balance of unexpended amount of $114,742 according to the terms of an Amended Agreement with Ransburg signed on June 30, 2011.

(g) Wellgreen property

The Wellgreen property is a nickel-copper and platinum group metals project located in southwestern Yukon Territory, Canada.

The Wellgreen property was subject to a Back-in Assignment Agreement (“the Assignment Agreement”) with Belleterre Quebec Mines (“Belleterre”), wherein Belleterre was granted a back-in right to a 50% interest in Wellgreen at any time up to and including completion of a positive feasibility study at Wellgreen by paying to the Company, at the time of backing-in, 50% of the amount of expenditures incurred by the Company at Wellgreen.

Pursuant to the Assignment Agreement, Belleterre assigned its rights, title and interest in and to the Assignment Agreement to Prophecy for consideration of $4,200,000 payable as follows:

- $2,100,000 in cash (paid); and
- $2,100,000 payable through the issuance of 3,560,000 common shares and 712,000 warrants (issued).

As a result, the Company acquired a 100% interest in Wellgreen.

(h) Burwash, Canada

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

10. MINERAL PROPERTIES (Continued)

(i) Sarandi del Yi Durazno, Uruguay

Platinum has purchased five prospecting licences in Uruguay and has begun an exploration program on these properties. To date Platinum has spent $725,833 on the properties and intends to continue exploration work.

(j) Las Aguilas, Argentina

On December 10, 2010, further amended March 21, 2012 the Company entered into a letter agreement with Marifil Mines Limited ("Marifil") with an option to acquire up to a 70% interest in the Las Aguilas Nickel-Copper-PGM property located in San Luis Province, Argentina. The agreement with Marifil provides for payments and work commitments to earn a 49% interest in the property as follows:

Cash and shares

- $25,000 upon signing and 250,000 shares (paid and issued; 25,000 post consolidation),
- $125,000 and 250,000 shares on or before April 1, 2012 (paid and issued; 25,000 post consolidation),
- $100,000 and 250,000 shares on or before April 1, 2013 (25,000 post consolidation),
- $100,000 and 250,000 shares on or before April 1, 2014 (25,000 post consolidation).

Work Commitments

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

The agreement also provides for the Company to earn an additional 11% by preparing a pre-feasibility study on the property and issuing an aggregate of 2,000,000 shares (200,000 post consolidation) from April 1, 2014 to April 1, 2015. A further 10% can be earned by completing a feasibility study on the property, making cash payment of $100,000 and issuing an aggregate of 1,000,000 shares from April 1, 2015 to April 1, 2016.

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

(k) Tugalgatai licenses

The Company has entered into a binding Sale and Purchase Agreement (the "Agreement") to acquire assets in Mongolia relating to certain Tugalgatai coal exploration licenses from Tethys Mining LLC ("Tethys"), subject to approval from the Minerals Resource Authority of Mongolia, to have such exploration licenses transferred to it. The Tugalgatai licenses are contiguous to the Company's Chandgana licenses.

10. MINERAL PROPERTIES (Continued)

(k) Tugalgatai licenses (continued)

The terms of the Agreement include a US$10 million upfront payment and an 8.5% royalty on future coal sales from both the Chandgana and Tugalgatai licenses. The royalty can be extinguished by paying Tethys US$20 million before 2021 or US$25 million from 2021 onwards. Of the purchase price, $2 million has been paid. The total payment will be paid to Tethys upon the transfer of the licenses.

(l) Title to mineral properties

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

(m) Realization of assets

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

(n) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

(Unaudited) (Expressed in Canadian Dollars)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30 2012	December 31, 2011
Trade accounts payable	$ 2,266,224	$ 1,108,310
Accrued liabilities	399,523	256,580
	$ 2,665,747	$ 1,364,890

12. PROVISION FOR CLOSURE AND RECLAMATION

	June 30, 2012	December 31, 2011
Balance	$257,355	$80,000
Additions	30,069	54,469
Accretion	6,838	122,886
	$294,262	$257,355

The Company's closure and reclamation costs consists of costs accrued based on the current best estimate of mine closure and reclamation activities that will be required at the Ulaan Ovoo site upon completion of mining activity. These activities include costs for earthworks, including land re-contouring and re-vegetation, water treatment and demolition. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and estimates prepared by a third party specialist. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

Management used a risk-free interest rate of 1.74% and an inflation factor of 2.10% in preparing the Company's provision for closure and reclamation. Although the ultimate amount of reclamation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is $2,000,000 over the next 9 years. The cash expenditures are expected to occur over a period of time extending several years after the mine's projected closure.

13. SHARE CAPITAL

(a) Authorized

The authorized capital of Prophecy consists of an unlimited number of Prophecy shares without par value. The holders of the Company shares are entitled to vote at all meetings of shareholders of Prophecy shares, to receive dividends if, as and when declared by the directors, and to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of Prophecy. The Company shares carry no pre-emptive rights, conversion or exchange rights, redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring the holder of Prophecy shares to contribute additional capital and no restrictions on the issuance of additional securities by Prophecy. There are no restrictions on the repurchase or redemption of Prophecy shares by Prophecy, except to the extent that any such repurchase or redemption

13. SHARE CAPITAL (Continued)

(a) Authorized (Continued)

would render Prophecy insolvent pursuant to the British Columbia *Business Corporations Act.*

(b) Equity issuances

During the six months ended June 30, 2012, the Company had the following share capital transactions:

(i) During the six months ended June 30, 2012, the Company issued 187,500 and 1,479,509 shares on the exercise of options and warrants, respectively, for total proceeds of $802,220.

(ii) On March 8, 2012, the Company closed a non-brokered private placement of 22,363,866 shares at a price of $0.45 per share for gross proceeds of $10,063,740. Finder's fees of 6% of the gross proceeds were paid on certain portions of the placement totalling $469,122. All shares issued are subject to a hold period expiring on July 9, 2012.

(iii) On January 2, 2012 the Company granted 1,933,000 bonus shares to employees, consultants and directors. This bonus grant was approved at the Annual General Meeting on June 11, 2012. Using Black Scholes, the company has expensed $259,344 of these bonus shares to date.

(iv) On June 28, 2012 a non-brokered private placement for 600,000 Platinum's shares at a price of $1.20 per share for gross proceeds of $1,350,000 was issued. As of the end of the 2012 second quarter these subscribed shares had not been delivered. The delivery date of these subscribed shares was subsequent to June 30, 2012.

During the year ended December 31, 2011, the Company had the following share capital transactions:

(v) During the year ended December 31, 2011, the Company issued 1,500,300 and 14,815,423 shares on the exercise of options and warrants, respectively, for total proceeds of $8,333,432.

(vi) The Company cancelled and returned 187,500 common shares without par value to treasury as they have been cancelled.

(c) Stock options

On May 31, 2011, the Company adopted a new stock option plan for its directors, officers, employees, and consultants under which the Company may grant options to acquire a maximum number of common shares equal to 38,165,342.

The following is a summary of the changes in the Company's options from December 31, 2011 to June 30, 2012:

(Unaudited) (Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2011	24,493,050	$0.70
Granted	8,965,000	$0.36
Exercised	(187,500)	$0.25
Forfeited	(1,786,667)	$0.68
Cancelled	(5,435,000)	$0.55
Outstanding, June 30, 2012	26,048,883	$0.62

During the six months ended June 30, 2012, the Company granted 8,965,000 stock options (2011 – 2,700,000) to directors, officers, employees and consultants at exercise prices ranging from $0.25 to $0.485 (2011 – from $0.63 to $0.98) and expiry dates ranging from January 9, 2017 to June 18, 2017.

On June 18, 2012, the Company cancelled 5,435,000 options granted to directors, officers, employees and consultants with expiry dates on June 13, 2016, August 30, 2016, January 9, 2017, February 3, 2017, and March 22, 2017 at exercise prices ranging from $0.425 to $0.77. These stock options were replaced with a new option grant of 5,435,000 stock options with the expiry date on June 18, 2017 at exercise price $0.28 per share subject to a vesting schedule over two years with 50% options vesting every year. The incremental fair value of these options was determined using the Black-Scholes option pricing model and the corresponding expense was recognized during the six month period ended June 30, 2012.

On June 18, 2012, the Company re-priced 18,358,050 options granted to directors, officers, employees and consultants with expiry dates ranging from January 23, 2014 to February 14, 2016 at exercise prices ranging from $0.38 to $0.93. These stock options will be re-priced, subject to special meeting of the shareholders and TSX approval, with a new option exercise price of $0.28 and no changes to the existing expiry dates or vesting periods. Due to the fact that this re-price had not been approved by the shareholders or the TSX as of June 30, 2012 these contingent newly re-priced options were not valued.

During the year ended December 31, 2011, the Company granted a total of 3,510,000 options with a life of five years to directors, officers, consultants, and employees at exercise prices ranging from $0.63 to $0.98 per share subject to a vesting schedule over two years with 50% options vesting every year.

On September 16, 2011, the Company amended the vesting terms of 4,715,000 stock options granted to directors with exercise prices ranging from $0.54 to $0.93 per share to vest immediately. Share-based payments related to these modified options were expensed immediately.

Platinum's stock option plan authorizes directors of Platinum to grant options to officers, directors, employees and consultants under which Platinum may grant options to acquire up to 10,120,695 common shares of Platinum. The options can be granted for a maximum term of five years and vest at the discretion of the Board of Directors.

(Unaudited) (Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

The following is a summary of the changes in Platinum's options from December 31, 2011 to June 30, 2012:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2011	6,976,250	$ 1.34
Granted	610,000	5.89
Exercised	(200,000)	0.90
Forfeited	(620,000)	4.61
Outstanding, June 30, 2012	6,766,250	$ 1.47

On September 11, 2011, Platinum amended the vesting period on 5,670,000 stock options granted to its directors, exercisable at $0.90 per share, to vest immediately. Share-based payments related to these modified options were expensed immediately.

The Company and Platinum recorded the fair value of all options granted using the Black-Scholes model. Share-based payment costs are amortized over vesting periods. During six months 2012 share-based payment costs were calculated using the following weighted average assumptions:

For the six months ended June 30, 2012 and 2011, share-based payments were recorded as follows:

Prophecy	Three months ended June 30,		Six months ended June 30,	
Statement of Operations for Prophecy	2012	2011	2012	2011
Share based payments	407,781	1,054,489	673,747	2,394,842
	407,781	1,054,489	673,747	2,394,842
Statement of Financial Position				
Ulaan Ovoo exploration	(3,181)	211,868	12,321	224,451
Lynn Lake exploration	-	(2,913)	-	2,445
Wellgreen exploration	-	36,230	-	352,253
	(3,181)	211,868	12,321	224,451
Prophecy's total share-based payments	$ 404,600	$ 1,266,357	$ 686,068	$ 2,619,293

(Unaudited) (Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

Platinum	Three months ended June 30,		Six months ended June 30,	
Statement of Operations for Platinum	2012	2011	2012	2011
Share based payments	260,256	-	2,455,528	-
	260,256	-	2,455,528	-
Statement of Financial Position for Platinum				
Wellgreen exploration	91,287	-	234,419	-
	91,287	-	234,419	-
Platinum's total share-based payments	$ 351,543	$ -	$ 2,689,947	$ -
Consolidated Statement of Financial Position for Share-Based Payments				
Total per income statement	668,037	1,054,489	3,129,275	2,394,842
Total per balance sheet	88,106	211,868	246,741	224,451
Less: Warrant modification	(369,531)	-	(369,531)	-
Grand total	$ 386,612	$ 1,266,357	$ 3,006,485	$ 2,619,293

The forfeiture rates: Prophecy - 2%, Platinum - %Nil.

(Unaudited) (Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

Prophecy

As of June 30, 2012 and December 31, 2011, the following Prophecy options were outstanding:

Exercise Price	June 30, 2012	December 31, 2011	Expiry Date
$0.25	975,000	1,162,500	October 29, 2014
$0.25	-	50,000	February 14, 2012
$0.25	10,000	-	June 1, 2017
$0.28	5,435,000	-	June 18, 2017
$0.38	200,000	200,000	November 30, 2014
$0.40	1,056,800	1,056,800	January 23, 2014
$0.40	381,250	381,250	January 29, 2015
$0.49	5,000	-	March 22, 2017
$0.54	850,000	1,000,000	September 21, 2015
$0.55	350,000	350,000	March 11, 2015
$0.60	175,000	175,000	July 17, 2014
$0.60	65,000	65,000	September 21, 2014
$0.63	100,000	2,400,000	June 13, 2016
$0.67	1,722,500	1,967,500	May 10, 2015
$0.67	175,000	175,000	October 15, 2015
$0.77	9,000,000	9,000,000	December 10, 2015
$0.77	2,050,000	2,050,000	December 24, 2015
$0.77	28,333	710,000	August 30, 2016
$0.80	475,000	475,000	April 30, 2014
$0.80	100,000	100,000	September 23, 2015
$0.80	120,000	120,000	January 4, 2016
$0.93	50,000	50,000	January 6, 2016
$0.93	2,595,000	2,875,000	December 24, 2015
$0.98	130,000	130,000	February 14, 2016
	26,048,883	24,493,050	

At June 30, 2012, the Company had 14,313,883 exercisable stock options outstanding (2011 – 8,045,450).

(Unaudited) (Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

Platinum

As of June 30, 2012, the following Platinum options were outstanding:

Exercise Price		Number of Options Outstanding	Expiry Date
$	1.60	3,750	January 7, 2013
$	1.00	12,500	November 6, 2014
$	1.40	175,000	December 13, 2015
$	0.90	5,345,000	June 20, 2016
$	2.25	770,000	December 12, 2016
$	2.40	90,000	January 9, 2017
$	3.68	240,000	February 3, 2017
$	3.09	80,000	April 4, 2017
$	2.67	50,000	May 9, 2017
		6,766,250	

At June 30, 2012, Platinum had 3,841,250 exercisable stock options outstanding.

(d) Share purchase warrants

On April 5, 2012 the Company extended the expiry day for one year of 6,606,544 share purchase warrants, which were issued in 2010 in a transaction with Northern Platinum at a weighted average exercise price of $0.074. The following is a summary of these warrants.

Exercise price	Number of Warrants Outsanding	Original Expiry Date	Amended Expiry date
$0.49	2,752,097	March 23, 2012	March 23, 2013
$0.66	551,967	March 31, 2012	March 31, 2013
$0.77	2,964,730	March 31, 2012	March 31, 2013
$0.80	337,750	April 21, 2012	April 21, 2013
	6,606,544		

The incremental fair value of the warrant with amended expiry date was determined using the Black-Scholes option pricing model and expense was recognized during the six month period ended June 30, 2012.

On January 4, 2011, the Company accelerated the expiry of 3,355,585 share purchase warrants, which were issued in various private placements at a weighted average exercise price of $0.45 to February 4, 2011.

(Unaudited) (Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

(d) Share purchase warrants (Continued)

The following is a summary of the changes in the Company's warrants from December 31, 2011 to June 30, 2012:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2011	11,834,769	$0.72
Exercised	(1,479,509)	$0.51
Expired	(15,334)	$0.49
Outstanding, June 30, 2012	10,339,926	$0.75

The following is a summary of the changes in Platinum's warrants from December 31, 2011 to June 30, 2012:

	Number of Warrants	Weighted Avg Exercise Price
Outstanding, December 31, 2011	1,217,000	1.00
Exercised	(90,000)	1.00
Outstanding, June 30, 2012	1,127,000	1.00

As of June 30, 2012 and at December 31, 2011 the following Prophecy warrants were outstanding:

	At June 30, 2012	At December 31, 2011	
Exercise price	Number of Warrants		Expiry date
$0.49	-	1,396,714	February 17, 2012
$0.66	3,831,511	3,831,511	October 28, 2012
$0.77	551,968	551,968	March 31, 2013
$0.80	2,964,730	2,964,730	March 31, 2013
$0.80	337,750	337,750	April 21, 2013
$0.80	2,653,967	2,752,097	March 23, 2013
$0.49 to $0.80	10,339,926	11,834,769	

(Unaudited) (Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

(d) Share purchase warrants (Continued)

As of June 30, 2012 and December 31, 2011 the following Platinum warrants were outstanding:

Exercise Price		At June 30, 2012	At December 31, 2011
		Number of Warrants	
$	1.00	252,000	327,000
$	1.00	875,000	890,000
		1,127,000	1,217,000

14. CAPITAL RISK MANAGEMENT

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

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six months ended June 30, 2012. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, all held with major Canadian financial institutions.

(Unaudited) (Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS

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

	As at June 30, 2012	As at December 31, 2011
Fair value through profit or loss		
Cash and cash equivalents	$ 1,325,103	$ 3,480,050
Loans and receivables		
Trade receivable	614,314	730,373
Other receivable	634,119	36,620
Available-for-sale investments		
Investment in Victory Nickel	1,464,626	2,746,175
Investment in Compliance Energy	700,000	1,050,000
ETFS Palladium	-	2,024,878
ETFS Platinum	-	1,815,110
Ursa Major Minerals	1,390,781	-
	$ 6,128,944	$ 11,883,206

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and loans payable approximate their fair values due to the short-term maturity of these financial instruments.

Fair value hierarchy

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

(Unaudited) (Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS (Continued)

As at June 30, 2012	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss	$ 1,325,103	$ -	$ -	$ 1,325,103
Available-for-sale investments	3,555,408	-	-	3,555,408
	$ 4,880,510	$ -	$ -	$ 4,880,510

As at December 31, 2011	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss	$ 3,480,050	$ -	$ -	$ 3,480,050
Available-for-sale investments	7,636,163	-	-	7,636,163
	$ 11,116,213	$ -	$ -	$ 11,116,213

16. FINANCIAL RISK MANAGEMENT DISCLOSURES

(a) Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its financial obligations as they fall due. The Company manages liquidity risk by preparing cash flow forecasts of upcoming cash requirements. As at June 30, 2012, the Company has cash and cash equivalents of $1,325,103 (December 31, 2011 - $3,480,050) and financial liabilities of $2,665,745 (December 31, 2011 - $1,364,890), which have contractual maturities of 90 days or less.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk primarily associated to cash and cash equivalents, receivables and deposits. The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution. The carrying amount of assets included on the statements of financial position represents the maximum credit exposure. Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as substantially all amounts are held with a single Canadian financial institution.

(c) Market risk

The significant market risks to which the Company is exposed are interest rate risk, foreign currency risk, and commodity and equity price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents primarily include highly liquid investments that earn interest at market rates

16. FINANCIAL RISK MANAGEMENT DISCLOSURES (Continued)

that are fixed to maturity or at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the fair values or future cash flows of the financial instruments as of June 30, 2012. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

The Company has exploration and development projects in Mongolia and undertakes transactions in various foreign currencies. The Company is therefore exposed to foreign currency risk arising from transactions denominated in a foreign currency and the translation of financial instruments denominated in US dollars and Mongolia tugrug into its reporting currency, the Canadian dollar.

Based on the above, net exposures as at June 30, 2012; with other variables unchanged, a 1% strengthening (weakening) of the Canadian dollar against the Mongolian tugrug would not have a material impact on earnings with other variables unchanged. A 1% strengthening (weakening) of the US dollar against the Canadian dollar would not have a material impact on net loss. The Company currently does not use any foreign exchange contracts to hedge this currency risk.

(c) Market risk (continued)

(iii) Commodity and equity price risk

The Company holds investments in available-for-sale that fluctuate in value based on market prices. Based upon the Company's investment position as at June 30, 2012, a 10% increase (decrease) in the market price of the investments held would have resulted in an increase (decrease) to comprehensive income (loss) of approximately $139,078. The Company also holds investments in exchange traded funds. Based on Platinum investment position at June 30, 2012, a 10% increase (decrease), net of tax the market price of the investments held would have resulted in an increase (decrease) to comprehensive income (loss) of approximately $121,939. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

17. RELATED PARTY DISCLOSURES

Details of transactions between the Company and other related parties are disclosed below.

The Company had related party transactions with the following companies related by way of directors and key management personnel:

(a) Energy Investment Capital, a private company owned by Jivko Savov, Director of the Company and provides consulting service.

(Unaudited) (Expressed in Canadian Dollars)

17. RELATED PARTY DISCLOSURES (Continued)

(b) J. P. McGoran and Associates Ltd., a private company controlled by John McGoran, a former director of the Company and provides geological consulting services.

(c) JWL Investment Corp., a private company owned by Joseph Li, a General Manager, Corporate Secretary and Director of the Company and Platinum and provides management services.

(d) Linx Partners Ltd., a private company controlled by John Lee, Director, CEO and Chairman of the Company, and Chairman and Director of Platinum, and provides management and consulting services for the Company and Platinum. The Company entered into a rental contract with Linx Partners Ltd. on April 1, 2011 to rent an apartment in Ulaanbaatar for $2,000 per month.

(e) MaKevCo Consulting Inc., a private company 50% owned by Greg Hall, Director of the Company and Platinum, and provides consulting and management services.

(f) Monnis International LLC, a private company controlled by Chuluunbaatar Baz, a Director of the Company and supplied mining equipment for the Ulaan Ovoo mine.

(g) The Energy Gateway Ltd., a private company owned by Paul Venter, Director and Vice-President of the Company and provides consulting and management services.

(h) The Elysian Enterprises Inc., a private company owned by David Patterson, Director of the Platinum and provides consulting and management services.

(i) The Cantech Capital Corporation, a private company owned by Donald Gee, Director of the Platinum and provides consulting and management services.

(j) Resinco Capital Partners with a common former director, provided consulting and management service.

A summary of the expenses by nature among the related parties is as follows:

	Three months ended June 30		Six months ended June 30,	
Related parties	2012	2011	2012	2011
Energy Investment Capital (a)	$ -	$ -	$ 26,239	$ -
JP McGoran and Associates Ltd. (b)	-	5,000	-	12,500
JWL Investment Corp. (c)	42,000	-	84,000	-
Linx Partners Ltd. (d)	149,862	119,778	299,862	239,778
MaKevCo Consulting Inc. (e)	17,500	-	62,000	-
Monnis International LLC (f)	-	943,001	-	943,001
The Energy Gateway (g)	19,789	43,737	51,991	91,737
Elysian Enterprises Inc. (h)	2,000	-	5,000	-
Cantech Capital Corp. (i)	2,500	-	5,000	-
Resinco Capital Partners (j)	-	72,000	-	72,000
Key management personnel	94,527	244,653	172,860	315,959
	$ 328,179	$ 1,428,169	$ 706,952	$ 1,674,975

(Unaudited) (Expressed in Canadian Dollars)

17. RELATED PARTY DISCLOSURES (Continued)

	Three months ended June 30		Six months ended June 30,	
Related parties	2012	2011	2012	2011
Consulting and management fees	$ 232,362	$ 296,132	$ 502,284	$ 429,832
Director fee	69,777	5,000	138,927	9,206
Salaries and benefits	6,250	11,700	13,750	23,400
Mineral properties and P&E	19,789	1,115,337	51,991	1,212,537
	$ 328,179	$ 1,428,169	$ 706,952	$ 1,674,975

Prophecy shares management, administrative assistance, and office space with Platinum pursuant to a Service Agreement signed January 1, 2012 for fixed monthly fees of $40,000. Prophecy Coal recovers costs for services rendered to Platinum and expenses incurred on behalf of Platinum. The terms of the Service Agreement will remain in effect until 30 days following written notice of termination.

At June 30, 2012, accounts payable includes $25,521 (December 31, 2011 - $92,362) owing for reimbursable expenses to companies with common officers and directors, and $30,000 (December 31, 2011 - $3,560) due to directors of Prophecy and Platinum for director fees.

Transactions with related parties have been measured at the fair value of services rendered.

18. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Three months ended June 30		Six months ended June 30	
Key Management Personnel	2012	2011	2012	2011
Salaries and short-term employee benefits	$ 288,527	$ 166,928	$ 560,354	$ 425,989
Share-based payments	16,905	449,357	116,666	510,357
Total key management personnel compensation	$ 305,432	$ 616,285	$ 677,020	$ 936,346

(Unaudited) (Expressed in Canadian Dollars)

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended June 30, 2012	2011
Supplementary information		
Interest paid	$ 56,511	$ 83,334
Non-Cash Financing and Investing Activities		
Capitalized amortization for fixed assets	1,767,671	250,308
Property and equipment expenditures included in accounts payable	81,892	-
Mineral property expenditures included in accounts payable	1,544,766	375,841
Share-based payments capitalized in property and equipment	12,321	-
Share-based payments capitalized in mineral properties	234,419	245,485

20. COMMITMENTS FOR EXPENDITURE

Commitments, not disclosed elsewhere in these financial statements, are as follows.

On February 4, 2011, the Company entered into a new office rental agreement expiring April 30, 2016. At June 30, 2012, the Company has the following annual contracted commitments:

2012	$ 61,172
2013	61,172
2014	63,641
2015	63,641
2016	21,214
	$ 270,840

Commitments related to mineral properties are disclosed in the Note 10.

21. EVENTS AFTER THE REPORTING DATE

The following events occurred subsequent to June 30, 2012:

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

b) On July 16, 2012, the Company arranged a secured a $10,000,000 debt facility (the “Loan”) with Waterton Global Value L.P. (“Waterton”). The funds will be used to complete the purchase of Tugalgatai, Mongolian coal licenses. The Loan has a one year term and bears interest at 14% per annum. A structuring fee of 2.5% plus a bonus of $600,000 through the issuance of 2,735,617 of the Company’s common shares were paid.

c) On July 31, 2012 Platinum closed a non-brokered private placement of units ("Unit") and flow through shares ("FT Share") totaling $7.25 million. 5,067,208 Units were issued at a price of $1.20 per Unit to generate gross proceeds of approximately $6,080,650. Each Unit comprised one common share and a half 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 and $2.00 per share in the second year. 807,655 FT Shares were issued at a price of $1.45 per FT Share to generate gross proceeds of approximately $1,171,100.

Finder's fees of 6.5% of the proceeds placed, payable in cash, were paid on portions of the placement. Proceeds of the placement will be applied to the Wellgreen project and Platinum's other properties, in addition to general working capital

Prophecy
Coal Corp.

Interim Management's Discussion and Analysis of Financial Condition and Results of Operations

For the three and six months ended June 30, 2012
(Expressed in Canadian Dollars)

CONTENTS

This Interim Management's Discussion and Analysis ("MD&A") provides a review of the significant developments and issues that influenced Prophecy Coal Corp. ("Prophecy" or the "Company") during the three and six months ended June 30, 2012. This MD&A should be read in conjunction with the condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2012 (prepared in accordance with International Financial Reporting Standards or "IFRS") and the audited annual consolidated financial statements of the Company for the year ended December 31, 2011 (prepared in accordance with IFRS). This MD&A also incorporates certain disclosure about the Company's 46.4% owned affiliate Prophecy Platinum Corp., ("Platinum").

This MD&A was reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 13, 2012. The information contained within this MD&A is current to August 13, 2012.

Forward-looking statements

Certain statements contained in this MD&A, including statements which may contain words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or similar expressions, and statements related to matters which are not historical facts, are forward-looking information within the meaning of securities laws. 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 MD&A include, without limitation, statements regarding the permitting, feasibility, plans for development and production of the Company's Chandgana Power Plant, including finalizing of any power purchase agreement, the likelihood of securing project financing, estimated future coal production at the Ulaan Ovoo coal mine and the Chandgana Coal properties, and other information concerning possible or assumed future results of operations of Prophecy.

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 profitable mineral production, risks related to development and production of the Company's Ulaan Ovoo coal mine without the benefit of having completed a feasibility study, risks related to the feasibility of the Chandgana Power Plant, 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 a developing nations such as Mongolia, 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, unexpected changes in laws, and unanticipated environmental impacts on operations and costs to remedy same.

Assumptions underlying our expectations regarding forward-looking statements or information contained in this MD&A 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 coal, prices for and availability of diesel, parts and equipment and other key supplies remaining consistent with current levels, production forecasts meeting expectations, the accuracy of the Company's current mineral resource 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 Prophecy has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements as such information may not be appropriate for other purposes. We disclaim any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law.

(Expressed in Canadian Dollars)

1. Introduction

Prophecy is incorporated under the laws of the province of British Columbia, Canada, with its primary activities focussed on the acquisition, exploration and development of coal properties in Mongolia.

General Corporate Information

At June 30, 2012 and August 13, 2012, the Company had: (i) 225,140,297 and 227,875,914 common shares issued and outstanding, respectively; (ii) 26,048,883 stock options for common shares outstanding, and (iii) 10,339,927 warrants outstanding common shares.

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2nd floor, 342 Water Street, Vancouver, BC, V6B 1B6
+1-604-569-3661

Registered office
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Share Information
Common shares of Prophecy Coal Corp. are listed for trading under the symbol "PCY", OTC-QX under symbol "PRPCF", and Frankfurt Stock Exchange under symbol "1P2".

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Investor Information
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(Vancouver, Canada)
info@prophecycoal.com

Directors and Officers

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

Directors	Officers
John Lee, Chairman	John Lee, CEO
Jivko Savov	Irina Plavutska, Interim CFO
Joseph Li	Joseph Li, General Manager & Corporate Secretary
Chuluunbaatar Baz	Oscar Mendoza, Mongolia Country Manager
Harald Batista	
Greg Hall	
Michael J Deats	

Audit Committee	***Compensation Committee***	***Corporate Governance Committee***
Greg Hall	John Lee	John Lee
Jivko Savov	Greg Hall	Greg Hall
Harald Batista	Harald Batista	Harald Batista

Qualified Person

Mr. Christopher Kravits, LPG, CPG, a qualified person for the purposes of National Instrument (NI) 43-101. Mr. Kravits is not considered independent of the Company given the large extent that his professional time is dedicated solely to the Company.

Additional information relating to Prophecy is available on SEDAR at www.sedar.com and on Prophecy's website at www.prophecycoal.com.

2. Six Months 2012 Highlights and Significant Events

- The Company closed a non-brokered private placement of 22,363,866 shares at a price of $0.45 per share to raise aggregate gross proceeds of $10,063,740.

- The Company cancelled a proposed dealer debt facility of $5 million announced on December 30, 2011.The Company repaid the $800,000 loan due to Platinum, pursuant to a $2 million inter-company loan facility announced on December 30, 2011 plus $15,189 in interest income, and subsequently cancelled the inter-company loan facility agreement.

- The Company granted 3,000,000 stock options to directors, consultants, and employees of the Company with an exercise price of $0.49 per share for a period of five years. Platinum granted 330,000 stock options to a director, consultants, and employees of Platinum and vest 50% at the end of each year for two years, and vest 50% fifteen months from grant date, and the remaining 50% vest twenty-seven months from the grant date. The Company granted 320,000 stock options to consultants and employees of the Company with exercise prices ranging from $0.43 to $0.46 per share for a period of five years.

- Platinum paid $1,000,000 to Victory Nickel Corp. pursuant to the terms of the mineral property option agreement.

- Platinum and Ursa Major Minerals Inc. ("Ursa"), 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, have signed a definitive agreement ("Arrangement Agreement") on April 16, 2012 in connection with the business combination ("Transaction") to issue one common share for each 25 common share of Ursa held. As a result of the Transaction, the Ursa securityholders will become Platinum securityholders, Ursa will become a wholly owned subsidiary of Platinum and Ursa will apply for voluntary delisting of its common shares from the Toronto Stock Exchange. Following the Transaction, Platinum will have a total of approximately 58.7 million shares issued and outstanding, as well as options and warrants entitling holders to purchase approximately 8.2 million common shares.

- The Company extended the expiry dates of certain outstanding warrants. The subject warrants were originally issued during March 2010, April 2010 and September 2010, with original expiry dates of eighteen months and two years from issuance date. The new expiry dates will provide a one year extension.

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

- Platinum sold all of its platinum ETFs and palladium ETFs on hand on March 31, 2012 with a cost of $2,573,627 and received proceeds of $2,473,480 for a realized loss of $100,147.

- On June 18, 2012, the Company cancelled 5,435,000 options granted to directors, officers, employees and consultants with expiry dates June 13, 2016, August 30, 2016, January 9, 2017, February 3, 2017, and March 22, 2017 at exercise prices ranging from $0.425 to $0.77 and re-granted these options at exercise price of $0.28 with a term of five years and vesting over a two-year period.

2. Six Months 2012 Highlights and Significant Events (Continued)

Subsequent to June 30, 2012:

- Platinum completed its acquisition of Ursa. Platinum issued a total of 3,186,916 common shares to acquire all of the outstanding shares in Ursa using an agreed share exchange ratio of one common share in Platinum for each twenty-five common shares in Ursa. On completion of the acquisition Ursa delisted its shares from the TSX and became a wholly-owned subsidiary of the Company. The balance of shares of Ursa that were held by Platinum as at March 31, 2012 was cancelled pursuant to the terms of the acquisition.

- The Company secured a $10 million debt facility (the "Loan") with Waterton Global Value, L.P. ("Waterton"). The funds will be used to complete the purchase of the Tugalgatai, Mongolia coal licenses ("Tugalgatai"). The Loan has a one year term and bears interest at 14% per annum. A structuring fee of 2.5% plus a bonus of $600,000 were paid through the issuance of 2,735,617 of the Company's common shares.

- The Company announced the appointment of Mr. Harald Batista to its Board of Directors. The Company also announced the resignation of Mr. Paul Venter and Paul McKenzie from its Board of Directors.

- On July 10, 2012, Mr. Harald Batista, Mr. Myron Manternach, and Mr. Wesley J. Hall were appointed as directors of Platinum.

- Platinum closed a non-brokered private placement of units and flow through shares totaling $7.25 million. 5,067,208 units were issued at a price of $1.20 per unit to generate gross proceeds of approximately $6,080,650. Each unit comprised one common share and a half 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 and $2.00 per share in the second year. 807,655 flow through shares were issued at a price of $1.45 per share to generate gross proceeds of approximately $1,171,100. Finder's fees of 6.5% of the proceeds placed, payable in cash, were paid on portions of the placement. Proceeds of the placement will be applied to the Wellgreen project and Platinum's other properties, in addition to general working capital.

- The Company announced a temporarily suspension of Ulaan Ovoo operation due to the fact that it has sufficient inventory to meet its contractual coal supply obligations for 2012.

3. Business Overview

Prophecy in its current form is primarily the product of an April 2010 business combination between Red Hill Energy Ltd. (at the time TSX.V - RH) and a company formed in 2006, Prophecy Resource Corp. ("Old Prophecy"). Under that merger Red Hill was the successor legal entity which is herein referred to as the "Corporation". Under that 2010 business combination Old Prophecy was merged with a subsidiary of Red Hill and then Red Hill's name was changed to Prophecy Resource Corp. and, in 2011, to Prophecy Coal Corp. Red Hill was incorporated on November 6, 1978 under the Company Act (British Columbia) under the name "Banbury Gold Mines Ltd." Banbury changed its name to "Enerwaste Minerals Corp. "on December 17, 1993, Enerwaste changed its name to "Universal Gun-Loc Industries Ltd.". On April 24, 2002, Universal Gun-Loc changed its name to "UGL Enterprises Ltd." and to Red Hill Energy Inc on April 16, 2006. On May 10, 2005, the Corporation, as UGL, transitioned under the new (2004) Business Corporations Act (British Columbia) ("BCBCA") which is the corporate law statute which continues to govern the Corporation. On April 16, 2010, the Corporation (then Red Hill) changed its name to "Prophecy Resource Corp." in conjunction with the Red Hill merger. On June 13, 2011, the Corporation changed its name to "Prophecy Coal Corp." in connection with an asset spin-off to capitalize our controlled affiliate (initially approximately 53.2% controlled, now 46.4%), publicly traded Prophecy Platinum Corp. further described herein.

Prophecy is a reporting issuer in the provinces of British Columbia, Alberta, and Ontario. The Corporation's common shares (the "Shares" or "Prophecy Shares") are listed for trading on the Toronto Stock Exchange ("TSX" or the "Exchange") under the symbol "PCY". The common shares of Platinum trade on the TSX Venture Exchange under the symbol "NKL". Prophecy currently has six wholly-owned subsidiaries (the "Subsidiaries") and one 46.4% controlled publicly-traded affiliate, Platinum.

The number of Platinum's common shares outstanding at June 30, 2012 was 55,518,543. For the six months ended June 30, 2011 Platinum has incurred net loss of $4,151,408. The loss was mainly due to non-cash share-based payment expense of $2,455,527. (Note 13 in the condensed consolidated interim financial statements). Additional information on Platinum is available on the SEDAR website, www.sedar.com or at Platinum's website at http://prophecyplat.com.

3.1 Resource Properties

As of June 30, 2012, the Company's primary resource properties include: Ulaan Ovoo coal mine (Mongolia), and the Chandgana Khavtgai and Chandgana Tal coal deposits (Mongolia), collectively known as the "Chandgana Coal Properties". The other properties of the Company include Okeover copper-molybdenum (British Columbia, Canada) and Titan (Ontario, Canada).

Properties owned by Platinum include the Wellgreen nickel (Yukon, Canada), Lynn Lake nickel (Manitoba, Canada), Burwash nickel (Yukon, Canada), Sarandi nickel (Uruguay), and Las Aguilas nickel (Argentina).

Ulaan Ovoo Coal Mine

Prophecy (Red Hill at the time) entered into a letter of intent, dated November 24, 2005, as amended February 19, 2006, with Ochir LLC and a wholly owned subsidiary of Ochir LLC, both privately owned Mongolian companies, which set out the terms to acquire a 100% interest in the Ulaan Ovoo Property. The purchase price for the 100% interest, together with all equipment, buildings and other facilities, assembled and constructed at the Ulaan Ovoo Property was US$9,600,000. The purchase price has been paid in full by the Company. Ochir LLC retained a 2% royalty on production from licenses, which was subsequently assigned to a third party.

(Expressed in Canadian Dollars)

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Ulaan Ovoo Coal Mine (continued)

On November 15, 2006, Prophecy entered into an agreement with a private Mongolian company to purchase 100% of the title and interest in five mineral licenses including licenses that are contiguous and entirely surrounding the Ulaan Ovoo Property. The aggregate purchase price for the licenses was US$400,000. Under the terms of the agreement the vendor retained a 2% net smelter return royalty on the five newly acquired licenses. On April 29, 2009, Prophecy announced positive pre-feasibility study results for the Ulaan Ovoo Property.

On March 11, 2010, Prophecy entered into a royalty purchase agreement, dated for reference March 5, 2010, with Dunview Services Limited, a private British Virgin Islands company holding a 2% royalty on production from the licenses of the Ulaan Ovoo Property, to acquire such royalty in full in exchange for US$130,000 and the issuance of 2,000,000 Prophecy Shares. This transaction was completed on April 30, 2010.

The Ulaan Ovoo site establishment commenced on July 13, 2010. In October 2010, Prophecy provided 10,000 tonnes of coal as a trial run to power stations in Darkhan and Erdenet, Mongolia's second and third largest cities, respectively, behind its capital Ulaanbaatar. At the request of the Mongolian Ministry of Mineral Resources and Energy, Prophecy commenced mining and trucked the first coal shipment to Sukhbaatar rail station, ready to be transported to Darkhan power plant by rail.

On November 9, 2010, Prophecy received the final permit to commence mining operations at the Ulaan Ovoo. On December 16, 2010, Prophecy received the Ulaan Ovoo PFS, an updated prefeasibility study on the Ulaan Ovoo Property. The focus of the Ulaan Ovoo PFS was for the development of low ash coal reserves in the form of a starter pit.

The estimated resources, reserves, coal quality, and other mine characteristics of the Ulaan Ovoo coal mine are as follows:
Table 1

Resources mt	Reserves mt	Life of Mine years	Heating Value kcal/kg	Ash wt, %	Moisture wt, %	Strip Ratio BCM/t
209	20.7	10.7	5,040	11.3	21.7	1.8

Resources are from the 2006 Behre Delbear NI 43-101 report. All resources are in the measured and indicated reliability categories. Reserves, life of mine, coal quality, and strip ratio are from the 2010 Wardrop pre-feasibility report. This study was prepared for a starter pit and only considered the resource area north of the Zelter River. Coal reserves and qualities given in the above table are stated on a Run-of-Mine (ROM) basis and take into account mining loss and rock dilution at coal/rock interfaces. Coal quality is stated on the as-received basis. Proven reserves are of Low Ash (high grade) coal.

The Behre Dolbear and Wardrop studies for the Ulaan Ovoo coal mine are filed and available on www.sedar.com.

Operation Statistics: The mine, which started operations in November 2010 through its mining contractor, Leighton Asia Limited ("Leighton") and later, under its own management, has removed and stockpiled approximately 2.83 million bank cubic metres ("BCM") of topsoil and overburden (waste), and produced nearly 409,279 tonnes saleable coal. The Company discontinued its mining contract with Leighton in August 2011 to reduce mining costs. The Company then recruited and trained its own employees to mine at the Ulaan Ovoo mine.

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Ulaan Ovoo Coal Mine (continued)

The Company secured a rail siding at Sukhbaatar with capacity of 40,000 tonnes. During 2011, the Company has trucked 126,359 tonnes of coal from the mine to the rail siding. During the six months ended June 30, 2012, the Company has trucked 96,630 tonnes of coal.

Since June 2011, the supply of diesel fuel was rationed in Mongolia due to reduced supplies from Russia. This did not have a negative impact on Ulaan Ovoo's operations. The mine was allowed to receive an allocation of diesel fuel because it produces coal for local Mongolian power stations. The Company closely monitored its diesel supply to optimize mining production rates and coal transportation activities for the remainder of 2011. Since the mine is still in pre-commercial production status, revenue from coal sales and the related cost of production are being charged against and capitalized to property and equipment, respectively.

Prophecy has completed a geologic model of the two Ulaan Ovoo licenses. This model was used to develop mine plans and schedules for use in near and long term mine management and coal marketing.

During August 2011, the Company signed coal sales agreements with Mongolian and Russian power plants for total sales of 92,000 tonnes. The Company sold 133,632 tonnes of coal of two grades - 4,200 GCV and 5,100 GCV (arb.) to both Mongolian and Russian companies during 2011. For the six months ended June 30, 2012, the Company sold 107,125 tonnes of coal.

Since the Company produced at high levels until now, it has sufficient inventory (the current stockpile of coal is approximately 187,000 tonnes) to meet contractual supply obligations through the balance of 2012. Therefore the Company has decided to temporarily suspend coal mining operations in an effort to save costs. Approximately 80 mining staff were laid-off and paid aggregate severance of approximately $100,000 to comply with local employment laws. Some 15 staff members remain on site for equipment and site maintenance, shipping and security operations during the shutdown. With little local employment competition, the local labour force is expected to remain available for prompt rehire when needed. The shutdown is expected to run for approximately 6 months but could end sooner if any significant new coal sale agreements are entered into. Start-up can be effected in a matter of weeks. The overall effect of the suspended operations will be modestly cash flow positive as Ulaan Ovoo operations had not yet achieved break-even levels.

Equipment: During the year ended December 31, 2011, the Company acquired its two fleets of mining equipment for $14.3 million and made equipment deposits for $2.1 million. During the six months ended June 30, 2012, the Company acquired the remaining equipment. The Company received the following mining equipment:

One CAT 390 Excavator, one CAT 385C Excavator, six CAT 773D Dump Trucks, two CAT D8R Dozers, one CAT 160K Grader, one CAT 160H Grader, one CAT 928G Loader, two Liebherr 580 Loaders, eighteen Scania 32m30t Tipper trucks, two Nissan Water Trucks (for purpose of road maintenance), four 20t Nissan tipper trucks, one road roller, diesel generating and lighting plants and other equipment.

2012 Outlook: The Company is negotiating coal sales to Russia which will have higher selling prices through Zheltura. These negotiations are going well.

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Ulaan Ovoo Coal Mine (continued)

The Company is working with Russian partners and the Buryiat Province government in Russia to open the Zheltura border post (approximately 15 km from the mine) in order to reduce the cost of transporting the coal to Russia. On the Russian side, there is already federal permission to open the border on a temporary basis. The Company is also working closely with the Selenge provincial government of Mongolia to obtain approval from the Mongolian government to open Zheltura. While selling coal through the Russian eastern seaports proved to be complex and difficult in 2011, we will further pursue this option in the latter part of 2012. Also, management is using the suspended coal mining operations downtime to work with Mongolian officials to seek road and bridge improvements.

On the strategic front, the Company has received interest from potential joint venture partners to assist in the development of Ulaan Ovoo, which speaks to the merit of the project.

Ilch Khujirt Exploration License

The Company terminated the Ilch Khujirt option without further obligation as it is not a core asset to the Company. The Company recorded an impairment of $190,980 at June 30, 2012 for the full carrying amount of the property.

Tugalgatai Licenses

Pursuant to a Sale and Purchase Agreement (the "Agreement") dated June 15, 2012, the Company acquired the right to obtain assets relating to certain Tugalgatai coal exploration licenses from Tethys Mining LLC ("Tethys"). The Tugalgatai licenses are contiguous to the Company's Chandgana licenses. Prophecy expects to conduct work in due course with a view of preparing its own NI 43-101 estimate of the contained resource at Tugalgatai.

Since 2005, Tethys performed detailed exploration on the Tugalgatai licenses including drilling and geophysical methods, and conducted geotechnical, hydrogeological, environmental and topographic studies. Exploration results indicate a large and geologically simple coal occurrence within the Tugalgatai licenses that is similar to Prophecy's Chandgana licenses. The coal seam is continuous across the Nyalga Basin and outcrops to the northwest, with the main coal seam measuring up to 30m in thickness.

The terms of the Agreement included a US$2 million upfront payment (paid), a US$8 million final payment (paid) upon successful completion of due diligence, and an 8.5% royalty on future coal sales from both the Chandgana and Tugalgatai licenses. The royalty can be extinguished by paying Tethys US$20 million before 2021 or US$25 million from 2021 onwards.

Chandgana Coal Properties

The Chandgana properties consist of the Chandgana Tal ("Tal") and Khavtgai Uul ("Khavtgai") (formerly named Chandgana Khavtgai) properties which are within nine kilometres of each other in the Nyalga Coal Basin in east central Mongolia which is approximately 280 km east of Ulaan Bataar. On November 22, 2006 Prophecy (then Red Hill) entered into a letter agreement with a private Mongolian company that set out the terms to acquire a 100% interest in the Tal property. On August 7, 2007, Prophecy (then Red Hill) entered into a letter agreement with another private Mongolian company that set out the terms to acquire a 100% interest in the Khavtgai property.

(Expressed in Canadian Dollars)

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Chandgana Coal Properties (continued)

Under the terms of the Chandgana Khavtgai agreement, Prophecy paid a total of US$570,000.

In June, 2010, Prophecy completed a 13 drill hole, 2,373 metre resource expansion drilling program on the Khavtgai property, including 1,070 metres of core drilling, and five lines of seismic geophysical survey for a total of 7.4 line km.

An NI 43-101 technical report dated September 11, 2007 was prepared for the Chandgana Tal property by Behre Dolbear (the "Behre Dolbear Report"), and is filed on SEDAR. On February 8, 2011, the Company received a full mining license from the Mineral Resources Authority of Mongolia for the Tal property. The. Company engaged Leighton Asia LLC to prepare a scoping level mine study for the Tal property which was completed in December 2011. The Company is positioned to apply for a mining permit which may be received as early as 90 days from submittal of the application

An updated NI 43-101 technical report on the Khavtgai property dated September 28, 2010 was completed by Christopher Kravits, LPG, CPG of Kravits Geological Services LLC (the "Khavtgai Report"), and is filed on SEDAR. The Khavtgai Report updates the previous independent technical report on the Khavtgai property prepared by Mr. Kravits dated January 9, 2008, which was also filed on the SEDAR system. Details of the Chandgana Coal Properties are summarized in the following table:

Table 2. Details of the Chandgana Properties

	Resources Measured, mt	Resources Indicated, mt	Total mt	Gross Heating Value, kcal/kg	Ash, %	Sulfur, %	Strip Ratio, BCM/t	Average Gross Coal Seam Thickness, m	License Status
Khavtgai	509.3	538.8	1,048.1	4,379	12.18	0.72	2.2 : 1	37.5	Exploration
Tal	141.3		141.3	4,238	12.49	0.68	0.53 : 1	53.9	Mining
Total	650.6	538.8	1,189.4						

Coal quality is for the in-place coal and is given on the air-dried basis.

The Khavtgai coal resource area contains a significant coal resource. The coal seams are thick and the strip ratio is low such that surface mining methods appear best suited to recover the coal. The coal is of moderate grade and low rank and appears suitable for use as a thermal coal but the large size of the resource and moderate grade suggest the resource may also be suitable for use as a conversion feedstock.

During the six months ended June 30, 2012, the Company incurred a total of $2,331,749 (same period last year 2011 - $163,688) exploration expenditures at the Chandgana Coal Properties.

Chandgana Power Plant Project

The Power Plant Project area is next to the Baganuur to Undurkhaan paved road and within 150 km of the Central Mongolian Railroad, which can facilitate transport of construction equipment. The Project is within 150km of the Bagaanuur interconnect to the central electricity transmission grid and 50 km to the Undurhaan interconnect to the eastern electricity transmission grid.

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Chandgana Power Plant Project (continued)

On November 15, 2010, the Company reported that a Detailed Environmental Impact Assessment ("DEIA") pertaining to the construction of the Power Plant Project has been approved by the Mongolian Ministry of Nature and the Environment. The DEIA was prepared by an independent Mongolian environmental consulting firm which considered social and labour issues, climate and environmental circumstances specific to the proposed power plant. According to the study, there are no major impediments to the project.

On November 15, 2011, the Company's wholly owned Mongolian subsidiary East Energy Corp. (now renamed as Prophecy Power Corp.) received the license certificate from the Mongolian Energy Regulatory Authority to construct the 600 MW (150 MW x 4) Chandgana power plant. This is the largest thermal power plant license ever issued by the Mongolian government and the first to an independent power producer.

To ensure strict compliance with Mongolian laws and regulations in obtaining this license, Prophecy retained a number of Mongolian and international consultants over the past 18 months. Considerable efforts were also spent on community relations. An English translation of the license is filed at www.sedar.com on December 14, 2011.

On May 28, 2012, the Company reported that it entered into a Cooperation Covenant (the "Covenant") with Mongolian Energy Authority ("EA") to bring the 600 MW Chandgana Power Project online by 2016. The EA is the agency which implements governmental policy in the power and energy sector of Mongolia. The Covenant provides required support for the construction and operation of the Chandgana 600 MW (4x150 MW) mine-mouth power plant and its capacity to supply the necessary electricity to the central and eastern region's power grids by 2016. The Covenant also covers the basic rights and obligations of the Seller (the Company) and the Purchaser (National Electricity Transmission Grid Company of Mongolia, NETGCO) of the electric energy.

On August 7, 2012 the Company reported that since Prophecy Power obtained the construction licence in November, 2011, the Company has been in discussions with the Mongolian government to finalize a PPA in order to secure Mongolia's long-term energy supply, and enable project financing and construction to move forward.

The Ministry of Natural Resources and Energy appointed a working group of over a dozen experts on the legal, technical and commercial aspects of granting a PPA to Prophecy Power. In the last six months, Prophecy Power has held numerous sessions with working group members to establish Prophecy's Chandgana project status as the first independent power plant in Mongolia. Technical discussions included understanding and overcoming concerns over grid connection and plant implementation. Commercial discussions revolved around establishing tariff structure (cost plus principle and take-or-pay) as well as the setting of prices (with proper indexation of fuel, operation and maintenance, and equity) that are both affordable and lower than current Russian power imports, yet generate a fair equity return to Prophecy Power's investors and shareholders. Equity risk assessment included Mongolian sovereign ratings and early stage development in the independent power sector. Prophecy expects to make a formal tariff submission in August and expects a reply in 2012.

In parallel, Prophecy Power has been in discussions with several private Mongolia companies regarding bilateral power purchase agreements. The current proposed mining projects (copper, molybdenum and iron ore) and industrial development complex (cement and smelter) in Mongolia will, collectively, require up to 200 megawatts of power by 2016. This excludes the massive Oyu Tolgoi project.

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Chandgana Power Plant Project (continued)

The remaining power supply from Prophecy Power's Chandgana power plant is expected to help meet the increasing energy demand created by expansion of eastern and northern Mongolia, and the capital city of Ulaan Bataar, as well as to replace Russian power imports.

Coal supply agreement: A coal supply agreement is in place whereby Chandgana LLC, another Prophecy wholly owned Mongolian subsidiary, will supply three million tonnes of coal per year to Prophecy Power for 25 years. The initial coal price will be set with annual price adjustment based on diesel price, the Mongolian consumer price index and the U.S. consumer price index. Chandgana LLC controls over 1.4 billion tonnes of thermal coal in measured and indicated categories, including a starter pit with 140 million tonnes of measured resource and a strip ratio of 0.5:1 which is ready to be mined.

Upon the acquisition of the Tethys claims (refer to press release dated June 18, 2012) with a historic (non-National Instrument 43-101-compliant) resource estimate(i) of 2.3 billion tonnes, Chandgana LLC will control one of largest thermal coal basins in the world, with an ample supply of coal for a power plant of 4,200 megawatts or bigger.

Engineering, procurement and construction of thermal power plant: In December, 2011, Prophecy Power prepared a data room and distributed a request for proposal to six carefully selected EPC contractors. Site visits and technical sessions were conducted in Mongolia between January and May, 2012. Prophecy received proposals from all six EPC contractors and in July, after extensive review and face-to-face meetings, Prophecy shortlisted three EPC contractors based on construction capability, equipment quality, time to deployment and price. Prophecy Power is currently in close discussions with the remaining candidates with respect to detailed design specifications, labour and parts requirements, Mongolian customs and import, and project timeline in order to formulate final quotes. Prophecy Power expects to finalize the EPC selection by October 1, 2012.

Project financing: Prophecy Power is in active project financing discussions with a number of interested parties. Financing structure is expected to be 30 per cent equity and 70 per cent debt. The 600-megawatt project will be implemented in two phases, with phase 1 construction of 150 megawatts times two and the transmission lines planned to start in the second quarter of 2013 and be complete by early 2016. Phase 2 construction of 150 megawatts times two is planned to commence in 2014 and be completed in 2017.

Debt financing: Prophecy Power has held preliminary discussions with China Export-Import Bank and Sinosure. There is a likelihood of Chinese financing predicated on a Chinese EPC and Chinese equity. Separately, Prophecy has approached EBRD and a number of major commercial banks active in Mongolia that have expressed interest in the Chandgana project. The risk-sharing provisions and investment returns detailed in the PPA will be an important factor in determining the financing arrangement.

Equity and developer JV financing: Prophecy has been introduced to a number of international power project developers since late 2011. Over 10 developers have executed confidentiality agreements and reviewed Prophecy Power's data room in looking to establish equity stakes in Prophecy Power and jointly construct, manage and operate the Chandgana power plant. Several developers are at term sheet stage with Prophecy Power that will structure the sharing of Prophecy Power's expenses through various milestones such as PPA, financing close and construction.

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Chandgana Power Plant Project (continued)

The developers have demonstrated genuine interests in partnering with Prophecy after learning more about Mongolia's acute power shortage after years of rapid growth, the government's efforts toward liberalizing the energy sector and the secured fuel supply from the Chandgana coal project. Prophecy's goal is to secure developer sponsorship in 2012.

Prophecy Power is also in discussions with EPC contractors to obtain funds through an equity stake and/or advanced credit line to ensure construction starts in 2013 as planned.

Financial advisers: Prophecy has met with several first-tier investment banks with interests in mining and utilities operations. While the Chandgana project is currently considered greenfield, it has advanced to a mature stage for financial advisory engagement in 2012.

Okeover Property

The 60% interest of Okeover, a copper-molybdenum project in the Vancouver Mining Division of south-western British Columbia, Canada, 25 kilometres north of Powell River and 145 kilometres northwest of Vancouver, was acquired through the amalgamation between Red Hill and Prophecy Holdings Inc. in April 2010.

Titan Vanadium Iron Property

The Company has an 80% interest in the Titan property ("Titan"). Prophecy has commenced an exploration program that comprises 22 line kilometres of line cutting covering over 2.7 square km in 100 m intervals that will extend the current surveyed grid west and southwest of the Titan property. A ground magnetometer survey was completed during the summer of 2010, the results of which expanded the extant of the magnetic anomaly associated with Titan deposit, successfully demonstrating exploration potential outside

Platinum (46.4% owned) Projects

Wellgreen Nickel Property

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

From its July 2011 independent NI 43-101 compliant resource calculation from Wardrop Engineering, a Tetra Tech Company, the Wellgreen deposit is estimated to contain a total inferred resource of 289.2 million tonnes at an average grade of 0.53 g/t platinum, 0.42 g/t palladium, 0.23 g/t gold (1.18g/t PGM+Gold), 0.38% nickel, and 0.35% copper. Separately, the deposit also contains an indicated resource of 14.3 million tonnes at an average grade of 0.99 g/t platinum, 0.74 g/t palladium, 0.52 g/t gold (2.25 g/t PGM+Gold), 0.69% nickel, and 0.69% copper. A 0.4% nickel equivalent cutoff grade was adopted for reporting.

(Expressed in Canadian Dollars)

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Wellgreen Nickel Property (continued)

The resource estimate incorporated drill data from 701 diamond drill holes (182 surface and 519 underground) totaling over 53,222 metres. The resource includes both the East Zone and the West Zone of the Wellgreen project, which are tabulated in Table 1 showing respective metal grades which are also expressed as nickel equivalent (NiEq) values. The report is authored by Todd McCracken, P. Geo. of Wardrop Engineering Inc., a Tetra Tech Company, who is an independent Qualified Person under NI 43-101.

Wellgreen indicated and inferred resource summary:

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

Several parameters were used in calculating the reported resource:

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

Contained Metals at Wellgreen*

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

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

(Expressed in Canadian Dollars)

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Wellgreen Nickel Property (continued)

To date, Platinum has adopted a 0.4% nickel equivalent cut-off pending further work on the economics regarding the deposit. Recently Platinum announced results from its Preliminary Economic Assessment (PEA) where a new cutoff was determined. The resource under this scheme is summarized within the reported results of the PEA announced in Platinum's June 18, 2012 press release, and reviewed later in the Wellgreen Nickel Property section of this MD&A. Additional payable metals such as rhodium, iridium, osmium and ruthenium are not figured into the current resource estimate. Resource numbers at their various cut-off values are tabulated on a zone-by-zone basis (i.e. East Zone and West Zone) and can be found on the Prophecy Platinum website at http://www.prophecyplat.com.

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

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

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

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

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

In January 2012, Platinum announced the commencement of a 9,000 meter underground diamond drilling program that will launch an infill program for the existing resource as released in July 2011, and summarized above.

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Wellgreen Nickel Property (continued)

Platinum outlined its strategy to complete 20,000 meters of drilling in 2012, with a combined surface and underground program. This program will be aimed at upgrading the current inferred resource material into a measured and indicated categorization as standardized by NI43-101. Results of the underground portion have been announced in Q2 and will continue as the program continues.

A summary of the results are tabulated below:

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

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

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

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Wellgreen Nickel Property (continued)

Financial Highlights:

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

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

Metal Prices

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

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

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

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

A PEA should not be considered to be a pre-feasibility or feasibility study, as the economics and technical viability of the project has not been demonstrated at this time. The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves.

(Expressed in Canadian Dollars)

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Wellgreen Nickel Property (continued)

Furthermore, there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserve do not have demonstrated economic viability. Platinum advises that investors should rely on the new base case data. Results based on EMCF pricing assumptions are provided as a sensitivity analysis. Further sensitivity analyses may be found in the PEA executive summary included in the written report filed on Sedar.

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

Initial Capital Costs:

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

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

Operating Costs:

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

Development Plan: The PEA study recommends development of the Wellgreen deposit as a conventional, diesel truck-shovel open pit mine. The deposit will be processed using a conventional concentrator to produce bulk Ni-Cu-PGE concentrate. The mill will have a nominal production rate of 32,000 tonnes of mill feed per day (averaged over the life of mine) with average annual stripping ratio estimated at 2.57 over the life of mine.

Over a projected mine life of 37 years, the mill will produce 1.959 billion pounds of nickel, 2.058 billion pounds of copper and 7.119 million ounces of platinum+palladium+gold in concentrate. The average feed is graded at Ni 0.32%, Cu 0.26%, Pt 0.411 g/t, Pd 0.347 g/t, Au 0.177 g/t, & Co 0.02%.

The following flotation concentrates recoveries from May 2012 SGS Studies are adopted in the PEA: Ni 67.60%, Cu 87.80%, Pt 46.00%, Pd 72.90%, Au 58.90%, & Co 64.40%

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

(Expressed in Canadian Dollars)

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Wellgreen Nickel Property (continued)

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

Wellgreen Mineral Resource Summary as Highlighted in PEA:

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

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

During the six month period ended June 30, 2012, Platinum had incurred a total of $3,500,534 in exploration costs on the Wellgreen property.

Burwash Property

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

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

Platinum will conduct future exploration work on the property in conjunction with the Wellgreen property which adjoins the Burwash property. Assay results are available on the Platinum's website.

Lynn Lake Nickel Property

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

(Expressed in Canadian Dollars)

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Lynn Lake Nickel Property (continued)

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

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

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.

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

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

Uruguay Property

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

(Expressed in Canadian Dollars)

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Las Aguilas Property

On December 10, 2010, as amended March 13, 2011 and March 21, 2012, Platinum entered into a letter agreement with Marifil Mines Limited ("Marifil") with an option to acquire a 70% interest in the Las Aguilas Nickel-Copper-PGM property located in San Luis Province, Argentina. The Las Aguilas Property is located in San Luis Province, Central Argentina, approximately 730 km WNW of Buenos Aires, and 50 km NE of San Luis, the province capital.

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

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

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

Notes: Nickel price = US$9.02/lb and copper = US$2.66/lb, platinum = US$1842/oz, palladium = US$681/oz, gold = US$1058/oz, silver = US$16.57/oz. The following formulas were used in Datamine to calculate Nickel Equivalence: NiEQ=([Ni grade x $Ni)+(Cu grade x $Cu)+(Co grade x $Co)] x 20+[(Au grade x $Au)+(Ag grade X $Ag)+(Pt grade x $Pt)+(Pd grade x $Pd) x 0.0291667)]/($Nix20). A total of 79 drill holes comprising 1,815 assays were used for resource model validation. Specific gravities of 3.5 were used in this resource calculation. Block sizes of 8x8x4 meters for mineralized lodes with two minor lodes on eastern zone given 1x1x1 meter block. The interpolation of the East and West zones was completed using the estimation methods: nearest neighbour (NN), inverse distance squared (ID2) and ordinary kriging (OK). Validation was carried out by visual comparison of colour-coded block model grades with composite grades on section and plan, comparison of the global mean block grades for OK, ID2, NN and composites, and Swath Plots comparing NN estimates and OK estimates.

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

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

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Las Aguilas Property (continued)

The agreement with Marifil provides for payments and work commitments to earn a 49% interest in the property as follows:

Cash and shares

- $25,000 upon signing and 250,000 shares (paid and issued; 25,000 post consolidation)
- $125,000 and 250,000 shares on or before April 1, 2012 (paid and issued; 25,000 post consolidation)
- $100,000 and 250,000 shares on or before April 1, 2013 (25,000 post consolidation)
- $100,000 and 250,000 shares on or before April 1, 2014 (25,000 post consolidation)

Work Commitments

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

The agreement also provides for Platinum to earn an additional 11% by preparing a pre-feasibility study on the property and issuing an aggregate of 2,000,000 shares (200,000 post consolidation) from April 1, 2014 to April 1, 2015. A further 10% can be earned by completing a feasibility study on the property, making cash payment of $100,000 and issuing an aggregate of 1,000,000 shares from April 1, 2015 to April 1, 2016.

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

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 totaled 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.

3. Business Overview (Continued)

3.1 Resource Properties (Continued)

Shakespeare Nickel Mine (continued)

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.

(Expressed in Canadian Dollars)

4. Summary of Quarterly Results

The following table summarizes selected financial information for the eight most recently completed quarters.

	2012		2011	
	Jun-30	Mar-31	Dec-31	Sep-30
Operating expense	$ (2,474,327)	$ (4,334,233)	$ (3,206,240)	$ (5,196,343)
Loss Before Other Items and Future Income Tax Recovery	(2,474,327)	(4,334,233)	(3,206,240)	(5,196,343)
Other items	1,439,189	(1,710,416)	2,199,362	494,235
Loss Before Future Income Tax Recovery	(1,035,138)	(6,044,649)	(1,006,878)	(4,702,107)
Future income tax recovery	(68,176)	121,461	448,687	-
Net Income (Loss) for Period	(1,103,314)	(5,923,188)	(558,191)	(4,702,107)
Fair value gain (loss) on available-for-sale investments	(2,114,759)	872,987	(240,610)	(808,025)
Unrealized gain (loss) on foreign exchange	(1,515,352)	-	-	-
Comprehensive Income (Loss) for Period	(4,733,425)	(5,050,201)	(798,801)	(5,510,132)
Net Income (Loss) for Period Attributable to:				
Owners of the parent	(289,024)	(4,513,569)	567,571	(3,233,347)
Non-controlling interest	(814,290)	(1,409,619)	(1,125,761)	(1,468,760)
	(1,103,314)	(5,923,188)	(558,191)	(4,702,107)
Comprehensive Loss for Period Attibutable to:				
Owners of the parent	(4,638,569)	(3,166,111)	425,073	(4,041,372)
Non-controlling interest	(94,856)	(1,884,090)	(1,223,872)	(1,468,760)
	$ (4,733,425)	$ (5,050,201)	$ (798,801)	$ (5,510,132)
Share Information				
Net Loss per share, basic and diluted attributable to owners of the Company				
Owners of the parent	$ (0.00)	$ (0.02)	$ 0.00	$ (0.02)
Non-controlling interest	(0.00)	(0.01)	(0.01)	(0.01)
Comprehensive Loss per share, basic and diluted attributable to owners of the Company				
Owners of the parent	(0.02)	(0.02)	0.00	(0.02)
Non-controlling interest	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)
Average number of common shares outstanding for the period, basic and diluted	225,071,203	199,587,605	195,035,960	195,008,886

	2011		2010	
	Jun-30	Mar-31	Dec-31	Sep-30
Operating expense	$ (2,076,826)	$ (2,480,260)	$ (432,436)	$ (2,132,058)
Loss Before Other Items and Future Income Tax Recovery	(2,076,826)	(2,480,260)	(432,436)	(2,132,058)
Other items	119,127	(75,512)	76,872	(43,302)
Loss Before Future Income Tax Recovery	(1,957,699)	(2,555,772)	(355,564)	(2,175,360)
Future income tax recovery	-	-	-	-
Net Loss for Period Attributable to Owners	(1,957,699)	(2,555,772)	(355,564)	(2,175,360)
Fair value gain (loss) on available-for-sale investments	(1,998,493)	1,632,308	(732,308)	-
Comprehensive Income (Loss) for Period	(3,956,192)	(923,464)	(1,087,872)	(2,175,360)
Net Income (Loss) for Period Attributable to:				
Owners of the parent	(1,915,765)	(2,555,772)	(1,087,872)	(2,175,360)
Non-controlling interest	(41,934)	-	-	-
	(1,957,699)	(2,555,772)	(1,087,872)	(2,175,360)
Comprehensive Loss for Period Attibutable to:				
Owners of the parent	(3,914,258)	(923,464)	(1,087,872)	(2,175,360)
Non-controlling interest	(41,934)	-	-	-
	$ (3,956,192)	$ (923,464)	$ (1,087,872)	$ (2,175,360)
Share Information				
Net Loss per share, basic and diluted attributable to owners of the Company				
Owners of the parent	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.02)
Non-controlling interest	0.00	-	-	-
Comprehensive Loss per share, basic and diluted attributable to owners of the Company				
Owners of the parent	(0.02)	0.00	(0.01)	(0.02)
Non-controlling interest	$ 0.00	$ -	$ -	$ -
Average number of common shares outstanding for the period, basic and diluted	190,228,186	188,310,157	131,277,270	108,738,115

4. Summary of Quarterly Results (Continued)

Prior year foreign exchange loss/gain figures have been reclassified from Expenses to the Other Items category to conform to the current year's presentation. Such reclassifications are for presentation purposes only and has no effect on previously-reported results.

In Q3 2010, the Company completed the acquisition of Northern Platinum Ltd. Net loss attributable to shareholders of the Company increased to $2,175,360 or $0.02 per share. The increase in net loss in Q3 2010 was primarily due to share-based payments and increase in professional fees.

In Q4 2010, net loss attributable to shareholders of the Company decreased to $355,564 or $nil per share due to the absence of share-based payments and a credit adjustment related to charges made in the third quarter. The comprehensive loss in Q4 2010 includes loss on available-for-sale investments of $732,308.

The increase in net loss attributable to shareholders of the Company to $2,555,772 or $0.01 per share in Q1 2011, compared to Q4 2010, was primarily due to non-cash share-based payments that arose from stock options granted in December 2010 and some increases in salaries and office administration.

The decrease in net loss attributable to shareholders of the Company to $1,915,765 or $0.01 per share in Q2 2011, from $2,555,772 or $0.01 per share in Q1 2011, was due to decrease in share-based payments and office administration expenses.

In Q3 2011 the increase in net loss attributable to shareholders of the Company to $3,233,347 or $0.02 per share in Q3 2011, from $1,916,765 or $0.01 per share in Q2 2011 was mainly due to increase in non-cash share-based payment expense due to the accelerated vesting of directors' options. Additional increases related to increases to office administration expenses.

In Q4 2011 the net income attributable to shareholders of the Company increased from a net loss $3,233,347 or $0.02 per share to a gain of $567,571 or $0.00 per share was mainly due to foreign exchange gains related to the translation of the foreign Mongolian subsidiaries, gains related to deferred income tax and the reduction in share-based payments expense.

In Q1 2012 the comprehensive loss attributable to shareholders of the Company changed from a comprehensive gain of $425,073 or $Nil per share to a comprehensive loss of $43,166,111 or $0.02 per share The increase was mainly due to foreign exchange losses related to the translation of the foreign subsidiaries operations and share based payments.

In Q2 2012 the comprehensive loss attributable to shareholders of the Company increased from a comprehensive loss of $3,166,111 or $0.02 per share to a comprehensive loss of $4,638,569 or $0.02 per share. The increase was mainly due to the increase in loss on available-for-sale investments and unrealized loss on foreign currency translations.

(Expressed in Canadian Dollars)

5. Discussion of Operations

All of the information described below is accounted for in accordance with IFRS. The reader is encouraged to refer to Note 3 of the Company's annual consolidated financial statements for the year ended December 31, 2011 for the Company's IFRS accounting policies. Certain prior year figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously reported results. For discussion on each project, the reader is encouraged to refer to Business Overview section of this MD&A.

Six month ended June 30, 2012 and 2011 ("2012 reporting period and 2011 reporting period")

The following table summarizes the Company's consolidated results for six months ended June 30, 2012 and 2011:

		Six Months Ended June 30, 2012		Six Months Ended June 30, 2011
General and administrative expenses	$	1,178,547	$	504,034
Consulting and management fees		568,402		666,256
Share-based payments		3,129,274		2,394,842
Advertising and promotion		1,238,854		331,317
Professional fees		500,041		294,295
Travel and accommodation		193,442		366,342
Interest (income)		(37,031)		(120,172)
Interest expense		57,600		-
Foreign exchange loss (gain)		42,059		76,557
Future income tax recovery		(53,285)		-
Loss on sale of investments		17,619		-
Loss on sale of mineral properties		-		2,350,462
Mineral property written off		190,980		-
	$	7,026,502	$	6,863,933

For six month ended June 30, 2012, the Company incurred a net loss of $ 7,026,502 compared to a $6,863,933 net loss incurred in the same period last year. The small increase in operating loss was due primarily to the increases in general and administrative expenses, share based payments, professional fees and advertising which were offset by the decrease in loss on sale of mineral properties. The details of these changes are further discussed below.

General and administrative

For the 2012 reporting period, general and administrative expense was $1,178,547 compared to $504,034 during the same reporting period last year. The increase in 2012 period was due primarily to increased salaries (by $348,222) due to new staff hired by the Company and Platinum, director fees (by $133,202) due to new directors added to the Prophecy board and additional directors of Platinum, amortization (by $71,226) due to additional amortization from Platinum, and stock exchange and shareholder services expenses (by $66,123) due to the increased cost of having two public company compliances, and new insurance coverage, substantially driven by greater administrative efforts necessary for the management of the Ulaan Ovoo mine development and management of the Wellgreen project.

5. Discussion of Operations (Continued)

Consulting and management fees

For the 2012 reporting period, consulting and management fees expense was $568,402 compared to $666,256 during the 2011 reporting period. Consulting and management fees include fees charged by officers of the Company.

Share-based Payments

For the 2012 reporting period, share-based payment expense was $3,129,274 compared to $2,394,842 during the same period last year. The increase in share-based payment expense is attributable to the inclusion of expenses from bonus shares, warrant modifications and the expense associated with the incremental increase of the fair value of options that were re-issued. The Company incurred $304,217 in share-based payment expense which is net of $12,231 that was capitalized to Ulaan Ovoo property, $259,344 share-based expense from 1,933,000 bonus shares related to common shares granted to employees, directors, and consultants as discretionary bonuses, and $369,531 from warrant modification related to the Company warrants with extended expiry dates. Platinum incurred $2,689,947 in stock compensation expenses during 2012 reporting period.

Advertising and promotion

For the 2012 reporting period, advertising expense was $1,238,854 compared to $331,317 during the same reporting period last year. The increase in 2012 was due primarily to more extensive promotion carried out for Prophecy and Platinum such as conference, trade show attendance, publications, German advertising, Europe marketing, radio/TV interviews, and to hiring of new investor relations individuals to accommodate the increased business operations of Platinum.

Professional fees

For the 2012 reporting period, professional fees expense was $500,041 compared to $294,295 during the same reporting period last year. The increase in 2012 was due primarily to increase in general legal fees ($369,078 compared to $162,445 in 2011) due to the increase in business activities for the Company and Platinum.

Interest income

For the 2012 reporting period, interest income was $ 37,031 compared to $51,203 during the same reporting period last year. Lower interest income was reported due to lower investable funds and the amounts from private placement were in early March 2012. Interest income for the previous period was earned on funds raised in late December 2010 and invested in short-term interest bearing accounts. Interest income in the prior year quarter represents miscellaneous interest earned on bank balances.

Interest Expense

Interest Expense includes structuring fees paid for a proposed dealer debt facility of $5 million announced on December 30, 2011 and then cancelled in Q1 2012.

Foreign exchange loss

For the 2012 reporting period, foreign exchange loss was $42,059 compared to $76,557 loss during the same reporting period last year; change is due to fluctuations in the value of the Canadian dollar compared with the Mongolian tugrik and the United States dollar.

(Expressed in Canadian Dollars)

5. Discussion of Operations (Continued)

Loss on sale of mineral properties

During the six months ended on June 30, 2011 there was a loss for $2,350,462 on the sale of mineral properties. This was due to the exchange of the Wellgreen and Lynn Lake properties for shares in Platinum. The loss represented professional fees related to the exchange and the difference between the Company's share of assets acquired from Platinum and the Company's share of assets spun off to Platinum. Since there were no transactions of this kind relating to the current six month period ended, there was no gain or loss to report, which lead to the large difference in comparison to the previous reporting period.

Three month ended June 30, 2012 and 2011

The following table summarizes the Company's consolidated results for three months ended June 30, 2012 and 2011:

		Three Months Ended June 30, 2012		Three Months Ended June 30, 2011
General and administrative expenses	$	668,662	$	204,038
Consulting and management fees		274,436		359,499
Share based payments		668,037		1,054,489
Advertising and promotion		519,251		114,274
Professional fees		248,316		173,695
Travel and accommodation		95,625		170,830
Interest (income)		(17,156)		(68,969)
Interest expense		1,089		-
Foreign exchange (gain)		(1,714,249)		(50,158)
Future income tax recovery		68,176		-
Loss on sale of investments		100,147		-
Loss on sale of mineral properties		-		2,350,462
Mineral property written off		190,980		-
	$	1,103,314	$	4,308,160

For three months ended June 30, 2012, the Company had a net loss of $1,103,314, or $0.00 per share compared to $ 4,308,160 net loss or $0.02 per share for the same period last year. The decrease in loss was mainly due to the factors discussed below.

General and administrative

For the three months ended June 30, 2012, general and administrative expense was $668,662 compared to $204,038 during the same reporting period last year. The increase in this 2012 period was due primarily to increased salaries (by $322,978) due to new staff hired by the Company and Platinum, director fees (by $68,258) due to new directors added to the Prophecy board and additional directors of Platinum, amortization (by $16,545) due to additional amortization from Platinum, and stock exchange and shareholder services expenses (by $13,801) due to the increased cost of two public company compliance, and new insurance coverage, substantially driven by greater administrative efforts necessary for the management of the Ulaan Ovoo mine development and management of Wellgreen project.

5. Discussion of Operations (Continued)

Consulting and management fees

For the three months ended June 30, 2012, consulting and management fees expense was $274,436 compared to $359,499 during the 2011 reporting period. Consulting and management fees include fees charged by officers of the Company.

Share-based Payments

For the three months ended June 30, 2012, share-based payment expense was $668,037 compared to $1,054,489 during the same period last year. The decrease can be attributed to the fair value modification of 5,435,000 options that were re-priced for employees, consultants and directors. Due to the increase in the vesting period and the decrease in the price of the re-issued options the incremental increase in the fair value of the newly priced options was less than the share-based payment expense had the options vested over their natural term and the corresponding amortization of those original options was expensed. Platinum incurred $321,274 in stock compensation expenses during 2012 reporting period.

Advertising and promotion

For the three months ended June 30, 2012, advertising expense was $519,251 compared to $114,274 during the same reporting period last year. The increase in this 2012 period was due primarily to more extensive promotion carried out for Prophecy and Platinum such as conference, trade show attendance, publications, German advertising, Europe marketing, radio/TV interviews, and to hiring of new investor relations individuals to accommodate the increased business operations of Platinum.

Professional fees

For the three months ended June 30, 2012, professional fees expense was $248,316 compared to $173,695 during the same reporting period last year. The increase in this 2012 period was due primarily to an increase in legal fees.

Travel and accommodation

For the three months ended June 30, 2012, travel and accommodation expense was $95,625 compared to $170,830 during the same reporting period last year. The decrease in this 2012 period was due to decrease in travel expenses by the Vancouver staff.

Interest income

For the three months ended June 30, 2012, interest income was $17,156 compared to $68,969 during the same reporting period last year. Lower interest was reported due to lower investable funds and therefore less interest received from GIC's.

Foreign exchange gain

For the three months ended June 30, 2012, the foreign exchange gain was $1,714,249 compared to a $50,158 gain during the same reporting period last year. The large gain for this period is attributable to a change in accounting policy. Management has concluded that the most appropriate functional currency of the Mongolian subsidiaries is the Mongolian Tugriks and not the Canadian Dollar. This change was effective for the Company April 1, 2012, which has resulted in a significant foreign exchange gain for the period.

(Expressed in Canadian Dollars)

6. Liquidity and Capital Resources

The Company will require additional sources of liquidity to continue to develop the Ulaan Ovoo mine and develop the Chandgana Power Plant Project. Sources of potential liquidity may include cash on hand, coal sales from off-take agreements, dispositions of investments in energy resource, nickel and platinum companies, and additional financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The timing and ability to fulfill this objective will depend on the liquidity of the financial markets as well as the willingness of investors to finance exploration companies in the industry.

6.1 Working Capital

The Company ended six months 2012 with $ 1,325,103 (December 31, 2011 - $3,480,050) in cash and cash equivalents and net working capital of $4,375,216 (December 31, 2011 - $7,669,934).

As at the date of this report, the Company's working capital is approximately $8 million.

On March 8, 2012, the Company closed off the non-brokered private placement previously announced on March 1, 2012 of 22,363,866 shares at a price of $0.45 per share for net proceeds of $9,594,618. Finder's fees of 6% of the proceeds places, payable in cash, were paid on certain arm-length portions of the placement. All shares issued are subject to a hold period expiring on July 9, 2012. Proceeds of the placement were applied to technical work at the Chandgana Thermal Coal Power Project ($0.6 million), operations at the Ulaan Ovoo mine ($4,0 million), Chandgana exploration ($0.5 million), purchase of Tugalgatai licenses ($2.055 million) and general corporate purposes ($2.43 million).

On July 16, 2012, the Company arranged a secured a $10,000,000 debt facility (the "Loan") with Waterton Global Value L.P. ("Waterton"). On July 18, 2012 the Company paid $8,134,400 to complete the purchase of the Tugalgatai licenses. The Loan has a one year term and bears interest at 14% per annum. A structuring fee of 2.5% plus a bonus of $600,000 through the issuance of 2,735,617 of the Company's common shares were paid.

On July 31, 2012 Platinum closed a non-brokered private placement of units ("Unit") and flow through shares ("FT Share") totaling $7.25 million. 5,067,208 Units were issued at a price of $1.20 per Unit to generate gross proceeds of approximately $6,080,650. 807,655 FT Shares were issued at a price of $1.45 per FT Share to generate gross proceeds of approximately $1,171,100. Finder's fees of 6.5% of the proceeds placed, payable in cash, were paid on portions of the placement. Proceeds of the placement will be applied to the Wellgreen project and Platinum's other properties, in addition to general working capital.

6.2 Cash Flow Highlights

	Six months ended June 30, 2012	2011
Cash used in operating activities	$ (3,196,504)	$ (5,126,560)
Cash used in investing activities	(13,125,036)	(22,617,844)
Cash produced by (used in) financing activities	14,166,592	(2,073,830)
Decrease in cash for the period	(2,154,948)	(29,818,234)
Cash balance, beginning of the period	3,480,050	39,324,151
Cash balance, end of the period	$ 1,325,103	$ 9,505,918

6. Liquidity and Capital Resources (Continued)

6.3 Cash Flows for the six months ended June 30, 2012 and 2011

Operating activities

During the period ended June 30, 2012, cash used in operating activities was $3.2 million compared to cash used of $5.1 million in the same period of 2011.

Investing activities

During the period June 30, 2012, $13.1 million (same period last year - $22.6 million) was used in investing activities, of which $7.1 million (same period last year - $19.1 million) was related to the acquisition of property and equipment, $8.8 million (same period last year - $2.4 million) was used for exploration expenditures incurred at the Company's mineral properties, $2.8 million (same period last year – $1.75 million) was received/(paid) upon for investments transactions.

Financing activities

During the period ended June 30, 2012, a total of $14 million cash was received by financing activities compared to $2 million used in 2011). A total of $14 million was received from private placement, and cash was received from issuance of shares on the exercise of options and warrants. During the same period last year a total of $5 million was used to repay the loan which was offset by $2.9 million cash generated from issuance of shares on options.

The Company sold some of its available-for-sale investments. At the date of this MD&A Prophecy holds for investment purposes 32,034,385 common shares of Victory Nickel Inc. (TSX:NI) acquired in a reciprocal private placement, 2,627,000 common shares of Compliance Energy Corporation (US OTCBB CPYCF) acquired in a private placement and 26,896,120 common shares of its controlled affiliate Platinum (TSXV:NKL) acquired in connection with the Platinum Arrangement. The aggregate market value of the Company's marketable securities (including shares in Platinum) is approximately $31.4 million. The market value of such shares may go up or down.

During six months ended June 30, 2012, Platinum sold its ETF's to meet working capital requirements. On July 16, 2012 Platinum completed its acquisition of Ursa at which time the balance of the shares of Ursa held by the company were cancelled pursuant to the terms of the acquisition.

The Company does not currently have any material long term liabilities as of June 30, 2012.

As at June 30, 2012, the Company had options exercisable and warrants outstanding, which could bring in additional cash funds of approximately $25 million although none all of these instruments are presently "in-the-money" (except at $0.25) and exercise is not certain.

On January 11, 2011 the Company fully repaid the $5 million secured debt facility incurred in September 2010 and October 2010. The repayment included the outstanding loan plus applicable fees pursuant to the Credit Agreement and has been provided with a release/discharge of securities.

(Expressed in Canadian Dollars)

6. Liquidity and Capital Resources (Continued)

6.4 Contractual Commitments

Prophecy commitments

On February 4, 2011, the Company entered into a new office rental agreement expiring April 30, 2016. At June 30, 2012, the Company has the following annual contracted commitments:

2012	$	61,172
2013		61,172
2014		63,641
2015		63,641
2016		21,214
	$	270,840

The Company's commitments related to mineral properties are as follows and disclosed in Note 10 to the condensed interim consolidated financial statements.

Platinum commitments

Lynn Lake Property

On October 20, 2009, Prophecy Holdings entered into an option agreement with Victory Nickel. Pursuant to the option agreement, Platinum has the right to earn a 100% interest in Lynn Lake by paying Victory Nickel an aggregate of $4,000,000 over approximately four and one-half years and by incurring an aggregate of $3,000,000 exploration expenditures at Lynn Lake over a three-year period, and by issuing of 2,419,548 shares to Victory Nickel (issued). The option agreement also provided Victory Nickel with a right to participate in future financings or acquisitions on a pro-rata basis so that Victory Nickel may maintain its 10% interest in the number of outstanding shares of the Company.

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

- $300,000 within five business days after the approval from the TSX Venture Exchange (paid);
- $300,000 on January 9, 2010 (paid);
- $400,000 within 180 days of the option agreement (paid);
- $1,000,000 on or before March 1, 2011 (paid);
- $1,000,000 on or before March 1, 2012 (paid); and
- $1,000,000 on or before March 1, 2013.

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

- $500,000 on or before November 1, 2010 (incurred);
- an aggregate of $1,500,000 on or before November 1, 2011 (incurred); and
- $450,000 in cash (paid on August 3, 2012) as per the settlement agreement.

Las Aguilas, Argentina

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

6. Liquidity and Capital Resources (Continued)

6.4 Contractual Commitments (Continued)

Platinum commitments (Continued)

Las Aguilas, Argentina (Continued)

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

Work Commitments
- On or before three months from the agreement date, complete a resource estimate (completed);
- On or before November 1, 2012 incur $500,000 in exploration expenditures;
- On or before October 1, 2013 incur $500,000 in exploration expenditures; and
- On or before July 1, 2014 incur $1,000,000 in exploration expenditures.

6.5 Capital Risk Management

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

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six months ended June 30, 2012. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, all held with major Canadian financial institutions.

7. Environment

The Company is subject to the Environmental Protection Law of Mongolia (the "EPL") and has the following duties with respect to environmental protection:

- To comply with the EPL and the decision of the government, local self-governing organizations, local governors and Mongolian state inspectors;
- To comply with environmental standards, limits, legislation and procedures and to supervise their implementation with their organization;
- To keep records on toxic substances, adverse impacts, and waste discharged into the environment; and
- To report on measures taken to reduce or eliminate toxic chemicals, adverse impacts, and waste.

In addition to those duties imposed on them by the EPL, mining license holders are required to prepare an initial environment impact assessment analysis before the mine comes into production. The mining license holders must also annually develop and implement an environmental protection plan (including reclamation measures) in co-operation with the Ministry of Nature, Environment and Tourism which should take into account the results of the environmental impact assessment.

The Company received approval of its detailed Environmental Impact Assessment and Environmental Protection Plan from the Mongolian Ministry of Nature and Environment for the mining operation at the Ulaan Ovoo in 2010. The Company has implemented a number of internal policies to embrace responsibility for the impact of its business activities on the environment. By conducting studies, carefully designing mine plans, implementing pollution control recommendations from internal and external sources, monitoring the effects of mining on mining areas and carefully designing mine closure plans, the Company seeks to minimize the impact of our activities on the environment.

The Company established an environmental policy in 2008. The environmental policy affirms the Company's commitment to environmental protection. The Company monitors its operations to ensure that it complies with all applicable environmental requirements, and takes actions to prevent and correct problems if needed.

Closure and reclamation liability results from the development, construction and ordinary operation of mining property, plant and equipment and from environmental regulations set by regulatory authorities. The liability includes costs related to removal and/or demolition of mine equipment, buildings and other infrastructure, removing contaminated soil, protection of abandoned pits and re-vegetation.

At June 30, 2012, the Company had a liability of $294,262 (December 31, 2011 - $257,355). The fair value of the closure and reclamation liability is estimated using a present value technique and is based on existing laws, contracts or other policies and current technology and conditions. Please refer to Note 12 of the condensed interim consolidated financial statements.

8. Related Party Disclosures

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation. Details of the transactions between the Company and other related parties are disclosed below.

The Company had related party transactions with the following companies related by way of directors and key management personnel:

(a) Energy Investment Capital, a private company owned by Jivko Savov, Director of the Company and provides consulting service.

(b) J. P. McGoran and Associates Ltd., a private company controlled by John McGoran, a former director of the Company and provides geological consulting services.

(c) JWL Investment Corp., a private company owned by Joseph Li, a General Manager, Corporate Secretary and Director of the Company and Platinum and provides management services.

(d) Linx Partners Ltd., a private company controlled by John Lee, Director, CEO and Chairman of the Company, and Chairman and Director of Platinum, and provides management and consulting services for the Company and Platinum. The Company entered into a rental contract with Linx Partners Ltd. on April 1, 2011 to rent an apartment in Ulaanbaatar for $2,000 per month.

(e) MaKevCo Consulting Inc., a private company controlled by Greg Hall, Director of the Company and Platinum, and provides consulting and management services.

(f) Monnis International LLC, a private company controlled by Chuluunbaatar Baz, a Director of the Company and supplied mining equipment for the Ulaan Ovoo mine.

(g) The Energy Gateway Ltd., a private company owned by Paul Venter, Director and Vice-President of the Company and provides consulting and management services.

(h) The Elysian Enterprises Inc., a private company owned by David Patterson, Director of the Platinum and provides consulting and management services.

(i) The Cantech Capital Corporation, a private company owned by Donald Gee, Director of the Platinum and provides consulting and management services.

(j) Resinco Capital Partners with a common former director, provided consulting and management service.

(Expressed in Canadian Dollars)

8. Related Party Disclosures (Continued)

A summary of the expenses by nature among the related parties is as follows:

	Three months ended June 30		Six months ended June 30,	
Related parties	2012	2011	2012	2011
Energy Investment Capital (a)	$ -	$ -	$ 26,239	$ -
JP McGoran and Associates Ltd. (b)	-	5,000	-	12,500
JWL Investment Corp. (c)	42,000	-	84,000	-
Linx Partners Ltd. (d)	149,862	119,778	299,862	239,778
MaKevCo Consulting Inc. (e)	17,500	-	62,000	-
Monnis International LLC (f)	-	943,001	-	943,001
The Energy Gateway (g)	19,789	43,737	51,991	91,737
Elysian Enterprises Inc. (h)	2,000	-	5,000	-
Cantech Capital Corp. (i)	2,500	-	5,000	-
Resinco Capital Partners (j)	-	72,000	-	72,000
Key management personnel	94,527	244,653	172,860	315,959
	$ 328,179	$ 1,428,169	$ 706,952	$ 1,674,975

	Three months ended June 30		Six months ended June 30,	
Related parties	2012	2011	2012	2011
Consulting and management fees	$ 232,362	$ 296,132	$ 502,284	$ 429,832
Director fee	69,777	5,000	138,927	9,206
Salaries and benefits	6,250	11,700	13,750	23,400
Mineral properties and P&E	19,789	1,115,337	51,991	1,212,537
	$ 328,179	$ 1,428,169	$ 706,952	$ 1,674,975

Prophecy shares management, administrative assistance, and office space with Platinum pursuant to a Service Agreement signed January 1, 2012 for fixed monthly fees of $40,000. Prophecy Coal recovers costs for services rendered to Platinum and expenses incurred on behalf of Platinum. The terms of the Service Agreement will remain in effect until 30 days following written notice of termination.

At June 30, 2012, accounts payable includes $25,521 (December 31, 2011 - $92,362) owing for reimbursable expenses to companies with common officers and directors, and $30,000 (December 31, 2011 - $3,560) due to directors of Platinum for director fees.

Transactions with related parties have been measured at the fair value of services rendered.

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

(Expressed in Canadian Dollars)

8. Related Party Disclosures (Continued)

		Three months ended June 30			Six months ended June 30
Key Management Personnel	2012	2011	2012	2011
Salaries and short-term employee benefits	$ 288,527	$ 166,928	$ 560,354	$ 425,989
Share-based payments	16,905	449,357	116,666	510,357
Total key management personnel compensation	$ 305,432	$ 616,285	$ 677,020	$ 936,346

9. Critical Accounting Estimates and Judgments

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

Readers are encouraged to read the significant accounting policies and estimates as described in the Company's audited consolidated financial statements for the year ended December 31, 2011. The Company's condensed consolidated interim financial statements have been prepared using the going concern assumption; reference should be made to note 1 to the Company's condensed consolidated interim financial statements.

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates include the rates of amortization for property and equipment, the useful life and recoverability of long-lived assets, the recoverability of accounts receivable, determination of environmental obligation provision for closure and reclamation, accounts payable and accrued liabilities, the assumptions used in the determination of the fair value of financial instruments and share-based payments, and the determination of the recoverability of for deferred income tax assets. The Company bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

a) Same accounting policies as annual consolidated financial statements

The Company followed the same accounting policies and methods of computation in the condensed consolidated interim financial statements for the six months ended June 30, 2012 as followed in the consolidated financial statements for the year ended December 31, 2011. Of note, The Company changed the functional currency of its Mongolian operations on April 1, 2012 from Canadian Dollars to Mongolian Tugriks. The presentation currency of the Company remains the same. See Note 2 in the consolidated financial statements for further details.

(Expressed in Canadian Dollars)

9. Critical Accounting Estimates and Judgments (Continued)

b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All material intercompany balances and transactions have been eliminated. For a partially owned subsidiary, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. Details of the Company's subsidiaries at the date of these MD&A:

	Principal Activity	Place of incorporation and operation	Ownership interest
0912603 B.C. Ltd.	Exploration	Canada	100%
0912601 B.C. Ltd.	Exploration	Canada	100%
Chandgana Coal LLC	Exploration	Mongolia	100%
Prophecy Power Corp. (former East Energy Development LLC)	Exploration	Mongolia	100%
Red Hill Mongolia LLC	Mining	Mongolia	100%
UGL Enterprises LLC	Inactive	Mongolia	100%
Prophecy Platinum Corp.	Exploration	Canada	46.4%
Subsidiaries of Prophecy Platinum Corp.			
PCNC Holdings Corp.	Exploration	Canada	46.4%
Pacific Coast Nickel Corp. USA	Inactive	USA	46.4%
Pacific Nickel Sudamerica S.A.	Exploration	Uruguay	46.4%
0905144 B. C. Ltd.	Exploration	Canada	46.4%
Ursa Major Minerals Inc.	Mining	Canada	46.4%

10. Financial Instruments and Related Risks

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

10.1 Financial Instruments (see note 15 to the condensed interim consolidated financial statements)

The following table sets forth the Company's financial assets that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at June 30, 2012, those financial assets and liabilities are classified in their entirety based on the level of input that is significant to the fair value measurement

10. Financial Instruments and Related Risks (Continued)

10.1 Financial Instruments (Continued)

As at June 30, 2012	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss	$ 1,325,103	$ -	$ -	$ 1,325,103
Available-for-sale investments	3,555,408	-	-	3,555,408
	$ 4,880,510	$ -	$ -	$ 4,880,510

10.2 Related Risks

Liquidity risk – Liquidity risk is the risk that an entity will be unable to meet its financial obligations as they fall due. The Company manages liquidity risk by preparing cash flow forecasts of upcoming cash requirements. As at June 30, 2012, the Company has cash and cash equivalents of $1,325,103 (December 31, 2011 - $3,480,050) and financial liabilities of $2,665,747 (December 31, 2011 - $1,364,890), which have contractual maturities of 90 days or less.

Credit risk - Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk primarily associated to cash and cash equivalents, receivables and deposits. The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution. The carrying amount of assets included on the statements of financial position represents the maximum credit exposure. Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as substantially all amounts are held with a single Canadian financial institution.

Market risk - The significant market risks to which the Company is exposed are interest rate risk, foreign currency risk, and commodity and equity price risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents primarily include highly liquid investments that earn interest at market rates that are fixed to maturity or at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the fair values or future cash flows of the financial instruments as of June 30, 2012. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity

(b) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

The Company has exploration and development projects in Mongolia and undertakes transactions in various foreign currencies. The Company is therefore exposed to foreign currency risk arising from transactions denominated in a foreign currency and the translation of financial instruments denominated in US dollars and Mongolia tugrug into its reporting currency, the Canadian dollar.

10. Financial Instruments and Related Risks (Continued)

10.2 Related Risks (Continued)

(b) Foreign currency risk

Net exposures as at June 30, 2012, with other variables unchanged, a 1% strengthening (weakening) of the Canadian dollar against the Mongolian tugrug would not have a material impact on earnings with other variables unchanged. A 1% strengthening (weakening) of the US dollar against the Canadian dollar would not have a material impact on net loss. The Company currently does not use any foreign exchange contracts to hedge this currency risk.

(c) Commodity and equity price risk

The Company holds investments in available-for-sale that fluctuate in value based on market prices. Based upon the Company's investment position as at June 30, 2012, a 10% increase (decrease) in the market price of the investments held would have resulted in an increase (decrease) to comprehensive income (loss) of approximately $381,310. The Company also holds investments in exchange traded funds. Based on Platinum investment position at June 30, 2012, a 10% increase (decrease), net of tax the market price of the investments held would have resulted in an increase (decrease) to comprehensive income (loss) of approximately $389,788. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

11. Risks and Uncertainties

The Company is exposed to many risks in conducting its business, including but not limited to: a) product price risk as any fluctuations in the prices of the products that the Company purchases and the prices of the products that the Company sells have a significant effect on the Company's business, results of operations, financial conditions and cash flows; b) credit risk in the normal course of dealing with other companies and financial institutions; c) foreign exchange risk as the Company reports its financial statements in Canadian dollars while the Company has significant operations and assets in Mongolia; d) interest rate risk as the Company raises funds through debt financing and e) other risk factors, including inherent risk of the mineral exploration, political risks, and environmental risk.

These and other risks are described in the Company's audited consolidated financial statements, management's discussion and analysis for the year ended December 31, 2011. Readers are encouraged to refer to these documents for a more detailed description of some of the risks and uncertainties inherent in the Company's business.

The Audit Committee meets regularly to review reports and discuss significant risk areas with the internal and external auditors. Management and the Board of Directors continuously assess risks that the Company is exposed to, and attempt to mitigate these risks where practical through a range of risk management strategies.

11. Risks and Uncertainties (Continued)

Political and Country Risk

The Company conducts its operations mainly in Mongolia and is potentially subject to a number of political and economic risks. The Company is not able to determine the impact of these risks on its future financial position or results of operations. The Company's exploration, development and production activities may be substantially affected by factors outside of the Company's control. These potential factors include, but are not limited to: levies and tax increases or claims by governmental bodies, expropriation or nationalization, foreign exchange controls, cancellation or renegotiation of contracts, and environmental and permitting regulations. The Company currently has no political risk insurance coverage against these risks.

Environmental Risks

The Company's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety. Environmental laws and regulations are complex and have tended to become more stringent over time. Although the Company makes provisions for reclamation costs, it cannot be assured that these provisions will be adequate to discharge its future obligations for these costs. Failure to comply with applicable environmental health and safety laws may result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that the Company has been or will be at all times in complete compliance with current and future environmental and health and safety laws and permits and such failure may materially adversely affect the Company's business, results of operations or financial condition.

Other Risk Factors

The Company is subject to other risks that are outlined in the NI 43-101 technical reports, which are available on SEDAR at www.sedar.com.

12. Disclosure controls and procedures

On October 19, 2011, the Company graduated from the TSX Venture Exchange to the TSX. Consequently, according to the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109") management of the Company took steps to improve the design, evaluation and the monitoring of the disclosure controls and procedures over the public disclosure of financial and non-financial information and reliability of financial reporting.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of June 30, 2012, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 are effective to achieve the purpose for which they have been designed.

12. Disclosure controls and procedures (Continued)

The Company's disclosure committee, which is a non-Board committee, is comprised of the Corporate Secretary, the CEO, and senior members of management. The disclosure committee's responsibilities include: determining whether information is material and ensuring the timely disclosure of material information in accordance with securities laws; reviewing the Corporation's disclosure policy to ensure that it addresses the Corporation's principal business risks, changes in operations or structure, and facilitates compliance with applicable legislative and regulatory reporting requirements: designing disclosure controls and procedures and directing and supervising an annual evaluation of the effectiveness of the Corporation's disclosure controls and procedures, and presenting the results of the evaluations to the audit and risk committee; ensuring that policies and guidance related to corporate disclosure and financial reporting are developed and effected.

All material disclosures are forwarded to the Board for comments prior to the release thereof. All press releases are required to be approved by at least two independent directors, one of which must be a member of the audit committee.

Design of Internal Controls over Financial Reporting

The Company's internal controls over financial reporting include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company;

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's internal controls over financial reporting using the framework and criteria established in "Internal Control - Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation, management has concluded that internal controls over financial reporting were effective as at June 30, 2012.

There has been no change in the Company's internal controls over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

(Expressed in Canadian Dollars)

13. Disclosure of Outstanding Share Data

As at the date of this MD&A, the following securities are outstanding:

13.1 Share Capital

Authorized – unlimited number of common shares without par value.

Common shares outstanding 227,875,914 with recorded value of $145,349,807.

Summary of securities issued during the six month ended June 30, 2012 and after period end:

	Common shares		Value
Outstanding, December 31, 2011	201,109,422	$	134,492,080
Private placement	22,363,866		9,597,675
Shares issued on exercise of options	187,500		164,050
Share issued on exercise of warrants	1,479,509		755,346
Bonus shares	-		(259,344)
Shares issued as financing fee	2,735,617		600,000
Outstanding	227,875,914	$	145,349,807

13.2 Stock Options

The Company has adopted a fixed stock option plan (the "Stock Option Plan"). The purpose of the Stock Option Plan is to allow the Company to grant options to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of Prophecy. Options are exercisable for up to 10 years or as determined by the Board and are required to have exercise prices no less than the discounted market price. However, it is the practice of Prophecy to set option exercise prices equal to or greater than the market price (as defined by the Exchange based on the closing market price of the shares prevailing on the day that options are granted).

Summary of options granted by the Company during the six months ended June 30, 2012 and after the period end:

Exercise Price	Number of Options Granted	Expiry Date
$0.43	180,000	January 9, 2017
$0.46	140,000	February 3, 2017
$0.49	3,000,000	March 22, 2017
$0.25	10,000	June 1, 2017
$0.28	5,435,000	June 18, 2017
	8,765,000	

(Expressed in Canadian Dollars)

13. Disclosure of Outstanding Share Data (Continued)

13.2 Stock Options (Continued)

Summary of options granted by Platinum during the six months ended June 30, 2012 and after the period end:

Exercise Price	Number of Options Granted	Expiry Date
$2.40	90,000	January 9, 2017
$3.68	240,000	February 3, 2017
$3.09	230,000	April 4, 2017
$2.67	50,000	May 9, 2017
	610,000	

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

Exercise Price	June 30, 2012	Expiry Date	Exercisable	Unvested
$0.25	975,000	October 29, 2014	975,000	-
$0.25	10,000	June 1, 2017		10,000
$0.28	5,435,000	June 18, 2017		5,435,000
$0.38	200,000	November 30, 2014	200,000	-
$0.40	1,056,800	January 23, 2014	1,056,800	-
$0.40	381,250	January 29, 2015	381,250	-
$0.49	5,000	March 22, 2017		5,000
$0.54	850,000	September 21, 2015	662,500	187,500
$0.55	350,000	March 11, 2015	350,000	-
$0.60	175,000	July 17, 2014	175,000	-
$0.60	65,000	September 21, 2014	65,000	-
$0.63	100,000	June 13, 2016	100,000	-
$0.67	1,722,500	May 10, 2015	1,722,500	-
$0.67	175,000	October 15, 2015	87,500	87,500
$0.77	9,000,000	December 10, 2015	4,537,500	4,462,500
$0.77	2,050,000	December 24, 2015	667,500	1,382,500
$0.77	28,333	August 30, 2016	28,333	-
$0.80	475,000	April 30, 2014	475,000	-
$0.80	100,000	September 23, 2015	50,000	50,000
$0.80	120,000	January 4, 2016	60,000	60,000
$0.93	50,000	January 6, 2016	25,000	25,000
$0.93	2,595,000	December 24, 2015	2,630,000	(35,000)
$0.98	130,000	February 14, 2016	65,000	65,000
	26,048,883		14,313,883	11,735,000

(Expressed in Canadian Dollars)

13. Disclosure of Outstanding Share Data (Continued)

13.2 Stock Options (Continued)

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

Exercise Price	Number of Options Outstanding	Expiry Date	Exercisable	Unvested
$ 1.60	3,750	January 7, 2013	3,750	
$ 1.00	12,500	November 6, 2014	12,500	
$ 1.40	175,000	December 13, 2015	175,000	
$ 0.90	5,345,000	June 20, 2016	4,497,500	847,500
$ 2.25	770,000	December 12, 2016	190,000	580,000
$ 2.40	90,000	January 9, 2017		90,000
$ 3.68	240,000	February 3, 2017		240,000
$ 3.09	80,000	April 4, 2017		80,000
$ 2.67	50,000	May 9, 2017		50,000
	6,766,250		4,878,750	1,887,500

13.3 Share Purchase Warrants

The Company has not issued any warrants in the reported period.

Subsequent to the six months end June 30, 2012 no warrants were exercised.

The following tables summarize the number of warrants outstanding as of the date of this MD&A:

Exercise price	Number of Warrants	Expiry date
$0.66	3,831,511	October 28, 2012
$0.77	551,968	March 31, 2013
$0.80	2,964,730	March 31, 2013
$0.80	337,750	April 21, 2013
$0.80	2,653,967	March 23, 2013
$0.66 to $0.80	10,339,926	

(Expressed in Canadian Dollars)

13. Disclosure of Outstanding Share Data (Continued)

13.3 Share Purchase Warrants

The following tables summarize the number of Platinum warrants outstanding as of the date of this MD&A:

Exercise Price	Number of Warrants Outstanding	Expiry Date
$1.00	875,000	January 6, 2013
$7.50	107,980	January 31, 2013
$4.75	36,117	January 31, 2013
	1,019,097	

14. Off-Balance Sheet Arrangement

During the period ended June 30, 2012, Prophecy was not a party to any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources of the Company.