



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

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

FOR THE THREE MONTHS ENDED JUNE 30, 2013

(Expressed in Canadian Dollars)

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1. INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**") of Prophecy Platinum Corp. and its subsidiaries (collectively referred to as "**Prophecy Platinum**", the "**Company**", "**we**", "**us**" or "**our**") provides analysis of the Company's financial results for the three months ended June 30, 2013. The following information should be read in conjunction with the accompanying June 30, 2013 unaudited condensed consolidated interim financial statements and the notes to those financial statements, prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board and the corresponding comparative statements for the three months ended June 30, 2012. Financial information is expressed in Canadian dollars, unless stated otherwise. This MD&A is current as of August 29, 2013. This discussion is intended to supplement and complement Prophecy Platinum's unaudited condensed consolidated interim financial statements for the three months ended June 30, 2013 and the notes thereto. Readers are cautioned that this MD&A contains "forward-looking statements" and that actual events may vary from management's expectations. Readers are encouraged to read the cautionary note contained herein regarding such forward-looking statements. This MD&A was reviewed, approved and authorized for issue by the Company's Audit Committee on August 28, 2013.

Description of Business

Prophecy Platinum, incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("**TSX-V**") and its common shares trade under the symbol "NKL". The Company maintains its head office at 342 Water Street, 2nd Floor, Vancouver, British Columbia, Canada, V6B 1B6.

The principal business of the Company is the exploration and development of mineral projects with significant platinum group metals in North America. The Company's largest resource is located in the Yukon Territory, Canada, where the Company holds a 100% interest in the Wellgreen property and a 100% interest in the Burwash property.

In Ontario, the Company holds a 100% interest in the Shakespeare property, an 80% joint venture interest with Xstrata on surrounding property to the Shakespeare property, and a 100% interest in certain PGM, nickel and copper exploration properties, including the Stumpy Bay, Porter Baldwin, Shining Tree, and Fox Mountain properties.

In Manitoba, the Company is in the process of earning a 100% interest in the Lynn Lake Property, which is currently 100% owned by Victory Nickel Inc. ("**Victory**").

In Uruguay, the Company incorporated a wholly-owned subsidiary, Pacific Nickel Sudamerica SA., to hold five prospecting licenses which are currently being assessed by the Company.

At June 30, 2013 and August 29, 2013, the Company had, respectively,: (i) 77,160,954 and 77,160,954 common shares issued and outstanding; (ii) 9,990,333 and 9,990,333 options to acquire common shares outstanding; and (iii) 12,169,868 and 12,169,868 share purchase warrants to acquire common shares outstanding.

Head Office

2nd floor, 342 Water Street,
Vancouver, BC, V6B 1B6
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+1-604-569-3690

Share Information

The Company's common shares are listed for trading on: (i) the TSX-V under the symbol "NKL"; (ii) the OTC-QX under the symbol "PNIKF"; and (iii) on the Frankfurt Stock Exchange under the symbol "P94P".

Investor Information

Financial reports, news releases and corporate information can be accessed on our website at www.prophecyplatinum.com

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As at the date of this MD&A, the Company's directors and officers are as follows:

Directors	Officers	
Harald Batista	Greg Johnson, President and Chief Executive Officer	
Greg Hall	Jeffrey Mason, Chief Financial Officer	
Wesley J. Hall	John Sagman, Senior VP and Chief Operating Officer	
Greg Johnson	Robert Bruggeman, VP Corporate Development	
John Lee	Samir Patel, Corporate Counsel and Corporate Secretary	
Myron Manternach		
Mike Sylvestre		
Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Greg Hall (Chair)	Michael Sylvestre (Chair)	Wesley J. Hall (Chair)
Harald Batista	Harald Batista	Michael Sylvestre
Myron Manternach	Myron Manternach	Harald Batista
		Myron Manternach

Qualified Person

Mr. John Sagman, P.Eng. is the qualified person as defined under NI 43-101 – Standards of Disclosure for Mineral Projects (“**NI 43-101**”) who has reviewed and approved the technical and scientific disclosure regarding the mineral properties of Prophecy Platinum Corp. contained in this MD&A.

2. DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for the preparation and integrity of the Company's consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. Management has evaluated the Company's disclosure controls and procedures and internal controls over financial reporting and has concluded that they were effective as at June 30, 2013. The Company's board of directors (the “**Board**”) follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Company's audit committee (the “**Audit Committee**”) meets with management to review the financial statements and the MD&A, and to discuss other financial, operating and internal control matters.

The adoption of IFRS impacts the Company's presentation of financial results and accompanying disclosures. The Company has evaluated the impact of IFRS on its processes, controls and financial reporting systems and has made modifications to its control environment accordingly.

There have been no significant changes in the Company's internal control over financial reporting during the three months ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management of the Company has separately filed on SEDAR (at www.sedar.com) the Form 52-109FV2 Venture Issuer Basic Certificate at the same time as having filed the Company's interim consolidated financial statements and MD&A for the three months ended June 30, 2013.

In contrast to the certificate required under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (“**NI 52-109**”), the venture issuer certificate on Form 52-109FV2 does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“**DC&P**”) and internal control over financial reporting (“**ICFR**”), as defined in NI 52-109. In particular, the certifying officers filing certificates for venture issuers are not making any representations relating to the establishment and maintenance of:

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

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

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

3. FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" within the meaning of Canadian securities legislation. These forward-looking statements are made as of the date of this MD&A and the Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

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

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. This MD&A contains forward-looking statements which reflect management's expectations regarding Prophecy Platinum's future growth for the ensuing year, our medium and long term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our belief, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "suspect", "outlook", "believes", "plan", "anticipates", "estimate", "expects", "intends" and words and expressions of similar import are intended to identify forward-looking statements. In particular, statements regarding the Company's future operations, future exploration and development activities or other development plans and estimated future financing requirements contain forward-looking statements.

Forward-looking statements include, without limitation, the information concerning possible or assumed future results of the Company's operations. These statements are not historical facts but instead represent only the Company's current beliefs as well as assumptions made by and information currently available to the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration and development activities and commitments and future opportunities. Although management considers those assumptions to be reasonable based on information currently available to them, they may prove to be incorrect.

These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

By their very nature, forward looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, and

readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under the section in this MD&A entitled "RISK AND UNCERTAINTIES".

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

4. THREE MONTHS HIGHLIGHTS AND SIGNIFICANT EVENTS

- On June 20, 2013, the Company closed a non-brokered private placement (the "**Private Placement**") involving the issuance of 8,386,264 units of the Company ("**Units**"), at a price of \$0.70 per Unit, with each Unit comprised of one "flow-through" common share (the "**FT Shares**") and one common share purchase warrant (the "**Warrants**"). Each Warrant is exercisable for one common share for a period of 24 months following the closing of the Private Placement at a price of \$0.90. The Company paid finders' fees of \$197,200 in connection with the Private Placement. Proceeds of the Private Placement will be applied to the Company's Wellgreen and the Shakespeare projects, in addition to general working capital. The securities issued pursuant to the Private Placement are subject to hold periods expiring on October 21, 2013, in accordance with applicable securities laws and the rules and policies of the TSX Venture Exchange.
- In connection with the Private Placement, in order to assist Prophecy Platinum's management to build direct equity ownership in the Company and further align the interests of shareholders and management, the Company advanced short-term loans (the "**Loans**") in the aggregate amount of \$892,500 to members of the Company's senior management team to allow them to participate at in the Private Placement as follows:

Individual	Amount (\$)
Greg Johnson	280,000
Jeffrey Mason	227,500
John Sagman	227,500
Rob Bruggeman	70,000
Samir Patel	52,500

- The full amount of each Loan was used by each recipient to subscribe for Units under the Private Placement on the same premium to market terms as other investors. The Loans bear interest at a rate prescribed by the Canada Revenue Agency, and are repayable in full (together with any accrued interest) on March 31, 2014 (each Loan recipient may prepay his Loan, in whole or in part, at any time prior to this date). The Loans were advanced under amended and restated unit purchase loan agreements, each dated June 20, 2013 (copies of which are available under our SEDAR profile at www.sedar.com). As general and continuing security for the payment and performance of the obligations owed by each recipient under his loan agreement, each Loan recipient has granted a securities pledge agreement in favour of Prophecy Platinum constituting a first priority encumbrance over all Units which the recipient purchased under the Private Placement.
- On July 17, 2013, the Company announced the commencement of the 2013 field program at its 100%-owned Wellgreen PGM-Nickel-Copper project in Canada's Yukon Territory. Field activities, metallurgical test work and engineering initiatives commenced in June with the comprehensive re-logging and re-sampling of up to 12,000 metres of historic drill hole cores from across the main Wellgreen deposit,

approximately 75% of which have never been tested. A targeted exploration drilling program, designed to facilitate a higher-grade, lower CAPEX start-up concept convert a significant amount of Inferred Mineral Resources to the Measured and Indicated category, and test recently determined potential high-grade zones, is set to begin before the end of July.

- Our 2013 Wellgreen exploration program has been designed to support and maximize the results of a revised Preliminary Economic Assessment (PEA) and updated mineral resource estimate as the next major milestones in the development of the project. The updated PEA, expected to be completed in the first half of 2014, will reflect a new approach to the project under which a significantly reduced CAPEX and enhanced economic Key Performance Indicators are key goals. In addition to the field activities now underway, environmental, socio-economic, engineering and metallurgical contracts have been awarded in accordance with the Company's target timeline.

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

5. PROPERTY SUMMARY

Wellgreen Property, Yukon, Canada

The Wellgreen property, a nickel-copper and platinum group metals project located in southwestern Yukon, Canada, approximately 35 kilometres northwest of Burwash Landing in the Yukon and about 400 kilometres from Alaska's deep sea port at Haines, was acquired on June 13, 2011 pursuant to an arrangement with Prophecy Coal Corp. (the "**Arrangement**"), and in respect of which 45,000,000 common shares of the Company were provided to Prophecy Coal Corp. as consideration for the transaction. Based on the ascribed market value of the Company's shares amounting to \$49,134,454, the purchase price allocation to the acquisition cost of a 100% interest in the Wellgreen mineral property amounted to \$14,783,596 and the option to acquire a 100% interest in the Lynn Lake property amounted to \$32,350,858 (refer to Note 5 to the annual audited consolidated financial statements).

An independent NI 43-101 compliant resource calculation was issued by Wardrop Engineering, a Tetra Tech Company, ("Technical Report and Resource Estimate on the Wellgreen Platinum-Palladium-Nickel-Copper Project, Yukon, Canada") on July 21, 2011.

In January 2012, Prophecy Platinum announced the commencement of a combined surface and underground HQ core size drilling program. The drilling was targeted at providing infill information to the existing resource as released in July 2011. Drilling at site was completed late November 2012 and included 5,417 metres of underground and 5,567 metres of surface drilling totaling 10,984 metres of drilling in 2012. The final drill assays and interpretation thereof were reported by Prophecy Platinum on February 4, 2013.

Prophecy Platinum announced results from its PEA on June 18, 2012 with additional information reported on July 25, 2012. The independent PEA (effective date August 1, 2012), 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 Qualified Persons, as defined under NI 43-101.

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 that would enable these mineral resources to be categorized as mineral reserves.

Furthermore, there is no certainty that the PEA results will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Prophecy Platinum advises that investors should continually refer to correspondence issued by the Company on an as-required basis. 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 at www.sedar.com.

On August 1, 2012, Prophecy Platinum concluded an exploration cooperation and benefits agreement with the Kluane First Nation ("**KFN**") to support the Company's exploration program and environmental studies for the development of the Wellgreen project. The cooperation and benefits agreement, which is comprehensive in nature, includes provisions for employment and training opportunities for KFN citizens, contracting opportunities

for KFN businesses and citizens, funding for the meaningful implementation of the cooperation and benefits agreement, and an equity position in Prophecy Platinum for KFN and its citizens. Acting reasonably and in good faith, KFN may participate fully and without limitation in all regulatory processes concerning the exploration activities. Other highlights include environmental protection through the cooperative design and implementation of environmental management and monitoring programs, and a framework and mutual commitment to develop a comprehensive cooperation and benefits agreement for the eventual development and operation of a mine. During Q4 2012, as per the exploration cooperation and benefits agreement, discussions regarding establishment of the Kluane First Nation / Prophecy Platinum advisory committee commenced.

As reported on October 15, 2012 the Company has initiated environmental baseline studies on the Wellgreen project. Prophecy Platinum has contracted EBA Engineering Consultants Ltd. ("**EBA**"), a Tetra Tech Company, from Whitehorse to initiate the studies. The present scope of baseline work to be carried out by EBA includes collection of meteorological data, surface water flows, surface water quality, wildlife studies and analysis of previous environmental studies. The Yukon Environmental and Socio-economic Assessment Board requires approximately two years of baseline data as part of the overall mining permit application.

Work plans to be carried out in the near future by the Company on the Wellgreen project include the following:

- complete an updated geological model incorporating drill results and interpretations from 2012 program to assist in targeting for 2013 drill program and as the basis for future resource updates;
- design and implement the 2013 exploration drill program as it relates to both further resource development, converting a portion of the inferred resource to measured and indicated and expanding the resource area along strike and at depth. The drilling contract has been awarded to Boart Longyear Canada Inc;
- continue engineering work to optimize staged pit scoping level designs with the objective to enhance revenue generation during the initial production phase and decrease pre-production capital requirements;
- develop a metallurgical test program to further optimize PGM, nickel and copper recoveries as well as determine the economic contribution of rare PGM's, increase concentrate grades. SGS Lakefield has commenced with this test program;
- commence metallurgical testing associated with alternative processes that would increase recovery and decrease offsite concentrate freight, treatment and refining expenditures;
- continue review of alternative power generation processes such as Liquefied Natural Gas and micro-hydro power plants that would significantly reduce operating expenditures;
- commence with basic engineering required to finalize the location of a potential mill, camp and tailings storage facility. The surface infrastructure engineering contract has been awarded to JDS Energy and Mining Inc.;
- continue to review concentrate, supply and materials logistics plans that includes basic engineering associated with the offsite infrastructure requirements;
- continue Environmental Baseline studies and commence compilation of the Project Description; and
- continue KFN and White River First Nations consultation programs.

During the three months ended June 30, 2013, Prophecy Platinum had incurred a total of \$383,794 in exploration costs on the Wellgreen property, principally focused on drilling and resource determination followed by PEA work programs.

Shakespeare Property, Ontario, Canada

On July 16, 2012, the Company acquired all of the issued and outstanding securities of Ursa Major Minerals Inc. ("**URSA**") pursuant to a court-approved statutory plan of arrangement under the *Business Corporations Act* (Ontario) involving Prophecy Platinum, URSA and URSA's securityholders. Pursuant to the arrangement, URSA amalgamated with a wholly-owned subsidiary of Prophecy Platinum and all of the security holders of URSA, other than option holders, exchanged their URSA securities for securities of Prophecy Platinum.

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

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

Prophecy Platinum holds a 100% interest in the Shakespeare property, the Shining Tree property, the Porter Baldwin property and the Fox Mountain property, and an 80% joint venture interest with Xstrata Nickel ("**Xstrata**") on some Shakespeare surrounding claims, all located in Ontario and further described below.

The Shakespeare property, located 70 kilometres west of Sudbury, Ontario, was acquired from Xstrata in 2000. A positive feasibility study was completed in 2006 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. Permits were received for an open-pit mine and a 4,500 t/d concentrator at the Shakespeare property.

In May 2010, commercial production began at the Shakespeare open pit property, and mineralized material was direct shipped to Xstrata's Strathcona mill for toll processing through the end of January 2012. Due to reduced base metals prices operations at the Shakespeare property were temporarily suspended in February 2012, and the project was placed on care and maintenance.

During the twelve months of production ending January 31, 2012, we 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 (2011: 1,314,000), pounds of nickel; 1,234,000 (2011: 1,499,000) pounds of copper; 64,700 (2011: 92,204) pounds of cobalt; and 1,650 (2011: 1,900) ounces of platinum; 1,840 (2011: 2,100) ounces of palladium; 960 (2011: 1,100) ounces of gold; and 10,260 (2011: 12,100) ounces of silver. The recovered and contained metals are subject to smelter recoveries and to further smelter deductions.

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

We currently have 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 the Company and Xstrata with Prophecy Platinum as the project operator. We hold a 80% beneficial interest in the joint venture area.

On September 12, 2012, we announced an updated Mineral Resource estimate for the Shakespeare Underground East Zone prepared by P&E Mining Consultants Inc. ("**P&E**") of Brampton, Ontario. At a \$50/tonne NSR cut-off, the Underground East Zone contains an indicated resource of 3.57 million tonnes grading 0.32% nickel, 0.39% copper, 0.02% cobalt, 0.34 g/t platinum, 0.37 g/t palladium, and 0.2 g/t gold. The East Zone also contains an inferred resource of 1.87 million tonnes grading 0.32% nickel, 0.36% copper, 0.02% cobalt, 0.34 g/t platinum, 0.36 g/t palladium, and 0.21 g/t gold. This resource update adds approximately 30% to Shakespeare's global resource.

A Probable Mineral Reserve of similar grades on the Shakespeare project was last reported in a feasibility study prepared by Micon (available on SEDAR at www.sedar.com), within the open pit shell to a maximum depth of 250 metres below surface. The feasibility study recommended the on-site mill to produce 4,500 t/d of ore mining and subsequent concentrate for sale.

In-fill and step-out drilling in the underground portion of the East Zone was carried out in 2010 and 2011, and consisted of 8,024 metres in 13 diamond drill holes which represent 35% of the drill hole database for the East Zone. The additional drilling prompted the update to the Mineral Resource estimate for the East Zone.

During the fourth quarter of 2012, exploration consisted of two additional step-out drilling holes between the East and West Zones followed by a down the hole UTEM electro-magnetic geophysics program. Drill hole 137 was completed to a depth of 597 metres and drill hole 134 to a depth of 714 metres.

Work plans to be carried out in the near future by Prophecy Platinum on the Shakespeare property include reviewing various initiatives that have the potential of decreasing operating expenditures that would facilitate a return to open pit production and establishment of sustainable economically viable operation.

Other Sudbury Mining District Properties

Shining Tree Property, Ontario, Canada

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

Porter Baldwin Property, Ontario, Canada

The Company's 100%-owned Porter Baldwin property comprises certain claims that cover a 15 kilometre strike length extending from the Shakespeare property towards the Sudbury intrusive complex. The majority of the property was acquired through claim staking, while a portion was acquired by an option agreement dated February 10, 2004. The optionor retains a 2% net smelter royalty. Advance royalty payments of \$24,000 per year commenced January 15, 2007. The Company has the right to purchase one-half of the royalty at any time for \$1,000,000.

Fox Mountain, Ontario, Canada

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

Lynn Lake Property, Manitoba, Canada

We have an option to acquire 100% of the Lynn Lake property which is a former operating nickel-copper project located in northern Manitoba, Canada (we acquired the option from Prophecy Coal Corp. pursuant to the Arrangement, and the original October 20, 2009 option agreement (the "**Option Agreement**") between Prophecy Coal Corp. and Victory Nickel Inc. ("**Victory Nickel**") was assigned to us as a result). See Note 5 to the annual audited consolidated financial statements).

Pursuant to the Option Agreement, Prophecy Platinum has an option to earn a 100% interest in the Lynn Lake property by paying Victory Nickel an aggregate of \$4 million, and by incurring an aggregate of \$3 million in exploration expenditures on the Lynn Lake property, and by issuing 2,419,548 common shares to Victory Nickel (these were issued by Prophecy Coal Corp.). 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 and the Company is subject to a 3% net smelter return royalty.

On August 3, 2012, Prophecy Platinum signed a Settlement Agreement with Victory which provides for a one-time cash payment of \$450,000 (paid) in full settlement for the Company's obligation under the Option Agreement to incur the remaining balance of exploration expenditures of \$1,188,877 on or before November 1, 2012.

On February 27, 2013, we entered into an amending agreement to the Option Agreement with Victory Nickel pursuant to which we may complete our earn-in of a 100% interest in the Lynn Lake property by making remaining option payments to Victory Nickel totaling \$1.125 million, (as substitution for the March 1, 2013, \$1 million final option payment), commencing with \$125,000 on February 28, 2013 (paid), followed by six payments as set out in the amended agreement scheduled over the next year and a half and ending on August 29, 2014. We have the right to accelerate our 100% earn-in by completing a one-time option payment of \$500,000 to Victory Nickel on February 28, 2014, in full satisfaction of the remaining three scheduled option payments for 2014 totaling \$550,000.

From an updated resource estimate released in April 2011 entitled "Technical Report on the Lynn Lake Nickel Project Northern Manitoba, Canada", the Lynn Lake project has 22.9 million tonnes of measured and indicated resources grading 0.57% nickel as well as 8.1 million tonnes of inferred resources grading 0.51% nickel. In addition, the updated resource estimate stated that the resource contained measured and indicated resources grading 0.30% copper plus inferred resources grading 0.28% copper.

A 1,500 metre 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 metres on hole NKL11-003, and 0.03% nickel and 1.3% copper for 3.7 metres on hole NKL-004, explaining the occurrence of the 'North Anomaly' which remains open with increasing chargeability with lower associated resistivities with depth.

Mintek, South Africa, issued the final report on November 11, 2011 that discussed metallurgical results related to the amenability of Lynn Lake mineralization to a bioleach process. The report was overseen by Andy Carter, Manager of Metallurgical Engineering for Tetra Tech Inc. The report concluded that there was good potential to achieve nickel extractions in excess of 95% using a moderate grind and leach temperature and that high copper recoveries would generally require finer grinding and higher temperatures.

Work plans to be carried out in the near future by Prophecy Platinum on the Lynn Lake project include the following:

- complete a review of the Capital and Operating expenditures related to the bioleach process; and
- review historical geophysics data with the objective of developing an exploration program.

Uruguay Properties

Prophecy Platinum's wholly-owned subsidiary that was incorporated in Uruguay, Pacific Nickel Sudamerica SA, owns 5 prospecting licenses for properties in Uruguay totalling approximately 28,000 hectares. Of the 28,000 hectares, 400 hectares from the Molles North license were forfeited in late September, 2011 as a result of being in a cultivated forest area. The only work done on the 400 hectares was BRGM regional geochemical sampling and there were no anomalies noted. Prophecy Platinum has no future obligations or expenditures requirements related to the Uruguayan properties and the properties remain in the evaluation stage.

6. SUMMARY OF QUARTERLY RESULTS

The quarterly results are as follows:

	30-Jun-13	31-Mar-13	31-Dec-12	30-Sep-12
	3 month ended	3 month ended	3 month ended	3 month ended
Operating expense	\$ (1,433,768)	\$ (1,596,516)	\$ (2,003,515)	\$ (2,115,348)
Net Loss before other items	(1,433,768)	(1,596,516)	(2,003,515)	(2,115,348)
Net Loss per share basic and diluted	(0.02)	(0.02)	(0.03)	(0.03)
Comprehensive Loss	(1,406,086)	(1,581,579)	(2,467,189)	(2,249,740)
Net Comprehensive loss per share basic and diluted	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.04)

	30-Jun-12	31-Mar-12	31-Jan-12	31-Oct-11
	3 month ended	2 months ended	3 months ended	3 months ended
Operating expense	\$ (1,235,384)	\$ (1,786,015)	\$ (1,446,761)	\$ (2,617,193)
Net Loss before other items	(1,235,384)	(1,786,015)	(1,446,761)	(2,617,193)
Net Loss per share basic and diluted	(0.02)	(0.03)	(0.03)	(0.05)
Comprehensive Loss	(1,880,935)	(992,754)	(1,292,537)	(2,616,390)
Net Comprehensive loss per share basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.05)

The Company's quarterly operating results remain relatively stable, with higher expenditures during the summer and fall season, due to increased exploration activities. Factors causing significant changes between the most recently completed eight quarters have primarily been items such as share-based payments expense, consulting fees, salaries, and business development and relations expense.

7. 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 audited consolidated financial statements for the year ended March 31,

2013 for Prophecy Platinum's IFRS accounting policies. Share-based expense was recalculated for the three months ended June 30, 2012, see note 23 to the consolidated interim financial statements. For discussion on each project, the reader is encouraged to refer to the "Overall Performance" section of this MD&A.

Three months ended June, 30 2013 Compared to three months ended June 30, 2012

For the three months ended June 30, 2013, the Company recorded a net loss of \$1,433,768 or \$0.02 per share compared to a net loss of \$1,403,707 or \$0.03 per share in the prior quarter comparable period. The overall increase in net loss by \$30,061 was due primarily to an increase in salaries and wages, share-based payments, offset by a decrease in business development and relations, office and professional expenses.

	Three months ended June 30, 2013	Three months ended June 30, 2012	Discussion
Business development and relations	\$274,073	\$331,125	The \$57,052 decrease was due primarily to less extensive promotion carried out for Prophecy Platinum such as conferences, trade show attendance, publications, radio/TV interviews, and to less investor relations activity in quarter.
Consulting	\$142,998	\$150,637	Consulting and management fees include fees charged by officers of the Company. The decrease by \$7,639 was primarily due to fewer consultants used compared to the prior comparative period, which was also offset by severance payments made to employees during the prior comparative period.
Depreciation	\$13,051	\$14,011	The decrease in depreciation in the quarter of \$960 related to a lower level of net book value from which to depreciate. The increase in depreciation related to the equipment acquired due to the amalgamation with URSA was offset by fully depreciated software, resulting in an overall decrease in depreciation.
Foreign exchange loss (gain)	\$1,317	\$11,665	The increase in loss was due to fluctuations in the value of the Canadian dollar compared to the United States dollar and Argentine pesos.
Insurance	\$12,561	\$9,092	Insurance expense increased \$3,469 due to increased insurance coverage related to the addition of the Shakespeare project and assets acquired upon amalgamation with URSA.
Office	\$87,833	\$122,556	The decrease in the quarter by \$34,723 was due to a decrease in shared office costs. On August 1, 2011, the Company entered into a service agreement with Prophecy Coal Corp for \$28,000 per month for shared office costs. On January 1, 2012, the terms of the service agreement were modified whereby the monthly payment for shared office fees increased from \$28,000 to \$40,000. For the period from November 1, 2012 to June 30, 2013 the Company has accrued the shared cost based on an estimate of actual shared office costs. The finalized costs are currently under negotiation.
Professional fees	\$40,094	\$124,340	Professional fees decreased by \$84,246 as a result of reduced level of legal activity compared to the prior period. Higher fees were experienced in the prior period related to the URSA transaction and generally higher levels of legal advisory activity.
Property maintenance	\$24,927	\$Nil	The increase of \$24,927 includes care and maintenance for the Shakespeare property which was acquired in the URSA transaction after June 30, 2012 in July, 2012.
Salaries and wages	\$349,142	\$119,330	The increase by \$229,812 was due to the hiring of additional experienced exploration and operation personnel in 2013.
Share-based payments	\$480,520	\$346,141	During the three months ended June 30, 2013, the Company did not grant any stock options to its

	Three months ended June 30, 2013	Three months ended June 30, 2012	Discussion
			employees, directors, officers and consultants. The increase in expense of \$134,379 in the prior comparable period relates to a higher number of outstanding options vesting during the current period as compared to the prior comparative period.
Transfer agent and filing fees	\$7,252	\$6,487	Transfer agent and filing fees increased by \$765 due to higher fees associated with filings in the current period.
Other Items			
Investment income	\$2,231	\$Nil	The increase in investment income relates to a higher level of interest earning investment during the year compared to the prior quarter.
Other income	\$26,701	\$Nil	The increase in Other income relates to the amortization of the flow-through premium liability for the December 2012 flow-through private placement. There was a premium liability of \$592,629 on June 30, 2013 compared to nil in the prior comparative period.
Realized gain (loss) on available for sale investments	\$(24,375)	\$(100,147)	The realized loss on available for sale investments related to the sale of the Auriga shares. This loss was less than the loss incurred in the prior comparative period related to the Platinum and Palladium ETF investments.

8. LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As an exploration company, Prophecy Platinum has no regular cash flow from operations, and the level of operations is principally a function of availability of capital resources. To date, the principal source of funding has been through equity financing.

As at June 30, 2013, the Company had approximately \$4.2 million, comprised of cash and cash equivalents (March 31, 2013 - \$0.3 million). For the foreseeable future, as existing properties are developed and as new properties are identified, the Company will continue to seek capital through the issuance of equity. Currently, the Company has sufficient capital to conduct further exploration on its existing properties. On June 20, 2013, the Company closed the Private Placement which involved the issuance of 8,386,264 units of the Company at a price of \$0.70 per unit for gross proceeds of approximately \$5.9 million.

Major expenditures are required to locate and establish resources, ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to exploration and evaluation mineral properties are dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete exploration, development and future profitable production or proceeds from disposition.

Management reviews the carrying value of the Company's interest in each property and where necessary, exploration and evaluation mineral properties are written down to their estimated recoverable amount or written off. Although management has made its best estimate of these factors, it is reasonably possible that certain events could adversely affect management's estimates of recoverable amounts and the need for, as well as, the amount of provision for impairment in the carrying value of exploration properties and related assets.

Many factors influence the Company's ability to raise funds, and there is no assurance that the Company will be successful in obtaining adequate financing and at favourable terms for these or other purposes including general working capital purposes, see "Risks and Uncertainties". Prophecy Platinum's condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. Realization values may be substantially different from carrying values, as shown, and these consolidated financial statements do not give

effect to the adjustment that would be necessary to the carrying values and classifications of assets and liabilities should Prophecy Platinum be unable to continue as a going concern.

Working Capital

As at June 30, 2013 the Company had working capital of \$2.9 million (March 31 2013 – deficit of \$0.7 million). The increase in working capital of \$3.6 million from March 31, 2013 to June 30, 2013 is primarily due to the Company's June 20, 2013 financing. Because of limited working capital and operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing to reach profitable levels of operation. It is not possible to predict whether future financing efforts will be successful or available.

On June 20, 2013, the Company raised gross proceeds of \$5.9 million pursuant to the Private Placement. Proceeds of the Private Placement will be applied to the Wellgreen project and Prophecy Platinum's other properties, in addition to general working capital purposes. At the date of this MD&A, the Company has sufficient cash on hand to fund its working capital need at the current level.

Prophecy Platinum has no long-term debt and no long-term liabilities, other than provision for closure and reclamation of \$628,825 relating to its Shakespeare property. The Company has no capital lease obligations, operating or any other long term obligations.

Cash Flow Highlights

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012
Cash used in operating activities	\$ (1,137,553)	\$ (1,703,290)
Cash used in investing activities	(378,919)	941,491
Cash provided by financing activities	4,723,516	1,380,662
Net increase (decrease) in cash for the period	3,207,044	618,863
Cash balance, beginning of the period	1,031,236	582,139
Cash balance, end of the period	\$ 4,238,280	\$ 1,201,002

Cash Flows For Three Months Ended June 30, 2013 and Three Months Ended June 30, 2012

Operating activities

Cash used in operating activities was \$1.14 million in the current period compared to cash used of \$1.70 million in the prior comparative period. The decrease in cash used in operating activities was mainly due to the collection of HST receivables and an extension of accounts payables, in addition to decreases in business development and office expenditures.

Investing activities

Cash used in investing activities in the current period was \$0.38 million compared to cash received of \$0.94 million in the prior comparative period. The increased outflow by \$1.32 million primarily resulted from the fact that in the prior comparative period the Company redeemed \$2.46 million from the sale of exchange traded funds. This was offset by increased expenditures on exploration in the comparative period of \$1.14 million relative to the current period.

Financing activities

Cash inflow from financing activities was \$4.72 million in 2013 compared to \$1.38 million in 2012. The increase in cash from financing activities was mainly due to cash received from the share issuance related to the June 20, 2013 Private Placement of \$5.9 million in 2013 compared to \$1.35 million received pursuant to private placements during the prior comparative period. Proceeds received from option and warrant exercises were \$nil in the current period as compared to \$0.06 million in the prior period. Amounts due to related parties increased by \$0.09 million in 2013 compared to a decrease of \$0.03 million in 2012.

Capital Resources

At the date of this MD&A, the Company had \$2.6 million in cash and cash equivalents. All of the Company's cash equivalents are on deposit with Canadian banks and brokerage houses.

Contractual Commitments

Lynn Lake Property, Manitoba, Canada

On August 3, 2012, the Company signed a settlement agreement with Victory Nickel to provide for a one-time cash payment of \$450,000 (paid) in full settlement for the Company's obligation to incur the remaining balance of exploration expenditures of \$1,188,877 pursuant to the Option Agreement on or before November 1, 2012. On February 27, 2013, Prophecy Platinum entered into an amended option agreement with Victory Nickel pursuant to which the Company may complete its earn-in of a 100% interest in the Lynn Lake property, by making option payments to Victory totalling \$1.125 million, commencing with \$125,000 on February 28, 2013 (paid), followed by six payments scheduled over the next year and a half ending on August 29, 2014. Prophecy Platinum has the right to accelerate its 100% earn-in by completing a one-time option payment of \$500,000 to Victory on February 28, 2014, in full satisfaction of the remaining scheduled option payments for 2014 totalling \$550,000.

Kluane First Nation Exploration Cooperation and Benefits Agreement

On August 2, 2012, the Company entered into an exploration cooperation and benefits agreement, with Kluane First Nation, and to which includes annual payments to the Kluane First Nation as part of Prophecy Platinum's responsible mineral development of the Wellgreen project.

Sagamok Anishnawbek First Nation Agreement

Under the Impact and Benefits Agreement ("IBA") dated August 12, 2009 between URSA and Sagamok Anishnawbek First Nation ("**Sagamok**"), the Company is committed to make an annual payment to Sagamok related to the Shakespeare property provided that the Shakespeare Mine and Mill Project is in production and until such time as URSA Major's aggregate net project operating profits before taxes received from the Shakespeare Project are equal to its initial capital investment in the Shakespeare Project plus interest. The terms of the IBA are confidential; however, the IBA provides for job training, employment, scholarship, business relations and financial participation in community development projects.

Flow-Through Share Agreements

In connection with the issuance of flow-through common shares of the Company in December 2012, and in June 2013, the Company has a commitment to incur \$1,249,199 and \$5,870,385, respectively, of qualifying flow-through expenditures on its Wellgreen property and, in the Company's discretion, on its other Canadian exploration properties, by December 31, 2013 and by December 31, 2014, respectively. The Company has indemnified the subscribers of flow-through shares from any tax consequences arising from the failure by the Company to meet its commitments under the flow-through subscription agreements.

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to continue to make in the future, filings and expenditures to comply with such laws and regulations.

Capital Risk Management

Prophecy Platinum's capital structure consists of common shares, stock options and warrants. The Company manages its capital structure and makes adjustments to it, based on the funds available to Prophecy Platinum, 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 Prophecy Platinum 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 period ended June 30, 2013. Neither Prophecy Platinum 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.

9. TRANSACTIONS WITH RELATED PARTIES

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

During the three months ended June 30, 2013:

- a) The Company incurred consulting fees of \$96,725 (June 30, 2012 - \$69,000) paid to current CEO, Mr. Greg Johnson.
- b) The Company incurred director fees of \$15,293 (June 30, 2012 - \$9,500) paid to various directors of the Company.
- c) The Company incurred \$179,105 (June 30, 2012 - \$Nil) in salaries and wages expenses to officers of the Company.
- d) The Company incurred shared office costs of \$60,000 (June 30, 2012 - \$120,000) to be paid to Prophecy Coal Corp., a company with certain directors and officers in common with the Company.

A summary of the expenses by nature is as follows:

	June 30, 2013	June 30, 2012
Consulting fees	\$ 96,725	\$ 69,000
Director fees	15,293	9,500
Salaries and wages	179,106	-
Shared office costs	60,000	120,000
	\$ 351,124	\$ 198,500

As at June 30, 2013, amounts due to related parties totaled \$204,895 and was comprised of \$36,718 (June 30, 2012 - \$1,000) for director fees and \$Nil (June 30, 2012 - \$Nil) owing to directors and officers for travel expenses, \$Nil (June 30, 2012 - \$Nil) for consulting fees. In addition, an amount of \$168,177 was owing to Prophecy Coal Corp. for shared office cost and other intercompany expenses, which has common directors and officers. The amounts due to related parties are non-interest bearing and are due upon demand.

For a discussion of the Company's loans to certain members of senior management, please see "Three Months Highlights and Significant Events".

10. KEY MANAGEMENT COMPENSATION

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

	June 30, 2013	June 30, 2012
Remuneration and short-term benefits	\$ 291,124	\$ 78,500
Share-based payment compensation	396,416	53,546
	\$ 687,540	\$ 132,046

11. ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

- a) Capitalized or expensed exploration and development costs:

The capitalized disclosure is presented in the condensed consolidated interim financial statements of financial position. Capitalized exploration costs have been incurred predominately at the Wellgreen property.

- b) Expensed research and development costs:

Not applicable.

- c) Intangible assets arising from development.

Not applicable.

- d) General and administration expense:

The required disclosure is presented in the audited annual consolidated financial statements of operations and comprehensive loss.

- e) Any material costs, whether capitalized, deferred or expensed, not referred to in a) through:

None.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

12. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Board, 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 Board reviews the Company's policies on an ongoing basis.

Financial Instruments (refer to Note 19 to the audited consolidated financial statements)

The following table sets forth the Company's financial assets and liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at June 30, 2013, those financial assets and liabilities are classified in their entirety based on the level of input that is significant to the fair value measurement.

As at June 30, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss	\$ 4,238,280	\$ -	\$ -	4,238,280
Restricted cash equivalents	721,560	-	-	721,560
	\$ 4,959,840	\$ -	\$ -	4,959,840

As at March 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss	\$ 302,896	\$ -	\$ -	302,896
Available for sale investments	6,250	-	-	6,250
Restricted cash equivalents	728,340	-	-	728,340
	\$ 1,037,486	\$ -	\$ -	1,037,486

Related Risks

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

Liquidity Risk - Liquidity risk is the risk that the Company cannot meet its financial obligations. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flow to ensure that there is sufficient capital in order to meet short term obligations. As at June 30, 2013, the Company has cash and cash equivalents of \$4,238,280 and financial liabilities of \$1,165,611 which have contractual maturities of 90 days or less.

Foreign Exchange Risk - The Company has operations in Canada and Uruguay and undertakes transactions in various foreign currencies. The Company is therefore exposed to foreign currency risk arising from transactions denominated in a foreign currency. The Company's reporting and functional currency is Canadian dollars. Based on the above, a 5% strengthening (weakening) of the Argentine peso will have an insignificant impact on total assets and loss. The Company holds cash denominated in United States dollars ("**USD**"), a 5% strengthening (weakening) of the USD will have an insignificant impact on total assets and loss. The Company currently does not use any foreign exchange contracts to hedge this currency risk.

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

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

13. RISKS AND UNCERTAINTIES

A comprehensive discussion of risk factors is included in the Company's AIF for the year ended March 31, 2013, which is available on SEDAR at www.sedar.com.

14. PROPOSED TRANSACTIONS

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

15. DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares

Authorized – unlimited number of common shares without par value.

At the date of this MD&A, there are a total of 77,160,954 issued and outstanding common shares in the capital of the Company with recorded value of \$86,123,168.

Stock Options

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

At the Company's shareholders meeting held on November 30, 2012, approval was received to amend the limit of the maximum options issuable by the plan to 13,505,211 and the ratification of options issued in excess of the plan, prior to such approval.

There were no options granted or exercised during the three months ended June 30, 2013 or subsequent to the period end.

As at the date of this MD&A, the outstanding options of the Company are comprised as follows:

Exercise Price	Number of Options Outstanding	Exercisable	Expiry Date
\$1.00	12,500	12,500	November 6, 2014
\$1.40	175,000	175,000	December 13, 2015
\$0.90	5,200,000	5,200,000	June 17, 2016
\$2.25	503,333	340,833	December 12, 2016
\$3.68	170,000	85,000	February 3, 2017
\$3.09	70,000	35,000	April 4, 2017
\$2.67	50,000	25,000	May 9, 2017
\$1.16	1,702,500	-	August 7, 2017
\$1.14	87,000	-	August 16, 2017
\$1.65	125,000	-	September 24, 2017
\$1.24	500,000	-	October 17, 2017
\$1.14	800,000	200,000	November 2, 2017
\$1.25	595,000	-	November 5, 2017
	9,990,333	6,073,333	

Share Purchase Warrants

During the three months ended June 30, 2013, 8,386,264 warrants were granted as part of the Private Placement to acquire common shares of the Company at a price of \$0.90 and the expiry date on June 21, 2015.

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

Exercise Price	Number of Warrants	Expiry Date
\$ 1.50 / 2.00	2,533,604	July 31, 2013 / July 31, 2014
\$ 2.00	1,250,000	August 24, 2014
\$ 0.90	8,386,264	June 21, 2015
	12,169,868	

16. OFF-BALANCE SHEET ARRANGEMENTS

During the three months year ended June 30, 2013, the Company was not a party to any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources of the Company.

17. APPROVAL

The Audit Committee of Prophecy Platinum Corp. is delegated the authority by the Board to review, finalize and approve the interim financial statements and the interim MD&A, without further reference to, or further approval required by, the Board (Section 5.5(3) NI 51-102). The Audit Committee of Prophecy Platinum Corp. has approved the disclosure contained in this MD&A on behalf of the Board. A copy of this MD&A will be provided to anyone who requests it and it is also available on SEDAR at www.sedar.com.



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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED JUNE 30, 2013

(Unaudited)

(Expressed in Canadian Dollars)

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Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

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

PROPHECY PLATINUM CORP (an exploration stage company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited) (Expressed in Canadian Dollars)

	Note	June 30, 2013	March 31, 2013
ASSETS			
Current Assets			
Cash and cash equivalents	4	\$ 4,238,280	\$ 302,896
Amounts receivable	6	54,725	524,393
Loans receivable	6	892,500	-
Prepaid expenses	7	262,350	153,614
		5,447,855	980,903
Non-Current Assets			
Restricted cash equivalents	4	57,500	57,500
Reclamation deposit	11	664,060	670,840
Exploration deposits		118,278	118,278
Available for sale investments	5	-	6,250
Equipment	8	391,119	416,963
Exploration and evaluation mineral properties	9	72,010,190	71,673,984
		73,241,147	72,943,815
TOTAL ASSETS		\$ 78,689,002	\$ 73,924,718
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	10	\$ 2,331,643	\$ 1,582,685
Due to related parties	14	204,895	117,664
		2,536,538	1,700,349
Non-Current Liabilities			
Provision for mine closure and reclamation	11	628,825	625,892
TOTAL LIABILITIES		3,165,363	2,326,241
EQUITY			
Share capital	12	86,123,168	81,098,206
Reserves		9,142,203	8,835,917
Accumulated other comprehensive income (loss)		-	(23,125)
Deficit		(19,741,732)	(18,312,521)
TOTAL EQUITY		75,523,639	71,598,477
		\$ 78,689,002	\$ 73,924,718

Approved on behalf of the Board on August 28, 2013:

“Greg Johnson”

Greg Johnson, Director

“Greg Hall”

Greg Hall, Director

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements.

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

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012 (Restated-Note 23)
EXPENSES		
Business development and relations	\$ 274,073	\$ 331,125
Consulting	142,998	150,637
Depreciation	13,051	14,011
Foreign exchange loss (gain)	1,317	11,665
Insurance	12,561	9,092
Office	87,833	122,556
Professional fees	40,094	124,340
Property maintenance	24,927	-
Salaries and wages	349,142	119,330
Share-based payments	480,520	346,141
Transfer agent and filing fees	7,252	6,487
Loss before other items and income taxes	(1,433,768)	(1,235,384)
OTHER ITEMS		
Investment income	2,231	-
Other income	26,701	-
Realized gain (loss) on available for sale investments	(24,375)	(100,147)
Loss before income taxes	(1,429,211)	(1,335,531)
Deferred income tax (expense) recovery	-	(68,176)
Net loss	(1,429,211)	(1,403,707)
OTHER COMPREHENSIVE INCOME GAIN (LOSS)		
Unrealized gain (loss) on available for sale investments (net of tax)	23,125	(477,229)
COMPREHENSIVE LOSS	\$ (1,406,086)	\$ (1,880,936)
LOSS PER COMMON SHARE, BASIC AND DILUTED	\$ (0.02)	\$ (0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	69,706,499	55,461,154

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements.

PROPHECY PLATINUM CORP (an exploration stage company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited) (Expressed in Canadian Dollars)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012 (Restated-Note 23)
CASH PROVIDED BY (USED IN):		
OPERATIONS		
Net loss	\$ (1,429,211)	\$ (1,403,707)
Add (deduct) items not affecting cash:		
Deferred income tax expense	-	68,176
Share-based payments	480,520	346,141
Depreciation	13,051	14,011
Realized loss on available for sale investment	24,500	100,147
Flow through share income	(26,701)	-
	(937,841)	(875,232)
Changes in non-cash working capital balances:		
(Increase) decrease in amounts receivable	469,668	(180,795)
(Increase) decrease in prepaid expenses	(108,736)	(400,229)
Increase (decrease) in accounts payable	161,563	(247,034)
Restricted cash	(57,500)	-
Reclamation deposit	(664,060)	-
Cash Used in Operating Activities	(1,136,906)	(1,703,290)
INVESTING		
Exploration expenditures	(383,794)	(1,522,519)
Proceeds from sale of available for sale investments	4,875	2,464,010
Cash Used in Investing Activities	(378,919)	941,491
FINANCING		
Proceeds from share issuance, net of issue costs	5,528,137	-
Loans receivable	(892,500)	-
Proceeds from exercise of options	-	45,000
Proceeds from exercise of warrants	-	15,000
Share subscriptions received	-	1,350,000
Due to (from) related parties	87,231	(29,338)
Cash Provided by Financing Activities	4,722,869	1,380,662
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,207,044	618,863
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,031,236	582,139
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 4,238,280	\$ 1,201,002

Supplemental cash flow information (Note 20)

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements.

PROPHECY PLATINUM CORP (an exploration stage company)**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited) (Expressed in Canadian Dollars)

	Number of Common Shares	Common Shares Amount	Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
As at April 1, 2012 (Restated-Note 26)	55,453,543	\$ 64,997,398	\$ 6,551,168	\$ 768,896	\$ (10,925,099)	\$ 61,392,363
Options exercised	50,000	45,000	–	–	–	45,000
Warrants exercised	15,000	15,000	–	–	–	15,000
Exercise of options and warrants reallocation from reserves	–	48,526	(48,526)	–	–	–
Share-based payments	–	–	481,416	–	–	481,416
Share subscriptions received	–	1,350,000	–	–	–	1,350,000
Unrealized gain (loss) on available for sale investments	–	–	–	(477,229)	–	(477,229)
Net loss for the period	–	–	–	–	(1,403,707)	(1,403,707)
As at June 30, 2012	55,518,543	\$ 66,455,924	\$ 6,984,058	\$ 291,667	\$ (12,328,806)	\$ 61,402,843
As at April 1, 2013	68,774,690	\$ 81,098,206	\$ 8,835,917	\$ (23,125)	\$ (18,312,521)	\$ 71,598,477
Private Placement - June 20, 2013 - Flow Through Shares	8,386,264	5,367,209	–	–	–	5,367,209
Share Issue Costs	–	(342,247)	–	–	–	(342,247)
Share-based payments	–	–	306,286	–	–	306,286
Realized gain (loss) on available for sale investments	–	–	–	23,125	–	23,125
Net loss for the period	–	–	–	–	(1,429,211)	(1,429,211)
As at June 30, 2013	77,160,954	\$ 86,123,168	\$ 9,142,203	\$ –	\$ (19,741,732)	\$ 75,523,639

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Prophecy Platinum Corp. (the "Company" or "Prophecy Platinum"), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol NKL. These condensed consolidated interim financial statements are for the three months ended June 30, 2013 with comparative figures for the three months ended June 30, 2012.

The Company is in the exploration stage and its principal business activity is the sourcing and exploration of mineral properties in North America and South America. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

At June 30, 2013, Prophecy Platinum had approximately \$4.2 million in cash and cash equivalents which included \$0.2 million in Guaranteed Investment Certificates. At the quarter end the Company had working capital of approximately \$2.9 million (March 31, 2013: working capital deficit of \$0.7 million), net loss incurred for the three months ended June 30, 2013 amounted to \$1.4 million and the cumulative deficit was \$19.7 million as at June 30, 2013.

The Company will require additional sources of equity, joint venture partnership or debt financing for ongoing operations and to continue to explore and develop its mineral properties. In the event that the Company is not able to obtain adequate additional funding to continue as a going concern, material adjustments would be required to both the carrying value and classification of assets and liabilities on the consolidated statement of financial position.

The Company's exploration activities are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its exploration activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that new permits that have been applied for will be granted.

Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to exploration and evaluation mineral properties are dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete exploration, development and future profitable production or proceeds from the disposition thereof.

Management reviews the carrying value of the Company's interest in each property and where necessary, exploration and evaluation mineral properties are written down to their estimated recoverable amount or written off. Although management has made its best estimate of these factors, it is reasonably possible that certain events could adversely affect management's estimates of recoverable amounts and the need for, as well as, the amount of provision for impairment in the carrying value of exploration properties and related assets.

Due to operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing to reach profitable levels of operation. It is not possible to predict whether future financing efforts will be successful or available at all.

Management believes that the Company will be able to continue as a going concern for the foreseeable future and realize its assets and discharge its liabilities and commitments in the normal course of business, and therefore, these consolidated interim financial statements have been prepared on a going concern basis and do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

The condensed consolidated interim 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 March 31, 2013.

These condensed consolidated interim 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 consolidated interim financial statements for the three months ended June 30, 2013, 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 March 31, 2013.

Approval of the financial statements

The condensed consolidated interim financial statements of the Company for the three months ended June 30, 2013 were reviewed and approved by the Audit Committee on behalf of the Board of Directors on August 28, 2013.

Basis of consolidation - The consolidated interim financial statements include the accounts of the Company and its 100% owned subsidiaries. All material intercompany balances and transactions have been eliminated. Details of the Company's subsidiaries at June 30, 2013 are as follows:

	Principal Activity	Place of incorporation and operation	Ownership interest	
			June 30, 2013	June 30, 2012
Ursa Major Minerals Inc. ("URSA")	Exploration	Canada	100%	- ^A
0905144 B.C. Ltd.	Exploration	Canada	100%	100%
PCNC Holdings Corp.	Exploration	Canada	100%	100%
Pacific Coast Nickel Corp., U.S.A.	Inactive	USA	100%	100%
Pacific Nickel Sudamerica S.A.	Exploration	Uruguay	100%	100%

^A As of June 30, 2012 the Company owned 17.3% of URSA and URSA was not a subsidiary until control was acquired during the year ended March 31, 2013, refer to Note 3.

New accounting pronouncements

The mandatory adoption of the following new and revised accounting standards and interpretations on April 1, 2013 had no significant impact on the Company's interim consolidated financial statements for the current or prior periods presented.

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

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

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

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

IAS 1 Presentation of Financial Statements (Amendment)

The amendments to IAS 1 requires the grouping of items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The consolidated statement of comprehensive income in these condensed consolidated interim financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

IFRIC 20 Production Stripping Costs - IFRIC 20 Stripping Costs requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 19 Post-Employment Benefits, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

3. ACQUISITIONS

Acquisition of URSA Major Minerals Inc. in the year ended March 31, 2013

On July 16, 2012, the Company acquired URSA Major Minerals Incorporated ("URSA") through a court-approved plan of arrangement (the Arrangement). Pursuant to the terms of the URSA Arrangement, the Company issued 3,186,916 common shares to acquire all of the outstanding shares in URSA. On March 8, 2012, the Company had subscribed for 16,666,667 common shares of URSA at \$0.06 per share for a total cost of \$1,000,000 representing 17.3% of URSA's common shares. These shares of URSA were cancelled, pursuant to the terms of the URSA Arrangement, upon completion of the transaction. The Company assumed all outstanding warrants of URSA, which were converted to 144,097 warrants of the Company and are of nominal fair value.

PROPHECY PLATINUM CORP. (an exploration stage company)
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended June 30, 2013
(Unaudited) (Expressed in Canadian Dollars)

The total fair value amount of \$5,088,440 assigned to the 3,186,916 common shares issued by the Company in the URSA Arrangement, including the capitalized transaction costs, is based on the quoted market price as of July 16, 2012. The purchase of URSA has been accounted for as an asset acquisition as URSA's activities at the time of acquisition consisted of a mineral property on care and maintenance.

The following is a summary of allocation of the purchase price to assets acquired and liabilities assumed:

Shares issued for acquisition	\$	5,032,800
Cash paid (purchase of URSA shares)		1,000,000
Transaction Costs		55,640
Advance Paid to URSA		65,200
Acquisition Costs	\$	6,153,640
Fair value of assets acquired and liabilities assumed:		
Mineral properties	\$	7,456,988
Cash and cash equivalents		703,225
Receivables		341,854
Prepays expenses		63,602
Available for sale investments		29,375
Equipment		149,148
Accounts payable and accrued liabilities		(2,590,552)
	\$	6,153,640

URSA's principal asset is a 100% interest in the Shakespeare mineral property located near Sudbury, Ontario, which from May 2010 to January 2012, prior to the completion of the URSA Arrangement, URSA direct shipped mineralized material from an open pit to a third party mill for toll processing. From the date of the acquisition of July 16, 2012 until March 31, 2013 the revenue and net loss of URSA included in the consolidated statement of operations and comprehensive loss were \$Nil and \$427,959 respectively.

Acquisition of Mineral Properties from Prophecy Coal Corp. in the period ended March 31, 2012

On June 13, 2011, the Company purchased the Wellgreen and Lynn Lake properties from Prophecy Coal Corp by a plan of arrangement (the "Arrangement") in consideration for 450,000,000 of the Company's pre-consolidation shares. The balances in acquisition costs for the Wellgreen and Lynn Lake properties represent the estimated fair value of these properties at the time of the acquisition. Under the Arrangement, Prophecy Coal Corp spun out its Wellgreen and Lynn Lake mineral properties along with \$2,000,000 cash into a newly incorporated company named 0905144 BC Ltd. Prophecy Coal Corp then transferred all the issued and outstanding shares of 0905144 BC Ltd shares to the Company in consideration for 450,000,000 of the Company's pre-consolidation shares. Subsequent to the transaction, the Company consolidated its share capital on a 10 old for 1 new common share basis. This transaction has been accounted for as an acquisition of assets rather than a business combination because the acquisition does not meet the definition of a business as outlined in IFRS 3 *Business Combinations*. The operations of 0905144 BC Ltd. have been included in these consolidated financial statements from the date of acquisition.

PROPHECY PLATINUM CORP. (an exploration stage company)
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended June 30, 2013
(Unaudited) (Expressed in Canadian Dollars)

The following is a summary of the acquisition cost allocation, at the date of purchase, based upon the estimated fair value, which was determined to be represented by the carrying values of the assets acquired and liabilities assumed:

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

4. 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, 2013	March 31, 2013
Cash		
Denominated in Canadian dollars	\$ 4,213,883	\$ 39,847
Denominated in US dollars	10,341	25,323
Denominated in Uruguayan pesos	14,056	2,726
Short-term deposits		
Denominated in Canadian dollars	-	235,000
	\$ 4,238,280	\$ 302,896

Restricted Cash Equivalents

A guaranteed investment certificate of \$57,500 has been pledged as collateral for the Company's credit card.

5. AVAILABLE FOR SALE INVESTMENTS

In July 2012, upon acquisition of URSA, 125,000 shares of Auriga Gold Corp. were acquired as part of the acquisition. These shares were sold on April 12, 2013 for net proceeds of \$4,875 for a realized loss of \$24,375.

6. AMOUNTS RECEIVABLE

	June 30, 2013	March 31, 2013
HST receivable	\$ 45,939	\$ 515,742
Other receivables	8,786	8,651
	\$ 54,725	\$ 524,393

PROPHECY PLATINUM CORP. (an exploration stage company)
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended June 30, 2013
(Unaudited) (Expressed in Canadian Dollars)

Loans Receivable

In connection with the June 20, 2013 Private Placement, the Company has advanced short-term loans (the "Loans") in the aggregate amount of \$892,500 to members of the Company's senior management team to facilitate participation in the Private Placement. The Loans bear interest at a rate prescribed by the Canada Revenue Agency, and are repayable in full (together with any accrued interest) on March 31, 2014.

7. PREPAID EXPENSES

	June 30, 2013	March 31, 2013
Prepaid insurance	\$ 46,006	\$ 54,288
Prepaid geological service contracts	82,985	18,807
Prepaid promotional services	92,655	35,983
Prepaid general business and other services contracts	40,704	44,536
	\$ 262,350	\$ 153,614

8. EQUIPMENT

	Computer equipment	Computer software	Exploration equipment	Shelter	Total
Cost					
Balance, March 31, 2013	\$ 1,572	\$ 59,087	\$ 218,977	\$ 325,000	\$ 604,636
Additions for the period	-	-	-	-	-
Balance, June 30, 2013	1,572	59,087	218,977	325,000	604,636
Accumulated depreciation					
Balance, March 31, 2013	(1,342)	(59,087)	(53,696)	(73,549)	(187,674)
Depreciation for the period	(17)	-	(13,260)	(12,567)	(25,844)
Balance, June 30, 2013	(1,359)	(59,087)	(66,956)	(86,115)	(213,518)
Carrying value					
As at March 31, 2013	\$ 230	\$ -	\$ 165,283	\$ 251,451	\$ 416,963
As at June 30, 2013	\$ 213	\$ -	\$ 152,021	\$ 238,885	\$ 391,119

PROPHETCY PLATINUM CORP. (An exploration stage company)
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended June 30, 2013
(Unaudited) (Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION MINERAL PROPERTY ASSETS

	EXPLORATION AND EVALUATION MINERAL PROPERTY ASSETS											Total
	Yukon		Manitoba	Ontario						Uruguay	Prospecting Licences	
	Wellgreen	Burwash	Lynn Lake	Shakespeare	Stumpy Bay Option	Porter Baldwin	Porter Option	Shining Tree	Fox Mountain			
Acquisition costs												
Balance, March 31, 2013	\$ 14,783,596	\$ 1,126,500	\$ 33,925,858	\$ 5,989,350	\$ 318,811	\$ 477,114	\$ 119,468	\$ 442,873	\$ 109,373	\$ 7,048	\$ 57,299,990	
Option payments	-	-	125,500	-	-	-	-	-	-	-	125,500	
Balance, June 30, 2013	14,783,596	1,126,500	34,051,358	5,989,350	318,811	477,114	119,468	442,873	109,373	7,048	57,425,490	
Exploration and evaluation												
Balance, March 31, 2013	11,959,233	773,333	425,796	380,695	60,000	-	24,000	-	-	750,936	14,373,993	
Amortization	12,567	24	-	-	-	-	-	-	-	203	12,794	
Camp and general	99,745	-	3,307	-	-	-	-	-	-	-	103,052	
Claims	4,797	-	-	-	-	-	-	-	-	-	4,797	
Drilling	-	-	-	5,236	-	-	-	-	-	-	5,236	
Environmental	77,299	-	-	-	-	-	-	-	-	-	77,299	
Geophysical	39,711	-	-	-	-	-	-	-	-	6,852	46,563	
Legal	6,263	-	-	-	-	-	-	-	-	-	6,263	
Mapping	4,962	-	-	-	-	-	-	-	-	-	4,962	
Share-based payments	(174,233)	-	-	-	-	-	-	-	-	-	(174,233)	
Travel	45,130	-	-	-	-	-	-	-	-	-	45,130	
Wages	78,844	-	-	-	-	-	-	-	-	-	78,844	
Expenditures April 1, 2013 to June 30, 2013	195,085	24	3,307	5,236	-	-	-	-	-	7,055	210,707	
Balance, June 30, 2013	12,154,318	773,357	429,103	385,931	60,000	-	24,000	-	-	757,991	14,584,700	
Total E&E Assets	\$ 26,937,914	\$ 1,899,857	\$ 34,480,461	\$ 6,375,281	\$ 378,811	\$ 477,114	\$ 143,468	\$ 442,873	\$ 109,373	\$ 765,040	\$ 72,010,190	

Prophecy Platinum Exploration and Evaluation Mineral Property Assets

Wellgreen Property, Yukon Territory, Canada

The 100% owned Wellgreen property, a platinum group metals and nickel-copper project, located in southwestern Yukon Territory, Canada, approximately 35 km northwest of Burwash Landing in the Yukon, and about 400 km from Alaska's deep sea port at Haines was acquired from Prophecy Coal Corp. on June 13, 2011 by way of a plan of arrangement, in which 45,000,000 common shares of the Company was provided as consideration for the transaction.

Based on the ascribed market value of the Company shares amounting to \$49,134,454, the purchase price allocation to the acquisition cost of properties acquired from Prophecy Coal Corp (Note 3), of a 100% interest in the Wellgreen mineral property amounted to \$14,783,596, and the option to acquire a 100% interest in the Lynn Lake property amounted to \$32,350,858 (Note 3).

Burwash Property, Yukon Territories, Canada

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

Upon acquisition of URSA (Note 3) the Company acquired the following mineral properties:

(a) Shakespeare Property, Ontario Canada

Prophecy Platinum acquired a 100% interest in the nickel, copper, and PGM Shakespeare Property subject to the vendor's 1.5% net smelter returns ("NSR") royalty and certain mineral processing rights. The Company also holds 75% to 81% beneficial interest in various surrounding mineral claims to the Shakespeare Property.

(b) Stumpy Bay Property, Ontario, Canada

Prophecy Platinum acquired a 100% interest in certain claims known as the Stumpy Bay Property, located in Shakespeare and Baldwin Townships, Ontario. The optionor has retained a 2% NSR royalty. Advance royalty payments of \$30,000 per year commenced March 21, 2006. The Company has the right to purchase one-half of the royalty for \$750,000. Xstrata has elected to include this property as part of the Shakespeare agreement and accordingly holds a 25% interest in the Company's interest in the Stumpy Bay Property.

(c) Porter Baldwin Property, Ontario, Canada

Prophecy Platinum acquired a 100% interest in staked mining claims in the Agnew Lake area that are contiguous with the Shakespeare Property.

(d) Porter Property, Ontario, Canada

Prophecy Platinum acquired a 100% interest in certain mineral claims known as the Porter Property, located in Shakespeare, Dunlop and Porter Townships, Ontario. The vendor has retained a 2% NSR royalty. Advance royalty payments of \$24,000 per year commenced January 15, 2007. The Company has the right to purchase one-half of the royalty for \$1,000,000.

(e) Shining Tree Property, Ontario, Canada

Prophecy Platinum acquired a 100% interest in certain mineral claims known as the Shining Tree property, located in Fawcett Township, Ontario. The optionor has retained a 1% NSR royalty. The Company has the right to purchase one-half of the royalty for \$500,000.

(f) Fox Mountain Property, Ontario, Canada

Prophecy Platinum acquired a 100% interest in staked mining claims in the Thunder Bay Mining Division of Ontario and pursuant to a November 19, 2010 purchase agreement owns a 100% interest in certain mining claims located in the Thunder Bay Mining Division of Ontario. The seller of a portion of these claims has retained a back in right to convert to a joint venture (seller 51%) or a 2% NSR royalty. In December 2011, a portion of the non-core claims related to the purchase agreement were cancelled by the Company.

Lynn Lake Property, Manitoba, Canada

In June 2011, the Company acquired the Lynn Lake nickel property option from Prophecy Coal Corp. (Note 3), assuming the original terms of the October 20, 2009 Option Agreement between Prophecy Coal Corp. and Victory Nickel Inc. ("Victory").

Pursuant to the October 2009 Option Agreement, Prophecy Platinum may earn a 100% interest in the Lynn Lake property by paying Victory an aggregate of \$4 million, including the last payment of \$1 million due on March 1, 2013 and by incurring an aggregate of \$3 million in exploration expenditures on the Lynn Lake property by November 1, 2012, and by issuing 2,419,548 common shares to Victory (issued on December 31, 2009 by Prophecy Coal Corp.). The October 2009 Option Agreement also provided Victory with a right to participate in future financings or acquisitions on a pro-rata basis so that Victory may maintain its 10% interest in the number of outstanding shares of the Company and the Company is subject to a 3% net smelter return royalty.

On August 3, 2012, Prophecy Platinum signed a Settlement Agreement with Victory which provides for a one-time cash payment of \$450,000 (paid) in full settlement for the Company's obligation under the October 2009 Option Agreement to incur the remaining balance of exploration expenditures of \$1,188,877 on or before November 1, 2012.

On February 27, 2013, Prophecy Platinum entered into an Amending Option Agreement with Victory pursuant to which Prophecy Platinum may complete its earn-in of a 100% interest in the Lynn Lake property by making option payments to Victory totalling \$1.125 million, (as substitution for the March 1, 2013 \$1 million option payment), commencing with \$125,000 on February 28, 2013, followed by six payments scheduled over the next year and a half, ending on August 29, 2014, of which all scheduled payments have been completed. Prophecy Platinum has the right to accelerate its 100% earn-in by completing a one-time option payment of \$500,000 to Victory on February 28, 2014, in full satisfaction of the remaining three scheduled option payments for 2014 totalling \$550,000.

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

The Company has five prospecting licences in Uruguay and has performed some initial exploration activities on the properties, however, no further work is on-going, as the Company is re-evaluating these properties.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2013	March 31, 2013
Trade accounts payable	\$ 1,128,396	\$ 734,564
Accrued expenses	159,638	280,987
Royalties payable	450,980	450,980
Deferred other income from flow through share premium	592,629	116,154
	\$ 2,331,643	\$ 1,582,685

Trade accounts payables and accrued expenses consist of amounts outstanding for trade and other purchases related to exploration and administrative activities, and are normally settled on 30 to 90 day terms.

11. PROVISION FOR CLOSURE AND RECLAMATION

The Company has provided a letter of credit in the amount of \$664,060, collateralized by a cash deposit for the same amount, to the Ministry of Northern Development and Mines (“MNDM”) under the terms of Closure Plan on the Shakespeare Property for stage one mining (Note 9). The Company's provision for closure and reclamation costs are based on management's estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred. The Company has estimated its total provision for closure and reclamation to be \$628,825 at June 30, 2013 based on a discounted total future liability of approximately \$722,000, at an inflation rate of 2.1% and a discount rate of 1.84%.

Reclamation is expected to take place in the year 2022. The following is an analysis of the provision for closure and reclamation:

Balance March 31, 2013	\$ 625,892
Accretion expense during the period	2,933
Balance June 30, 2013	\$ 628,825

12. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common voting shares without par value. Disclosures on any common shares issued are provided in the consolidated statements of changes in equity.

On June 20, 2013 the Company closed a \$5.9 million share capital equity financing (the “Private Placement”). The Private Placement involved the issuance of 8,386,264 units of the Company (“Units”), at a price of \$0.70 per Unit, with each Unit comprised of one “flow-through” common share (the “FT Shares”) and one common share purchase warrant (the “Warrants”). A flow through premium was recorded of \$0.5 million with the remaining amount of \$5.3 million recorded in equity. Each Warrant is exercisable for one common share for a period of 24 months following the closing of the Private Placement, until June 21, 2015, at a price of \$0.90. The Company paid finders’ fees of \$197,200 in connection with the Private Placement.

13. SHARE PURCHASE OPTION PLAN AND SHARE-BASED PAYMENTS

The Company has a fixed incentive stock option plan in place dated October 26, 2012 (the “Stock Option Plan”) and approved by shareholders on November 30, 2012. The Stock Option Plan authorizes the board of directors of the Company (the “Board”) to grant options to directors, officers, employees and consultants (each, a “Service Provider”) of the Company to acquire up to 13,505,211 common shares of the Company. Such options may be granted for a maximum term of 10 years and vest at the Board’s discretion.

Under the Stock Option Plan, no Service Provider may be granted an option if such a grant would result in the total number of options held by the Service Provider, cumulative within the previous 12 months, exceeding 5% (2% for investor relations services) of the number of issued and outstanding shares of the Company. The aggregate number of shares issuable to insiders pursuant to options granted under the plan is limited to 10% of the Company's issued and outstanding shares at the time the options are granted.

PROPHECY PLATINUM CORP. (an exploration stage company)
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended June 30, 2013
(Unaudited) (Expressed in Canadian Dollars)

The following table summarizes the share purchase option plan transactions:

	Number of Options		Weighted Average Exercise Price
Outstanding, March 31, 2013	10,165,333	\$	1.17
Forfeited	(175,000)		2.07
Outstanding, June 30, 2013	9,990,333	\$	1.15

The following table summarizes the share options outstanding:

Exercise Price	Number of Options Outstanding	Exercisable	Expiry Date
\$1.00	12,500	12,500	November 6, 2014
\$1.40	175,000	175,000	December 13, 2015
\$0.90	5,200,000	5,200,000	June 17, 2016
\$2.25	503,333	340,833	December 12, 2016
\$3.68	170,000	85,000	February 3, 2017
\$3.09	70,000	35,000	April 4, 2017
\$2.67	50,000	25,000	May 9, 2017
\$1.16	1,702,500	-	August 7, 2017
\$1.14	87,000	-	August 16, 2017
\$1.65	125,000	-	September 24, 2017
\$1.24	500,000	-	October 17, 2017
\$1.14	800,000	200,000	November 2, 2017
\$1.25	595,000	-	November 5, 2017
	9,990,333	6,073,333	

For the three months ended June 30, 2013 share-based payments were recorded as follows:

	June 30, 2013	June 30, 2012 (Restated - Note 23)
Consolidated Statement of Operations		
Share-based payments	\$ 480,520	\$ 346,141
Consolidated Statement of Financial Position		
Lynn Lake property exploration	-	-
Wellgreen property exploration	(174,233)	135,274
Share-based payments	(174,233)	135,274
Total	\$ 306,287	\$ 481,415

For the three months ended June 30, 2013, the Company charged \$480,520 to operations as share-based compensation and reversed capitalization of \$174,233 from Wellgreen property costs due to forfeitures.

Share Purchase Warrants

The following table summarizes the warrant transactions for the three months ended June 30, 2013:

	Number of Warrants	Weighted Avg Exercise Price
Outstanding, March 31, 2013	3,783,604	\$ 2.29
Issued	8,386,264	0.90
Outstanding, June 30, 2013	12,169,868	\$ 1.33

At June 30, 2013, there were 12,169,868 warrants outstanding enabling holders to acquire common shares of the Company at prices ranging from \$0.90 to \$2.00 per share.

Exercise Price	Number of Warrants	Expiry Date
\$ 1.50 / 2.00	2,533,604	July 31, 2013 / July 31, 2014
\$ 2.00	1,250,000	August 24, 2014
\$ 0.90	8,386,264	June 21, 2015
	12,169,868	

14. RELATED PARTY TRANSACTIONS

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

A summary of expense by nature for the three months ended June 30, 2013:

	June 30, 2013	June 30, 2012
Consulting fees	\$ 96,725	\$ 69,000
Director fees	15,293	9,500
Salaries and wages	179,106	-
Shared office costs	60,000	120,000
	\$ 351,124	\$ 198,500

As at June 30, 2013, due to related parties totaled \$204,895 and was comprised of \$36,718 (June 30, 2012 – \$1,000) for director fees and \$Nil (June 30, 2012 – \$Nil) owing to directors and officers for travel expenses, \$Nil (June 30, 2012 – \$Nil) for consulting fees. In addition to an amount of \$168,177 payable to Prophecy Coal Corp. for shared office cost and other intercompany expenses, which has common directors and officers. The amounts due to related parties are non-interest bearing and are due upon demand.

15. KEY MANAGEMENT COMPENSATION

The key management of the Company comprises executives and non-executive directors and senior management. The remuneration of directors and other members of key management were as follows for the three months ended June 30, 2013:

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For the three months ended June 30, 2013
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	June 30, 2013	June 30, 2012
Remuneration and short-term benefits	\$ 291,124	\$ 78,500
Share-based payment compensation	396,416	53,546
	\$ 687,539	\$ 132,046

16. FINANCIAL INSTRUMENTS

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

	June 30, 2013		March 31, 2013	
Fair value through profit or loss				
Cash and cash equivalents	\$	4,238,280	\$	302,896
Restricted cash equivalents		721,560		728,340
Available for sale investments				
Auriga Shares		-		6,250
	\$	4,959,840	\$	1,037,486
Other financial liabilities				
Accounts payable and due to related parties	\$	1,370,506	\$	905,690
	\$	1,370,506	\$	905,690

Fair Value – The estimated fair values of cash and cash equivalents, accounts payable and due to related parties approximate their respective carrying values due to the immediate or short period to maturity. The available for sale investments are carried at fair values based on the published or electronic market price quotation.

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

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

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

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

As at June 30, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss	\$ 4,238,280	\$ -	\$ -	\$ 4,238,280
Restricted cash equivalents	721,560	-	-	721,560
	\$ 4,959,840	\$ -	\$ -	\$ 4,959,840
As at March 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss	\$ 302,896	\$ -	\$ -	\$ 302,896
Available for sale investments	6,250	-	-	6,250
Restricted cash equivalents	728,340	-	-	728,340
	\$ 1,037,486	\$ -	\$ -	\$ 1,037,486

17. FINANCIAL RISK MANAGEMENT DISCLOSURES

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

Liquidity Risk - Liquidity risk is the risk that the Company cannot meet its financial obligations. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flow to ensure that there is sufficient capital in order to meet short term obligations. As at June 30, 2013, the Company has cash and cash equivalents of \$4,238,280 and financial liabilities of \$1,165,611 which have contractual maturities of 90 days or less.

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

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

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

18. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital, share 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. Additional sources of funding, which may not be available on favourable terms, if at all, include: share equity and debt financings; equity, debt or property level joint ventures; and sale of interests in existing assets (Note 9). In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended June 30, 2013. 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, all held within major Canadian financial institutions.

19. OPERATING SEGMENT INFORMATION

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

June 30, 2013	Canada	South America	Total
Current assets	\$ 5,429,415	\$ 18,440	\$ 5,447,855
Non-current assets	73,122,868	118,279	73,241,147
Total assets	78,552,283	136,719	78,689,002
Current liabilities	(2,524,565)	(11,973)	(2,536,538)
Non-current liabilities	(628,825)	-	(628,825)
Total liabilities	\$ (3,153,390)	\$ (11,973)	\$ (3,165,363)

March 31, 2013	Canada	South America	Total
Current assets	\$ 973,929	\$ 6,974	\$ 980,903
Non-current assets	72,825,536	118,279	72,943,815
Total assets	73,799,465	125,253	73,924,718
Current liabilities	(1,691,161)	(9,188)	(1,700,349)
Non-current liabilities	(625,892)	-	(625,892)
Total liabilities	\$ (2,317,053)	\$ (9,188)	\$ (2,326,241)

20. SUPPLEMENTAL CASH FLOW INFORMATION

	June 30, 2013	June 30, 2012
	3 months ended	3 months ended
Non-cash Financing and Investing Activities:		
Mineral property expenditures included in accounts payable	\$ 113,852	\$ 463,576
Capitalized depreciation of equipment	13,051	14,011
Capitalized share-based payments	(174,233)	61,118

21. COMMITMENTS

The Company entered into a cooperation and benefits agreement in August 2012 with Kluane First Nation in the Yukon to support Prophecy Platinum's exploration program and environmental studies for the development of the Wellgreen Mineral Property.

The Company closed a flow through private placement on December 27, 2012 and is committed to spending \$1,249,199 by December 31, 2013, as part of the flow through funding agreements related to mineral properties. On June 20, 2013, the company closed a flow through private placement for \$5.9 million, which it is committed to spending on exploration by December 31, 2014. The Company indemnifies the subscribers of flow-through shares from any tax consequences arising from the failure of the Company to meet its commitments under the flow-through subscription agreements.

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually

changing and are generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to continue to make in the future, filings and expenditures to comply with such laws and regulations.

22. CONTINGENCIES

The Company accrues for liabilities when it is probable and the amount can be reasonably estimated.

The Company is currently reviewing a potential financial liability for the reclamation of land related to mining conducted on the Wellgreen property prior to the Company's acquisition of the property. The Company is in discussions with the Yukon Government and the third party involved in the prior operation of the property, to determine the plan for assessing the reclamation work that will need to be conducted. Once an assessment is conducted, there is a potential that a portion of the financial cost for reclamation will need to be incurred by the Company. The financial effect and timing of the reclamation work is indeterminable at the current time, and no amounts have been accrued.

The Company received a notice of lease termination for the URSA's prior leased premises in Toronto, which had been subleased to another party until its expiry on February 28, 2013. There is a potential that the outstanding lease payments totaling \$37,800, for the remainder of the lease term will not be paid, if the sublessee has solvency issues. The potential liability is indeterminable at this time and no amount has been accrued.

23. RESTATEMENT OF 2012 AND 2011 FINANCIAL STATEMENTS

(a) Share-based payment revaluation

During the year ended March 31, 2013, management determined that it was necessary to restate the Company's previously issued consolidated financial statements for the eight months ended March 31, 2012 and year ended July 31, 2011. It was determined the services from certain service providers for which 1,180,000 stock options were granted during June 2011, were completed by the time the options were issued. Accordingly, the full fair value of these options had to be determined and recognized at the grant date in accordance with IFRS 2 Share-based payment. Previously, the Company had recognized it over the vesting term of the options.

The financial statements for the eight months ended March 31, 2012 and year ended July 31, 2011 have been restated for this share-based payment revaluation.

The amounts previously recognized in the June 30, 2012 financial statements were affected by the restatement as summarized in the table below:

	Previously Reported	Adjustment	Restated
Three months ended June 30, 2012			
Statement of Operations and Comprehensive Loss			
Share-based compensation	\$ 260,256	\$ 85,885	\$ 346,141
Comprehensive loss	(1,795,051)	(85,885)	(1,880,936)
Loss per common shares, basic and diluted	(0.02)	(0.01)	(0.03)
As at June 30, 2012			
Statement of Financial Position			
Reserves	\$ 7,651,021	\$ (666,963)	\$ 6,984,058
Deficit	(13,069,926)	741,121	(12,328,805)
Total equity	61,328,686	74,157	61,402,843