

**JOINT INFORMATION CIRCULAR**

**OF**

**PACIFIC COAST NICKEL CORP.**

**&**

**PROPHECY RESOURCE CORP.**

**FOR SPECIAL MEETINGS TO BE HELD**

**on May 31, 2011**

**With respect to a Proposed Plan of Arrangement involving  
Prophecy Resource Corp., its securityholders and Pacific Coast Nickel Corp.**

April 28, 2011

*Neither the TSX Venture Exchange Inc. (the "Exchange") nor any securities regulatory authority has in any way passed upon the merits of the Transaction described in this Information Circular.*

**Prophecy Resource Corp.  
Suite 2060-777 Hornby Street  
Vancouver, British Columbia, V6Z 1T7**

Dear Shareholders:

The Directors of Prophecy Resource Corp. (“**Prophecy**”) invite you to attend the annual and special meeting of the shareholders (the “**Prophecy Shareholders**”) of Prophecy (the “**Prophecy Meeting**”) to be held at the offices of Blake Cassels & Graydon LLP, Suite 2600-595 Burrard Street, Vancouver, British Columbia at 10:00 a.m. (Vancouver time), on Tuesday, May 31, 2011. The principal purpose of the Prophecy Meeting is to seek shareholder approval for a statutory plan of arrangement (the “**Arrangement**” involving Prophecy, its securityholders and Pacific Coast Nickel Corp. (“**PCNC**”), as well as for annual general meeting and related matters.

In connection with the Arrangement, (1) Prophecy will transfer the Lynn Lake property and the Wellgreen property to a wholly owned subsidiary (“**Spinco**”) and PCNC will acquire all of the issued and outstanding shares of Spinco in consideration of the issuance of 450 million of PCNC common shares, of which 225 million PCNC common shares will be retained by Prophecy for its own purposes, and the remaining 225 million PCNC common shares will be in part retained for the pro rata benefit of Prophecy option and warrant holders (the “**Reserved Shares**”), and in part will be held for distribution pro rata to Prophecy Shareholders (the “**Distribution Shares**”); (2) Prophecy will create a new class of common shares; (3) the Prophecy Shareholders will exchange their Prophecy Shares for one new Common Share and their pro rata entitlement of the Distribution Shares as at the completion date. Following the Arrangement, PCNC will complete a consolidation of its share capital on a 10 old for one new basis and change its name to “Prophecy Platinum Corp.” Additionally, Prophecy will change its name to “Prophecy Coal Corp.” The transaction will benefit Prophecy Shareholders by allowing them to participate in the future upside of Prophecy and PCNC.

Detailed information in respect of matters contemplated by the Arrangement is set out in the attached joint information circular (the “**Circular**”). At the Prophecy Meeting, Prophecy Shareholders will be asked to consider and, if deemed advisable, to approve special resolutions, the full text of which are set out in the Circular, authorizing the implementation of the Arrangement. Please review the Circular carefully as it has been prepared to help you make an informed decision on the Arrangement. The Arrangement must be approved by not less than two-thirds of the votes cast at the Prophecy Meeting by the Prophecy Shareholders. Without the required level of Prophecy Shareholder approval, the proposed Arrangement cannot be completed. The Arrangement is also subject to the approval of the shareholders of PCNC, the Supreme Court of British Columbia and the TSX Venture Exchange.

**THE BOARD OF DIRECTORS OF PROPHECY HAS UNANIMOUSLY APPROVED THE TERMS OF THE ARRANGEMENT AND RECOMMENDS THAT YOU VOTE IN FAVOUR OF THE ARRANGEMENT AT THE MEETING FOR THE REASONS SET OUT IN THE ATTACHED CIRCULAR.**

Your vote on the matters to be acted upon at the Prophecy Meeting is important, regardless of how many shares of Prophecy you own. If the requisite approvals are obtained, an order of the Supreme Court of British Columbia approving the Arrangement will be sought following the Prophecy Meeting. We hope that you will be able to attend the Prophecy Meeting in person; however, if you cannot attend, please complete and return the applicable enclosed form of proxy to Computershare Investor Services Inc. at the address noted in the Circular.

On behalf of Prophecy, we thank you for your past and ongoing support.

Sincerely,

**PROPHECY RESOURCE CORP.**

(Signed) “*John Lee*”

John Lee

Chairman, Chief Executive Officer, President and Director

**Pacific Coast Nickel Corp.**  
**380-580 Hornby Street**  
**Vancouver, British Columbia V6C 3B6**

Dear Shareholders:

The Directors of Pacific Coast Nickel Corp. (“**PCNC**”) invite you to attend the special meeting of the shareholders (the “**PCNC Shareholders**”) of PCNC (the “**PCNC Meeting**”) to be held at the offices of, Armstrong Simpson, Suite 2080-777 Hornby Street., Vancouver, British Columbia at 11:00 a.m. (Vancouver time), on Tuesday, May 31, 2011. The principal purpose of the PCNC Meeting is to seek shareholder approval for the acquisition of the Lynn Lake and Wellgreen properties (the “**Acquisition**”) by PCNC from Prophecy Resource Corp. (“**Prophecy**”), as announced on January 18, 2011.

In connection with the Arrangement, (1) Prophecy will transfer the Lynn Lake property and the Wellgreen property to a wholly owned subsidiary (“**Spinco**”) and PCNC will acquire all of the issued and outstanding shares of Spinco in consideration of the issuance of 450 million of PCNC common shares, of which 225 million PCNC common shares will be retained by Prophecy for its own purposes, and the remaining 225 million PCNC common shares will in part be retained for the pro rata benefit of Prophecy option and warrant holders (the “**Reserved Shares**”), and in part will be held for the pro rata distribution to Prophecy Shareholders (the “**Distribution Shares**”); (2) Prophecy will create a new class of common shares; (3) the Prophecy Shareholders will exchange their Prophecy Shares for one new Prophecy common share and their pro rata entitlement of the Distribution Shares as at the completion date. Following the Arrangement, PCNC will complete a consolidation of its share capital on a 10 old for one new basis (the “**Consolidation**”) and change its name to “Prophecy Platinum Corp.” Additionally, Prophecy will change its name to “Prophecy Coal Corp.” The transaction will benefit PCNC Shareholders by allowing them to participate in a combined entity with greater resources.

Detailed information in respect of matters contemplated by the Acquisition is set out in the attached joint information circular (the “**Circular**”). At the PCNC Meeting, PCNC Shareholders will be asked to consider and, if deemed advisable, to approve resolutions, the full text of which are set out in the Circular, authorizing the implementation of the Acquisition and the Consolidation. Please review the Circular carefully as it has been prepared to help you make an informed decision on the Acquisitions and the Consolidation. The Acquisition and the Consolidations must be approved by not less than one-half of the votes cast at the PCNC Meeting by the PCNC Shareholders. Without the required level of PCNC Shareholder approval, the proposed Acquisition and Consolidation cannot be completed. The Acquisition is also subject to the approval of the shareholders of Prophecy, the Supreme Court of British Columbia and the TSX Venture Exchange.

**THE BOARD OF DIRECTORS OF PCNC HAS APPROVED THE TERMS OF THE ACQUISITION AND CONSOLIDATION AND RECOMMENDS THAT YOU VOTE IN FAVOUR OF THE ACQUISITION AND CONSOLIDATION AT THE MEETING FOR THE REASONS SET OUT IN THE ATTACHED CIRCULAR.**

Your vote on the matters to be acted upon at the PCNC Meeting is important, regardless of how many shares of PCNC you own. We hope that you will be able to attend the PCNC Meeting in person; however, if you cannot attend, please complete and return the applicable enclosed form of proxy to Computershare Investor Services Inc. at the address noted in the Circular.

On behalf of PCNC, we thank you for your past and ongoing support.

Sincerely,

**PACIFIC COAST NICKEL CORP.**

(Signed) “*John Lee*”  
John Lee  
Chairman and Director

# PROPHECY RESOURCE CORP.

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Dear Shareholder:

NOTICE IS HEREBY GIVEN that pursuant to an order (the “**Interim Order**”) of the Supreme Court of British Columbia dated April 29, 2011, an annual and special meeting (the “**Prophecy Meeting**”) of the holders of common shares (the “**Prophecy Shareholders**”) of Prophecy Resource Corp. (“**Prophecy**”) will be held at Blake Cassels & Graydon LLP, Suite 2600-595 Burrard Street, Vancouver, British Columbia at 10:00 a.m. (Vancouver time) on Tuesday, May 31, 2011 for the following purposes:

1. To receive the audited consolidated financial statements of Prophecy for the fiscal year ended December 31, 2010 and the auditors’ report thereon;
2. To fix the number of directors to be elected for the ensuing year at eight;
3. To elect directors of Prophecy for the ensuing year;
4. To appoint the auditors for Prophecy for the ensuing year and authorize the directors to fix the auditors’ remuneration;
5. To consider, and, if deemed advisable, to pass, with or without variation, a special resolution (the “**Arrangement Resolution**”), the full text of which is set out in the joint information circular accompanying this notice (the “**Circular**”), to approve a Plan of Arrangement (the “**Arrangement**”) under Part 9, Division 5 of the *Business Corporations Act* (British Columbia) (the “**BCBCA**”), all as more particularly described in the Circular;
6. To consider and, if deemed advisable, pass with or without variation, an ordinary resolution adopting a new fixed stock option plan for the issuance of up to 37,989,653 common shares of Prophecy, or such higher number as shall represent 20% of the issued and outstanding common shares of Prophecy as of the date of the Prophecy Meeting, all as more particularly described in the Circular;
7. To consider and, if deemed advisable, pass with or without variation, an ordinary resolution ratifying previously granted stock options, all as more particularly described in the Circular;
8. To consider and, if deemed advisable, pass with or without variation, an ordinary resolution changing Prophecy’s name from “Prophecy Resource Corp.” to “Prophecy Coal Corp.”; and
9. To transact such other business as may properly come before the Prophecy Meeting.

**Reference is made to the Circular for the details of matters to be considered at the Prophecy Meeting. The full text of the Arrangement Resolution and the Plan of Arrangement are as set forth in Schedule “A-1” and Schedule “B” hereto, respectively. In order to become effective, the Arrangement Resolution must be approved by at least 66 2/3% of the votes cast by the Shareholders present in person or by proxy at the Meeting.**

All Prophecy Shareholders are invited to attend the Prophecy Meeting. Only Prophecy Shareholders at the close of business on April 27, 2011 (the “**Record Date**”) are entitled to receive notice of and vote at the Prophecy Meeting. If you are unable to attend the Prophecy Meeting in person, please complete, date and sign the enclosed form of proxy and return it, in the envelope provided, to Computershare Investor Services Inc. at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, so that it is received no later than 10:00 a.m. (Vancouver time) on Friday, May 27, 2011 or by 10:00 a.m. (Vancouver time) on the business day prior to the date on which any adjournment of the Prophecy Meeting is held. We thank you for your participation as a shareholder of Prophecy.

**Pursuant to the Interim Order and the BCBCA, Prophecy Shareholders are entitled to exercise rights of dissent in respect of the proposed Arrangement and to be paid fair value for common shares of Prophecy ("Prophecy Shares"). Holders of Prophecy Shares wishing to dissent with respect to the Arrangement must send a written objection to the registered office of Prophecy at Suite 2600-595 Burrard Street, Vancouver, British Columbia, V7X 1L3, Attention: James Chen prior to the time of the Prophecy Meeting, such that the written objection is received by Prophecy no later than 4:30 pm (Vancouver time) on Friday, May 27, 2011 or by 4:30 pm (Vancouver time) on the business day prior to the date on which any adjournment of the Prophecy Meeting is held, in order to be effective.**

**A Prophecy Shareholder's right to dissent is more particularly described in the accompanying Circular and the text of sections 237 through 247 of the BCBCA is reproduced in Schedule "C" to the accompanying Circular. Failure to strictly comply with these requirements may result in the loss of any right of dissent. Persons who are beneficial owners of Prophecy Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of such shares are entitled to dissent. Accordingly, a beneficial owner of Prophecy Shares desiring to exercise the right of dissent must make arrangements for the Prophecy Shares beneficially owned to be registered in their name prior to the time the written objection to the Arrangement Resolution is required to be received by Prophecy or, alternatively, make arrangements for the registered holder of such shares to dissent on their behalf.**

April 28, 2011

By Order of the Board of Directors of

Prophecy Resource Corp.

(Signed) "*John Lee*"

John Lee

Chairman, President, Chief Executive Officer and Director

# PACIFIC COAST NICKEL CORP.

## NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Dear Shareholder:

NOTICE IS HEREBY GIVEN that a special meeting (the “**PCNC Meeting**”) of the holders of common shares (the “**PCNC Shareholders**”) of Pacific Coast Nickel Corp. (“**PCNC**”) will be held at the offices of Armstrong Simpson, Suite 2080-777 Hornby Street., Vancouver, British Columbia at 11:00 a.m. (Vancouver time), on Tuesday, May 31, 2011 for the following purposes:

1. To consider, and, if deemed advisable, to pass, with or without variation, an ordinary resolution (the “**Acquisition Resolution**”), the full text of which is set out in the information circular accompanying this Notice (the “**Circular**”), to approve the acquisition of the Lynn Lake and Wellgreen properties from Prophecy Resource Corp., all as more particularly described in the Circular;
2. To consider and, if thought fit, approve a resolution to consolidate the common shares of PCNC on an up to 10 for 1 basis, or such other lesser number as the directors deem necessary (the “**Consolidation Resolution**”);
3. To consider and, if deemed advisable, pass with or without variation, an ordinary resolution adopting a new fixed stock option plan for the issuance of up to 10,120,695 common shares of the Resulting Issuer (as hereafter defined) all as more particularly described in the Circular; and
4. To transact such other business as may properly come before the PCNC Meeting.

**Reference is made to the Circular for the details of matters to be considered at the PCNC Meeting. The full text of the Acquisition Resolution and the Consolidation Resolution are as set forth in Schedule “A-2” and “A-3” respectively. In order to become effective, the Acquisition Resolution and the Consolidation Resolution must be approved by at least 50% of the votes cast by the PCNC Shareholders present in person or by proxy at the PCNC Meeting.**

All PCNC Shareholders are invited to attend the PCNC Meeting. Only PCNC Shareholders at the close of business on April 27, 2011 (the “**Record Date**”) are entitled to receive notice of and vote at the PCNC Meeting. If you are unable to attend the PCNC Meeting in person, please complete, date and sign the enclosed form of proxy and return it, in the envelope provided, to Computershare Investor Services Inc. at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, so that it is received no later than 10:00 a.m. (Vancouver time) on Friday, May 27, 2011 or by 11:00 a.m. (Vancouver time) on the business day prior to the date on which any adjournment of the PCNC Meeting is held. We thank you for your participation as a shareholder of PCNC.

April 28, 2011

By Order of the Board of Directors of

Pacific Coast Nickel Corp.

(Signed) “*John Lee*”  
John Lee  
Chairman and Director

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## GLOSSARY OF TERMS

**“Acquisition”** means the acquisition by PCNC of all of Prophecy’s right, title and interest in the Lynn Lake Property and the Wellgreen Property as contemplated by the Arrangement Agreement.

**“Acquisition Resolution”** means the ordinary resolution approving the Acquisition and the Arrangement Agreement to be voted on with or without variation by the PCNC Shareholders at the PCNC Meeting in the form set forth in Schedule “A-2” hereto.

**“Affiliate”** means a Company that is affiliated with another Company as described below.

A Company is an “Affiliate” of another Company if:

- (a) one of them is the subsidiary of the other; or
- (b) each of them is controlled by the same Person.

A Company is “controlled” by a Person if:

- (a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person; and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that Person; or
- (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

**“Alternative Transaction”** means a bona fide proposal or offer by a third party, whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of all or a material portion of the assets of PCNC, or to acquire in any manner, directly or indirectly, beneficial ownership or control or direction over more than 20% of the outstanding voting shares of PCNC, whether by arrangement, amalgamation, merger, consolidation or other business combination, by means of sale of shares in the capital of PCNC, tender offer or exchange offer or similar transaction involving PCNC, including without limitation any single or multi-step transaction or series of related transactions which is structured to permit such third party to acquire beneficial ownership of all or a material portion of the assets of PCNC or to acquire in any manner, directly or indirectly, more than 20% of the outstanding voting securities of PCNC (other than the transactions contemplated by the Arrangement Agreement).

**“Arm’s Length Transaction”** means a transaction which is not a Related Party Transaction.

**“Arrangement”** means the arrangement to be completed pursuant to the provisions of Part 9, Division 5 of the BCBCA as further described in this Circular and on the terms and conditions set forth in the Plan of Arrangement.

**“Arrangement Agreement”** means the Arrangement Agreement dated as of March 30, 2011 between PCNC and Prophecy, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**“Arrangement Resolution”** means the special resolutions approving the Arrangement Agreement and the Arrangement to be voted on with or without variation by the Prophecy Shareholders at the Prophecy Meeting, in the form set forth in Schedule “A-1” hereto.

**“Associate”** when used to indicate a relationship with a person or company, means

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the person or company;
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity;
- (d) in the case of a person, a relative of that person, including
  - (i) that person's spouse or child; or
  - (ii) any relative of the person or of his spouse who has the same residence as that person;

but

- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

**"BCBCA"** means the *Business Corporations Act* (British Columbia) S.B.C. 2002 c.57, as amended, including the regulations promulgated thereunder.

**"Burwash Property"** means the Burwash exploration property located in the Yukon Territory in respect of which PCNC holds a sole and exclusive option to acquire up to a 75% interest.

**"Change of Control"** includes situations where after giving effect to the contemplated transaction and as a result of such transaction:

- (a) any one Person holds a sufficient number of the Voting Shares of the issuer or Resulting Issuer to affect materially the control of the issuer or Resulting Issuer, or
- (b) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding hold in total a sufficient number of the Voting Shares of the issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer;

where such Person or combination of Persons did not previously hold a sufficient number of Voting Shares to affect materially the control of the issuer or Resulting Issuer. In the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold more than 20% of the Voting Shares of the issuer or Resulting Issuer is deemed to materially affect the control of the issuer or Resulting Issuer.

**"Circular"** means this joint information circular of PCNC and Prophecy dated April 28, 2011 furnished in connection with the solicitation of proxies for use at the Meetings.

**"Chandgana Property"** means the Chandgana Tal and Chandgana Khavtai exploration and development properties located in southeast central Mongolia in respect of which Prophecy currently holds a 100% interest in certain coal mining and exploration licenses, subject to a net smelter royalty on two of the licenses.

**"Chandgana Khavtai Report"** means the technical report on the Chandgana Khavtai portion of the Chandgana Property dated September 28, 2010 prepared by Kravits Geological Services, LLC in accordance with the provisions of NI 43-101 and entitled "Updated Technical Report on the Coal Resources of the Chandgana Khavtai Coal Resource Area, Khentii Aimag (Province), Mongolia".

“**Class A Shares**” means the Prophecy Shares following their redesignation pursuant to the Arrangement.

“**Closing**” means the completion of the Arrangement on the Effective Date, at the Effective Time.

“**Company**” unless specially indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**Control Person**” means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

“**Consolidation**” means the consolidation of the PCNC Shares on a one new for ten old basis, to be completed immediately following the Acquisition.

“**Consolidation Resolution**” means the ordinary resolution approving the Consolidation to be voted on with or without variation by the PCNC Shareholders at the PCNC Meeting in the form set forth in Schedule “A-3” hereto.

“**Court**” means the Supreme Court of British Columbia.

“**Depository**” means Computershare Investor Services Inc.

“**Dissent Notice**” means a written objection to the Arrangement Resolution made by a registered Prophecy Shareholder in accordance with the Dissent Rights.

“**Dissent Rights**” means the right of a registered Prophecy Shareholder to dissent in respect of the Arrangement Resolution in strict compliance with the procedures described in the Plan or Arrangement and the BCBCA as more particularly described in Schedule “C” hereto.

“**Dissenting Shareholders**” means Prophecy Shareholders who validly exercise their Dissent Rights and thereby become entitled to receive the fair value of their Prophecy Shares.

“**Dissenting Shares**” means Prophecy Shares in respect of which a Dissenting Shareholder has validly exercised a Dissent Right.

“**Distribution Shares**” means such number of the PCNC Shares issuable pursuant to the Acquisition to be distributed to the Prophecy Shareholders, in accordance with the Plan of Arrangement, being equal to the ratio of 225,000,000 PCNC Shares divided by the number of Prophecy Shares outstanding on a fully diluted basis immediately prior to the Effective Time, and subtracting such number of PCNC Shares as must be retained by Prophecy for the benefit of the holders of the Prophecy Convertible Securities.

“**Effective Date**” means the effective date of the Arrangement.

“**Effective Time**” means 12:01 a.m., Vancouver time, on the Effective Date.

“**Escrow Agent**” means Computershare Investor Services Inc.

“**Escrow Agreement**” means the escrow agreement to be entered into by PCNC, the Escrow Agent and those PCNC Shareholders who will be principals, including Prophecy, as such term is defined in the Exchange Policies, of PCNC following completion of the Acquisition.

“**Escrow Policy**” means Listings Policy 5.4 – *Escrow, Vendor Considerations and Resale Restrictions* of the Exchange Policies.

“**Exchange**” means the TSX Venture Exchange Inc.

**“Exchange Policies”** means the policies of the Exchange and all orders, policies, rules, regulations and by-laws of the Exchange as amended from time to time.

**“Final Exchange Bulletin”** means the Exchange Bulletin issued following closing of a RTO that evidences the final Exchange acceptance of the RTO.

**“Final Order”** means the final order of the Court approving the Arrangement to be applied for following the Prophecy Meeting pursuant to Section 291 of the BCBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction.

**“Glanville”** means Ross Glanville & Associates Ltd. and Bruce McKnight Minerals Advisor Services, fairness advisors engaged by PCNC to review the Acquisition.

**“Glanville Fairness Opinion”** means the fairness opinion dated February 4, 2011 as prepared for PCNC by Glanville, a copy of which is attached as Schedule “E” to this Circular.

**“Historical Liabilities”** means reclamation activities or the costs of reclamation of the historic tailings impoundment, the former mill infrastructure and related impacts or potential impacts at a surface lease forming part of the Wellgreen Property.

**“Interim Order”** means the interim order of the Court dated April 29, 2011 concerning the Arrangement under Section 291 of the BCBCA, containing declarations and directions with respect to the Arrangement and the holding of the Prophecy Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction, a copy of which Interim Order is attached as Schedule “D” to this Circular.

**“Insider”** if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of the Company that is an insider or subsidiary of the issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

**“ITA”** means the Income Tax Act (Canada) R.S.C. 1985, c. 1 as amended, including the regulations promulgated thereunder.

**“Las Aguilas Property”** means the Las Aguilas exploration property located in the San Luis province of Argentina, in which PCNC holds the sole and exclusive option to acquire a 70% interest.

**“Letter Agreement”** means the letter of intent between Prophecy and PCNC dated January 17, 2011, as amended February 10, 2011 in respect of the Arrangement.

**“Lynn Lake Option Agreement”** means the Option Agreement dated October 20, 2009 between Prophecy and Victory pursuant to which Victory granted to Prophecy the sole and exclusive option to acquire a 100% interest in the Lynn Lake Property.

**“Lynn Lake Property”** means the Lynn Lake nickel exploration property located in northern Manitoba in which Prophecy currently holds the right to acquire a 100% interest subject to a 3% net royalty pursuant to the Lynn Lake Option Agreement.

**“Lynn Lake Report”** means the technical report on the Lynn Lake Property dated March 25, 2011 prepared by Wardrop Engineering in accordance with the provisions of NI 43-101 and entitled “Technical Report on the Lynn Lake Nickel Project Northern Manitoba, Canada”.

**“Material Adverse Change”** or **“Material Adverse Effect”** means any change or effect (or any condition, event or development involving a prospective change or effect) in or on the business, operations, results of operations, assets, capitalization, financial condition, licenses, permits, concessions, rights or liabilities, whether contractual or otherwise, of a Party, taken as a whole, and which change or effect has or may reasonably be expected to have a material and adverse effect on a Party other than a change or effect (i) which arises out of a matter that has been publicly disclosed or otherwise disclosed in writing by the Party to the other Party prior to the date hereof, (ii) resulting from conditions affecting the mineral resource industry as a whole, (iii) resulting from general economic, financial, currency exchange, securities or commodity market conditions (including without limitation, the prices of gold or coal) in Canada or elsewhere, or (iv) any change in the market price of the securities of the Party.

**“MCM”** means Mau Capital Management LLC.

**“MCM Consulting Agreement”** means the consulting agreement dated January 1, 2010 between MCM and Prophecy.

**“MD&A”** means management’s discussion and analysis, as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

**“Meetings”** means, collectively, the Prophecy Meeting and the PCNC Meeting.

**“Member”** means a member of the TSX Venture Exchange as defined in the TSX Venture Exchange Rules.

**“Name Change Resolution”** means the ordinary resolution to be passed by the Prophecy Shareholders authorizing the PCY Name Change.

**“Named Executive Officer”** means each of the following individuals:

- (a) a chief executive officer;
- (b) a chief financial officer;
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the chief executive officer and chief financial officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, for that financial year; and
- (d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year.

**“New Common Shares”** means the new common shares of Prophecy to be issued pursuant to the Arrangement in replacement of the Prophecy Shares.

**“New Option Plan”** means the stock option plan of PCNC to be adopted on the Effective Date, which stock option plan shall reserve for issuance such number of post-Consolidation PCNC Shares as shall equate to 20% of the issued and outstanding post Consolidation PCNC Shares immediately following completion of the Acquisition and Consolidation and which shall be submitted for approval at the PCNC Meeting, as further described in this Circular.

**“NI 43-101”** means National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time.

“**Nickel Assets**” means the property, assets and undertaking of Prophecy that are used in the business of exploration and development of the properties comprised of the following: (i) the Properties; (ii) any liabilities of Prophecy relating to the Properties, contingent or otherwise; (iii) any and all intellectual property, data and information of any nature or kind relating directly or indirectly to the Properties owned, held, used or controlled by Prophecy, including any and all geological, geochemical, geophysical, hydrological and title data, records, reports, drill cores, drill hole logs, drill hole orientation surveys, core samples, geochemical assays, resource calculations, opinions, maps, plans, drawings, charts, documents and other information in whatever form and however maintained, whether electronically or documentary, computer storage, (iv) equipment used in operating the business of exploration and development of the Properties and (v) the Spinco Cash..

“**Non Arm’s Length Party**” means in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person.

“**Northern**” means Northern Platinum Ltd., a company amalgamated under the BCBCA and a wholly owned subsidiary of Prophecy.

“**Party**” means a party to the Arrangement Agreement, being Prophecy or PCNC and “**Parties**” means both of them.

“**PCNC**” means Pacific Coast Nickel Corp., a corporation incorporated under the BCBCA.

“**PCNC Board**” means the board of directors of PCNC.

“**PCNC Broker Warrant**” existing compensation warrants of PCNC, for the purchase of up to 500,000 units, each exercisable into one PCNC Share and one PCNC Warrant, at an exercise price of \$0.05 per units and expiring on August 9, 2012.

“**PCNC Letter of Transmittal**” means the letter of transmittal addressed to the Depositary pursuant to which the PCNC Shareholders shall request issuance of that number of post-Consolidation PCNC Shares to which a PCNC Shareholder shall be entitled to.

“**PCNC Meeting**” means the special meeting of PCNC Shareholders to be held on Tuesday, May 31, 2011, to consider and if deemed advisable, approve the Acquisition, the Consolidation and other matters.

“**PCNC Name Change**” means the change of PCNC’s name from “Pacific Coast Nickel Corp.” to “Prophecy Platinum Corp.” in connection with the Acquisition.

“**PCNC Options**” means the existing options to purchase common shares of PCNC pursuant to the PCNC Plan for the purchase of up to 4,550,000 PCNC Shares at exercise prices ranging from \$0.10 to \$0.16 and expiring on dates ranging from January 7, 2013 to January 11, 2016.

“**PCNC Plan**” means the existing stock option plan of PCNC, as such may be amended from time to time, which plan is proposed to be replaced with the New Option Plan immediately following completion of the Acquisition and Consolidation.

“**PCNC Securities**” means, collectively, the PCNC Shares, PCNC Options, PCNC Brokers Warrants and PCNC Warrants.

“**PCNC Shareholders**” means holders of PCNC Shares.

**“PCNC Shares”** means common shares in the capital of PCNC.

**“PCNC Special Committee”** means the special committee of the PCNC Board, comprised of four independent directors of PCNC, to consider among other things, the Acquisition, the Consolidation and the Arrangement Agreement.

**“PCNC Warrants”** means the existing warrants to purchase common shares of PCNC for the purchase of up to 18,363,000 PCNC Shares at an exercise price of \$0.10 per PCNC Share and expiring on dates ranging from August 3, 2012 to January 6, 2013.

**“PCY Name Change”** means the change of the Resulting Issuer's name from “Prophecy Resource Corp.” to “Prophecy Coal Corp.” in connection with the Arrangement.

**“Person”** means a Company or individual.

**“PHI”** means Prophecy Holdings Inc., a company amalgamated under the BCBCA and a wholly owned subsidiary of Prophecy.

**“Plan of Arrangement”** means the plan of arrangement set out in Schedule “A” to the Arrangement Agreement as amended or supplemented from time to time and which Plan of Arrangement is attached as Schedule “B” to this Circular.

**“Properties”** means collectively, the Lynn Lake Property and the Wellgreen Property.

**“Prophecy”** means Prophecy Resource Corp., a corporation incorporated under the BCBCA.

**“Prophecy Board”** means the board of directors of Prophecy.

**“Prophecy Broker Warrant”** existing compensation warrants of Prophecy, each exercisable into one Prophecy Share and one half of one Prophecy Warrant.

**“Prophecy Convertible Securities”** means collectively the Prophecy Options, Prophecy Warrants and Prophecy Broker Warrants.

**“Prophecy Convertible Securityholders”** means collectively, the Prophecy Optionholders, the Prophecy Warrantholders and the holders of the Prophecy Broker Warrants.

**“Prophecy Letter of Transmittal”** means the letter of transmittal addressed to the Depositary pursuant to which the Prophecy Shareholders shall request issuance of that number of New Common Shares and post-Consolidation PCNC Shares which such Prophecy Shareholders shall be entitled to receive upon completion of the Arrangement and Consolidation.

**“Prophecy Meeting”** means the annual and special meeting of the Prophecy Shareholders to be held on Tuesday, May 31, 2011, to consider and if deemed advisable, approve the Arrangement, the PCY Name Change and other matters, if any, related thereto.

**“Prophecy Optionholders”** means the holders of Prophecy Options.

**“Prophecy Options”** means existing options granted by Prophecy pursuant to its current stock option plan for the purchase of up to 22,181,350 Prophecy Shares at exercise prices ranging from \$0.25 to \$1.07 and expiring on dates ranging from January 23, 2014 to March 2, 2016.

**“Prophecy Plan”** means the currently existing stock option plan of Prophecy, which plan is proposed to be amended to increase the number of Prophecy Shares which may be reserved under the Prophecy Plan.

**“Prophecy Special Committee”** means the special committee of the Prophecy Board, comprised of three independent directors of Prophecy, to consider among other things, the Arrangement, the Arrangement Agreement and the Fairness Opinion.

**“Prophecy Securities”** means, collectively, the Prophecy Shares, Prophecy Options and Prophecy Warrants.

**“Prophecy Securityholders”** means, collectively, the Prophecy Shareholders and the Prophecy Convertible Securityholders.

**“Prophecy Shares”** means the common shares in the capital of Prophecy.

**“Prophecy Shareholders”** means the holders of Prophecy Shares.

**“Prophecy Warrants”** means existing warrants granted by Prophecy for the purchase of up to 24,894,238 Prophecy Shares at exercise prices ranging from \$0.10 to \$0.80 per Prophecy Share and expiring on dates ranging from June 5, 2011 to October 28, 2012.

**“Prophecy Warrantholders”** means the holders of Prophecy Warrants.

**“Record Date”** means April 27, 2011 in respect of each of the Meetings.

**“Related Party Transaction”** has the meaning ascribed to that term Policy 5.9 of the Exchange Policies, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non Arms Length Parties, or other circumstances exist which may compromise the independence of the issuer with respect to the transaction.

**“Registrar”** means the Registrar of Companies for the Province of British Columbia.

**“Regulation S”** means Regulation S under the U.S. Securities Act.

**“Reserved Shares”** means such number of the PCNC Shares issuable pursuant to the Acquisition and to be held in reserve by Prophecy for the Prophecy Optionholders and Prophecy Warrantholders who exercise their Prophecy Options and Prophecy Warrants, respectively, in accordance with the Plan of Arrangement, being equal to the ratio of 225,000,000 PCNC Shares divided by the number of Prophecy Shares outstanding on a fully diluted basis immediately prior to the Effective Time and subtracting such number of PCNC Shares as shall be distributed to the Prophecy Shareholders.

**“Resulting Issuer”** means the issuer existing on the Effective Date and in this Circular means PCNC on the Effective Date.

**“Reverse Takeover or RTO”** means a transaction or series of transactions, involving an acquisition by the issuer or of the issuer, and a securities issuance by an issuer that results in:

- (a) new shareholders holding more than 50% of the outstanding voting securities of the issuer, and
- (b) a Change of Control of the issuer. The Exchange may deem a transaction to have resulted in a Change of Control by aggregating the shares of a vendor group and/or incoming management group,

but does not include any transaction or series of transactions whereby the newly issued securities are to be issued to shareholders of an issuer listed on TSX or another senior exchange under a formal takeover bid made pursuant to applicable securities laws.

A transaction or series of transactions may include an acquisition of a business or assets, an amalgamation, arrangement or other reorganization.

Any securities issued pursuant to a private placement effected concurrently, contingent upon, or otherwise linked to a transaction or series of transactions, may be used in order to determine whether a transaction or series of transactions satisfies (a) and/or (b), above.

**“RH Plan of Arrangement”** means the plan of arrangement completed by Prophecy on April 16, 2010 with PHI and Elissa Resources Ltd.

**“Schedules”** means the Schedules to this Circular which are incorporated herein and form part of this Circular.

**“SEC”** means the U.S. Securities and Exchange Commission.

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval as located on the internet at [www.sedar.com](http://www.sedar.com).

**“Semeniuk Fairness Opinion”** means the fairness opinion dated March 31, 2011 as prepared for Prophecy by Stephen W. Semeniuk, B. Comm, MBA, CFA, a copy of which is attached as Schedule “F” to this Circular.

**“Spinco”** means 0914144 B.C. Ltd., a wholly owned subsidiary of Prophecy incorporated for the purpose of completing the Acquisition and which will hold the Nickel Assets.

**“Spinco Cash”** means \$2,000,000 in cash which Prophecy will provide to PCNC as part of the Nickel Assets.

**“Spinco Shares”** means the common shares without par value in the capital of Spinco.

**“Sponsor”** has the meaning specified in the Sponsorship Policy.

**“Sponsorship Policy”** means Listings Policy 2.2 – *Sponsorship and Sponsorship Requirements* of the Exchange.

**“Superior Offer”** means any unsolicited bona fide written Alternative Transaction which the PCNC Board determines, acting reasonably and in good faith and after consultation with its financial advisors, constitutes a commercially feasible transaction which would be carried out within a time frame that is reasonable in the circumstances, for which adequate financial arrangements have been or would reasonably be expected to be made and which would, if consummated, be superior to the Arrangement from a financial point of view to PCNC.

**“Target Assets”** means the assets, business, property or interest therein, being purchased, optioned or otherwise acquired in connection with the RTO and in this Circular means the Nickel Assets.

**“Target Company”** means a Company to be acquired in connection with the RTO, or the Vendors of the Target Assets and in this Circular means Spinco.

**“Ulaan Ovoo Property”** means the coal exploration and development property located in the territory of Tushig soum, a sub province of Selenge Aimag province in Northern Mongolia and in respect of which Prophecy owns a 100% interest in a mining licence.

**“Ulaan Ovoo PFS”** means the pre-feasibility study on the Ulaan Ovoo Property dated December 13, 2010 prepared by Wardrop Engineering in accordance with the provisions of NI 43-101 and entitled “Ulaan Ovoo Pre-Feasibility Study”.

**“U.S. Securities Act”** means the United States Securities Act of 1933, as amended.

**“U.S. Exchange Act”** means the United States Securities Exchange Act of 1934, as amended.

**“Vendors”** means the beneficial owner(s) of the Target Assets and in this Circular means Prophecy.

**“Victory”** means Victory Nickel Inc., an Ontario company listed on the Toronto Stock Exchange which has granted to Prophecy the sole and exclusive option to acquire a 100% interest in the Lynn Lake Property pursuant to the Lynn Lake Option Agreement.

**“Voting Share”** means a security of an Issuer that:

- (a) is not a debt security, and
- (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

**“Wellgreen Property”** means the mineral claims comprising the Wellgreen nickel-copper exploration property located in the Yukon Territory in respect of which Prophecy holds a 100% interest.

**“Wellgreen Report”** means the technical report on the Wellgreen Property dated March 25, 2011 prepared by Wardrop Engineering in accordance with the provisions of NI 43-101 and entitled “Technical Report on the Wellgreen Ni-Cu-Pt-Pd Project Yukon, Canada”.

Words importing the masculine shall be interpreted to include the feminine or neuter and the singular to include the plural and vice versa where the context so requires.

All references to "\$" or "dollars" in this Circular are to lawful currency of Canada unless otherwise expressly stated.

## NOTICE TO U.S. SHAREHOLDERS

**THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The New Common Shares and PCNC Shares to be issued pursuant to the Arrangement have not been registered under the U.S. Securities Act and will be issued in reliance on an exemption from the registration requirements pursuant to Section 3(a)(1) thereof and exemptions from applicable state securities law. The solicitation of PCNC and Prophecy proxies is not subject to the requirements of Section 14 of the U.S. Exchange Act by virtue of an exemption applicable to proxy solicitations by foreign private issuers (as defined in a rule under the U.S. Exchange Act). This Circular has been prepared in accordance with the applicable disclosure requirements in Canada, which are different from the requirements applicable to proxy solicitations under the U.S. Exchange Act. See “*Additional Information for PCNC Shareholders and Prophecy Shareholders in the United States*”.

**Shareholders should be aware that the transactions contemplated herein may have tax consequences both in Canada and in the United States. Such consequences may not be described fully herein. Shareholders are advised to consult their tax advisors to determine the particular tax consequences to them of the transactions contemplated in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local or other taxing jurisdiction**

The enforcements by investors of civil liabilities under the United States securities laws may be affected adversely by the fact that Prophecy and PCNC are organized under the laws of a jurisdiction outside the United States, that most, if not all, of their officers and directors are residents of countries other than the United States, that the experts named in this Circular are residents of countries other than the United States, and that all or a substantial portion of the assets of Prophecy and PCNC may be located outside the United States.

### **CAUTIONARY NOTICE TO SHAREHOLDERS IN THE UNITED STATES REGARDING MINERAL RESERVES AND MINERAL RESOURCES**

Information concerning the mineral properties of PCNC and Prophecy has been prepared in accordance with the requirements of Canadian securities laws, which differ in material respects from the requirements of U.S. securities laws applicable to U.S. companies subject to the reporting and disclosure requirements of the SEC. Under SEC standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time of the reserve determination, and the SEC does not recognize the reporting of mineral deposits which do not meet the SEC Industry Guide definition of “Reserve”. In accordance with NI 43-101, the terms “mineral reserve”, “proven mineral reserve”, “probable mineral reserve”, “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” used in this Circular or in the documents incorporated by reference in this Circular are defined in the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on December 11, 2005. While the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are recognized and required by NI 43-101, the SEC does not recognize them. Shareholders who are U.S. persons and recipients of New Common Shares or PCNC Shares are cautioned that, except for that portion of the mineral resources classified as mineral reserves, mineral resources do not have demonstrated economic value. Inferred mineral resources have a high degree of uncertainty as to their existence and as to whether they can ever be upgraded to a higher category that can be economically or legally mined. Under Canadian securities laws, estimates of inferred mineral resources may not form the basis of an economic analysis. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. **Therefore, Prophecy Shareholders who are U.S. persons and recipients of New Common Shares and PCNC Shares, as the case may be, are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, PCNC**

**Securityholders and Prophecy Securityholders are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded to mineral reserves.**

### **FORWARD LOOKING STATEMENTS**

The information provided in this Circular, including information incorporated by reference, may contain “forward-looking statements” about PCNC or Prophecy. In addition, PCNC and Prophecy may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of PCNC or Prophecy in connection with this Arrangement that are not statements of historical fact and may also constitute forward-looking statements.

All statements, other than statements of historical fact, made by PCNC and Prophecy that address activities, events or developments that PCNC and Prophecy expect or anticipate will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of the date they are made and are based on information currently available and on the then current expectations of PCNC and Prophecy and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements.

Consequently, all forward-looking statements made in this Circular and other documents of PCNC and Prophecy are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on PCNC or Prophecy. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that PCNC and Prophecy and/or persons acting on their behalf may issue. PCNC and Prophecy undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by applicable securities laws. See “*Risk Factors*”.

### **INTRODUCTION**

**This Circular is furnished in connection with the solicitation of proxies by the management of PCNC and Prophecy for use at the PCNC Meeting and Prophecy Meeting, respectively, to be held on May 31, 2011, and any adjournment thereof. No person has been authorized to give any information or make any representations in connection with the Acquisition, Consolidation, Arrangement or other matters to be considered at the Meetings, other than those contained in this Circular and if given or made, any such information or representation must not be relied upon as having been authorized.**

**The information concerning PCNC contained in this Circular has been provided by PCNC. Although Prophecy has no knowledge that would indicate that any of such information is untrue or incomplete, Prophecy does not assume any responsibility for the accuracy or completeness of such information or the failure by PCNC to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Prophecy. Conversely, the information concerning Prophecy contained in this Circular has been provided by Prophecy. Although PCNC has no knowledge that would indicate that any of such information is untrue or incomplete, PCNC does not assume any responsibility for the accuracy or completeness of such information or the failure by Prophecy to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to PCNC.**

Except where otherwise indicated, information contained in this Circular is dated as at April 27, 2011.

The PCNC Meeting has been called primarily for the purpose of considering, and, if deemed advisable, passing the Acquisition Resolution and the Consolidation Resolution approving the Acquisition and the Consolidation, respectively.

The Prophecy Meeting had been called primarily for the purpose of considering and, if deemed advisable, passing the Arrangement Resolution approving the Arrangement, as well as to conduct annual general meeting and other related matters..

All summaries of, and references to, the Arrangement in this Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as **Schedule “B”** to this Circular. **You are urged to carefully read the full text of the Plan of Arrangement.**

All capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth herein under “*Glossary of Terms*”.

### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents filed on SEDAR by PCNC with securities commissions or similar authorities in Canada, are specifically incorporated by reference into, and form an integral part of, this Circular:

1. Unaudited interim financial statements for the six month period ended January 31, 2011 and the MD&A filed in connection with these financial statements.
2. Audited financial statements for the financial years ended July 31, 2010 and July 31, 2009 and the MD&A filed in connection with the audited financial statements for the financial year ended July 31, 2010.
3. Material change report dated August 3, 2010 regarding a proposed private placement.
4. Material change report dated August 18, 2010 regarding the completion of the first tranche of a private placement.
5. Material change report dated November 8, 2010 announcing the acquisition of an option to acquire a 70% interest in the Las Aguilas Property.
6. Material change report dated November 10, 2010 regarding the entering into of an investor relations agreement with Ethos Consulting Ltd.
7. Material change report dated December 3, 2010 regarding a proposed private placement.
8. Material change report dated December 7, 2010 regarding the adjournment of PCNC’s annual general meeting.
9. Material change report dated January 10, 2011 regarding the completion of a private placement.
10. Material change report dated January 18, 2011 regarding the Acquisition.
11. Material change report dated February 21, 2011 regarding certain amendments to the Acquisition.
12. Material change report dated April 6, 2011 regarding the acquisition of a 100% interest in the Burwash Property.
13. Material change report dated April 13, 2011 regarding the election of directors at the time of PCNC’s AGM.
14. Material change report dated April 14, 2011 concerning the execution of the Arrangement Agreement.

Copies of the foregoing documents incorporated herein by reference may be obtained on request without charge from PCNC's head office located at 380-580 Hornby Street, Vancouver, British Columbia, V6C 3B6 (Telephone: 800.851.1528). These documents are also available through SEDAR, which can be accessed online at [www.sedar.com](http://www.sedar.com).

The following documents filed on SEDAR by Prophecy with securities commissions or similar authorities in Canada, are specifically incorporated by reference into, and form an integral part of, this Circular:

1. Final short form prospectus dated December 21, 2010;
2. Audited consolidated financial statements for the financial years ended December 31, 2010 and 2009 and the MD&A filed in connection with the audited consolidated financial statements for the financial year ended December 31, 2010.
3. Material change report dated December 24, 2010 pertaining to the closing of a short form prospectus offering.
4. Material change report dated January 5, 2011 pertaining to a memorandum of understanding with JUST Group pertaining to potential coal sales.
5. Material change report dated January 18, 2011 concerning the Arrangement.
6. Material change report dated February 8, 2011 pertaining to the receipt of a final mining license for the Chandgana Tal portion of the Chandgana Property.
7. Material change report dated March 29, 2011 pertaining to the appointment of Mr. Chuluunbaatar as a director of Prophecy.
8. Material change report dated April 4, 2011 pertaining to the appointment of Jivko Savov as a director of Prophecy.
9. Material change report dated April 5, 2011 concerning the execution of the Arrangement Agreement.

Copies of the foregoing documents incorporated herein by reference may be obtained on request without charge from Prophecy's head office located at 2060-777 Hornby Street, Vancouver, British Columbia, V6Z 1T7 (Telephone: 604.642.2625). These documents are also available through SEDAR, which can be accessed online at [www.sedar.com](http://www.sedar.com).

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

## SUMMARY

*The following is a summary of information contained elsewhere in this Circular. This summary is qualified in its entirety by and should be read together with the more detailed information and financial data and statements contained elsewhere in this Circular, including the Schedules, which are incorporated herein and form part of this Circular, and the documents incorporated by reference herein. Certain capitalized words and terms used in this Summary are defined in the Glossary.*

### **Parties**

#### *Prophecy*

Prophecy is a British Columbia based mineral exploration issuer publicly listed on the Exchange and having coal exploration and development properties located in Mongolia and precious and base metal exploration and development properties, as well as other resource opportunities, in British Columbia, Manitoba and Ontario. The Prophecy Shares are listed for trading on the Exchange under the symbol "PCY.V". For additional information concerning Prophecy, please see "*Information Concerning Prophecy*".

#### *PCNC*

PCNC is also a British Columbia based mineral exploration and development issuer publicly listed on the Exchange and having precious and base metal exploration and development properties, as well as other resource opportunities, in Yukon Territory, Argentina and Uruguay. The PCNC Shares are listed for trading on the Exchange under the symbol "NKL.V". For additional information, please see "*Information Concerning PCNC*" and "*Information Concerning PCNC – Post Acquisition*".

#### *Spinco*

Spinco is a private company incorporated under the provisions of the BCBCA for the sole purpose of completing the Arrangement. All of the issued and outstanding shares of Spinco are held by Prophecy.

The Parties have agreed to combine their nickel properties, through the implementation of the Arrangement. Following completion of the Arrangement, Spinco will hold the Nickel Assets and be a wholly-owned subsidiary of PCNC, and Prophecy will continue its business as a British Columbia based mining exploration and development issuer holdings Mongolian coal properties. Please see "*Information Concerning Prophecy*", "*Information Concerning PCNC*", "*Information Concerning PCNC – Post Acquisition*" and "*Information Concerning Prophecy – Post-Arrangement*" for further information.

### **The Meetings**

The PCNC Meeting will be held on Tuesday, May 31, 2011 at 11:00 a.m. (Vancouver time) for the purposes set forth in the notice of meeting applicable to PCNC and attached to this Circular, including, among other matters, to consider and, if deemed advisable, to approve the Acquisition and the Consolidation and all related matters, giving effect to the transactions contemplated by the Arrangement Agreement.

The Prophecy Meeting will be held on Tuesday, May 31, 2011 at 10:00 a.m. (Vancouver time) for the purposes set forth in the notice of meeting applicable to Prophecy and attached to this Circular, including, among other matters, to consider and, if deemed advisable, to approve annual general meeting matters, the Arrangement, amendments to the PCY Option Plan and all related matters, giving effect to the transactions contemplated by the Arrangement Agreement.

The record date for determining the registered shareholders for the PCNC Meeting and the Prophecy Meeting is April 27, 2011. Please see "*Business of the PCNC Meeting*" and "*Business of the Prophecy Meeting*" for further information.

## **The Acquisition**

Pursuant to the Arrangement Agreement, PCNC will acquire all of Prophecy's interests in the Nickel Assets in consideration of the issuance of 450,000,000 PCNC Shares, of which 225,000,000 PCNC Shares will be retained by Prophecy and held in accordance with the terms and conditions of the Escrow Agreement, and the balance of which, being 225,000,000 PCNC Shares, will be in part distributed to Prophecy Shareholders pro rata in accordance with their holdings of Prophecy Shares, on a fully diluted basis on the Effective Date and in part held by Prophecy in reserve for the benefit of the Prophecy Convertible Securityholders, in the event of the exercise of their Prophecy Convertible Securities, in accordance with the terms of the Plan of Arrangement.

Immediately following completion of the Acquisition, PCNC will complete the Consolidation and the PCNC Name Change. Additionally, Prophecy will complete the PCY Name Change.

Assuming completion of the Acquisition, PCNC will have approximately 506,034,842 pre-Consolidation PCNC Shares issued and outstanding and outstanding PCNC Options to purchase a further 4,550,000 pre-Consolidation PCNC Shares and PCNC Warrants to purchase a further 18,363,000 pre-Consolidation PCNC Shares. PCNC Shares held by the holders of the Prophecy Shares will represent approximately 44.46% of the issued and outstanding PCNC Shares, PCNC Shares held by Prophecy will represent approximately 44.6% of the issued and outstanding PCNC Shares, and PCNC Shares held by the current holders of the PCNC Shares will represent approximately 11.08% of the issued and outstanding PCNC Shares.

For additional information concerning the Acquisition and the Nickel Assets, please see "*The Acquisition and Arrangement*" and "*Information Concerning the Significant Assets.*"

## **The Arrangement**

The Prophecy Board believes that the current market price of the Prophecy Shares does not adequately reflect the underlying value of the Nickel Assets. In addition, the Prophecy Board believes that the Arrangement will allow PCNC to focus on financing and developing the Nickel Assets separately, while reducing stock dilution for Prophecy Shareholders interested in the Prophecy's coal properties located in Mongolia.

The Arrangement provides for the completion of the Acquisition. The Arrangement Agreement establishes the Plan of Arrangement and provides for the following transactions to occur and be deemed to occur without further act or formality at the Effective Time:

1. Prophecy Shares held by Dissenting Shareholders will be deemed to be transferred back to Prophecy, and the Dissenting Shareholders will cease to have any rights as Prophecy Shareholders other than the right to be paid fair value for their Prophecy Shares in accordance with the terms of the Plan of Arrangement;
2. Prophecy will, and will be deemed to, transfer all of the Spinco Shares to PCNC, at a price, for each Spinco Share, equal to its fair market value, and in consideration for the issuance by PCNC to Prophecy of 450,000,000 PCNC Shares;
3. Prophecy's authorized share capital and its notice of articles will be altered by:
  - (a) renaming and redesignating all of the issued and unissued Prophecy Shares as Class A Shares;
  - (b) creating an unlimited number of common shares without par value as the New Common Shares with the same rights, privileges and restrictions as the Class A Shares, except that the holders of the New Common Shares will be entitled to a preferential return of capital on liquidation of Prophecy in priority to the Class A Shares.
4. on the reorganization of Prophecy's share capital as described above, each issued and outstanding Class A Share outstanding on the Effective Date, other than those held by Dissenting Shareholders, will be deemed to be exchanged for one New Common Share and a pro rata entitlement to the Distribution Shares as of the

Effective Date and such Prophecy Shareholders shall cease to be the holders of the Class A Shares so exchanged;

5. the Class A Shares, none of which will be allotted and issued once the steps referred to above are completed, will be cancelled and the authorized capital of Prophecy and its notice of articles shall be amended by deleting the Class A Shares as a class of shares of Prophecy; and
6. the Prophecy Convertible Securities will be adjusted such that a Prophecy Convertible Securityholder will, upon the due exercise of its Prophecy Convertible Securities, receive one New Common Share and a pro rata entitlement to the Reserve Shares available as of the Effective Date. All other terms and conditions of the Prophecy Convertible Securities shall remain the same. Following the Effective Date, Prophecy shall hold for the Prophecy Convertible Securityholders, the Reserve Shares, until such time as the Prophecy Convertible Securityholder exercises their Prophecy Convertible Security.

As a result of the Arrangement:

1. Prophecy will continue to hold the Chandgana Property and the Ulaan Ovoo Property, located in Mongolia, as well as certain mineral properties assets located in British Columbia and Ontario; and
2. PCNC will hold the Nickel Assets through Spinco, which shall become a wholly owned subsidiary of PCNC.

No fractional securities will be issued. Any fractions resulting will be rounded down to the next whole number where the resulting fraction is 0.5 or less and rounded up to the next whole number where the resulting fraction is more than 0.5.

As the Effective Date has yet to occur, it is not possible at this time to determine a Prophecy Securityholder's exact entitlement to PCNC Securities as a result of the Arrangement. The number of PCNC Securities a Prophecy Securityholders will be able to receive will depend on the number of Prophecy Shares and Prophecy Convertible Securities that are issued and outstanding on the Effective Date.

As of the Record Date, there are 189,973,664 Prophecy Shares issued and outstanding and 47,345,588 Prophecy Convertible Securities issued and outstanding, comprised of 22,181,350 Prophecy Options, 24,894,238 Prophecy Warrants and 180,000 Prophecy Broker's Warrants.

Assuming that the number of Prophecy Shares and number of Prophecy Convertible Securities issued and outstanding were unchanged on the Effective Date from those outstanding on the Record Date, each Prophecy Shareholder would be entitled to 0.9482 of a pre-Consolidation PCNC Share as a result of the Arrangement, and each Prophecy Convertible Securityholders, when exercising their Prophecy Securities would receive one New Common Shares and 0.9482 of a pre-Consolidation PCNC Shares. In the event that more Prophecy Shares or Prophecy Convertible Securities are issued and outstanding on the Effective Date, the number of PCNC Shares to which a Prophecy Shareholder or Prophecy Convertible Securityholder, as the case may be, shall be entitled to will be reduced in accordance with their pro rata holdings. On or immediately following the Effective Date, Prophecy and PCNC will announce via press release the specific entitlements of the Prophecy Shareholders and Prophecy Convertible Securityholders to PCNC Shares.

For more detailed information, see "*The Acquisition and Arrangement –Arrangement Agreement*" and the Plan of Arrangement attached to this Circular as Schedule "B".

## **Effect of the Arrangement on Prophecy Options and Warrants**

### ***Options***

Holders of Prophecy Options will not receive any new securities in the Arrangement, but the terms of the Prophecy Options shall be adjusted to allow for their exercise into New Common Shares and for a pro rata entitlement to the Reserve Shares available as of the Effective Date. All other terms and conditions of the Prophecy Options shall remain the same.

### ***Warrants***

Holders of Prophecy Warrants will not receive any new securities in the Arrangement, but the terms of the Prophecy Warrants shall be adjusted to allow for their exercise into New Common Shares and for a pro rata entitlement to the Reserve Shares available as of the Effective Date. All other terms and conditions of the Prophecy Warrants shall remain the same.

Holders of Prophecy Brokers Warrants will not receive any new securities in the Arrangement, but the terms of the Prophecy Brokers Warrants shall be adjusted to allow for their exercise into New Common Shares and for a pro rata entitlement to the Reserve Shares available as of the Effective Date. All other terms and conditions of the Prophecy Brokers Warrants shall remain the same.

Please see *“The Acquisition and Arrangement – Treatment of Prophecy Warrants and Options”* for additional information.

## **Background to the Arrangement**

The provisions of the Arrangement Agreement are the result of arm’s length negotiations conducted among representatives of Prophecy and PCNC and their respective legal advisors.

During the month of January, 2011, members of the Prophecy Board and the PCNC Board had various meetings and telephone discussions regarding the possibility and terms of a merger of the two Companies. On January 11, 2011, Prophecy delivered a draft letter agreement to PCNC. On January 17, 2011, the PCNC Board, with John Lee and Greg Hall abstaining, approved the execution of the Letter Agreement and created the PCNC Special Committee to review the Acquisition. On January 17, 2011, the Prophecy Board, with John Lee and Greg Hall abstaining, approved the execution of the Letter Agreement and the creation of the Prophecy Special Committee. On January 17, 2011, PCNC and Prophecy entered into the Letter Agreement.

On January 18, 2011, PCNC and Glanville entered into an agreement for the provision of advisory services to PCNC by Glanville, including, if requested by PCNC, the preparation and delivery of an opinion as to the fairness, from a financial point of view, of the consideration to be paid to or received by PCNC or its shareholders in connection with the Acquisition. Prophecy engaged Stephen W. Semeniuk to prepare the Semeniuk Fairness Opinion. The Parties continued their negotiations respecting the terms of the proposed Arrangement and consulted with legal counsel to obtain corporate, securities and tax advice and their fairness opinion advisors to assist them with their negotiations of the Acquisition.

On January 21, 2011, the PCNC Special Committee met with its legal advisor and Glanville to consider the Acquisition and to discuss the PCNC Board's fiduciary obligations. On January 27, 2011, the PCNC Special Committee met again to review a preliminary memorandum prepared by Glanville regarding the Acquisition. On February 4, 2011, the PCNC Special Committee, with the exception of David Patterson who was unable to attend, met to review the opportunity as it had developed to that time, reviewed the Glanville Fairness Opinion and recommended to the PCNC Board that it approve the Acquisition as amended.

On February 2, 2011 the PCY Special Committee met to consider the Arrangement and approved same as originally proposed. On February 11, 2011, the PCY Special Committee met again to review the the opportunity as it had

developed to that date. On February 14, 2011, the PCY Special Committee reviewed the Semeniuk Fairness Opinion and recommended to the PCY Board that it approve the Arrangement and Acquisition as amended.

On February 10, 2011, following receipt of their respective draft fairness opinions and further negotiations between the Parties, PCNC and Prophecy entered into an amending agreement to amend the terms of the Acquisition and to extend the time to complete the Arrangement Agreement.

On April 1, 2011 the PCNC Board, with John Lee and Greg Hall abstaining, being members of the Prophecy Board as well, approved the Acquisition, the Consolidation and the definitive Arrangement Agreement.

On April 1, 2011 the Prophecy Board met to review the terms of the Arrangement as they had developed to that time, reviewed the Semeniuk Fairness Opinion and the draft Arrangement Agreement. After considering all of the factors, the Prophecy Board, with John Lee and Greg Hall abstaining, being members of the PCNC Board as well, determined that the Arrangement was fair to its shareholders from a financial point of view and was in the best interests of Prophecy. It then approved the Arrangement and the definitive Arrangement Agreement.

On April 1, 2011, Prophecy and PCNC executed the definitive Arrangement Agreement. Please see "*The Acquisition and Arrangement – Background to the Arrangement*".

### **Reasons for the Arrangement**

The Acquisition will allow management of Prophecy to focus entirely on the development of its coal properties, and free management of PCNC to facilitate separate fund-raising, exploration and mining strategies that will be required to move the Nickel Assets forward, while still allowing Prophecy Shareholders to maintain their holdings in the Nickel Assets through PCNC Shares to be received pursuant to the Arrangement. In addition, Prophecy and PCNC believe that synergies will be realized by the addition of the Nickel Assets to PCNC's mineral portfolio.

See "*The Acquisition and Arrangement - Reasons for the Arrangement*".

### **Conditions to the Arrangement**

The obligations of PCNC and Prophecy to complete the Arrangement under the Arrangement Agreement are subject to the satisfaction or waiver of certain mutual conditions, including, among others:

1. the Arrangement Resolution being approved by the Prophecy Shareholders at the Prophecy Meeting and the Acquisition Resolution and the Consolidation Resolution being approved by the PCNC Shareholders at the PCNC Meeting;
2. the Final Order being granted by the Court;
3. the approval of the Exchange to the Acquisition, Consolidation and Arrangement and the issuance of the PCNC Shares pursuant thereto being received; and
4. holders of no greater than 5% of the total outstanding Prophecy Shares exercising their Dissent Rights.

Please see "*The Acquisition and Arrangement –Arrangement Agreement - Conditions to the Arrangement*" for further information.

### **Non Solicitation and Termination of the Arrangement Agreement**

Pursuant to the Arrangement Agreement, PCNC has agreed that it will not, directly or indirectly, solicit or participate in any discussions or negotiations regarding an Alternative Transaction or potential Alternative Transaction. Notwithstanding same, PCNC is not restricted from considering, discussing or negotiating a bona fide unsolicited proposal believed to be a Superior Offer and required to be considered by the PCNC Board in order to discharge their fiduciary duties. In the event of a Superior Offer, Prophecy is entitled to a seven day period within

which to exercise a right to match. If Prophecy elects to meet the terms of the Superior Offer, Prophecy shall have the greater of 120 days from the date of the Letter Agreement entered into by the Parties or 90 days from its agreement to meet the terms of the Superior Offer to complete the Arrangement. If Prophecy is unable to complete the Arrangement or meet the Superior Offer within seven (7) days of notification of same, PCNC may, at its option, terminate the Arrangement Agreement. In the event the Superior Offer comprises of any non-cash consideration, PCNC shall provide its assessment of the value of such non-cash determination to Prophecy and, if Prophecy requests same, shall deliver report of an independent valuator regarding such non-cash consideration, obtained at Prophecy's cost.

In addition to the circumstances set forth above, the Arrangement Agreement may also be terminated prior to the Effective Date, by the mutual agreement of the Parties, by either Party in the event the Effective Date has not occurred by May 31, 2011, by either Party in the event that the either the Prophecy Shareholders do not approve the Arrangement or the PCNC Shareholders do not approve the Acquisition and Consolidation, or by one Party in the event the other Party continues in material breach of any material term of the Arrangement Agreement for a period of 30 days following receipt of notice of such breach. For additional information please see, "*The Acquisition and Arrangement – The Arrangement Agreement*".

### **Fairness Opinions**

In deciding to approve the Arrangement Agreement and the terms of the Acquisition, the PCNC considered, among other things, the Glanville Fairness Opinion. The Glanville Fairness Opinion concludes that, as of February 4, 2011, the Arrangement is fair to the PCNC Securityholders from a financial point of view. The complete text of the Glanville Fairness Opinion, which sets forth certain assumptions made, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this Circular as Schedule "E". The Glanville Fairness Opinion is not and should not be construed as a valuation of PCNC or Prophecy or their respective assets or securities or as a recommendation to any PCNC Shareholder to vote in favour of the Acquisition Resolution or the Consolidation Resolution. PCNC Shareholders are urged to read the Glanville Fairness Opinion in its entirety.

In deciding to approve the Arrangement Agreement and the terms of the Arrangement, the Prophecy Board considered, among other things, the Semeniuk Fairness Opinion. The Semeniuk Fairness Opinion concludes that, as of March 31, 2011, the issuance of 450,000,000 PCNC Shares in consideration of the Nickel Assets in relation to the Arrangement is fair to Prophecy and the Prophecy Securityholders from a financial point of view. The complete text of the Semeniuk Fairness Opinion, which sets forth certain assumptions made, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this Circular as Schedule "F". The Semeniuk Fairness Opinion is not and should not be construed as a valuation of PCNC or Prophecy or their respective assets or securities or as a recommendation to any Prophecy Shareholder to vote in favour of the Arrangement Resolution. Prophecy Shareholders are urged to read the Semeniuk Fairness Opinion in its entirety. See "*The Acquisition and Arrangement – Fairness Opinions*" for further information.

### **Special Committees**

As PCNC and Prophecy share two common directors, being John Lee and Greg Hall, and John Lee is the Chairman of both Prophecy and PCNC, each of the Prophecy Board and the PCNC Board determined that the Acquisition must be considered by independent members of its board and established the Prophecy Special Committee and the PCNC Special Committee.

The PCNC Special Committee of the PCNC Board was established on January 17, 2011 and made up of four independent directors, being Michael Sweatman, Donald Gee, John Kerr and David Patterson. The PCNC Special Committee, among other things, reviewed the Glanville Fairness Opinion and considered the Arrangement Agreement. The PCNC Special Committee recommended the completion of the Acquisition to the PCNC Board on February 10, 2011.

The Prophecy Special Committee of the Prophecy Board was established on January 17, 2011 and made up of three independent directors, being John McGoran, Paul Venter and Paul McKenzie. The Prophecy Special Committee, among other things, reviewed the Semeniuk Fairness Opinion and considered the Arrangement Agreement. The Prophecy Special Committee recommended the Arrangement Agreement and the transactions contemplated

thereunder to the Prophecy Board on February 14, 2011. See “*The Acquisition and Arrangement - Establishment of Special Committees*” for further information.

### **Recommendations of the Boards of Directors**

**The independent members of the Prophecy Board have considered the proposed Arrangement with PCNC on the terms and conditions as provided in the Arrangement Agreement and the recommendations of the Prophecy Special Committee and have unanimously determined that the Arrangement is in the best interests of Prophecy and is fair to the Prophecy Securityholders. The Prophecy Board unanimously recommends that Prophecy Shareholders vote in favour of the Arrangement.**

**The independent members of the PCNC Board have considered the proposed Acquisitions with Prophecy on the terms and conditions as provided in the Arrangement Agreement and the recommendations of the PCNC Special Committee and unanimously determined that the Acquisition is in the best interests of PCNC and is fair to the PCNC Securityholders. The PCNC Board recommends that PCNC Shareholders vote in favour of the Arrangement.**

The President, Chief Executive Officer and Chairman of Prophecy, Mr. John Lee, is the Chairman of PCNC and a director of each of PCNC and Prophecy and will remain so following completion of the Acquisition and Arrangement. Mr. Greg Hall is also a director of both PCNC and Prophecy and will remain so following completion of the Arrangement. Mssrs Hall and Lee are also shareholders of each of PCNC and Prophecy. In addition Mr. Lee, through MCM, is a party to the MCM Consulting Agreement pursuant to which he provides services as Chief Executive Officer to Prophecy and which will continue in effect following the Arrangement. As a result, Mssrs. Lee and Hall abstained from voting on the resolutions of each of the PCNC Board and the Prophecy Board approving the Acquisition and Arrangement, respectively, but are in agreement with the decision and recommendations of the PCNC Board and Prophecy Board.

Please see “*The Acquisition and Arrangement – Recommendations of the Board of Directors*” for further information.

### **Procedure for Arrangement Becoming Effective**

#### ***Procedural Steps***

The Arrangement shall be carried out pursuant to the BCBCA. Aside from the terms of the Interim Order which was obtained from the Court on April 29, 2011 and attached hereto as Schedule “D”, the following procedural steps must be taken in order for the Arrangement to become effective:

1. the Arrangement must be approved by the Prophecy Shareholders and Acquisition and Consolidation must be approved by the PCNC Shareholders;
2. if approved by the PCNC Shareholders and the Prophecy Shareholders, and assuming all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, are satisfied or waived by the appropriate party, a hearing before the Court must be held to approve the Arrangement; and
3. the Final Order must be issued by the Court and filed with the Registrar.

Please see “*The Acquisition and Arrangement – Procedure for the Arrangement to become Effective*” for additional information.

## ***Shareholder Approvals***

### *Prophecy*

Pursuant to the BCBCA and the articles of Prophecy, the Arrangement Resolution approving the Arrangement and the Arrangement Agreement must be passed, with or without variation, by two-thirds of all votes cast with respect to the Arrangement Resolution by the Prophecy Shareholders, present in person or by proxy at the Prophecy Meeting.

Notwithstanding the foregoing, the Arrangement Resolution authorizes the Prophecy Board, without further notice to or approval of the Prophecy Shareholders, subject to the terms of the Arrangement, to decide not to proceed with the Arrangement and to revoke such Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the BCBCA.

If more than 5% of the Prophecy Shares become the subject of Dissent Rights, the Arrangement may be terminated.

### *PCNC*

Pursuant to the Exchange Policies, the Acquisition Resolution approving the Acquisition and the Arrangement Agreement must be passed, with or without variation, by 50% plus 1 vote of all votes cast with respect to the Acquisition Resolution by the PCNC Shareholders, present in person or by proxy at the PCNC Meeting.

Pursuant to the BCBCA and the articles of PCNC, the Consolidation Resolution approving the Consolidation and the Arrangement Agreement must be passed, with or without variation, by 50% plus 1 vote of all votes cast with respect to the Consolidation Resolution by the PCNC Shareholders, present in person or by proxy at the PCNC Meeting.

Notwithstanding the foregoing, the Acquisition Resolution and the Consolidation Resolution authorize the PCNC Board, without further notice to or approval of the PCNC Shareholders, subject to the terms of the Arrangement Agreement, to decide not to proceed with the Acquisition and Consolidation and to revoke such Acquisition Resolution and Consolidation Resolution at any time prior to the Acquisition and Consolidation becoming effective pursuant to the provisions of the Exchange Policies and BCBCA.

Please see “*The Acquisition and Arrangement – Shareholder Approvals*” for further information.

### ***Court Approval***

The Arrangement under the BCBCA requires the approval of the Court. Prior to the mailing of the Circular, Prophecy obtained the Interim Order providing for the calling and holding of the Prophecy Meeting and other procedural matters relating to the Arrangement. A copy of the Interim Order is attached hereto as Schedule “D”.

Provided that the Arrangement is approved by the requisite majority of the Prophecy Shareholders and the Acquisition and Consolidation is approved by the require majority of PCNC Shareholders and certain other conditions are met, Prophecy will make application to the Court for the Final Order at 9:45 a.m. Vancouver time (or so soon thereafter as legal counsel can be heard) on June 2, 2011 at the Court House, 800 Smithe Street, Vancouver, British Columbia. The Final Order is not effective until filed with the Registrar, and the Final Order will only be filed when all other conditions to closing have been met. At the hearing for the Final Order any security holder or creditor of Prophecy has the right to appear, be heard and present evidence if such person is of the view that his or her interests may be prejudiced by the Arrangement. (See also Schedule “D” - Interim Order and “*The Acquisition and Arrangement – Court Approvals*”).

### **Approval of TSX Venture Exchange**

PCNC and Prophecy have applied for Exchange’s acceptance of the Arrangement. PCNC and Prophecy expect to receive approval to the Acquisition, Consolidation and Arrangement and the listing of the PCNC Shares issuable

pursuant to the Acquisition, subject to fulfillment of the general listing requirements of the Exchange, which are expected to be met in conjunction with the completion of the Arrangement and other customary filings with the Exchange. It is a condition of the Arrangement and Acquisition that the PCNC Shares to be issued or issuable to Prophecy and the Prophecy Shareholders be accepted for listing on the Exchange and that the Exchange approves the Arrangement, Acquisition and Consolidation. Please see *“The Acquisition and Arrangement – Approval of the Exchange”*.

### **Securities Laws Information for Canadian Prophecy Shareholders**

The issuances of the New Common Shares and PCNC Shares pursuant to the Arrangement will be exempt from the registration and prospectus requirements of Canadian securities legislation. The New Common Shares and PCNC Shares may be resold in each of the provinces and territories of Canada, without significant restriction, provided the trade is not by a Control Person, no unusual effort is made to prepare the market or create a demand for those securities and no extraordinary commission or consideration is paid in respect of that sale. For further information, see *“The Acquisition and Arrangement - Resale of New Common Shares and PCNC Shares.”*

### **Securities Law Information for United States Prophecy Shareholders**

The New Common Shares and PCNC Shares to be issued to Prophecy Shareholders under the Arrangement will not be registered under the U.S. Securities Act or the securities laws of any state of United States and will be issued pursuant to the exemption from the registration requirements provided under Section 3(a)(10) of the U.S. Securities Act and exemptions under applicable state securities law. The New Common Shares and PCNC Shares held by holders who were not “affiliates” of Prophecy are not subject to restriction on re-sale.

Neither PCNC nor Prophecy has a class of securities registered with the SEC and, accordingly, neither is a reporting company in the United States.

For further information, see *“The Acquisition and Arrangement - Court Approvals”*, *“The Acquisition and Arrangement - Resale of New Common Shares and PCNC Shares”* and *“The Acquisition and Arrangement - Additional Securities, Tax and Financial Statements Information for Prophecy Shareholders in the United States.”*

### **Exchange of Share Certificates**

Following completion of the Arrangement, PCNC shall mail the PCNC Letter of Transmittal to registered PCNC Shareholders for the surrender of their PCNC Shares in exchange for certificates representing post-Consolidation PCNC Shares.

Additionally, following completion of the Arrangement, PCNC and Prophecy shall mail the Prophecy Letter of Transmittal to registered Prophecy Shareholders for the surrender of certificates which formerly represented Prophecy Shares for use in exchanging those certificates for certificates representing New Common Shares and PCNC Shares. The Prophecy Letter of Transmittal contains complete instructions on how such persons are to exchange their securities. **Registered Prophecy Shareholders should read and follow these instructions. The Prophecy Letter of Transmittal, when properly completed and delivered together with certificates representing the applicable Prophecy Shares and all other required documents, will enable former registered shareholders to obtain the certificates for New Common Shares and PCNC Shares to which they are entitled pursuant to the Arrangement.** Certificates will be mailed to Prophecy Shareholders as soon as is practicable following receipt by the Depository of a completed Prophecy Letter of Transmittal and other required documents at the address specified in such Prophecy Letter of Transmittal. If requested, certificates may be picked up by the holder at the office of the Depository.

Any certificate that immediately prior to the Effective Date, represented outstanding Prophecy Shares and that has not been surrendered with all of the instruments required by the Plan of Arrangement on or before the sixth anniversary of the Effective Date, will cease to represent any claim against or interest in any kind or nature in Prophecy, PCNC, Spinco or the Depository. Accordingly, persons who tender certificates for Prophecy Shares after

this sixth anniversary will not receive New Common Shares or PCNC Shares, will not own any interest in Prophecy, PCNC or Spinco and will not be paid any cash or other compensation.

**The holders of certificates representing Prophecy Options, Prophecy Warrants or Prophecy Broker Warrants are not required to surrender such certificates to Prophecy until such time as they wish to exercise their Prophecy Options, Prophecy Warrants or Prophecy Broker Warrants. Prophecy Convertible Securityholders are entitled to receive a written confirmation from Prophecy and PCNC that the certificates representing the Prophecy Options, Prophecy Warrants or Prophecy Broker Warrants, as the case may be, are exercisable to receive New Common Shares and PCNC Shares in accordance with the terms of the Plan of Arrangement.**

Please see “*The Acquisition and Arrangement – Exchange of Share Certificates*” for more information.

### **Right to Dissent**

Prophecy Shareholders are entitled as a consequence of the Arrangement to dissent and be paid the fair value of their Prophecy Shares, in respect of which such Dissenting Shareholders dissent, in accordance with Sections 237 through 247 of the BCBCA as modified by the Interim Order and the Plan of Arrangement, if such shareholders give notice that they object to the Arrangement and Prophecy proceeds to make the Arrangement effective. See Schedule “C” attached hereto for the full text of Sections 237 through 247 of the BCBCA, Schedule “B” attached hereto for the Plan of Arrangement and Schedule “D” attached hereto for the Interim Order.

The notice and dissent procedure requirements **MUST BE STRICTLY OBSERVED**. One of the conditions to the consummation of the Arrangement is that Dissent Notices are not received for a number of the Prophecy Shares in excess of 5% of Prophecy’s issued and outstanding common shares because that may make the Arrangement, in the opinion of Prophecy, impractical or no longer in the best interests of Prophecy. See “*Dissent Rights*” for further information.

### **Canadian Federal Income Tax Considerations**

Please refer to the summary of Canadian federal income tax considerations contained in this Circular set forth under “*Canadian Federal Income Tax Considerations*”. **All Prophecy Shareholders should consult their own tax advisers for advice with respect to their own particular circumstances.**

### **United States Federal Income Tax Considerations**

Please refer to the summary of United States federal income tax consequences set forth in this Circular under “*Certain United States Federal Income Tax Considerations*.” **All Prophecy shareholders should consult their own tax advisers for advice with respect to their own particular circumstances.**

### **Interest of Insiders, Promoters or Control Persons**

The chart below indicates the total number of PCNC Shares and the percentage of such issued and outstanding PCNC Shares held by insiders, promoters and control persons of PCNC as of the Record Date:

<b>Name and Position of Insider</b>	<b>Number of PCNC Shares</b>	<b>Percentage of Issued and Outstanding PCNC Shares</b>
John Lee, Chairman, interim Chief Executive Officer and Director <sup>(1)</sup>	2,089,500	3.73%
John Icke, Director <sup>(2)</sup>	102,401	0.18%
Donald Gee, Director <sup>(3)</sup>	Nil	N/A
David Patterson, Director <sup>(4)</sup>	Nil	N/A
D. Greg Hall, Director <sup>(5)</sup>	350,000	0.62%
John Kerr, Director <sup>(6)</sup>	825,000	1.47%
Michael Sweatman, Director <sup>(7)</sup>	842,000	1.50%

Name and Position of Insider	Number of PCNC Shares	Percentage of Issued and Outstanding PCNC Shares
David McAdam, Chief Financial Officer	Nil	N/A
Christina Boddy, Corporate Secretary	Nil	N/A
Resinco Capital Partners Inc., Insider <sup>(8)</sup>	13,068,500	23.32%
Consolidated International Investment Holdings Inc., Insider <sup>(9)</sup>	5,000,000	8.92%

- (1) Mr. Lee holds 1,600,000 PCNC Shares directly and 489,500 PCNC Shares indirectly through Merit Holdings Limited, a private entity of which he is the sole shareholder. In addition to the above, Mr. Lee holds 1,000,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015 and 1,600,000 PCNC Warrants exercisable at a price of \$0.10 per PCNC Share until January 6, 2013.
- (2) In addition to the PCNC Shares noted above, Mr. Icke holds 250,000 PCNC Options exercisable at a price of \$0.10 per PCNC Share until August 7, 2014 and 250,000 PCNC Options exercisable at a price of \$0.20 per PCNC Share until January 11, 2016.
- (3) Mr. Gee holds 250,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015.
- (4) Mr. Patterson holds 250,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015.
- (5) In addition to the PCNC Shares noted above, Mr. Hall holds 250,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015 and 350,000 PCNC Warrants exercisable at a price of \$0.10 per PCNC Share until January 6, 2013.
- (6) In addition to the PCNC Shares noted above, Mr. Kerr holds 37,500 PCNC Options exercisable at a price of \$0.16 per PCNC Share until January 7, 2013 and 125,000 PCNC Options exercisable at a price of \$0.10 per PCNC Share until November 6, 2014.
- (7) In addition to the PCNC Shares noted above, Mr. Sweatman holds 250,000 PCNC Options exercisable at a price of \$0.20 per PCNC Share until January 11, 2016, 50,000 PCNC Options exercisable at a price of \$0.16 per PCNC Share until January 7, 2013 and 250,000 PCNC Options exercisable at a price of \$0.10 per PCNC Share until November 6, 2014.
- (8) Resinco Capital Partners Incorporated is a publicly trading investment issuer on the Toronto Stock Exchange. In addition to the PCNC Shares noted above, Resinco Capital Partners Inc. holds 1,500,000 PCNC Warrants exercisable at a price of \$0.10 per PCNC Share until January 6, 2013.
- (9) Consolidated International Investment Holdings Inc. is a private entity which holds its PCNC Shares indirectly through MineralFields 2010-V Super Flow-Through LP, which holds 1,500,000 PCNC Shares and Pathway Mining 2010-II Flow Through LP, which holds 3,500,000 PCNC Shares. In addition to the PCNC Shares noted above, Consolidated International Investment Holdings Inc. holds 2,500,000 PCNC Warrants indirectly through MineralFields 2010-V Super Flow-Through LP, which holds 750,000 PCNC Warrants and Pathway Mining 2010-II Flow Through LP, which holds 1,750,000 PCNC Warrants, each exercisable at a price of \$0.10 per PCNC Share until August 9, 2012 and 500,000 PCNC Brokers Warrants and exercisable into units at a price of \$0.05 per unit, such that, on a partially diluted basis, Consolidated International Investment Holdings Inc. would hold 13.90% of the PCNC Shares if all of its PCNC Warrants were exercised.

The chart below indicates the total number of Prophecy Shares and the percentage of such issued and outstanding Prophecy Shares held by insiders, promoters and control persons of Prophecy and PCNC as of the Record Date:

Name and Position	Number of Prophecy Shares	Percentage of Issued and Outstanding Prophecy Shares
John Lee, Chairman, President, Chief Executive Officer and Director <sup>(1)</sup>	9,597,970	5.05%
Paul McKenzie, Director <sup>(2)</sup>	146,060	0.08%
Greg Hall, Director <sup>(3)</sup>	1,192,000	0.63%
Paul Venter, Director and VP Energy Operations <sup>(4)</sup>	Nil	N/A
Michael Deats, Director <sup>(5)</sup>	Nil	N/A
John McGoran, Director <sup>(6)</sup>	200,750	0.11%
Baz Chuluunbaatar, Director <sup>(7)</sup>	1,000,000	0.53%
Jivko Savov, Director <sup>(8)</sup>	Nil	N/A
Joseph Li, Corporate Secretary <sup>(9)</sup>	1,107,870	0.58%
Irina Plavutska, interim Chief Financial Officer <sup>(10)</sup>	Nil	N/A
Enkhbaatar Orchibal, VP Mongolia Country Manager <sup>(11)</sup>	Nil	N/A

Name and Position	Number of Prophecy Shares	Percentage of Issued and Outstanding Prophecy Shares
Christaan Van Eeden, VP Mining Operations <sup>(12)</sup>	Nil	N/A

- (1) Of which 1,522,000 Prophecy Shares are held directly, and 8,075,970 Prophecy Shares are held through Merit Holdings Ltd. In addition to the Prophecy Shares noted above, Mr. Lee holds 500,000 Prophecy Options exercisable at a price of \$0.25 per Prophecy Share until October 29, 2014; 350,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 125,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015, 1,000,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015, 600,000 Prophecy Warrants held directly exercisable at a price of \$0.10 per Prophecy Share until December 31, 2011, and through Merit Holdings Ltd., 138,000 Prophecy Warrants exercisable at a price of \$0.65 per Prophecy Share until September 1, 2011, 1,205,200 Prophecy Warrants exercisable at a price of \$0.49 per Prophecy Share until February 17, 2012, 375,000 Prophecy Warrants exercisable at a price of \$0.60 per Prophecy Share until June 5, 2011, 62,500 Prophecy Warrants exercisable at a price of \$0.80 per Prophecy Share until March 23, 2012.
- (2) In addition to the Prophecy Shares noted above, Mr. McKenzie holds 492,200 Prophecy Options exercisable at a price of \$0.40 per Prophecy Share until January 23, 2014, 75,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 25,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015 and 50,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (3) In addition to the Prophecy Shares noted above, Mr. Hall holds 300,000 Prophecy Options exercisable at a price of \$0.25 per Prophecy Share until October 29, 2014; 75,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 25,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015, 80,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015 and 500,000 Prophecy Warrants exercisable at a price of \$0.10 per Prophecy Share until December 31, 2011.
- (4) Mr. Venter holds 100,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 150,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015 and 200,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (5) Mr. Deats holds 200,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015
- (6) Of which 169,500 Prophecy Shares are held directly and 31,250 Prophecy Shares are held through J.P. McGoran and Associates, a private entity of which Mr. McGoran is the sole shareholder. In addition to the Prophecy Shares noted above, Mr. McGoran holds 125,000 Prophecy Options exercisable at a price of \$0.60 per Prophecy Share until July 17, 2014, 75,000 Prophecy Options exercisable at a price of \$0.80 per Prophecy Share until April 30, 2014, 25,000 Prophecy Options at a price of \$0.54 per Prophecy Share until September 21, 2015, 50,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015, 31,250 Prophecy Warrants exercisable at a price of \$0.60 per Prophecy Share until August 18, 2011 and through J.P. McGoran and Associates, a further 31,250 Prophecy Warrants exercisable at a price of \$0.60 per Prophecy Share until August 18, 2011.
- (7) In addition to the Prophecy Shares noted above, Mr. Chuluumbaatar holds 1,000,000 Prophecy Options exercisable at a price of \$0.77 per Prophecy Share until December 24, 2015.
- (8) Mr. Savov holds 300,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (9) In addition to the Prophecy Shares noted above, Mr. Li holds 100,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015 and 100,000 Prophecy Options exercisable at a price of \$1.07 per Prophecy Share until March 2, 2016.
- (10) Ms. Plavutska holds 50,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015 and 100,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (11) Mr. Orchibal holds 115,000 Prophecy Options exercisable at a price of \$0.40 per Prophecy Share until January 23, 2014, 75,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 50,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015 and 50,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (12) Mr. Van Eeden holds 250,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.

### **Arm's Length Transaction**

The Acquisition is not a Related Party Transaction.

### **Available Funds**

As PCNC believes it has sufficient working capital to complete its business objectives for the 18 month period following the Effective Date, it does not intend to complete any debt or equity financing in conjunction with the Acquisition.

Upon the Acquisition, PCNC will have approximately \$3,400,000 of estimated funds available, comprised of PCNC's working capital as at the Record Date.

The principal purpose of such funds, after giving effect to the Acquisition, will be for, among other things, working capital and future exploration activities on the Lynn Lake Property and Wellgreen Property. See "*Information Concerning PCNC – Post Acquisition – Available Funds and Principal Purposes*" for more information.

### **Selected Pro Forma Consolidated Financial Information**

**The following information should be read in conjunction with the (a) pro forma financial statements of the Prophecy and PCNC following completion of the Arrangement and the Acquisition, respectively, which are attached as Schedule "H" and "I" hereto; (b) the segmented financial statements of Spinco for the year ended December 31, 2010, which are attached as Schedule "G" hereto, (c) the interim financial statements of PCNC for the six month period ended January 31, 2011 and MD&A filed in connection with those financial statements, (d) the audited financial statements of PCNC for the years ended July 31, 2010 and July 31, 2009 and MD&A filed in connection with the year ended July 31, 2010, (e) the audited financial statements of Prophecy for the years ended December 31, 2010 and December 31, 2009 and MD&A of Prophecy for the year ended December 31, 2010, all of which are available on SEDAR at [www.sedar.com](http://www.sedar.com) and incorporated by reference herein.**

The following table sets out certain financial information for Prophecy and PCNC, on a consolidated basis, and pro forma financial information for the Prophecy and PCNC after giving effect to the Arrangement and Acquisition and certain other adjustments.

## Selected Financial Information

Balance Sheet Data	PCNC at January 31, 2011	Prophecy at December 31, 2010	PCNC Pro Forma as at January 31, 2011 <sup>(1)</sup>	Prophecy Pro Forma as at December 31 2010 <sup>(1)</sup>
<b>Assets:</b>				
Current Assets	\$1,441,918	\$43,116,975	\$3,441,919	\$41,116,975
Other Assets	\$1,517,175	\$74,395,383	\$113,907,529	\$48,765,699
<b>Total Assets</b>	<b>\$2,959,093</b>	<b>\$117,512,358</b>	<b>\$117,349,448</b>	<b>\$89,882,674</b>
<b>Liabilities:</b>				
Current Liabilities	\$118,286	\$7,305,285	\$118,286	\$7,305,285
Other Liabilities	N/A	\$8,606,656	\$26,640,355	\$456,000
<b>Total Liabilities</b>	<b>\$118,286</b>	<b>\$15,911,941</b>	<b>\$26,758,641</b>	<b>\$7,761,285</b>
<b>Shareholder's Equity:</b>				
Capital Stock	\$4,696,774	\$125,458,376	\$92,446,779	\$125,458,376
Contributed Surplus	\$1,930,092	\$5,407,447	\$1,930,092	\$5,407,447
Other Comprehensive Income	Nil	(\$512,616)	Nil	(\$512,616)
Deficit	(\$3,786,059)	(\$28,752,790)	(\$3,786,059)	(\$48,231,818)
<b>Total Equity</b>	<b>\$2,840,807</b>	<b>\$101,600,417</b>	<b>\$90,590,807</b>	<b>\$82,121,389</b>
<b>Net Income (Loss) for period</b>	<b>(\$682,828)</b>	<b>(\$5,771,841)</b>	<b>(\$682,828)</b>	<b>(\$5,771,841)</b>
<b>Comprehensive Income (Loss)</b>	<b>(\$682,828)</b>	<b>(\$6,284,457)</b>	<b>(\$682,828)</b>	<b>(\$6,284,457)</b>
<b>Number of Shares Issued and Outstanding</b>	<b>55,709,642</b>	<b>184,981,199</b>	<b>50,570,984</b>	<b>184,981,199</b>

(1) After giving effect to the Acquisition, Consolidation and Arrangement.

After giving effect to the proposed Arrangement, Prophecy will have approximately \$20,200,000 of working capital available to it (before deduction of the expenses relating to the Arrangement but after its receipt of the Spinco Cash) to achieve its business objectives. Prophecy intends to use the funds available to it to achieve the objectives set out under "Information Concerning Prophecy Post Arrangement – Available Funds and Principal Purposes" once the Arrangement has been completed.

After giving effect to the proposed Acquisition and Consolidation, PCNC will have approximately \$3,400,000 available to it to achieve its business objectives. PCNC intends to use the funds available to it to achieve the

objectives set out under “*Information Concerning PCNC Post Arrangement – Available Funds and Principal Purposes*” once the Acquisition has been completed. PCNC will principally apply its resources toward the exploration and development of the Nickel Assets.

### **Market for Securities**

The PCNC Shares and the Prophecy Shares are listed on the Exchange with trading symbols “NKL” and “PCY”, respectively. The price of the PCNC Shares on the last day the PCNC Shares traded prior to the announcement of the Acquisition on January 18, 2011 was \$0.195 (on January 17, 2011). Trading in the PCNC Shares was halted in accordance with Exchange Policies on January 18, 2011. Reinstatement to trading occurred on March 2, 2011. As of March 31, 2011, the closing price of the PCNC Shares was \$0.16.

PCNC and Prophecy have applied for approval from the Exchange for the Acquisition and Consolidation and the Arrangement, respectively, and the listing of PCNC Shares to be issued pursuant to the Acquisition. Closing will be subject to the fulfillment of all of the requirements of the Exchange. It is a mutual condition precedent to the completion of the Arrangement that the approval of the Exchange be obtained. Please see “*The Acquisition and Arrangement – Approval of the Exchange*” for further information.

### **Sponsor**

Pursuant to the Sponsorship Policy, sponsorship is required in conjunction with an RTO. PCNC has made application to the Exchange for an exemption from the sponsorship requirement on the basis that: (a) it will not be a foreign issuer or the holder of a foreign property upon the Effective Date; (b) the board of directors and management of PCNC meet a high standard and collectively possess appropriate experience, qualifications and history, having positive records with junior companies and appropriate technical and other experiences with public companies in Canada and the United States, and (c) PCNC will be a mining issuer, satisfying the Exchange’s initial listing requirements for a Tier 1 Issuer and will have a current technical report on its material mineral property. There are no assurances that PCNC will be granted an exemption from sponsorship.

Please see “*Information Concerning PCNC – Post Acquisition – Sponsorship*”.

### **Conflicts of Interest**

The directors and officers of Prophecy and PCNC are involved in other projects, including projects in the mining industry and the investment industry, and may have a conflict of interest in allocating their time between the business of the Resulting Issuer and other businesses or projects in which they are or will become involved, including Spinco. Please see “*Information Concerning PCNC Post Acquisition – Conflicts of Interest*” and “*Information Concerning PCNC Post-Acquisition – Other Reporting Issuer Experience*” and “*Information Concerning Prophecy Post Arrangement – Conflicts of Interest*” and “*Information Concerning Prophecy Post-Arrangement – Other Reporting Issuer Experience*”.

### **Interests of Experts**

To the best of Prophecy’s and PCNC’s knowledge, no direct or indirect interest in PCNC or Prophecy is held or will be received by any experts. Please see “*General Information – Experts*” for more information.

### **Timing**

It is anticipated that the Acquisitions, Consolidation Arrangement will become effective after the requisite approval of the PCNC Shareholders, Prophecy Shareholders, Court and regulatory approvals have been obtained and all other conditions to the Acquisitions, Consolidation and Arrangement have been satisfied or waived. It is anticipated that the Arrangement will become effective on or before June 15, 2011.

**Risk Factors**

**In considering approval of the Acquisition, Consolidation and Arrangement, PCNC Shareholders and Prophecy Shareholders should carefully consider certain risks involved in the business of Prophecy and PCNC. Following the completion of the Acquisition and Consolidation, PCNC will hold the Nickel Assets, and will carry on the activities described in this Circular. See “*Information Concerning PCNC*” and “*Information Concerning Prophecy*”. For a description of material risk factors affecting Prophecy and PCNC upon completion of the Arrangement, see “*Risk Factors*”.**

**Accompanying Documents**

This Circular is accompanied by several Schedules which are incorporated by reference into, form an integral part of, and should be read in conjunction with this Circular. It is recommended that PCNC Shareholders and Prophecy Shareholders read this Circular and the attached Schedules in their entirety.

## GENERAL PROXY INFORMATION

### Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the management of each of PCNC and Prophecy for use at the PCNC Meeting and Prophecy Meeting, respectively. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by directors, officers or employees of each of PCNC or Prophecy. Costs of the solicitation of proxies for the PCNC Meeting will be borne by PCNC and costs of the solicitation of proxies for the Prophecy Meeting will be borne by Prophecy. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of each of PCNC or Prophecy who will not be directly compensated therefore. Each of PCNC and Prophecy has arranged for intermediaries to forward meeting materials to beneficial owners of the PCNC Shares and the Prophecy Shares, respectively, held of record by those intermediaries and PCNC and Prophecy may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

### Appointment of Proxy

Accompanying this Circular are forms of proxy for each of the PCNC Shareholders and the Prophecy Shareholders. The individuals named in the accompanying forms of proxy are directors or officers of PCNC or Prophecy, as the case may be. **A shareholder has the right to appoint a person (who need not be a securityholder of PCNC or Prophecy) to attend and act for him on his behalf at the applicable PCNC Meeting or Prophecy Meeting other than the persons named in the enclosed applicable instrument of proxy. To exercise this right, a shareholder must strike out the names of the persons named in the instrument of proxy and insert the name of his nominee in the blank space provided, or complete another instrument of proxy.**

**The completed instrument of proxy must be dated and signed and the duly completed instrument of proxy must be deposited at PCNC and Prophecy's transfer agent, COMPUTERSHARE INVESTOR SERVICES INC. no later than forty eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the time of the PCNC Meeting or Prophecy Meeting, as applicable, or adjournment thereof or may be accepted by the chairman of the PCNC Meeting or Prophecy Meeting, as applicable, prior to the commencement of such meeting. The mailing address for proxies is:**

**Computershare Investor Services Inc.  
100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1  
Fax number: 1-866-249-7775  
Vote by Phone:  
Registered Shareholders: 1-866-732-VOTE (8683)  
Beneficial Shareholders: 1-866-734-VOTE (8683)**

**Vote Online: [www.investorvote.com](http://www.investorvote.com)**

The instrument of proxy must be signed by the shareholder or by his duly authorized attorney. If signed by a duly authorized attorney, the instrument of proxy must be accompanied by the original power of attorney or a notarially certified copy thereof. If the shareholder is a corporation, the instrument of proxy must be signed by a duly authorized attorney, officer, or corporate representative, and must be accompanied by the original power of attorney or document whereby the duly authorized officer or corporate representative derives his power, as the case may be, or a notarially certified copy thereof.

The articles of PCNC and Prophecy confer discretionary authority upon the chairman of the meeting to accept proxies which do not strictly conform to the foregoing requirements and certain other requirements set forth in the articles of PCNC and Prophecy, as applicable.

## Voting by Proxy and Exercise of Discretion

On any poll, the persons named in the enclosed instrument of proxy will vote the shares in respect of which they are appointed and, where directions are given by the shareholder in respect of voting for or against any resolution, will do so in accordance with such direction.

**In the absence of any direction in the instrument of proxy, it is intended that such PCNC Shares or Prophecy Shares will be voted in favour of the motions proposed to be made at the PCNC Meeting or Prophecy Meeting, respectively, as stated under the headings in this Circular.** The instrument of proxy enclosed, when properly signed, confers discretionary authority to the nominee with respect to amendments or variations to any matters identified in the applicable notice of meeting, and other matters which may be properly brought before the PCNC Meeting or Prophecy Meeting. At the time of printing of this Circular, the management of PCNC and Prophecy are not aware that any such amendments, variations or other matters are to be presented for action at the PCNC Meeting or Prophecy Meeting. However, if any other matters which are not now known to the management should properly come before the PCNC Meeting or Prophecy Meeting, the proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the nominee.

## Revocation of Proxies

Any registered shareholder who has returned a proxy may revoke it at any time before it has expired. In addition to revocation in any other manner permitted by law, a shareholder may revoke a proxy either by (a) signing a proxy bearing a later date and depositing it at the place and within the time aforesaid, or (b) signing and dating a written notice of revocation (in the same manner as the instrument of proxy is required to be executed as set out in the notes to the instrument of proxy) and either depositing it at the place and within the time aforesaid or with the chairman of the meeting on the day of such meeting or on the day of any adjournment thereof, or (c) registering with the scrutineer at the meeting as a shareholder present in person, whereupon such proxy is deemed to have been revoked. **Only registered shareholders have the right to revoke a proxy. Non-Registered Holders (as defined below under “Non-Registered Holders of PCNC Shares or Prophecy Shares”) who wish to change their vote must arrange for their respective intermediaries to revoke the proxy on their behalf.**

## Non-Registered Holders of PCNC Shares or Prophecy Shares

Only registered shareholders or duly appointed proxyholders are permitted to vote at the PCNC Meeting or the Prophecy Meeting. Most PCNC Shareholders and Prophecy Shareholders are “non-registered” shareholders (“**Non-Registered Holders**”) because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased their shares. In addition, a person is not a registered shareholder in respect of shares which are held on behalf of that person but which are registered either: (a) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) of the Canadian Securities Administrators, PCNC and Prophecy have distributed copies of their respective notices of meeting, this Circular and the instruments of proxy (collectively, the “**Proxy Solicitation Materials**”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Proxy Solicitation Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them under NI 54-101. Very often, Intermediaries will use service companies, such as Broadridge Financial Solutions Inc. (“**Broadridge**”), to forward the Proxy Solicitation Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Proxy Solicitation Materials will either:

- (a) be given a form of proxy which **has already been signed by the Intermediary** (typically by facsimile, stamped signature), which is restricted as to the number of securities beneficially owned by the Non-Registered Holder but which is otherwise incomplete. Because the Intermediary has already signed the

form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and **deposit it with Computershare Investor Services Inc. or PCNC or Prophecy, as the case may be, as provided above;** or

- (b) more typically, be given a voting instruction form which is **not signed by the Intermediary**, and which when properly completed and signed by the Non-Registered Holder and **returned to the Intermediary or its service company** (such as Broadridge), will constitute voting instructions (often called a “proxy authorization form”) which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. In the alternative, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label containing a bar-code and other information. In order for the form of proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of PCNC Shares and/or Prophecy Shares which they beneficially own. Should a Non-Registered Holder who received one of the above mentioned forms wish to vote at a Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders named in the form and insert their own name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary or its agents, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

### **Requisite Shareholder Approvals**

Each PCNC Shareholder of record at the close of business on the Record Date will be entitled to receive notice of and vote at the PCNC Meeting. Each Prophecy Shareholder of record at the close of business on the Record Date will be entitled to receive notice of and vote at the Prophecy Meeting.

As of the Record Date, PCNC had 56,034,842 PCNC Shares issued and outstanding. The PCNC Shareholders are entitled to one vote for each PCNC Share held in respect of the Acquisition Resolution and the Consolidation.

In order to be effective, the Acquisition Resolution and the Consolidation Resolution to be submitted to the PCNC Shareholders at the PCNC Meeting must be approved by the affirmative vote of at least 50% plus one vote of the votes cast thereon. A quorum at the PCNC Meeting will consist of at least two PCNC Shareholders present in person or represented by proxy and representing not less than 5% of the PCNC Shares entitled to vote at the PCNC Meeting

As of the Record Date, Prophecy had 189,973,664 Prophecy Shares issued and outstanding. The Prophecy Shareholders are entitled to one vote for each Prophecy Share held in respect of the Arrangement Resolutions.

In order to be effective, the Arrangement Resolution to be submitted to the Prophecy Shareholders at the Prophecy Meeting must be approved by the affirmative vote of at least two-thirds of the votes cast thereon. A quorum at the Prophecy Meeting will consist of at least two Prophecy Shareholders present in person or represented by proxy and representing not less than 5% of the Prophecy Shares entitled to vote at the Prophecy Meeting.

### **Interest of Certain Persons in Matters to be Acted Upon**

Other than as disclosed elsewhere in this Circular, no informed person, none of the directors or senior officers of either of PCNC or Prophecy, none of the persons who have been directors or senior officers of PCNC or Prophecy since the commencement of either of PCNC or Prophecy’s last completed financial year and no associate

or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the PCNC Meeting or the Prophecy Meeting.

### **Indebtedness of Directors, Executive Officers and Senior Officers**

No person who is or at any time during the most recently completed financial year was a director, executive officer or senior officer of PCNC or Prophecy, and no associate of any of the foregoing persons has been indebted to either of PCNC or Prophecy at any time since the commencement of PCNC's or Prophecy's last completed financial year.

### **Record Date**

Only PCNC Shareholders and Prophecy Shareholders of record on the close of business on the 27th day of April 2011, who either personally attend the PCNC Meeting or Prophecy Meeting, respectively, who complete and deliver an instrument of proxy in the manner and subject to the provisions set out under the heading "*Appointment of Proxy*" and "*Revocation of Proxies*" will be entitled to have his or her PCNC Shares or Prophecy Shares voted at the PCNC Meeting or Prophecy Meeting, respectively, or any adjournment thereof.

### **Principal Shareholders**

To the knowledge of the directors and senior officers of PCNC as of the date hereof, only the following persons own, directly or indirectly, or exercises control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of PCNC.

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>Percentage of Issued and Outstanding PCNC Shares</b>
Resinco Capital Partners Inc.	13,068,500	23.32%
Consolidated International Investment Holdings Inc. <sup>(1)</sup>	5,000,000	8.92%

(1) Of which 3,500,000 PCNC Shares are held indirectly through MineralFields 2010-V Super Flow Through LP and 1,500,000 PCNC Shares are held indirectly through Pathway Quebec Mining 2010 Flow-Through LP. In addition to the PCNC Shares noted above, Consolidated International Investment Holdings Inc. holds 2,500,000 PCNC Warrants indirectly through MineralFields 2010-V Super Flow-Through LP, which holds 750,000 PCNC Warrants and Pathway Mining 2010-II Flow Through LP, which holds 1,750,000 PCNC Warrants, each exercisable at a price of \$0.10 per PCNC Share until August 9, 2012 and 500,000 PCNC Brokers Warrants and exercisable into units at a price of \$0.05 per unit, such that, on a partially diluted basis, Consolidated International Investment Holdings Inc. would hold 13.90% of the PCNC Shares if all of its PCNC Warrants and PCNC Broker Warrants were exercised.

To the knowledge of the directors and senior officers of Prophecy as of the date hereof, no persons own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of Prophecy.

The above information was supplied to PCNC by the PCNC insiders and to Prophecy by the Prophecy insiders and from the insider reports available at [www.sedi.com](http://www.sedi.com).

## **THE ACQUISITION AND ARRANGEMENT**

### **Purpose of the Arrangement**

PCNC and Prophecy have agreed to complete a sale of the Nickel Assets by Prophecy to PCNC. PCNC is a junior exploration company with a portfolio of nickel exploration properties located in Canada, Uruguay and Argentina. PCNC's primary assets are the Burwash Property and the Las Aguilas Property. Prophecy is a junior exploration company with a portfolio of more advanced coal exploration properties located in Mongolia and early

stage base and precious metal properties located in British Columbia and Ontario. Prophecy's primary assets are the Ulaan Ovoo Property and the Chandgana Property.

The Arrangement will effectively split the business of Prophecy into two parts:

- (a) One part is the business relating to the Ulaan Ovoo Property and the Chandgana Property and will remain in Prophecy along with certain early stage base and precious metal properties located in British Columbia and Ontario;
- (b) The other part is the business relating to the Nickel Assets which will be transferred by Prophecy to PCNC, which will carry on the business with respect to the Nickel Assets.

Following completion of the Arrangement, Prophecy Shareholders will continue to have interests in both of the businesses of Prophecy, except that their interest in the Nickel Assets will be held through PCNC Shares and indirectly through Prophecy's holding of PCNC Shares. PCNC Shareholders will continue to have interests in the business of PCNC including the Nickel Assets.

### **The Acquisition**

Pursuant to the Arrangement Agreement, PCNC will acquire all of Prophecy's interests in the Nickel Assets in consideration of the issuance of 450,000,000 PCNC Shares, of which 225,000,000 PCNC Shares will be retained by Prophecy and held in accordance with the terms and conditions of the Escrow Agreement and the balance of which, being 225,000,000 PCNC Shares, will be distributed to the Prophecy Securityholders pro rata in accordance with their holdings of Prophecy Securities on the Effective Date in accordance with the terms of the Plan of Arrangement and which will be free of resale restrictions.

Immediately following completion of the Acquisition, PCNC will complete the Consolidation and the PCNC Name Change. Additionally, Prophecy will complete the PCY Name Change.

### **The Arrangement**

The Arrangement provides for the completion of the Acquisition. The Arrangement Agreement establishes the Plan of Arrangement and provides for the following transactions to occur and be deemed to occur without further act or formality at the Effective Time:

- (a) Prophecy Shares held by Dissenting Shareholders will be deemed to be transferred back to Prophecy, and the Dissenting Shareholders will cease to have any rights as Prophecy Shareholders other than the right to be paid fair value for their Prophecy Shares in accordance with the terms of the Plan of Arrangement;
- (b) Prophecy will, and will be deemed to, transfer all of the Spinco Shares to PCNC, at a price, for each Spinco Share, equal to its fair market value, and in consideration for the issuance by PCNC to Prophecy of 450,000,000 PCNC Shares;
- (c) Prophecy's authorized share capital and its notice of articles will be altered by:
  - (i) renaming and redesignating all of the issued and unissued Prophecy Shares as Class A Shares;
  - (ii) creating an unlimited number of common shares without par value as the New Common Shares, with the same rights, privileges and restrictions as the Class A Shares except that the holders of New Common Shares will be entitled to a preferential return of capital on any liquidation of Prophecy;
- (d) on the reorganization of Prophecy's share capital as described above, each issued and outstanding Class A Share outstanding on the Effective Date, other than those held by Dissenting Shareholders, will be deemed to be exchanged for one New Common Share and a pro rata entitlement to the Distribution Shares as of the

Effective Date and such Prophecy Shareholders shall cease to be the holders of the Class A Shares so exchanged;

- (e) the Class A Shares, none of which will be allotted and issued once the steps referred to above are completed, will be cancelled and the authorized capital of Prophecy and its notice of articles shall be amended by deleting the Class A Shares as a class of shares of Prophecy; and
- (f) the Prophecy Convertible Securities will be adjusted such that a Prophecy Convertible Securityholder will, upon the due exercise of its Prophecy Convertible Securities, receive one New Common Share and a pro rata entitlement to the Reserve Shares available as of the Effective Date. All other terms and conditions of the Prophecy Convertible Securities shall remain the same. Following the Effective Date, Prophecy shall hold for the Prophecy Convertible Securityholders, the Reserve Shares, until such time as the Prophecy Convertible Securityholder exercises their Prophecy Convertible Security.

As a result of the Arrangement:

1. Prophecy will continue to hold the Chandgana Property and the Ulaan Ovoo Property, located in Mongolia, as well as certain mineral properties assets located in British Columbia and Ontario; and
2. PCNC will hold the Nickel Assets, including the Spinco Cash, through Spinco, which will become a wholly owned subsidiary of PCNC.

For more detailed information, see the Plan of Arrangement attached to this Circular as Schedule “B”.

No fractional securities will be issued. Any fractions resulting will be rounded down to the next whole number where the resulting fraction is 0.5 or less and rounded up to the next whole number where the resulting fraction is more than 0.5.

As the Effective Date has yet to occur, it is not possible at this time to determine a Prophecy Securityholder exact entitlement to PCNC Securities as a result of the Arrangement. The number of PCNC Securities a Prophecy Securityholders will be able to receive will depend on the number of Prophecy Shares and Prophecy Convertible Securities that are issued and outstanding on the Effective Date.

As of the Record Date, there are 189,973,664 Prophecy Shares issued and outstanding and 47,345,588 Prophecy Convertible Securities issued and outstanding, comprised of 22,181,350 Prophecy Options, 24,894,238 Prophecy Warrants and 180,000 Prophecy Broker’s Warrants.

Assuming that the number of Prophecy Shares and number of Prophecy Convertible Securities issued and outstanding were unchanged on the Effective Date from those outstanding on the Record Date, each Prophecy Shareholder would be entitled to 0.9482 of a pre-Consolidation PCNC Share as a result of the Arrangement, and each Prophecy Convertible Securityholders, when exercising their Prophecy Securities would receive one New Common Shares and 0.9482 of a pre-Consolidation PCNC Share. In the event that more Prophecy Shares or Prophecy Convertible Securities are issued and outstanding on the Effective Date, the number of PCNC Shares to which a Prophecy Shareholder or Prophecy Convertible Securityholder, as the case may be, shall be entitled to will be reduced in accordance with their pro rata holdings as the number of Distribution Shares and Reserve Shares will remain unchanged on the Effective Date. On or immediately following the Effective Date, Prophecy and PCNC will announce via press release the specific entitlements of the Prophecy Shareholders and Prophecy Convertible Securityholders to PCNC Shares.

Assuming that there are 56,034,842 PCNC Shares outstanding as at the Effective Time (which assumes that no PCNC Options, PCNC Brokers Warrants or PCNC Warrants, are exercised prior to such time and no further PCNC Shares are issued), PCNC will have approximately 506,034,843 pre-Consolidation PCNC Shares issued and outstanding upon the completion of the Acquisition. Based upon the foregoing assumptions, upon the completion of the Arrangement, PCNC Shareholders will own approximately 11.08% of the then outstanding pre- Consolidation

PCNC Shares, and Prophecy Shareholders will own approximately 44.46% of the then outstanding pre-Consolidation PCNC Shares, on a non-diluted basis.

### **Treatment of Prophecy Warrants and Options**

The Arrangement Agreement and the Plan of Arrangement provide that the holders of Prophecy Convertible Securities will be entitled to participation in the Arrangement. A Prophecy Convertible Securityholder will not receive a new security to acquire a PCNC Share, but will be entitled to participation through an adjustment of their Prophecy Convertible Securities and to receive, upon exercise of their Prophecy Convertible Securities, New Common Shares and a pro rata entitlement to the Reserve Shares. All of terms of the Prophecy Convertible Securities will remain unchanged.

Assuming that the number of Prophecy Convertible Securities on the Effective Date is unchanged from the Record Date, each Prophecy Optionholder or Prophecy Warrantholder will be entitled to receive, upon the due exercise of each whole Prophecy Option or Prophecy Warrant held by them, one New Common Share and 0.9483 of a pre-Consolidation PCNC Share.

Each Prophecy Brokers Warrant currently entitles the holder to acquire one Prophecy Share and one half of one Prophecy Warrant, on the terms set forth in their respective Prophecy Brokers Warrant certificate. Assuming that the number Prophecy Convertible Securities on the Effective Date is unchanged from the Record Date, each Prophecy Brokers Warrantholder will be entitled to receive, upon the due exercise of each whole Prophecy Brokers Warrant, one New Common Shares, 0.9483 of a pre-Consolidation PCNC Share and one half of one Prophecy Warrant, which such Prophecy Warrant shall entitle the holder, upon due exercise of a whole Prophecy Warrant to receive, one New Common Share and 0.9483 of a pre-Consolidation PCNC Share.

In the event that more Prophecy Convertible Securities are issued and outstanding on the Effective Date than as of the Record Date, the number of PCNC Shares to which a Prophecy Convertible Securityholder, as the case may be, shall be entitled to will be reduced in accordance with their pro rata holdings as the number of Reserve Shares available will remain unchanged on the Effective Date.

All PCNC Shares issuable pursuant to the due the exercise of the Prophecy Convertible Securities outstanding on the Effective Date will form part of the Reserve Shares. No additional PCNC Shares will be available over and above the amount set aside as Reserve Shares.

In the event that any Prophecy Convertible Security expires unexercised, Prophecy will be entitled retain the Reserve Shares set aside in relation to such Prophecy Convertible Security with no further obligation to the holder of such Prophecy Convertible Security.

### **Background to the Arrangement**

The provisions of the Arrangement Agreement are the result of arm's length negotiations conducted among representatives of Prophecy and PCNC and their respective legal advisors.

During the month of January, 2011, members of the Prophecy Board and the PCNC Board had various meetings and telephone discussions regarding the possibility and terms of a merger of the two Companies. On January 11, 2011, Prophecy delivered a draft letter agreement to PCNC. On January 17, 2011, PCNC approved the execution of the Letter Agreement created the PCNC Special Committee to review the Acquisition. On January 17, 2011, Prophecy approved the execution of the Letter Agreement and the creation of the Prophecy Special Committee. On January 17, 2011, PCNC and Prophecy entered into the Letter Agreement.

On January 18, 2011, PCNC and Glanville entered into an agreement for the provision of advisory services to PCNC by Glanville, including, if requested by PCNC, the preparation and delivery of an opinion as to the fairness, from a financial point of view, of the consideration to be paid to or received by PCNC or its shareholders in connection with the Acquisition. Prophecy engaged Stephen W. Semeniuk to prepare the Semeniuk Fairness Opinion. The Parties continued their negotiations respecting the terms of the proposed Arrangement and consulted

with legal counsel to obtain corporate, securities and tax advice and their fairness opinion advisors to assist them with their negotiations of the Acquisition.

On January 21, 2011, the PCNC Special Committee met with its legal advisor and Glanville to consider the Acquisition and to discuss the PCNC Board's fiduciary obligations. On January 27, 2011, the PCNC Special Committee met again to review a preliminary memorandum prepared by Glanville regarding the Acquisition. On February 4, 2011, the PCNC Special Committee, with the exception of David Patterson who was unable to attend, met to review the opportunity as it had developed to that time, reviewed the Glanville Fairness Opinion and recommended to the PCNC Board that it approve the Acquisition as amended.

On February 2, 2011 the PCY Special Committee met to consider the Arrangement and approved same as originally proposed. On February 11, 2011, the PCY Special Committee met again to review the the opportunity as it had developed to that date. On February 14 , 2011, the PCY Special Committee reviewed the Semeniuk Fairness Opinion and recommended to the PCY Board that it approve the Arrangement and Acquisition as amended.

On February 10, 2011, following receipt of their respective draft fairness opinions and further negotiations between the Parties, PCNC and Prophecy entered into an amending agreement to amend the terms of the Acquisition and to extend the time to complete the Arrangement Agreement.

On April 1, 2011 the PCNC Board, with John Lee and Greg Hall abstaining, being members of the Prophecy Board as well, approved the Acquisition, the Consolidation and the definitive Arrangement Agreement.

On April 1, 2011 the Prophecy Board met to review the terms of the Arrangement as they had developed to that time, reviewed the Semeniuk Fairness Opinion and the draft Arrangement Agreement. After considering all of the factors, the Prophecy Board, with John Lee and Greg Hall abstaining, being members of the PCNC Board as well, determined that the Arrangement was fair to its shareholders from a financial point of view and was in the best interests of Prophecy. It then approved the Arrangement and the definitive Arrangement Agreement.

On April 1, 2011, Prophecy and PCNC executed the definitive Arrangement Agreement.

### **Reasons for the Arrangement**

The Arrangement is designed to improve the identification and valuation of specific Prophecy properties and to enable Prophecy, through PCNC to separately finance and develop its various assets, selectively reducing stock dilution. The Prophecy Board is of the view that the Arrangement will benefit Prophecy and the Prophecy Shareholders. The Prophecy Board believes that the current market price of the Prophecy Shares does not adequately reflect the underlying value of the Nickel Assets. In addition, the Prophecy Board believes that the Arrangement will allow PCNC to focus on financing and developing the Nickel Assets separately, while reducing stock dilution for Prophecy Shareholders interested in the Prophecy's coal properties located in Mongolia.

### **Arrangement Agreement**

The Acquisition and the Arrangement will be effected in accordance with the Arrangement Agreement, a copy of which has been filed under the profiles of PCNC and Prophecy on SEDAR at [www.sedar.com](http://www.sedar.com) as a material document. The Arrangement Agreement contains certain representations and warranties made by PCNC in respect of its assets, liabilities, capital, financial position and operations and by Prophecy in respect of the Nickel Assets, its capital and operations. In addition, each of Prophecy and PCNC provide covenants which govern the conduct of certain of their operations and affairs prior to the completion of the Acquisition and the Arrangement. The Arrangement Agreement contains a number of conditions precedent to the obligations of Prophecy and PCNC thereunder. Unless all of such conditions are satisfied or waived by the party or parties for whose benefit such conditions exist, to the extent they may be capable of waiver, the Acquisition and the Arrangement will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all. The conditions to the Acquisition and the Arrangement becoming effective are set out in the Arrangement Agreement. Upon the conditions being fulfilled or waived, documents, records and information, including a copy of the entered Final

Order, will be filed with the Registrar as required pursuant to the BCBCA in order for the Registrar to give effect to the Arrangement as of the Effective Time.

***Representations and Warranties***

The Arrangement Agreement contains representations and warranties made by each of Prophecy and PCNC. The assertions embodied in those representations and warranties are solely for the purposes of the Arrangement Agreement. Certain representations and warranties may not be accurate or complete as of any specified date because they are qualified by certain disclosure provided by the Parties or are subject to a standard of materiality or are qualified by a reference to the concept of a “Material Adverse Event” or “Material Adverse Change” (which concepts are defined in the Arrangement Agreement and in some respects are different from the materiality standards generally applicable under securities laws). Therefore, PCNC Shareholders and Prophecy Shareholders should not rely on the representations and warranties as statements of factual information.

The Arrangement Agreement contains representations and warranties of the Parties relating to certain matters including, among other things: incorporation and qualification; ownership of subsidiaries; absence of conflict with or violation of constating documents, agreements or applicable laws; authority to execute and deliver the Arrangement Agreement and perform its obligations under the Arrangement Agreement; due authorization and enforceability of the Arrangement Agreement; composition of share capital; options or other rights for the purchase of securities; indebtedness; receipt of all required consents; financial statements, records and accounts; ownership of assets and conduct of operations; absence of adverse litigation, judgment or order; absence of investigation proceedings; absence of adverse material change; taxation matters; material agreements; environmental matters; reporting issuer and listing status; and matters related to the Acquisitions and Arrangement, and in relation to Prophecy to the Nickel Assets.

***Covenants***

Prophecy and PCNC have each given to the other usual and customary covenants in respect of the Acquisition and the Arrangement, including to take all necessary actions in order to enable it to participate in and effect the Acquisition and the Arrangement and use all commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to the obligations of the other party.

Each Party covenanted and agreed with the other that, except as otherwise contemplated in the Arrangement Agreement, until the Effective Date or the day upon which the Arrangement Agreement is terminated, whichever is earlier, it shall conduct its business only in, and not take any action other than in the usual, ordinary and regular course of business and consistent with prudent business practices, provided that Prophecy’s covenants are limited to its business in relation to the Nickel Assets. Each Party shall provide the other and its representatives with full access to its books and records. Each Party shall notify the other of any event that may cause its representations or warranties to be incorrect or misleading, cause the non-fulfillment of any condition precedent or any other material adverse event. Each Party shall use its reasonable best efforts to obtain all required consents and approvals as may be required to complete the Acquisition and the Arrangement. Each Party has agreed to indemnify and save harmless the other Party and its directors, officers, employees and agents from and against all claims caused by or arising from any misrepresentation or alleged misrepresentation of one another in the Arrangement Agreement or any other materials filed in compliance with applicable securities laws.

Additionally, PCNC covenanted and agreed with Prophecy (i) to complete the Consolidation, and (ii) to complete the PCNC Name Change.

Additionally, Prophecy covenanted and agreed with PCNC (i) to enter into the Escrow Agreement in respect of the PCNC Shares to be retained by Prophecy, and (ii) to complete the PCY Name Change.

***Conditions to the Arrangement***

The respective obligations of PCNC and Prophecy to complete the transactions contemplated by the Arrangement Agreement are subject to a number of conditions which must be satisfied or waived in order for the

Arrangement to become effective. There is no assurance that these conditions will be satisfied or waived on a timely basis. Notwithstanding the foregoing, the Arrangement Resolution authorizes the Prophecy Board and the Acquisition Resolution authorizes the PCNC Board, without further notice to or approval of its shareholders, to amend the Arrangement Agreement or to decide not to proceed with the Arrangement or Acquisition and to revoke the Arrangement Resolution or the Acquisition Resolution, respectively at any time prior to the Arrangement becoming effective pursuant to the provisions of the BCBCA. Unless all of the conditions are satisfied or waived, the Arrangement and the Acquisition will not proceed. The following significant conditions, in addition to other conditions, are contained in the Arrangement Agreement:

- (a) all required Court approvals for the Plan of Arrangement, including the Interim Order and the Final Order shall have been obtained;
- (b) the PCNC Shareholders shall have approved the Acquisition Resolution and Consolidation Resolution and the Prophecy Shareholders shall have approved the Arrangement Resolution in accordance with applicable laws;
- (c) the Final Order and other documents, records or information required by the Registrar to give effect to the Arrangement shall have been accepted for filing by the Registrar;
- (d) there shall not be in force any order or decree restraining or enjoining consummation of the Acquisition or Arrangement and there shall be no proceeding (other than an appeal made in connection with the Arrangement), of a judicial or administrative nature or otherwise, in progress or threatened that relates to or results from the transactions contemplated by the Arrangement Agreement that would, if successful, result in an order or ruling that would preclude completion of the transactions contemplated by the Arrangement Agreement in accordance with the terms thereof or would otherwise be inconsistent with the regulatory approvals which have been obtained;
- (e) all necessary regulatory requirements, consents, orders, negotiations and approvals, including regulatory and judicial approvals and orders necessary or desirable for the completion of the Acquisition and the Arrangement and the approval of the Exchange, have been obtained or received, each in a form acceptable to both Parties;
- (f) the authors of the Semeniuk Fairness Opinion and the Glanville Fairness Opinion shall not have withdrawn such opinions;
- (g) there has been no actual or threatened change or amendment to any applicable legislation, regulation or regulatory or administrative practice or policy or issuance of an order by a court, tribunal, government agency or other regulatory authority or administrative agency, board or commission which directly or indirectly would or may have a Material Adverse Effect on the Arrangement or the current business, financial condition, operations or prospects of PCNC, Prophecy or Spinco; and
- (h) there shall not exist any prohibition at law against the completion of the Acquisition or the Arrangement.

The obligation of PCNC to complete the transactions contemplated by the Arrangement Agreement is subject to the fulfillment or waiver of certain conditions, as set forth in the Arrangement Agreement, at or before the Effective Time, including, but not limited to:

- (a) Prophecy shall have performed each covenant or obligation to be performed by it provided by the Arrangement Agreement and the representations and warranties of Prophecy in the Arrangement Agreement shall be true in all material respects as of the Effective Date with the same effect as though made at and as of such time;
- (b) there shall not have been any material adverse change in the business, operations or assets of Prophecy nor shall any change of law have occurred which, in the reasonable judgment of PCNC, has or will have a

material adverse effect on the business, assets, financial condition or results of operations of Spinco or the Nickel Assets; and

- (c) except as previously disclosed to and consented to by PCNC, no material transaction out of the ordinary course of business in respect of Spinco or the Nickel Assets has occurred and no material litigation has been commenced, contemplated or threatened against Prophecy, Spinco or the Nickel Assets.

The obligation of Prophecy to complete the transactions contemplated by the Arrangement Agreement is subject to the fulfillment or waiver of certain conditions, as set forth in the Arrangement Agreement, at or before the Effective Time, including, but not limited to:

- (a) PCNC shall have performed each covenant or obligation to be performed by it provided by the Arrangement Agreement and the representations and warranties of PCNC in the Arrangement Agreement shall be true in all material respects as of the Effective Date with the same effect as though made at and as of such time;
- (b) there shall not have been any material adverse change in the business, operations or assets of PCNC nor shall any change of law have occurred which, in the reasonable judgment of Prophecy, has or will have a material adverse effect on the business, assets, financial condition or results of operations of PCNC;
- (c) Dissent Rights shall not have been exercised prior to the Effective Date by Prophecy Shareholders representing in the aggregate more than 5% of the total number of Prophecy Shares outstanding at such time; and
- (d) except as previously disclosed to and consented to by Prophecy, no material transaction out of the ordinary course of business of PCNC has occurred and no material litigation has been commenced, contemplated or threatened against PCNC or any of its assets.

### ***No Solicitation***

Pursuant to the Arrangement Agreement, PCNC has terminated and caused to be terminated any and all solicitations, initiations, encouragements, discussions and negotiations with any other parties conducted within the six month period prior to the date hereof by PCNC, or its respective officers, directors, employees, financial advisors, legal counsel, representatives or agents, with respect to any Alternative Transaction. In addition each has agreed not to solicit, encourage or participate in discussions for any Alternative Transaction, furnish any information, or accept, recommend, approve or enter into any agreement to implement an Alternative Transaction. The Arrangement Agreement prohibits PCNC from releasing any third party from any confidentiality or standstill agreement to which Northern and such third party is a party or amending any of the foregoing. Additionally, PCNC must notify Prophecy immediately if any discussions or negotiations are sought to be initiated or any such information is requested with respect to an Alternative Transaction or potential Alternative Transaction or if an Alternative Transaction is received or indicated to be forthcoming.

Notwithstanding the above, PCNC is not restricted from considering, discussing, negotiating, or providing any information (including access to management) to a third party in respect of a bona fide unsolicited Alternate Transaction proposal to PCNC or the PCNC Shareholders that the PCNC Board, upon consultation with its financial and legal advisors, determines, in good faith, to be a Superior Offer and required to be considered by it in order to discharge its fiduciary duties. PCNC shall notify Prophecy of a Superior Offer in writing, including the identity of the offeror and the terms of the Superior Offer and shall provide Prophecy with any other information with respect thereto as may be reasonably required by Prophecy.

In the event of a Superior Offer, Prophecy is entitled to a seven day period within which to exercise a right to match the terms of the Superior Offer. If Prophecy elects to meet the terms of the Superior Offer, Prophecy shall have the greater of 120 days from the date of the Letter Agreement entered into by the Parties or 90 days from its agreement to meet the terms of the Superior Offer to complete the Arrangement. If Prophecy is unable to complete the Arrangement or meet the Superior Offer within seven (7) days of notification of same, PCNC may, at its option,

terminate the Arrangement Agreement. In the event the Superior Offer comprises of any non-cash consideration, PCNC shall provide its assessment of the value of such non-cash determination to Prophecy and, if Prophecy requests same, shall deliver report of an independent valuator regarding such non-cash consideration, obtained at Prophecy's cost. In the event that any non-cash consideration is comprised of publicly traded securities, the Parties agree that the value to be attributed to such consideration shall be the 30 day average trading price of such securities prior to the date of the Superior Offer multiplied by the number of securities offered.

During the seven day period referred to above, Prophecy shall have the right, but not the obligation, to offer to amend the terms of the Arrangement Agreement. The Board will review any proposal by Prophecy to amend the terms of the Arrangement Agreement in good faith in order to determine whether Prophecy's amended proposal upon acceptance by PCNC would result in such Superior Offer ceasing to be a Superior Offer. If the PCNC Board continues to believe, in good faith and after consultation with financial advisor and outside legal counsel, that such Superior Offer remains a Superior Offer and therefore rejects Prophecy's amended proposal, PCNC may, on termination of the Arrangement Agreement in accordance with its terms accept, approve, recommend or enter into an agreement, understanding or arrangement in respect of such Superior Offer.

Each successive material modification of any Superior Offer shall constitute a new Superior Offer and the requirement to initiate an additional seven business day notice period, and if accepted shall recommence the 90 day period to complete the Arrangement.

In the event that PCNC provides Prophecy with a notice of a Superior Offer on a date that is less than five business days prior to the PCNC Meeting, PCNC shall adjourn the PCNC Meeting to a date that is not less than seven business days and not more than 30 business days after such notice.

#### ***Termination of the Arrangement Agreement***

The Arrangement Agreement may, prior to the Effective Date, be terminated by mutual agreement of Prophecy and PCNC and by either Party if

- (a) the Effective Date has not occurred by May 31, 2011;
- (b) either Party, if the Prophecy Shareholders or PCNC Shareholders do not approve the Arrangement or Acquisition, respectively;
- (c) PCNC by providing notice to Prophecy that it intends to recommend, accept or enter into an agreement concerning a Superior Offer, provided that the non-solicitation provisions described above have been complied with; or
- (d) either Party if the other Party is in material breach of any material term of the Arrangement Agreement and such other Party has been provided with written notice of such default by the Party and the other Party has failed to correct such breach within 30 days.

#### ***Expenses***

The Arrangement Agreement provides that regardless of whether the Acquisition and Arrangement is completed Prophecy shall bear the costs of the Acquisition and the Arrangement, including legal, financial and other advisors' and representatives' fees and expenses and any fees for advice or opinions incurred in connection with the negotiation, preparation, execution and delivery of the Arrangement Agreement and any other agreements, documents, opinions or evaluations contemplated thereby, provided however that Prophecy's obligations to bear costs incurred by PCNC shall not exceed \$150,000.

## Fairness Opinions

### *Glanville Fairness Opinion*

The PCNC Board retained Ross Glanville & Associates Ltd. and Bruce McKnight Minerals Advisors Services (together “**Glanville**”), of North Vancouver and West Vancouver, British Columbia respectively, which have provided advice and an opinion to the PCNC Board in respect of the fairness of the terms of the Acquisition, from a financial point of view, to the PCNC Shareholders. Ross Glanville & Associates Ltd. is a company specializing in valuations of public and private companies and mineral exploration and development properties. The president, Ross Glanville holds a Bachelor of Applied Science (Mining Engineering), an MBA and is a member of the Association of Professional Engineers of B.C. (P.Eng.) and the Certified General Accountants of B.C. (CGA). Bruce McKnight, proprietor of Bruce McKnight Minerals Advisor Services, has a B.A.Sc. in Geological Engineering and an M.Sc. in Engineering Geoscience. He also holds a Mineral Economics Diploma and an MBA, and is a member of the Association of Engineers and Geoscientists of B.C. (P. Eng.) and a Fellow of the Canadian Institute of Mining and Metallurgy (FCIM).

Based upon the information and procedures and subject to the assumptions and limitations described in the Glanville Fairness Opinion, Glanville has concluded that the terms of the Acquisition are fair, from a financial point of view, to the PCNC Shareholders.

On February 4, 2011, Glanville delivered the Glanville Fairness Opinion, which concludes that, based upon and subject to the factors referred to therein, as of February 4, 2011, the consideration under the Acquisition is fair from a financial point of view to the PCNC Shareholders.

The complete text of the Glanville Fairness Opinion, which sets forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinion is attached to this Circular as Schedule “E”. **The Glanville Fairness Opinion addresses only the fairness of consideration under the Acquisition from a financial point of view and is not and should not be construed as a valuation of PCNC or Prophecy or any of their respective assets or securities or a recommendation to any PCNC Shareholder as to whether to vote in favour of the Acquisition Resolution or the Consolidation Resolution. PCNC Shareholders are urged to, and should, read the Glanville Fairness Opinion in its entirety.**

The PCNC Board concurs with the views expressed in the Glanville Fairness Opinion and such views were an important consideration in its decision to enter into the Arrangement Agreement and proceed with the Acquisition.

Neither Glanville nor any of its affiliates is an insider, associate or affiliate (as such terms are defined in the *Securities Act* (British Columbia)) of PCNC or Prophecy or any of their respective associates or affiliates. Glanville was paid a fee upon delivery of the Glanville Fairness Opinion to the PCNC Board.

### *Semeniuk Fairness Opinion*

The Prophecy Board retained Stephen W. Semeniuk (“**Semeniuk**”), B.Comm., MBA, CFA of West Vancouver, British Columbia, who has provided advice and an opinion to the Special Committee in respect of the fairness of the terms of the Arrangement, from a financial point of view, to the Prophecy Shareholders.

Stephen W. Semeniuk specializes in valuations of public and private companies and mineral exploration and development properties. Semeniuk holds M.B.A. and B. Comm. degrees and is a CFA charter holder. He is a past president of CFA Vancouver and member of the Canadian Institute of Mining, Metallurgy and Petroleum, the Association for Mining, Metallurgy and Exploration, Inc. as well as other professional associations.

Based upon the information and procedures and subject to the assumptions and limitations described in the Semeniuk Fairness Opinion Semeniuk has concluded that the terms of the Arrangement are fair, from a financial point of view, to the Prophecy Shareholders.

On March 31, 2011, Semeniuk delivered the Semeniuk Fairness Opinion, which concludes that, based upon and subject to the factors referred to therein, as of March 31, 2011, the issuance of 450,000,000 PCNC Shares in consideration of the Nickel Assets pursuant to the Arrangement is fair from a financial point of view to Prophecy and the Prophecy Securityholders.

The complete text of the Semeniuk Fairness Opinion, which sets forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinion is attached to this Circular as Schedule "F". **The Semeniuk Fairness Opinion addresses only the fairness of consideration under the Arrangement from a financial point of view and is not and should not be construed as a valuation of Prophecy or PCNC or any of their respective assets or securities or a recommendation to any Prophecy Shareholder as to whether to vote in favour of the Arrangement Resolution. Prophecy Shareholders are urged to, and should, read the Semeniuk Fairness Opinion in its entirety.**

The Prophecy Board concur with the views expressed in the Semeniuk Fairness Opinion and such views were an important consideration in its decision to enter into the Arrangement Agreement and proceed with the Arrangement.

Neither Semeniuk nor any of his affiliates is an insider, associate or affiliate (as such terms are defined in the *Securities Act* (British Columbia)) of Prophecy or PCNC or any of their respective associates or affiliates. Semeniuk was paid a fee upon delivery of the Semeniuk Fairness Opinion to the Prophecy Board.

### *Considerations of Fairness Advisors*

In connection with rendering the Semeniuk Fairness Opinion and the Glanville Fairness Opinion, Semeniuk and Glanville, as applicable (i) reviewed and analyzed the Arrangement Agreement, the terms of the Acquisition and the Arrangement and related publicly available documents; (ii) reviewed and analyzed certain publicly available financial statements and other information of PCNC and Prophecy; (iii) performed a comparison of the multiples implied under the terms of the Acquisition and the Arrangement to an analysis of recent precedent transactions; and (iv) performed a comparison of the consideration payable under the terms of the Acquisition and the Arrangement to the recent trading levels of the PCNC Shares and the Prophecy Shares.

Each of Semeniuk and Glanville have assumed and relied upon, without independent verification, the completeness, accuracy and fair presentation of all of the information (financial or otherwise) data, documents, opinions, appraisals, valuations or other information and materials of whatsoever nature or kind reviewed by Semeniuk and Glanville and all information respecting the Arrangement, PCNC, Prophecy and their subsidiaries, if any, obtained from public sources and from senior management of PCNC and Prophecy.

### **Establishment of Special Committees**

As PCNC and Prophecy share two common directors, being John Lee and Greg Hall, and John Lee is the Chairman of both Prophecy and PCNC, each of the Prophecy Board and the PCNC Board determined that the Acquisition must be considered by independent members of its board and established the Prophecy Special Committee and the PCNC Special Committee.

The PCNC Special Committee of the PCNC Board was established on January 17, 2011 and made up of four independent directors, being Michael Sweatman, Donald Gee, John Kerr and David Patterson. The mandate of the PCNC Special Committee included, among other things, the responsibility to instruct Glanville to prepare a fairness opinion in respect of the Acquisition and the transactions contemplated thereunder and to supervise the preparation of the Glanville Fairness Opinion. The PCNC Special Committee, among other things, reviewed the Glanville Fairness Opinion and considered the Arrangement Agreement. The PCNC Special Committee recommended the completion of the Acquisition to the PCNC Board on February 10, 2011.

The Prophecy Special Committee of the Prophecy Board was established on January 17, 2011 and made up of three independent directors, being John McGoran, Paul Venter and Paul McKenzie. The Prophecy Special Committee, among other things, reviewed the Semeniuk Fairness Opinion and considered the Arrangement

Agreement. The Prophecy Special Committee recommended the Arrangement Agreement and the transactions contemplated thereunder to the Prophecy Board on February 14, 2011.

### **Recommendations of the Boards of Directors**

The Chairman of PCNC, Mr. John Lee is President, Chief Executive Officer and Chairman of Prophecy and a director of each of PCNC and Prophecy and will remain so following completion of the Acquisition. Mr. Greg Hall is also a director of both PCNC and Prophecy and will remain so following completion of the Arrangement. Mssrs Hall and Lee are also shareholders of each of PCNC and Prophecy. In addition Mr. Lee, through MCM, is a party to the MCM Consulting Agreement pursuant to which he provides services as Chief Executive Officer to Prophecy and which will continue in effect following the Arrangement. As a result, Mssrs. Lee and Hall abstained from voting on the resolutions of each of the PCNC Board and the Prophecy Board approving the Acquisition and Arrangement, respectively, but are in agreement with the decision and recommendations of the PCNC Board and Prophecy Board.

#### ***PCNC Board***

The PCNC Special Committee has considered the proposed Acquisition from Prophecy on the terms and conditions as provided in the Arrangement Agreement and has recommended to the PCNC Board that it approve the Acquisition, execute the Arrangement Agreement and recommend that the PCNC Shareholders vote in favour of the Acquisition. **The PCNC Board unanimously determined that the Acquisition is in the best interests of PCNC and is fair from a financial point of view to the PCNC Shareholders. The PCNC Board recommends that the PCNC Shareholders vote in favour of the Acquisition.**

In arriving at its conclusion, the PCNC Board considered the following, among other matters:

- (a) the financial condition, business and operations, on both a historical and prospective basis, of PCNC;
- (b) information provided by Prophecy with respect to the Nickel Assets;
- (c) current industry, economic and market conditions and trends;
- (d) the procedures by which the Acquisition is to be approved, including the requirement for approval by the PCNC Shareholders at the PCNC Meeting;
- (e) the management group and technical team of PCNC;
- (f) the Glanville Fairness Opinion;
- (g) the recommendations of the PCNC Special Committee; and
- (h) the terms and conditions of the Arrangement Agreement do not prevent an unsolicited third party from making a proposal or preclude the PCNC Board from considering and acting on such a proposal, provided PCNC complies with the terms of the Arrangement Agreement.

The PCNC Board also identified and considered disadvantages associated with the Acquisition, including that the PCNC Securityholders after the Acquisition will be subject to:

- (a) dilution of their interest in the PCNC mineral properties through their diluted percentage holding PCNC post-acquisition; and
- (b) the risk factors applicable to the Nickel Assets.

In view of the variety of factors considered in connection with its evaluation of the Acquisition, the PCNC Board did not find it practicable to quantify or otherwise assign relative weights to the specific factors in reaching its determination as to the fairness of the Acquisition.

### ***Prophecy Board***

The Prophecy Special Committee has considered the proposed transaction with PCNC on the terms and conditions as provided in the Arrangement Agreement and has recommended to the Prophecy Board that it approve the Arrangement, execute the Arrangement Agreement and recommend that the Prophecy Shareholders vote in favour of the Arrangement. **The Prophecy Board unanimously determined that the Arrangement is in the best interests of Prophecy and is fair from a financial point of view to the Prophecy Shareholders. The Prophecy Board recommends that the Prophecy Shareholders vote in favour of the Arrangement.**

In arriving at its conclusion, the Prophecy Board considered the following, among other matters:

- (a) information with respect to the financial condition, business and operations, on both a historical and prospective basis, of both PCNC and Prophecy, including information in respect of Prophecy and PCNC on a pro forma consolidated basis;
- (b) the terms of the Arrangement will result in holders of Prophecy Securities continuing to own an interest in all of the assets currently held by Prophecy, through each Prophecy Shareholder's respective ownership of New Common Shares and PCNC Shares and each Prophecy Convertible Securityholders entitlement to receive, upon exercise of their Prophecy Convertible Security, New Common Shares and PCNC Shares;
- (c) information provided by PCNC with respect to its mineral properties;
- (d) current industry, economic and market conditions and trends;
- (e) the procedures by which the Arrangement is to be approved, including the requirement for approval by special resolution of the Prophecy Shareholders at the Prophecy Meeting and by the Court after a hearing at which fairness will be considered;
- (f) the availability of rights of dissent to Prophecy Shareholders with respect to the Arrangement;
- (g) the management group and technical team of PCNC;
- (h) the Semeniuk Fairness Opinion; and
- (i) the recommendation of the Prophecy Special Committee.

The Prophecy Board also identified and considered disadvantages associated with the Arrangement, including that the Prophecy Shareholders after the Arrangement will be subject to:

- (a) dilution of their interest in the Nickel Assets through their diluted percentage holding in PCNC;
- (b) the risk factors applicable to PCNC; and
- (c) the possibility that there may be adverse tax consequences to certain holders of securities of Prophecy. See "*Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations*".

In view of the variety of factors considered in connection with its evaluation of the Arrangement, the Prophecy Board did not find it practicable to quantify or otherwise assign relative weights to the specific factors in reaching its determination as to the fairness of the Arrangement.

### **Procedure for the Arrangement to Become Effective**

The Arrangement is proposed to be carried out under Part 9, Division 5 of the BCBCA. The following procedural steps must be taken in order for the Arrangement to become effective:

- (a) the Arrangement must be approved by the Prophecy Shareholders in the manner set forth in the Interim Order;
- (b) the Acquisition and Consolidation must be approved by the PCNC Shareholders;
- (c) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate Party;
- (d) if the Arrangement is approved by the Prophecy Shareholders in the manner set forth in the Interim Order, a hearing before the Court must be held to obtain the Final Order approving the Arrangement; and
- (e) if the Final Order is granted by the Court, documents, records and information, including a copy of the entered Final Order must be filed with the Registrar as are required under the BCBCA in order for the Registrar to give effect to the Arrangement in conjunction with the Closing.

### **Shareholder Approvals**

Pursuant to the Exchange Policies, the Acquisition Resolution approving the Acquisition and the Arrangement Agreement must be passed, with or without variation, by 50% plus 1 vote of all votes cast with respect to the Acquisition Resolution by the PCNC Shareholders, present in person or by proxy at the PCNC Meeting. Pursuant to the BCBCA and the articles of PCNC, the Consolidation Resolution approving the Consolidation and the Arrangement Agreement must be passed, with or without variation, by 50% plus 1 vote of all votes cast with respect to the Consolidation Resolution by the PCNC Shareholders, present in person or by proxy at the PCNC Meeting. Notwithstanding the foregoing, each of the Acquisition Resolution and the Consolidation Resolution authorizes the PCNC Board, without further notice to or approval of the PCNC Shareholders, to amend the Arrangement Agreement or to decide not to proceed with the Acquisition or Consolidation and to revoke the Acquisition Resolution or the Consolidation Resolution at any time.

Pursuant to the terms of the Interim Order, the Arrangement Resolution must, subject to further order of the Court, be approved by at least two-thirds of the votes cast by the Prophecy Shareholders, present in person or by proxy at the Prophecy Meeting. Notwithstanding the foregoing, the Arrangement Resolution authorizes the Prophecy Board, without further notice to or approval of the Prophecy Shareholders, subject to the terms of the Arrangement, to amend the Arrangement Agreement or to decide not to proceed with the Arrangement and to revoke the Arrangement Resolutions at any time prior to the Arrangement becoming effective pursuant to the provisions of the BCBCA. If more than 5% of the Prophecy Shares become the subject of Dissent Rights, the Arrangement may be terminated.

If PCNC Shareholders fail to approve the Acquisition Resolution or the Consolidation Resolution or the Prophecy Shareholders fail to approve the Arrangement Resolution pursuant to the Interim Order, the Acquisition, Consolidation and Arrangement will be terminated.

### **Court Approvals**

On April 29, 2011, Prophecy obtained the Interim Order, which is attached to this Circular as Schedule "D". Subject to the terms of the Arrangement Agreement and, if the Arrangement Resolution is approved at the Prophecy Meeting, Prophecy will apply to the Court for the Final Order at the Court House, 800 Smithe Street, Vancouver, British Columbia on June 2, 2011, at 9:45 a.m. (Vancouver time) or so soon thereafter as counsel may be heard. Please see the Notice of Hearing that accompanies this Circular for further information on participating or presenting evidence at the hearing for the Final Order.

The issuance of New Common Shares and PCNC Shares pursuant to the Arrangement will not be registered under the U.S. Securities Act or the securities laws of any State of the United States and will be effected in reliance upon the exemption from registration under the U.S. Securities Act provided by Section 3(a)(10) thereof and exemptions provided under the securities laws of each State of the United States in which Prophecy Shareholders reside. Section 3(a)(10) of the U.S. Securities Act exempts from registration a security that is issued in exchange for outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court or by a governmental authority expressly authorized by law to grant such approval. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered, and the U.S. Shareholders and any other persons who are eligible to receive Argonaut Securities pursuant to the Arrangement will have the right to appear at that hearing. The Court will be advised at the hearing of the application for the Final Order that if the terms and conditions of the Arrangement are approved by the Court, the New Common Shares and PCNC Shares issued pursuant to the Arrangement will not require registration under the U.S. Securities Act. Accordingly, the Final Order of the Court will, if granted, constitute a basis for the exemption from the registration requirements of the U.S. Securities Act with respect to the issuance of the New Common Shares and PCNC Shares to Prophecy Shareholders in connection with the Arrangement. To the extent an exemption under applicable state securities laws comparable to the exemption under Section 3(a)(10) is not available, Prophecy and PCNC will rely on one or more available exemptions from registration under such laws.

At the hearing for the Final Order, securityholders and creditors of Prophecy are entitled to appear in person or by counsel and to make a submission regarding the Arrangement, subject to filing and serving an appearance and satisfying any other applicable requirements.

At the hearing for the Final Order, the Court will also consider, among other things, the fairness of the terms and conditions of the Arrangement and the rights and interests of every Person affected. The Court has broad discretion under the BCBCA when making orders with respect to arrangements. The Court may approve the Arrangement either as proposed, or make the Arrangement subject to such terms and conditions as the Court considers appropriate, or may dismiss the application. Depending upon the nature of any required amendments, Prophecy and/or PCNC may determine not to proceed with the Arrangement if any amendment ordered by the Court is not satisfactory to any of such Party, acting reasonably.

### **Approval of the Exchange**

The Arrangement Agreement provides that receipt of all regulatory approvals, including without limitation, the approval of the Exchange for the listing of the New Common Shares to be issued in exchange for the Prophecy Shares and the PCNC Shares to be issued as consideration for the Nickel Assets, is a condition precedent to the Arrangement becoming effective. PCNC and Prophecy have applied for Exchange's acceptance of the Arrangement. Acceptance by the Exchange is conditional upon receipt of various documents and information, including evidence of requisite shareholder approvals, fairness opinions and court approval, all of which will be filed by PCNC and Prophecy in connection with their respective Meetings.

### **Resale of New Common Shares and PCNC Shares**

**Prophecy Shareholders, including securityholders residing elsewhere than in Canada, are urged to consult their legal advisors to determine the extent of all applicable resale provisions.**

### ***Application of Canadian Securities Law to Resales***

The New Common Shares and PCNC Shares to be issued to the Prophecy Shareholders, as the case may be, pursuant to the Arrangement will be issued in reliance on exemptions from prospectus and registration requirements of applicable securities laws of the various applicable provinces in Canada and will generally be "freely tradable" (and not subject to any "restricted period" or "hold period") if the following conditions are met: (i) the trade is not a control distribution (as defined in applicable securities legislation); (ii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade; (iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and (iv) if the selling

securityholder is an Insider or an officer of PCNC, the selling securityholder has no reasonable grounds to believe that PCNC is in default of securities legislation.

***Application of U.S. Securities Law to Resales***

There is no established public market in the United States for any of the PCNC Securities or Prophecy Securities prior to the Effective Date of the Arrangement, and none is expected to develop for the foreseeable future in the United States for the New Common Shares or PCNC Shares after completion of the Arrangement. It is a condition to the Arrangement that New Common Shares and PCNC Shares to be issued to the Prophecy Shareholders be accepted for listing on the Exchange (i.e., the TSX Venture Exchange Inc.) and that the Exchange approve the Arrangement.

The manner in which holders of New Common Shares or PCNC Shares resident in the U.S. (“**U.S. Shareholders**”) may resell the New Common Shares or PCNC Shares, as the case may be, will depend on whether a U.S. Shareholder is an “affiliate” of Prophecy or PCNC, as the case may be. As defined in Rule 144 under the U.S. Securities Act (“**Rule 144**”), an “affiliate” of an issuer is a person that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such issuer. Generally, executive officers, directors or 10% or greater shareholders of an issuer are considered to be “affiliates” of an issuer.

Subject to certain limitations, all holders of New Common Shares or PCNC Shares may immediately resell such securities outside the United States without registration under the U.S. Securities Act pursuant to Regulation S thereunder. New Common Shares and PCNC Shares to be issued to Prophecy Shareholders, who are not and have not been “affiliates” of Prophecy or PCNC within ninety (90) days of the Effective Date of the Arrangement may be resold without restriction under the U.S. Securities Act. Resales of the New Common Shares and PCNC Shares may be effected through the facilities of the Exchange. Generally, subject to certain limitations, holders of Shares following the Arrangement who are affiliates of Prophecy or PCNC solely by virtue of their status as an officer or director of either company may, under the securities laws of the United States, resell their Shares in an “offshore transaction” (which would include a sale through the TSX) if neither the seller or any person acting on the seller’s behalf engages in “directed selling efforts” in the United States. For purposes of Regulation S, “directed selling efforts” means “any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered” in the resale transaction. Certain additional restrictions are applicable to a holder of Argonaut Shares who will be an affiliate of Argonaut other than by virtue of his or her status as an officer or director of Argonaut.

New Common Shares or PCNC Shares issued to Prophecy Shareholders, who are “affiliates” of Prophecy or PCNC may be resold pursuant to an exemption from the registration requirements of the U.S. Securities Act, such as that contained in Rule 144, or in accordance with Rule 904 of Regulation S and available exemptions under state securities laws.

The Shares issuable upon exercise of the Options or Warrants have not been registered under the U.S. Securities Act or any applicable state securities laws. As a result, such Options and Warrants may not be transferred or exercised by or on behalf of a person in the United States, and the Shares issuable upon exercise thereof may not be offered or sold in the United States, unless such Shares have been registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available.

The foregoing discussion is only a general overview of certain requirements of United States securities laws applicable to the New Common Shares and the PCNC Shares received upon completion of the Arrangement. All holders of Shares are urged to consult with counsel to ensure that the resale of their Shares complies with applicable securities legislation.

**Additional Securities, Tax and Financial Statements Information for Prophecy Shareholders in the United States**

THE SECURITIES ISSUABLE BY PROPHECY AND PCNC IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES

SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Each of Prophecy and PCNC is a “foreign private issuer,” as defined in and for purposes of the U.S. Securities Act and the U.S. Exchange Act. Neither Company has a class of securities registered under the U.S. Exchange Act and, as a result, neither files periodic reports or other information with the SEC.

The New Common Shares and PCNC Shares to be issued to the Prophecy Shareholders, as the case may be, under the Arrangement have not been registered under the U.S. Securities Act or the securities laws of any state of the United States and are being issued in reliance on the exemption from registration in accordance with Section 3(a)(10) of the U.S. Securities Act as described under “*Court Approvals*” above and exemptions provided under applicable state securities laws. This Circular has been prepared in accordance with the applicable disclosure requirements in Canada. Residents of the United States should be aware that such requirements are different from the disclosure requirements in the United States applicable to proxy statements under the U.S. Exchange Act. Likewise, information concerning the properties and operations of PCNC and Prophecy has been prepared in accordance with Canadian standards, and may not be comparable to similar information for United States companies.

Financial statements included herein or incorporated by reference have been prepared in accordance with generally accepted accounting principles and subject to auditing and auditor independence standards in Canada, and thus may not be comparable to financial statements of United States companies. Prophecy Shareholders should be aware that the exchange of the securities described herein may have tax consequences both in the United States and in Canada, which are not described in this Circular. **Prophecy Shareholders are advised to consult their tax advisors to determine the tax consequences to them of the Arrangement in their own particular circumstances.**

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that PCNC and Prophecy are incorporated or organized under the laws of a foreign country, that some or all of their officers and directors and the experts named herein may be residents of a foreign country, and that all or a substantial portion of the assets of PCNC and Prophecy and said persons may be located outside the United States.

### **Exchange of Share Certificates**

Following completion of the Arrangement and Consolidation, PCNC shall mail the PCNC Letter of Transmittal to registered PCNC Shareholders for the surrender of their PCNC Shares in exchange for certificates representing post-Consolidation PCNC Shares.

Following the Arrangement and as of the Effective Time, the registered holders of former Prophecy Shares, shall be deemed to be registered holders of New Common Shares and PCNC Shares, in accordance with the Plan of Arrangement. Until surrendered, each certificate which immediately prior to the Effective Time represented Prophecy Shares will be deemed, at any time after the Effective Time, to represent only the right to receive upon such surrender the certificate representing New Common Shares and PCNC Shares that the holder thereof has the right to receive in respect of such share certificate pursuant to the Plan of Arrangement.

The holders of certificates deemed to represent New Common Shares and PCNC Shares are required to surrender such Prophecy certificates pursuant to the Prophecy Letter of Transmittal, as applicable and upon such surrender, will be entitled to receive certificates representing the number of New Common Shares and PCNC Shares (on a post-Consolidation basis) to which they are so entitled under the Plan of Arrangement.

Though the Prophecy Convertible Securities are not being exchanged pursuant to the Plan of Arrangement, certificates representing such Prophecy Convertible Securities are being adjusted to be exercisable to receive New

Common Shares and a pro rat entitlement to the Reserve Shares. Following the Effective Date, Prophecy Convertible Securityholders may request a written confirmation from Prophecy indicating the number of New Common Shares and PCNC Shares such Prophecy Convertible Securities may be exercised into.

The Prophecy Letter of Transmittal which will be mailed to Prophecy Shareholders following completion of the Arrangement, contains instructions as to the procedure required for registered holders of former Prophecy Shares to exchange their certificates representing former Prophecy Shares for certificates representing New Common Shares and PCNC Shares (on a post-Consolidation basis).

**Prophecy Shareholders whose former Prophecy Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee holder to arrange for completion of the Prophecy Letter of Transmittal.**

#### *Letter of Transmittal*

The Prophecy Letter of Transmittal will set out the details for the surrender of the certificates representing the former Prophecy Shares, and the address of the Depository. Provided that a Prophecy Shareholder has delivered and surrendered to the Depository all certificates representing such securityholder's former Prophecy Shares, together with a Prophecy Letter of Transmittal, duly completed and executed in accordance with the instructions thereon or in an otherwise acceptable form and such other documents as may be required by the Depository, the Depository will forward the certificates representing the New Common Shares and the PCNC Shares (on a post-Consolidation basis) that the Prophecy Shareholder is entitled to receive to such address or addresses as the Prophecy Shareholder may direct in the Prophecy Letter of Transmittal, or in the absence of any direction, to the address of the Prophecy Shareholder as shown on the register of shareholders maintained for Prophecy by Computershare Investor Services Inc.

#### *Cancellation after Six Years*

Certificates representing the New Common Shares and PCNC Shares to which former Prophecy Shareholders would otherwise have been entitled, will be held by the Depository for a maximum of six (6) years from the Effective Date. **If former Prophecy Shareholders fail to return the certificates representing the former Prophecy Shares together with a duly completed Prophecy Letter of Transmittal and such other required documents prior to six (6) years from the Effective Date, each such former certificate representing Prophecy Shares shall cease to represent a right or claim of any kind or nature including the right of such former holders of Prophecy Shares to receive certificates representing New Common Shares or PCNC Shares.** Accordingly, persons who tender certificates for Prophecy Shares after this sixth anniversary will not receive New Common Shares or PCNC Shares, will not own any interest in Prophecy, PCNC or Spinco and will not be paid any cash or other compensation. The New Common Shares and PCNC Shares issued to such former Prophecy Shareholders under the Plan of Arrangement shall be deemed to be surrendered to the Resulting Issuer, together with all dividends or distributions thereon declared or held for such holder.

#### *Fractional Shares*

No fractional New Common Shares or PCNC Shares will be issued to Prophecy Shareholders. No cash will be paid in lieu of fractional shares. Any fractions resulting will be rounded down to the nearest whole number for fractions of 0.5 or less of a Prophecy Share and rounded up for fractions of more than 0.5 of a Prophecy Share.

**The foregoing information is a summary only and is subject to and qualified in its entirety by the Plan of Arrangement. For further details of procedures, see also "Section 3 – Certificates" of the Plan of Arrangement, which is attached as Schedule "B" hereto.**

#### **DISSENT RIGHTS**

As indicated in the notices of meeting Prophecy accompanying this Circular, and as provided in the Plan of Arrangement and the Interim Order, any holder of Prophecy Shares is entitled to be paid the fair value of such shares

by Prophecy in accordance with the Dissent Rights in the Plan of Arrangement and the provisions of Sections 237 - 247 of the BCBCA if the Prophecy Shareholder duly dissents to the Arrangement Resolution and the Arrangement becomes effective. A holder of Prophecy Shares who dissents to the Arrangement Resolution and is paid the fair value of such shares will not be entitled to receive any New Common Shares and PCNC Shares. The fair value of such holder's Prophecy Shares will be determined as of the close of business on the business day before the adoption of the Arrangement Resolution. The payment for such fair value of the shares shall be made by Prophecy.

**The statutory provisions dealing with the right of dissent are technical and complex. Any shareholders who wish to exercise their Dissent Rights should seek independent legal advice, as failure to comply strictly with the provisions of Sections 237 - 247 of the BCBCA, the Plan of Arrangement and the Interim Order may result in the loss of Dissent Rights.**

Prophecy Shareholders registered as such on the Record Date of the Prophecy Meeting may exercise Dissent Rights pursuant to and in the manner set forth in Sections 237 - 247 of the BCBCA, the Plan of Arrangement and the Interim Order, provided that the Dissent Notice duly executed by such Prophecy Shareholder is received by Prophecy not less than two business days in advance of the date of the Prophecy Meeting. Dissenting Shareholders are ultimately entitled to be paid fair value for their Dissenting Shares and shall be deemed to have transferred their Dissenting Shares to Prophecy for cancellation immediately at the Effective Time and in no case shall Prophecy be required to recognize such Persons as holding Prophecy Shares after the Effective Time.

A vote against the Arrangement Resolution, an abstention from voting in respect of the Arrangement Resolution, or the execution or exercise of a proxy to vote against the Arrangement Resolution does not constitute a Dissent Notice, but a Prophecy Shareholder need not vote against the Arrangement Resolutions in order to dissent. However, a Prophecy Shareholder who consents to or votes in favour of the Arrangement Resolution, other than as a proxy for a different Prophecy Shareholder whose proxy required an affirmative vote, or otherwise acts inconsistently with the dissent, will cease to be entitled to exercise any Dissent Rights.

Prophecy Shareholders who do not duly exercise their Dissent Rights are not entitled to be paid fair value for their Dissenting Shares, shall be deemed to have participated in the Arrangement on the same basis as a Prophecy Shareholder who is not a Dissenting Shareholder and shall receive New Common Shares and PCNC Shares on the same basis as every other Prophecy Shareholder.

Pursuant to the terms of the Arrangement Agreement, the obligation of PCNC and Prophecy to complete the Arrangement is subject to Prophecy not having received notices of dissent in respect of more than 5% of the number of Prophecy Shares, which are issued as at the Effective Date which requirement may be waived by the Companies. Should PCNC and Prophecy not complete the Arrangement, whether as a result of the failure of the PCNC Shareholders to approve the Acquisition Resolution and the Consolidation Resolution or the Prophecy Shareholders to approve the Arrangement Resolutions or Prophecy receiving Dissent Notices in excess of 5% of the number of Prophecy Shares which are issued as at the Effective Date or for any other reason, Dissenting Shareholders will not be entitled to receive fair value for their Prophecy Shares.

Prior to the Arrangement becoming effective, Prophecy will send a notice of intention to act to each Dissenting Shareholder stating that the Arrangement Resolution has been passed and informing the Dissenting Shareholder of their intention to act on such Arrangement Resolution. A notice of intention need not be sent to any Prophecy Shareholder who voted in favour of the Arrangement Resolutions or who has withdrawn his Dissent Notice. Within one month of the date of the notice given by Prophecy of its intention to act, the Dissenting Shareholder is required to send written notice to Prophecy that he requires Prophecy to purchase all of his Prophecy Shares, and at the same time to deliver certificates representing those Prophecy Shares to Prophecy. Upon such delivery, a Dissenting Shareholder will be bound to sell and Prophecy will be bound to purchase the Prophecy Shares subject to the demand for a payment equal to their fair value as of the day before the day on which the Arrangement Resolution was passed by the Prophecy Shareholders, excluding any appreciation or depreciation in anticipation of the vote (unless such exclusion would be inequitable). Every Dissenting Shareholder who has delivered a demand for payment must be paid the same price as the other Dissenting Shareholders.

A Dissenting Shareholder who has sent a demand for payment, or Prophecy, may apply to the Court which may: (a) require the Dissenting Shareholder to sell and Prophecy, to purchase the Prophecy Shares in respect of

which a Dissent Notice has been validly given; (b) set the price and terms of the purchase and sale, or order that the price and terms be established by arbitration, in either case having due regard for the rights of creditors; (c) join in the application of any other Dissenting Shareholder who has delivered a demand for payment; and (d) make consequential orders and give such directions as it considers appropriate. No Dissenting Shareholder who has delivered a demand for payment may vote or exercise or assert any rights of a Prophecy Shareholder in respect of the Prophecy Shares for which a demand for payment has been given, other than the rights to receive payment for those Prophecy Shares. Until a Dissenting Shareholder who has delivered a demand for payment is paid in full, that Dissenting Shareholder may exercise and assert all the rights of a creditor of Prophecy. No Dissenting Shareholder may withdraw his demand for payment unless Prophecy consents.

Once the Arrangement becomes effective, none of the resulting changes to PCNC or Prophecy will affect the rights of the Dissenting Shareholders or Prophecy or the price to be paid for the Dissenting Shareholder's Prophecy Shares. If the Court determines that a person is not a Dissenting Shareholder or is not otherwise entitled to dissent, the Court, without prejudice to any acts or proceedings that Prophecy or the Prophecy Shareholders may have taken during the intervening period, may make the order it considers appropriate to remove the restrictions on the Dissenting Shareholder from dealing with his Prophecy Shares.

**Strict adherence to the procedures set forth above will be required and a shareholder's failure to do so may result in the loss of all Dissent Rights. Accordingly, each Prophecy Shareholder who might desire to exercise Dissent Rights should carefully consider and fully comply with the provisions set forth above and below and consult his or her legal advisor.**

#### **Sections 237 - 247 of the BCBCA**

The following is a brief summary of the provisions of Sections 237 - 247 of the BCBCA. A Dissenting Shareholder who duly gives notice of dissent to the Arrangement may require Prophecy, if the Arrangement becomes effective, to purchase all of the Prophecy Shares held by such Prophecy Shareholder at the fair value of such Prophecy Shares as of the day before the date on which the Arrangement Resolution were passed. A Prophecy Shareholder may give Dissent Notice in respect of the Arrangement by registered mail addressed to Prophecy at the addresses for Dissent Notices noted below. **The Dissent Notice must be received at the registered office of Prophecy, as specified below, at least 2 business days before the Prophecy Meeting.** As a result of giving a Dissent Notice such Prophecy Shareholder may, on receiving a notice of intention to act under Sections 237 - 247 of the BCBCA, require Prophecy to purchase all the Prophecy Shares of such Prophecy Shareholder in respect of which the Dissent Notice was given. The text of Sections 237 - 247 of the BCBCA is set out in Schedule "C" to this Circular. **Reference should also be made to the Plan of Arrangement attached as Schedule "B" and in particular Section 4 thereof.**

#### **Address for Dissent Notices**

All Dissent Notices of a Prophecy Shareholder, in accordance with the provisions of the Plan of Arrangement, should be addressed to Prophecy at its registered office, Suite 2600-595 Burrard Street, Vancouver, British Columbia, V7X 1L3, Attention: James Chen.

#### **Strict Compliance with Dissent Provisions Required**

**The foregoing summary does not purport to be a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of such shareholder's Prophecy Shares, and is qualified in its entirety by reference to the Interim Order and Sections 237 - 247 of the BCBCA, the full texts of which are attached to this Circular respectively as Schedule "D" and Schedule "C" and the Plan of Arrangement, attached as Schedule "B" and which is a schedule to the Arrangement Agreement filed as a material document on SEDAR at [www.sedar.com](http://www.sedar.com). The Dissent Rights in the Plan of Arrangement and the provisions of sections 237 - 247 of the BCBCA require strict adherence to the procedures established therein and failure to do so may result in the loss of Dissent Rights. Accordingly, each Prophecy Shareholder who might desire to exercise Dissent Rights should carefully consider and comply with the provisions of those sections and should consult a legal advisor.**

The Arrangement Agreement provides, as a condition to the obligations to complete the Arrangement that holders of not more than 5% of the issued and outstanding Prophecy Shares shall have exercised Dissent Rights in connection with the Arrangement.

### **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Thorsteinssons LLP, Canadian tax counsel to Prophecy, the following summary fairly describes the principal Canadian federal income tax considerations relating to the Arrangement generally applicable to Prophecy Shareholders who, for purposes of the *Income Tax Act* (Canada) (the “**ITA**”), (i) hold their Prophecy Shares, and will hold their New Common Shares and PCNC Shares as capital property, (ii) deal at arm’s length with PCNC and Prophecy, and (iii) are not affiliated with PCNC or Prophecy.

Prophecy Shares, New Common Shares and PCNC Shares will generally be considered to be capital property to a holder thereof, unless such securities are held in the course of carrying on a business or were acquired in a transaction considered to be an adventure in the nature of trade. Certain shareholders who are resident in Canada and who might not otherwise be considered to hold their Prophecy Shares, New Common Shares and PCNC Shares as capital property may be entitled to have them treated as capital property by making the election provided by subsection 39(4) of the ITA. Any person contemplating making a subsection 39(4) election should first consult their tax adviser for advice as the making of such election will affect the income tax treatment of the person’s disposition of other Canadian securities.

This summary is not applicable to a Prophecy Shareholder who (i) is a “financial institution” for the purposes of the mark-to-market rules contained in the ITA, (ii) is a “specified financial institution” as defined in the ITA, (iii) is a securityholder an interest in which is a “tax shelter investment” as defined in the ITA, or (iv) has acquired Prophecy Shares, or who acquires New Common Shares or PCNC Shares upon the exercise of an employee stock option, or (v) is a taxpayer whose “functional currency” for the purposes of the ITA is the currency of a country other than Canada.

This summary is based upon the current provisions of the ITA, the regulations thereunder (the “**Regulations**”), and counsel’s understanding of the current administrative practices and policies of the Canada Revenue Agency (the “**CRA**”). This summary also takes into account all specific proposals to amend the ITA and Regulations (the “**Proposed Amendments**”) announced by the Minister of Finance (Canada) prior to the date hereof, and assumes that all Proposed Amendments will be enacted in their present form. If the Proposed Amendments are not enacted as presently proposed, the tax consequences may not be as described below in all cases. This summary does not take into account or anticipate any other changes in law or administrative or assessing practice, whether by legislative, governmental, or judicial action or decision, nor does it take into account provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below.

**This summary is of a general nature only, and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any Prophecy Shareholder. Accordingly, Prophecy Shareholders should consult their own tax advisers for advice as to the income tax consequences to them of the Arrangement in their particular circumstances.**

#### **Securityholders Resident in Canada**

The following portion of this summary is applicable to a Prophecy Shareholder who, at all material times, is or is deemed to be resident in Canada for the purposes of the ITA.

#### ***Exchange of Prophecy Shares for New Common Shares and Distribution Shares***

Prophecy has informed counsel that the amount expected to be the fair market value of all Distribution Shares when they are distributed is substantially lower than the amount that will be the “paid-up capital”, as defined in the ITA, of all Prophecy Shares immediately before the distribution of Distribution Shares. Accordingly,

Prophecy is not expected to be deemed to have paid a dividend as a result of the distribution of Distribution Shares. In the event that the fair market value of all Distribution Shares at the time of their distribution were to exceed the paid-up capital of all Prophecy shares immediately before that time, Prophecy would be deemed to have paid a dividend on the Prophecy Shares equal to the amount of the excess, and each holder of Prophecy Shares would be deemed to have received a pro rata portion of the dividend, based on the proportion of Prophecy Shares held.

Assuming that the fair market value of all Distribution Shares at the time of distribution does not exceed the paid-up capital of all Prophecy Shares immediately before that time, a Prophecy Shareholder whose Prophecy Shares are exchanged for New Common Shares and Distribution Shares will be considered to have disposed of the Prophecy Shares for proceeds of disposition equal to the greater of the adjusted cost base to the shareholder of the Prophecy Shares immediately before the exchange and the fair market value of the Distribution Shares at the time of their distribution. Consequently, the Prophecy Shareholder will realize a capital gain to the extent that the fair market value of the Distribution Shares received exceeds the adjusted cost base of the shareholder's Prophecy Shares. In the event that the fair market value of all Distribution Shares at the time of distribution were to exceed the paid-up capital of all Prophecy Shares immediately before the distribution, the proceeds of disposition of the shareholder's Prophecy Shares would be reduced by the amount of the deemed dividend referred to in the previous paragraph that the shareholder is deemed to have received. See "*Taxation of Capital Gains and Losses*" below for a general description of the treatment of capital gains and losses under the ITA.

The cost to a Prophecy Shareholder of New Common Shares acquired on the exchange will be equal to the amount, if any, by which the adjusted cost base of the shareholder's Prophecy Shares immediately before the exchange exceeds the fair market value, at the time of their distribution, of the Distribution Shares received by the shareholder. The cost to a Prophecy Shareholder of the Distribution Shares acquired on the exchange will be equal to the fair market value of the Distribution Shares at the time of their distribution.

### ***Dissenting Shareholders***

A Prophecy Shareholder who, as a result of exercising Dissent Rights in respect of the Arrangement, receives a cash payment from Prophecy in consideration for the holder's Prophecy Shares will be deemed to receive a taxable dividend equal to the amount by which the amount received (excluding interest) from Prophecy exceeds the paid-up capital of the dissenting Prophecy Shareholder's Prophecy Shares. In the case of a dissenting Prophecy Shareholder that is a corporation, in some circumstances, the amount of such deemed dividend may be treated as proceeds of disposition and not a dividend. See "*Taxation of Dividends*" below for a general description of the treatment of dividends under the ITA. The dissenting Prophecy Shareholder will also be deemed to have received proceeds of disposition for the Prophecy Shares equal to the amount (excluding interest) received by the dissenting Prophecy Shareholder from Prophecy less the amount of the deemed dividend referred to above. Consequently the dissenting Prophecy Shareholder will realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are exceeded by) the adjusted cost base of such dissenting Prophecy Shareholder's Prophecy Shares. See "*Taxation of Capital Gains or Capital Losses*" below for a general description of the treatment of capital gains and losses under the ITA.

Interest paid or payable to a dissenting Prophecy Shareholder will be included in the Dissenting Shareholder's income.

### ***Taxation of Dividends***

In the case of a shareholder who is an individual, dividends received or deemed to be received on shares of Prophecy or PCNC will be included in computing the individual's income and will be subject to gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends designated by Prophecy or PCNC, as the case may be, as an "eligible dividend" in accordance with the ITA.

In the case of a shareholder that is a corporation, dividends received or deemed to be received on shares of Prophecy or PCNC will be included in computing the corporation's income and will generally be deductible in computing its taxable income. A "private corporation" (as defined in the ITA) or any other corporation controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a related group of individuals

(other than trusts) may be liable under Part IV of the ITA to pay a refundable tax of 33 $\frac{1}{3}$ % on dividends received or deemed to be received on shares of Prophecy or PCNC to the extent that such dividends are deductible in computing the corporation's taxable income.

### ***Disposition of Shares of Prophecy or PCNC***

The disposition or deemed disposition of shares of Prophecy or PCNC by a holder will generally result in a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of those shares immediately before the disposition. See "*Taxation of Capital Gains and Losses*" below for a general description of the tax treatment of capital gains and losses under the ITA.

### ***Taxation of Capital Gains and Losses***

One-half of any capital gain (a "**taxable capital gain**") realized by a shareholder in a taxation year will be included in the shareholder's income for the year. One-half of any capital loss (an "**allowable capital loss**") realized by the shareholder in a year may be deducted against taxable capital gains realized in the year. Any excess of allowable capital losses over taxable capital gains in a taxation year may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years, to the extent and in the circumstances specified in the ITA.

A shareholder that is throughout the relevant taxation year a "Canadian controlled private corporation" (as defined in the ITA) may be liable to pay an additional refundable tax of 6- $\frac{2}{3}$ % on its "aggregate investment income" for the year, which will include taxable capital gains.

The amount of any capital loss arising on the disposition or deemed disposition of any shares by a shareholder that is a corporation may be reduced by the amount of certain dividends received or deemed to have been received by it on such shares to the extent and under circumstances prescribed by the ITA. Similar rules may apply where the corporation is a member of a partnership or a beneficiary of a trust that owns such shares or where a trust or partnership of which the corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such shares.

### ***Alternative Minimum Tax on Individuals***

The ITA provides for an alternative minimum tax applicable to individuals (including certain trusts and estates) resident in Canada, which is computed by reference to an adjusted taxable income amount. Eighty percent of capital gains (net of capital losses) and the actual amount of taxable dividends (not including any gross-up) are included in adjusted taxable income. Any additional tax payable by an individual under the minimum tax provisions may be carried forward and applied against certain tax otherwise payable in any of the seven immediately following taxation years; however this carryforward amount will only be creditable in a particular year to the extent that the individual's tax payable for the year, calculated without reference to the minimum tax provisions, exceeds the tax payable under the minimum tax provisions for the year.

### ***Prophecy Securityholders Not Resident in Canada***

The following portion of this summary is applicable to a Prophecy Shareholder who (i) has not been, is not, and will not be resident or deemed to be resident in Canada for purposes of the ITA, and (ii) does not and will not use or hold, and is not and will not be deemed to use or hold, Prophecy Shares, New Common Shares, or PCNC Shares in connection with carrying on a business in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere.

### ***Exchange of Prophecy Shares for New Common Shares and Distribution Shares***

The discussion above, applicable to Prophecy Shareholders resident in Canada under the headings “*Exchange of Red Hill Shares for Class A Shares and Spinco Shares, Exchange of Prophecy Shares for Class A Shares, Exchange of Prophecy Options/Warrants for Class A Options/Warrants*” also applies to a Non-Resident Holder. The tax treatment of a capital gain or a capital loss realized by a Non-Resident Holder is described generally below under the heading “*Taxation of Capital Gains and Losses*”.

### ***Dissenting Non-Resident Shareholders***

The discussion above applicable to Canadian resident Prophecy Shareholders under the heading “*Dissenting Shareholders*”, also applies to a dissenting Non-Resident Holder of Prophecy Shares. The tax treatment of a capital gain or capital loss and a deemed dividend realized by a Non-Resident Holder of Prophecy Shares as a consequence of exercising dissent rights to the Arrangement are described generally below under the headings “*Taxation of Capital Gains and Losses*” and “*Taxation of Dividends*”.

### ***Taxation of Capital Gains and Capital Losses***

A Non-Resident Holder will not be subject to tax under the ITA in respect of any capital gain arising on a disposition or deemed disposition of shares, unless, at the time of disposition, such shares constitute “taxable Canadian property” of the Non-Resident Holder within the meaning of the ITA and the Non-Resident Holder is not entitled to relief under an applicable income tax convention.

Generally, a share listed on a designated stock exchange for purposes of the ITA (which includes the Exchange) will not be “taxable Canadian property” to a Non-Resident Shareholder unless, at any particular time during the 60-month period immediately preceding the disposition (i) 25% or more of the issued shares of any class or series of the capital stock of the particular corporation were owned by such Non-Resident Shareholder, by persons with whom the Non-Resident Shareholder did not deal at arm’s length, or any combination thereof, and (ii) the shares derived more than 50% of their fair market value directly or indirectly from one or any combination of real property situated in Canada, “timber resource property”, “Canadian resource property” (each as defined under the ITA), or options in respect of, or interests or rights in any of the foregoing.

A disposition or deemed disposition of shares by a Non-Resident Holder whose shares are taxable Canadian property and who is not entitled to an exemption under an applicable income tax convention, will give rise to a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition, less the reasonable costs of disposition, exceed (or are less than) the adjusted cost of such shares to the Non-Resident Holder at the time of actual or deemed disposition. Generally, one-half of any capital gain realized will be required to be included in income as a taxable capital gain and will be taxed at applicable Canadian tax rates. One-half of any capital loss will be deductible, subject to certain limitations, against certain taxable capital gains in the year of disposition or the three preceding years or any subsequent year in accordance with the detailed provisions of the ITA. Non-Resident Holders to whom these rules may be relevant should consult their own tax advisers in this regard.

### ***Taxation of Dividends***

Dividends paid or credited or deemed under the ITA to be paid or credited to a Non-Resident Holder on New Common Shares or PCNC Shares will be subject to Canadian withholding tax at a rate of 25%. This rate may be reduced in the case of a Non-Resident Holder that is entitled to the protection of an applicable income tax convention.

## **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following summary was prepared for Prophecy by Greenberg & Traurig LLP.

## Scope of This Disclosure

The following discussion is a summary of the anticipated material U.S. federal income tax consequences arising from and relating to the exchange of Prophecy Shares for New Common Shares and Distribution Shares in the manner described below (the "Distribution"), and the consequent ownership and possible disposition of New Common Shares or PCNC Shares, that are generally applicable to U.S. Holders (as defined below) of Prophecy Shares. This summary is limited to Prophecy Shareholders who are "United States persons" and hold their Prophecy Shares (and will hold New Common Shares and PCNC Shares, following the Distribution) as capital assets within the meaning of the Internal Revenue Code of 1986, as amended (the "Code") ("U.S. Holders"). For purposes of this summary, a "United States person" is: (i) a citizen or individual resident of the United States, (ii) a corporation or other entity taxable as a corporation that is created or organized under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income tax regardless of its source, or (iv) any trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) such trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary is for general information only and does not address all aspects of U.S. federal income taxation that may be relevant to a U.S. Holder in light of the U.S. Holder's particular circumstances, or to U.S. Holders that may be subject to special treatment under the Code (including, without limitation, certain financial institutions, real estate investment trusts, tax-exempt organizations, qualified retirement plans, individual retirement accounts, regulated investment companies, insurance companies, and brokers and dealers or traders in securities or currencies, persons holding stock as part of a straddle, hedge, conversion transaction or other integrated investment, persons whose functional currency is not the United States dollar, and persons who may have acquired their Prophecy Shares (or who will acquire New Common Shares or PCNC Shares) through the exercise of employee stock options or otherwise as compensation). This summary also does not address the tax treatment of U.S. Holders that hold their Prophecy Shares (or who will acquire New Common Shares or Distribution Shares) through a partnership or other pass-through entity, persons subject to the alternative minimum tax, and persons who own their Prophecy Shares (or who will acquire New Common Shares or Distribution Shares) other than as a capital asset as defined in the Code. This summary does not address aspects of U.S. taxation other than U.S. federal income taxation, nor does it address any aspects of state, local or foreign tax law.

This summary does not address the U.S. federal income tax consequences of transactions effectuated prior or subsequent to, or concurrently with, the Distribution and the Arrangement (whether or not any such transactions are undertaken in connection with the Distribution and the Arrangement) including, without limitation, the following: (i) the exercise of any Prophecy Option, Prophecy Warrant, Prophecy Convertible Security or other right to acquire Prophecy Shares (or, post-transaction, New Common Shares or Distribution Shares); or (ii) the adjustment to the Prophecy Convertible Securities.

This discussion is based on the Code, existing, temporary and currently proposed regulations promulgated under the Code, and judicial and administrative interpretations thereof, all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Prophecy has not requested any ruling from the United States Internal Revenue Service ("IRS") with respect to the statements made and the conclusions reached in this summary. No assurance can be given that the IRS will agree with such statements and conclusions, or will not take, or a court will not adopt, a position contrary to any position taken herein.

**EACH U.S. HOLDER IS URGED TO CONSULT WITH ITS TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF THE DISTRIBUTION AND THE ARRANGEMENT, AND THE CONSEQUENT OWNERSHIP AND POSSIBLE DISPOSITION OF NEW COMMON SHARES OR PCNC SHARES, INCLUDING THE EFFECTS OF FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS. TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS UNDER TREASURY CIRCULAR 230, WE INFORM YOU THAT (1) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES CONTAINED IN THIS INFORMATION CIRCULAR (INCLUDING ANY ATTACHMENTS) WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE UNITED STATES INTERNAL REVENUE CODE, (2) SUCH DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING**

**OF THE ARRANGEMENT OR MATTERS ADDRESSED BY THIS INFORMATION CIRCULAR AND (3) EACH U.S. HOLDER SHOULD SEEK ADVICE BASED UPON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

**Assumptions Regarding Prophecy and PCNC**

This summary is based upon certain understandings and assumptions with respect to the business, assets and shareholders of Prophecy and PCNC, including that neither Prophecy nor PCNC is, nor at any time has been, and neither Prophecy and PCNC will be immediately after the Arrangement a "controlled foreign corporation" as defined in Section 957 of the Code ("CFC"). Each of Prophecy and PCNC believes that it is not and has never been a CFC and neither Prophecy nor PCNC expects to become a CFC in the future. In the event that one or more of such understandings or assumptions proves to be inaccurate, the following summary may not apply and material adverse U.S. federal income tax consequences may result to U.S. Holders.

**Treaty Application to Certain Persons**

U.S. Holders who are individuals and who do not maintain a substantial presence, permanent home or habitual abode in the U.S. or whose personal and economic relations are not closer to the U.S. than to any other country (other than Canada) may be unable to benefit from the provisions of the Convention Between the United States of America and Canada with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "Canada-U.S. Tax Convention"). These U.S. Holders should consult their own tax advisors concerning the availability of benefits under the Canada-U.S. Tax Convention.

**Particular Circumstance of any Particular U.S. Holder Not Addressed**

This summary does not take into account the particular facts and circumstances, with respect to U.S. federal income tax issues, of any particular U.S. Holder. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal income tax consequences of the Distribution and the Arrangement in light of their particular circumstances.

**Exchange of Prophecy Shares for New Common Shares and Distribution Shares**

The receipt of PCNC Shares in the Distribution by shareholders of Prophecy is the result of a series of transactions undertaken pursuant to the Arrangement involving (i) the transfer of the Nickel Assets to a newly-created company, Spinco; (ii) the transfer of the Spinco Shares to PCNC, in consideration for the issuance by PCNC to Prophecy of PCNC Shares; (iii) the reorganization of Prophecy's share capital, in which each issued and outstanding Class A Share outstanding on the Effective Date, other than those held by Dissenting Shareholders, will be deemed to be exchanged for one New Common Share and a pro rata entitlement to the Distribution Shares as of the Effective Date; and (iv) the cancellation of the Class A Shares, which will be deleted as a class of shares of Prophecy. Prophecy will have one class of stock outstanding before and after the Distribution, and accordingly, the effect of this series of transactions is essentially a pro rata distribution by Prophecy of the Distribution Shares. This summary assumes that the series of transactions encompassing the Distribution and the Arrangement will be treated, for U.S. federal income tax purposes, as if Prophecy distributed the Distribution Shares to the Shareholders of Prophecy. Since the Distribution and the Arrangement will be effected under the applicable provisions of Canadian law which are technically different from analogous provisions of U.S. corporate law, there can be no assurances that the IRS or a U.S. court would not take a contrary view of the Distribution and the Arrangement.

Assuming the Distribution is treated for U.S. federal income tax purposes in the manner set forth in the paragraph above, it does not appear that the Distribution will qualify as a reorganization within the meaning of subparagraph (D) of Section 368(a)(1) of the Code (a "Reorganization"). In order for the Distribution to qualify as a Reorganization, among other things, the Distribution would have to meet the requirements of Section 355 of the Code. Section 355 requires, among other things, that at least 80% of the stock of a subsidiary be distributed by a parent corporation. Since Prophecy will retain approximately 44.48% of the issued and outstanding PCNC Shares, this requirement will not be satisfied. There are also other technical requirements of Section 355 that may not be

satisfied. Thus, it does not appear that the Distribution will satisfy the requirements imposed by Section 355 of the Code and thus should not constitute a Reorganization for US tax purposes.

Subject to the PFIC rules discussed below, assuming that the Distribution will not qualify as a Reorganization, U.S. Holders receiving Distribution Shares in the Distribution would be required to include in gross income, as ordinary income for U.S. federal income tax purposes, the fair market value of such PCNC Shares to the extent that Prophecy has current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), without reduction for any Canadian tax withheld from such distributions. Prophecy does not believe that it has current or accumulated earnings and profits. Whether it will have current earnings and profits will depend on the results of its operations for the current tax year and the amount of gain recognized by it as a result of the Distribution. To the extent that the fair market value of the Distribution Shares exceeds the current and accumulated earnings and profits of Prophecy, such excess would be applied first to reduce the U.S. Holder's basis in its Prophecy Shares, and thereafter would be treated as gain from the sale or exchange of the U.S. Holder's Prophecy shares. Subject to the PFIC rules, such gain generally would be capital gain if such Prophecy Shares were held as capital assets at the time of the Distribution and would be long-term capital gain if the U.S. Holder's holding period for the Prophecy Shares with respect to which the Distribution is made is more than one year at the time of the Distribution. In addition, the aggregate basis of Distribution Shares received by a U.S. Holder of Prophecy Shares would be equal to the aggregate fair market value of the Distribution Shares at the time of receipt; and the holding period of Distribution Shares received by a U.S. Holder in the Distribution would begin on the day after receipt.

For a summary of the different tax results that a U.S. Holder may face as a result of the PFIC rules, see "Impact of PFIC Rules on Certain U.S. Holders" below. Capital gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Preferential tax rates for long-term capital gains are generally applicable to a U.S. Holder that is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations. For U.S. Holders that are not corporations, any unused portion of a net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders that are corporations, an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

## **PFIC Rules**

### ***Definition of a PFIC***

Section 1297 of the Code generally defines a PFIC as a corporation that is not formed in the U.S. and, for any taxable year, either (i) 75% or more of its gross income is "passive income" or (ii) the average percentage, by fair market value (or, if the corporation is not publicly traded and either is a CFC or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of "passive income" is 50% or more. For this purpose, the term "passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. However, gains resulting from commodities transactions are generally excluded from the definition of passive income if "substantially all" of a merchant's, producer's or handler's business is as an active merchant, producer or handler of such commodities.

For purposes of the PFIC income test and asset test, if a foreign corporation owns (directly or indirectly) at least 25% by value of the stock of another corporation, such foreign corporation is treated as if it (i) held a proportionate share of the assets of such other corporation, and (ii) received directly its proportionate share of the income of such other corporation. Also, for purposes of such PFIC tests, passive income does not include any interest, dividends, rents or royalties that are received or accrued from a "related" person to the extent such amount is properly allocable to the income of such related person which is not passive income. For these purposes, a person is related with respect to a foreign corporation if such person "controls" the foreign corporation or is controlled by the foreign corporation or by the same persons that control the foreign corporation. For these purposes, "control" means ownership, directly or indirectly, of stock possessing more than 50% of the total voting power of all classes of stock entitled to vote or of the total value of stock of a corporation.

### ***PFIC Status of Prophecy and PCNC***

Prophecy believes that it was a PFIC for its most recent fiscal year ended on or prior to the date of the Distribution, was a PFIC in earlier fiscal years and will qualify as a PFIC for its current fiscal year. Similarly, PCNC believes that it was a PFIC for its most recent fiscal year ended on or prior to the date of the Distribution, will be a PFIC for its current fiscal year and will be a PFIC for its taxable year that includes the day after the Distribution. However, there can be no assurances that unanticipated events will not cause Prophecy, or PCNC to fail to qualify as a PFIC or that any determination concerning such current or expected PFIC status will not be challenged by the IRS. See "Impact of PFIC Rules on Certain U.S. Holders."

If a foreign corporation is a PFIC at any time during a U.S. Holder's holding period (and was not a qualified electing fund ("QEF") as described below), the U.S. Holder will generally continue to be subject to the rules regarding excess distributions and dispositions of PFIC stock discussed below, even if the foreign corporation ceases to be a PFIC, unless certain gain recognition elections are made to "purge" the PFIC taint.

### ***Impact of PFIC Rules on Certain U.S. Holders***

The impact of the PFIC rules on a U.S. Holder of Prophecy Shares will depend on whether the U.S. Holder has made a timely and effective election to treat Prophecy as a "qualified electing fund" under Section 1295 of the Code ("QEF") for the tax year that is the first year in the U.S. Holder's holding period of Prophecy Shares during which Prophecy qualified as a PFIC (a "QEF Election"). A U.S. Holder's ability to make a QEF Election with respect to Prophecy is contingent upon, among other things, the provision by Prophecy of a "PFIC Annual Information Statement" to such U.S. Holder. U.S. Holders should be aware that there can be no assurance that Prophecy will supply U.S. Holders with the information that such U.S. Holders require to report under the QEF rules. A U.S. Holder of a PFIC who made such a QEF Election may hereinafter be referred to as an "Electing Shareholder" and a U.S. Holder of a PFIC who did not make a QEF Election may hereinafter be referred to as a "Non-Electing Shareholder."

If a U.S. Holder of Prophecy Shares has not made a timely and effective QEF Election with respect to the first year in the U.S. Holder's holding period in which the Company is a PFIC, such U.S. Holder generally may qualify as an Electing Shareholder by filing, on a timely filed U.S. income tax return (including extensions), a QEF Election and a "deemed sale election" to recognize under the rules of Section 1291 of the Code any gain that it would otherwise recognize if the U.S. Holder sold its stock for fair market value on the "qualification date." The qualification date is the first day of Prophecy's tax year in which Prophecy qualified as a QEF with respect to such U.S. Holder. The deemed sale election can only be made if such U.S. Holder held Prophecy Shares on the qualification date. By timely making such QEF and deemed sale elections, the U.S. Holder will be deemed to have made a timely QEF Election.

The impact of the PFIC rules on a U.S. Holder of Prophecy Shares may also depend on whether the U.S. Holder has made a mark to market election under Section 1296 of the Code. See "Effect of PFIC Rules on the Distribution" below.

### ***Effect of PFIC Rules On The Distribution***

Special taxation rules under Section 1291 of the Code apply to certain "excess distributions" made by a PFIC. For this purpose, an excess distribution is generally a distribution received in the current taxable year that is in excess of 125% of the average distributions received with respect to a U.S. Holder's stock during the three preceding years or, if shorter, the U.S. Holder's holding period.

Assuming Prophecy is and has been a PFIC, if the Distribution does not qualify as a Reorganization and does constitute in whole or in part an excess distribution, a Non-Electing Shareholder generally would be required to prorate the amount that constitutes an excess distribution over the entire holding period for its Prophecy Shares. The portion of such excess distribution allocated to prior years of such Non-Electing Shareholder (other than years prior to the first taxable year of Prophecy during such Non-Electing Shareholder's holding period and beginning after January 1, 1987 for which it was a PFIC) would be taxed at the highest tax rate for each such prior year applicable to

ordinary income. The Non-Electing Shareholder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such tax had been due with respect to each such prior year. A Non-Electing Shareholder that is not a corporation must treat this interest charge as "personal interest" which is wholly nondeductible. The balance of the excess distribution (i.e., amounts allocated to the current year and tax years in the Non-Electing Shareholder's holding period before Prophecy became a PFIC) will be treated as ordinary income in the year of the distribution, and no interest charge will be incurred with respect to such balance.

An Electing Shareholder of Prophecy generally would not be subject to the PFIC rules discussed above with respect to the Distribution but rather would include annually in gross income its pro rata share of the ordinary earnings and net capital gain of Prophecy, whether or not such amounts are actually distributed.

Section 1296 of the Code permits U.S. Holders to make a mark-to-market election with respect to marketable stock in a PFIC that is regularly traded on a qualified exchange. A U.S. Holder who has made a mark-to-market election with respect to its Prophecy Shares (assuming it is available) generally would not be subject to the PFIC rules discussed above but rather would generally include in income as ordinary income any excess of the fair market value of its Prophecy Shares as of the close of each taxable year over the adjusted basis in such shares. However, if the mark-to-market election is made by a Non-Electing Shareholder after the beginning of its holding period for the PFIC stock, then the Code Section 1291 rules will apply to certain dispositions of, distributions on and other amounts taxable with respect to its Prophecy Shares.

### ***Information Reporting***

U.S. Holders who own stock of a PFIC (regardless of the amount) must file an annual information return containing certain information. U.S. Holders are urged to consult with their own tax advisors concerning such reporting requirements and any other reporting requirements that may apply to the Distribution and the Arrangement.

### ***Complexity of PFIC Rules***

The PFIC rules are complex and the implementation of certain aspects of the PFIC rules requires the issuance of Treasury Regulations which in many instances have not been promulgated and which may be promulgated and which may have retroactive effect. There can be no assurance that any of these proposals will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. Accordingly, and due to the complexity of the PFIC rules, U.S. Holders are strongly urged to consult their own tax advisors concerning the impact of these rules on their investment in Prophecy Shares and the Distribution, including, without limitation, whether a QEF Election, "deemed sale" election and "mark-to-market" election may be used to reduce the significant adverse U.S. federal income tax consequences of the PFIC rules.

### ***Dissenting U.S. Holders***

A U.S. Holder who exercises Dissent Rights in respect of the Arrangement will recognize gain or loss on the exchange of such U.S. Holder's Prophecy Shares for cash in an amount equal to the difference between (i) the amount of cash received and (ii) such holder's adjusted tax basis in its Prophecy Shares. Subject to the PFIC rules discussed above, such gain or loss generally will be capital gain or loss if such shares were held as capital assets at the time of the Arrangement and will be long-term capital gain or loss if the U.S. Holder's holding period for such shares is more than one year at such time. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year.

Preferential tax rates for long-term capital gains are generally applicable to a U.S. Holder that is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations. For U.S. Holders that are not corporations, any unused portion of such capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders that are corporations, an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

## **Currency Gains**

The fair market value of any Canadian currency received by a U.S. Holder in the Arrangement generally will be based on the rate of exchange on the date of the Arrangement. A subsequent disposition of any Canadian currency received (including its conversion into U.S. currency) generally will give rise to income or loss, treated as ordinary income or loss. U.S. Holders should consult their own tax advisors concerning the U.S. federal income tax consequences of acquiring, holding and disposing of Canadian dollars.

## **Material U.S. Federal Income Tax Considerations Relating to the Ownership and Disposition of Prophecy New Common Shares or PCNC Shares**

The following discussion regarding the treatment of future distributions from, and the sale or exchange of shares of, Prophecy or PCNC is subject to the PFIC rules discussed above. Prophecy believes that it is a PFIC and will be a PFIC for the foreseeable future and it is expected that PCNC also will be a PFIC.

### ***Taxation of Dividends***

Subject to the PFIC rules, for U.S. federal income tax purposes, the gross amount of a distribution by Prophecy or PCNC with respect to Prophecy New Common Shares or PCNC Shares owned by a U.S. Holder, including any amounts of Canadian tax withheld on the distribution, will be treated as dividend income to such U.S. Holder to the extent paid out of the distributing corporation's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. That dividend income will not be eligible for the dividends received deduction generally allowed to corporations under Section 243 of the Code. To the extent such distribution exceeds the U.S. Holder's allocable share of the distributing corporation's current and accumulated earnings and profits, the excess will be applied first to reduce the U.S. Holder's basis in its shares in such corporation, and any remaining excess will constitute gain from the deemed sale or exchange of such shares. See "Tax on Sale or Exchange of Shares" below. Dividends paid by Prophecy or PCNC in Canadian dollars will be included in the income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt thereof by the depository, regardless of whether the payment is in fact converted into U.S. dollars. If the dividends paid in Canadian dollars are converted into U.S. dollars on the date of receipt, U.S. Holders generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

For U.S. federal income tax purposes, a U.S. Holder may generally elect to treat Canadian withholding taxes as either a deduction from gross income or, subject to certain limitations, a credit against the U.S. federal income tax liability of that U.S. Holder. The maximum foreign tax credit allowable generally is equal to the U.S. Holder's U.S. federal income tax liability for the taxable year multiplied by a fraction, the numerator of which is the U.S. Holder's taxable income from sources without the United States and the denominator of which is the U.S. Holder's taxable income from all sources for the taxable year. That foreign tax credit limitation is applied separately to different "baskets" of income. For purposes of applying the foreign tax credit limitation, dividends generally are included in the "passive category" basket.

### ***Tax on Sale or Exchange of Shares***

Subject to the PFIC rules, for U.S. federal income tax purposes, a U.S. Holder generally will recognize gain or loss on any sale, exchange or other disposition of Prophecy New Common Shares or PCNC Shares unless a specific nonrecognition provision applies. That gain or loss will be measured by the difference between (i) the U.S. dollar value of the amount of cash, and the fair market value of any other property received and (ii) the U.S. Holder's tax basis in the shares disposed of, determined in U.S. dollars. Subject to the PFIC rules, gain or loss arising from a sale or exchange of Prophecy New Common Shares or PCNC Shares will be capital gain or loss if the shares disposed of are held as capital assets by the U.S. Holder, and will be short term or long term capital gain or loss depending on whether the holding period of the U.S. Holder for such shares exceeds one year. In general, gain from a sale or exchange of Prophecy New Common Shares or PCNC Shares by a U.S. Holder of Prophecy Shares or PCNC Shares will be treated as U.S. source income for foreign tax credit limitation purposes.

## **U.S. Backup Withholding and Information Reporting**

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, recently enacted legislation generally imposes new U.S. return disclosure obligations (and related penalties) on U.S. Holders that hold certain specified foreign financial assets in excess of \$50,000. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Prophecy and PCNC Shares are held in an account at a domestic financial institution. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns, and, if applicable, filing obligations relating to the PFIC rules.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of (a) distributions on the Prophecy or PCNC Shares, (b) proceeds arising from the sale or other taxable disposition of Prophecy Shares, or (b) any payments received in connection with the Arrangement (including, but not limited to, U.S. Holders exercising dissent rights under the Arrangement) generally may be subject to information reporting and backup withholding tax, at the rate of 31%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

### **No Ruling or Legal Opinion**

No opinion of legal counsel and no ruling from the IRS concerning the U.S. federal income tax consequences of the Distribution and the Arrangement or any other matter discussed herein has been obtained and none will be requested. This summary is not binding on the IRS and the IRS is not precluded from taking a different position or positions. U.S. Holders should be aware that some of the U.S. federal income tax consequences of the Distribution and the Arrangement are governed by provisions of the Code as to which there are no final Treasury Regulations and little or no judicial or administrative guidance.

**THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED TO BE, LEGAL, BUSINESS OR TAX ADVICE TO ANY PARTICULAR SHAREHOLDER. SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE DESCRIBED TRANSACTIONS IN THEIR PARTICULAR CIRCUMSTANCES.**

## **INFORMATION CONCERNING THE SIGNIFICANT ASSETS**

### **The Nickel Assets**

The Nickel Assets comprise, among other things, all of Prophecy's right, title and interest in and to the Lynn Lake Property and the Wellgreen Property, any other business assets associated with the operation of the Lynn Lake Property or the Wellgreen Property.

## **The Lynn Lake Property**

On October 20, 2009, Prophecy entered into the Lynn Lake Option Agreement with Victory, pursuant to which Prophecy was granted the right to earn a 100% interest in the Lynn Lake Property located in northern Manitoba by agreeing to pay Victory an aggregate of \$4,000,000 (\$2,000,000 paid) over a four year period, agreeing to incur exploration expenditures of an aggregate of \$3,000,000 over a three year period on the property, and issuing a total of 2,419,548 Prophecy Shares to Victory. The Lynn Lake Option Agreement also provided Victory with the right to participate in future financings or acquisitions on a pro rata basis so that Victory may maintain its 10% interest in the number of outstanding shares of Prophecy, which participation right has since terminated.

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

- (a) \$300,000 within five business days of Exchange approval (paid);
- (b) \$300,000 on January 9, 2010 (paid);
- (c) \$400,000 within 180 days of the option agreement (paid);
- (d) \$1,000,000 on or before March 1, 2011 (paid);
- (e) \$1,000,000 on or before March 1, 2012; and
- (f) \$1,000,000 on or before March 1, 2013.

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

- (a) \$500,000 on or before November 1, 2010 (completed);
- (b) an aggregate of \$1,500,000 on or before November 1, 2011 (of which approximately \$1,100,000 has been expended by Prophecy to date); and
- (c) an aggregate of \$3,000,000 on or before November 1, 2012.

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

The following represents information summarized from the Lynn Lake Report dated March 25, 2011, prepared for PCNC by Wardrop Engineering Inc. pursuant to NI 43-101. The Lynn Lake Report is available on SEDAR at [www.sedar.com](http://www.sedar.com) under PCNC's profile. Readers are encouraged to review the Lynn Lake Report in full.

### ***Property Description and Location***

The Lynn Lake Property is located in the historic mining town of Lynn Lake, in northern Manitoba approximately 320 km by road access northwest of the Thompson mining camp. The Lynn Lake Property is located at 56° 51' north latitude, 101° 3' west longitude (UTM 6302600N/375900E on Transverse Mercator Projection, NAD 83 Datum, Zone 14V) which is part of The Pas Mining District, NTS 64C 14.

The Lynn Lake Property is the former Sherritt producing mine site known as the Lynn Lake A mine and Farley mine. Victory holds 30 historic mineral leases covering an area of 590 hectares (ha). The leases are part of the original Sherritt Gordon mining package, which was surveyed during the 1940's. The mineral leases are in good standing and are maintained at a rental fee of \$8.00 per hectare, or \$150.00 per annum (whichever is greater).

Prophecy has entered into the Lynn Lake Option Agreement with Victory on October 21, 2009, whereby Prophecy has the right to acquire a 100% interest in the Lynn Lake Property. Under the Lynn Lake Option Agreement, Prophecy shall pay Victory an aggregate of \$4,000,000 over a four year period and incur an aggregate of \$3,000,000 in exploration expenditures over a three year period. As part of the Lynn Lake Option Agreement, Prophecy also issued to Victory 10% of Prophecy's outstanding shares, post financing, and granted Victory the right to participate in future equity financing on a pro rata basis so that Victory may maintain its 10% interest in Prophecy. The Lynn Lake Property, and Prophecy's interest in the Lynn Lake Property is free and clear of all liens and encumbrances, other than permitted encumbrances.

On January 17th, 2011, PCNC and Prophecy entered a binding Letter Agreement, whereby PCNC would acquire all of Prophecy's interest in Prophecy's nickel projects, including the Lynn Lake Property, along with \$2 million in cash in consideration of the issuance of 450 million PCNC Shares, of which 225 million PCNC Shares would be retained by Prophecy and held in accordance with the terms and conditions of the Escrow Agreement. The remaining 225 million PCNC Shares would be distributed to registered Prophecy Securityholders pro rata in accordance with their holdings of Prophecy Securities.

Immediately following the completion of the acquisition, PCNC will consolidate its shares on a ten old for one new basis and change its name to Prophecy Platinum Corp.

The Lynn Lake Property contains ten mined out historic zones and other mineralized zones of exploration potential. The resource is contained in the N and O zones were partially developed and partially mined.

Wardrop is not aware of any action that has been taken by any owner, tenant, licensor or occupier of any of the surface rights relating to the Lynn Lake Property (other than ongoing environmental remediation activities being carried out by the Manitoba Government and prior owners) that will in any way encumber, limit, restrict or cause interference with any exploration or mining operations to be carried out by Prophecy. Moreover, the company does not incur any liability for the existing site contamination as proclaimed by the Provincial Government of Manitoba.

In accordance with the Mines and Minerals Act of Manitoba, a valid prospector's license is required to perform mineral exploration in the Province of Manitoba and any such licensee may perform duties under the Act on behalf of a corporation, syndicate, partnership or limited partnership. No other permits are required prior to advanced exploration while the permitting is underway.

#### ***Accessibility, Climate, Local Resources, Infrastructure and Physiography***

The Lynn Lake Property was a historic mining area and the site is readily accessible year-round from the Town of Lynn Lake. Lynn Lake is approximately 320 km from Thompson, Manitoba along Provincial Highway 391. Lynn Lake has a population of 714 (Statistics Canada, 2006). There is an airport at Lynn Lake, which is serviced by Calm Air and Perimeter Air. Perimeter Air maintains a regular air schedule into Lynn Lake from Winnipeg with stops in regional communities. A railway line is located at Lynn Lake, which extends south to Flin Flon, Manitoba and from there to the rest of Canada.

Lynn Lake has an annual average temperature of -3 degrees Celsius (°C). The average summer temperature is +22°C with an average winter temperature of -20°C. Annual precipitation averages approximately 530 millimetres (Community Profile, Manitoba).

The climate and vegetation in the Lynn Lake area is typical of northern Manitoba. Most of the area is covered by northern boreal forest, consisting chiefly of jack pine, black spruce and balsam with a few stands of birch and poplar. The Lynn Lake Property consists of patches of northern boreal forest around the former mine infrastructure buildings, mine tailings, waste rock piles, former Farley headframe, core storage areas and five ponds and associated dikes to the north and northwest of Farley shaft. The majority of the property has been levelled by waste rock, tailings and gravel sand mixture material. The relief is low lying consisting of scattered marsh or moss-covered swampy areas.

The previous long existing mining at Lynn Lake and in northern Manitoba confirms the area has adequate resources for a mining operation.

### **History**

The history of mining and exploration on the Lynn Lake Property is summarized in Table 6.1.

**Table 6.1 History of Mining and Exploration of the Lynn Lake Nickel Mine Property<sup>(1)</sup>**

<b>Year</b>	
1941	Austin McVeigh located the discovery outcrop.
1945-1946	Sherritt Gordon (Sherritt) staked 353 claims and conducted exploration (magnetometer surveys and drilling) to outline a 6.8 million ton historic resource averaging 1.74% nickel and 0.75% copper in the A, B, E and EL zones <sup>(1)</sup> In the absence of further clarification from historic documents, these would have to be considered as equivalent to “inferred” resources under CIM terminology
1948-1950	Sherritt began sinking the A shaft. This, along with geophysical exploration and drilling increased the resource to 14 million tons averaging 1.22% nickel and 0.62% copper <sup>(1)</sup>
1953-1976	Sherritt operated the Lynn Lake Nickel Mine from 1953-1976. During this time they discovered/developed additional zones and commissioned the Farley Shaft in 1961. The mine produced over 22 million tons of ore at a grade of 1.023% Ni and 0.535% copper <sup>(1)</sup>
1977 -1987	Sherrgold Inc., a subsidiary of Sherritt Gordon, acquired ownership of the Property.
1988-1989	LynnGold Resources Inc., owned by Hayes Resources Inc., conducted an assessment of Sherritt’s stated a historic reserve of 19.3 million tons grading 0.61% nickel and 0.32% copper (Goodwin, 1988) <sup>(1)</sup> These would probably be equivalent to “proven and probable” reserves under CIM terminology
1989-1992	DCC Equities Hayes Resources Inc. acquired ownership of the Property following the bankruptcy of LynnGold Resources.
1993-2005	Black Hawk Mining Inc. used the Property mill from 1993-2000 to process ore from the Farley Lake open pit gold mine, approximately 36 km east of Lynn Lake. The gold tailings were pumped into the B pit and then into open stopes of the abandoned underground workings on the property and the Farley shaft.
2005-2008	Independent Nickel conducted the following exploration activities: re-established the historic mine grid at 1000 foot intervals, linecutting of 41.75 total line kilometres, an electromagnetic (EM) ground survey, a ground magnetometer survey, borehole EM surveys, an induced polarization (IP) survey, drilled 87 boreholes totalling >28 000 m. Independent Nickel filed a Preliminary Economic Assessment and filed a Pre-Feasibility Study. Both studies are available on SEDAR.
2009	Victory Nickel Inc. acquired Independent Nickel Inc.
2009-present	Prophecy entered into an agreement with Victory Nickel Inc. to acquire the Lynn Lake Nickel Property.
2010	Prophecy completed induced polarization survey and six diamond drill holes totaling 3,330 m.

(1) The preceding historical estimates are disclosed using the historical terminology and summarized by Pinsent, 1980 unless otherwise cited . Wardrop considers the historical estimates relevant and produced within industry standards of the time, though not necessarily reliable.

A qualified person has not done sufficient work to classify the historical estimates as current mineral resources or mineral reserves. Neither Wardrop, nor Prophecy are treating the historical estimate as current mineral resources or mineral reserves as defined in Sections 1.2 and 1.3 of NI 43-101; and the historical estimate should not be relied upon.

### Historic Data Compilation

Wardrop compiled historic data (pre-1976) from the Lynn Lake nickel mine into a digital format as part of a Preliminary Economic Assessment completed in 2006. A total of 3,709 drill holes out of a complete list of greater than 7,800 had their collar positions, surveys, assays, lithologies and other pertinent information manually entered into an Access database. In addition, a total of 395 drawings of sections and plans have been scanned from historic data from the Manitoba Mines Branch and data received from Lynn Lake Nickel. Subsequently these scans were digitized inhouse at Wardrop's Toronto office. This data has been used to create 3D geological solids using Datamine software.

The historic data from the N, O, G, P, and Upper D zones appears to be accurate and complete to the mine closure in 1976. The remaining zones and zones of A, Upper and Lower B, Lower D, E, F, J, K, B-K and M lacked information in more than one of the key areas of drill hole information, mined out areas being identified or geological interpretation. The Lower D zone, however appeared to be only lacking in the area of mined out information and a decision was made not to include any historic in-situ resource from this area at this time.

Comparison of the new model to the historic sectional and plan interpretations indicates a good correlation with historic figures.

### Pre-1976 Drilling

The Lynn Lake Property historically was drilled systematically from the main underground levels of 800, 950 (12th level of A mine), 14th Diesel Haulage, 2,000 and 3,000 foot levels with horizontal drill holes spaced laterally every 400 feet out to or near the contact between the intrusive plug and the metavolcanics or metasediments. Unless large amounts of consistent mineralization were intersected in these horizontal drill holes no additional drilling by Sherritt was conducted. When considerable lengths of mineralization and grade were intersected, generally drilling was conducted systematically on 50 foot and then 25 foot intervals and designated an alpha zone or zone identification.

Historic information indicates that the majority of drilling was carried out from underground using either EXT or BM diameter core drilling equipment.

### 2006-2008 Drilling

Independent Nickel conducted a drill program to test for exploration targets. A total of 87 drill holes were drilled totalling approximately >28,000 metres. All drill planning was done in historic mine grid coordinates and azimuth. Drilling was completed in 3 to 6 meter runs, pulling NQ-size drillcore through NW-sized casing. Borehole depth ranged from less than 100 metres to 1,600 metres in core length. Due to the genetic uncertainty and massive character of the A-plug gabbro, true-thicknesses and orientation of mineralized intercepts is not known. Wedged holes were recognized by an alphabetic designation after the original departure hole.

### Pre-1976 Sampling Method

Details of the sampling methodologies used by Sherritt during the early years from 1945 initial mine production in 1953 and throughout the mine life to 1976 are not currently available to Wardrop.

Wardrop commented on 23 drill hole core reviewed during a pervious site visit from July 26 to 28, 2005 on the property. The core review objective was to confirm the historical logging and identify any discrepancies from the logging to a visual review.

### 2006-2008 Sampling Method

Wardrop had not completed a detailed reviewed the data from the 2006 to 2008 diamond drill programs completed by Independent Nickel. Independent Nickel geologists used the sampling procedures outlined below.

Sampling was conducted on logged core in geologically pertinent intervals. These predominantly included intervals containing sulphide mineralization of appreciable semi-quantitative content, typically 5% or greater, plus unmineralized or sparsely mineralized “shoulders.” The geologist exercises discretion in all sampling and shoulder sizes. Sample length was never less than 10 centimetres and did not exceed 2 metres. Sample parsing was based on rock type, mineral occurrence, alteration and uniformity of sulphide content.

### ***Geological Setting***

#### Regional Geology

The Lynn Lake Greenstone Belt of northern Manitoba, hosting the nickel and copper deposits, is part of the deformed Precambrian metasedimentary and metavolcanic rocks belonging to the Wasekwan Group (Bateman, 1945) as shown in Figure 7.1 of the Lynn Lake Report.

The Wasekwan Group is divided into two east-trending belts, referred to as the northern and southern Lynn Lake belts (Park et al, 2002). The northern portion of the belt is overlain by Ralph Lake conglomerate and Zed Lake greywacke and the southern portion is overlain by a metasedimentary succession, known as the Sickle Group. The belt is bounded to the south by the Kisseynew metasedimentary domain and to the north by the Southern Indian Domain and stretches from the Manitoba- Saskatchewan border in the west to Southern Indian Lake in the east.

The Lynn Lake nickel and copper deposits, mined from 1953 to 1976, occur within two adjacent mafic to ultramafic intrusive igneous plutons of the Lynn Lake Greenstone Belt known as the Wasekwan Group that is overlain by the Sickle Group.

The following sections on geological setting have been extracted from “Nickel- Copper Mineralization in the Lynn Lake Gabbro” (Pinsent, 1980).

The relationship between the Sickle and the Wasekwan group, from a structural and stratigraphic viewpoint, show little discordance between the northern and southern portion of the belt. Sickle Group metaconglomerates unconformably overlie the Wasekwan Group metavolcanic and post-date the Wasekwan tonalite intrusion within the belt.

Three sub-circular intermediate to acid igneous plutonic complexes divide the Greenstone Belt into northern and southern belts along an east to west axis. The igneous plugs of gabbroic composition have intruded these Wasekwan Group metavolcanic north and south of this axis.

The Wasekwan Group at Lynn Lake consists of a homoclinal sequence of metavolcanic and metasedimentary rocks. A thicker body of felsic volcanic rocks then underlies a mafic to felsic succession of interlayered metavolcanic flows of tuffs and breccias. This is further overlain by a fine to coarse-grained metasediments and a mafic to intermediate metavolcanic flows and breccias that locally show iron formation occurrences. This diverse lowermost metavolcanic unit in the Town of Lynn Lake may represent proximity to a volcanic centre. Stratigraphy of Lynn Lake is steeply dipping or vertical to the northwest with a strike of 065° azimuth. Metamorphism of staurolite subfacies of the lower amphibolite facies is the regional metamorphism of the stratigraphy.

#### Local Geology and Property Geology

The Lynn Lake A plug mafic to ultramafic igneous pluton of nickel and copper mineralization as been identified in the following alpha nomenclature by Sherritt as A, B, C, D, E-J, F-K, G, M-N, O and P zones. The near vertical pluton with a size of three kilometres by 1.5 kilometres intruded the Wasekwan metasediments and metavolcanics near parallel to the structural trend of the Greenstone rocks at a northeast to southwest strike. The contact of the pluton and Greenstone Belt intersects a thick unit of brecciated to massive rhyolite flows on the northwest contact and a unit of interlayered tuff flows of intermediate to mafic composition on the southeast contact. The igneous pluton and volcanic contact is sheared and has been cut-off by the Lynn Lake fault or Griffith shear on the southern end of the plug with a trend of 315° and a dip of 50° to the northeast.

Currently, the discovery outcrop adjacent to and southeast of the A shaft is the only area that has not been covered by waste rock from open pit mining or by mill tailings.

The known zones occur in the western half of the A plug associated with more mafic to ultramafic rock types of gabbro, amphibolite and peridotite in three main centres within the pluton (MaCauley, 1962) as follows (see also Figure 7.2 of the Lynn Lake Report):

- A, C, Upper D, Lower D, E and J zones at the north end of the plug situated around the A shaft area.
- B, F, K and B-K zones that lie west of the Farley shaft in the middle of the A plug, O, N and P zones at the south end of the A plug.

An assemblage of intermixed amphibolite, gabbro containing peridotite bodies, mottled quartz-biotite diorite, quartz hornblende diorite and mineralized rock types define the A plug geology.

### *Structure*

The Lynn Lake fault or Griffith shear defines the southern contact of the A plug and the O fault disrupts and offsets the O and N zones. These two major reverse faults strike northwest and dip moderately to the northeast. The reverse movement on the O fault has caused sections of the O and N zones to be thrust southwest over the Wasekwan Group country rock below the 3,500 foot level. The Lynn Lake fault with a similar sense of movement has moved the weakly mineralized portions of the O and N to the southwest over the Wasekwan. The mineralized portions of the N and O zone lie between the two faults from the 1,600 and 3,500 foot levels. If the known weakly mineralized M zone, which lies at surface, is the thrust hangingwall equivalent of the N zone the offset of the faulting is on the order of 500 to 600 metres. The O zone pipe thrust hanging wall extension has not been located or the footwall truncated portion of the Lower O zone.

The Lynn Lake fault has not shown evidence of intersecting or truncating the B, K, or B-K zones and may possibly steepen at depth. The A zone has been truncated to the west due to movement on the footwall A fault at the 15th and 18th levels of the A Mine, which strikes north and dips to the east. The C zone has been displaced in similar fashion to the A zone due to the C fault on the 14th level and may also have offset the E and J zones. Movement on the C zone has similar displacement as the A fault.

All the zones appear to be affected somewhat by faulting, causing successively higher sections of the A, C, E and J zones to be thrust to the east. In general, the few in number easterly dipping reverse faults exhibit appreciable movement, while the westerly dipping imbricate reverse faults are more abundant with little disruption and deformation of the zones. The faulting probably continued throughout the plug evolution, while the easterly dipping faults appear to predate the westerly dipping faults, with the age of faulting being uncertain. Mafic dykes, which are associated with the fault planes, have been metamorphosed while deformation pre-dates the final phase of metamorphism.

### ***Mineralization***

The Lynn Lake Property contains ten zones of mineralization; A, B, C, D (Upper and Lower), EJ, F-K, G, M-N, O, and P and several areas of sub-economic mineralization. The relative location of the mineralized zones is illustrated in Figure 4.3 of the Lynn Lake Report.

Of the ten zones, only the Upper and Lower N, O, and G zones are the subject of the Lynn Lake Report. They are the main targets for development, as they were lower grade at the time of mine closure and remain either selectively mined or undeveloped. The nickel and copper mineralization of the A Plug pipes and zones consists primarily of pyrrhotite, pentlandite and chalcopyrite and minor amounts of pyrite and trace of sphalerite, magnetite and ilmenite.

The mineralization of the pipes and zones can be classified as disseminated, plutonic breccia, sulphide breccia, massive sulphides and some siliceous felsites mineralization (Pinsent, 1980). Disseminated sulphides

consist of interstitial and fine-grained sulphides that are distributed homogeneously. Plutonic breccia material occurs at the contact of the mineralized intrusive pipe and the barren gabbro countryrock displaying subrounded xenoliths of either diorite or gabbro. The host rocks can vary from undeformed to completely recrystallized. Sulphide breccia material consists of sub-angular to rounded inclusions of silicate. Massive sulphides are generally coarser-grained and may cut the disseminated, plutonic breccia and sulphide breccia mineralization consisting of pods and veins. Siliceous felsites mineralization consists of fine-grained quartz and plagioclase matrix that is often brittle in nature occurring as inclusions in the plutonic and sulphide breccia material.

The pyrrhotite mineralization is comprised of interlocking crystals of fine-through to coarse-grained crystals that are separated by a network of stringers and veinlets of pentlandite that contain patches of pyrrhotite.

The pentlandite mineralization often occurs as stringers cutting the pyrrhotite crystals. Pentlandite veinlets and blebs are generally interstitial crystals associated with the pyrrhotite. Disseminated mineralization occurs as flames of pentlandite in the granular pyrrhotite.

The chalcopyrite mineralization occurs as patches, blebs and veins of the disseminated to massive sulphides. Chalcopyrite veins often replace earlier pyrite, pyrrhotite and both the flame and vein pentlandite (Pinsent, 1980). The chalcopyrite appears to be crystallized later than the pyrrhotite and pentlandite. Sphalerite mineralization generally occurs in disseminated sulphides associated with the pyrite

### A Zone

The A zone is located 90 metres to the northeast of A Shaft with mineralization from surface to the 2,000 foot level. Mineralization is typically disseminated sulphides that are concentrated into lenses within the faulted amphibolite pipe. The amphibolite pipe lies adjacent to a large mass of QHD. The zone has an ill-defined irregular contact with the amphibolite and erratic nickel and copper grades that increased in zones of brecciation along faulting. The faulting post-dates mineralization.

### B Zone

The B zone is located west of the Farley Shaft about 230 metres, with mineralization from subsurface outcrop to below the 3,000 foot level. The mineralized lenses of the zone lie adjacent to a large continuous peridotite body underlying the footwall B, B-K, F and K zones. Generally the mineralized lenses have an average length of 100 metres and width of 25 metres occurring en echelon.

The B zone has been disrupted by seven many major reverse faults and numerous imbricate splays stemming from the faulting.

The mineralization of the B zone is composed of massive sulphide; sulphide cemented breccia and disseminated sulphide material.

### B-K Zones

The B-K zone is a set of discontinuous, structurally controlled mineralized lenses lying between the B and K zones. Mineralization extends from approximately the 2,100 foot level to 3,500 foot level. The zone is 60 metres wide and has a strike of 315° azimuth and dips at about 50° to the northeast. B-K zone is structurally controlled by two separate parallel dykes of QHD on each side of the zone that separates the B and K zones.

The mineralized lenses of the B-K consist of disseminated clots and blebs of sulphides hosted in amphibolite and mottled gabbro.

### C Zone

The C zone is located approximately 350 metres northwest of the A shaft. The zone extends from near surface with weak mineralization to the 14th level of the A Mine at about the 1,100 foot level. The mineralization lies adjacent to a large body of QHD that separates the A and C zone.

The C zone is cut-off at the 14th level by the Contact fault, striking north and dipping 30° to the east that may also be related to the disruption of the E and J zones to the south. The cut-off portion of the C zone has not been identified.

Mineralization consists of disseminated sulphides in amphibolite and cemented breccia sulphide material.

### D Zone

The D zone consists of two lenses, upper and lower, that lie in the same structural plane separated by approximately 80 metres vertically. The lenses strike at 020° azimuth with a dip of 75° to the northwest.

The Upper D zone lies 550 metres northeast of the A Shaft with mineralization extending from the 12th level to approximately the 20th level (about 1,600 feet below surface). The tabular zone consists of disseminated, semi-massive and massive sulphides in a fine grained diorite host rock. The Upper D fault, which strikes at 315° azimuth and dips at 50° to the northwest, divides the zone into two distinct partially separated lenses. The lens is approximately 140 metres in length with an average of 15 metres of width.

The Lower D zone is situated 500 metres from the A Shaft with mineralization extending from just above the 2,000 foot level down to about the 2,600 foot level. The mineralization occurs in diorite as weak disseminated sulphides with an extent of 260 metres in length and 20 to 25 metres in width. The lens is cut by the Lower D fault that strikes at 325° azimuth and a shallow dip of 30° to the southwest at the 2,150 foot level.

### E-J Zones

The E and J zones are believed to be faulted counterparts of the same ore lens that has separated the hangingwall E zone to the southwest along the E-J fault. The E-J fault strikes 330° azimuth and dips 50° to the east.

The E zone is located 280 metres southwest of the A Shaft with an overall mineralization extent from surface down to the 12th level. Mineralization occurs as disseminated sulphides in a talcose rich amphibolite and peridotite about 120 metres in length and 10 to 15 metres in width. The zone has been cut by two reverse faults on the 4th and 7th levels.

The J zone is located 200 metres southwest of the A Shaft, extending from the 12<sup>th</sup> level to the 2,000 foot level. Mineralization consists largely of disseminated sulphides in amphibolite and gabbro host rocks that have been cut by reverse faults striking 040° azimuth and dipping 55° to the southwest.

### F-K Zones

The F and K zones have been interpreted as dislocated components of a single mineralized pipe. The F zone is the upper portion of the zone located 430 metres northwest of the Farley Shaft, with mineralization from 850 feet to 1,700 feet below surface. The lower portion is the K zone, which is located 340 metres from the Farley Shaft, with mineralization extending from 1,550 feet to 3,000 feet below surface.

The F zone mineralization of economic grade however is located in an 80 metre diameter pipe situated 950 feet below surface with a strike of 146° azimuth and a plunge of 50° to the southeast. The weakly mineralized amphibolite and gabbro has been dislocated by near vertical reverse faults and several imbricate faults with mineralization occurring as discontinuous lenses. The imbricate faults appear to be related to the Porphyry Shear a major fault that intersects the B zone. The F fault a major fault strikes 030° azimuth and dips at 70° to the northwest.

The K zone is a narrower portion of the single pipe with a size of 45 metres in diameter and a similar plunge to the southeast as F. The zone has been disrupted by northwest striking faults, which has divided the zone into slices. The K shear strikes at 330° azimuth and dips 60° to the southwest, further dividing the ore pipe into upper and lower portions, which thrusts the upper portion to the northeast. Mineralization consists of disseminated sulphides in amphibolite and gabbro, sulphide breccia and veins of massive sulphide.

### G Zone

The G zone is located to the south of E zone with weak mineralization extending from the 12th level to below the 3,000 foot level. Improved nickel and copper grades lie in close proximity to the 3,000 foot level. Mineralization is hosted in sulphide breccia gabbro and weakly mineralized amphibolite units. The G zone has been exploration drilled to a depth of 4,500 foot with mineralized intersections. The mineralized zone has been block faulted by shallow faults striking 330° azimuth and a dip of 30° to the northeast.

### M-N Zones

The M and N zones are interpreted to be faulted disrupted counterparts of a single mineralized pipe. The pipe extends from the O fault at 4,500 feet below surface to the subsurface outcrop of the M zone. The mineralization therefore lies above and below the Lynn Lake fault or Griffith Shear that strikes at 300° azimuth and dips 50° to the northeast. The M zone does not appear in Figure 4.3 of the Lynn Lake Report as it is outside the projection of the longitudinal.

The M zone is located at surface about 1,300 metres southeast of Farley Shaft along the A Plug gabbro contact and the Wasekwan country rock volcanics. Mineralization consists of weakly mineralized amphibolite with a diameter of 100 metres that has been truncated at a depth of 150 metres by the Lynn Lake fault.

The extensive N zone mineralization is also located adjacent to the A Plug contact and the country rock Wasekwan volcanics at about 1,100 metres south of the Farley.

Mineralization extends from the Lynn Lake Fault or Griffith Shear on the 1,600 foot level to the O fault at approximately 4,500 feet from surface. The majority of the mineralization is disseminated sulphides.

The N zone consists of several lenses within a pipe of mineralized amphibolite to gabbro that has been cut by a large peridotite body and numerous thrust faults striking 030° azimuth and dipping 30° to the northwest. The faulting has displaced these blocks successively higher to the southeast. The Lynn Lake fault overlies and the O fault underlies the N zone mineralization. The upper and lower 1,730 shear separate the upper and lower N zones. The mineralized pipe is crudely sub-circular on the order of 250 to 300 metres in diameter.

### O Zone

The O zone is located 750 metres from the Farley Shaft, hosted in mineralized amphibolite that intruded the A Plug gabbro. The O zone extends from the O fault on the 3,550 foot level to the Lynn Lake fault on the 1,600 foot level. Extensive faulting on the Dyke shear has displaced the O zone into upper and lower portions. The complex Dyke shear that trends north-south and dips 40° to the west has separated the Upper and Lower by approximately 90 to 100 metres.

The upper O zone pipe has been structurally juxtaposed by a number of reverse faults from 1,900 to 2,400 foot level. These reverse faults are probably curved splays from the underlying Dyke shear that trends north-south and dips off to the west. The mineralized lenses of the upper O zone consists of disseminated, sulphide breccias and veins of massive sulphides in a sub-circular nature.

The lower O zone that lies below the complicated Dyke shear consists mainly of disseminated sulphide material hosted in amphibolite. The lower O zone is subcircular in nature and plunges steeply to the southeast. The pipe is cut out by the O fault on the 3,550 foot level.

### P Zone

The P zone is located 700 metres southwest of the Farley Shaft and 200 metres northwest of the O zone. P zone extends from the same dyke shear that displaces the upper and lower O zone at approximately 2,800 feet below surface into weakly mineralized gabbro down to 3,500 foot level. The mineralization is cut by a series of mafic dykes striking north and dipping 60° to the west and by numerous faults that terminate at 2,800 foot level.

### Disco Zone

The Disco zone is located deep in the footwall from the main Lynn Lake trend (Figure 4.4 of the Lynn Lake Report). This is a recent discovery, which does not have enough information to properly characterize the zone.

### ***Exploration***

Prophecy completed an Induced polarization (IP) survey in 2010 totalling 42 line km at 250 m grid spacing. The work was conducted by Matrix Geotechnologies of Toronto. In addition to the ground IP survey, a downhole IP survey was conducted on borehole LLN-034, the longest hole at the Disco Zone.

Six IP anomalies have been identified on the Lynn Lake Property. Figure 10.1 of the Lynn Lake Report displays the relative location of the anomalies to the known mineralized zones.

The terms Deposit and Orebody do not demonstrate economic viability, only reflect the historical naming convention used during the historical mining operation.

### East Anomaly

The East anomaly is located approximately 200 m below the Disco Zone (475 m from surface) and extends grid south for approximately 150 m. The downhole IP survey conducted on LLN-034 coincides with the ground IP anomaly.

The trend of the East Anomaly is consistent with the geological model and observed structures in the drill core. The chargeability and resistivity strongly resembles the response from known mineralization such as the historically mined N orebody.

### Center East Anomaly

The Center East Anomaly occurs on two lines (L357+50N, L360+00N). It peaks at approximately 160 m grid-east of the Farley Shaft, starting at approximately 150 m from surface with an increased magnitude at approximately 350 m and another increase at approximately 490 m. The high resistivity is consistent with mineralization noted at other areas on the Lynn Lake Property (e.g. 'N' orebody, Disco Deposit). There are no workings in this area despite its proximity to the Farley shaft.

### West Anomaly

The West Anomaly occurs south of the A-shaft, and approximately 100 m SSE of the 'E' orebody. This anomaly starts roughly 120 m from surface. It occurs on four lines (L385+00N to 377+50N). It is also associated with an existing orebody as well as mineralization encountered in historic and exploration drilling. The 'G' orebody is located 50 m grid southwest, and 550 m below the centre of the anomaly. Historic drilling encountered mineralization on the 2,000 Level with low-grade intercepts approximately 50 to 100 m grid-south of the target.

LLN-009 followed up on these intercepts hoping to encounter a zone and drilled 92 m of disseminated mineralization grading 0.3% Ni, 0.2% Cu, with intervening higher grade intervals. This intercept was 100 m grid south of the target. Borehole EM failed to vector this mineralization, and Borehole IP could not access the hole due to freezing. A second hole failed to encounter mineralization. This zone may represent an upper extension of the 'G' deposit or a faulted off block of the historic 'C' orebody.

### Center Anomaly

The Center Anomaly is comprised of several smaller anomalies that may represent a trend. It is associated with mineralization encountered in LLN-001 which targeted a ground electromagnetic anomaly, and encountered 6 m of 0.4% Ni, 0.4% Cu. This anomaly occurs directly grid-south of the 'B' pit that mined the 'B' deposit. Follow-up EM surveys suggested this mineralization trended north into the 'B' pit suggesting the crown-pillar was accounting for the results, and the mineralization encountered in LLN-001 represented mineralized pit-rind. However, the middle anomaly occurs south of the LLN-001 mineralization, away from the 'B' pit.

### North Anomaly

The North Anomaly occurs on three lines at depth. It occurs over swampy terrain and has had little past exploration. It occurs approximately 200 m mine-west of the 'D' orebody.

## ***Drilling***

### Historical Drilling

The Lynn Lake Property historically was drilled systematically from the main underground levels of 800, 950 (12th level of A mine), 14th Diesel Haulage, 2,000 and 3,000 ft levels with horizontal drill holes spaced laterally every 400 ft out to or near the contact between the intrusive plug and the metavolcanics or metasediments. Unless large amounts of consistent mineralization were intersected in these horizontal drill holes no additional drilling by Sherritt was conducted. When considerable lengths of mineralization and grade were intersected, generally drilling was conducted systematically on 50 foot and then 25 foot intervals and designated an alpha orebody or zone identification (see Section 6.0 History of the Lynn Lake Report).

Historic information indicates that the majority of drilling was carried out from underground using either EXT or BM diameter core drilling equipment.

Between 2006 and 2008, Independent Nickel conducted a drill program to test for exploration targets. A total of 87 drill holes were drilled (LLN-001 to LLN-087) totalling approximately 28,000 m.

All drill was done in historic mine grid coordinates and azimuth. Drilling was completed in 3 to 6 m runs, pulling NQ-size drillcore through NW-sized casing. Borehole depth ranges from less than 100 m to 1,600 m in core length. Due to the genetic uncertainty and massive character of the A-plug gabbro, true-thicknesses and orientation of mineralized intercepts is not known.

### Prophecy Drilling

Prophecy completed six diamond drill holes in 2010 totalling approximately 3,330 m. All drill was done in historic mine grid coordinates and azimuth. Drilling was done by Foraco Drilling, an international drilling company with several offices in Canada. Drilling was completed in 3 to 6 m runs, pulling NQ-size drillcore through NW-sized casing. Borehole depth ranges from 400 m to 700 m in core length.

Table 11.1 of the Lynn Lake Report provides the collar information for the drill program completed by Prophecy. Table 11.2 of the Lynn Lake Report provides the highlights of the drill program completed by Prophecy. Core lengths in the table do not represent true widths.

Length is displayed in terms of core length. Due to the variability of the mineralized zones and the various orientation at which the drillholes cut the zone, true widths cannot be determined.

### ***Sampling Method and Approach***

Prophecy is using sampling procedures outlined below. Sampling is conducted on logged core in geologically pertinent intervals. These predominantly include intervals containing sulphide mineralization of

appreciable semi-quantitative content, typically 5% or greater, plus un-mineralized or sparsely mineralized “shoulders.” The geologist exercises discretion in all sampling and shoulder sizes. Samples lengths were never less than 10 cm and did not exceed 2 m. Sample parsing was based on rock type, mineral occurrence, alteration and uniformity of sulphide content.

The predominant rock type in the ‘A’-plug is a mafic intrusive, typically as gabbros, norites, and amphibolites. Mineralization rarely occurs in rocks outside these fields. Peridotite is known to occur in the main mass of the intrusion but is not common, and its location is well defined in the historic drill data.

### ***Sample Preparation, Analyses and Security***

#### Pre-Prophecy Drilling

Details of the sample preparation, analyses and security of the pre-1976 data are not known to Wardrop. However, during the period of mine operation, the samples were prepared and analyses were completed at the mine Property mill complex.

During the 2006-2008 drill programs, Independent Nickel geologists used the sample preparation outlined below:

Samples were prepared by an employee and sawn in half on site at a designated logging facility located in Lynn Lake, Manitoba. Upon splitting, samples were removed from the cutting room to a separate area for bagging. Standard and blank samples were inserted every 20th and 21st sample respectively. Standard material used was from the Certified Chemical Reference Materials Project (CCRMP) as managed by the Natural Resources Canada (NRCAN). Each sample was bagged and sealed with ties to ensure no interaction between samples before they were sent by freight to the laboratory for analyses.

Samples were shipped to the ALS Chemex preparation laboratory in Thunder Bay, Ontario where each sample was weighed, crushed to > 70% -2 millimetres, split off and pulverized up to 250 grams to > 85% - 75 micron before being shipped to an analytical laboratory in Vancouver, British Columbia. Samples were assayed for nickel, copper and cobalt, using an atomic absorption method (AA) for up two analyses depending on results. Nickel and cobalt have a 2-10,000 parts per million detection limit and 1-10,000 parts per million detection limit for copper. Samples that exceed 10,000 parts per million were further analyzed and reported as a percent. Platinum, palladium and gold analyses were conducted using ICP-AES method. ALS Chemex is an accredited laboratory with ISO 9001-2000.

All standard material (SRM) data were verified using scatter and Thompson-Howarth quality control plots. Wardrop have not reviewed the results of the SRM data and cannot comment on the validity of the results.

Diamond drill core and metallurgical samples are stored on site and are generally in good condition. (Figure 13.1 and 13.2 of the Lynn Lake Report).

Wardrop is of the opinion that the samples preparation, security and analytical procedures used during the 2006 to 2008 drill programs meet industry standards at the time and are reliable.

#### Prophecy Drilling

The 2010\_drilling conducted by Prophecy followed the same sample preparation and analysis procedures as conducted by Independent Nickel from 2006 to 2008.

Wardrop is of the opinion that the samples preparation, security and analytical procedures used during the 2010 drill programs meet industry standards at the time and are reliable.

## ***Mineral Resource and Mineral Reserve Estimate***

### Wardrop 2009 Estimate

Wardrop has estimated the mineral resource estimate of the N, O and G zones of the Lynn Lake Nickel project. Wardrop has produced previous estimates for the Lynn Lake Property in October 2005 and 2007, which are disclosed in “Lynn Lake Nickel Project Pre-feasibility Study” NI 43-101 compliant technical report (Wardrop, 2007).

The 2009 estimate uses current metal prices, recoveries and calculating a Gross Metal Value (GMV) and nickel equivalent (NiEQ) for each zone.

The model was updated using Datamine Studio 3® version 3.18.2715.0.

The current resource has been estimated by Todd McCracken, P.Geo. Principal Geologist with Wardrop Engineering Inc. Todd has over 18 years of geological experience in exploration and operations including 8 year of resources estimation of nickel sulphide deposits. Todd is independent of the issuer and has had no prior involvement with this property.

### *Wireframe Check*

Wardrop verified the wireframe volumes for each zone and compared the result to the findings from 2007 wireframe volume verification. Portions of the N and O Zones have been mined and were wire framed separately (Figure 17.1 to 17.3 of the Lynn Lake Report).

Table 17.1 of the Lynn Lake Report summarizes the results of the wireframe volume verification.

### *GMV and NiEq Formula*

The GMV and NiEq formula were calculated using the following parameters:

- Metal recoveries; due to investigating the bio-leach option and not having yet received result the metal recoveries are set as follows:
  - Nickel 100%
  - Copper 100%.

Metal prices were derived from the Energy & Metals Consensus Forecast (EMCF) instead of the typical three year rolling average used in this type of study. The reason behind the use of the EMCF is due to the significant drop in metal prices within the last year, thus resulting in the three year rolling average price being based on the EMCF October 2009 report and are effective until January 31st 2010.

- Nickel US\$7.22
- Copper US\$2.00

The following formulas were used in Datamine to update the GMV and NiEQ for each zone.

- $GMV_{2010} = (2.00 \times CU\% \times 22.04622) + (7.22 \times NI\% \times 22.04622)$
- $NiEq_{2010} = (((2.00 \times CU\% \times 22.04622) + (7.22 \times NI\% \times 22.04622))/7.22)/20$

*Density Factors*

Density factors were applied to the various zones to calculate tonnages.

- N Zone: 0.100564 ton/ft<sup>3</sup>
- O Zone: 0.101672 ton/ft<sup>3</sup>
- G Zone: 0.105263 ton/ft<sup>3</sup>

*Block Model Update*

Wardrop updated the block models for the N, O and G Zones. The name of the Datamine regularized block models updated are as follows:

- N\_reg\_4\_2009 is the N Zone total resource with mined out zones removed.
- O\_reg\_4\_2009 is the O Zone total resource with mined out zones removed.
- G\_reg\_4\_2009 is the G Zone total resource (inferred only).

The mineral resource for the Lynn Lake Nickel Project is tabulated in Tables 16.2, 16.3, and 16.4 for the Measured, Indicated and Inferred resources respectively. The resources are tabulated using NIEQ greater than 0.3% and displaying every 0.1% to an upper bound of greater than 1.0% NIEQ.

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Table 17.2 N Zone Resource 2009

Zone	Category	NiEQ% Cut-off	Tons	Nickel %	Copper %	GMV US\$	NiEQ %
<b>Measured Resource</b>							
N	MEAS	>=1	205,519	1.15	0.48	204.76	1.42
N	MEAS	>=0.9	255,140	1.08	0.46	191.61	1.33
N	MEAS	>=0.8	312,779	1.00	0.45	178.88	1.24
N	MEAS	>=0.7	374,035	0.93	0.43	167.34	1.16
N	MEAS	>=0.6	418,894	0.89	0.41	159.53	1.10
N	MEAS	>=0.5	449,042	0.86	0.40	154.18	1.07
N	MEAS	>=0.4	461,496	0.84	0.41	151.82	1.05
N	MEAS	>=0.3	464,421	0.84	0.40	151.19	1.05
<b>Indicated Resource</b>							
N	IND	>=1	1,208,164	1.08	0.47	197.23	1.34
N	IND	>=0.9	1,800,851	0.97	0.45	174.57	1.21
N	IND	>=0.8	2,986,908	0.85	0.41	153.65	1.06
N	IND	>=0.7	5,026,112	0.74	0.38	135.07	0.94
N	IND	>=0.6	8,004,853	0.65	0.35	119.69	0.83
N	IND	>=0.5	10,735,876	0.60	0.33	109.50	0.76
N	IND	>=0.4	12,680,895	0.56	0.31	102.80	0.71
N	IND	>=0.3	13,345,008	0.55	0.30	100.27	0.69
<b>Measured &amp; Indicated Resource</b>							
N	MEAS+IND	>=1	1,413,683	1.09	0.47	139.55	0.97
N	MEAS+IND	>=0.9	2,055,991	0.98	0.45	126.91	0.88
N	MEAS+IND	>=0.8	3,299,687	0.86	0.41	112.17	0.78
N	MEAS+IND	>=0.7	5,400,147	0.75	0.38	98.63	0.68
N	MEAS+IND	>=0.6	8,423,747	0.66	0.35	87.29	0.60
N	MEAS+IND	>=0.5	11,184,918	0.61	0.33	80.78	0.56
N	MEAS+IND	>=0.4	13,142,391	0.57	0.31	75.52	0.52
N	MEAS+IND	>=0.3	13,809,429	0.56	0.30	74.01	0.51
<b>Inferred Resource</b>							
N	INF	>=1	274,537	1.00	0.43	178.62	1.24
N	INF	>=0.9	396,261	0.93	0.42	165.63	1.15
N	INF	>=0.8	781,174	0.79	0.39	143.81	1.00
N	INF	>=0.7	1,706,403	0.68	0.36	124.07	0.86
N	INF	>=0.6	3,335,942	0.59	0.33	109.10	0.76
N	INF	>=0.5	5,294,637	0.53	0.30	98.09	0.68
N	INF	>=0.4	6,948,371	0.49	0.28	90.38	0.63
N	INF	>=0.3	7,580,907	0.47	0.27	87.25	0.60

Table 17.3 O Zone Resource 2009

Zone	Category	NiEQ% Cut-off	Tons	Nickel %	Copper %	GMV US\$	NiEQ %
<b>Measured Resource</b>							
O	MEAS	>=1	148,014	0.99	0.43	176.71	1.22
O	MEAS	>=0.9	220,233	0.92	0.41	163.59	1.13
O	MEAS	>=0.8	307,852	0.85	0.38	151.93	1.05
O	MEAS	>=0.7	401,222	0.79	0.36	141.79	0.98
O	MEAS	>=0.6	478,122	0.75	0.34	134.12	0.93
O	MEAS	>=0.5	531,650	0.72	0.33	128.69	0.89
O	MEAS	>=0.4	556,062	0.70	0.32	125.94	0.87
O	MEAS	>=0.3	564,211	0.70	0.32	124.88	0.86
<b>Indicated Resource</b>							
O	IND	>=1	1,014,471	0.98	0.43	175.34	1.21
O	IND	>=0.9	1,631,666	0.90	0.40	160.71	1.11
O	IND	>=0.8	2,591,501	0.82	0.37	146.46	1.01
O	IND	>=0.7	4,016,670	0.74	0.34	132.78	0.92
O	IND	>=0.6	5,773,866	0.67	0.31	120.87	0.84
O	IND	>=0.5	7,637,829	0.61	0.29	110.78	0.77
O	IND	>=0.4	9,203,226	0.57	0.28	103.06	0.71
O	IND	>=0.3	9,898,355	0.55	0.27	99.49	0.69
<b>Measured &amp; Indicated Resource</b>							
O	MEAS+IND	>=1	1,162,485	0.98	0.43	125.83	0.87
O	MEAS+IND	>=0.9	1,851,899	0.90	0.40	115.93	0.80
O	MEAS+IND	>=0.8	2,899,353	0.82	0.37	105.95	0.73
O	MEAS+IND	>=0.7	4,417,892	0.74	0.34	96.07	0.67
O	MEAS+IND	>=0.6	6,251,988	0.68	0.31	87.31	0.60
O	MEAS+IND	>=0.5	8,169,479	0.62	0.29	79.99	0.55
O	MEAS+IND	>=0.4	9,759,288	0.58	0.28	75.16	0.52
O	MEAS+IND	>=0.3	10,462,566	0.56	0.27	72.64	0.50
<b>Inferred Resource</b>							
O	INF	>=1	25,486	0.90	0.42	160.94	1.11
O	INF	>=0.9	56,540	0.82	0.39	147.47	1.02
O	INF	>=0.8	108,603	0.75	0.36	135.36	0.94
O	INF	>=0.7	217,895	0.67	0.33	121.23	0.84
O	INF	>=0.6	354,859	0.61	0.31	110.71	0.77
O	INF	>=0.5	510,187	0.56	0.28	101.24	0.70
O	INF	>=0.4	703,658	0.50	0.26	91.21	0.63
O	INF	>=0.3	761,760	0.48	0.26	88.38	0.61

**Table 17.4 G Zone Resource**

Zone	Category	NiEQ% Cut-off	Tons	Nickel %	Copper %	GMV US\$	NiEQ %
<b>Inferred Resource</b>							
G	INF	>=1	158,299	1.08	0.42	190.12	1.32
G	INF	>=0.9	214,304	1.00	0.40	176.23	1.22
G	INF	>=0.8	261,038	0.94	0.39	166.76	1.15
G	INF	>=0.7	304,782	0.89	0.39	158.46	1.10
G	INF	>=0.6	355,437	0.83	0.38	149.37	1.03
G	INF	>=0.5	390,461	0.80	0.37	143.10	0.99
G	INF	>=0.4	422,990	0.76	0.36	137.16	0.95
G	INF	>=0.3	442,713	0.74	0.35	133.35	0.92

Based on the previous work completed on the project, a 0.4% NiEQ cut-off was used to tabulate the total within the various categories. Table 17.5 summaries the resource estimate at the 0.4% NiEQ cut-off.

**Table 17.5 Resource Totals**

Zone	Category	NiEQ% Cut-off	Tons	Nickel %	Copper %	GMV US\$	NiEQ %	Ni lbs	Cu lbs
<b>Measured &amp; Indicated Resource</b>									
N	MEAS	>=0.4	461,496	0.84	0.41	151.82	1.05	7,753,133	3,784,267
O	MEAS	>=0.4	556,062	0.70	0.32	125.94	0.87	7,784,868	3,558,797
<b>Total</b>	<b>MEAS</b>	<b>&gt;=0.4</b>	<b>1,017,558</b>	<b>0.76</b>	<b>0.36</b>	<b>137.68</b>	<b>0.95</b>	<b>15,538,001</b>	<b>7,343,064</b>
N	IND	>=0.4	12,680,895	0.56	0.31	102.80	0.71	142,026,024	78,621,549
O	IND	>=0.4	9,203,226	0.57	0.28	103.06	0.71	104,916,776	51,538,066
<b>Total</b>	<b>IND</b>	<b>&gt;=0.4</b>	<b>21,884,121</b>	<b>0.56</b>	<b>0.30</b>	<b>102.91</b>	<b>0.71</b>	<b>246,942,800</b>	<b>130,159,615</b>
<b>Total</b>	<b>MEAS+IND</b>		<b>22,901,679</b>	<b>0.57</b>	<b>0.30</b>	<b>104.45</b>	<b>0.72</b>	<b>262,480,801</b>	<b>137,502,679</b>
<b>Inferred Resource</b>									
N	INF	>=0.4	6,948,371	0.49	0.28	90.38	0.63	68,094,036	38,910,878
O	INF	>=0.4	703,658	0.50	0.26	91.21	0.63	7,036,580	3,659,022
G	INF	>=0.4	422,990	0.76	0.36	137.16	0.95	6,429,448	3,045,528
<b>Total</b>	<b>INF</b>		<b>8,075,019</b>	<b>0.51</b>	<b>0.28</b>	<b>92.90</b>	<b>0.65</b>	<b>81,560,064</b>	<b>45,615,427</b>

#### Previous Resource Estimate

Mineral resources estimates were conducted by Wardrop to confirm historical reserve and resource calculations for the historic N, O and G orebodies. Calculations were also completed on the historic lower and upper D and P orebodies for resource model validation, comparing historic tons and grades to those Wardrop computed.

#### *Data Database*

Wardrop compiled all the data used in completing the mineral resource from original source drillhole documents and from plan and section originals and copies. The Property has been drilled by 7,800 drillholes; however, only drillholes within the areas of interest and with exploration potential were entered into the database.

Selection of drillholes was conducted systematically on each area from plan and section drawings identifying all holes that were used for historic geological interpretation and additional holes to be used in completing the mineral resource. Unfortunately, not all the drillholes selected were available from original source documents. Table 17.6 of the Lynn Lake Report summarizes the entered into database and unavailable drillholes by historic orebody area.

The mining and geology information was obtained from plan and section drawings that were scanned and digitized. Scanning included 110 drawings received from Lynn Lake Nickel and an additional 285 drawings identified from historic information at the Manitoba Mines Branch in Winnipeg. Drawings scanned from the Manitoba Mines Branch were part of the mine closure two microfiche data set submitted by Sherritt in the Summer of 1979. The scans were digitized into AutoCAD, which included information of mined out areas, drift development, ore outlines and fault planes. AutoCAD digitized drawings were imported into the Datamine working computer model on the Lynn Lake Property.

### *Exploratory Data Analysis*

The three zones N, O and G, which are part of the mineral resource, and the upper and lower D and P orebodies for resource model validation were sampled by a total of 2,290 drillholes that generated 46,764 assays. Complete assay information were provided for nickel and copper, in addition 438 (1% of samples) were assayed for cobalt, 22 for zinc, 12 for gold and silver and 8 for platinum. Boxplots were created to provide a comparison of assay grades within the various interpreted solids for each zone.

Assays were composited into 10 foot down-hole composites while honouring the interpreted geological solids. Table 17.7 of the Lynn Lake Report, summarizes the composite statistics for each of the six areas investigated. Zero grades were included in the composite if the intervals within the solids were not sampled. Assays below the detection limit, identified as NIL in the drillhole log were recorded as zero grades in the database. Assays recorded as trace were assigned a grade of 0.01% for nickel, copper, cobalt and 0.0005 ounces per ton for gold, silver or platinum.

Histograms and probability plots were created to provide a comparison of composite grades within the various interpreted solids for each zone.

The drillhole log and working database does not include any bulk density or tonnage factor statistics, Wardrop computed tonnage factors based on nickel and copper grades from trendline formulas, graphing iron and insolubles against nickel grades on assayed intervals for each zone and orebody.

Strong relationships were identified between assayed nickel values and percentages of iron and insolubles. These correlations were then used to estimate tonnage factors for each individual zone based on trendline formulas, sample assay data and chemical formulas of chalcopyrite, pentlandite and pyrrhotite. Certain assumptions were used in order to determine the tonnage factor:

- Amount of total iron is derived from pyrrhotite, pentlandite and chalcopyrite.
- Copper is derived entirely from chalcopyrite.
- Nickel is derived entirely from pentlandite.

Insolubles specific gravity assumed as 2.85.

Trendlines and r-squared values were computed from graphing iron and insolubles against nickel values, displayed at Table 17.8 of the Lynn Lake Report.

Tonnage factor calculations derived from computed trendline formulas of iron and insolubles percentages based on block model grades of nickel. An example of a tonnage factor calculation determination is computed below for O zone:

Example: Ni% = 0.93 and Cu% = 0.40

Referring to Table 16.10 of the Lynn Lake Report, for O zone:

$Ni\% = 0.0808 \times Fe\% - 0.4425$ , therefore  $Fe\% = 16.99$  and

$Ni\% = -0.0455 \times Insol\% + 4.0446$ , therefore  $Insol\% = 68.45$  Using the chemical formulas, atomic weights and average specific gravity (SG) for the following minerals:

Chalcopyrite  $CuFeS_2$ , SG = 4.9

Pentlandite  $(Fe,Ni)_9S_8$ , assuming only Ni, no Fe in pentlandite, SG = 4.2

Pyrrhotite is  $Fe_{1-x}S$ , assuming only Fe, no Ni or other element in pyrrhotite, SG = 4.6.

The following percentages and SG's are displayed in Table 17.10 of the Lynn Lake Report.

The tonnage factor for an SG of 3.37 using the formula in the above table is equivalent to 9.53 ft<sup>3</sup> per ton (0.11 ton per ft<sup>3</sup>).

In the October 2005 resource model a nickel-equivalent (NIEQ) formula was developed for the Lynn Lake Nickel model to express the component of copper in terms of a nickel grade. The NIEQ did not include any metal recovery factors in the formula and is based on the average nickel price of the past three years (to end of August 2005) of US\$5.00 per pound. and copper price of US\$1.00 per pound. The formula used for determination of NIEQ grade was as follows:

$$NIEQ = Ni\% + Cu\%/5$$

This has been updated as reported in Section 17.1.2 of the Lynn Lake Report.

Three-dimensional wireframe models of mineralization were developed for the N, O and G zones based on a NIEQ cut-off of greater than 0.3%. Areas of mined out and drift development in mineralization were also created for the N and O zones, the G zone had no historic mining or drift development in the interpreted mineralization, see Figures 17.4, 17.5 and 17.6 respectively of the N, O and G zones of the Lynn Lake Report. Three dimensional wireframe models of the historic mineralized interpretation of lower and upper D, and P orebodies were also created for resource model validation, comparing historic tons and grades to Wardrop computed values.

The zones of mineralization interpreted for each area were generally contiguous; however, due to the reverse block faulting throughout the Property especially evident in the mineralized zones, mineralization often terminated or shifted along these planes in one or more directions.

Some non-assayed or non-mineralized intervals were incorporated into the interpreted solids. No minimum thickness criterion for sulphide mineralization was used in the development of the solids. Future work could incorporate an approach to minimize dilution from non-assayed intervals.

Sectional interpretations were digitized in Datamine Version 2.1.1444.0 software, and these interpretations were linked with tag strings and triangulated to build three dimensional solids. Table 17.11 of the Lynn Lake Report, tabulates the solids and associated volumes. The solids were validated in Datamine and no errors were found.

Variography, using Sage2001 software, was completed for nickel and copper values in N and O zones for which there were sufficient data available. Downhole variograms were used to determine nugget effect and then correlograms were modelled to determine spatial continuity in the N and O zones. The G zone did not contain sufficient number of composites to conduct variography.

Block models were established in Datamine for the N, O and G zones and Lower D, Upper D and P orebodies.

Drillhole spacing varies with the majority of the drilling tightly spaced from 25 to 50 feet, only the Lower N area below elevation 3,000 feet is spaced at 100 foot intervals. A block size of 10 x 10 x 10 feet was selected in order to accommodate the more closely spaced drilling.

Table 17.13 of the Lynn Lake Report summarizes the block limits for N, O, G zones and Lower D, Upper D and P orebodies respectively.

The interpolation of the N and O zones were completed using the estimation methods: nearest neighbour (NN), inverse distance squared (ID2) and ordinary kriging (OK). The estimations were designed for three passes. In the first pass, the search distance for inclusion of data was 83 to 195 feet for nickel and 55 to 115 feet for copper and was designed to estimate blocks if a minimum of two composites were found in the search. The search distance in the second pass was 150% the size of the first pass and the third pass was 200% of the first pass.

Several factors are considered in the definition of a resource classification:

- CIM requirements and guidelines.
- Experience with similar deposits.
- Spatial continuity.

No known environmental, permitting, legal, title, taxation, socio-economic, marketing or other relevant issues are known to the authors that may affect the estimate of mineral resources. Mineral reserves can only be estimated on the basis of an economic evaluation that is used in a Preliminary Feasibility study or a Feasibility study of a mineral project; thus, no reserves have been estimated. As per NI 43-101, mineral resources, which are not mineral reserves, do not have demonstrated economic viability. Mineral resources were classified according to a number of criteria. Table 17.14 of the Lynn Lake Report summarizes those classification parameters.

The resource reported in October 2005 has been tabulated in terms of a revised NIEQ calculation (Section 17.1.4 of the Lynn Lake Report). The mineral resource for the Lynn Lake Nickel Project is tabulated in Tables 17.15, 17.15, and 17.17 of the Lynn Lake Report for the Measured, Indicated and Inferred resources respectively. The resources are tabulated using NIEQ greater than 0.5% and displaying every 0.1% to an upper bound of greater than 1.0% NIEQ.

Histograms and probability plots were created to provide a comparison of block model nickel and copper grades for the zones.

The Lynn Lake Nickel grade models were validated by three methods:

1. Visual comparison of colour-coded block model grades with composite grades on section and plan.
2. Comparison of the global mean block grades for ordinary kriging, inverse distance squared, nearest neighbour and composites.
3. Comparison of historic tons and grades reported (Pinsent, 1980) of the N, O and G zones of the mineral resource and additional Lower D, Upper D and P orebodies that have been either mined out or selectively mined.

The visual comparisons of block model grades with composite grades for each of the three zones and orebodies show a reasonable correlation between the values. No significant discrepancies were apparent from the sections and plans reviewed.

The global block model statistics for the ordinary kriging model were compared to the global inverse distance squared and nearest neighbour model values. Table 17.18 of the Lynn Lake Report shows the comparisons of the global N and O zones for the three estimation method calculations of NN, IDZ and OK. In general, there is agreement between the ordinary kriging model and inverse distance squared model and nearest neighbour model.

Larger discrepancies are reflected as a result of lower drill density in some portions of the model. There is a degree of smoothing apparent from the ordinary kriging, which reflects the data density to a great extent. Comparisons were made using all blocks.

The historic comparison is another mode of validation that increases the confidence of the mineral resource estimations. The comparison was conducted on the global N, O and G zones including the mined out areas and the lower D, upper D and P orebodies, which are not a part of the mineral resource. Wardrop's interpreted mineralization was based >0.3% NIEQ. Generally there was correlation with Sherritt's interpretations but differences exist. Table 17.18 of the Lynn Lake Report summarizes the results from Wardrop calculated to report historically in:

1. Table 6.1 and Table 6.2 of the Lynn Lake Report (Pinsent, 1980). The historic LynnGold estimate of resources reported in Table 17.18 of the Lynn Lake Report
2. Table 6.3 of the Lynn Lake Report is summarized and compared with Wardrop's estimations in Table 17.19 and 17.20 of the Lynn Lake Report for higher and lower grade material. Generally, there is a correlation with LynnGold estimations.

### ***Requirements for Technical Reports on Production Properties***

#### **Mining Operations**

##### ***Existing Mine Workings***

The Lynn Lake deposit was formerly mined as sub-level open (blast-hole) stoping (Pinsent, 1980). This mining method was changed to cut-and-fill mining in the last four years of operation (between 1972 and 1976). This more selective method was used on the Upper O, Lower O (below 3,000 foot level), P (3,000 foot level), the lowermost B-K and the N (between 2000 and 3000 foot levels) zones to minimize dilution and optimize extraction.

Following closure in 1976, the mine workings have since flooded naturally to near surface. The property eventually saw alternative use for its mill including the processing of gold-bearing rocks and subsequent storage of tailings in the shaft and underground mine workings.

Figure 19.1 of the Lynn Lake Report shows the extensive nature of the mine workings and particularly, the distance separating the access shafts and the mineralized zones. The property has two shafts referred to as the A Shaft and the Farley Shaft. The Farley Shaft is 3,450 feet (1,052 metres) deep.

The O zone is located approximately 2,000 feet (600 metres) horizontally from the Farley Shaft. The N zone is 3,600 feet (1,100 metres) from the shaft. The two mineralized zones are not in direct alignment with the Farley Shaft. The O zone is separated into two zones referred to as the Upper O and Lower O. Some minor amount of development provides access to this zone. The N zone also has upper and lower zones. The Upper N Zone has some development work and the Lower N Zone has none.

#### ***Interpretation and Conclusions***

Based on the drill hole density and historical production within the zones estimated, the data is sufficiently reliable to support the resource estimate generated for the N, O and G zones.

At a nickel equivalent cut-off grade of 0.4% NiEQ, the N and O zones contain a Measured and Indicated Resource of about 22.9 million tons with an average grade of 0.57% nickel and 0.30% copper. The Inferred Resource totals 8.1 million tons with an average grade of 0.51% nickel and 0.28% copper in the N, O and G zones.

The tonnage factor values derived from computed calculations are based on a limited amount of sampled information, which may reflect a lack of precision with respect to the resource tonnages.

The geological interpretation completed was based on nickel-equivalent cut-off of 0.3% and did not establish hard or soft boundaries between various lithological units. These boundaries were not established due to inconsistencies in the drill hole logging throughout the 24 year mine life. Note that cut-offs essentially create great contacts in generally a mineralized rock, that is dilution is essentially at the cut-off grade but, the mineralization is not necessarily always contained along lithological boundaries due to fracturing and faulting and the remobilized nature of the deposit.

### ***Recommendations***

A follow up on the results and of the bioleach as well as completing a downhole IP survey is recommended at the Lynn Lake Property.

The continuation of the bioleach tests is estimated to cost \$150,000, while the IP survey is estimated to cost \$30,000, for a total of \$180,000.

### **The Wellgreen Property**

On September 23, 2010, Prophecy completed the acquisition of Northern and all of Northern's interest in the Wellgreen Property. Prophecy also acquired a 50% back-in right ("Back-in") held by Belleterre in respect of the Wellgreen Property thereby consolidating Prophecy's interest in the Wellgreen Property to 100%.

A technical report on the Wellgreen Property has been prepared by Wardrop Engineering Ltd. for PCNC dated March 25, 2011 (the "Wellgreen Report") and is available on SEDAR at [www.sedar.com](http://www.sedar.com) under the corporate profile of PCNC. The following information is extracted from the Wellgreen Report. Investors are encouraged to review the Wellgreen Report in full.

### ***Property Description and Location***

The Wellgreen Property is located in the south-western part of the Yukon Territory, approximately 317 km northwest of Whitehorse at approximate Latitude: 61°28'N, Longitude: 139°32'W (Figure 4.1 of the Wellgreen Report) on NTS map sheet 115G/05. Kluane National Park lies 25 km to the south and the property lies within the Kluane Game Sanctuary.

The Wellgreen Property consists of two groups of claims (Figure 4.2 of the Wellgreen Report); the Arch Joint Venture Claims, and the Northern Claims.

The description below and the list of claims provided in Appendix A of the Wellgreen Report have been derived from records and information supplied by Prophecy.

The Wellgreen Property comprises a block of 91 claims, nominally 13.7 km<sup>2</sup>, which incorporates the known Wellgreen deposit. The claims were staked in 1952, 1953, and 1955. Each claim is a Quartz Mining Lease. The expiry date for these claims/leases is December 5, 2020. The claims are registered as 100% Northern, a wholly owned subsidiary of Prophecy.

The Arch Joint Venture claims were staked in 1986 and 1987. Ownership is registered to 100% Arch Joint Venture. These 48 claims, 8.4 km<sup>2</sup>, cover the northwest extension of the Wellgreen stratigraphy. Expiry date for these claims is February 11, 2014. The Arch Joint Venture claims are reportedly owned by Northern.

In the Yukon, all hard rock mining claims (excluding coal) are administered through the Quartz Mining Act (Yukon) (the "QMA"). A mining claim provides exclusive rights to the holder of the claim for the mines and minerals located within the area of that claim. The QMA also confirms that a claim holder has the following rights in relation to the minerals contained within the claim:

- the right to enter on and use and occupy the surface for the efficient and miner-like operation of mines and minerals
- the right to commercially produce a mineral and benefit from the sale of the mineral.

The QMA does not provide any mining claim holder with exclusive right to use the surface of the land except for mining activity and it does not convey any tenure in the surface of the land. All work undertaken on the surface of claims and leases is regulated through the Quartz Mining Land Use Regulation which has been made under the QMA. Claims must be renewed on an annual basis by filing approved assessment work to a value of \$100 per claim. A Quartz Mining Lease provides to the holder of the lease the ability to hold claims for a longer period of time (21 years with renewal clause). To maintain a Quartz Mining Lease in good standing annual rental fees are required.

Northern is also the registered lease holder of parcels or tracts of land comprised of 62.56 hectares (ha) near Kilometre 1788.6 Yukon Highway Number 1 known as the Wellgreen Mine site. The land is leased from Indian and Northern Affairs, a department of the Federal Government of Canada for a period of 10 years and is renewable by written request by Northern at least 90 days prior to the expiry of the lease. The lease was last renewed November 21, 2001 and is set to expire on November 21, 2011.

Prophecy and Northern completed a business arrangement on September 23, 2010, whereby Northern merged with Prophecy by the way of corporate merger or share exchange.

It is understood that in the 1994 agreement between Belleterre Quebec (J. P. Sheridan) and Northern, whereby Belleterre Quebec assigned all of its interest in the option agreement with All North to Northern. In return Northern granted Belleterre Quebec a back in right of 50% of Northern's interest for a period of time up to and including the completion of a positive feasibility study. On September 24, 2010, Prophecy acquired the Belleterre back-in option.

An underlying agreement dated April 27, 1999 concerning the Northern interest in the Arch Joint Venture is between Kaiteur Resource Corporation (Kaiteur) (formerly International All-North Resources Ltd.), Northern and J. Patrick Sheridan. Northern agreed to purchase from Kaiteur all of its interests in All-North Wellgreen and in the Arch Joint Venture on an "as is" basis for a sum of \$62,500 to be paid in cash and shares. The agreement acknowledges that Northern had already earned a 20% interest in the project and by this agreement Northern was acquiring the remaining 80% interest. Kaiteur warrants it is the beneficial owner of the All-North Wellgreen interest but does not warrant the same for the Arch Joint Venture because documentation for underlying agreements is incomplete – hence the "as is" stipulation. The agreement further acknowledges that Hudson Bay Mining and Smelting Co. Ltd. is the holder of, and is entitled to be paid royalty interest equal to one and one-half (1.5%) percent of net smelter returns from the Wellgreen Property.

On January 17th, 2011, PCNC and Prophecy enter a binding Letter Agreement, whereby PCNC would acquire all of Prophecy's interest in Prophecy's nickel projects including the Wellgreen Property along with \$2 million in cash in consideration of the issuance of 450 million PCNC Shares, of which 225 million would be retained by Prophecy and held in accordance with the terms and conditions of the Escrow Agreement. The remaining 225 million shares would be distributed to registered Prophecy shareholders pro rata in accordance with their holdings of Prophecy Shares.

Immediately following the completion of the acquisition, PCNC will consolidate its shares on a 10 old for one new basis and change its name to Prophecy Platinum Corp.

The Wellgreen Property is not subject to any known environmental liabilities. It is understood that the environmental liabilities of the former Wellgreen Mill site are with the Yukon Government.

All permits and license to conduct exploration work in the Wellgreen Property are in place.

### ***Accessibility, Climate, Local Resources, Infrastructure and Physiography***

#### Site Topography, Elevation and Vegetation

The Wellgreen Property is located in the Kluane Ranges, which are a continuous chain of foothills situated along the eastern flank of the St. Elias Mountains. The topography at the Wellgreen Property is relatively rugged. Slopes are usually in the 250 to 300 m range and the highest peaks exceed an elevation of 1,800 m.

The main mineralized zone on the Wellgreen Property lies between elevations 1,300 m and 1,700 m on a moderate to steep un-glaciated south-facing slope. Permafrost is continuous and probably exceeds 30 m in depth from surface.

Drainage is mainly west into the Donjek River and then north into the Kluane River system.

Vegetation consists of typical alpine grasses and wildflowers on the hill sides with a mixture of pine, spruce and poplar trees locating in the lower elevations and creek beds.

#### Access

The Wellgreen Property is located approximately 311 km northwest of Whitehorse just west of the Yukon Highway 1 (Alaska Hwy) at Kilometre 1788.6. The Alaska Hwy is a paved all-weather highway maintained by the Yukon Government.

The Wellgreen Property may be reached from the Alaska Hwy. by a seasonal gravel road which runs south-west beside Quill Creek for a distance of 14 km. The mine access road requires annual maintenance due to the spring runoff from the mountains into Quill Creek and would require upgrading to be used as an all-weather.

An all-weather airstrip is located 30 km southeast of the property at Burwash Landing. This airstrip is maintained by NavCanada. An all-season deep-sea port is located at Haines, Alaska, which lies 410 km to the southeast, accessible by good quality paved highway.

#### Climate

The climate is alpine, but is tempered by the west coast influence. The area has a long winter but the temperatures are less extreme than further east. The closest weather station where long term records have been collected is at Burwash Landing, elevation 806.8 m above sea level. The daily average temperature at Burwash Landing in January is -22 degrees Celsius (°C), while in July; the average daily temperature is 12.8°C. As the area lies in the rain shadow of the St. Elias Mountain, overall precipitation is generally light with only periodic short stretches of heavy precipitation. Average annual precipitation for Burwash Landing is 279.7 millimetres (mm), of which 192 mm is rain and 106.4 centimetres (cm) is snow.

Although access could be available year round, exploration is typically conducted from April to October, when the snow pack has melted

#### Infrastructure

Adequate water supply is available for drilling operations, which is pumped from a number of unnamed creeks that flows down the mountain. Non-potable water was supplied for the camp from Nickel Creek, which flows past the portal to the underground workings. All these creeks freeze solid during the winter months. In order to maintain a year round camp or operation would require the drilling of water wells.

Currently, power on the Wellgreen Property is supplied by generators installed for the exploration programs. Haines Junction is the current limit of the southern grid of Yukon Energy Corporation.

The Yukon has a favourable mining tax law which encourages the investment in the mining sector. Skilled labour and equipment is available in the city of Whitehorse (population 24,500) and small village of Haines Junction (area population of approximately 800).

The villages of Burwash Landing and Destruction Bay, located 15 km and 30 km southeast from the Wellgreen turn-off respectively from the property, can provide basic food, fuel and lodgings if necessary.

### **History**

The exploration and production history of the Wellgreen Property dates back to its discovery in 1952. Table 6.1 summarizes the history of the property.

**Table 6.1 Wellgreen Historical Activities**

<b>Year</b>	<b>Company</b>	<b>Activities</b>
1952	Wellington Green, C. Aird, & C. Hankins	<ul style="list-style-type: none"> <li>• Discovered surface showings</li> </ul>
1952	HBE&D	<ul style="list-style-type: none"> <li>• Property optioned from prospectors by subsidiary of HBM&amp;S*</li> </ul>
1952	Yukon Mining	<ul style="list-style-type: none"> <li>• Ownership transferred to HBM&amp;S subsidiary Yukon Mining Company from HBM&amp;S subsidiary HBE&amp;D*</li> </ul>
1952	Yukon Mining	<ul style="list-style-type: none"> <li>• 45,500 m of surface drilling completed</li> </ul>
1953	Yukon Mining	<ul style="list-style-type: none"> <li>• 57,700 m of surface drilling completed</li> </ul>
1954	Yukon Mining	<ul style="list-style-type: none"> <li>• 60,400 m of surface drilling completed</li> </ul>
1955	Hudson Yukon Mining	<ul style="list-style-type: none"> <li>• Ownership transferred to HBM&amp;S subsidiary Hudson Yukon Mining Company from HBM&amp;S subsidiary Yukon Mining Company</li> </ul>
1955	Hudson Yukon Mining	<ul style="list-style-type: none"> <li>• 32,400 m of surface drilling completed</li> </ul>
1953-1956	Yukon Mining/Hudson Yukon Mining	<ul style="list-style-type: none"> <li>• 4,267 m of underground development on seven levels and two internal shafts.</li> <li>• Metallurgical test work including a pilot plant.</li> <li>• Historical ore reserves estimated at 500,000 tons @ 1.34% Cu and 2.14% Ni</li> </ul>
1956-1967	Hudson Yukon Mining	<ul style="list-style-type: none"> <li>• Idle</li> </ul>
1968	Hudson Yukon Mining	<ul style="list-style-type: none"> <li>• Ground geophysics (magnetics and electromagnetics)</li> <li>• Soil survey</li> <li>• 762 m of surface drilling</li> </ul>
1966-1970	Hudson Yukon Mining	<ul style="list-style-type: none"> <li>• Metallurgical work completed at Lakefield Research, HBM&amp;S, Lurgi-Frankfurt, and Sumitomo</li> </ul>
1969	Hudson Yukon Mining	<ul style="list-style-type: none"> <li>• Feasibility Study completed with historical "proven reserves" estimated at 669,150 tonnes @ 2.04% Cu, 1.42% Ni, 0.073% Co, 0.038 oz Pt/ton, 0.027 oz Pd/ton and 0.005 oz Au*/ton</li> </ul>
1970	Hudson Yukon Mining	<ul style="list-style-type: none"> <li>• Property placed in production with concentrate to be shipped to Sumitomo in Japan.</li> <li>• Development consisted of slashing out exploration drifts, development of sub-levels, construction of mine dry, powerhouse, and compressor facility.</li> <li>• Mill with a 600 ton/day concentrator and town site established 11.5 km from mine adjacent to the Alaska Hwy.</li> </ul>
1972	Hudson Yukon Mining	<ul style="list-style-type: none"> <li>• Milling began on site</li> </ul>

Year	Company	Activities
1973	Hudson Yukon Mining	<ul style="list-style-type: none"> <li>• Milling suspended due to falling metal prices, excessive dilution and unexpected erratic distribution of massive sulphide lenses.</li> <li>• A total of 171,652 tonnes were milled to produce 33,853 tonnes of concentrate. Grades of the concentrate based on smelter returns was; 2.23% Ni, 1.39% Cu, 1,300 ppb* Pt, 920 ppb Pd, 171 ppb Au, 400 ppb Rh, 420 ppb Ru, 250 ppb Ir, 200 ppb Os, and 200 ppb Re*.</li> <li>• Mine and Mill dismantled and all equipment shipped to Snow Lake, Manitoba.</li> </ul>
1981	Foothills Pipelines	<ul style="list-style-type: none"> <li>• Leased the mill site and town site</li> </ul>
1986	All-North/Chevron	<ul style="list-style-type: none"> <li>• Option to earn 50% interest of the Wellgreen property from Hudson Yukon.</li> </ul>
1987	Galactic Resources	<ul style="list-style-type: none"> <li>• Purchase 100% interest in Hudson Yukon from HBM&amp;S for \$6.8 million and 3% NSR* on the Hudson Yukon portion of base metal and precious metal produced from the Wellgreen Property.</li> <li>• Acquire All-North as a wholly owned subsidiary. Transfer title of the Hudson-Yukon Wellgreen to All-North. Resulting Wellgreen ownership All-North 75% - Chevron 25%</li> </ul>
1987	All-North/Galactic	<ul style="list-style-type: none"> <li>• Conducted 1:2500 geological mapping, 50x100 m spaced soil sampling, 100 x 20 m spaced VLF-electromagnetic and magnetic survey, 15 bulldozer trenching totalling 10,000 m<sup>3</sup></li> </ul>
1987	Kluane JV	<ul style="list-style-type: none"> <li>• 4,932 m of diamond drilling in 45 holes</li> <li>• Joint Venture formed between All-North Resources, Chevron Minerals, Pak-Man Resources and Rockridge Mining to explore on the Arch Joint Venture claims. Operated by Arther Cathro.</li> <li>• 1:10,000 geological mapping and sampling, VLF and magnetic survey, 50 hour of bulldozer trenching.</li> </ul>
1988	Kluane JV	<ul style="list-style-type: none"> <li>• Road construction and bulldozer trenching</li> <li>• Three diamond drill holes totalling 173.5 m</li> </ul>
1988	All-North/Chevron	<ul style="list-style-type: none"> <li>• 4250 level was rehabilitated.</li> <li>• 5,500 m of diamond drilling in 34 holes was completed underground.</li> <li>• 6,073 m of diamond drilling in 37 holes completed on surface.</li> <li>• Klohn Leonoff carried out preliminary engineering surveys to evaluate mill and tailings disposal sites.</li> <li>• Norecol carried out preliminary environmental survey including water quality and wildlife study.</li> </ul>
1989	All-North	<ul style="list-style-type: none"> <li>• All-North acquires Chevron Minerals interest in the Arch Joint Venture and the Wellgreen Property</li> </ul>
1989	All-North/Chevron	<ul style="list-style-type: none"> <li>• Watts, Griffis and McOuat (WGM) complete a historical reserve estimate for both the East and West Zones.</li> <li>• "Probable Reserve": 46,700,000 tons @ 0.34% Cu, 0.36% Ni, 0.015 opt* Pt, 0.010 opt Pd.</li> <li>• "Possible Reserve": 8,500,000 tons @ 0.36% Cu, 0.035% Ni, 0.012 opt Pt, 0.009 opt Pd.</li> <li>• Metallurgical studies conducted at Lakefield Research, Inco tech, and CANMET</li> <li>• Pre-feasibility completed by Watts, Giffis, and McOuat</li> </ul>

Year	Company	Activities
1993	Galactic Resources	• Files for bankruptcy in Canada
1994	Northern	• Signs option agreement with All-North to earn 80% interest in the property, with a 50% back in right to J.P. Sheridan.
1996	Northern	• 57 4.5 inch rotary percussion drill holes totalling 3,900 m.
1999	Northern	• Agrees to purchase the remaining interest (20%) of the property from All North
2001	Northern	• Surface drill program discovers the North Shear Zone, located 500 m north of the Wellgreen deposit.
2005	Coronation Minerals	• Entered option agreement with Northern to earn 100% of the property for \$25 million.
2006	Coronation Minerals	• Eleven diamond drill holes totalling 2,016 m
2007	Coronation Minerals	• Three underground diamond drill holes totalling 577 m
2008	Coronation Minerals	• Twelve diamond drill holes totalling 4,526 m. 854 line km of Helicopter-borne aeromagnetic survey. • NI43-101 report completed by WGM. (see section 17.0 of the Wellgreen Report)
2009	Northern	• Dropped option, returned the property to Northern
2010	Prophecy	• Ten diamond drill holes totalling 2,058 m • Acquires Northern • Completed seven diamond drill holes totalling 2,255 m
*HBM&S	Hudson Bay Mining & Smelting	
Re	rhenium	
ppb	parts per billion	
NSR	Net Smelter Return	
Au	gold	
opt	ounces per short ton	
HBE&D	Hudson Bay Exploration & Development	
m <sup>3</sup>	cubic metres	

Historical estimates within the table above are considered relevant but not reliable. A qualified person has not done sufficient work to classify the historical estimate as a current mineral resource. Neither Prophecy nor PCNC is treating the historical estimates as current resources, and the historical estimates should not be relied upon..

Results of the Coronation Minerals, Northern and Prophecy drilling are reported in Section 11 Drilling of the Wellgreen Report.

In 1988 and 1989, drill core rejects from the 1987 drilling program were tested at Lakefield Research, Inco Tech and CANMET to investigate the metallic behaviour and to obtain data on the mineralization. This test work is summarized in the Watts, Griffis and McOuat 1989 Prefeasibility report. Additional test work was done at CANMET in the 1990s and is summarized in Cabri, et al, 1993.

Preliminary metallurgical tests in early 1988 indicated that a bulk concentrate analyzing about 5% Cu and 4% Ni would contain up to 95% of the copper, 85% of the nickel, 80% of the platinum and 80% of the palladium. This was produced from a feed whose analysis was 0.87% Cu, 0.65% Ni, 0.03 oz/ton Pt and 0.022 oz/ton Pd. Additional samples of material from the Wellgreen deposit were tested during the second half of 1988 at Lakefield. Included in these samples were lower grade materials which more closely approximate the material that would be anticipated from an open pit operation. The major improvement to the results was the inclusion of high speed conditioning prior to the cleaning step of the bulk concentrate. This resulted in good grade concentrates with an increase in recovery.

Results from the historical laboratory test work are summarized as follows:

- The Wellgreen ore is complex in composition and belongs to a group of finely disseminated semi-massive ores with relatively high pyrrhotite content and low nickel-copper and PGM content.
- The modified flow sheet, including high-speed conditioning, gave satisfactory recoveries and significantly improved concentrate grades.
- Pre-concentration of the Pt and Pd from the ore using gravity concentration was not successful, mainly due to liberation problems.
- In general, the flow sheet and reagent scheme developed for Wellgreen was effective and should accommodate variations in the ore characteristics.

### ***Geological Setting***

#### Regional Geology

The Wellgreen Property is located within the Insular Superterrane. The Insular Superterrane is mainly composed of two older terranes (Wrangellia and Alexander) that were amalgamated about 320 million years. These terranes are composed of island arc and ocean floor volcanic rocks with thick assemblages of overlying oceanic sedimentary rocks that range in age from 400 to 220 million years old. Wrangellia, in particular, has a several-kilometre-thick package of platform-type limestones. The Insular Superterrane hosts a 230-million-year-old package of volcanic rocks (the Nicolai Group) that hosts Wellgreen Property, as well as the Windy Craggy coppercobalt-gold deposit in northernmost British Columbia (Hart, undated).

The Wellgreen Property is contained within the Kluane Ultramafic Belt. The Kluane Ultramafic Belt is situated within the Wrangellia Terrane, which is a complex and variable terrane that extends from Vancouver Island to central Alaska (Figure 7.1 of the Wellgreen Report). This terrane is most commonly characterized by widespread exposure of Triassic flood basalts and complementary intrusive rocks.

The exposed base of the Wrangellia is comprised of Pennsylvanian to Permian arc volcanic rocks and Permian sedimentary rocks of the Skolai Group and includes the Hasen Creek Formation and the Station Creek Formation. The Skolai Group is unconformably overlain by Middle and Late Triassic Nikolai Group consisting of basalt flows with minor intercalated limestone. Mafic and ultramafic intrusions are common throughout the area and mostly have been intruded near the contact between the Station Creek and Hasen Creek formations. These sills, which form the Kluane mafic-ultramafic complex, are thought to be part of a sub-volcanic system that fed the Nikolai Formation flood basalts (Israel, 2004). The intrusions commonly have associated magmatic sulphide concentrations of nickel-copper ±Platinum Group Elements + gold (Figure 7.2 of the Wellgreen Report).

The Kluane Belt is bound on the northeast by the Shakwak Fault, which is a major terrain boundary, with its latest movement being in a right-lateral sense

#### Property Geology

Israel and Zeyl, 2004 is the most recent geological mapping for the area of the property (Figure 7.3 of the Wellgreen Report). Hulbert, 1997 also provides a description and discussion. Detailed geology and interpretation covering the Wellgreen deposit area is available from maps completed by Archer, Cathro and Associates, who compiled and reinterpreted exploration results for the Kluane JV programs carried out on behalf of All-North. These sources are not all consistent with respect to descriptions and classifications of the geological framework for the Wellgreen Property.

The oldest rocks on the property are represented by the Pennsylvanian and/or Permian Station Creek Formation. The Station Creek Formation underlies significant portions of the Wellgreen Property. The formation consists of light to medium green volcanic breccia, tuffs and tuffaceous sandstones. It also contains a component of

basalt. The Station Creek Formation is overlain conformably by the Pennsylvanian and/or Permian Hasen Creek Formation. The Hasen Creek Formation consists of a range of metasediments; greywacke, thin-bedded siltstone turbidites and limestones plus volcanoclastics and tuffs. These rocks are folded into a series of parallel, sometimes overturned, synclines and anticlines.

These older rocks are unconformably overlain by amygdaloidal flood basalt, volcanic breccias and metasediments of the Upper Triassic Nikolai Group. These rocks are also folded into a series of southeast-northwest trending anticlines and synclines.

The Wellgreen deposit occurs along the lower margin of an Upper Triassic ultramafic-mafic body, which is 20 km long and is known as the Quill Creek Complex, which intrudes along and close to the contact between the Station Creek and Hasen Creek formations. The main mass of this Quill Creek Complex, 4.2 km long and up to 700 m wide, is located on the Northern claim group of the property. A smaller mass of similar intrusive is located along strike to the northwest and southeast. The Quill Creek Complex consists of a main intrusion and an associated group of upright to locally overturned, steeply south dipping sills. These associated sills may be remnants of the main intrusion separated from the main mass by folding and shearing. The intrusions are crudely layered, variably serpentinized, and deformed. The sills locally have a lower gabbroic margin adjacent to a chilled contact with Paleozoic rocks. Mafic-rich skarns occur in the floor rocks adjacent to the marginal facies gabbro, particularly where the metasediment host includes limestone or calcareous rocks. The intrusions are zoned upwards away from the lower gabbroic zone through zones of clinopyroxenite, peridotite and dunite.

In the Wellgreen deposit area, Nikolai Formation mafic volcanics underlie the area immediately south of the Quill Creek Complex. The volcanics are interpreted to be in fault contact with the upper part of the Quill Creek Complex and Station Creek Formation rocks (Israel and Zeyl, 2004).

A series of relatively small but abundant intrusions, mapped as andesitic to gabbroic dykes, probably correlative with the Nikolai Formation, or younger, intrude into Paleozoic metasediments and the Quill Creek Complex. Hulbert, 1997 describes these same rocks as felsic dykes. Many of these small intrusions are associated with the northeast-southwest oriented faults that cut the stratigraphic sequence and the Quill Creek Complex.

The youngest rocks on the Wellgreen Property are represented by the Cretaceous intermediate and mafic intrusive belonging to the Kluane Ranges suite.

Longitudinal faults and/ or shears are common in the ultramafic rocks. Some of these occur along lithological contacts. The most prominent of these is coincident with Maple Creek. Hulbert, 1997 describes two western faults as west-dipping reverse faults.

### ***Mineralization***

Mineralization on the Wellgreen Property occurs within a variably serpentinized, ultramafic-gabbroic body, known as the Quill Creek Complex, which intrudes Permian sedimentary and volcanic rocks. Historic exploration and development programs defined four zones of gabbro-hosted massive and disseminated mineralization known as the East Zone, West Zone, Central Zone, and North Zone.

#### **East Zone**

Of the two main (East and West) gabbro-hosted zones of mineralization, the East Zone has received the most detailed exploration, including 4,267 m of underground development on seven levels, three internal shafts and over 500 surface and underground diamond drill holes. The East Zone is gently west-plunging and moderately to steeply south-dipping and is in contact with Hansen Creek Formation calcareous sediments. At the base of this zone of mineralized peridotite in the marginal gabbro are discontinuous massive sulphide lenses as well as skarn zones in calcareous footwall. The mineralized portion of the East Zone has been outlined by underground diamond drilling over a strike length of 900 m and an average vertical extent of 200 m. It was mined by Hudson-Yukon in 1972 and approximately 171,652 tonnes at 2.23% Ni and 1.39% Cu were extracted (Figure 9-1 of the Wellgreen Report).

### West Zone

All-North's 1987 drilling program led to the discovery of the West Zone, which extends over a strike length of 600 m and to a depth of about 200 m. This area is along and above the base of the Quill Creek Complex where its trend changes from northwest-southeast to east-west. The majority of the mineralized zones occur in gabbro and in a blanket clinopyroxenite, as is the case in the East Zone; however, mineralization also occurs to a considerable extent in inter-digitated gabbroclinopyroxenite units. The West Zone has not been exposed by underground workings, and consists of multiple spatially separated mineralized units; the basal gabbro unit, the upper clinopyroxenite unit, and a second basal unit named the "No.2 Zone", which lies to the west of one of the several flatly westerly dipping northeasterly trending cross-faults.

The sill that hosts the West Mineralized Zone appears to have a gabbroic margin on both its north and south contacts. The marginal gabbro magmatic zones up to 110 m thick host the Ni-Cu massive sulphide mineralization that forms the higher grade portions of the various mineralized zones of the Wellgreen deposit. The clinopyroxene magmatic zones, which range up to 100 m in thickness, host disseminated Ni-Cu sulphides and minor net-textured and semi-massive sulphide lenses (Figure 9.1 of the Wellgreen Report).

### Central Zone

The north-westerly continuation of the East Zone is called the Central Zone and has been tested with limited drilling. It is possible that the West Zone and the Central Zone join at depth, but this has not been proven to-date. At the bottom of historic drill hole WS 88-139, 32.76 m averaging 0.98% Cu, 0.5 1% Ni, 0.039 oz Pt/ton and 0.019 oz Pd/ton was intersected.

### North Zone

The North Zone is located in the east-central portion of a narrow 1,200 m long sill positioned approximately 150 m below the main ultramafic unit and was discovered by Hudson-Yukon in the 1950s and explored by three drill holes in 1987 by All-North. All of these drill holes intersected mineralization, and the best reported intersection was 0.51% Cu, 2.01% Ni, 0.028 oz Pt/ton and 0.019 oz Pd/ton over a core length of 3.4 m. The geology of this zone is similar to both the East and West Zones. Mineralization consists of massive sulphide lenses, disseminations in gabbro and ultramafic rocks, and as fracture fillings in footwall quartzite. The North Zone was tested in 1988 by limited drilling and was determined to have a northerly dip, which will make it difficult to adequately explore from surface by drilling from the south, as has been done with the other zones on the Wellgreen Property. To-date, the North Zone appears to be a thin and discontinuous zone; however, it does represent an interesting area of Ni-Cu mineralization that warrants further work.

Tables 9.1 to 9.3 of the Wellgreen Report after Cabri et al., 1993 list the opaque minerals and PGM and PGE bearing minerals found in the deposit. The elevated presence of Rhodium (Rh), Ruthenium (Ru), Iridium (Ir), Rhenium (Re), and Osmium (Os) within the mineral suite provided additional pay metals if recoverable and could enhance the economics of an operation in the district.

### ***Exploration***

Neither PCNC nor Prophecy has conducted any exploration on the Wellgreen Property. The Prophecy drilling campaigns are described in Section 11.0 Drilling of the Wellgreen Report.

### ***Drilling***

#### Historical Drilling

Considerable surface and underground drilling was completed by Hudson-Yukon, operating subsidiary of HBM&S in the 1950s. More drilling was completed under the auspices of the Kluane Joint Venture (All-North, Chevron and Galactic) in the 1980s. Drill logs, assay summaries and assay certificates for many of these historic

drill holes are available and can be compiled into a database to support any future Mineral Resource estimate. This historic work has not been completely documented.

### Coronation Mineral Drilling

The holes drilled on the Wellgreen Property by Coronation were for the purpose of validating the historical drilling done by the Kluane JV in 1986 and 1987. The program was designed by WGM with a total of 24 holes proposed.

Coronation engaged E. Caron Drilling of Whitehorse, Yukon, as the drill contractor. All of the surface drilling was HQ, were reduced to NQ as the depth increased. The underground drilling was all BTW. The drilling started in late July 2006 and a total of eleven were completed for a total of 2,016 m. Collars were surveyed using a total station system. Acid tests were completed downhole to determine hole inclination. Ten of the holes drilling in 2006 were drilled in order to “twin” historical holes drilled by Hudson Yukon and the Kluane JV.

In 2007, three underground holes were completed totalling 577 m. Two of the holes were designed to “twin” historical holes.

In 2008, twelve additional holes were drilled by Coronation including three holes underground.

In 2008, the Wellgreen Property database was updated with the results of the 2006 and 2008 drilling programs. The twin holes could not all be considered twins, as some locations were not as close as planned, due to various logistical reasons. It was also difficult to compare the exact intervals, due to differences in elevation of the original vs. the twin collar location. In general, the twin hole drilling program was successful in confirming past results.

Table 11.1 of the Wellgreen Report provides highlights of the drill programs completed by Coronation. Core lengths provided in the table do not represent true widths.

### Northern Drilling

The drilling conducted by Northern was designed to extend and expand the potential resource of the Wellgreen deposit by targeting up dip of the East zone and east along strike. Drilling was completed by E. Caron drilling of Whitehorse. A total of ten drill holes were completed during the 2009 drill program. All holes were drilled HQ and all drilling run were in 5 foot intervals (1.52 m).

The collars were initially spotted with a hand held GPS or compass and chain, with the final completed collars were again surveyed with a hand held GPS, compass and chain or a total station GPS. Down-hole surveys were completed using the ReflexIt© tool. Survey readings were collected approximately 9 m off the bottom of the hole and at approximately 152 m intervals up the hole. Erroneous directional readings located within the mineralized zones were discarded due to the magnetic influence of the pyrrhotite. Inclination readings were not affected by the magnetic minerals.

Table 11.2 of the Wellgreen Report provides the collar information for the drill program completed by Northern. Table 11.3 of the Wellgreen Report provides the highlights of the drill program completed by Northern. Core lengths in the table do not represent true widths.

### Prophecy Drilling

The drilling conducted by Prophecy was designed initially to extend and expand the potential resource of the Wellgreen deposit by targeting the East Zone along strike. The focus of the program evolved to test the hanging wall disseminated sulphides located in the ultramafic unit.

Drilling was completed by E. Caron drilling of Whitehorse. A total of seven drill holes were completed during the 2010 drill program from June to October. All holes were drilled HQ and all drilling run were in five foot intervals (1.52 m).

The collars were initially spotted with a hand held GPS or compass and chain, with the final completed collars were again surveyed with a hand held GPS, compass and chain or a total station GPS. Down-hole surveys were completed using the ReflexIt© tool. Survey readings were collected approximately 9 m off the bottom of the hole and at approximately 152 m intervals up the hole. Erroneous directional readings located within the mineralized zones were discarded due to the magnetic influence of the pyrrhotite. Inclination readings were not affected by the magnetic minerals.

Table 11.4 of the Wellgreen Report provides the collar information for the drill program completed by Prophecy. Table 11.5 of the Wellgreen Report provides the highlights of the drill program completed by Prophecy. Core lengths in the table do not represent true widths. Figure 11.1 of the Wellgreen Report shows the position of the 2010 drill holes relative to the rest of the surface holes completed on the project.

### ***Sampling Method and Approach***

#### Historical Methods

Sampling details for historic programs have not been verified by Wardrop. No QA/QC programs were conducted at the time. Hudson Yukon assayed all core at their internal lab in Flin Flon, Manitoba.

Wardrop recommends that Northern continue to research the details of the historical programs by Hudson Yukon and the Kluane JV.

#### Coronation Method and Approach

The drill core was logged by the company geologist and assistants, at the facilities designed for that purpose at the Coronation base camp at site, under the direct supervision of Mr. Rory Calhoun, P. Geo. The geologist would record lithology, mineralization, structures, sample number, etc., and the assistants would record the geotechnical data (RQD, recovery).

Sample length would vary due to lithology and mineralization observed by the geologist and the core would be marked accordingly. Most sampled intervals were 1.52 m or 5 ft in length. The assistant would then take the core into the saw shack and cut it in half using a core saw. After cutting, the core would be returned to the core tray and the geologist would sample it. Half of the split core would be placed in a plastic sample bag with the sample tag. The sample number was also written on the outside of each bag for easy identification. No sample tags were left in the core trays.

All of the data from logging the core was recorded on hand written logs and then transferred to MS Excel spreadsheets, for later import into a geological software package

#### Northern Method and Approach

The following description of the sampling methodology was provided by Rory Calhoun, P. Geo.

- Drill core is delivered to the core shack by the diamond drill contractor.
- Core boxes are sorted and placed in groups of three.
- Group of boxes are photographed.
- Run markers and other marker blocks are check for accuracy.
- Geologist collects RDQ and recovery data on a paper form, to be later transferred to a spreadsheet.
- Core is logged by the geologist on a paper form.
  - There are no lithological codes, as the logs are written long hand.
  - There is only one geologist logging the core for consistency.

- Minimum sample unit is 2 inches; maximum sample length is 5 feet (1.52 m).
- Samples do not cross lithological contacts.
- Sample marked on the box with the footage and sample number.
- Samples are taken to the core cutting facility for cutting by a technician.
  - Saw uses fresh water which drains into sump below the floor before decanting to the creek.
  - Core is cut and placed back into the core box.
  - Core box with cut core is returned to the core shack for sampling.
- Geologist and technician collect the cut core from the same side and place samples in clean plastic bags with a sample tag. The sample number is written on the outside of the sample bag.
- QA/QC samples are inserted into the sample stream at prescribed intervals. Full description of the QA/QC program is provided in Section 13 Sample Preparation, Analyses and Security of the Wellgreen Report.
- Five samples bags are placed in rice bags and a record is made of the sample number placed in each rice bag.
- Core is stored on core racks inside a secure building or shipping container on the property which has a full time security guard living on site.
- The course rejects returned from the laboratory are stored in sealed plastic tubs inside a secure building on site.

### ***Sample Preparation, Analyses and Security***

#### Historical Program

Wardrop is not aware of the procedures and analytical methods used prior to the Coronation drilling programs.

#### Coronation Programs

After the sample bags were sealed, company personnel would take the samples into the Coronation geological office. The samples would be stored there with only the geologist and camp manager having access. When enough samples had accumulated, company personnel would pack them in plastic containers, label, and take the containers to the shipper (Air North) in Whitehorse. Air North would deliver the samples to ALS-Chemex in Vancouver for assaying.

All samples, including field-inserted Standards and Blanks, were sent to ALSChemex in Vancouver, BC, for assaying. ALS-Chemex has ISO/IEC 17025:2005 and ISO 9001:2000 certification.

Copper, nickel, cobalt, gold, platinum, and palladium were the elements assayed for. The following is a brief description of the sample preparation:

1. Samples are sorted into numerical order and then dried.
2. Once dried, the material was crushed using a jaw crusher.
3. The sample is then split to get a 250 g sample for pulverizing.
4. The total 250 g of split sample is pulverized to 85% passing 75 microns.

Gold, platinum, palladium were assayed by fire assay fusion of 30 g with an ICP finish. The resulting values were reported in parts per million.

Copper, nickel, and cobalt were assayed by "Four Acid "Near Total" Digestion" atomic absorption spectrometry. If any of the assays returned values above the detection limits, the sample would be re-assayed using a similar method (ICP-AES or AAS).

At no time was a Coronation employee or designate of the company involved in the preparation or analysis of the samples.

### Northern 2009 Programs

After the sample bags were sealed, company personnel would take the samples into the Northern geological office. The samples would be stored there with only the geologist and camp manager having access. When enough samples had accumulated, company personnel would pack them in plastic containers, label, and take the containers to the shipper (Air North) in Whitehorse. Air North would deliver the samples to Loring Laboratories in Calgary for assaying.

All samples, including field-inserted Standards and Blanks, were sent to Loring Laboratories in Calgary, AB. for assaying. Loring has ISO 9001:2000 certification.

A 30 element package, including copper, nickel and cobalt reported in ppm is analyzed by Aqua Regia "partial digestion" followed by IPC analyses. Gold, Platinum, Palladium and Rhodium were analyzed by four acid digestion followed by a 30 g fire assay with AA finish.

At no time was a Northern employee or designate of the company involved in the preparation or analysis of the samples.

### Prophecy 2010 Program

After the sample bags were sealed, company personnel would take the samples into the Prophecy geological office. The samples would be stored there with only the geologist and camp manager having access. When enough samples had accumulated, company personnel would pack them in plastic containers, label, and take the containers to the shipper (Air North) in Whitehorse. Air North would deliver the samples to ALS-Chemex in Vancouver for assaying.

All samples, including field-inserted Standards and Blanks, were sent to ALS Chemex in Vancouver, BC, for assaying. ALS-Chemex has ISO/IEC 17025:2005 and ISO 9001:2000 certification.

Copper, nickel, cobalt, gold, platinum, and palladium were the elements assayed for. The following is a brief description of the sample preparation:

1. Samples are sorted into numerical order and then dried.
2. Once dried, the material was crushed using a jaw crusher.
3. The sample is then split to get a 250 g sample for pulverizing.
4. The total 250 g of split sample is pulverized to 85% passing 75 microns.

Gold, platinum, palladium were assayed by fire assay fusion of 30 g with an ICP finish. The resulting values were reported in parts per million.

Copper, nickel, and cobalt were assayed by "Four Acid "Near Total" Digestion" atomic absorption spectrometry. If any of the assays returned values above the detection limits, the sample would be re-assayed using a similar method (ICP-AES or AAS).

At no time was a Prophecy employee or designate of the company involved in the preparation or analysis of the samples.

### Quality Assurance/ Quality Control Program (QA/QC)

The same QA/QC program was in place for both Coronation, Northern and Prophecy and is described below.

Blanks, standard reference material ("SRM"), and duplicates were inserted into the sample stream every 20th sample.

A duplicate sample, would be take every 20th sample of core. The selected sample is sawn in half and then would be sawn in half again. The quartered core was then placed into two different sample bags with different sample numbers and sealed.

The SRMs came from Natural Resources Canada and Analytical Solutions Limited. These were inserted into the sample stream immediately after the second duplicate. The SRMs used are WMS-1a, WPR-1 and WGB-1. The certificates for the SRMs are found in Appendix B of the Wellgreen Report.

Sample Blanks were obtained from two sources; granodiorite from a local road metal quarry, and garden marble from hardware stores in Whitehorse, Yukon. A Blank sample was inserted into the sample stream after the SRM.

Wardrop has not compiled or reviewed the results of the QA/QC programs for either the Coronation or Northern drilling programs and cannot comment on the validity of the result.

In addition to the field-inserted QA/QC program, the laboratories operate their own laboratory QA/QC system. The labs insert quality control materials, Blanks and duplicates on each analytical run.

No secondary laboratory check assaying was completed on the recent drilling programs.

Wardrop believes the sampling practices of Prophecy meets current industry standards. Wardrop provided Prophecy with recommendations on ways to improve the current QA/QC program to make it more effective. These recommendations include;

- The company geologist should review the results of the field-inserted QA/QC data and it is also good practice for the geologist to review the laboratory internal QA/QC data.
- A selection of course rejects or pulps samples up to 10% of the data set should be sent to a second laboratory as part of the QA/QC program.
- Maintain the insertion rate of one blank, one duplicate and 1 SRM for every twenty samples.
- Move the insertion location of the blank QA/QC sample away from the SRM sample. Currently the blank is placed immediately after the SRM. Blanks samples should be placed immediately after or within suspected high grade intervals to monitor contamination within the preparation facility.

### ***Mineral Resource and Mineral Reserve Estimates***

#### Current Resource

Neither PCNC nor Prophecy has completed a resource estimate on the Wellgreen Property.

#### Previous Estimates

Coronation commissioned WGM to complete a NI43-101 compliant resources estimate on the Wellgreen Property in 2008. Wardrop is not able to verify the validity of the resource estimate and under NI43-101 guidelines is not permitted to state the resource estimate. A copy of the Technical Report and Resources Estimate for the Wellgreen Ni-Cu Deposit, Yukon Territory, Canada by Kociumbas and El-Rassi, July 15, 2008 is available on SEDAR by searching Guyana Precious Metals technical reports.

WGM was commissioned to complete a preliminary feasibility study of the Wellgreen project for All-North Resources in 1989, which included a historic reserve estimate. Table 17.1 contains the results of the 1988 WGM resource estimate for the East and West Zones on the Wellgreen Property.

**Table 17.1 WGM 1988 Resource Estimate**

<b>Zone</b>	<b>Host Rock</b>	<b>Reserve Category</b>	<b>Tons (millions)</b>	<b>Cu (%)</b>	<b>Ni (%)</b>	<b>Pt (opt)</b>	<b>Pd (opt)</b>
West	Gabbro	Probable	10.62	0.45	0.31	0.021	0.009
	Gabbro	Possible	6.42	0.39	0.34	0.024	0.009
	Clinopyroxenite	Probable	5.74	0.12	0.30	0.006	0.007
	Clinopyroxenite	Possible	0.36	0.11	0.30	0.008	0.008
East	Gabbro	Probable	12.00	0.54	0.50	0.017	0.013
	Gabbro	Possible	0.49	0.46	0.58	0.018	0.013
	Clinopyroxenite	Probable	18.30	0.25	0.32	0.013	0.01
	Clinopyroxenite	Possible	1.23	0.22	0.32	0.011	0.011
Total		Probable	46.66	0.35	0.36	0.02	0.01
		Possible	8.49	0.36	0.35	0.02	0.01

Wardrop considers the historical estimate reliable and relevant. It should be noted that the estimate was completed prior to adoption of the current standards embodied in NI43-101 and therefore the results cannot be relied upon. The stated probable and possible reserves is likely similar to the current standards for Indicated and Inferred resources respectively.

A Qualified Person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves. The issuer is not treating the historical estimate as current mineral resources or mineral reserves as defined in sections 1.2 and 1.3 of NI43-101 and the historical estimate should not be relied upon.

#### Potential Quantity and Grade

The potential quantity and grade of mineralization within the Wellgreen Property is in the range of 19 to 51 million tonnes at 0.26 to 0.38 % nickel, 0.26 to 0.36% copper, 0.32 to 0.47 g/t platinum and 0.23 to 0.38 g/t palladium, based on the assumptions of a specific gravity of 3.22, strike length range of 1000 to 1400 m, depth of 200 to 250 m and a width of 30 to 35 m. It should be noted that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource.

**Table 17.2 Potential Resource at Wellgreen**

	<b>Potential Minimum</b>	<b>Potential Maximum</b>
Strike (m)	1000	1400
Depth (m)	200	250
Width (m)	30	45
Tonnage (000,000)	19	51
% Ni	0.27	0.38
% Cu	0.26	0.36
Pt (g/t)	0.32	0.47
Pd (g/t)	0.23	0.38

#### ***Interpretation and Conclusions***

The Wellgreen Property is ideally situated, hosting approximately 10 km of strike length and 22.1 km<sup>2</sup> of the Quill Creek Ultramafic intrusion. The Quill Creek Ultramafic intrusion is one of several ultramafic intrusions found within the Wrangellia terrane.

The Wellgreen Property is currently held 100% by Prophecy, which has entered into a business arrangement with PCNC whereby PCNC will acquire the Wellgreen Property from Prophecy.

The Quill Creek Ultramafic intrusion has similar characteristics to the Noril'sk deposit in Russia, containing zones and layered mineralized of massive, semi-massive and disseminated Ni-Cu sulphides with elevated PGE associated with the sulphides.

Two main zones of mineralization have been drill outlined on the property, the East Zone and the West Zone. The highest grade mineralization in the East Zone occurs in massive sulphide pods and lenses along the base of the ultramafic body, whereas the best grades in the West Zone are found in inter-digitated gabbro and clinopyroxenite. A total of 171,652 tons assaying 2.23% Ni, 1.39% Cu, 0.065 oz Pt/ton and 0.073% Co were mined and milled in 1972 and 1973 by Hudson-Yukon.

The Wellgreen Property database is relatively up to date with the current results of the 2009 drilling program. In general, the twin hole drilling program completed by Coronation was successful in confirming past results, therefore, the author is of the opinion that using the historic drilling is appropriate for any future resource estimate although some additional analysis would be required before a definitive conclusion can be reached.

The 2010 Prophecy drilling confirmed the presences of a substantial mineralized system located in the hanging wall of the semi-massive sulphide pods previously targeted as the Wellgreen Property.

The potential within the Wellgreen Property is in the range of 19 to 51 million tonnes at 0.26 to 0.38 % nickel , 0.26 to 0.36% copper, 0.32 to 0.47 g/t platinum and 0.23 to 0.38 g/t palladium, based on the assumptions of a specific gravity of 3.22, strike length range of 1000 to 1400 m, depth of 200 to 250 m and a width of 30 to 35 m. It should be noted that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource. . There is good potential to expand the potential quantity on the Property as both the East and West Zones are open at depth. The other known zones also show some potential. The East Zone is also open up-dip to surface.

Table 19.1 provides the potential quantity and grade of mineralisation at the Wellgreen Property as currently outlined.

**Table 19.1 Potential Resource at Wellgreen**

	Potential Minimum	Potential Maximum
Strike (m)	1000	1400
Depth (m)	200	250
Width (m)	30	45
Tonnage (000,000)	19	51
% Ni	0.27	0.38
% Cu	0.26	0.36
Pt (g/t)	0.32	0.47
Pd (g/t)	0.23	0.38

There is good potential to expand the potential quantity and grade of mineralization on the Wellgreen Property to cover the entire Quill Creek Ultramafic intrusive. The Quill Creek intrusive has been outline by an aeromagnetic survey and drilling on the adjacent Burwash claims by PCNC indicates that mineralizing system has the potential to continue along the entire strike length of the intrusion, which is in excess of 10 km of strike length.

The potential within the Quill Creek Ultramafic intrusion on the Wellgreen Property is in the range of 77 to 254 million tonnes at 0.26 to 0.38 % nickel, 0.26 to 0.36% copper, 0.32 to 0.47 g/t platinum and 0.23 to 0.38 g/t palladium, based on the assumptions of a specific gravity of 3.22, strike length range of 4000 to 7000 m, depth of 200 to 250 m and a width of 30 to 35 m. It should be noted that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Table 19.2 provides the potential quantity and grade of mineralisation of the Quill Creek Ultramafic intrusion on the Wellgreen Property.

**Table 19.2 Potential of Quill Creek Ultramafic**

	Potential Minimum	Potential Maximum
Strike (m)	4000	7000
Depth (m)	200	250
Width (m)	30	45
Tonnage (000,000)	77	254
% Ni	0.27	0.38
% Cu	0.26	0.36
Pt (g/t)	0.32	0.47
Pd (g/t)	0.23	0.38

Exploration to date has concentrated on the lower gabbroic section of the ultramafic body. Recent exploration has concentrated on the evaluation of the potential of the Wellgreen Property to host larger, but lower grade, tonnages of PGM enriched Ni-Cu mineralization for potential open pit extraction. The occurrences of higher grade pockets of semi-massive sulphides (>1% Cu and Ni and >2 g/t Pt) as historically mined by Hudson Yukon are expected to continue to be located through exploration efforts. These higher grade pockets, although not continuous, could be targeted in a potential open pit operation in order to accelerate the project's pay back.

A large portion of the drill data set does not include Pt, Pd assay as well as the Rh, Ru, Re, Ir, and Os which would potential enhance any sort of economic evaluation of the Wellgreen Property.

The author believes further exploration is warranted to advance the project to move toward a current resource estimate and preliminary assessment.

### ***Recommendations***

#### Exploration Recommendations

The nature of the geological environment and the data collected to date by the various operators using an assortment of exploration tools warrant additional exploration expenditures to advance the project. Exploration on the project is proposed as two separate programs, which are independent of each other and can be run concurrently as the result of one program does not affect the work proposed in the second program.

#### *Phase 1 – Wellgreen Expansion*

An aggressive program of diamond drilling, geophysics, and re-sampling is proposed for the Wellgreen Property in order to expand the quantity of the mineral inventory.

The program would entail drilling 24 NQ diamond drill hole on twelve 200 meter spaced fences, with each fence having one or two drill holes to cross the stratigraphy. This would make it possible to extend the strike of the Wellgreen Deposit by an additional 2,400 meters as well as test the hanging wall environment.

In conjunction with the drilling program, a program to sample surface drill core in areas where the holes have been passed through the hanging wall PGE target, yet were not sampled. In addition continuation of the program to re-assay pulps from the Coronation and Northern Platinum drilling campaign for Rhodium, Ruthenium, Iridium, Rhenium, and Osmium. The results should be added to the drill hole database.

A preliminary metallurgical test should be conducted on the material that best represents the potential minable resource. This will give indications as to whether the Wellgreen mineralogy is amenable to separation and recovery using traditional methods.

Table 20.1 summarizes the budget proposal for the diamond drill program on the Wellgreen Property.

**Table 20.1 Wellgreen Expansion Budget**

<b>Project</b>	<b>Activity</b>	<b>Rate</b>	<b>Units</b>	<b>Cost</b>
Wellgreen	DD Drilling (24 holes)	\$200/m	4,800	\$960,000
	Metallurgical Test		1	\$15,000
	Downhole geophysics	\$40/m	2,000	\$80,000
	Re-assay old core for Ni, Cu, Co, Pt, Pd, Au	\$50/sample	500	\$25,000
	Re-assay old pulps for Rh, Ru, Re, Ir, Os	\$175/sample	100	\$17,500
Indirect Costs	Salaries	\$8,000/month	8	\$64,000
	Fuel	\$1,500/month	5	\$7,500
	Admin – Camp	\$2,500/month	5	\$12,500
	Consumable			\$18,000
<b>Total</b>				<b>\$1,199,500</b>

\*includes all drilling related charges, sample analysis, dozing, support

#### *Phase 2 – Quill Creek Ultramafic Delineation*

A large scale reconnaissance drilling campaign should delineate the extent of the mineralization within the Quill Creek Ultramafic complex on the property as outlined by an airborne magnetic survey.

Drill fences at 400 to 500 m spacing should test the full width of the Quill Creek complex both to the northwest and southeast along strike. The target is to delineate the mineralizing system in order to identify the potential overall size of the system. Down-hole geophysics in the form of Induced Polarization (good for disseminated sulphides) and BHEM (designed for stringer to massive sulphides) should be conducted to provide information on the potential continuity of the mineralized system. A high resolution topographic survey should be conducted over the region with co-ordinates in both the UTM and local mine grid.

A continuation of the re-assaying program from the Coronation and Northern drilling campaigns for rhodium, ruthenium, rhenium, iridium and osmium is proposed.

Table 20.2 outlines the proposed cost to complete the program.

**Table 20.2 Quill Creek Ultramafic Delineation Budget**

<b>Project</b>	<b>Activity</b>	<b>Rate</b>	<b>Units</b>	<b>Cost</b>
East Zone	DD Drilling (40 holes)*	\$200/m	10,000	\$2,000,000
	Downhole Geophysics	\$40/m	5,000	\$200,000
	High Resolution Topographic Survey	\$60,000/survey	1	\$60,000
	Re-assay old pulps for Rh, Ru, Re, Ir, Os	\$175/sample	500	\$87,500
	Salaries	\$8000/month	10	\$80,000
Indirect Costs	Fuel	\$1500/month	8	\$12,000
	Admin - Camp	\$2500/month	8	\$20,000
	Consumable			\$50,000
<b>Total</b>				<b>\$2,509,500</b>

\*includes all drilling related charges, sample analysis, dozing, support

#### Other Recommendations

Wardrop recommends that Prophecy compile more of the historic information in a comprehensive drill hole and assay database and validate as far as possible the historic collar locations through search and survey. The database should include, but not necessarily be limited to a program name for each drill hole record, drill hole start

date, completion date, logger, downhole survey methods, collar survey comment, whether collar has been validated, where the samples were assayed and the method of analysis (including digestion method), if this can be determined.

Recommendations made for the QA/QC program include:

- The company geologist should review the results of the field-inserted QA/QC data and it is also good practice for the geologist to review the laboratory internal QA/QC data.
- A selection of coarse rejects or pulps samples (up to 10%) should be sent to a second laboratory.
- Maintain the insertion rate of one blank, one duplicate and 1 SRM for every twenty samples.
- Move the insertion location of the blank QA/QC sample away from the SRM sample. Currently the blank is placed immediately after the SRM. Blanks samples should be placed immediately after or within suspected high grade intervals to monitor contamination within the preparation facility.

In order to improve the potential economics of the project, additional assays should run for rhodium, ruthenium, rhenium, iridium and osmium. This would provide a dataset of sufficient size and quality to complete co-grading. It is recommended to select 20-25% of the pulps or coarse rejects from the past drilling campaigns and all future drilling campaigns and run a PGE suite of analysis. The distribution of the sample selection should be from across the entire mineralized system and from various grade groups. If Pt and Pd assays do not exist in the selected samples, Pt and Pd analysis should be completed as well.

### ***Environmental Liabilities***

Prophecy's interest in the Wellgreen Property consists of two surface leases issued by the Government of Canada and administered by the Yukon Government plus 139 mineral claims. One of the surface leases covers a 62.56 hectare parcel of land located at approximately Mile 1111 of the Alaska Highway (the "Mine Site") on which historic exploration activities have been conducted since approximately the 1950's by various operators, and where exploration activities have been carried out by Northern since the late 1990's. The other surface lease covers a 69.754 hectare parcel of land located immediately adjacent to the Mine Site which was operated by an entity unrelated to Northern or Prophecy in the early 1970's for approximately one year as a mill site and tailings impoundment (the Mill Site). Since approximately the late 1990's, Northern has used the Mill Site for its core shack and in order to access the Mine Site. Pursuant to the requirements of the lease for the Mill Site, Prophecy finalized a reclamation plan (the "Reclamation Plan") for the Mill Site which was approved by the Yukon Government in early 2010. Pursuant to the Reclamation Plan and in accordance with requirements of the lease for the Mill Site, Prophecy is cleaning up surface debris at the Mill Site and some contaminated soils. Such clean-up activities began in 2009 and are expected to be completed by the end of summer, 2011 at a total cost of approximately CAD \$141,000 - \$192,000. In February 2010, the Yukon Government confirmed that with the submission to the Yukon Government of the approved Reclamation Plan the Yukon Government would consider Prophecy to be compliant with the terms of the Mill Site lease. The Yukon Government is currently considering whether it will require Prophecy to carry out reclamation activities or pay costs of reclamation of the historic tailings impoundment, the former mill infrastructure and related impacts or potential impacts at the Mill Site (the "Historic Liabilities"). In August 2010, Prophecy advised the Yukon Government that it is not legally responsible or liable for the Historic Liabilities and Prophecy has received no response to date. A determination of responsibility and liability as well as an investigation of the Historic Liabilities and design of a reclamation plan would be necessary before any fiscal determination could be made of the Historic Liabilities and accordingly same cannot reasonably be determined at this stage.

### **Arm's Length Transaction**

The Acquisition is not a Related Party Transaction.

### **RISK FACTORS**

**An investment in PCNC Shares or Prophecy Shares should be considered highly speculative, not only due to the nature of PCNC's and Prophecy's existing business and operations, but also because of the uncertainty related to completion of the Arrangement and the business of Prophecy and PCNC upon**

**completion of the Arrangement. In addition to the other information in this Circular, an investor should carefully consider each of, and the cumulative effect of the following factors, which assume the completion of the Arrangement.**

### **Risks Relating to the Arrangement**

There are risks associated with the Acquisition, Consolidation and Arrangement including (i) market reaction to the Acquisition, Consolidation and Arrangement and the future trading prices of the New Common Shares and PCNC Shares cannot be predicted; (ii) the Arrangement may give rise to significant adverse tax consequences to non-Canadian securityholders and each such securityholder is urged to consult their own tax advisor; (iii) uncertainty as to whether the Arrangement will have a positive impact on Prophecy or PCNC; and (iv) there is no assurance that required approvals will be received.

In addition, pursuant to the provisions of the Plan of Arrangement, the amount of PCNC Shares issuable is fixed and will not increase or decrease due to fluctuations in the market price of the PCNC Shares or the Prophecy Shares. The market value of the consideration that Prophecy Securityholders will receive in the Arrangement will depend on the market price of the PCNC Shares on the Effective Date. If the market price of the PCNC Shares increases or decreases, the market value of the PCNC Shares that Prophecy Securityholders receive will correspondingly increase or decrease. The number of PCNC Shares being issued in connection with the Arrangement will not change despite decreases or increases in the market price of PCNC Shares or the Prophecy Shares. Many of the factors that affect the market price of the PCNC Shares and the Prophecy Shares are beyond the control of PCNC and Prophecy, respectively. These factors include fluctuations in the price of nickel, coal and other materials, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets and interest rate fluctuations.

Each of Prophecy and PCNC has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly there is no certainty, nor can the Parties provide any assurances that the Arrangement Agreement will not be terminated by either of the Parties before the completion of the Acquisition and the Arrangement. Additionally, the completion of the Arrangement is subject to several conditions under the Arrangement Agreement. See *“The Acquisition and the Arrangement – the Arrangement Agreement - Conditions to the Arrangement”*. If any of those conditions are not satisfied or waived, the Acquisition and Arrangement may not be completed. There is no certainty, nor can the Parties provide any assurances that the conditions in the Arrangement Agreement will be satisfied.

### **Risks Relating to Prophecy**

#### ***Exploration, Development and Production Risks***

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

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

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

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

### ***No History of Mineral Production***

Prophecy has no history of commercially producing metals from its mineral exploration properties and there can be no assurance that it will successfully establish mining operations or profitably produce coal or other base and precious metals. None of Prophecy's properties, other than the Ulaan Ovoo Property, are currently under development. The future development of any properties found to be economically feasible will require the construction and operation of mines, processing plants and related infrastructure. As a result, Prophecy is subject to all of the risks associated with establishing new mining operations and business enterprises, including:

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

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

### ***Commencing Mining Development Activities without a Feasibility Study***

Prophecy has commenced mining development activities on the Ulaan Ovoo Property without having completed a feasibility study on the Ulaan Ovoo Property. There are certain risks and uncertainty associated with commencing production without a feasibility study. The deposit may lack all geological, engineering, legal, operating, economic, social, environmental, and other relevant factors considered sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production. Additionally, the outcome of the feasibility study may not be positive or optimal for the production scale being initiated.

### ***Mineral Resources/Reserves***

All of the properties in which Prophecy holds an interest are considered to be in the exploration or development stage only and do not contain a known body of commercial minerals. The figures for Prophecy's resources and reserves are estimates based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated. Unless otherwise indicated, mineralization figures presented in this Circular and in Prophecy's other filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Prophecy personnel and independent geologists. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that:

- these estimates will be accurate;
- resource or other mineralization figures will be accurate; or
- this mineralization could be mined or processed profitably.

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

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

Prophecy has not established the presence of any proven and probable reserves at any of its mineral properties other than the Ulaan Ovoo Property. There can be no assurance that subsequent testing or future studies will establish proven and probable reserves at any of Prophecy's properties. The failure to establish proven and probable reserves could restrict Prophecy's ability to successfully implement its strategies for long-term growth.

### ***Capital Costs, Operating Costs, Production and Economic Returns***

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

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

- anticipated tonnage, grades and metallurgical characteristics of the ore to be mined and processed;
- anticipated recovery rates metals from the ore;
- cash operating costs of comparable facilities and equipment; and

- anticipated climatic conditions.

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

### ***Foreign Operations and Political Conditions***

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

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

Currently, Prophecy is materially dependent upon its foreign operations in Mongolia. Any changes in regulations or shifts in political attitudes in Mongolia are beyond the control of Prophecy and may adversely affect its business, financial condition and prospects. Future development and operations may be affected in varying degrees by one or more of the factors set forth above. The effect of these factors cannot be accurately predicted.

The Mongolian legal system shares several of the qualitative characteristics typically found in a developing country and many of its laws, particularly with respect to matters of taxation, are still evolving. A transaction or business structure that would likely be regarded under a more established legal system as appropriate and relatively straightforward might be regarded in Mongolia as outside the scope of existing Mongolian law, regulation or legal precedent. As a result, certain business arrangements or structures and certain tax planning mechanisms may carry significant risks. In particular, when business objectives and practicalities dictate the use of arrangements and structures that, while not necessarily contrary to settled Mongolian law, are sufficiently novel within a Mongolian legal context, it is possible that such arrangements may be invalidated.

The legal system in Mongolia has inherent uncertainties that could limit the legal protections available to Prophecy, which include (i) inconsistencies between laws; (ii) limited judicial and administrative guidance on interpreting Mongolian legislation; (iii) substantial gaps in the regulatory structure due to delay or absence of implementing regulations; (iv) the lack of established interpretations of new principles of Mongolian legislation, particularly those relating to business, corporate and securities laws; (v) a lack of judicial independence from political, social and commercial forces; and (vi) bankruptcy procedures that are not well developed and are subject to abuse. The Mongolian judicial system has relative little experience in enforcing the laws and regulations that currently exist, leading to a degree of uncertainty as to the outcome of any litigation, it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction.

In addition, while legislation has been enacted to protect private property against expropriation and nationalisation, due to the lack of experience in enforcing these provisions and political factors, these protections may not be enforced in the event of an attempted expropriation or nationalisation. Expropriation or nationalisation of any of Prophecy's assets, or portions thereof, potentially without adequate compensation, could materially and adversely affect its business and results of operations.

In 2006, the Mongolian Government enacted a new minerals law. The 2006 Minerals Law, which preserves to a limited extent some of the substance of the former 1997 minerals legislation, was drafted with the assistance of legal experts in the area of mining legislation and was widely regarded as progressive, internally consistent and effective legislation. However, the 2006 Minerals Law contains new provisions that have increased the potential for political interference and weakened the rights and security of title holders of mineral tenures in Mongolia. Certain provisions of the 2006 Minerals Law are ambiguous and it is unclear how they will be interpreted and applied in practice. Examples of such provisions include those relating to the designation of a mineral deposit as a Mineral Deposit of Strategic Importance. The Mongolian Government could determine that any one or more of Prophecy's projects in Mongolia is a Mineral Deposit of Strategic Importance.

There can be no assurance that future political and economic conditions in Mongolia will not result in the Mongolian Government adopting different policies in relation to foreign development and ownership of mineral resources. Any such changes in government or policy may result in changes in laws affecting ownership of assets, environmental protection, labour relations, repatriation of income, return of capital, investment agreements, income tax laws, royalty regulation, government incentive and other areas, each of which may materially and adversely affect Prophecy's ability to undertake exploration and development activities in the manner currently contemplated. For example, on July 16, 2009, Parliament enacted a new law (the "Prohibition Law") that prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas as defined in the Forest Law of Mongolia and areas adjacent to rivers and lakes as defined in the Law on Water of Mongolia. Pursuant to the Prohibition Law, the Mongolian government was instructed to define the boundaries of the areas in which exploration and mining would be prohibited. New exploration licenses and mining licenses overlapping the defined prohibited areas will not be granted—and previously granted licences that overlap the defined prohibited areas will be terminated within five months following the adoption of the law. The Prohibition Law provides that affected licence holders shall be compensated, but there are no specifics as to the way such compensation will be determined.

The Mineral Resources Authority of Mongolia ("MRAM") has prepared a draft list of licences that overlap with the prohibited areas described in the Prohibition Law. Six of Prophecy's exploration licenses—included on MRAM's draft list of licenses—may be included on the final list published by the Mongolian Government. This could potentially affect the status of those licences. Specifically, on July 16, 2010, Prophecy received notice from MRAM of the potential revocation of these licenses. However, on October 12, 2010, Prophecy received a further notice from MRAM invalidating its prior notice of potential revocation.

On November 18, 2010 Mongolian Government announced its intention to initiate the revocation of licenses under the Prohibition Law on a staged basis, beginning with the revocation of 254 mineral licenses. None of the licenses held by Prophecy is on this list.

Lastly, any restrictions imposed, or Mongolian Government charges levied or raised (including royalty fees), under Mongolian law for the export of coal could harm Prophecy's competitiveness.

### *Permits and Licenses*

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

In Mongolia, Prophecy's exploration licences are subject to periodic renewal and may only be renewed a limited number of times for a limited period of time. While Prophecy anticipates that renewals will be given as and when sought, there is no assurance that such renewals will be given as a matter of course and there is no assurance

that new conditions will not be imposed in connection therewith. Prophecy's business objectives may also be impeded by the costs of holding and/or renewing the exploration licences in Mongolia. Licence fees for exploration licences increase substantially upon the passage of time from the original issuance of each individual exploration licence. Prophecy needs to assess continually the mineral potential of each exploration licence, particularly at the time of renewal, to determine if the costs of maintaining the exploration licences are justified by the exploration results to date, and may elect to let some of its exploration licences lapse. Furthermore, Prophecy will require mining licences and permits to mine in order to conduct mining operations in Mongolia. There can be no assurance, however, that such licences and permits will be obtained on terms favourable to it or at all for Prophecy's future intended mining and/or exploration targets in Mongolia.

### ***Title to Mineral Properties***

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

### ***Environmental Risks***

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

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

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

### ***Competition***

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of ore are discovered, a ready market will exist for the sale of same. Marketability of natural resources which may be discovered by Prophecy will be affected by numerous factors beyond the control of Prophecy, such as market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations including regulations relating to prices, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of such factors cannot be predicted but they may result in Prophecy not receiving an adequate return on its capital.

***Lack of Infrastructure***

Prophecy has projects located in extremely remote areas which currently lack basic infrastructure, including sources of electric power, water, housing, food and transport, necessary to develop and operate a major mining project. While Prophecy has established the limited infrastructure necessary to conduct its exploration and development activities in Mongolia, substantially greater sources of power, water, physical plant and transport infrastructure in the area will need to be established before Prophecy can conduct mining operations. Lack of availability of the means and inputs necessary to establish such infrastructure may adversely affect mining feasibility. Establishing such infrastructure will, in any event, require significant financing, identification of adequate sources of raw materials and supplies and necessary approvals from national and regional governments, none of which can be assured.

***Key Personnel***

Prophecy depends on a number of key personnel, including its directors and executive officers, the loss of any one of whom could have an adverse effect on Prophecy's operations. Prophecy does not have employment contracts with these key personnel and does not have key man life insurance.

Prophecy's ability to manage growth effectively will require it to continue to implement and improve management systems and to recruit and train new employees. Prophecy cannot assure that it will be successful in attracting and retraining skilled and experienced personnel.

***History of Net Losses***

Prophecy has not received any revenue to date from the exploration activities on its properties. Prophecy has incurred losses and negative operating cash flow during its most recently completed financial year and for the current financial year to date. Prophecy has not found that commercial mining activity is warranted on any of their properties. Even if Prophecy does undertake further development activity on any of Prophecy's properties, there is no certainty that Prophecy will produce revenue, operate profitably or provide a return on investment in the future.

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

***Uninsured Risks***

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

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

***Fluctuating Market Prices***

Prophecy's revenues, if any, are expected to be in large part derived from the mining and sale of coal and other minerals. The prices of those commodities has fluctuated widely, particularly in recent years, and are affected by numerous factors beyond Prophecy's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The price of coal and base and precious metals may have a significant influence on the market price of Prophecy's shares and the value of Prophecy's mineral properties. The effect of these factors on the price of coal and base and precious metals, and therefore the viability of Prophecy's exploration projects, cannot be accurately predicted. If silver and metals prices were to decline significantly or for an extended period of time, Prophecy may be unable to continue operations, develop the properties or fulfill obligations under agreements with Prophecy's joint venture partners or under its permits or licenses.

***Additional Financing***

Prophecy estimates that its current financial resources are sufficient to undertake presently planned exploration and development programs. Further exploration on and development and construction of Prophecy's mineral properties may require additional capital. One source of future funds presently available to Prophecy is through the sale of equity capital. There is no assurance this source will continue to be available, as required or at all. If it is available, future equity financings may result in substantial dilution to shareholders. Another alternative for the financing of further exploration would be the offering by Prophecy of an interest in its mineral properties to be earned by another party or parties carrying out further exploration or development thereof. There can be no assurance Prophecy will be able to conclude any such agreements, on favourable terms or at all.

Any failure of Prophecy to obtain the required financing on acceptable terms could have a material adverse effect on Prophecy's financial condition, results of operations and liquidity and require Prophecy to cancel or postpone planned capital investments.

***Foreign Exchange***

In the past, Prophecy has raised its equity and maintained its accounts in Canadian dollars. Foreign operations carried out in U.S. or local currency could subject Prophecy to foreign currency fluctuations that may materially and adversely affect Prophecy's financial position.

***Recent Global Financial Conditions***

Access to financing has been negatively impacted by many factors as a result of the global financial crisis. This may impact Prophecy's ability to obtain debt or equity financing in the future on terms favourable to Prophecy and Prophecy's ability to attain strategic partnerships or enter into joint venture arrangements which may further negatively impact the timeline for commencement of commercial production. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such volatility and market turmoil continue, Prophecy's business and financial condition could be adversely impacted.

***Dividends***

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

### ***Conflicts of Interest***

Conflicts of interest may arise as a result of the directors, officers and promoters of Prophecy also holding positions as directors and/ or officers of other companies. Some of those persons who will be directors and officers of Prophecy have and will continue to be engaged in the identification and evaluation of assets and businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers will be in direct competition with Prophecy. Such conflicts, if any, will be subject to the procedures and remedies under the BCBCA.

### **Risks Relating to PCNC**

In addition to the other information contained in this Circular, the following factors should be considered carefully when considering risks related to holding PCNC Shares.

#### ***Exploration, Development and Production Risks***

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

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

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

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

***Title Risks***

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

***Substantial Capital Requirements***

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

***Competition***

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

***Volatility of Mineral Prices***

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

***Mineral Reserves / Mineral Resources***

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

### ***Recent Global Financial Conditions***

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

### ***Environmental Risks***

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

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

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

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

### ***Foreign Operations***

While PCNC's principal exploration properties will be located in Canada, it will continue to hold properties in Argentina and Uruguay. Its operations in those countries or in other countries it determines to operate in may be exposed to various levels of political, economic, and other risks and uncertainties depending on the country or countries in which it operates. These risks and uncertainties include, but are not limited to, terrorism; hostage taking; military repression; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and

changing political conditions, currency controls, and governmental regulations that favour or require the awarding of contracts to local contractors, or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

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

### ***Property Interests***

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

### ***Reliance on Key Employees***

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

### ***Conflicts of Interest***

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

### ***Dividends***

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

### ***Permits and Licenses***

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

issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of PCNC's investments in such projects may decline.

### *History of Net Losses*

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

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

### *Currency Fluctuations*

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

### *Uninsured Risks*

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

## **BUSINESS OF THE PCNC MEETING**

### **Approval of the Acquisition**

PCNC and Prophecy entered into the Arrangement Agreement providing for the completion of the Acquisition. The Acquisition is subject to certain other conditions set forth in the Arrangement Agreement, including but not limited to approval of the Consolidation, a copy of which is available to be viewed on SEDAR at [www.sedar.com](http://www.sedar.com).

At the PCNC Meeting, the PCNC Shareholders will be asked to consider and, if deemed advisable, approve the Acquisition Resolution set forth in Schedule A-2 hereto to approve the Acquisition.

The Acquisition Resolution must be approved by at least 50% +1 of the votes cast at the PCNC Meeting on the resolution. **It is the intention of the persons named in the enclosed Proxy, in the absence of instructions to the contrary, to vote the proxy in favour of the Acquisition Resolution.**

**In the event the Acquisition is not approved by the PCNC Shareholders in the manner required, PCNC will terminate the Acquisition in accordance with the terms and conditions of the Arrangement Agreement and will not proceed with the Consolidation and New Option Plan.**

### **Approval of the Consolidation**

It is a condition precedent to the completion of the Acquisition that the PCNC Shareholders approve the Consolidation of the PCNC Shares on a one new for ten old basis so that, immediately following completion of the Acquisition, each ten PCNC Shares held by a PCNC Shareholder prior to the Consolidation will result in one post-

consolidated share being held by such PCNC Shareholder. The Consolidation will be completed immediately following the completion of the Acquisition. Management believes that the Consolidation will provide PCNC with increased financial strength and flexibility following from to the Acquisition.

As at the record date, the authorized share capital of PCNC consists of an unlimited number of PCNC Shares without par value of which 55,834,842 PCNC Shares are outstanding. After the Consolidation and assuming completion of the Acquisition, the authorized share capital will consist of an unlimited number of PCNC Shares without par value, of which 50,583,484 PCNC Shares in the capital of PCNC would be issued and outstanding.

No fractional PCNC Shares will be issued as a result of the Consolidation. In the event that a given shareholder's holdings would result in the issuance of fractional shares, the holdings of the shareholder would be rounded up or down to the nearest whole number of shares.

Upon the Consolidation becoming effective, the number of shares reserved for issuance by 'PCNC, including those shares reserved for the PCNC Option Plan and share purchase warrants will be adjusted to give effect to the Consolidation, such that the number of consolidated PCNC Shares issuable will equal the number obtained when the number of PCNC Shares issuable is divided by the conversion number and the exercise prices of outstanding stock options and warrants to purchase post-Consolidation PCNC Shares will equal the price obtained by multiplying the existing exercise price by the conversion number.

At the PCNC Meeting, the PCNC Shareholders will be asked to consider and, if deemed advisable, approve the Consolidation Resolution set forth in Schedule A-3 hereto to approve the Consolidation.

If the PCNC Shareholders do not approve the Consolidation at the PCNC Meeting, the Acquisition and Arrangement will not be completed. The Consolidation Resolution must be approved by at least 50% +1 of the votes cast at the PCNC Meeting on the resolutions. **It is the intention of the persons named in the enclosed proxy, in the absence of instructions to the contrary, to vote the proxy in favour of the Consolidation Resolution.**

## **Stock Option Plan**

### ***Description of Current Rolling Plan***

PCNC has currently adopted a 10% rolling stock option plan.

The PCNC Plan reserves a maximum of 10% of the issued and outstanding PCNC Shares at the time of the stock option grant. Options granted under the PCNC Plan will comply with the rules and regulations of the Exchange regarding share incentive arrangements.

The purpose of the PCNC Plan is to attract and retain employees, consultants, officers and directors to PCNC and to motivate them to advance the interests PCNC by affording them with the opportunity, through share options, to acquire an equity interest in PCNC and benefit from its growth.

The PCNC Plan authorizes the PCNC Board to grant, in its absolute discretion, stock options to directors, officers, employees or consultants on such terms, limitations, conditions and restrictions as it deems necessary and advisable, subject to the following terms and regulatory and Exchange approval.

1. The maximum number of PCNC Shares reserved for issuance under the PCNC Plan, together with all previously established or proposed share compensation arrangements, will be 10% of the issued and outstanding PCNC Shares as at the date of the grant of the stock option.
2. The number of shares subject to each option is determined by the PCNC Board provided that:
  - (a) the number of PCNC Shares reserved for issuance to any one individual in a 12 month period does not exceed 5% of the issued and outstanding PCNC Shares at the time of the grant;

- (b) the number of options granted to any one consultant in a 12 month period does not exceed 2% of the issued and outstanding PCNC Shares at the time of the grant;
  - (c) the aggregate number of options granted to any person conducting Investor Relations Activities (as defined in the PCNC Plan) in any 12 month period does not exceed 2% of the issued and outstanding PCNC Shares at the time of grant; and
  - (d) the grant to Insiders in a 12 month period of a number of options does not exceed 10% of the issued and outstanding PCNC Shares at the time of the grant.
3. Subject to a minimum price of “Discounted Market Price” as defined in the Exchange’s policies, the exercise price of an option may not be set less than the closing market price during the trading day immediately preceding the date of grant of the option less any discount allowed by the Exchange (the “Ordinary Exercise Price”). However, if the options are granted within 90 days of a public distribution by prospectus, then the minimum exercise price will be the greater of the Ordinary Exercise Price and the per share price paid by the public investors for shares acquired in the distribution.
  4. The options may be exercisable for a period of up to ten years.
  5. The options are non-assignable, and non-transferable (subject to options being exercisable by the optionee's heirs or administrator).
  6. The options can only be exercised by the optionee as long as:
    - (a) the optionee remains an eligible person pursuant to the PCNC Plan; or
    - (b) within a period of not more than 90 days after ceasing to be an eligible person, but only to the extent that such options have vested as of date the optionee ceased to be an eligible person; or
    - (c) if the optionee dies, within one year of the optionee's death, to the extent that such options have vested at the date of death; or
    - (d) if an optionee is engaged in Investor Relations Activities, within 30 days of ceasing to be so engaged by PCNC, but only to the extent that such options have vested as of the date of ceasing to be so engaged; or
    - (e) in the case of an optionee being dismissed from employment or services for cause, such options, whether or not vested at the date of dismissal will terminate immediately.
  7. If the PCNC Shares are subdivided or consolidated, then the number of shares reserved for option and the price payable for PCNC Shares that are subject to option will be adjusted accordingly. If the number of shares is changed as a result of a stock dividend thereon, then the number of PCNC Shares reserved for option and the price payable for any PCNC Shares that are then subject to option may be adjusted by the PCNC Board as it deems proper in its absolute discretion.
  8. Options granted to persons conducting investor relations activities will vest over a period of not less than 12 months as to 25% on the date that is three months from the date of grant and a further 25% on each successive date that is three months from the date of previous vesting or such longer vesting period as may be determined by the PCNC Board.

***Proposed Amendments to Current Rolling Plan***

The PCNC Board has determined to amend the PCNC Plan to incorporate the changes described below. The proposed amendments to the current PCNC Plan are subject to approval by the disinterested PCNC Shareholders at the PCNC Meeting and by the Exchange.

At the PCNC Meeting, PCNC Shareholders will be asked to consider and, if deemed advisable, approve by ordinary resolution the New Option Plan which amends the current PCNC Plan to:

- (a) fix the maximum number of PCNC Shares in respect of which options may be outstanding under the plan (together with any other stock option plans or option grants of PCNC) at such number of PCNC Shares as shall represent approximately 20% of the total number of PCNC Shares issued and outstanding as at the Effective Date, which is anticipated to be approximately 10,120,695 post-Consolidation PCNC Shares ;
- (b) determine vesting of options granted to directors, officers, employees and consultants (other than consultants performing investor relations activities) at the discretion of the board, but vesting will generally be subject to the holder remaining employed by or continuing to provide services to PCNC; and
- (c) effect certain clerical and housekeeping amendments that are not substantive in nature.

The full text of the New Option Plan, which incorporates the proposed amendments set forth above is available for review by any PCNC Shareholder up until the day preceding the PCNC Meeting at PCNC's registered and records offices at 2080 – 777 Hornby Street, Vancouver, British Columbia and will be available at the PCNC Meeting. PCNC Shareholders are urged to review the New Option Plan in its entirety.

Since the New Option Plan permits the directors to reserve up to 20% of the issued PCNC Shares under options granted to insiders as a group, PCNC must obtain approval of a majority of the PCNC Shareholders at the PCNC Meeting, excluding insiders and their associates, (the “**disinterested shareholders**”) for the term of the New Option Plan.

For the purposes hereof, an “insider” is a director or senior officer of PCNC, a director or senior officer of a company that is itself an insider or subsidiary of PCNC, or a person whose control, or direct or indirect beneficial ownership, or a combination thereof, over securities of PCNC extends to securities carrying more than 10% of the voting rights attached to all of PCNC's outstanding voting securities.

Accordingly, at the PCNC Meeting disinterested shareholders will be asked to consider and, if deemed advisable, approve with or without variation the following resolution:

“BE IT RESOLVED THAT:

- (a) the New Option Plan is hereby approved, subject to such changes thereto as may be required by the Exchange as a condition to its approval; and
- (b) any one director or officer of PCNC be and is hereby authorized, for and on behalf of PCNC, to execute and deliver all other documents and do all such acts or things as may be necessary or desirable to give effect to this resolution.”

To be approved, this ordinary resolution must be approved by a simple majority of the votes cast by the disinterested PCNC Shareholders represented in person or by proxy at the PCNC Meeting who vote in respect of the resolution. If it is not so approved, PCNC will only be permitted to grant options pursuant to the terms and conditions of the current PCNC Plan.

**Unless otherwise directed by the PCNC Shareholders appointing them as proxyholder, the persons named in the enclosed proxy form intend to vote FOR the ordinary resolution to approve the New Option Plan.**

## BUSINESS OF THE PROPHECY MEETING

### Financial Statements

The Prophecy Shareholders will receive and consider the audited financial statements of Prophecy for the fiscal year ended December 31, 2010 together with the auditor's report thereon.

### Election of Directors

Management intends to propose for adoption an ordinary resolution that the maximum number of directors of Prophecy be fixed at eight. If there are more nominees for election than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected until all such vacancies have been filled.

Each director of Prophecy is elected annually and holds office until the next annual general meeting of the shareholders unless that person ceases to be a director before then. In the absence of instructions to the contrary, the shares represented by proxy will, on a poll, be voted for the nominees herein listed. Management does not contemplate that any of the nominees will be unable to serve as a director.

The following table sets out the names of management's nominees for election as directors, all major offices and positions with Prophecy and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment for the five preceding years for new director nominees, the period of time during which each has been a director of Prophecy and the number of shares of Prophecy beneficially owned each, directly or indirectly, or over which each exercised control or direction, as at the date of this Circular:

<b>Name, Jurisdiction of Residence, Proposed Offices</b>	<b>Principal Occupation During Last Five Years<sup>(4)</sup></b>	<b>Director/Officer Since</b>	<b>Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly<sup>(5)</sup></b>
John Lee, Taipei Taiwan, President, CEO, Co-Chairman and Director	President, Mau Capital Management LLC (private investor relations firm) from 2004 to present, President and CEO of Prophecy from October 2009 to Present	April 12, 2010	9,415,970 <sup>(6)</sup>
Paul McKenzie, Vancouver, B.C., Director	Director of Prophecy Resource Corp. from June 2004 to present; Manager of Prophecy Resource Corp. from March 2000 to present, Public Relations Officer and Director of International Enexco Ltd. from February 2006 to present and Self Employed Property Broker from August 1996 to present	January 29, 2008	171,060 <sup>(7)</sup>

Name, Jurisdiction of Residence, Proposed Offices	Principal Occupation During Last Five Years <sup>(4)</sup>	Director/Officer Since	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(5)</sup>
D. Greg Hall, West Vancouver, B.C., Director <sup>(1)(3)</sup>	Self-employed businessman; Chairman and Director Ivory Energy Inc., (junior oil and gas issuer listed on the TSX-V Exchange) June 2006 to March 2009; Chairman and director, 1078352 Alberta Ltd., November, 2003 to June 2006; former Executive Vice-President, Leede Financial Markets Inc. (investment brokerage house), February 2004 to February, 2005; Secretary and Director, Makevco Consulting Inc. (private consulting company), March 2000 to present	April 12, 2010	1,192,000 <sup>(8)</sup>
Paul Venter, Kent, England, Director and VP Energy Operations	Independent Consultant to Prophecy from December 2009 to Present, Director of the Energy Galway Ltd. from November 2008 to November 2009; Managing Director of EN+ Group from August 2006 to October 2008	April 18, 2010	Nil <sup>(9)</sup>
Michael Deats, Gauteng, South Africa, Director	Self Employed Geological Consultant from March 2000 to Present	December 7, 2010	Nil <sup>(10)</sup>
John McGoran, Vancouver, B.C., Director	President of J.P. McGoran & Associates from September 1975 to Present	September 21, 2010	200,750 <sup>(11)</sup>
Baz Chuluunbaatar, Ulaanbaatar, Mongolia, Director	President and CEO of Monnis International from 1998 to Present	March 17, 2011	1,000,000 <sup>(12)</sup>
Jivko Savov, London, United Kingdom, Director	Deputy Chief Executive Officer of En+ Group from 2006 to Present, Manager of private equity investments for Equest Partners and MMC Energy from 2002 to 2006.	April 1, 2011	Nil <sup>(13)</sup>

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance Committee

(4) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of the management of Prophecy and has been furnished by the respective individuals. Each director or officer has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years.

(5) The approximate number of Prophecy Shares in all circumstances beneficially owned directly or indirectly, or over which control or direction is exercised by each proposed nominee as at the date hereof is based on information furnished by the transfer agent of Prophecy and by the nominees themselves.

(6) Of which 1,462,000 Prophecy Shares are held directly, and 7,953,970 Prophecy Shares are held through Merit Holdings Ltd. In addition to the Prophecy Shares noted above, Mr. Lee holds 500,000 Prophecy Options exercisable at a price of \$0.25 per Prophecy Share until October 29, 2014; 350,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 125,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015, 1,000,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015, 600,000 Prophecy Warrants held directly exercisable at a price of \$0.10 per Prophecy Share until December 31, 2011, and through Merit Holdings Ltd., 138,000 Prophecy Warrants exercisable at a price of \$0.65 per Prophecy Share until September 1, 2011,

- 1,205,200 Prophecy Warrants exercisable at a price of \$0.49 per Prophecy Share until February 17, 2012, 375,000 Prophecy Warrants exercisable at a price of \$0.60 per Prophecy Share until June 5, 2011, 62,500 Prophecy Warrants exercisable at a price of \$0.80 per Prophecy Share until March 23, 2012.
- (7) In addition to the Prophecy Shares noted above, Mr. McKenzie holds 492,200 Prophecy Options exercisable at a price of \$0.40 per Prophecy Share until January 23, 2014, 75,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 25,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015 and 50,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (8) In addition to the Prophecy Shares noted above, Mr. Hall holds 300,000 Prophecy Options exercisable at a price of \$0.25 per Prophecy Share until October 29, 2014; 75,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 25,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015, 80,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015 and 500,000 Prophecy Warrants exercisable at a price of \$0.10 per Prophecy Share until December 31, 2011.
- (9) Mr. Venter holds 100,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 150,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015 and 200,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (10) Mr. Deats holds 200,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015
- (11) Of which 169,500 Prophecy Shares are held directly and 31,250 Prophecy Shares are held through J.P. McGoran and Associates, a private entity of which Mr. McGoran is the sole shareholder. In addition to the Prophecy Shares noted above, Mr. McGoran holds 125,000 Prophecy Options exercisable at a price of \$0.60 per Prophecy Share until July 17, 2014, 75,000 Prophecy Options exercisable at a price of \$0.80 per Prophecy Share until April 30, 2014, 25,000 Prophecy Options at a price of \$0.54 per Prophecy Share until September 21, 2015, 50,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015, 31,250 Prophecy Warrants exercisable at a price of \$0.60 per Prophecy Share until August 18, 2011 and through J.P. McGoran and Associates, a further 31,250 Prophecy Warrants exercisable at a price of \$0.60 per Prophecy Share until August 18, 2011.
- (12) In addition to the Prophecy Shares noted above, Mr. Chuluunbaatar holds 1,000,000 Prophecy Options exercisable at a price of \$0.77 per Prophecy Share until December 24, 2015.
- (13) Mr. Savov holds 300,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.

As at the date of this Circular and within the ten years before the date of this Circular, no proposed director:

- (a) is or has been a director or executive officer of any company (including Prophecy), that while that person was acting in that capacity:
- (i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has within 10 years before the date of the Circular become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officers or shareholders.

### **Appointment of Auditor**

Management recommends the re-appointment of Smythe Ratcliffe LLP, Chartered Accountants, the present auditor, as the auditor of Prophecy to hold office until the close of the next annual meeting of the Prophecy Shareholders.

**Prophecy Shares represented by proxies in favour of the management nominees will be voted in favour of the appointment of Smythe Ratcliffe LLP, Chartered Accountants, as auditor of Prophecy and authorizing the Prophecy Board to fix the auditor's remuneration, unless a Prophecy Shareholder has specified in his proxy that his Prophecy Shares are to be withheld from voting on the appointment of auditor.**

### **Approval of the Arrangement**

PCNC and Prophecy entered into the Arrangement Agreement providing for the Acquisition. The Arrangement is subject to certain other conditions set forth in the Arrangement Agreement, a copy of which is available to be viewed on SEDAR at [www.sedar.com](http://www.sedar.com).

At the Prophecy Meeting, the Prophecy Shareholders will be asked to consider and, if deemed advisable, approve the Arrangement Resolution set forth in Schedule A-1 hereto to approve the Arrangement.

The Arrangement Resolution must be approved by two-thirds of votes cast at the Prophecy Meeting. **It is the intention of the persons named in the enclosed proxy, in the absence of instructions to the contrary, to vote the proxy in favour of the Arrangement Resolution.**

### **Name Change**

In connection with to the Arrangement, the Prophecy Board proposes to complete the PCY Name Change by changing Prophecy's name to "Prophecy Coal Corp.", or such other name as the Parties may determine in their sole discretion, by alteration of the Notice of Articles of Prophecy. The PCY Name Change is subject to acceptance by the Registrar and the Exchange, and approval, by way of ordinary resolution, of the Prophecy Shareholders.

Pursuant to Prophecy's articles, the Prophecy Shareholders will be asked to consider, and if thought appropriate, approve or adopt, with or without variation, an ordinary resolution adopting the change of name, and the resulting amendment to Prophecy's Notice of Articles. The Name Change Resolution will confer discretionary authority on the Prophecy Board to implement the Name Change or, if it deems appropriate, to revoke the Name Change Resolution before it is acted upon. An ordinary resolution under Prophecy's existing articles requires approval by a majority of the votes cast by the Prophecy Shareholders present at the Prophecy Meeting, in person or by proxy.

If the Name Change Resolution is passed and Exchange grants its approval and if the Arrangement is completed, Prophecy will deposit the Name Change Resolution at its record office and file an amendment to its Notice of Articles with the Registrar. The PCY Name Change would become effective on the Effective Date.

The Prophecy Shareholders will be asked to consider and, if thought fit, pass the Name Change Resolution below, with or without variation:

"BE IT RESOLVED THAT:

1. The name of Prophecy be changed from "Prophecy Resource Corp." to "Prophecy Coal Corp." or such other name that the Prophecy Board in its sole discretion determines appropriate and which regulatory bodies having jurisdiction may accept;
2. A Notice of Alteration to the Notice of Articles which gives effect to these resolutions be completed and filed with Registrar;
3. The Prophecy Board may, at its sole discretion, refrain from acting on this resolution, without requiring further approval of the Prophecy Shareholders; and
4. Any one or more directors and officers of Prophecy are hereby authorized on behalf of Prophecy to take all necessary steps and proceedings, to execute and deliver any and all declarations, agreements, documents

and other instruments, including the filing of a Notice of Alteration to the Notice of Articles with the appropriate regulatory authorities and corporate registry to give effect to this resolution.”

**In the absence of contrary directions, the persons named in the proxy intend to vote proxies in the accompanying form in favour of the Name Change Resolution.**

### **Stock Option Plan**

The Prophecy Board has proposed amending the Prophecy Plan to increase the number of Prophecy Shares reserved thereunder to 37,989,653 or such other number of Prophecy Shares as shall represent approximately 20% of the total number of Prophecy Shares issued and outstanding as at the Effective Date, subject to acceptance by the Exchange and the Prophecy Shareholders.

The purpose of the Prophecy Plan is to allow Prophecy to grant options to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of Prophecy. The granting of such options is intended to align the interests of such persons with that of the Prophecy Shareholders. Prophecy Options will be exercisable over periods of up to 10 years as determined by the Prophecy Board and are required to have an exercise price no less than the Discounted Market Price (as defined in the Exchange Policies). However, it is the practice of Prophecy to set exercise prices of options equal to or greater than the Market Price as defined by Exchange Policies based on the closing market price of the Prophecy Shares prevailing on the day that the option is granted. Pursuant to the Prophecy Plan, the Prophecy Board may from time to time authorize the issue of options to directors, officers, employees and consultants of Prophecy or employees of companies providing management or consulting services to Prophecy. The maximum number of Prophecy Shares which may be issued pursuant to options granted under the Prophecy Plan is 19,334,595 Prophecy Shares and the Prophecy Board proposes increasing this amount to 37,989,653 Prophecy Shares, or such other number of Prophecy Shares as shall represent approximately 20% of the total number of Prophecy Shares issued and outstanding as at the Effective Date. No other terms of the Prophecy Plan will be amended, with the exception of certain housekeeping amendments as may be necessary to address certain changes to the ITA relating to withholding taxes.

In addition, the number of Prophecy Shares which may be reserved for issuance:

- (a) to all optionees under the Prophecy Plan in aggregate shall not exceed 20%;
- (b) to all Insiders as a group may not exceed 20%; and
- (c) to any one individual may not exceed:
  - (i) 5% of the issued Prophecy Shares on a yearly basis;
  - (ii) an aggregate of 2% of the issued Prophecy Shares on a yearly basis if the optionees are engaged in investor relations activities; and
  - (iii) 2% of the issued Prophecy Shares to any one consultant.

Any options granted under the Prophecy Plan vest on the date of grant unless determined otherwise by the Prophecy Board, except for investor relations options. The Prophecy Plan provides that if a change of control, as defined therein, occurs, all shares subject to option shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

**Unless such authority is withheld, the persons named in the enclosed proxy will vote for all of the resolutions in respect of the proposed Prophecy Plan.**

At the Prophecy Meeting, Prophecy Shareholders will be asked to pass a resolution in the following form:

“BE IT RESOLVED that Prophecy do approve the adoption of a stock option plan (the “**Prophecy Plan**”) pursuant to which the directors may, from time to time, grant stock options to directors, officers, employees and consultants of Prophecy and its subsidiaries in the form tabled at the Prophecy Meeting, including:

- (a) the reservation, allotment and issue of up to 37,989,653 Prophecy Shares under the Prophecy Plan (or such additional number of Prophecy Shares as shall represent approximately 20% of the total number of Prophecy Shares issued and outstanding as at the Effective Date and as may be approved from time to time by the Prophecy Shareholders); and
- (b) the grant of options under the Prophecy Plan and under all other previously established share compensation arrangements which involve:
  - (i) the reservation to all optionees in aggregate of a maximum of 20% of the issued Prophecy Shares; and
  - (ii) the reservation to any one optionee of a maximum of 5% of the issued Prophecy Shares, or 2% of the issued Prophecy Shares if the optionee is a consultant or is engaged in investor relations activities.”

Since the Prophecy Plan also permits the directors to reserve up to 20% of the issued Prophecy Shares under options granted to Insiders as a group, Prophecy must obtain approval of a majority of the Prophecy Shareholders at the Prophecy Meeting, excluding Insiders and their Associates, (the “**disinterested shareholders**”) to such specific term of the Prophecy Plan

Accordingly, at the Prophecy Meeting disinterested shareholders will be asked to pass a resolution in the following form:

“BE IT RESOLVED by the disinterested shareholders that the directors have the discretion under the Prophecy Plan to reserve Prophecy Shares for issue upon exercise of stock options and all other previously established share compensation arrangements to all optionees who are Insiders in aggregate of a maximum of 20% of the issued Prophecy Shares.”

The full text of the Prophecy Plan will be available for viewing at the Prophecy Meeting. Pursuant to the policies of the Exchange, the Prophecy Plan is required to be approved by an ordinary resolution of the shareholders entitled to vote in person or by proxy at the Prophecy Meeting.

### **Ratification of Previously Granted Stock Options**

As noted above, the maximum number of Prophecy Shares in respect of which options may be outstanding under the current Prophecy Plan (together with any other stock option plans or option grants of Prophecy) shall not at any time be more than 19,334,595. Prophecy has granted Prophecy Options in excess of those allowable pursuant to the terms of the current Prophecy Plan in the amount of 6,368,755 Prophecy Options at exercise prices ranging from \$0.77 to \$0.98 per Prophecy Share, having exercise prices ranging from December 10, 2015 to February 14, 2016, and bearing vesting schedules ranging from 12.5% every three months in arrears over 24 months to 50% of in arrears after the first year of the option period and the balance after the second year of the option term.

Prophecy Shareholders will be asked at the Prophecy Meeting to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution ratifying and approving prior grants of Prophecy Options to purchase an aggregate of 6,368,755 Prophecy Shares (the “**Subject Grants**”), respecting approximately 3.36% of the total number of Prophecy Shares issued and outstanding at the date hereof. The following table sets forth certain information regarding the Subject Grants, on an individual holder basis for each recipient of Prophecy who is an Insider of Prophecy and on a group basis for employees and consultants of Prophecy:

<b>Name of Optionee</b>	<b>Relationship to Company</b>	<b>Number of Options Granted</b>	<b>Date of Grant</b>	<b>Exercise Price</b>
Various parties	Consultants	1,068,755 <sup>(1)</sup>	December 10, 2010	\$0.77
Various parties	Consultants	2,000,000	December 24, 2010	\$0.77
Paul McKenzie	Director	50,000	December 24, 2010	\$0.93
Paul Venter	Director	200,000	December 24, 2010	\$0.93
Greg Hall	Director	80,000	December 24, 2010	\$0.93
Michael Deats	Director	200,000	December 24, 2010	\$0.93
John McGoran	Director	50,000	December 24, 2010	\$0.93
John Lee	Director, CEO and President	1,000,000	December 24, 2010	\$0.93
Joseph Li	Corporate Secretary	100,000	December 24, 2010	\$0.93
Various parties	Consultants	790,000	December 24, 2010	\$0.93
Various parties	Employees	530,000	December 24, 2010	\$0.93
Various parties	Consultants	120,000	January 4, 2011	\$0.80
Various parties	Consultants	50,000	January 6, 2011	\$0.93
Various parties	Employees	30,000	February 14, 2011	\$0.98
Joseph Li	Corporate Secretary	100,000	March 2, 2011	\$1.07
<b>TOTAL</b>		<b>6,368,755</b>		

- (1) An aggregate of 9,000,000 Prophecy Options were granted on this date, of which 7,931,245 Prophecy Options were still available for grant under the Prophecy Plan and the balance of 1,068,755 Prophecy Options were granted in excess of those permitted under the Prophecy Plan.

Prophecy Shareholders will be asked at the Prophecy Meeting to consider and, if deemed advisable, approve with or without variation the following resolution for the purposes of ratifying and approving the Subject Grants:

**BE IT RESOLVED THAT:**

1. the grant of Prophecy Options to purchase an aggregate of 6,368,755 Prophecy Shares, as more particularly described in this Circular, is hereby ratified and approved; and
2. any one director or officer of Prophecy be and is hereby authorized, for and on behalf of Prophecy, to execute and deliver all other documents and do all such acts or things as may be necessary or desirable to give effect to this resolution.

To be approved, this ordinary resolution must be approved by a simple majority of the votes cast by Prophecy Shareholders represented in person or by proxy at the Prophecy Meeting who vote in respect of the resolution, excluding the votes cast by applicable interested Prophecy Shareholders in accordance with the requirements of the TSX Venture Exchange.

**Unless otherwise directed by the Prophecy Shareholders appointing them as proxyholder, the persons named in the enclosed proxy form intend to vote FOR the ordinary resolution to ratify and approve the Subject Grants.**

## INFORMATION CONCERNING PCNC

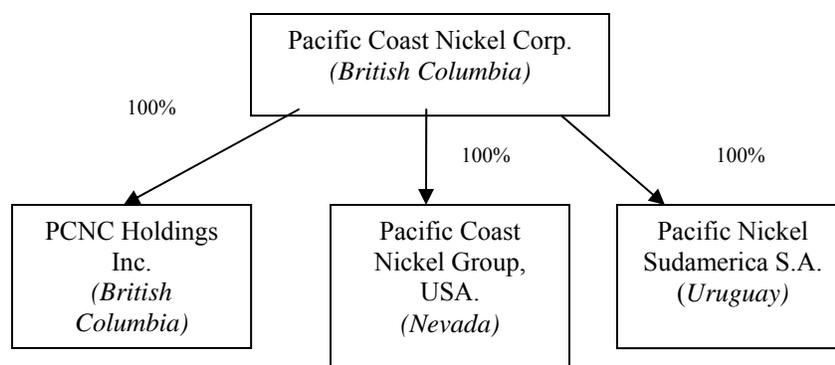
*The following information reflects the current business, financial and share capital position of PCNC. See “Information Concerning the PCNC – Post Acquisition” for pro forma business, financial and share capital information following the conclusion of the Acquisition and Consolidation. The following information should be read in conjunction with the information concerning PCNC appearing elsewhere in this Circular and incorporated by reference in this Circular.*

### Corporate Structure

PCNC was incorporated under the BCBCA on April 5, 2006 under the name “Fargo Capital Corp.” PCNC changed its name to “Pacific Coast Nickel Corp.” on July 10, 2007. PCNC’s registered address is located at Suite 2080-777 Hornby Street, Vancouver, British Columbia, V6Z 1S4. PCNC’s head office is located at Suite 380-580 Hornby Street, Vancouver, British Columbia, V6C 3B6.

PCNC is a reporting issuer in the Provinces of British Columbia, Alberta and Manitoba, and the PCNC Shares are listed for trading on the Exchange under the symbol “NKL”.

PCNC currently has three wholly owned subsidiaries. The following diagram sets forth the corporate structure of the PCNC and its subsidiaries as of the date of this Circular:



### General Development of the Business

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

Since incorporation, PCNC has focused its energies on acquisition and exploration of its mineral properties and on corporate development activities. Information respecting acquisitions and ownership of PCNC’s mineral properties is set out under the heading “*Three Year History*”. Exploration activities are described in detail under the heading “*Narrative Description of the Business*”.

In the Yukon Territory, PCNC is earning into a 75% interest in the Burwash Property, which is currently 100% owned by Strategic Metals Ltd. The Burwash Property is located 8km from the Alaska Highway and adjoins the Wellgreen Property. PCNC completed a \$400,000 exploration program on the Burwash Property during the summer of 2008; suspended exploration work on the Burwash Property during the summer of 2009 and has completed a detailed geophysical survey on the Burwash Property during the summer of 2010.

In Argentina, PCNC is earning into a 70% interest in the Las Aguilas Property, which is currently 100% owned by Marifil Mines Ltd. The Las Aguilas Property is located in San Luis Province, Central Argentina, approximately 730 km WNW of Buenos Aires, and 50 km NE of San Luis, the province capital. Marifil Mines Ltd. has reported that the Las Aguilas Property contains a historical resource calculated from 10,000 meters of diamond drilling between 1970 and 1984. Such resources are categorized as “historical estimates” and have not been reviewed or verified under NI 43-101. Recent drilling was conducted by a former partner of the property in 2007 and 2008 and significantly expanded the deposit in size however resource estimates have not been updated.

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

### ***Three Year History***

#### **Burwash Property**

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

In order to acquire a 50% interest in the Burwash Property, PCNC shall:

- (a) make the following cash payments to Strategic Metals Ltd.:
  - (i) \$25,000 upon the execution of the option agreement (paid);
  - (ii) an additional \$25,000 on or before March 31, 2009 (paid);
  - (iii) an additional \$30,000 on or before March 31, 2010 (paid);
  - (iv) an additional \$50,000 on or before March 31, 2011.
- (b) issue the following PCNC Shares to Strategic Metals Ltd.:
  - (i) 100,000 PCNC Shares upon the execution of the agreement (issued);
  - (ii) an additional 100,000 PCNC Shares on or before March 31, 2009 (issued);
  - (iii) an additional 150,000 PCNC Shares on or before March 31, 2010 (issued); and
  - (iv) an additional 200,000 PCNC Shares on or before July 31, 2011.
- (c) incur the following expenditures on the Burwash Property:
  - (i) \$400,000 on or before December 1, 2008 (incurred);
  - (ii) an additional \$250,000 on or before December 1, 2010 (incurred);
  - (iii) an additional \$750,000 on or before December 1, 2011; and
  - (iv) an additional \$1,600,000 on or before December 1, 2012.

PCNC may acquire an additional 10% interest in the Burwash Property (for an aggregate 60% interest) by providing Strategic Metals Ltd. with a positive bankable feasibility study on the Burwash Property on or before

March 31, 2016, and a further 15% interest in the Burwash Property (for an aggregate 75% interest) by providing all of the funding required to put the Burwash Property into commercial production on or before March 31, 2019.

A detailed geophysical survey was completed on the Burwash Property in 2010 and PCNC is currently assessing the results that have been completed. A five hole drilling program was completed on the Burwash Property in 2008.

On April 1, 2011, PCNC and Strategic Metals Ltd. entered into a letter agreement which replaced the amended option agreement, allowing PCNC to acquire a 100% interest in the Burwash Property in exchange for the issuance of PCNC Shares valued at \$1,000,000. The exact number of PCNC Shares will be determined based upon the 10 day trading price immediately prior to the issue. The letter agreement grants Strategic Metals Ltd. a right to participate pro rata in any financings of PCNC for a period of 5 years from the closing date.

#### Las Aguilas Property

On November 18, 2010, PCNC entered into a letter agreement with Marifil Mines Limited (“Marifil”) with an option to acquire a 70% interest in the Las Aguilas Property located in San Luis Province, Argentina. Pursuant to the letter agreement, PCNC has a six-month period to conduct due diligence and update the resource estimates on the Las Aguilas Property.

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

- (a) make the following cash payments to Marifil Mines Ltd.:
  - (i) \$25,000 upon the execution of the option agreement (paid);
  - (ii) an additional \$75,000 on or before April 1, 2012;
  - (iii) an additional \$100,000 on or before April 1, 2013;
  - (iv) an additional \$100,000 on or before April 1, 2014.
- (b) issue the following PCNC Shares to Marifil Mines Ltd.:
  - (i) 250,000 PCNC Shares upon the execution of the agreement (issued);
  - (ii) an additional 250,000 PCNC Shares on or before April 1, 2012;
  - (iii) an additional 250,000 PCNC Shares on or before April 1, 2013; and
  - (iv) an additional 250,000 PCNC Shares on or before April 1, 2014.
- (c) incur the following expenditures on the Las Aguilas Property:
  - (i) Complete a resource estimate based on work completed to date on or before April 1, 2011;
  - (ii) \$500,000 on or before April 1, 2012;
  - (iii) an additional \$500,000 on or before April 1, 2013; and
  - (iv) an additional \$1,000,000 on or before April 1, 2014.

PCNC may earn an additional 11% interest in the Las Aguilas Property (bringing the aggregate interest to 60%) by completing a pre feasibility study on the Las Aguilas Property, issuing to Marifil Mines Ltd. 2,000,000

PCNC Shares on or before April 1 2015. PCNC may acquire a further and final 10% interest in the Las Aguilas Property (bringing the total interest to 70%) by completing a feasibility study on the Las Aguilas Property, issuing to Marifil Mines Ltd. 1,000,000 PCNC Shares and making a cash payment of \$100,000 before April 15, 2016.

PCNC shall grant to Marifil Mines Ltd. a 3% net smelter returns royalty in respect of the Las Aguilas Property, of which 0.5% can be purchased for \$1,000,000. PCNC retains the option of buying Marifil's remaining 30% interest in the Las Aguilas Property at any time for \$5,000,000.

#### Recent Financings

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

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

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

#### ***Qualified Persons under NI 43-101***

PCNC's exploration activities are conducted under the supervision of John Kerr, P. Eng., who is a "Qualified Person" under NI 43-101.

#### ***Significant Acquisitions and Dispositions***

Except as disclosed above, no other significant acquisitions or significant dispositions have been completed by PCNC during the last three financial years or are contemplated, with the exception of the Acquisition.

#### **Narrative Description of the Business**

##### ***Stated Business Objectives***

The principal business carried on and intended to be carried on by PCNC is the acquisition, exploration and development of mineral properties. The properties in which PCNC currently has an interest are in the exploration and development stage. During 2011, PCNC intends to expand existing working capital and to conduct exploration at the Lynn Lake Property, the Wellgreen Property, the Burwash Property and the Las Aguilas Property. PCNC will continue to assess new mineral properties worldwide and will seek to acquire interests if PCNC concludes they have sufficient geological or economic potential and if PCNC has sufficient financial resources to complete such acquisitions.

##### ***Products and Operations***

PCNC is a natural resource company engaged in the business of acquisition, exploration and development of nickel and platinum properties. PCNC's strategy has been to acquire properties for the purpose of mineral exploration and exploitation. At present, PCNC is an exploration stage company with no producing properties and consequently has no current operating income cash flow or revenues. There is no assurance that a commercially viable mineral deposit exists on any of PCNC's properties.

### ***Principal Products***

PCNC's principal products under exploration are nickel and platinum group element, such as platinum and palladium.

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

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

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

### ***Specialized Skills and Knowledge***

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

### ***Market and Marketing***

PCNC's principal product under exploration is nickel. There is a worldwide nickel market into which PCNC could sell, if and when it reaches production, and, as a result, PCNC would not be dependent on a particular purchaser with regard to the sale of the nickel which it produces. As PCNC is not yet producing, it is not marketing and does not require a marketing plan or strategy.

### ***Competitive Conditions***

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. PCNC competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral tenements, claims, leases and other mineral interests for exploration and development projects. As a result of this competition, PCNC may not be able to acquire attractive properties in the future on terms it considers acceptable. The abilities of the Resulting Issuer to acquire attractive mineral properties in the future depends not only on its success in exploring and developing its current properties, but also on its ability to select, acquire and bring to production suitable properties or prospects for exploration, mining and development. PCNC also competes with other mining companies for investment capital with which to fund such projects and for the recruitment and retention of qualified employees.

### ***Components***

All of the raw materials PCNC requires to carry on its business are available through normal supply or business contracting channels. PCNC has secured personnel to conduct its currently contemplated programs. Over the past several years, increased mineral exploration activity on a global scale has made some services difficult to procure, particularly skilled and experienced contract drilling personnel. It is possible that delays or increased costs may be experienced in order to proceed with drilling activities during the current period. Such delays could

significantly affect PCNC if, for example, commodity prices fall significantly, thereby reducing the opportunity PCNC may have had to develop a particular project had such tests been completed in a timely manner before the fall of such prices. Such delays can slow down work programs, thus increasing field expenses or other costs (such as property payments which may have to be made before all information to assess the desirability of making such payment is known, or causing PCNC to not make such a payment and terminate its interest in a property rather than make a significant property payment before all information is available).

### *Cycles*

The mining business is subject to mineral price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles. At the present time, the significant demand for minerals in some countries (notably China and India) are driving increased commodity prices, but it is difficult to assess how long such demand may continue.

### *Economic Dependence*

PCNC's business is substantially dependent on the completion of the option agreements pertaining to the Burwash Property and the Las Aguilas Property, but is not dependent on any a contract to sell the major part of its products or services or to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends. It is not expected that PCNC's business will be affected in the current financial year by the renegotiation or termination of contracts or sub-contracts.

### *Environmental Conditions*

All aspects of PCNC's field operations will be subject to environmental regulations and generally will require approval by appropriate regulatory authorities prior to commencement. Any failure to comply could result in fines and penalties. With all projects at the exploration stage, the financial and operational impact of environmental protection requirements is minimal. Should any projects advance to the production stage, then more time and money would be involved in satisfying environmental protection requirements.

### *Employees*

As of July 31, 2010, PCNC had the following number of employees and contractors:

<b>Location</b>	<b>Employees</b>	<b>Contractors</b>
Canada	0	4
Argentina	0	3
Uruguay	0	0

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

### *Foreign Operations*

PCNC currently holds an interest in certain exploration stage mineral resource properties located in Argentina and Uruguay and, as such, PCNC's business is exposed to various degrees of political, economic and other risks and uncertainties. PCNC's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of government orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on mineral exports, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation. See "*Risk Factors – Risks Relating to PCNC*".

### ***Lending***

PCNC does not currently hold any investments or owe any material long term liabilities. PCNC has not adopted any specific policies or restrictions regarding investments or lending, but will ensure any investment or debt activities incurred are in the best interests of PCNC and its securityholders. PCNC expects that in the immediate future in order to maintain and develop its mineral properties, it will need to raise additional capital through a combination of debt and equity.

### ***Bankruptcy and Similar Procedures***

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

### ***Reorganization***

PCNC has not completed any reorganizations in its last three financial years.

### ***Social or Environmental Policies***

PCNC has not adopted any specific social or environmental policies that are fundamental to its operations (such as policies regarding its relationship with the environment, with the communities in the vicinity of its mineral exploration projects or human rights policies). However, PCNC's management, with the assistance of its contractors and advisors, ensures its ongoing compliance with local environmental laws in the jurisdictions in which it does business.

### ***Mineral Projects***

PCNC's principal projects are the Burwash Property and the Las Aguilas Property.

#### **The Burwash Property**

The following summary of the Burwash Property has been prepared by John Kerr, who is a "Qualified Person" under NI 43-101 and is a director of PCNC.

The Burwash property covers a nickel-copper-platinum group element (PGE) target related to intrusions of the Late Triassic Kluane Mafic-Ultramafic Suite. The Burwash Property is located seven kilometres east of the former Wellgreen Property (nickel-copper-PGE) in western Yukon, approximately 420 km northwest of Whitehorse. The property consists of 120 claims owned 100% by Pacific Coast Nickel Corp. (PCNC) subject to a property option agreement with Strategic Metals Ltd.

The Wellgreen Property was discovered in 1952 by local prospectors who immediately optioned it to Hudson Bay Exploration and Development Company Ltd. Underground mine production was carried out in 1972 and 1973 but the operation failed due to falling metal prices, excess dilution from bad ground conditions and unexpected erratic distribution of massive sulphide ore lenses. The presence of mafic and ultramafic rocks and their potential to host Wellgreen type mineralization was first recognized on the west half of the current Burwash property in 1952. Semi massive to massive sulphide mineralization (Upper and Lower Showings) with nickel-copper-PGE grades similar to those at the Wellgreen discovery showing was discovered in the early 1970s.

The current claims were located by Strategic in 2004 and completed limited work from 2004 – 2007. In 2008, PCNC optioned the property and completed 5 diamond drill holes totalling 419 meters, the best intersection providing 67.8 meters grading 0.22% Ni, .07% Cu, .15g/t Pt, and .20g/t Pd. Mineralization is disseminated pyrite, chalcopyrite and pyrrhotite in serpentinized peridotite.

A ground time-domain electromagnetic survey (TEM) survey was completed in 2010 over the area of interest and anomalous drill results of the 2008 drill program. The survey located deep-seated (600 meter) and weak electromagnetic anomalies that could be related to the Wellgreen style of mineralization. Future work on the property will consist of further drilling near surface mineralization indicated by the 2008 drilling and deep drilling the targets indicated by the 2010 TEM survey.

#### Las Aguilas Property

The following summary of the Las Aguilas Property has been prepared by John Kerr, who is a “Qualified Person” under NI 43-101 and is a director of PCNC.

The Las Aquilas Property is located 30 kilometers north of the city of San Luis, San Luis Province, Argentina. Access to the site is good via highway and gravel road from San Luis. The Las Aguilas Property consists of 12 mining concession (8500 hectares). Annual filing fees required are \$20,000(US). Pacific Coast Nickel Corp (PCNC) has the rights to earn a 51% interest in the property. In 2007/08 a major drill program was completed on the Las Aguilas Property by a third party consisting of 79 drill holes (12,857m).

Chalcopyrite, pyrite, pyrrhotite and pentlandite mineralization occurs in layered sequences of two long tabular mafic sills intruding early Paleozoic gneisses. The mineralization forms two bodies from which potential economic mineralization occurs.

In January, 2011, and pursuant to the terms of PCNC’s option agreement with Marifil Mines Ltd., PCNC commissioned Wardrop Engineering to provide a NI43-101 resource estimate based on the 2007/2008 drilling which report is expected to be completed by May 2011.

#### **Dividends**

PCNC has not declared or paid any dividends on the PCNC Shares since its incorporation and will not pay any prior to completion of the Acquisition.

#### **Selected Financial Information and Management’s Discussion and Analysis**

The following table sets out certain selected financial information of PCNC for the periods indicated.

#### *Annual Data*

	Six Months ended January 31, 2011	Year ended July 31, 2010	Year ended July 31, 2009	Year ended July 31, 2008
Total Expenses	\$702,340	\$352,106	\$279,903	\$473,198
Net Income (Loss)	(\$682,828)	(\$300,365)	(\$321,696)	(\$1,506,866)
Per Share – Basic and Diluted	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.04)
Total Assets	\$2,959,093	\$1,885,528	\$2,099,195	\$2,580,628
Long Term Liabilities	Nil	Nil	Nil	Nil
Working Capital (Deficit)	\$1,323,632	\$515,455	\$974,153	\$1,607,665
Weighted average Common Shares	45,020,765	34,794,000	34,677,333	34,314,575

**Quarterly Data**

	Second Quarter ended January 31, 2011	First Quarter ended October 31, 2010	Fourth Quarter ended July 31, 2010	Third Quarter ended April 30, 2010	Second Quarter ended January 31, 2010	First Quarter ended October 31, 2009	Fourth Quarter ended July 31, 2009	Third Quarter ended April 30, 2009
Total Expenses	\$639,803	\$62,357	\$87,327	\$71,707	\$92,335	\$100,737	\$91,013	\$60,745
Net Income (Loss)	(\$639,803)	(\$46,114)	(\$98,244)	(\$60,721)	(\$71,678)	(\$69,722)	(\$122,251)	(\$62,264)
Per Share – basic and diluted	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)

**Management's Discussion and Analysis**

MD&A of financial condition and results of operations should be read in conjunction with PCNC's annual financial statements and notes thereto for the years ended July 31, 2010 and July 31, 2009 and related MD&A for the year ended July 31, 2010 and its interim financial statements and related MD&A for the six month period ended January 31, 2011, respectively, which are incorporated by reference herein and available on SEDAR at [www.sedar.com](http://www.sedar.com). As of January 31, 2011, PCNC has no deferred acquisition costs associated with the Transaction.

**Trends and Business Risks**

PCNC is in the exploration stage and has no revenue or income from operations. PCNC has limited capital resources and has to rely upon the sale of equity securities in order to secure the cash required for exploration and development purposes, for maintenance of its properties, for acquisitions and to fund the administration of PCNC. Since PCNC does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity securities or joint venture agreements to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will be available to PCNC in the amount required by PCNC at any particular time or for any period and that such financing can be obtained on terms satisfactory to PCNC.

The continuing operations of PCNC are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and fund its mineral exploration programs. The ability to obtain financing and to recover the expenditures incurred to date in acquiring and exploring PCNC's properties is dependent on the discovery and development of economically recoverable mineral resources on these same properties as well as market conditions beyond the control of PCNC. Please see also "*Risk Factors – Risks Relating to PCNC*" above.

**Description of the Securities**

The authorized share capital of PCNC consists of an unlimited number of common shares without par value. As of the date of this Circular, 55,834,842 PCNC Shares were issued and outstanding as fully paid and non-assessable shares. The holders of the PCNC Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of PCNC and each PCNC Share confers the right to one vote in person or by proxy at all meetings of the shareholders of PCNC. The holders of the PCNC Shares, subject to the prior rights, if any, of any other class of shares of PCNC, are entitled to receive such dividends in any financial year as the PCNC Board may by resolution determine. In the event of the liquidation, dissolution or winding-up of PCNC, whether voluntary or involuntary, the holders of the PCNC Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of PCNC, the remaining property and assets of PCNC.

## Consolidated Capitalization

The following table sets forth the consolidated capitalization of PCNC as at the Record Date:

Type of Security	Authorized	Outstanding as at dated of this Circular	Outstanding as at July 31, 2010	Outstanding as at July 31, 2009
PCNC Shares <sup>(1)</sup>	Unlimited	56,034,842	34,894,000	34,744,000
PCNC Options <sup>(2)</sup>	N/A <sup>(3)</sup>	4,550,000	2,550,000	2,075,000
PCNC Warrants <sup>(4)</sup>	N/A	18,363,000	Nil	Nil
PCNC Broker's Warrants <sup>(5)</sup>	N/A	500,000	Nil	Nil

(1) As at January 31, 2011, PCNC had a deficit of \$3,761,265.

(2) The PCNC Options have exercise prices ranging from \$0.10 to \$0.20 per share and expire on dates between January 7, 2013 and January 11, 2016.

(3) The PCNC Warrants have an exercise price of \$0.10 per share and expire on dates between August 3, 2012 and January 6, 2013.

(4) The PCNC Brokers Warrants have an exercise price of \$0.05 per unit entitling the holder to acquire one PCNC Share and one PCNC Warrant until August 3, 2012.

(5) The number of stock options PCNC may grant is limited by the terms of the PCNC Plan and the policies of the Exchange. See "Information Concerning PCNC – Stock Option Plan".

PCNC has no loan capital outstanding.

## Stock Option Plan

As of the Record Date, PCNC has 4,550,000 PCNC Options outstanding at exercise prices ranging from \$0.10 to \$0.20 and having expiry dates ranging from January 7, 2013 to January 11, 2016 in accordance with the terms of the certificates representing such PCNC Options.

The following table indicates the PCNC Options granted to current directors and officers of PCNC. The balance of PCNC Options granted are granted to persons who act as employees or consultants to PCNC:

<u>Name and Position</u>	<u>PCNC Shares Under Option</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
John Lee, CEO, Chairman and Director	1,000,000	\$0.14	December 13, 2015
Greg Hall, Director	250,000	\$0.14	December 13, 2015
John Icke, Director	250,000	\$0.10	August 7, 2014
	250,000	\$0.20	January 11, 2016
Michael Sweatman, Director	50,000	\$0.16	January 7, 2013
	250,000	\$0.10	August 7, 2014
	250,000	\$0.20	January 11, 2016
Donald Gee, Director	250,000	\$0.14	December 13, 2015
John Kerr, Director	37,500	\$0.16	January 7, 2013
	125,000	\$0.10	August 7, 2014
David Patterson, Director	250,000	\$0.14	December 13, 2015

<u>Name and Position</u>	<u>PCNC Shares Under Option</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
Roger Foster, CFO	250,000	\$0.10	August 7, 2014
<b>Total</b>	<b><u>3,212,500</u></b>		

PCNC has adopted a “rolling” stock option plan which provides that the number of PCNC Shares reserved for issuance will not exceed 10% of the issued and outstanding PCNC Shares at the time of grant. The options granted under the PCNC Plan comply with the rules and regulations of the Exchange regarding share incentive arrangements. The purpose of the PCNC Plan is to attract and retain employees, consultants, officers and directors to PCNC and to motivate them to advance the interests of PCNC by affording them with the opportunity, through share options, to acquire an equity interest in PCNC and benefit from its growth.

The PCNC Plan authorizes the PCNC Board to grant, in its absolute discretion, stock options to directors, officers, employees or consultants on such terms, limitations, conditions and restrictions as it deems necessary and advisable.

Under the PCNC Plan, the number of PCNC Shares reserved for issuance to any one individual in a 12 month period may not exceed 5% of the issued and outstanding PCNC Shares and the number of PCNC Shares reserved for issuance to consultants may not exceed 2% of the issued and outstanding PCNC Shares. The PCNC Plan contains no vesting requirements except as to options granted to persons engaged in investor relations activities (as defined in the PCNC Plan), but permits the PCNC Board to specify a vesting schedule in its discretion.

Options may be granted for a maximum term of ten years. Options may be exercised the greater of the term of the option and 90 days following cessation of the optionee’s position with PCNC, provided that if the cessation of office, directorship, consulting arrangement or employment is by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the earlier expiry date of such option. In the situation of options granted to persons engaged in investor relations activities, the options granted to this individual will expire 30 days following the optionee ceasing to provide such services.

The exercise price of any options granted under the PCNC Plan will be determined by the PCNC Board, in its discretion, but shall not be less than the closing price of the PCNC Shares on the day preceding the date of grant, less any discount permitted by the Exchange. Options granted under the PCNC Plan shall not be subject to any resale restrictions imposed by the Exchange unless granted at the maximum discount permitted by the Exchange.

Options are non-assignable and non-transferable (subject to options being exercisable by the optionee’s heirs or administrator). The number of PCNC reserved for option and the exercise price payable for the PCNC Shares subject to such option shall be adjusted appropriately in the event of any consolidation or subdivision of the PCNC Shares.

In connection with the Acquisition, PCNC is proposing the adoption of the New Option Plan, as more particularly described and discussed at “*Business of the PCNC Meeting – Stock Option Plan*”.

### **Outstanding Options**

The following table shows the number of PCNC Options currently issued and outstanding as at the Record Date.

Group (Number of Persons in Group) (current and former)	Securities Under Options Granted (#)	Exercise or Base Price (\$/Security)	Market Price of Underlying Security as of date of grant <sup>(1)</sup> (\$/Security)	Expiration Date
Directors (who are not officers) (4)	175,000	\$0.16	\$0.13	January 7, 2013
(1)	250,000	\$0.10	\$0.05	August 7, 2014
(4)	750,000	\$0.10	\$0.05	November 6, 2014
(3)	750,000	\$0.14	\$0.12	December 6, 2015
(2)	500,000	\$0.20	\$0.20	January 11, 2016
Officers (2)	750,000	\$0.10	\$0.05	August 7, 2014
(1)	75,000	\$0.10	\$0.04	September 17, 2014
(1)	1,000,000	\$0.14	\$0.12	December 6, 2015
Consultants (1)	100,000	\$0.16	\$0.13	January 7, 2013
(3)	200,000	\$0.15	\$0.13	May 27, 2013
<b>Total</b>	<b>4,550,000</b>			

(1) Based on the closing price of the PCNC Shares on the Exchange on the date of grant of the particular options.

### Prior Sales

During the twelve month period preceding this Circular, PCNC issued the following securities:

Date	Type of Transaction	Number and Type of Securities	Price	Proceeds
March 31, 2010	Property Acquisition	150,000 PCNC shares	\$0.04 per share (deemed)	Nil
May 25, 2010	Grant of options	250,000 PCNC Options <sup>(1)</sup>	N/A	Nil
August 9, 2010	Private Placement	5,000,000 units <sup>(2)</sup>	\$0.05 per unit	\$250,000.00
August 9, 2010	Finder's Fees	500,000 PCNC Broker's Warrants <sup>(3)</sup>	N/A	Nil
August 27, 2010	Private Placement	90,000 units <sup>(2)</sup> and 425,842 PCNC Shares	\$0.05 per unit or share	\$25,92.00
November 3, 2010	Grant of options	250,000 PCNC Options <sup>(4)</sup>	N/A	Nil
December 13, 2010	Grant of options	1,750,000 PCNC Options <sup>(5)</sup>	N/A	Nil
January 6, 2011	Private Placement	15,000,000 units <sup>(6)</sup>	\$0.10. per unit	\$1,050,000.00
January 6, 2011	Finder's Fee	818,000 PCNC Warrants <sup>(7)</sup>	Nil	Nil
January 11, 2011	Grant of options	500,000 PCNC Options <sup>(8)</sup>	N/A	Nil
February 11, 2011	Exercise of options	125,000 PCNC Shares	\$0.10	\$12,500.00
March 31, 2011	Property Acquisition	200,000 PCNC Shares	\$0.145 per share (deemed)	Nil

- (1) Exercisable at \$0.10 until May 25, 2012. These PCNC Options were subsequently cancelled on November 25, 2010.
- (2) Each unit is comprised of one common share and one-half of a share purchase warrant. One whole warrant is exercisable at a price of \$0.10 per share to purchase one additional common share in the capital of PCNC for a period of two years from the date of issue.
- (3) Each brokers' option is exercisable into a unit a price of \$0.05 per unit for a period of two years from the date of issue. Each unit is comprised of one common share and one-half of a share purchase warrant. One whole warrant is exercisable at a price of \$0.10 per share to purchase one additional common share in the capital of PCNC for a period of two years from the date of issue of the broker's option.
- (4) Exercisable at \$0.10 until November 3, 2012. 125,000 of these PCNC Options were subsequently cancelled.
- (5) Exercisable at \$0.14 until December 13, 2015.
- (6) Each unit is comprised of one common share and one share purchase warrant. One whole warrant is exercisable at a price of \$0.10 per share to purchase one additional common share in the capital of PCNC for a period of two years from the date of issue.

- (7) Exercisable at \$0.10 until January 6, 2013.  
 (8) Exercisable at \$0.20 until January 11, 2016.

### Stock Exchange Price

The PCNC Shares are currently listed and posted for trading on the Exchange under the symbol “NKL”. The following table shows the high, low and closing prices and monthly trading volume of the PCNC Shares on the Exchange on a monthly basis for each of the twelve months preceding this Circular.

Month	High	Low	Close	Average Volume
April 2011 <sup>(2)</sup>	\$0.15	\$0.11	\$0.11	49,200
March, 2011 <sup>(2)</sup>	\$0.20	\$0.12	\$0.16	112,500
February, 2011	N/A			
January, 2011 <sup>(2)</sup>	\$0.24	\$0.19	\$0.195	75,600
December, 2010	\$0.24	\$0.08	\$0.19	198,600
November, 2010	\$0.10	\$0.04	\$0.08	128,500
October, 2010	\$0.06	\$0.04	\$0.05	47,700
September, 2010	\$0.04	\$0.03	\$0.04	13,000
August, 2010	\$0.05	\$0.03	\$0.04	21,600
Quarter ended July 31, 2010	\$0.08	\$0.03	\$0.05	32,155
Quarter ended April 30, 2010	\$0.07	\$0.04	\$0.04	17,037
Quarter ended January 31, 2010	\$0.08	\$0.05	\$0.07	22,462
Quarter ended October 31, 2009	\$0.08	\$0.03	\$0.04	13,933
Quarter ended July 31, 2009	\$0.05	\$0.03	\$0.05	14,572
Quarter ended April 30, 2009	\$0.05	\$0.02	\$0.03	21,492

- (1) Up to and including the Record Date.  
 (2) The PCNC Shares were halted on January 18, 2011 upon execution of the Letter Agreement. Trading of the PCNC Shares recommenced on March 2, 2011.

The closing price of the PCNC Shares on the Exchange on January 17, 2011, being the last trading day before the announcement of the Acquisition, was \$0.195. Trading in the PCNC Shares was halted in accordance with Exchange Policies on January 18, 2011. Reinstatement to trading occurred on March 2, 2011. As of March 31, 2011, the closing price of the PCNC Shares was \$0.16.

### Escrowed Securities

PCNC has no securities held in escrow.

### Principal Shareholders

To the knowledge of the Directors and executive officers of PCNC, no person beneficially owns, directly or indirectly, or exercises control or direction over shares carrying more than 10% of the voting rights attached to all outstanding PCNC Shares, as of the date hereof, except as follows:

Name of Shareholder	Number of Shares	Percentage of Issued and Outstanding Shares of PCNC
Resinco Capital Partners Inc.	13,068,500	23.32%
Consolidated International Investment Holdings Inc. <sup>(1)</sup>	5,000,000	8.92%

(1) Of which 3,500,000 PCNC Shares are held indirectly through MineralFields 2010-V Super Flow Through LP and 1,500,000 PCNC Shares are held indirectly through Pathway Quebec Mining 2010 Flow-Through LP. In addition to the PCNC Shares noted above, Consolidated International Investment Holdings Inc. holds 2,500,000 PCNC Warrants indirectly through MineralFields 2010-V Super Flow-Through LP, which holds 750,000 PCNC Warrants and Pathway Mining 2010-II Flow Through LP, which holds 1,750,000 PCNC Warrants, each exercisable at a price of \$0.10 per PCNC Share until August 9, 2012 and 500,000 PCNC Brokers Warrants and exercisable into units at a price of \$0.05 per unit, such that, on a partially diluted basis, Consolidated International Investment Holdings Inc. would hold 13.90% of the PCNC Shares if all of its PCNC Warrants and PCNC Broker Warrants were exercised.

### Directors and Officers

The following table sets out the names of directors and officers, the positions and offices which they presently hold with PCNC, their respective principal occupations within the five preceding years and the number of shares of PCNC which each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the Record Date:

Name, Jurisdiction of Residence and Position	Principal Occupation or employment and, if not a previously elected Director, occupation during the past 5 years	Director/Officer Since	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(2)</sup>
John Lee Taipei Taiwan Chairman, CEO and Director	President, Mau Capital Management, LLC, President of Prophecy Resource Corp. from October 2009 to Present	December 13, 2010	2,089,500 <sup>(3)</sup>
John Icke, Vancouver, B.C., Canada, Director	President and CEO of Resinco Capital Partners Incorporated from January 2008 to Present, director and CEO June, 2009 to Present; CEO of JRI Strategy Consulting Inc. from June 2005 to Present	December 15, 2008	102,401 <sup>(4)</sup>
Donald Gee <sup>(1)</sup> , Burnaby, B.C., Canada, Director	President of Cantech Capital Corp. from January 1994 to Present	December 13, 2010	Nil <sup>(5)</sup>
David Patterson, West Vancouver, B.C., Canada, Director	Director of Elysian Enterprises, a private BC management company since August 2001; Chairman and CFO of Donner Metals Ltd., a mineral exploration company listed on the TSX Venture Exchange, since August 2005, and Knight Resources Ltd., a mineral exploration company listed on the TSX Venture Exchange, since September 2002	December 13, 2010	Nil <sup>(6)</sup>

Name, Jurisdiction of Residence and Position	Principal Occupation or employment and, if not a previously elected Director, occupation during the past 5 years	Director/Officer Since	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(2)</sup>
D. Greg Hall <sup>(1)</sup> , West Vancouver, B.C., Canada, Director	Chairman and Director, Ivory Energy Inc. from June, 2006 to March, 2009; Financial Consultant, February, 2005 to present; Senior Vice President, Leede Financial Markets from February, 2003 to February, 2005	December 13, 2010	350,000 <sup>(7)</sup>
John Kerr, Vancouver, B.C., Canada, Director	President John R. Kerr and Associates Ltd from January 1992 to Present	July 10, 2007	825,000 <sup>(8)</sup>
Michael Sweatman <sup>(1)</sup> , Delta, B.C., Canada, Director	Chartered Accountant; principal of MDS Management Ltd., a Vancouver based management consulting company, from November 1992 to present	July 10, 2007	842,000 <sup>(9)</sup>
David McAdam, North Vancouver, B.C., Canada, Chief Financial Officer	President of First Line Consultants Ltd. from 2008 to Present; Chief Financial Officer of Eastern Platinum Ltd. from 2006 to 2008; President of First Line Consultants Inc. from 2004 to 2006	April 15, 2011	Nil
Christina Boddy, Burnaby, B.C. Canada, Corporate Secretary	Corporate Secretary of Resinco Capital Partners Inc. from April 2011 to Present, Employee of Resinco Capital Partners Inc. from February 2011 to Present; Manager, Corporate Legal Services at Finavera Renewables Inc. from March 2009 to February 2011; Executive Assistant to CEO of Finavera Renewables Inc. from April 2007 to March 2008; Executive Assistant to CEO of Nettwerk Music Group from September 2005 to April 2007	April 15, 2011	Nil

(1) Member of the audit committee.

(2) PCNC Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the Record Date, based upon information furnished to PCNC by individual Directors. Unless otherwise indicated, such PCNC Shares are held directly. Does not include PCNC Options or PCNC Warrants. See “*Outstanding Options*”.

(3) Mr. Lee holds 1,600,000 PCNC Shares directly and 439,500 PCNC Shares indirectly through Merit Holdings Limited, a private entity of which he is the sole shareholder. In addition to the above, Mr. Lee holds 1,000,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015 and 1,600,000 PCNC Warrants exercisable at a price of \$0.10 per PCNC Share until January 6, 2013.

(4) In addition to the PCNC Shares noted above, Mr. Icke holds 250,000 PCNC Options exercisable at a price of \$0.10 per PCNC Share until August 7, 2014 and 250,000 PCNC Options exercisable at a price of \$0.20 per PCNC Share until January 11, 2016.

(5) Mr. Gee holds 250,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015.

(6) Mr. Patterson holds 250,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015.

- (7) In addition to the PCNC Shares noted above, Mr. Hall holds 250,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015 and 350,000 PCNC Warrants exercisable at a price of \$0.10 per PCNC Share until January 6, 2013.
- (8) In addition to the PCNC Shares noted above, Mr. Kerr holds 37,500 PCNC Options exercisable at a price of \$0.16 per PCNC Share until January 7, 2013 and 125,000 PCNC Options exercisable at a price of \$0.10 per PCNC Share until November 6, 2014.
- (9) In addition to the PCNC Shares noted above, Mr. Sweatman holds 250,000 PCNC Options exercisable at a price of \$0.20 per PCNC Share until January 11, 2016, 50,000 PCNC Options exercisable at a price of \$0.16 per PCNC Share until January 7, 2013 and 250,000 PCNC Options exercisable at a price of \$0.10 per PCNC Share until November 6, 2014.

### **Corporate Cease Trade Orders or Bankruptcies**

Except as set out below, to the knowledge of PCNC, no proposed Director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a Director, Chief Executive Officer (“CEO”) or Chief Financial Officer (“CFO”) of any company (including PCNC) that:

- (a) was the subject, while the proposed Director was acting in the capacity as Director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
- (b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed Director ceased to be a Director, CEO or CFO but which resulted from an event that occurred while the proposed Director was acting in the capacity as Director, CEO or CFO of such company.

Michael Sweatman has been a director of Mega Precious Metals Inc., formerly Treat Systems Inc. (“Treat”) since 1998. Trading in the shares of Treat was halted by the TSX Venture Exchange (the “Exchange”) for failure to meet Tier Maintenance requirements and being designated an inactive issuer for a period greater than 18 months. Treat remains a reporting issuer, is current with its Continuous Disclosure requirements and is listed on the Exchange.

Michael Sweatman resigned as a director of Octagon Industries Inc. (“Octagon”) in May of 2001. Shortly after his resignation, Octagon was cease traded for failure to file financial statements and filed an assignment of bankruptcy under the Bankruptcy and Insolvency Act (Canada).

Trading in the securities of Glenthorne Enterprises Inc. was halted on April 15, 2009 by the TSX Venture Exchange pending clarification of the company’s financial affairs. The securities resumed trading on May 28, 2009. Mr. Sweatman was at the time a director of the company.

John Icke was a director of Sheen Resources Ltd (“Sheen”) on April 29, 2010 when trading in the shares of Sheen were suspended by the Exchange, as a result of Sheen having failed to maintain the services of a transfer agent in accordance with Exchange Policies. The trading suspension remains in effect as at the date of this Circular. Mr. Icke resigned as a director of Sheen in October 2010.

### **Personal Bankruptcies**

To the knowledge of management of PCNC, there has been no Director or officer, or any shareholder holding a sufficient number of securities of PCNC to affect materially the control of PCNC, or a personal holding company of any such person that has, within the 10 years before the Record Date, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Director or officer.

## **Penalties or Sanctions**

To the knowledge of management of PCNC, no Director or officer, or any shareholder holding a sufficient number of securities of PCNC to affect materially the control of PCNC, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **Conflicts of Interest**

There are potential conflicts of interest to which the Directors and officers of PCNC will be subject in connection with the operations of PCNC. In particular, certain of the Directors and officers of PCNC are involved in managerial or Director positions with other mineral exploration and investment companies whose operations may, from time to time, be in direct competition with those of PCNC or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of PCNC. Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. The BCBCA provides that if a Director has a material interest in a contract or proposed contract or agreement that is material to PCNC, the Director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with, the BCBCA.

Additionally, John Lee and D. Greg Hall, who are directors and/or officers of PCNC, are also directors and/or of Prophecy, and may have a conflict of interest in respect of the Acquisition.

Mr. Lee holds 2,089,500 PCNC Shares directly and indirectly. Mr. Lee also holds 1,000,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015 and 1,600,000 PCNC Warrants exercisable at a price of \$0.10 per PCNC Share until January 6, 2013.

Mr. Lee holds 9,597,970 Prophecy Shares directly and indirectly. Mr. Lee also holds 500,000 Prophecy Options exercisable at a price of \$0.25 per Prophecy Share until October 29, 2014; 350,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 125,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015, 1,000,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015, 600,000 Prophecy Warrants held directly exercisable at a price of \$0.10 per Prophecy Share until December 31, 2011, and through Merit Holdings Ltd., 138,000 Prophecy Warrants exercisable at a price of \$0.65 per Prophecy Share until September 1, 2011, 1,205,200 Prophecy Warrants exercisable at a price of \$0.49 per Prophecy Share until February 17, 2012, 375,000 Prophecy Warrants exercisable at a price of \$0.60 per Prophecy Share until June 5, 2011, 62,500 Prophecy Warrants exercisable at a price of \$0.80 per Prophecy Share until March 23, 2012.

Mr. Hall holds 350,000 PCNC Shares and 350,000 PCNC Warrants exercisable at a price of \$0.10 per PCNC Share until January 6, 2012. Mr. Hall also holds 250,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015.

Mr. Hall holds 1,192,000 Prophecy Shares. Mr. Hall also holds 300,000 Prophecy Options exercisable at a price of \$0.25 per Prophecy Share until October 29, 2014; 75,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 25,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015, 80,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015 and 500,000 Prophecy Warrants exercisable at a price of \$0.10 per Prophecy Share until December 31, 2011.

Mssrs. Hall and Lee abstained from voting as directors of PCNC and of Prophecy in respect of the Acquisition but may vote as PCNC Shareholders and Prophecy Shareholders in respect of the Acquisition and the Arrangement at the Meetings.

### **Indebtedness of Directors, Executive Officers and Senior Officers**

No person who is or at any time since the commencement of PCNC's last completed financial year was a Director, executive officer or senior officer of PCNC, and no associate of any of the foregoing persons has been indebted to PCNC at any time since the commencement of PCNC's last completed financial year. No guarantee, support agreement, letter of credit or other similar arrangement or understanding has been provided by PCNC at any time since the beginning of the most recently completed financial year with respect to any indebtedness of any such person.

### **Interest of Management and Others in Material Transaction**

Other than as disclosed herein or in PCNC's MD&A for the year ended July 31, 2010 incorporated by reference herein, the Directors, executive officers and principal shareholders of PCNC or any associate or affiliate of the foregoing have had no material interest, direct or indirect, in any transactions in which PCNC has participated within the three year period prior to the Record Date, which has materially affected or will materially affect PCNC.

John Lee and Greg Hall, who are directors and/or officers of Prophecy, are also directors and/or Officers of PCNC. Mssrs. Hall and Lee abstained from voting as directors of Prophecy and of PCNC in respect of the Acquisition and the Arrangement. Prophecy Securities held Mssrs Lee and Hall will be treated in the same manner under the Plan of Arrangement as Prophecy Securities held by any other Prophecy Securityholder.

### **Executive Compensation**

#### ***General Provisions***

Information prepared for this section of the Circular is as at July 31, 2010, unless otherwise stated. For the purposes of this Circular:

"CEO" of the Company means an individual who acted as Chief Executive Officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year;

"CFO" of the Company means an individual who acted as Chief Financial Officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year;

"equity incentive plan" means an incentive plan, or portion of an incentive plan, under which awards are granted and that falls within the scope of Section 3870 of the Canadian Institute of Chartered Accountants Handbook;

"executive officer" of the Company means an individual who is the Chairman or Vice-Chairman of the Board, the President, a Vice-President in charge of a principal business unit, division or function including sales, finance or production, an officer of the Company or any of its subsidiaries who performed a policy-making function in respect of the Company, or any other individual who performed a policy-making function in respect of the Company;

"incentive plan" means any plan providing compensation that depends on achieving certain performance goals or similar conditions within a specified period;

"incentive plan award" means compensation awarded, earned, paid or payable under an incentive plan;

"non-equity incentive plan" means an incentive plan or portion of an incentive plan that is not an equity incentive plan;

"option-based award" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights, and similar instruments that have option-like features;

"plan" includes any plan, contract, authorization or arrangement, whether or not set out in any formal document, where cash, securities, similar instruments or any other property may be received, whether for one or more persons;

“replacement grant” means an option that a reasonable person would consider to be granted in relation to a prior or potential cancellation of an option;

“re-pricing” means, in relation to an option, adjusting or amending the exercise or base price of the option, but excludes any adjustment or amendment that equally affects all holders of the class of securities underlying the option and occurs through the operation of a formula or mechanism in, or applicable to, the option;

“share-based award” means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.

### ***Compensation Discussion and Analysis***

#### Compensation Philosophy, Objectives and Process

The primary goal of PCNC’s executive compensation process is to attract and retain the key executives necessary for its long term success, to encourage executives to further the development of PCNC and its operations, and to motivate top quality and experienced executives. PCNC does not have a formal compensation program. The PCNC Board meets to discuss and determine management compensation, without reference to formal objectives, criteria or analysis. The general objectives of PCNC’s compensation strategy are to (a) compensate management in a manner that encourages and rewards a high level of performance and results with a view to increasing long-term shareholder value; (b) align management’s interests with the long-term interests of shareholders; (c) provide a compensation package that is commensurate with other junior mineral exploration companies to enable PCNC to attract and retain talent; and (d) ensure that the total compensation package is designed in a manner that takes into account the constraints that PCNC is under by virtue of the fact that it is a junior mineral exploration company without a history of earnings. The PCNC Board, as a whole, ensures that total compensation paid to all NEOs is fair and reasonable. The PCNC Board relies on the experience of its members, as officers and directors with other junior mining companies, in assessing compensation levels.

#### Analysis of Elements

The key elements of executive compensation awarded by PCNC are: (i) base salary and/or management fees; and (ii) incentive stock options. There is no policy or target regarding cash and non-cash elements of PCNC’s compensation program. The directors are of the view that all elements should be considered, rather than any single element. PCNC does not currently provide the executive officers with personal benefits nor does PCNC provide any additional compensation to the NEOs for serving as directors or as members of other committees.

#### Stock Options

PCNC has the PCNC Plan for the granting of stock options to the directors, officers, employees and consultants of PCNC. The purpose of granting such stock options is to assist PCNC in compensating, attracting, retaining and motivating such persons and to closely align the personal interest of such persons to that of PCNC Shareholders. The allocation of options under the PCNC Plan is determined by the PCNC Board which, in determining such allocations, considers such factors as previous grants to individuals, overall company performance, peer company performance, share price performance, the business environment and labour market, the role and performance of the individual in question and, in the case of grants to non-executive directors, the amount of time directed to PCNC’s affairs and time expended for serving on PCNC’s audit committee.

#### Employment Contracts

##### *James Walchuck/ John Lee*

Pursuant to a written agreement dated January 22, 2009, Mr. James Walchuck, the former President, Chief Executive Officer and a Director of PCNC was paid consulting fees in the amount of \$3,000 per month plus G.S.T. During the year ended July 31, 2010, Mr. Walchuck received the sum of \$36,000.

On December 13, 2010, Mr. Walchuk resigned as President and CEO. Mr. John Lee currently acts as Chairman and interim CEO of PCNC and receives consulting fees in the amount of \$10,000 per month plus HST.

*Roger Foster*

Pursuant to a written agreement dated May 1, 2009, Mr. Foster, the Chief Financial Officer of PCNC was paid consultant fees in the amount of \$2,500 per month plus G.S.T. During the year ended July 31, 2010, Mr. Foster received the sum of \$30,000. Mr. Foster resigned as Chief Financial Officer of PCNC on April 15, 2011. David McAdam currently acts as Chief Financial Officer of PCNC.

*Jude Fawcett*

Pursuant to a written agreement dated September 1, 2009, Ms. Fawcett was paid consultant fees in the amount of \$1,750 per month. During the year ended July 31, 2010, Ms. Fawcett received the sum of \$19,250. Ms. Fawcett resigned as Corporate Secretary of PCNC on April 15, 2011. Christina Boddy currently acts as Corporate Secretary of PCNC.

**Summary Compensation Table**

James Walchuck, PCNC's former CEO, and Roger Foster, PCNC's CFO are the NEOs of PCNC for the purposes of the following disclosure. PCNC does not have any other NEOs given that no executive officer of PCNC or individual serving in a similar capacity, other than Messrs. Walchuck and Foster, receives total compensation for acting in such a capacity in excess of \$150,000. Messrs. Walchuck and Foster are not employees of PCNC. They provide their services as officers of PCNC as consultants.

The following table contains a summary of the compensation paid to the NEOs during the most recently completed financial year.

Name and Principal Position	Year Ended July 31	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(13)</sup>	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long term incentive plans (\$)			
James Walchuk, CEO <sup>(1)</sup>	2010	\$36,000	Nil	\$12,000 <sup>(9)</sup>	Nil	Nil	Nil	Nil	\$48,000
	2009	\$22,500	Nil	Nil	Nil	Nil	Nil	Nil	\$22,500
Michael Sweatman <sup>(2)</sup>	2010	Nil	Nil	\$11,000 <sup>(10)</sup>	Nil	Nil	Nil	\$5,250 <sup>(12)</sup>	\$16,250
	2009	\$38,500	Nil	Nil	Nil	Nil	Nil	Nil	\$38,500
	2008	\$42,000	Nil	\$6,000 <sup>(6)</sup>	Nil	Nil	Nil	Nil	\$48,000
Murray McClaren <sup>(3)</sup>	2010	Nil	Nil	\$11,000 <sup>(11)</sup>	Nil	Nil	Nil	\$8,000 <sup>(12)</sup>	\$19,000
	2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2008	\$20,600	Nil	\$6,000 <sup>(6)</sup>	Nil	Nil	Nil	Nil	\$26,600
Roger Foster, CFO <sup>(4)</sup>	2010	\$30,000	Nil	\$6,000 <sup>(8)</sup>	Nil	Nil	Nil	Nil	\$36,000
	2009	\$7,500	Nil	Nil	Nil	Nil	Nil	Nil	\$7,500
	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Brent Peterson <sup>(5)</sup>	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2009	\$22,000	Nil	Nil	Nil	Nil	Nil	Nil	\$22,000
	2008	\$15,500	Nil	\$12,000 <sup>(7)</sup>	Nil	Nil	Nil	Nil	\$27,500

- (1) Mr. Walchuck was appointed President and CEO on December 15, 2008 and resigned as President and CEO on December 13, 2010.
- (2) Mr. Sweatman stepped down as President and CEO on December 15, 2008.
- (3) Mr. McClaren resigned as CFO on December 4, 2007.
- (4) Mr. Foster was appointed CFO on February 5, 2009 and resigned on April 15, 2011.
- (5) Mr. Peterson resigned as CFO on February 5, 2009.
- (6) Representing a total of 50,000 PCNC Options having an exercise price of \$0.16 per share and expiring January 7, 2013.
- (7) Representing a total of 100,000 PCNC Options having an exercise price of \$0.16 per share and expiring January 7, 2013.
- (8) Representing a total of 250,000 PCNC Options having an exercise price of \$0.10 per share and expiring August 7, 2014.
- (9) Representing a total of 500,000 PCNC Options having an exercise price of \$0.10 per share and expiring August 7, 2014.
- (10) Representing a total of 250,000 PCNC Options having an exercise price of \$0.10 per share and expiring November 6, 2014.
- (11) Representing a total of 250,000 PCNC Options having an exercise price of \$0.10 per share and expiring November 6, 2014.
- (12) Representing directors' and committee fees. See 'Compensation of Directors'.
- (13) The figures shown are based on the fair value estimated at the date of option grant using the Black-Scholes pricing model under the following assumptions: (i) risk free weighted average interest rate is 3.50%; (ii) expected dividend yield of 0%; (iii) average expected volatility is 132%; and (iv) an expected term of five years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.

### ***Incentive Plan Awards***

PCNC has in place the PCNC Plan for the purpose of attracting and motivating directors, officers, employees and consultants of PCNC and advancing the interests of PCNC by affording such persons the opportunity to acquire an equity interest in PCNC through rights granted under the PCNC Plan to purchase PCNC Shares.

#### Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards

The following table discloses the particulars of awards for each NEO outstanding as at the financial year ended July 31, 2010:

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value <sup>(1)</sup> of In-The-Money Options <sup>(1)</sup> (\$)	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value <sup>(1)</sup> of Share-Based Awards That Have Not Vested (\$)
James Walchuck	500,000	\$0.10	August 7, 2014	Nil	Nil	Nil
Roger Foster	250,000	\$0.10	August 7, 2014	Nil	Nil	Nil

- (1) This amount is based on the difference between the market value of the PCNC Shares underlying the options as at July 21, 2010, which was \$0.05, and the exercise price of the option.

#### Value of Share-Based and Option-Based Awards Vested or Earned During the Year

The following table sets forth, for each NEO, the values of all incentive plan awards which vested or were earned during the year ended July 31, 2010.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
James Walchuck <sup>1)</sup>	Nil	Nil	Nil
Roger Foster <sup>1)</sup>	Nil	Nil	Nil

- (1) Dollar value that would have been realized is calculated by determining the difference between the market price of the underlying securities on the vesting date and the exercise or base price of the options under the option-based award.

There were no re-pricing of PCNC Options under the PCNC Plan or otherwise during the financial year ended July 31, 2010.

During the year ended July 31, 2010, PCNC cancelled the following PCNC Options originally granted on July 16, 2007:

Name of Optionee	Position	# of Shares Cancelled	Exercise Price	Cancellation Date
David Cotton	Consultant	100,000	\$0.60	November 6, 2009
Michael Elson	Consultant	250,000	\$0.60	November 6, 2009
John Kerr	Director	250,000	\$0.60	November 6, 2009
Murray McLaren	Director	500,000	\$0.60	November 6, 2009
Michael Sweatman	Director	500,000	\$0.60	November 6, 2009

#### Option-based Awards Exercised During the Year

There were no option-based awards exercised during PCNC's last completed financial year by the NEOs.

#### Option-based Awards Granted During the Year

The following table sets forth the particulars of option-based awards granted during PCNC's last completed financial year to the NEOs.

Name	Date of Grant	Number of Option-Based Awards Granted	Exercise Price	Expiry Date (m/d/y)
James Walchuck	August 7, 2009	500,000	\$0.10	August 7, 2014
Roger Foster	August 7, 2009	250,000	\$0.10	August 7, 2014

#### ***Pension Plan Benefits***

PCNC does not have a pension plan or deferred compensation plan.

#### ***Termination and Change of Control Benefits***

There are no contracts, agreements, plans or arrangements between PCNC and an NEO that provide for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive) with respect to the resignation, retirement, a change in control of PCNC or a change in an NEO's responsibilities.

#### ***Director Compensation***

The PCNC Board established and adopted compensation guidelines for its independent directors, which are reviewed by PCNC on an annual basis. The guidelines provide for the payment of fees to independent directors who are not otherwise compensated under a formal management agreement. The fees are paid to independent directors for attendance at various directors and/or committee meetings, the consideration of consent resolutions of the directors or audit committee, and the review of related documentation. Each independent director receives fees in the amount of \$250 per month and \$250 per meeting attended. PCNC may also pay a fee for any additional services rendered by directors at the regular rates for services. In such instances, PCNC Board approval will be obtained. All directors are reimbursed by PCNC for travel and other out-of-pocket expenses incurred in attending meetings.

During PCNC's financial year ended July 31, 2010, directors' fees in the amount of \$5,250 were paid to John Icke, \$4,000 to John Kerr, \$5,250 to Michael Sweatman and \$4,000 to Murray McLaren.

There are no formal plans pursuant to which options to purchase securities of PCNC were or may be granted to executive officers. PCNC grants incentive stock options from time to time to its directors, officers, consultants and employees in accordance with the Exchange Policies at the discretion of the PCNC Board.

The following table describes director compensation for non-executive directors for the year ended July 31, 2010.

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
John Icke	\$5,250	N/A	N/A	N/A	N/A	Nil	\$5,250
John Kerr	\$9,250	N/A	\$5,500 <sup>(2)</sup>	N/A	N/A	Nil	\$14,750
Murray McClaren	\$9,250	N/A	\$11,000 <sup>(3)</sup>	N/A	N/A	Nil	\$20,250
Michael Sweatman	\$5,250	N/A	\$11,000 <sup>(4)</sup>	N/A	N/A	Nil	\$16,250

- (1) The figures thus shown are based on the fair value estimated at the date of option grant using the Black-Scholes pricing model under the following assumptions: (i) risk free weighted average interest rate is 3.50%; (ii) expected dividend yield of 0%; (iii) average expected volatility is 132%; and (iv) an expected term of five years. The Black-Scholes pricing model was used to estimate the fair value as it is the most accepted methodology.
- (2) See "Cancellation of Stock Options" under Compensation of Directors. Representing a total of 125,000 shares having an exercise price of \$0.10 per share and expiring November 6, 2014.
- (3) See "Cancellation of Stock Options" under Compensation of Directors. Representing a total of 250,000 shares having an exercise price of \$0.10 per share and expiring November 6, 2014.
- (4) See "Cancellation of Stock Options" under Compensation of Directors. Representing a total of 250,000 shares having an exercise price of \$0.10 per share and expiring November 6, 2014.

Other than as set forth in the foregoing or elsewhere herein, no director of PCNC who is not an NEO has received, during the most recently completed financial year, compensation pursuant to:

- (a) any standard arrangement for the compensation of directors for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;
- (b) any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of directors in their capacity as directors; or
- (c) any arrangement for the compensation of directors for services as consultants or experts.

#### Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets out the particulars of all awards for each director who is not a NEO outstanding as at the financial year ended July 31, 2010.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value <sup>(1)</sup> of Unexercised In-The-Money Options <sup>(1)</sup> (\$)	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value <sup>(1)</sup> of Share-Based Awards That Have Not Vested (\$)
John Icke	250,000	\$0.10	August 7, 2014	Nil	N/A	N/A
Michael Sweatman	50,000	\$0.16	January 7, 2013	Nil	N/A	N/A

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value <sup>(1)</sup> of Unexercised In-The-Money Options <sup>(1)</sup> (\$)	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value <sup>(1)</sup> of Share-Based Awards That Have Not Vested (\$)
	250,000	\$0.10	November 6, 2014	Nil	N/A	N/A
John Kerr	37,500	\$0.16	January 7, 2013	Nil	N/A	N/A
	125,000	\$0.10	November 6, 2014	Nil	N/A	N/A
Murray McClaren	50,000	\$0.16	January 7, 2013	Nil	N/A	N/A
	250,000	\$0.10	November 6, 2014	Nil	N/A	N/A

(1) This amount is based on the difference between the market value of the PCNC Shares underlying the options as at July 31, 2010, which was \$0.05, and the exercise price of the option.

#### Value of Share-Based and Option-Based Awards Vested or Earned During the Year

The following table sets forth, for each director who is not a NEO, the values of all incentive plan awards which vested or were earned during the year ended July 31, 2010.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
John Icke	Nil	Nil	Nil
Michael Sweatman	Nil	Nil	Nil
John Kerr	Nil	Nil	Nil
Murray McClaren	Nil	Nil	Nil

(1) Dollar value that would have been realized is calculated by determining the difference between the market price of the underlying securities on the vesting date and the exercise or base price of the options under the option-based award

#### Option-based Awards Exercised During the Year

There were no option-based awards exercised during PCNC's last completed financial year by the directors.

#### Option-based Awards Granted During the Year

The following table sets forth the particulars of option-based awards granted during the year ended July 31, 2010 to directors who are not NEOs.

Name	Date of Grant	Number of Option-Based Awards Granted	Exercise Price	Expiry Date (m/d/y)
John Icke	August 7, 2009	250,000	\$0.10	August 7, 2014
Michael Sweatman	November 6, 2009	250,000	\$0.10	November 6, 2014
John Kerr	November 6, 2009	125,000	\$0.10	November 6, 2014
Murray McClaren	November 6, 2009	250,000	\$0.10	November 6, 2014

## **Audit Committee**

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

### ***Overview***

The Audit Committee of the PCNC Board is principally responsible for

- recommending to the PCNC Board the external auditor to be nominated for election by the PCNC Shareholders at each annual general meeting and negotiating the compensation of such external auditor.
- overseeing the work of the external auditor.
- reviewing PCNC's annual and interim financial statements, MD&A and press releases regarding earnings before they are reviewed and approved by the PCNC Board and publicly disseminated by PCNC.
- reviewing PCNC's financial reporting procedures and internal controls to ensure adequate procedures are in place for PCNC's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph.

### ***The Audit Committee's Charter***

The PCNC Board has adopted a Charter for the Audit Committee which sets out the Audit Committee's mandate, organization, powers and responsibilities. The complete Charter is below:

#### **1.0 Purpose of the Committee**

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

#### **2.0 Members of the Committee**

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

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

#### **3.0 Meeting Requirements**

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

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

#### **4.0 Duties and Responsibilities**

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

- (a) have the authority with respect to the appointment, retention or discharge of the independent public accountants as auditors of PCNC (the "auditors") who perform the annual audit in accordance with applicable securities laws, and who shall be ultimately accountable to the PCNC Board through the Audit Committee;
- (b) review with the auditors the scope of the audit and the results of the annual audit examination by the auditors, including any reports of the auditors prepared in connection with the annual audit;
- (c) review information, including written statements from the auditors, concerning any relationships between the auditors and PCNC or any other relationships that may adversely affect the independence of the auditors and assess the independence of the auditors;
- (d) review and discuss with management and the auditors PCNC's audited financial statements and accompanying MD&A, including a discussion with the auditors of their judgments as to the quality of PCNC's accounting principles and report on them to the PCNC Board;
- (e) review and discuss with management PCNC's interim financial statements and interim MD&A and report on them to the PCNC Board;
- (f) pre-approve all auditing services and non-audit services provided to PCNC by the auditors to the extent and in the manner required by applicable law or regulation. In no circumstances shall the auditors provide any non-audit services to PCNC that are prohibited by applicable law or regulation;
- (g) evaluate the external auditor's performance for the preceding fiscal year, reviewing their fees and making recommendations to the PCNC Board;
- (h) periodically review the adequacy of PCNC's internal controls and ensure that such internal controls are effective;
- (i) review changes in the accounting policies of PCNC and accounting and financial reporting proposals that are provided by the auditors that may have a significant impact on PCNC's financial reports, and report on them to the PCNC Board;
- (j) oversee and annually review PCNC's Code of Business Conduct and Ethics;
- (k) approve material contracts where the PCNC Board determines that it has a conflict;
- (l) establish procedures for the receipt, retention and treatment of complaints received by PCNC regarding the audit or other accounting matters;
- (m) where unanimously considered necessary by the Audit Committee, engage independent counsel and/or other advisors at PCNC's expense to advise on material issues affecting PCNC which the Audit Committee considers are not appropriate for the full PCNC Board;
- (n) satisfy itself that management has put into place procedures that facilitate compliance with the provisions of applicable securities laws and regulation relating to insider trading, continuous disclosure and financial reporting;
- (o) review and monitor all related party transactions which may be entered into by PCNC; and
- (p) periodically review the adequacy of its charter and recommending any changes thereto to the PCNC Board.

#### **5.0 Miscellaneous**

5.1 Nothing contained in this Charter is intended to extend applicable standards of liability under statutory or regulatory requirements for the directors of PCNC or members of the Audit Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Audit

Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

### ***Composition of the Audit Committee***

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

<b>Name of Member</b>		
Michael Sweatman	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Greg Hall	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Donald Gee	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>

- (1) To be considered to be independent, a member of the Committee must not have any direct or indirect ‘material relationship’ with PCNC. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment.
- (2) To be considered financially literate, a member of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by PCNC’s financial statements.

### ***Relevant Education and Experience***

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

Michael Sweatman is a Chartered Accountant. He obtained his CA designation in 1982 and is a member of the Institutes of Chartered Accountants of both British Columbia and the Yukon Territory. He has operated MDS Management Ltd., a Vancouver based management consulting company, since November 1992. Mr. Sweatman currently serves as the Chief Financial Officer of Lions Gate Minerals Inc. and President of Teslin River Resources Ltd. He is currently a director of several companies listed on the TSX and the Exchange.

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

Donald Gee was the successful founder of Gee & Company Chartered Accountants, a Vancouver based public accounting firm. More recently, Mr. Gee has served as a key executive and director for several publicly listed resource companies. Mr. Gee is a native of Vancouver, British Columbia, a member of the Canadian Institute of Chartered Accountants, and holds a Bachelor of Science Degree in Geology from the University of British Columbia.

### ***Audit Committee Oversight***

At no time since the commencement of PCNC’s most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the PCNC Board.

### ***Pre-Approval Policies and Procedures***

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

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

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

***External Auditor Service Fees (By Category)***

The following table discloses the fees billed to PCNC by its external auditor during the last two financial years.

<b>Financial Year Ending</b>	<b>Audit Fees (1)</b>	<b>Audit Related Fees (2)</b>	<b>Tax Fees (3)</b>	<b>All Other Fees (4)</b>
July 31, 2010	\$25,000	Nil	Nil	Nil
July 31, 2009	\$29,000	Nil	Nil	Nil

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of PCNC's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" includes all other non-audit services".

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

Since PCNC is a 'venture issuer', as defined in NI 52-110, it relies on the exemption contained in section 6.1 of NI 52-110 from the requirements of Part 3 Composition of the Audit Committee (as described in "*Composition of the Audit Committee*" above) and Part 5 Reporting Obligations of NI 52-110 (which requires certain prescribed disclosure about the Audit Committee in PCNC's Annual Information Form, if any, and this Circular).

**Corporate Governance**

National Policy 58-201 establishes corporate governance guidelines which apply to all public companies. PCNC has reviewed its own corporate governance practices in light of these guidelines. In certain cases, PCNC's practices comply with the guidelines, however, the PCNC Board considers that some of the guidelines are not suitable for PCNC at its current stage of development and, therefore, these guidelines have not been adopted. National Instrument 58-101 mandates disclosure of corporate governance practices which disclosure is set out below.

***Board of Directors***

The mandate of the PCNC Board is to act in the best interests of PCNC and to supervise management. The PCNC Board is responsible for approving long-term strategic plans and annual operating budgets recommended by management. PCNC Board consideration and approval is also required for material contracts and business transactions, and all debt and equity financing transactions. Any responsibility which is not delegated to management or to the committees of the PCNC Board remains with the PCNC Board. The PCNC Board meets on a

regular basis consistent with the state of PCNC's affairs and also from time to time as deemed necessary to enable it to fulfill its responsibilities.

***Directorships***

The following is a list of each director of PCNC who is also a director of other reporting issuers (or equivalent) in a Canadian or foreign jurisdiction:

<b>Director</b>	<b>Name of Other Reporting Issuer</b>
John Lee	Prophecy Resource Corp.
Donald Gee	Andele Capital Corp. Javelle Capital Corp.
D. Greg Hall	Prophecy Resource Corp. Agrimarine Holdings Inc.
David Patterson	Donnybrook Energy Inc. Fuller Capital Corp. Donner Metals Ltd. Knight Resource Ltd. Panorama Resources Ltd.
John Icke	Resinco Capital Partners Incorporated Cue Resources Ltd. Lions Gate Metals Inc. Woulfe Mining Corp. Terreno Resource Corp. Teslin River Resources Corp. Tanzania Minerals Corp.
Michael Sweatman	Brownstone Energy Inc. Mega Precious Metals Inc. Mega Uranium Ltd. Blackbird Energy Inc. Galena Capital Corp. Teslin River Resources Corp. Lions Gate Metals Inc. Netco Energy Inc.
John Kerr	Quaterra Resources Inc. Bravada Resource Corp.

***Independence of Members of Board***

The PCNC Board facilitates its exercise of independent supervision over management by ensuring that the PCNC Board is composed of a majority of independent directors. Directors are considered to be independent if they have no direct or indirect material relationship with PCNC. A "material relationship" is a relationship which could, in the view of the PCNC Board, be reasonably expected to interfere with the exercise of a director's independent judgment. The Board is comprised of seven directors, five of which are considered to be independent. Messrs. Kerr, Sweatman, Gee, Patterson and Hall are considered to be independent directors for the purposes of NI 58-101 and

the Company's Chairman and interim Chief Executive Officer, Mr. Lee is not considered to be independent, nor is Mr. Icke who is President and CEO of Resinco Capital Partners Incorporated which is an Insider of PCNC.

### ***Management Supervision by Board***

The operations of PCNC do not support a large Board of Directors and the PCNC Board has determined that the current constitution of the PCNC Board is appropriate for PCNC's current stage of development. Independent supervision of management is accomplished through choosing management who demonstrate a high level of integrity and ability and having strong independent board members. The independent Directors are however able to meet at any time without any members of management including the non-independent Directors being present. Further supervision is performed through the audit committee which is composed of a majority of independent Directors who meet with PCNC's auditors without management being in attendance.

### ***Orientation and Continuing Education***

When new directors are appointed, they receive orientation, commensurate with their previous experience, on PCNC's properties, business and industry and on the responsibilities of directors. PCNC Board meetings may also include presentations by PCNC's management and employees to give the directors additional insight into PCNC's business.

### ***Ethical Business Conduct***

The PCNC Board has adopted a Code of Business Conduct and Ethics (the "Code") to be followed by PCNC's directors, officers, employees and principal consultants and those of its subsidiaries. The Code is also to be followed, where appropriate, by PCNC's agents and representatives, including consultants where specifically required. The purpose of the Code is to, among other things, promote honest and ethical conduct, avoid conflict of interest, protect confidential or proprietary information and comply with the applicable government laws and securities rules and regulations.

### ***Nomination of Directors***

The PCNC Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the PCNC Board's duties effectively and to maintain a diversity of views and experience.

The PCNC Board does not have a nominating committee, and these functions are currently performed by the PCNC Board as a whole. However, if there is a change in the number of directors required by PCNC, this policy will be reviewed.

### ***Compensation of Directors and the CEO***

PCNC has established a compensation committee, which is, among other things, responsible for determining all forms of compensation to be granted to the Chief Executive Officer of PCNC and other senior management and executive officers of PCNC, for evaluating the Chief Executive Officer's performance in light of the corporate goals and objectives set for him/her, for reviewing the adequacy and form of the compensation and benefits of the directors in their capacity as directors of PCNC to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director, and for reviewing and making periodic recommendations to the PCNC Board as to the general compensation and benefits policies and practices of PCNC, including incentive compensation plans and equity based plans.

The current members of the Compensation Committee are John Icke, John Lee and David Patterson. The independent member of the Compensation Committee is David Patterson. A summary of the compensation received by the Named Executive Officers and directors of PCNC for the financial year ended July 31, 2010 is provided in this Circular under the heading: "*Information Concerning PCNC - Executive Compensation*".

### ***Board Committees***

Other than the Compensation Committee described above and the Audit Committee described in this Circular under the heading “*Audit Committee*”, there are no other committees of the PCNC Board.

### ***Assessments***

The PCNC Board regularly assesses its own effectiveness and the effectiveness and contribution of each board committee member and director.

### **Management Contracts**

Management functions of PCNC are not, to any substantial degree, performed by a person or persons other than the Directors or senior officers of PCNC.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

The only equity compensation plan which PCNC has in place is the PCNC Plan which was previously approved by its shareholders on December 13, 2010. The PCNC Plan has been established to attract and retain employees, consultants, officers or Directors to PCNC and to motivate them to advance the interests of PCNC by affording them with the opportunity to acquire an equity interest in PCNC. The PCNC Plan is administered by the Directors of PCNC. The PCNC Plan provides that the number of PCNC Shares issuable under the PCNC Plan, together with all of PCNC’s other previously established or proposed share compensation arrangements may not exceed 10% of the total number of issued and outstanding PCNC Shares.

The following table sets out, as at the end of PCNC’s last completed financial year, information regarding outstanding options, warrants and rights (other than those granted pro rata to all shareholders) granted by PCNC under its equity compensation plans.

#### ***Equity Compensation Plan Information as at July 31, 2010***

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights<sup>(1)</sup></b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of shares remaining available for issuance under equity compensation plans</b>
Equity compensation plans <b>approved</b> by shareholders	2,550,000	\$0.11	939,400
Equity compensation plans <b>not approved</b> by shareholders	Nil	N/A	N/A
<b>Total</b>	<b>2,550,000</b>	<b>\$0.11</b>	<b>939,400</b>

(1) Assuming outstanding options, warrants and rights are fully vested.

### **Promoters**

Other than its Directors and officers, there is no person who is or who has been within the two years immediately preceding the Record Date, a ‘promoter’ of PCNC as defined under applicable Canadian securities laws.

### **Non-Arm's Length Transactions**

With the exception of executive compensation, PCNC has not completed any acquisition of assets or services or provision of assets or services in any transaction completed within 24 months before the date of this Circular, or in any proposed transaction from any Non Arm's Length Party.

The Acquisition is not a Related Party Transaction and is an arm's length transaction.

### **Legal Proceedings**

PCNC is not a party to any legal proceedings currently material to it or of which any of PCNC's properties is the subject matter, and no such proceedings are known by PCNC to be contemplated.

### **Auditor, Transfer Agent and Registrar**

The auditor of PCNC is Manning Elliott LLP, Chartered Accountants, 11<sup>th</sup> Floor, 1050 West Pender Street, Vancouver, British Columbia, V6E 3S7. The registrar and transfer agent of the PCNC Shares is Computershare Investor Services Inc., 2<sup>nd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

### **Material Contracts**

Except for contracts entered into in the ordinary course of business, the only contracts entered into by PCNC in the two years immediately prior to the date hereof that can reasonably be regarded as presently material to PCNC are as follows:

- (a) the Letter Agreement; and
- (b) the Arrangement Agreement. See *"Information Concerning the Arrangement."*

All of the contracts specified above may be inspected at the registered and records offices of PCNC at 380-580 Hornby Street, Vancouver, British Columbia, during normal business hours up to the date of the Meeting and for a period of 30 days thereafter.

### **INFORMATION CONCERNING PROPHECY**

*The following information reflects the current business, financial and share capital position of Prophecy. See "Information Concerning Prophecy – Post Arrangement" for pro forma business, financial and share capital information following the conclusion of the Arrangement. The following information should be read in conjunction with the information concerning Prophecy appearing elsewhere in this Circular and incorporated by reference in this Circular.*

#### **Corporate Structure**

Prophecy was incorporated on November 6, 1978 under the *Company Act* (British Columbia) under the name Banbury Gold Mines Ltd. Pursuant to special resolutions passed at a meeting of Prophecy Shareholders held March 16, 1992, Prophecy changed its name from "Banbury Gold Mines Ltd." to "Enerwaste Minerals Corp.", effective as at July 3, 1992, and altered its authorized capital by consolidating, on a one (1) new for four (4) old basis all of the 10,000,000 Prophecy Shares without par value into 2,500,000 common without par value and, subsequent to such consolidation, Prophecy increased its authorized capital to 100,000,000 common shares.

Pursuant to special resolutions passed on November 23, 1993, Prophecy changed its name from "Enerwaste Minerals Corp." to "Universal Gun-Loc Industries Ltd.", effective as at December 17, 1993, and altered its authorized capital from 100,000,000 common shares without par value to 105,000,000 shares comprised of 100,000,000 Class "A" common shares and 5,000,000 Class "B" non-voting common shares without par value.

Pursuant to special resolutions passed on May 17, 2001, Prophecy changed its name from “Universal Gun-Loc Industries Ltd.” to “UGL Enterprises Ltd”, effective as April 24, 2002, the authorized capital of Prophecy was altered by changing the designation of the 100,000,000 Class “A” voting common shares without par value to 100,000,000 common shares without par value and by cancelling the 5,000,000 Class “B” non-voting common shares, and all of the 100,000,000 common shares without par value were consolidated into 50,000,000 common shares without par value, and the authorized capital of Prophecy after consolidation was increased from 50,000,000 common shares without par value to 100,000,000 common shares without par value.

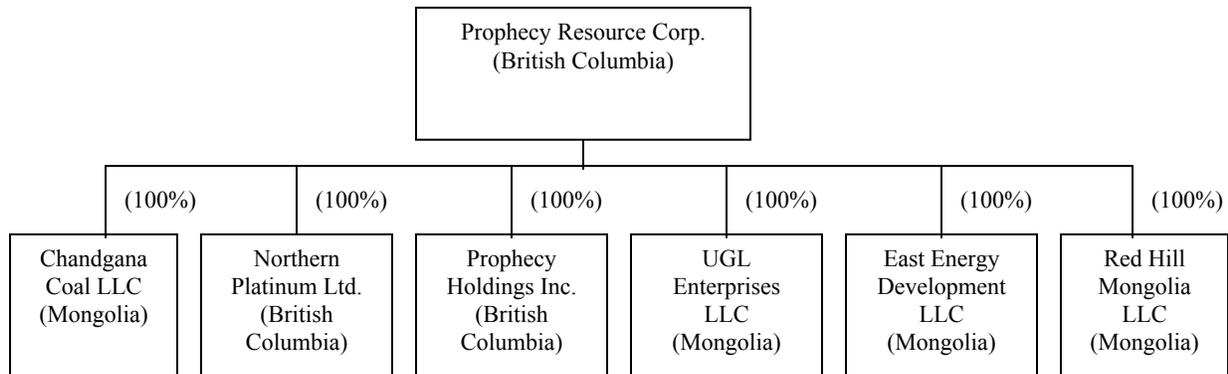
On May 10, 2005, Prophecy transitioned under the BCBCA and on June 8, 2005 altered its authorized capital from 100,000,000 Prophecy Shares to an unlimited number of Prophecy Shares.

On May 29, 2006, Prophecy changed its name from “UGL Enterprises Ltd.” to “Prophecy Resource Corp.” On April 16, 2010, Prophecy changed its name from “Red Hill Energy Inc.” to “Prophecy Resource Corp.”

Prophecy has a head office at Suite 2060-777 Hornby Street, Vancouver, BC, V6Z 1S4 and a registered office at Suite 2600-595 Burrard Street, Vancouver, British Columbia, V7X 1L3.

Prophecy is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and the Prophecy Shares are listed for trading on the Exchange under the symbol “PCY”.

Prophecy currently has six wholly owned subsidiaries, not including Spinco. The following diagram sets forth the corporate structure of the Prophecy and its subsidiaries as of the Record Date:



Prior to the completion of the Arrangement, Prophecy will transfer the Nickel Assets to Spinco.

### General Development of the Business

Prophecy is an exploration and development stage company engaged in the acquisition, exploration and development of coal properties in Mongolia and base and base and precious metals properties in Canada, specifically in the Yukon Territory and in the provinces of Manitoba, Ontario and British Columbia.

Prophecy:

- holds a 100% interest in mining licenses for the Ulaan Ovoo Property;
- holds a 100% interest in mining licenses for the Chandgana Property;
- holds a 100% interest in the Wellgreen Property, which is being sold to PCNC as part of the Acquisition;
- is earning into a 100% interest in the Lynn Lake Property, which is being sold to PCNC as part of the Acquisition; and

- is earning an 80% interest in the Titan iron-titanium-vanadium property, located in Ontario.

Prophecy received the final mining permit covering the Ulaan Ovoo Property on November 9, 2010 and has commenced mining coal and transporting to the Sukhbaatar railroad station.

Prophecy also holds 36,615,385 common shares, representing 9.8% of the issued and outstanding capital of Victory Nickel Inc., a company listed on the Toronto Stock Exchange, with which Prophecy has entered the Lynn Lake Option Agreement.

### ***Three Year History***

#### Acquisition of Northern

On September 23, 2010, Prophecy acquired all of the issued and outstanding securities of Northern pursuant to a court approved statutory plan of arrangement under the BCBCA involving Prophecy, a predecessor issuer of Northern ("Old Northern") and its securityholders (the "Northern Transaction"). Old Northern amalgamated with a wholly owned subsidiary of Prophecy and all of the securityholders of Old Northern exchanged their Northern securities for securities of Prophecy.

For each one share of old Northern held, an old Northern shareholder received 0.50 of a Prophecy Share and 0.10 of a Prophecy Warrant (an "Arrangement Warrant"). In order to make the Northern Transaction efficient from a taxation perspective, pursuant to the arrangement, old Northern issued to all of its shareholders, an option to acquire 0.20 of a Northern share at a price of \$0.40 per share for a period of 18 months (a "Northern Arrangement Option") and each Northern Arrangement Option was exchanged for 0.50 of an Arrangement Warrant. Each whole Arrangement Warrant entitled the holder to acquire one additional Prophecy Share at an exercise price of \$0.80 per share until March 23, 2012.

Holders of convertible securities of Northern received convertible securities of Prophecy such that each former Northern security was exchanged for a convertible security of Prophecy exercisable for that number of shares that is equal to the number of Northern shares that would otherwise have been issuable thereunder multiplied by 0.50 with the exercise price of such convertible security of Prophecy being adjusted to equal the exercise price of the applicable Northern convertible security divided by 0.50.

Northern became a wholly owned subsidiary of Prophecy and its common shares were delisted from the TSXV. Prophecy does not consider the acquisition of Northern to be a 'significant acquisition' as such term is defined in applicable Canadian securities legislation.

In connection with the Northern Transaction, Prophecy signed a definitive agreement dated June 4, 2010 with Belleterre Quebec Mines Ltd ("Belleterre") to acquire its 50% back-in right ("Back-in") on the Wellgreen Property. As consideration for the Back-In, Prophecy paid to Belleterre \$4.2 million payable \$2.1 million in cash and through the issuance 3.56 million Prophecy Shares at a deemed price of \$0.59 per share. Additionally Prophecy issued 712,000 Prophecy Warrants to Belleterre. The Prophecy Warrants issuable to Belleterre expire on April 8, 2012 and have an exercise price of \$0.80.

Pursuant to the Arrangement Agreement, Prophecy will sell all of its right, title and interest in and to the Wellgreen Property to PCNC.

#### Business Combination with PHI

On April 16, 2010, Prophecy completed the RH Plan of Arrangement. As the first step in the RH Plan of Arrangement, Prophecy transferred \$1,000,000 and its non-coal assets, principally the Red lithium property in Nevada, the Thor rare earth property in Nevada and the Banbury property in British Columbia, to Elissa Resources Ltd. in exchange for the issuance of Elissa common shares to shareholders of Prophecy.

Prophecy then created a new class of common share, being the Prophecy Shares and a predecessor issuer of PHI (“old PCY”) amalgamated with a wholly-owned subsidiary of Prophecy. The common shares of PHI were voluntarily delisted from the Exchange. Each one old common share of Prophecy was exchanged for 0.92 of a Prophecy Share and 0.25 of a Elissa common shares, and each common share of old PCY was exchanged for one Prophecy Share. In addition, each Prophecy stock options and warrants were amended to entitle the holder to receive 0.92 of Prophecy Share and each old PCY stock option or warrant was exchanged for an option or warrant to acquire one Prophecy Share.

Following the Arrangement, Prophecy changed its name to "Prophecy Resource Corp."

#### Ulaan Ovoo Property

On November 24, 2005 as amended February 19, 2006, Prophecy entered into a letter of intent with Ochir LLC and a wholly owned subsidiary of Ochir LLC, both privately owned Mongolian companies, that sets out the terms to acquire a 100% interest in the property known as Ulaan Ovoo coal project. The Ulaan Ovoo Property is located in Selenge province, Mongolia. It was held by the vendor under a transferable, 55 year mining licence with a 45 year option for extension granted by the Government of Mongolia. The purchase price for the 100% interest, together with all equipment, buildings and other facilities, assembled and constructed at the Ulaan Ovoo Property was US\$9,600,000. The full purchase price has been paid by Prophecy. Ochir LLC retained a 2% royalty on production from licenses, which was subsequently assigned to a third party.

On November 15, 2006, Prophecy entered into an agreement with a private Mongolian company to purchase 100% of the title and interest in five mineral licenses including licenses that are contiguous and entirely surrounding the Ulaan Ovoo Property. The aggregate purchase price for the licenses was US\$400,000, with US\$50,000 being payable within 10 days of signing the agreement and the balance of the payment due upon transfer of ownership title to Prophecy (paid). Under the terms of the agreement the vendor retained a 2% net smelter return royalty on the five newly acquired licenses.

On April 29, 2009, Prophecy announced positive pre-feasibility study results for the Ulaan Ovoo thermal coal project.

On June 15, 2009, Prophecy announced it had signed an agreement with Falcon Mining AG of Zug, Switzerland whereby Falcon Mining was to acquire a 100% interest in Prophecy Mongolia LLC, a wholly owned subsidiary of Prophecy Energy, which owns a 100% interest in the Ulaan Ovoo Property in northern Mongolia.

Under the terms of the agreement Falcon Mining agreed to pay Prophecy US\$30 million with the first US\$3,000,000 due within 14 days of Prophecy receiving both shareholder and Exchange approval. Eight months thereafter an additional payment of US\$7,000,000 was to be made, followed by further US\$10,000,000 within 12 months and finally, three annual payments of US\$3,333,333 totalling US\$10,000,000. Pursuant to the agreement, the shares of Prophecy Mongolia LLC were to be transferred to Falcon Mining following receipt by Prophecy of US\$10,000,000 of the purchase price, but held in escrow, along with other documentation, until such time as the full US\$30,000,000 had been paid.

On July 13, 2009, Prophecy announced that during its annual general meeting held on July 10th, 2009, its shareholders voted over 99% in favour of the Prophecy /Falcon Mining transaction. On July 27, 2009, Prophecy announced that Falcon Mining had given notice that it was unable to meet its financial obligations as outlined in the agreement. As a result of Falcon Mining failing to make the payment when due, Prophecy exercised its right to terminate the agreement.

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

In May 2010, Prophecy entered into a Mine Services Agreement with Leighton Asia Limited for the infrastructure establishment, equipment leasing, and mining operation at the Ulaan Ovoo Property in northern Mongolia and signed an agreement securing the loading of and the capacity to transport 1.5 million tonnes of coal annually through Mongolia's Sukhbaatar Railroad Station (Trans-Mongolian Railway) with the option to increase capacity based on availability.

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

On November 9, 2010, Prophecy received the final permit to commence mining operations at the Ulaan Ovoo Property and an official mine opening ceremony was held on November 20, 2010.

On December 16, 2010, Prophecy received an updated prefeasibility study on the Ulaan Ovoo Property in northern Mongolia, being the Ulaan Ovoo PFS, portions of which are incorporated by reference into this Circular. The focus of this study was for the development of low ash coal reserves in the form of a starter pit.

#### Chandgana Property

On March 29, 2006, Prophecy entered into a letter agreement with Coal Khentiy Ltd., a private Mongolian company, that set out the terms to acquire a 100% interest in the property known as Chandgana Tal. The Chandgana Tal Property, consisting of two mining licenses, is located in the northeast part of the Nyalga coal basin, approximately 290 km east of Ulaan Bataar. Under the terms of the agreement, Prophecy paid a total of US\$400,000, plus 250,000 Prophecy Shares. A finder's fee of 50,000 Prophecy Shares was paid to a third party.

On August 7, 2007, Prophecy entered into a letter agreement with a private Mongolian company, that set out the terms to acquire a 100% interest in the property known as Chandgana Khavtgai. The Chandgana Khavtgai Property consists of one license, and is located in the northwest part of the Nyalga coal basin, approximately 290 km east of Ulaan Bataar, nine kilometres southwest of the Chandgana Tal coal project. Under the terms of the agreement, Prophecy paid a total of US\$570,000.

On September 11, 2007, Prophecy announced an increase of the resource estimate concerning the Chandgana Tal portion of the Chandgana Property, which estimate is outlined in the Chandgana Tal Report.

On October 25, 2007, Prophecy announced an increase of the resource estimate concerning the Chandgana Khavtai portion of the Chandgana Property, which estimate is outlined in the Chandgana Khavtai Report.

In June, 2010, Prophecy completed a 13 drill hole, 2,373 metre resource expansion drilling program on the Chandgana Khavtai portion of the Chandgana Property, including 1,070 metres of core drilling, and five lines of seismic geophysical survey for a total of 7.4 line km. An updated NI 43-101 complaint technical report on the Chandgana Khavtai portion of the Chandgana Property was completed in September 2010, being the Chandgana Khavtai Report, portions of which are incorporated by reference into this Circular.

Prophecy intends to commission a mine feasibility study on Chandgana Tal and is conducting multiple site visits with power plant engineers from multinational companies. Prophecy cautions that discussion of power plants is preliminary and there is no assurance of project feasibility.

Prophecy received a Detailed Environmental Impact Assessment (DEIA) pertaining to the construction of a pit-mouth 600MW coal fired power plant on the Chandgana Property, which DEIA has been approved by the Mongolian Ministry of Nature and the Environment. The DEIA was prepared for Prophecy by an independent Mongolian environmental consulting firm. The DEIA considers social and labour issues, climate and environmental circumstances representative of the proposed power plant. The approved study concluded that there are no major

impediments to the project and provided recommendations on best practices for conservation of the environment and the community.

In February 2011, Prophecy received the full mining license from the Mineral Resources Authority of Mongolia for the Chandgana Tal portion of the Chandgana Property.

#### Lynn Lake Property

On October 20, 2009, PHI entered into an option agreement with Victory Nickel Inc. (“Victory”), pursuant to which PHI was granted the right to earn a 100% interest in the Lynn Lake Property located in northern Manitoba by agreeing to pay Victory an aggregate of \$4,000,000 (\$2,000,000 paid) over a four year period, agreeing to incur exploration expenditures of an aggregate of \$3,000,000 over a three year period on the property, and issuing a total of 2,419,548 Prophecy Shares to Victory. The option agreement also provided Victory with the right to participate in future financings or acquisitions on a pro rata basis so that Victory may maintain its 10% interest in the number of outstanding shares of Prophecy.

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

Pursuant to the Arrangement Agreement, Prophecy will sell all of its right, title and interest in and to the Lynn Lake Property, including those properties acquired from VMS Ventures Inc., to PCNC.

#### Okeover Property

On March 8, 2006, PHI acquired Goldrush Resource Corp.’s (“Goldrush”) option with Eastfield Resource Corp. (“Eastfield”) whereby Goldrush had the right to earn an interest in mineral exploration claims located north of Powell River, in British Columbia known as the Okeover property from Eastfield. PHI earned a 60% interest in the Okeover Property from Eastfield by spending \$1,000,000 in exploration on the Okeover property within four years of the date of the agreement and by making cash and share payments totaling \$110,000. To acquire the option from Goldrush, Prophecy issued to Goldrush 100,000 Prophecy Shares and made a payment of \$10,000.

There was no work carried out on the Okeover Property by Prophecy during 2009 and 2010 and no work is planned during 2011.

#### Titan Property

On January 14, 2010, PHI entered into an option agreement with Randsburg International Gold Corp. (“Randsburg”), pursuant to which PHI was granted the right to earn an 80% interest in the Titan Property located northeast of Sudbury, in Ontario, by agreeing to pay Randsburg an aggregate of \$500,000 (\$200,000 paid) over a year period and by incurring exploration expenditures of \$200,000 by December 31, 2010. The agreement also provides that Randsburg has the option of selling the remaining 20% interest in the property to PHI in exchange for \$150,000 cash or 400,000 Prophecy Shares. The Titan Property is subject to a 3% net smelter return royalty that may be purchased for \$20,000.

In June 2010, Prophecy commenced an exploration program on its Titan Property. The program comprises 22 line kilometres of linecutting covering over 2.7 square km in 100 m intervals that will extend the current surveyed grid west and southwest of the Titan Ti-V-Fe deposit. A ground magnetometer survey will be conducted over this extension to close off a mag anomaly associated with the existing deposit, and to test with broader extensions highlighted in a previous airborne survey. The grid will also provide control for a concurrent geological mapping program that will ascertain any trends and focus on determining the nature of a Pt-Pd horizon intersected in past drilling, and whether there are any expressions of this mineralization at surface.

### Uranium Properties

On June 14, 2005, Prophecy entered into a letter agreement with Maple Minerals Corp. (now known as Mega Uranium Ltd. “**Mega**”) for uranium exploration and target generation in Mongolia. The agreement covered Prophecy’s uranium ground holdings in Mongolia, which were then comprised of 18 granted exploration licenses.

Upon completion of the due diligence review by Mega, a definitive formal option agreement was executed. The formal option agreement granted Mega the exclusive option to earn a 50% interest in Prophecy’s uranium properties through the expenditure of US\$1.5 million over three years, with a minimum of US\$350,000 expended within the first year.

Upon Mega earning a 50% interest, a joint venture was formed with the parties contributing pro-rata. Mega also had the option to increase its interest to 60% by expending a further US\$2 million over the subsequent three years. During the period ended December 31, 2007, Mega completed the expenditure of US\$1.5 million and earned a 50% interest in all the uranium projects. Mega declined to exercise its option to increase its interest to 60% by expending a further US\$2 million. A joint venture was formed with the parties contributing 50-50 funding pro-rata going forward.

On March 4, 2008, a new joint venture LLC was incorporated in Mongolia, named Redhill Mega Uranium LLC. The new LLC was owned 50% by Prophecy and 50% by Mega and all of the uranium licences held by Prophecy in Mongolia were transferred into the new LLC. On September 17, 2009, Prophecy assumed 100% interest in Redhill Mega Uranium LLC as Mega Uranium Ltd formally terminated its interest and transferred its 50% interest in Redhill Mega Uranium LLC back to Prophecy.

### Other Properties

Pursuant to a letter agreement dated November 23, 2009, Prophecy acquired the Thor property, located in Nevada. In consideration for the Thor property, Prophecy agreed to pay the vendor (a private arm’s length company registered in the province of British Columbia) US\$15,000 in cash and 350,000 Prophecy Shares.

Pursuant to an agreement dated September 4, 2009, Prophecy acquired the Red lithium property, located in Clayton Valley, western Nevada. In consideration for a 100% interest in the Red lithium property, Prophecy paid CDN \$150,000 and issued 350,000 Prophecy Shares to the vendor.

Prophecy held a 100% undivided interest in the Banbury property located in British Columbia. On October 30, 2008, Prophecy granted an exclusive option to 0838331 B.C. Ltd. for a three year period ending on October 31, 2011 to acquire an undivided 60% participating interest in the Banbury property by expending an aggregate of \$1,800,000 on the Banbury property and making aggregate cash payments of \$250,000.

Pursuant to the RH Plan of Arrangement, the Thor, Red and Banbury properties were spun out to Elissa Resources Ltd., a reporting issuer.

### Recent Financings

On April 3, 2007, Prophecy completed a private placement raising aggregate gross proceeds of \$6 million through the sale of 7,500,000 units, at a price of \$0.80 per unit. Each unit comprised one Prophecy Share and one half of one Prophecy Warrant, with each whole Prophecy Warrant exercisable for a period of two years at a price of \$1.25 per Prophecy Share, subject to certain forced exercise provisions. A finder’s fee of 7.5% of the proceeds placed was paid on portions of the placement in cash or in Prophecy Warrants. The term of the Prophecy Warrants issued in the placement was extended in February 2009 for a further one year term, expiring on April 3, 2010.

On May 31, 2007, Prophecy completed a private placement raising aggregate gross proceeds of \$2,440,000 through the sale of 2,440,000 units, at a price of \$1.00 per unit. Each unit comprised one Prophecy Share and one half of one Prophecy Warrant, with each whole Prophecy Warrant exercisable for a period of two years at a price of

\$1.25 per Prophecy Share, subject to certain forced exercise provisions. Cash finder's fees were paid on portions of the placement. The term of the Prophecy Warrants issued in the placement was extended in February 2009 for a further one year term, expiring on May 31, 2010.

On July 4, 2008, Prophecy completed a private placement raising aggregate gross proceeds of \$2,632,500 through the sale of 4,050,000 units, at a price of \$0.65 per unit. Each unit comprised one Prophecy Share and one half of one Prophecy Warrant, with each whole Prophecy Warrant exercisable for a period of two years at a price of \$0.90 per Prophecy Share, subject to certain forced exercise provisions. Cash finder's fees were paid on portions of the placement.

On September 1, 2009, Prophecy completed a private placement raising aggregate gross proceeds of \$660,000 through the sale of 1,650,000 units, at a price of \$0.40 per unit. Each unit comprised one Prophecy Share and one half of one Prophecy Warrant, with each whole Prophecy Warrant exercisable for a period of two years at a price of \$0.60 per Prophecy Share. A finder's fee of 7% of the proceeds placed was paid in cash.

On February 17, 2010, Prophecy completed a private placement raising aggregate gross proceeds of \$1,950,000 through the sale of 6,500,000 units, at a price of \$0.30 per unit. Each unit comprised one Prophecy Share and one half of one Prophecy Warrant, with each whole Prophecy Warrant exercisable for a period of two years at a price of \$0.45 per Prophecy Share, subject to certain forced exercise provisions. A finder's fee of 7% of the proceeds placed was paid in cash on a portion of the placement.

On March 31, 2010, Prophecy completed a private placement raising aggregate gross proceeds of \$3,113,945 through the sale of 5,463,158 units at a price of \$0.57 per unit. Each unit comprised one Prophecy Share and one Prophecy Warrant, exercisable at a price of \$0.71 per Prophecy Share for a period of two years, subject to certain accelerated exercise provisions. Finder's fees of 7% of the proceeds placed was payable in cash and 7% of the units placed was payable in Prophecy Warrants.

On April 23, 2010, Prophecy completed a private placement with Victory Nickel Inc. raising aggregate gross proceeds of \$398,545 through the sale of 675,500 units at a price of \$0.59 per unit. Each unit comprised one Prophecy Share and one half of one Prophecy Warrant, with each whole Prophecy Warrant exercisable for a period of two years at a price of \$0.80 per Prophecy Share, subject to certain accelerated exercise provisions. The placement was completed in accordance with the terms of an equity participation agreement between Prophecy and Victory dated October 20, 2009.

On May 28, 2010, Prophecy completed a reciprocal private placement with Victory Nickel Inc. Prophecy subscribed for 36,615,385 common shares of Victory at a price of \$0.104 per share for gross proceeds of \$3,808,000 and in turn, Victory subscribed for 7,000,000 Prophecy Shares at a price of \$0.544 per Prophecy Share for gross proceeds of \$3,808,000. The transaction resulted in Prophecy acquiring a 9.8% interest in Victory and Victory retaining its 9.9% interest in Prophecy.

On October 28, 2010, Prophecy completed a private placement raising aggregate gross proceeds of \$2,030,001 through the sale of 3,851,511 units, at a price of \$0.53 per unit. Each unit comprised one flow through Prophecy Share and one Prophecy Warrant, exercisable for a period of two years at a price of \$0.66 per Prophecy Share for a period of two years. Finder's fees of 5% of the proceeds placed were payable in cash in respect of certain portions of the placement.

On December 24, 2010, Prophecy completed a public offering of 49,475,000 Prophecy Shares for gross proceeds of \$42,053,750. The Prophecy Shares were sold at a price of \$0.85 each. Jacob Securities Inc. and Renaissance Capital (Hong Kong) Ltd. acted as joint lead managers. The public offering was conducted in the provinces of British Columbia, Alberta and Ontario, Canada through Jacob Securities Inc., and Renaissance Capital (Hong Kong) Ltd. acted as special selling agents for the purpose of procuring subscribers in certain jurisdictions outside of Canada. Agent's fees of \$2,523,225 were paid in cash and 1,500,000 Prophecy Warrants were issued, each entitling the holder to acquire one Prophecy Share at a price of \$0.85 per Prophecy Share for a period of 12 months.

### Secured Credit Facility

On September 1, 2010, Prophecy arranged a secured debt facility of up to \$10 million (the “Loan”) with Waterton Global Value, L.P. (“Waterton”). Subject to certain drawdown conditions, the Loan could be drawn down in three tranches as follows: (a) \$2 million on the closing date, which occurred as at September 1, 2010; (b) \$3 million, which occurred as at October 8, 2010; and (c) \$5 million at such time as Prophecy completed an off-take agreement for the Ulaan Ovoo property. The majority of the proceeds of the Loan were used towards the further development of the Ulaan Ovoo Property.

The Loan was due by August 31, 2011 and bore interest at 10% per annum. A structuring fee of \$50,000 was paid and a further fee 1% of the third tranche (if drawn down) is payable in cash. In conjunction with the closing of the Loan, PCNC issued 1,000,000 Prophecy Shares to Waterton which are subject to a four month hold period ending on January 2, 2011.

Macquarie Capital Markets Canada Ltd. acted as financial advisor to Prophecy with respect to the Loan and received a fee of the greater of \$300,000 and 4% of the aggregate value of the Loan drawn, plus applicable taxes. An aggregate of \$300,000 was paid.

The Loan was re-paid in full in January 2011 following completion of the public offering of Prophecy Shares on December 24, 2011, and as a result the credit facility was terminated and all security held by Waterton was returned to Prophecy.

### ***Qualified Persons under NI 43-101***

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

### ***Significant Acquisitions and Dispositions***

The RH Plan of Arrangement represents a “significant acquisition” of a business for Prophecy within the meaning of NI 51-102. As a result, Prophecy is required under NI 51-102 to incorporate by reference in this Circular, certain additional disclosure regarding PHI in the form of a business acquisition report, as such term is defined in NI 51-102. The acquisition of PHI was formally completed on April 16, 2010.

A business acquisition report dated June 28, 2010 was filed in respect of the RH Plan of Arrangement, which report is incorporated by reference herein.

Other than the RH Plan of Arrangement as described above, no other significant acquisitions or significant dispositions have been completed by Prophecy during the last three financial years or are contemplated, with the exception of the Arrangement.

### **Narrative Description of the Business**

#### ***Products and Operations***

Prophecy is a natural resource company engaged in the business of acquisition, exploration and development of coal properties in Mongolia and base and base and precious metals properties located in Canada.

Prophecy’s strategy has been to acquire properties for the purpose of mineral exploration and exploitation. At present, Prophecy is an exploration stage company with no commercially producing properties and consequently has no current operating income cash flow or revenues. There is no assurance that a commercially viable mineral deposit exists on any of Prophecy’s properties.

Prophecy’s objectives are to continue progressing from an exploration company to a coal and nickel producer and to allocate Prophecy’s resources prudently and efficiently for the development of its mineral

properties, to achieve maximum value for Prophecy and its shareholders. Prophecy's principal objective is to advance the Ulaan Ovoo Property through ongoing exploration and progressing towards feasibility studies.

### ***Principal Products***

Prophecy's principal product under exploration is coal. Coal is a natural resource mined in many countries around the world. Coal is broadly classified into two key segments: thermal coal and metallurgical coal. Thermal coal, also referred to as steaming coal, is used in the combustion process to produce steam for generating electricity and heat. Metallurgical coal, also referred to as coking coal, is principally used as a reductant in the blast furnace steel making process. Of all the electricity generated worldwide, about 40% is produced from coal. It is also the principal form of reductant in the metallurgical industries, with over 66% of world steel production dependent on coal.

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

### ***Specialized Skills and Knowledge***

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

### ***Market and Marketing***

Prophecy's principal product under exploration is coal. There is a worldwide coal market into which Prophecy could sell, if and when it reaches production, and, as a result, Prophecy would not be dependent on a particular purchaser with regard to the sale of the coal which it produces. As Prophecy is not yet producing, it does not require a marketing plan or strategy.

Prophecy has entered into an exclusive agreement with Sojitz Corporation of Japan to jointly market thermal coal from the Ulaan Ovoo Property to buyers in China. The agreement also covers Japan and Korea, provided that the coal is sold through the Chinese land border from Mongolia. Sojitz Corp and its Beijing affiliate, China Sojitz (China) Co., Ltd., will assist Prophecy on a best efforts basis in securing letters of intent and/or offtake agreements from potential coal buyers for its thermal coal in advance of mining operations. Sojitz Corp. will also advise Prophecy on the best pricing parameters including volatility concerns as they apply to specific markets. The agreement term is one year which can be mutually extended.

Prophecy entered into entered into a Memorandum of Understanding ("MOU") with JUST Group ("JUST") of Mongolia pursuant to which for a period of 3 years, JUST will purchase a minimum of 1.2 million tonnes of coal per year from Prophecy (subject to production capacity) and re-sell this coal to end users pursuant to back-to-back sales agreements entered into by all relevant parties at a minimum sale price of US\$35 per tonne of coal, subject to quarterly market adjustment. As total consideration for its services in selling Prophecy's coal, JUST would receive a 3% commission of the final coal sales price. The parties agreed to finalize all details in a binding Co-operation Agreement within 30 days of the MOU, which has yet to occur to date, with the result that the MOU is terminated.

### ***Competitive Conditions***

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. Prophecy competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral tenements, claims, leases and other mineral interests for exploration and development projects. As a result of this competition, Prophecy may not be able to acquire attractive

properties in the future on terms it considers acceptable. The abilities of Prophecy to acquire attractive mineral properties in the future depends not only on its success in exploring and developing its current properties, but also on its ability to select, acquire and bring to production suitable properties or prospects for exploration, mining and development. Prophecy also competes with other mining companies for investment capital with which to fund such projects and for the recruitment and retention of qualified employees.

International coal pricing is generally established in US dollars and the competitive positioning between producers can be significantly affected by fluctuations in exchange rates. All steel producers have multiple coal suppliers in order to ensure security of supply. Consolidation among producers in recent years has also impacted the market dynamics. Further, the competitiveness of coal producers is significantly determined by their production costs and transportation costs relative to other producers. Such costs are largely influenced by the location and nature of coal deposits, mining and processing costs, transportation and port costs, currency exchange rates, operating and management skills, and differing taxation systems between countries. Supply into the market is restricted by lack of sufficient infrastructure in railways and ports to keep pace with this increasing demand.

### ***Components***

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

### ***Cycles***

The mining business is subject to mineral price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles. At the present time, the significant demand for minerals in some countries (notably China and India) are driving increased commodity prices, but it is difficult to assess how long such demand may continue. Coal markets are characterized by the sheer size and volume of global trade in steel raw materials. Fluctuations in supply and demand in various regions throughout the world are common.

Prophecy's business is also seasonal, with much of its Canadian exploration expenditures occurring in the first quarter when winter conditions provide best working conditions and property access.

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

### ***Economic Dependence***

Prophecy's business is not substantially dependent on any contract such as a property option agreement or a contract to sell the major part of its products or services or to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends. It is not expected that Prophecy's business will be affected in the current financial year by the renegotiation or termination of contracts or sub-contracts.

### ***Environmental Conditions***

All aspects of Prophecy's field operations will be subject to environmental regulations and generally will require approval by appropriate regulatory authorities prior to commencement. Any failure to comply could result in fines and penalties. With all projects at the exploration stage, the financial and operational impact of environmental protection requirements is minimal. Should any projects advance to the production stage, then more time and money would be involved in satisfying environmental protection requirements.

The Lynn Lake Property, acquired from Victory Nickel Inc., is a former operating mine, however indemnifications exist from the Manitoba Government with respect to any pre-existing environmental concerns at that property.

The Wellgreen Property, acquired through the acquisition of Northern may be subject to certain historical liabilities, as described above at "*Information Concerning the Significant Assets – Wellgreen Property – Environmental Liabilities*".

### ***Employees***

As of December 31, 2009, Prophecy had the following number of employees and contractors:

<b>Location</b>	<b>Employees</b>	<b>Contractors</b>
Canada	3	1
Mongolia	6	2

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

### ***Foreign Operations***

Prophecy currently holds an interest in certain exploration stage mineral resource properties located in Mongolia and, as such, Prophecy's business is exposed to various degrees of political, economic and other risks and uncertainties. Prophecy's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of government orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on mineral exports, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation. See "*Risk Factors – Risks Relating to Prophecy*".

### ***Lending***

Prophecy does not currently hold any investments, other than 36,615,385 common shares of Victory Nickel Inc. acquired in a reciprocal private placement, or owe any material long term liabilities. Prophecy has not adopted any specific policies or restrictions regarding investments or lending, but will ensure any investment or debt activities incurred are in the best interests of Prophecy and its securityholders. Prophecy expects that in the immediate future in order to maintain and develop its mineral properties, it will need to raise additional capital through a combination of debt and equity.

### ***Bankruptcy and Similar Procedures***

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

### ***Reorganization***

Other than the RH Plan of Arrangement, as described above, Prophecy has not completed any reorganizations in its last three financial years.

### ***Social or Environmental Policies***

Prophecy has not adopted any specific social or environmental policies that are fundamental to its operations (such as policies regarding its relationship with the environment, with the communities in the vicinity of its mineral exploration projects or human rights policies). However, Prophecy's management, with the assistance of its contractors and advisors, ensures its ongoing compliance with local environmental laws in the jurisdictions in which it does business.

Prophecy is committed to continually improving the lives of those who work for, partner with and host Prophecy in their communities. Prophecy's goal is to work with community stakeholders to make positive contributions to local economic development. Prophecy places a priority on hiring local workers and assisting in supporting local community development projects, where it can. In Mongolia, Prophecy sponsors a children's charity.

### **Material Mineral Projects**

Prophecy's material mineral properties are (1) the Ulaan Ovoo Property, (2) the Chandgana Property, comprised of Chandgana Tal and Chandgana Khavtai located in Mongolia, (3) the Lynn Lake Property located in Manitoba, and (4) the Wellgreen Property located in the Yukon Territory. The Lynn Lake Property and the Wellgreen Property form part of the Nickel Assets being sold to PCNC pursuant to the Acquisition. The remaining mineral properties of Prophecy are not material for the purposes of this Circular. Prophecy's portfolio of properties also includes the Okeover copper property located in British Columbia and the Titan vanadium property located in Ontario.

A pre-feasibility study on the Ulaan Ovoo Property has been prepared by Wardrop Engineering Inc. dated December 13, 2010. The Ulaan Ovoo PFS is available on SEDAR at [www.sedar.com](http://www.sedar.com) and portions thereof, as set forth in "*Documents Incorporated by Reference*" above and forming part of Prophecy's short form prospectus dated December 21, 2010, are incorporated by reference herein to this Circular.

A technical report on the Chandgana Khavtai portion of the Chandgana Property has been prepared by Kravits Geological Services, LLC dated September 28, 2010. The Chandgana Khavtai Report is available on SEDAR at [www.sedar.com](http://www.sedar.com) and portions thereof, as set forth in "*Documents Incorporated by Reference*" above and forming part of Prophecy's short form prospectus dated December 21, 2010, are incorporated by reference herein to this Circular.

### **Dividends**

Prophecy has not declared or paid any dividends on the Prophecy Shares since its incorporation and will not pay any prior to completion of the Arrangement.

### **Selected Consolidated Financial Information and Management's Discussion and Analysis**

The following table sets out certain selected consolidated financial information of Prophecy for the periods indicated.

**Annual Data**

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Total Expenses	\$4,659,338	\$1,796,495	\$1,718,329	\$3,393,888
Net Income (Loss)	(\$5,771,841)	(\$1,903,285)	(\$2,399,918)	(\$3,297,695)
Per Share – Basic and Diluted	(\$0.06)	(\$0.04)	(\$0.05)	(\$0.08)
Total Assets	\$117,512,358	\$16,160,608	\$16,617,783	\$16,143,319
Long Term Liabilities	\$8,606,656	Nil	Nil	Nil
Working Capital (Deficit)	\$35,811,690	\$90,135	\$1,329,294	\$799,736
Weighted average Common Shares issued and outstanding (end of period)	100,639,942	52,173,846	49,451,668	43,310,373

**Quarterly Data**

	Fourth Quarter ended December 31, 2010	Third Quarter ended September 30, 2010	Second Quarter ended June 30, 2010	First Quarter ended March 31, 2010	Fourth Quarter ended December 31, 2009	Third Quarter ended September 30, 2009	Second Quarter Ended June 30, 2009	First Quarter Ended March 31, 2009
Total Expenses	\$457,494	\$2,132,058	\$1,646,450	\$423,336	(\$22,341)	\$181,571	\$286,783	\$1,376,319
Net Income (Loss)	(\$1,529,233)	(\$2,175,360)	(\$1,644,344)	(\$422,904)	(\$351,989)	\$120,868	(\$288,378)	(\$1,383,786)
Per Share – basic and diluted	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.02)

**Management's Discussion and Analysis**

MD&A of financial condition and results of operations should be read in conjunction with Prophecy's annual financial statements and notes thereto for the years ended December 31, 2010 and December 31, 2009, which are incorporated by reference herein and which are available on SEDAR at [www.sedar.com](http://www.sedar.com). Prophecy's MD&A for the year ended December 31, 2010 is also incorporated by reference herein and available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Trends and Business Risks**

Prophecy has and may continue to have capital requirements in excess of its currently available resources. If Prophecy's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, Prophecy may be required to seek additional financing. There can be no assurance that Prophecy will find sufficient financing to meet its future capital

requirements or that additional financing will be available on terms acceptable to Prophecy in the future. Prophecy has not had a history of operations or earnings and the overall success of Prophecy will be affected by its current or future business activities. Prophecy is now in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The continued operations of Prophecy and the recoverability of the expenditures incurred to earn an interest in these mineral properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the mineral properties. Please see also “*Risk Factors*” above.

### Description of the Securities

The authorized capital of Prophecy consists of an unlimited number of Prophecy Shares without par value. As at the Record Date, there are 189,973,664 Prophecy Shares issued and outstanding. The holders of the Prophecy Shares are entitled to vote at all meetings of shareholders of Prophecy Shares, to receive dividends if, as and when declared by the directors and to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of Prophecy. The Prophecy Shares carry no pre-emptive rights, conversion or exchange rights, redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring the holder of Prophecy Shares to contribute additional capital and no restrictions on the issuance of additional securities by Prophecy. There are no restrictions on the repurchase or redemption of Prophecy Shares by Prophecy except to the extent that any such repurchase or redemption would render Prophecy insolvent pursuant to the BCBCA.

Prophecy also has outstanding, as of the date hereof, Prophecy Options to purchase up to 22,181,350 Prophecy Shares with each Prophecy Option exercisable to purchase one Prophecy Share at exercise prices ranging from \$0.25 to \$1.07 and having expiry dates ranging from January 23, 2014 to March 2, 2016 in accordance with the terms of the certificates representing such Prophecy Options.

Prophecy also has outstanding, as of the date hereof, Prophecy Warrants to purchase up to 24,894,238 Prophecy Shares with each Prophecy Warrant exercisable to purchase one Prophecy Share at exercise prices ranging from \$0.10 to \$0.85 and having expiry dates ranging from June 5, 2011 to October 28, 2012 in accordance with the terms of the certificates representing such Prophecy Warrants.

Prophecy also has outstanding, as of the date hereof, Prophecy Broker Warrants to purchase up to 180,000 units of Prophecy at price ranging from \$0.40 to \$0.46 per unit and having expiry dates ranging from June 5, 2011 to December 31, 2011, each unit comprising one Prophecy Share and one half of one Prophecy Warrant exercisable to purchase one Prophecy Share at exercise prices ranging from \$0.60 to \$0.70 and also having expiry dates ranging from June 5, 2011 to December 31, 2011 in accordance with the terms of the certificates representing such Prophecy Broker Warrants.

### Consolidated Capitalization

The following table sets forth the consolidated capitalization of Prophecy as at the Record Date:

	<b>Authorized</b>	<b>Outstanding as at dated of this Circular</b>	<b>Outstanding as at December 31, 2010</b>	<b>Outstanding as at December 31, 2009</b>	<b>Outstanding as at December 31, 2008</b>
Prophecy Shares <sup>(1)</sup>	Unlimited	189,973,664	184,981,199	53,859,873	51,509,874
Prophecy Options <sup>(2)</sup>	19,334,595 <sup>(3)</sup>	22,181,350	23,027,100	3,980,000	3,720,000
Prophecy Warrants <sup>(4)</sup>	N/A	24,894,238	29,501,121	7,815,000	6,990,000

<b>Authorized</b>	<b>Outstanding as at dated of this Circular</b>	<b>Outstanding as at December 31, 2010</b>	<b>Outstanding as at December 31, 2009</b>	<b>Outstanding as at December 31, 2008</b>
Prophecy Brokers Warrants <sup>(5)</sup>	180,000	N/A <sup>(6)</sup>	Nil	Nil

(1) As at December 31, 2010, Prophecy had a deficit of (\$28,752,790).

(2) The Prophecy Options have exercise prices ranging from \$0.25 to \$1.07 and expire on dates between January 23, 2014 and March 2, 2016.

(3) The number of stock options Prophecy may grant is limited by the terms of the Prophecy Plan and the policies of the Exchange. See “*Information Concerning Prophecy – Stock Option Plan*”

(4) The Prophecy Warrants have exercise prices ranging from \$0.10 to \$0.85 and expire on dates ranging from June 5, 2011 to October 28, 2012.

(5) The Prophecy Brokers Warrants have an exercise prices ranging from of \$0.40 to \$0.46 per unit entitling the holder to acquire one Prophecy Share and one half of one Prophecy Warrant until dates ranging from June 5, 2011 to December 31, 2011.

(6) The Prophecy Brokers Warrants were included in the calculation of Prophecy Warrants on the financial statements.

Prophecy has no loan capital outstanding.

### **Stock Option Plan**

As of the Record Date, Prophecy has 22,181,350 Prophecy Options outstanding at exercise prices ranging from \$0.25 to \$1.07 and having expiry dates ranging from January 23, 2014 to March 2, 2016 in accordance with the terms of the certificates representing such Prophecy Options.

The Prophecy Board has adopted a fixed stock option plan. The purpose of the Prophecy Plan is to allow Prophecy to grant options to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of Prophecy. The granting of such options is intended to align the interests of such persons with that of the Prophecy Shareholders. Prophecy Options will be exercisable over periods of up to 10 years as determined by the Prophecy Board and are required to have an exercise price no less than the Discounted Market Price (as defined in the Exchange Policy). However, it is the practice of Prophecy to set exercise prices of options equal to or greater than the Market Price (as defined by Exchange Policies based on the closing market price of the Prophecy Shares prevailing on the day that the option is granted). Pursuant to the Prophecy Plan, the Prophecy Board may from time to time authorize the issue of options to directors, officers, employees and consultants of Prophecy or employees of companies providing management or consulting services to Prophecy. The maximum number of Prophecy Shares which may be issued pursuant to options granted under the Prophecy Plan is 19,334,595 Prophecy Shares.

In addition, the number of Prophecy Shares which may be reserved for issuance:

(a) to all optionees under the Prophecy Plan in aggregate shall not exceed 20%;

(b) to all Insiders as a group may not exceed 20%; and

(c) to any one individual may not exceed:

(i) 5% of the issued Prophecy Shares on a yearly basis;

(ii) an aggregate of 2% of the issued Prophecy Shares on a yearly basis if the optionees are engaged in investor relations activities; and

(iii) 2% of the issued Prophecy Shares to any one consultant.

Any options granted under the Prophecy Plan vest on the date of grant unless determined otherwise by the Prophecy Board, except for investor relations options. The Prophecy Plan provides that if a change of control, as defined therein, occurs, all shares subject to option shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

Prophecy proposes to amend the Prophecy Plan to increase the maximum number of Prophecy Shares which may be issued pursuant to options granted under the Prophecy Plan to 37,916,653, being 20% of Prophecy's outstanding shares at the date of shareholder approval. The purpose of the stock option plan is to attract, retain and motivate those persons and to closely align their personal interest with that of Prophecy and its shareholders. Please see "*Business of the Prophecy Meeting – Stock Option Plan*" for more information.

### Outstanding Options

The following table shows the number of Prophecy Options currently issued and outstanding as at the Record Date.

Group (Number of Persons in Group) (current and former)	Securities Under Options Granted (#)	Exercise or Base Price (\$/Security)	Market Value of Underlying Security as of date of grant <sup>(1)</sup>	Expiration Date
Directors (who are not officers) (4)	938,400	\$0.40	\$0.37	January 23, 2014
(1)	125,000	\$0.60 <sup>(3)</sup>	\$0.47	July 17, 2014
(1)	300,000	\$0.25 <sup>(4)</sup>	\$0.35	October 29, 2014
(1)	75,000	\$0.80 <sup>(3)</sup>	\$0.72	April 30, 2014
(4)	325,000	\$0.67	\$0.67	May 10, 2015
(5)	275,000	\$0.54	\$0.52	September 21, 2015
(6)	630,000	\$0.93	\$0.91	December 24, 2015
Officers (1)	73,600	\$0.40	\$0.37	January 23, 2014
(2)	600,000	\$0.25 <sup>(3)</sup>	\$0.35	October 29, 2014
(1)	350,000	\$0.67	\$0.67	May 10, 2015
(1)	125,000	\$0.54	\$0.52	September 21, 2015
(2)	1,100,000	\$0.93	\$0.91	December 24, 2015
(1)	100,000	\$1.07	\$1.07	March 2, 2016
Employees (3)	203,000	\$0.40	\$0.37	January 23, 2014
(3)	170,000	\$0.67	\$0.67	May 10, 2015
(3)	125,000	\$0.54	\$0.52	September 21, 2015
(7)	580,000	\$0.93	\$0.91	December 24, 2015
(1)	30,000	\$0.98	\$0.98	February 14, 2106
Consultants (2)	142,600	\$0.40	\$0.37	January 23, 2014
(7)	400,000	\$0.80 <sup>(2)</sup>	\$0.72	April 30, 2014
(3)	425,000	\$0.60 <sup>(2)</sup>	\$0.47	July 17, 2014
(2)	100,000	\$0.60 <sup>(2)</sup>	\$0.40	September 21, 2014

Group (Number of Persons in Group) (current and former)	Securities Under Options Granted (#)	Exercise or Base Price (\$/Security)	Market Value of Underlying Security as of date of grant <sup>(1)</sup>	Expiration Date
(5)	325,000	\$0.25 <sup>(3)</sup>	\$0.35	October 29, 2014
(1)	200,000	\$0.38 <sup>(3)</sup>	\$0.37	November 30, 2014
(3)	381,250	\$0.40 <sup>(3)</sup>	\$0.35	January 29, 2015
(1)	350,000	\$0.55 <sup>(3)</sup>	\$0.40	March 11, 2015
(18)	1,122,500	\$0.67	\$0.67	May 10, 2015
(5)	475,000	\$0.54	\$0.52	September 21, 2015
(2)	100,000	\$0.80	\$0.50	September 23, 2015
(2)	175,000	\$0.67	\$0.66	October 15, 2015
(4)	9,000,000	\$0.77	\$0.98	December 10, 2015
(2)	2,000,000	\$0.77	\$0.91	December 24, 2015
(7)	690,000	\$0.93	\$0.91	December 24, 2015
(1)	120,000	\$0.80	\$1.01	January 4, 2016
(1)	50,000	\$0.93	\$1.10	January 6, 2016

- (1) Based on the closing price of the Prophecy Shares on the Exchange on the date of grant of the particular options.
- (2) Historical options of PHI giving effect to the terms of the RH Plan of Arrangement. Trading data for PHI is not available and market price shown reflects the trading price of the Prophecy Shares on such date.
- (3) Historical options of Northern giving effect to the plan of arrangement with Northern. Trading data for Northern is not available and market price shown reflects the trading price of the Prophecy Shares on such date.

### Prior Sales

During the 12 month period preceding the date of this Circular, Prophecy issued the following securities:

Date	Type of Transaction	Number and Type of Securities <sup>(1)(2)</sup>	Price	Proceeds
March 31, 2010	Private Placement	5,026,130 Prophecy Shares and 5,026,130 Prophecy Warrants <sup>(3)</sup>	\$0.619 per Unit	\$3,114,000.00
April 16, 2010	Plan of Arrangement	36,178,285 Prophecy Shares, 3,387,500 Prophecy Options and 11,326,109 Prophecy Warrants <sup>(4)</sup>	N/A	N/A
April 23, 2010	Private Placement	675,500 Prophecy Shares and 337,750 Prophecy Warrants <sup>(5)</sup>	\$0.59 per Unit	\$398,545.00
April 27, 2010	Exercise of Prophecy Options	150,000 Prophecy Shares	\$0.25	\$37,500
April 30, 2010	Property Acquisition	2,000,000 Prophecy Shares	\$0.45 <sup>(6)</sup>	Nil
April 30, 2010	Exercise of Prophecy Options	100,000 Prophecy Shares	\$0.25	\$25,000.00
May 10, 2010	Grant of Prophecy Options	2,430,000 Prophecy Options <sup>(7)</sup>	N/A	N/A
May 19, 2010	Exercise of Prophecy Warrants	250,000 Prophecy Shares	\$0.10	\$25,000.00

<b>Date</b>	<b>Type of Transaction</b>	<b>Number and Type of Securities <sup>(1)(2)</sup></b>	<b>Price</b>	<b>Proceeds</b>
May 28, 2010	Private Placement	7,000,000 Prophecy Shares	\$0.544	\$3,808,000.00
June 7, 2010	Exercise of Prophecy Warrants	25,000 Prophecy Shares	\$0.40	\$10,000.00
June 14, 2010	Exercise of Prophecy Options	50,000 Prophecy Shares	\$0.25	\$12,500.00
June 21, 2010	Exercise of Prophecy Warrants	10,000 Prophecy Shares	\$0.40	\$10,000.00
June 25, 2010	Exercise of Prophecy Options	50,000 Prophecy Shares	\$0.25	\$12,500.00
July 16, 2010	Exercise of Prophecy Options	253,000 Prophecy Shares	\$0.40	\$101,200.00
August 26, 2010	Exercise of stock options	200,000 Prophecy Shares	\$0.40	\$80,000.00
September 1, 2010	Loan bonus shares	1,000,000 Prophecy Shares	\$0.50 <sup>(4)</sup>	Nil
September 21, 2010	Grant of stock options	1,000,000 Prophecy Options <sup>(8)</sup>	N/A	N/A
September 23, 2010	Plan of Arrangement	13,874,819 Prophecy Shares, 1,335,000 Prophecy Options, 5,007,913 Prophecy Warrants and 343,700 Prophecy Broker's Warrants <sup>(9)</sup>	N/A	N/A
September 23, 2010	Finder's fee	295,996 Prophecy Shares	\$0.45 <sup>(4)</sup>	Nil
September 23, 2010	Grant of stock options	100,000 Prophecy Options <sup>(10)</sup>	N/A	N/A
October 1, 2010	Grant of stock options	250,000 Prophecy Options <sup>(11)</sup>	N/A	N/A
October 8, 2010	Property acquisitions	3,560,000 Prophecy Shares and 712,000 Prophecy Warrants <sup>(12)</sup>	\$0.59 <sup>(4)</sup>	Nil
October 8, 2010	Finder's fee	200,000 Prophecy Shares	\$0.59 <sup>(4)</sup>	Nil
October 15, 2010	Grant of stock options	175,000 Prophecy Options <sup>(13)</sup>	N/A	N/A
October 19, 2010	Exercise of warrants	92,000 Prophecy Shares	\$0.49	\$45,080.00
October 28, 2010	Exercise of stock options	158,700 Prophecy Shares	\$0.40	\$63,480.00
October 28, 2010	Exercise of warrants	55,000 Prophecy Shares	\$0.55	\$30,250.00
October 28, 2010	Exercise of warrants	46,000 Prophecy Shares	\$0.49	\$22,540.00
October 28, 2010	Exercise of broker's warrants	93,700 Prophecy Shares	\$0.80	\$74,960.00
October 28, 2010	Exercise of warrants	375,000 Prophecy Shares	\$0.40	\$150,000
October 28, 2010	Private Placement	3,831,511 Prophecy Shares and 3,831,511 Prophecy Warrants <sup>(14)</sup>	\$0.53	\$2,030,700.00
November 9, 2010	Exercise of stock options	25,000 Prophecy Shares	\$0.25	\$6,250.00
November 9, 2010	Exercise of warrants	276,000 Prophecy Shares	\$0.49	\$135,240.00
November 9, 2010	Exercise of warrants	303,100 Prophecy Shares	\$0.60	\$181,860.00
November 9, 2010	Exercise of warrants	30,000 Prophecy Shares	\$0.40	\$12,000.00
November 15, 2010	Exercise of warrants	150,000 Prophecy Shares	\$0.60	\$90,000.00

<b>Date</b>	<b>Type of Transaction</b>	<b>Number and Type of Securities <sup>(1)(2)</sup></b>	<b>Price</b>	<b>Proceeds</b>
November 15, 2010	Exercise of warrants	102,580 Prophecy Shares	\$0.49	\$50,264.20
November 17, 2010	Exercise of stock options	250,000 Prophecy Shares	\$0.67	\$167,500.00
November 19, 2010	Exercise of stock options	100,000 Prophecy Shares	\$0.60	\$60,000.00
November 19, 2010	Exercise of stock options	500,000 Prophecy Shares	\$0.40	\$200,000.00
November 19, 2010	Exercise of stock options	150,000 Prophecy Shares	\$0.25	\$37,500.00
November 19, 2010	Exercise of warrants	267,400 Prophecy Shares	\$0.80	\$213,920.00
November 19, 2010	Exercise of warrants	6,000 Prophecy Shares	\$0.80	\$4,800.00
November 26, 2010	Exercise of warrants	15,000 Prophecy Shares	\$0.50	\$7,500.00
November 26, 2010	Exercise of warrants	866,666 Prophecy Shares	\$0.40	\$346,666.40
November 26, 2010	Exercise of warrants	55,200 Prophecy Shares	\$0.49	\$27,048.00
November 30, 2010	Exercise of warrants	9,250 Prophecy Shares	\$0.80	\$7,400.00
December 2, 2010	Exercise of warrants	80,000 Prophecy Shares	\$0.40	\$32,000.00
December 2, 2010	Exercise of warrants	279,500 Prophecy Shares	\$0.60	\$167,700.00
December 5, 2010	Exercise of warrants	165,000 Prophecy Shares	\$0.40	\$66,000.00
December 6, 2010	Exercise of warrants	170,500 Prophecy Shares	\$0.60	\$102,300.00
December 8, 2010	Exercise of stock options	623,300 Prophecy Shares	\$0.40	\$249,320.00
December 10, 2010	Grant of stock options	9,000,000 Prophecy Options <sup>(15)</sup>	N/A	N/A
December 24, 2010	Prospectus Offering	49,475,000 Prophecy Shares	\$0.85	\$42,053,750.00
December 24, 2010	Issuance of Agent's Warrants and grant of warrants	1,800,000 Prophecy Warrants <sup>(16)</sup>	N/A	N/A
December 24, 2010	Grant of stock options	2,000,000 Prophecy Options <sup>(17)</sup>	N/A	N/A
December 24, 2011	Grant of stock options	3,000,000 Prophecy Options <sup>(18)</sup>	N/A	N/A
January 4, 2011	Grant of stock options	120,000 Prophecy Options <sup>(19)</sup>	N/A	N/A
January 6, 2011	Grant of stock options	50,000 Prophecy Options <sup>(20)</sup>	N/A	N/A
January 11, 2011	Exercise of warrants	505,000 Prophecy Shares	\$0.40	\$202,000.00
January 11, 2011	Exercise of warrants	59,800 Prophecy Shares	\$0.49	\$29,302.00
January 12, 2011	Exercise of warrants	22,500 Prophecy Shares	\$0.80	\$18,000.00
January 13, 2011	Exercise of warrants	10,000 Prophecy Shares	\$0.80	\$8,000.00
January 17, 2011	Exercise of warrants	213,250 Prophecy Shares	\$0.40	\$85,300.00
January 17, 2011	Exercise of warrants	1,686,783 Prophecy Shares	\$0.50	\$843,391.50
January 17, 2011	Exercise of warrants	345,000 Prophecy Shares	\$0.65	\$224,250.00
January 17, 2011	Exercise of warrants	368,000 Prophecy Shares	\$0.49	\$180,320.00
January 17, 2011	Exercise of warrants	50,000 Prophecy Shares	\$0.60	\$30,000.00

<b>Date</b>	<b>Type of Transaction</b>	<b>Number and Type of Securities <sup>(1)(2)</sup></b>	<b>Price</b>	<b>Proceeds</b>
January 17, 2011	Exercise of stock options	50,000 Prophecy Shares	\$0.60	\$30,000.00
January 17, 2011	Exercise of warrants	8,150 Prophecy Shares	\$0.80	\$6,520.00
January 25, 2011	Exercise of warrants	62,500 Prophecy Shares	\$0.60	\$37,500.00
January 25, 2011	Exercise of warrants	375,135 Prophecy Shares	\$0.40	\$150,054.00
January 25, 2011	Exercise of stock options	286,600 Prophecy Shares	\$0.40	\$114,640.00
January 25, 2011	Exercise of stock options	12,500 Prophecy Shares	\$0.67	\$8,375.00
January 25, 2011	Exercise of stock options	12,500 Prophecy Shares	\$0.25	\$3,125.00
January 25, 2011	Exercise of warrants	25,000 Prophecy Shares	\$0.80	\$20,000.00
February 2, 2011	Exercise of warrants	132,500 Prophecy Shares	\$0.60	\$79,500.00
February 2, 2011	Exercise of warrants	82,800 Prophecy Shares	\$0.49	\$40,572.00
February 2, 2011	Exercise of warrants	25,000 Prophecy Shares	\$0.50	\$12,500.00
February 2, 2011	Exercise of stock options	31,250 Prophecy Shares	\$0.54	\$16,875.00
February 2, 2011	Exercise of stock options	50,000 Prophecy Shares	\$0.40	\$20,000.00
February 14, 2011	Exercise of warrants	50,000 Prophecy Shares	\$0.80	\$40,000.00
February 14, 2011	Exercise of warrants	13,800 Prophecy Shares	\$0.49	\$6,762.00
February 14, 2011	Exercise of warrants	27,500 Prophecy Shares	\$0.46	\$12,650.00
February 14, 2011	Grant of stock options	30,000 Prophecy Options <sup>(21)</sup>	N/A	N/A
February 25, 2011	Exercise of warrants	21,250 Prophecy Shares	\$0.60	\$12,750.00
February 25, 2011	Exercise of warrants	13,750 Prophecy Shares	\$0.70	\$9,625.00
February 25, 2011	Exercise of warrants	11,500 Prophecy Shares	\$0.49	\$5,635.00
March 2, 2011	Exercise of options	50,000 Prophecy Shares	\$0.25	\$12,500.00
March 2, 2011	Grant of stock options	100,000 Prophecy Options <sup>(22)</sup>	N/A	N/A
March 9, 2011	Exercise of options	25,000 Prophecy Shares	\$0.80	\$20,000.00
March 9, 2011	Exercise of warrants	22,727 Prophecy Shares	\$0.80	\$18,181.60
March 15, 2011	Exercise of warrants	23,000 Prophecy Shares	\$0.49	\$11,270.00
March 15, 2011	Exercise of warrants	12,500 Prophecy Shares	\$0.60	\$7,500.00
March 23, 2011	Exercise of warrants	20 Prophecy Shares	\$0.80	\$16.00
March 30, 2011	Exercise of warrants	3,000 Prophecy Shares	\$0.80	\$2,400.00
March 31, 2011	Exercise of options	281,750 Prophecy Shares	\$0.40	\$87,500.00
March 31, 2011	Exercise of warrants	35,000 Prophecy Shares	\$0.60	\$21,000.00
April 19, 2011	Exercise of options	25,400 Prophecy Shares	\$0.40	\$10,160.00

(1) All underlying securities issued are Prophecy Shares.

(2) All issuance of securities occurring prior to April 16, 2010 are adjusted as a result of the completion of the RH Plan of Arrangement.

(3) Exercisable at \$0.772 per Prophecy Share until March 31, 2012.

- (4) On April 16, 2010, Prophecy completed the RH Plan of Arrangement. The then issued and outstanding shares of Prophecy were consolidated on the basis of 0.92 of a Prophecy Share for each old common share held and the securities noted were issued. The Prophecy Options and Prophecy Warrants issuable had exercise prices ranging from \$0.10 to \$1.03 and expired on dates ranging from December 31, 2011 to March 24, 2015.
- (5) Exercisable at \$0.80 per Prophecy Share until April 23, 2012.
- (6) Deemed Price
- (7) Exercisable at \$0.67 per Prophecy Share until May 10, 2015.
- (8) Exercisable at \$0.54 per Prophecy Share until September 21, 2015
- (9) .On September 23, 2010, Prophecy completed the plan of arrangement involving Prophecy and Northern. Each issued and outstanding shares of Northern was exchanged for 0.50 of Prophecy Share and the securities noted were issued. The options and warrants issuable have exercise prices ranging from \$0.40 to \$0.80 and expired on dates ranging from September 30, 2010 to April 30, 2014.
- (10) Exercisable at \$0.80 per Prophecy Share until September 23, 2015.
- (11) Exercisable at \$0.54 per Prophecy Share until October 1, 2015.
- (12) Exercisable at \$0.80 per Prophecy Share until April 8, 2012.
- (13) Exercisable at \$0.67 per Prophecy Share until October 15, 2015.
- (14) Exercisable at \$0.66 per Prophecy Share until October 28, 2012.
- (15) Exercisable at \$0.77 per Prophecy Share until December 10, 2015.
- (16) Exercisable at \$0.85 per Prophecy Share until December 24, 2011.
- (17) Exercisable at \$0.77 per Prophecy Share until December 24, 2015.
- (18) Exercisable at \$0.93 per Prophecy Share until December 24, 2015.
- (19) Exercisable at \$0.80 per Prophecy Share until January 4, 2016.
- (20) Exercisable at \$0.93 per Prophecy Share until January 6, 2016.
- (21) Exercisable at \$0.98 per Prophecy Share until February 14, 2016.
- (22) Exercisable at \$1.07 per Prophecy Share until March 2, 2016.

### Stock Exchange Price

The Prophecy Shares are currently listed and posted for trading on the Exchange under the symbol "PCY". The following table shows the high, low and closing prices and average trading volume of the Prophecy Shares on the Exchange on a monthly basis for each of the twelve months preceding this Circular.

Month	High	Low	Close	Average Volume
April 2011 <sup>(1)</sup>	\$0.99	\$0.84	\$0.85	432,400
March 2011	\$1.12	\$0.87	\$0.98	539,500
February 2011	\$1.11	\$0.88	\$1.05	735,600
January 2011	\$1.17	\$0.91	\$0.95	1,078,700
December 2010	\$1.10	\$0.86	\$1.00	916,800
November 2010	\$1.27	\$0.75	\$1.01	1,616,200
October 2010	\$0.81	\$0.47	\$0.77	1,196,300
September 2010	\$0.60	\$0.42	\$0.46	731,200
August 2010	\$0.57	\$0.45	\$0.49	410,400
July 2010	\$0.57	\$0.45	\$0.49	188,300
June 2010	\$0.72	\$0.48	\$0.49	274,300

Month	High	Low	Close	Average Volume
May 2010	\$0.75	\$0.56	\$0.59	273,400
April 2010 <sup>(2)</sup>	\$0.99	\$0.55	\$0.72	405,600
March 2010	\$0.39	\$0.34	\$0.385	210,400

- (1) Up to and including the Record Date.
- (2) On April 16, 2010, Prophecy completed the RH Plan of Arrangement resulting in the acquisition of PHI. In connection with the RH Plan of Arrangement, Prophecy changed its symbol to PCY.V, being the historical symbol of PHI. All trading data prior to this date pertains to Prophecy prior to the completion of the RH Plan of Arrangement.

The closing price of the Prophecy Shares on the Exchange on January 17, 2011, being the last trading day before the announcement of the Arrangement, was \$0.97.

### Escrowed Securities

There are no Prophecy Shares held in escrow.

### Principal Shareholders

To the knowledge of the directors and executive officers of Prophecy, no persons beneficially own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to all outstanding Prophecy Shares, as of the date hereof.

### Directors and Officers

The directors of Prophecy include its President, Chairman and Chief Executive Officer, John Lee, Paul McKenzie, Paul Venter, Michael Deats, Greg Hall and John McGoran. Irina Plavutska acts as its interim Chief Financial Officer. Joseph Li acts as its Corporate Secretary.

The following table sets out the names of directors and officers, the positions and offices which they presently hold with Prophecy, their respective principal occupations within the five preceding years and the number of shares of Prophecy which each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the Record Date:

Name, Jurisdiction of Residence, Proposed Offices	Principal Occupation During Last Five Years <sup>(4)</sup>	Director/Officer Since	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(5)</sup>
John Lee, Taipei Taiwan, President, CEO, Co-Chairman and Director <sup>(2)(3)</sup>	President, Mau Capital Management LLC (private investor relations firm) from 2004 to present, President and CEO of Prophecy from October 2009 to Present	April 12, 2010	9,597,970 <sup>(6)</sup>

Name, Jurisdiction of Residence, Proposed Offices	Principal Occupation During Last Five Years <sup>(4)</sup>	Director/Officer Since	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(5)</sup>
Paul McKenzie, Vancouver, B.C., Director <sup>(1),(2)(3)</sup>	Director of Prophecy Resource Corp. from June 2004 to present; Manager of Prophecy Resource Corp. from March 2000 to present, Public Relations Officer and Director of International Enexco Ltd. from February 2006 to present and Self Employed Property Broker from August 1996 to present	January 29, 2008	146,060 <sup>(7)</sup>
D. Greg Hall, West Vancouver, B.C., Director <sup>(1)(2)(3)</sup>	Self-employed businessman; Chairman and Director Ivory Energy Inc., (junior oil and gas issuer listed on the TSX-V Exchange) June 2006 to March 2009; Chairman and director, 1078352 Alberta Ltd., November, 2003 to June 2006; former Executive Vice-President, Leede Financial Markets Inc. (investment brokerage house), February 2004 to February, 2005; Secretary and Director, Makevco Consulting Inc. (private consulting company), March 2000 to present	April 12, 2010	1,192,000 <sup>(8)</sup>
Paul Venter, Kent, England, Director and VP Energy Operations <sup>(1)</sup>	Independent Consultant to Prophecy from December 2009 to Present, Director of the Energy Galway Ltd. from November 2008 to November 2009; Managing Director of EN+ Group from August 2006 to October 2008	April 18, 2010	Nil <sup>(9)</sup>
Michael Deats, Gauteng, South Africa, Director	Self Employed Geological Consultant from March 2000 to Present	December 7, 2010	Nil <sup>(10)</sup>
John McGoran, Vancouver, B.C., Director	President of J.P. McGoran & Associates from September 1975 to Present	September 21, 2010	200,750 <sup>(11)</sup>
Baz Chuluunbaatar, Ulaanbaatar, Mongolia, Director	President and CEO of Monnis International from 1998 to Present	March 17, 2011	1,000,000 <sup>(12)</sup>
Jivko Savov, London, United Kingdom, Director	Deputy Chief Executive Officer of En+ Group from 2006 to Present, Manager of private equity investments for Equest Partners and MMC Energy from 2002 to 2006.	April 1, 2011	Nil <sup>(13)</sup>
Joseph Li, Richmond B.C., Corporate Secretary	Senior Auditor for Consumer Taxation Audit Branch of B.C. Ministry of Finance from January 1998 to January 2011	February 1, 2011	1,107,870 <sup>(14)</sup>

Name, Jurisdiction of Residence, Proposed Offices	Principal Occupation During Last Five Years <sup>(4)</sup>	Director/Officer Since	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(5)</sup>
Irina Plavutska, Port Coquitlam, Interim Chief Financial Officer	Controller for Prophecy from September to Present; Controller for Chris Dikeakos Architects, an International architectural firm from September 2006 to September 2010, Senior accountant for Carlyle Shepherd Chartered Accountant from 2004 to September 2006	March 1, 2011	Nil <sup>(15)</sup>
Enkhbaatar Orchibal, Ulaanbaatar, Mongolia, VP Mongolia Country Manager	Consultant of Prophecy from October 2005 to Present	Nil	Nil <sup>(16)</sup>
Christiaan Van Eeden, Sandton, South Africa, VP Mining Operations	VP Mining Operations for Prophecy from March 2011 to Present, Mining Consultant for Sasol Pty Ltd., from April 2010 to January 2011, Mining and managing consultant for Eskom Primary Energy Division from October 2008 to March 2010, Director for Mining Division of CIC Energy from November 2006 to September 2008, private mining consultant from January 2001 to October 2006	March 1, 2011	Nil <sup>(17)</sup>

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance Committee

(4) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of the management of Prophecy and has been furnished by the respective individuals. Each director or officer has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years.

(5) The approximate number of Prophecy Shares in all circumstances beneficially owned directly or indirectly, or over which control or direction is exercised by each proposed nominee as at the date hereof is based on information furnished by the transfer agent of Prophecy and by the nominees themselves.

(6) Of which 1,522,000 Prophecy Shares are held directly, and 8,075,970 Prophecy Shares are held through Merit Holdings Ltd. In addition to the Prophecy Shares noted above, Mr. Lee holds 500,000 Prophecy Shares exercisable at a price of \$0.25 per Prophecy Share until October 29, 2014; 350,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 125,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015, 1,000,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015, 600,000 Prophecy Warrants held directly exercisable at a price of \$0.10 per Prophecy Share until December 31, 2011, and through Merit Holdings Ltd., 138,000 Prophecy Warrants exercisable at a price of \$0.65 per Prophecy Share until September 1, 2011, 1,205,200 Prophecy Warrants exercisable at a price of \$0.49 per Prophecy Share until February 17, 2012, 375,000 Prophecy Warrants exercisable at a price of \$0.60 per Prophecy Share until June 5, 2011, 62,500 Prophecy Warrants exercisable at a price of \$0.80 per Prophecy Share until March 23, 2012.

(7) In addition to the Prophecy Shares noted above, Mr. McKenzie holds 492,200 Prophecy Options exercisable at a price of \$0.40 per Prophecy Share until January 23, 2014, 75,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 25,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015 and 50,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.

(8) In addition to the Prophecy Shares noted above, Mr. Hall holds 300,000 Prophecy Options exercisable at a price of \$0.25 per Prophecy Share until October 29, 2014; 75,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 25,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015, 80,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015 and 500,000 Prophecy Warrants exercisable at a price of \$0.10 per Prophecy Share until December 31, 2011.

- (9) Mr. Venter holds 100,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 150,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015 and 200,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (10) Mr. Deats holds 200,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015
- (11) Of which 169,500 Prophecy Shares are held directly and 31,250 Prophecy Shares are held through J.P. McGoran and Associates, a private entity of which Mr. McGoran is the sole shareholder. In addition to the Prophecy Shares noted above, Mr. McGoran holds 125,000 Prophecy Options exercisable at a price of \$0.60 per Prophecy Share until July 17, 2014, 75,000 Prophecy Options exercisable at a price of \$0.80 per Prophecy Share until April 30, 2014, 25,000 Prophecy Options at a price of \$0.54 per Prophecy Share until September 21, 2015, 50,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015, 31,250 Prophecy Warrants exercisable at a price of \$0.60 per Prophecy Share until August 18, 2011 and through J.P. McGoran and Associates, a further 31,250 Prophecy Warrants exercisable at a price of \$0.60 per Prophecy Share until August 18, 2011.
- (12) In addition to the Prophecy Shares noted above, Mr. Chuluunbaatar holds 1,000,000 Prophecy Options exercisable at a price of \$0.77 per Prophecy Share until December 24, 2015.
- (13) Mr. Savov holds 300,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (14) In addition to the Prophecy Shares noted above, Mr. Li holds 100,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015 and 100,000 Prophecy Options exercisable at a price of \$1.07 per Prophecy Share until March 2, 2016.
- (15) Ms. Plavutska holds 50,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015 and 100,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (16) Mr. Orchibal holds 115,000 Prophecy Options exercisable at a price of \$0.40 per Prophecy Share until January 23, 2014, 75,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 50,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015 and 50,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (17) Mr. Van Eeden holds 250,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.

#### **Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of management of Prophecy, there has been no director or officer, or any shareholder holding a sufficient number of securities of Prophecy to affect materially the control of Prophecy that is, or within the 10 years before the Record Date has been, a director or officer of any other issuer that, while that person was acting in that capacity was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

#### **Personal Bankruptcies**

To the knowledge of management of Prophecy, there has been no director or officer, or any shareholder holding a sufficient number of securities of Prophecy to affect materially the control of Prophecy, or a personal holding company of any such person that has, within the 10 years before the Record Date, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

#### **Penalties or Sanctions**

To the knowledge of management of Prophecy, no director or officer, or any shareholder holding a sufficient number of securities of Prophecy to affect materially the control of Prophecy, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **Conflicts of Interest**

There are potential conflicts of interest to which the directors and officers of Prophecy will be subject in connection with the operations of Prophecy. In particular, certain of the directors and officers of Prophecy are involved in managerial or director positions with other mineral exploration and investment companies whose operations may, from time to time, be in direct competition with those of Prophecy or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Prophecy. Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. The BCBCA provides that if a director has a material interest in a contract or proposed contract or agreement that is material to Prophecy, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with, the BCBCA.

Additionally, John Lee and D. Greg Hall, who are directors and/or officers of Prophecy, are also directors and/or of PCNC, and may have a conflict of interest in respect of the Arrangement.

Mr. Lee holds 2,089,500 PCNC Shares directly and indirectly. Mr. Lee also holds 1,000,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015 and 1,600,000 PCNC Warrants exercisable at a price of \$0.10 per PCNC Share until January 6, 2013.

Mr. Lee holds 9,597,970 Prophecy Shares directly and indirectly. Mr. Lee also holds 500,000 Prophecy Options exercisable at a price of \$0.25 per Prophecy Share until October 29, 2014; 350,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 125,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015, 1,000,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015, 600,000 Prophecy Warrants held directly exercisable at a price of \$0.10 per Prophecy Share until December 31, 2011, and through Merit Holdings Ltd., 138,000 Prophecy Warrants exercisable at a price of \$0.65 per Prophecy Share until September 1, 2011, 1,205,200 Prophecy Warrants exercisable at a price of \$0.49 per Prophecy Share until February 17, 2012, 375,000 Prophecy Warrants exercisable at a price of \$0.60 per Prophecy Share until June 5, 2011, 62,500 Prophecy Warrants exercisable at a price of \$0.80 per Prophecy Share until March 23, 2012.

Mr. Hall holds 350,000 PCNC Shares and 350,000 PCNC Warrants exercisable at a price of \$0.10 per PCNC Share until January 6, 2012. Mr. Hall also holds 250,000 PCNC Options exercisable at a price of \$0.14 per PCNC Share until December 13, 2015.

Mr. Hall holds 1,192,000 Prophecy Shares. Mr. Hall also holds 300,000 Prophecy Options exercisable at a price of \$0.25 per Prophecy Share until October 29, 2014; 75,000 Prophecy Options exercisable at a price of \$0.67 per Prophecy Share until May 10, 2015, 25,000 Prophecy Options exercisable at a price of \$0.54 per Prophecy Share until September 21, 2015, 80,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015 and 500,000 Prophecy Warrants exercisable at a price of \$0.10 per Prophecy Share until December 31, 2011.

Mssrs. Hall and Lee abstained from voting as directors of PCNC and of Prophecy in respect of the Arrangement but may vote as PCNC Shareholders and Prophecy Shareholders in respect of the Acquisition and the Arrangement at the Meetings.

## **Indebtedness of Directors, Executive Officers and Senior Officers**

No person who is or at any time since the commencement of Prophecy's last completed financial year was a director, executive officer or senior officer of Prophecy, and no associate of any of the foregoing persons, has been indebted to Prophecy at any time since the commencement of Prophecy's last completed financial year. No guarantee, support agreement, letter of credit or other similar arrangement or understanding has been provided by Prophecy at any time since the beginning of the most recently completed financial year with respect to any indebtedness of any such person.

### **Interest of Management and Others in Material Transactions**

Except as disclosed elsewhere in this Circular and below, the directors, executive officers and principal shareholders of Prophecy or any associate or affiliate of the foregoing have had no material interest, direct or indirect, in any transactions in which Prophecy has participated within the three year period prior to the Record Date, which has materially affected or will materially affect Prophecy.

John Lee and Greg Hall, who are directors and/or officers of Prophecy, are also directors and/or Officers of PCNC. Mssrs. Hall and Lee abstained from voting as directors of Prophecy and of PCNC in respect of the Acquisition and the Arrangement. Prophecy Securities held Mssrs Lee and Hall will be treated in the same manner under the Plan of Arrangement as Prophecy Securities held by any other Prophecy Securityholder.

### **Executive Compensation**

Unless otherwise noted the following information is for Prophecy's last completed financial year (which ended December 31, 2010) and, since Prophecy has subsidiaries, is prepared on a consolidated basis.

#### *Named Executive Officers*

For the purposes of this Circular, a Named Executive Officer ("NEO") of Prophecy means each of the following individuals:

- (i) a chief executive officer ("CEO") of Prophecy;
- (ii) a chief financial officer ("CFO") of Prophecy; and
- (iii) each of Prophecy's three most highly compensated executive officers, or individuals acting in a similar capacity, other than the CEO and CFO, at the end of, or during, the most recently completed financial year if their individual total compensation was more than \$150,000 for that financial year.

#### *Compensation Discussion and Analysis*

This compensation discussion and analysis describes and explains Prophecy's policies and practices with respect to the 2010 compensation of its Named Executive Officers.

Executive compensation is based upon the need to provide a compensation package that will allow Prophecy to attract and retain qualified and experienced executives, balanced with a pay-for performance philosophy. Compensation for this fiscal year and prior fiscal years have historically been based upon a negotiated salary, with stock options and bonuses potentially being issued and paid as an incentive for performance.

#### *Compensation Committee*

The compensation committee of the Prophecy Board (in this section the "Compensation Committee") is responsible for ensuring that Prophecy has appropriate procedures for executive compensation and making recommendations to the Prophecy Board with respect to the compensation of Prophecy's executive officers. The Compensation Committee ensures that total compensation paid to all NEOs is fair and reasonable and is consistent with Prophecy's compensation philosophy.

The Compensation Committee is also responsible for recommending compensation for the directors and granting stock options to the directors, officers and employees of, and consultants to, Prophecy pursuant to the Stock Option Plan.

The Compensation Committee is currently comprised of Paul McKenzie, D. Greg Hall and Paul Venter, with Mr Hall acting as the independent directors. The Prophecy Board is satisfied that the composition of the Compensation Committee ensures an objective process for determining compensation.

The philosophy used by the Compensation Committee in determining compensation is that the compensation should (i) reflect Prophecy's current state of development, (ii) reflect Prophecy's performance, (iii) reflect individual performance, (iv) align the interests of executives with those of the shareholders, (v) assist Prophecy in retaining key individuals, and (vi) reflect Prophecy's overall financial status.

### ***Compensation Program***

#### *Salary*

Prophecy's view is that a competitive salary is a necessary element for attracting and retaining qualified executive officers. Prophecy also believes that attractive salaries can motivate and reward executives for their overall performance. The amount payable to a NEO may be based on several factors, including experience, past performance, anticipated future contributions, comparisons to salaries offered by other comparable companies. The Compensation Committee reviews salaries at least once per year to ensure they remain at appropriate levels.

Amounts paid to an executive officer as base salary, including merit salary increases, are determined by reference to the individual's performance and salaries prevailing in the marketplace for comparable positions. The base salary of each executive officer is reviewed as required. Salary adjustments take into consideration the general level of salaries in the marketplace for comparable positions, the performance of the executive and Prophecy's performance.

#### *Bonuses*

Non-equity bonuses are intended to promote strong corporate management by providing annual financial incentives to meet or exceed short-term corporate target and goals. Bonuses are generally comprised of an annual cash bonus paid to a NEO and such bonus is a variable component of executive compensation based both on individual performance as well as corporate performance. Bonuses may be paid annually, but are not guaranteed.

Prophecy's cash bonus awards are designed to reward an executive for the direct contribution which he or she can make to Prophecy. Named Executive Officers are entitled to receive discretionary cash bonuses from time to time as determined or approved by the Compensation Committee.

#### *Stock Options*

Prophecy Shareholders have adopted the Prophecy Plan pursuant to which the Prophecy Board has granted stock options to directors and executive officers in accordance with the recommendations of the Compensation Committee. The Prophecy Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Compensation Committee believes that the Prophecy Plan aligns the interests of the NEOs' with the interests of shareholders by linking a component of executive compensation to the longer term performance of the Prophecy Shares.

Options are generally granted on an annual basis subject to the imposition of trading black-out periods, in which case options scheduled for grant will be granted subsequent to the end of the blackout period. All options granted to NEOs in 2010 were recommended by the Compensation Committee and approved by the Prophecy Board. In monitoring stock option grants, the Compensation Committee takes into account the level of options granted by comparable companies for similar levels of responsibility and considers each NEO or employee based on reports received from management, its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value.

In addition to determining the number of options to be granted pursuant to the methodology outlined above, the Compensation Committee also makes the following determinations:

- o the exercise price for each option granted;
- o the date on which each option is granted;
- o the vesting terms for each stock option; and
- o the other materials terms and conditions of each stock option grant.

The Compensation Committee makes these determinations subject to and in accordance with the provision of the Prophecy Plan.

#### *Other Benefits*

NEOs are eligible to participate in employee benefit programs and plans that are generally available to all full-time employees (subject to fulfilling certain eligibility requirements). These include extended health and dental plans. In designing these benefits, the Company seeks to provide an overall level and mix of benefits that is competitive to those offered by other comparable companies.

Certain perquisites are also made available to NEOs. These may include payment of professional dues and further health benefits. These types of perquisites are common among executives in Prophecy's industry.

#### *Summary Compensation Table*

The following table contains a summary of the compensation paid to the NEOs during the most recently completed financial year.

***Summary Compensation Table  
For Financial Years Ending December 31, 2010, 2009 and December 31, 2008***

Name and Principal Position	Year Ended December 31,	Salary (\$) <sup>(1)</sup>	Share-based awards (\$)	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long term incentive plans (\$)			
John Lee, Chairman, Chief Executive Officer, Director <sup>(3)</sup>	2010	Nil	Nil	1,009,250	Nil	Nil	Nil	156,487 <sup>(12)</sup>	1,165,737
Stuart Rogers, Chief Financial Officer <sup>(4)</sup>	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mark Lotz, Chief Financial Officer <sup>(5)</sup>	2010	Nil	Nil	170,000	Nil	Nil	Nil	77,737 <sup>(12)</sup>	247,737
Derek Liu, Chief Financial Officer <sup>(6)</sup>	2010	Nil	Nil	175,000	Nil	Nil	Nil	25,167 <sup>(12)</sup>	200,167
G. Arnold Armstrong, Former Chairman/Chief Executive Officer/Director <sup>(7)</sup>	2010	Nil	Nil	121,500	Nil	Nil	Nil	60,000 <sup>(8)</sup>	181,500
	2009	Nil	Nil	71,107	Nil	Nil	Nil	128,824 <sup>(8)</sup>	199,481
	2008	Nil	Nil	31,500	Nil	Nil	Nil	99,788 <sup>(8)</sup>	131,288

Name and Principal Position	Year Ended December 31,	Salary (\$) <sup>(1)</sup>	Share-based awards (\$)	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long term incentive plans (\$)			
Ranjeet Sundher, Former President/ Chief Financial Officer/Director <sup>(9)</sup>	2010	Nil	Nil	51,000	Nil	Nil	Nil	72,217 <sup>(12)</sup>	123,217
	2009	Nil	Nil	118,847	Nil	Nil	Nil	154,434 <sup>(10)</sup>	273,281
	2008	Nil	Nil	171,500	Nil	Nil	Nil	63,700 <sup>(11)</sup>	235,200

**Notes:**

- (1) The value of perquisites and benefits, if any, for each Named Executive Officer was less than the lesser of \$50,000 and 10% of the total annual salary and bonus.
- (2) The value of the option-based award was determined using the Black-Scholes option-pricing model.
- (3) Mr. Lee was appointed as co-Chairman and Chief Executive Officer on April 12, 2010.
- (4) Mr. Rogers was appointed as Chief Financial Officer on April 12, 2010 and resigned on May 10, 2010.
- (5) Mr. Lotz was appointed as Chief Financial Officer on May 10, 2010 and resigned as Chief Financial Officer on October 4, 2010.
- (6) Mr. Liu was appointed as Chief Financial Officer on October 4, 2010 and resigned on February 1, 2011.
- (7) Mr. G. Arnold Armstrong resigned as Chief Executive Officer on April 12, 2010 and as a Director and Chairman on December 7, 2010.
- (8) Compensation paid to a company controlled by G. Arnold Armstrong pursuant to a lease and management services agreement and director fees of \$6,100 (2008: \$6,100) to Mr. Armstrong. See “*Compensation to Directors*” and “*Management Contracts*” below for more information.
- (9) Mr. Sundher resigned as a director and as President and Chief Financial Officer on January 20, 2010. Mr. Sundher continues to act as a consultant to Prophecy.
- (10) \$150,734 paid in consulting fees and \$3,700 for directors fees.
- (11) \$60,000 paid in consulting fees and \$3,700 for directors Fees.
- (12) Paid as consulting fees.

Prophecy has calculated the “grant date fair value” amounts in the ‘Option-based Awards’ column using the Black-Scholes model, a mathematical valuation model that ascribes a value to a stock option based on a number of factors in valuing the option-based awards, including the exercise price of the options, the price of the underlying security on the date the option was granted, and assumptions with respect to the volatility of the price of the underlying security and the risk-free rate of return. Calculating the value of stock options using this methodology is very different from simple “in-the-money” value calculation. Stock options that are well out-of-the-money can still have a significant “grant date fair value” based on a Black-Scholes valuation. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation. The total compensation show in the last column is total compensation of each NEO reported in the other columns. The value of the in-the-money options currently held by each director (based on share price less option exercise price) is set forth in the ‘Value of Unexercised in-the-money Options’ column of the “Outstanding Share-Based and Option-Based Awards” table below.

***Incentive Plan Awards*****Outstanding Share-Based and Option-Based Awards**

The Prophecy Plan has been established to attract and retain employees, consultants, officers or directors to Prophecy and to motivate them to advance the interests of Prophecy by affording them with the opportunity to acquire an equity interest in Prophecy. The Prophecy Plan is administered by the directors and Compensation Committee of Prophecy. The Prophecy Plan provides that the number of Prophecy Shares issuable under the Prophecy Plan, together with all of Prophecy’s other previously established or proposed share compensation arrangements may not exceed 19,334,595 Prophecy Shares. All options expire on a date not later than ten years after the date of grant of such option. For further information regarding the terms of the Prophecy Plan, refer to the heading “*Information Concerning Prophecy – Stock Option Plan*” below.

The following table sets out for each NEO, the incentive stock options to purchase Prophecy Shares (option-based awards) held as of December 31, 2010. The closing price of the Prophecy Shares on the Exchange on December 31, 2010 was \$1.00.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value <sup>(1)</sup> of In-The-Money Options(\$)	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value <sup>(1)</sup> of Share-Based Awards That Have Not Vested (\$)
John Lee, Chairman and CEO <sup>(2)</sup>	500,000	0.25	October 29, 2014	375,000	Nil	Nil
	350,000	0.67	May 10, 2015	115,500		
	125,000	0.54	September 21, 2015	57,500		
	1,000,000	0.93	December 24, 2015	70,000		
Derek Liu Chief Financial Officer <sup>(3)</sup>	250,000	0.54	October 1, 2015	115,000	Nil	Nil
G. Arnold Armstrong <sup>(4)</sup> Former co-Chairman and Chief Executive Officer	75,000	0.67	May 10, 2015	24,750	Nil	Nil
	50,000	0.54	September 21, 2015	23,000		
	50,000	0.93	December 24, 2015	3,500		
Stuart Rogers, <sup>(5)</sup> former Chief Financial Officer	150,000	0.25	October 29, 2014	112,500	Nil	Nil
Mark Lotz <sup>(6)</sup> , former Chief Financial Officer	Nil	Nil	Nil	Nil	Nil	Nil
Ranjeet Sundher <sup>(7)</sup> , former Chief Executive Officer and Chief Financial Officer	286,600	0.40	January 23, 2014	171,960	Nil	Nil
	75,000	0.54	May 10, 2015	34,500		

(1) This amount is based on the difference between the market value of the Prophecy Shares underlying the options as at December 31, 2010, which was \$1.00, and the exercise price of the option.

(2) Mr. Lee was appointed as Chief Executive Officer and Chairman on April 12, 2010.

(3) Mr. Liu was appointed as Chief Financial Officer on October 4, 2010 and resigned on February 1, 2011.

(4) Mr. Armstrong resigned as Chief Executive Officer on April 12, 2010 and as Chairman and a director on December 7, 2010.

(5) Mr. Rogers was appointed as Chief Financial Officer on April 12, 2010 and resigned on May 10, 2010.

(6) Mr. Lotz was appointed as Chief Financial Officer on May 10, 2010 and resigned on October 4, 2010.

(7) Mr. Sundher resigned as President, Chief Financial Officer and a Director on January 20, 2010.

#### Value of Share-Based and Option-Based Awards Vested or Earned During the Year

The following table sets forth, for each NEO, the values of all incentive plan awards which vested or were earned during the year ended December 31, 2010.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$) <sup>(8)</sup>
John Lee, Chairman and CEO <sup>(2)</sup>	Nil	Nil	300,000

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$) <sup>(8)</sup>
Derek Liu Chief Financial Officer <sup>(3)</sup>	Nil	Nil	Nil
G. Arnold Armstrong <sup>(4)</sup> Former co-Chairman and Chief Executive Officer	Nil	Nil	5,000
Stuart Rogers, <sup>(5)</sup> former Chief Financial Officer	Nil	Nil	Nil
Mark Lotz <sup>(6)</sup> , former Chief Financial Officer	Nil	Nil	Nil
Ranjeet Sundher <sup>(7)</sup> , former Chief Executive Officer and Chief Financial Officer	Nil	Nil	Nil

- (1) Dollar value that would have been realized is calculated by determining the difference between the market price of the underlying securities on the vesting date and the exercise or base price of the options under the option-based award
- (2) Mr. Lee was appointed as Chief Executive Officer and Chairman on April 12, 2010.
- (3) Mr. Liu was appointed as Chief Financial Officer on October 4, 2010 and resigned on February 1, 2011.
- (4) Mr. Armstrong resigned as Chief Executive Officer on April 12, 2010 and as Chairman and a director on December 7, 2010.
- (5) Mr. Rogers was appointed as Chief Financial Officer on April 12, 2010 and resigned on May 10, 2010.
- (6) Mr. Lotz was appointed as Chief Financial Officer on May 10, 2010 and resigned on October 4, 2010.
- (7) Mr. Sundher resigned as President, Chief Financial Officer and a Director on January 20, 2010.
- (8) Cash bonuses received in 2010.

#### Option-based Awards Exercised During the Year

The following table sets forth the particulars of option-based awards exercised during Prophecy's last completed financial year by the NEOs.

Name	Securities Acquired on Exercise (#)	Exercise Price	Date of Exercise (m/d/y)	Aggregate Value Realized <sup>(1)</sup> (\$)
John Lee, Chairman/Chief Executive Officer/Director <sup>(2)</sup>	Nil	N/A	N/A	0
Derek Liu Chief Financial Officer <sup>(3)</sup>	Nil	N/A	N/A	0
G. Arnold Armstrong <sup>(4)</sup> Former co-Chairman and Chief Executive Officer	510,600	0.40	December 8, 2010	296,148
Stuart Rogers, <sup>(5)</sup> former Chief Financial Officer	150,000	0.25	November 19, 2010	118,500
Mark Lotz <sup>(6)</sup> , former Chief Financial Officer	250,000	0.67	November 15, 2010	90,000

Name	Securities Acquired on Exercise (#)	Exercise Price	Date of Exercise (m/d/y)	Aggregate Value Realized <sup>(1)</sup> (\$)
Ranjeet Sundher <sup>(7)</sup> , former Chief Executive Officer and Chief Financial Officer	500,000	0.40	November 19, 2010	395,000

(1) Calculated using the closing market price of the Prophecy Shares on the date(s) of exercise less the exercise price of the stock options multiplied by the number of Prophecy Shares acquired.

(9) Mr. Lee was appointed as Chief Executive Officer and Chairman on April 12, 2010.

(10) Mr. Liu was appointed as Chief Financial Officer on October 4, 2010 and resigned on February 1, 2011.

(11) Mr. Armstrong resigned as Chief Executive Officer on April 12, 2010 and as Chairman and a director on December 7, 2010.

(12) Mr. Rogers was appointed as Chief Financial Officer on April 12, 2010 and resigned on May 10, 2010.

(13) Mr. Lotz was appointed as Chief Financial Officer on May 10, 2010 and resigned on October 4, 2010.

(2) Mr. Sundher resigned as President, Chief Financial Officer and a Director on January 20, 2010.

#### Option-based Awards Granted During the Year

The following table sets forth the particulars of option-based awards granted during Prophecy's last completed financial year to the NEOs.

Name	Date of Grant	Number of Option-Based Awards Granted	Exercise Price	Expiry Date (m/d/y)
John Lee, Chairman/Chief Executive Officer/Director	May 10, 2010 <sup>(1)</sup>	350,000	0.67	May 10, 2015
	September 21, 2010 <sup>(2)</sup>	125,000	0.54	September 21, 2015
	December 24, 2010 <sup>(2)</sup>	1,000,000	0.93	December 24, 2015
Derek Liu Chief Financial Officer	October 1, 2010	250,000	0.54	October 1, 2015
G. Arnold Armstrong Former co-Chairman and Chief Executive Officer	May 10, 2010 <sup>(1)</sup>	75,000	0.67	May 10, 2015
	September 21, 2010 <sup>(2)</sup>	50,000	0.54	September 21, 2015
	December 24, 2010 <sup>(2)</sup>	50,000	0.93	December 24, 2015
Stuart Rogers, former Chief Financial Officer	N/A	Nil	N/A	N/A
Mark Lotz, former Chief Financial Officer	May 10, 2010 <sup>(1)</sup>	250,000	0.67	May 10, 2015
Ranjeet Sundher former Chief Executive Officer and Chief Financial Officer	May 10, 2010 <sup>(1)</sup>	75,000	0.67	May 10, 2015

(1) Vesting 25% on grant and every 8 months thereafter.

(2) Vesting 50% every 12 months.

#### ***Pension Plan Benefits***

Prophecy does not have a pension plan or deferred compensation plan.

#### ***Termination and Change of Control Benefits***

Prophecy has not provided or agreed to provide any compensation to any NEOs as a result of a change of control of Prophecy, its subsidiaries or affiliates. Neither Prophecy nor any of its subsidiaries have any plan or arrangement with respect to compensation to its executive officers which would result from the resignation, retirement or any other termination of the executive officers' employment with Prophecy and its subsidiaries or from a change of control of Prophecy or any subsidiary of Prophecy or a change in the executive officers' responsibilities following a change in control.

PHI entered into a consulting agreement dated for reference January 1, 2010 with Mau Capital Management LLC (“MCM”), pursuant to which MCM has agreed to provide the services of John Lee, a current NEO, as Chairman and CEO, for a consulting fee of \$192,000 annually. The consulting agreement provides for a payment in the amount of \$192,000 in the event Prophecy terminates the consulting agreement without cause or fails to renew the terms thereof. The consulting agreement also provides for the payment of \$384,000 to MCM in the event of a change of control of Prophecy. In connection with the RH Plan of Arrangement, Prophecy agreed to be bound by the consulting agreement as if it had been an original party to same.

On January 1, 2011, Prophecy agreed to amend the terms of the consulting agreement with MCM to provide for a payment of \$480,000 annually in consulting fees. A bonus of \$300,000 was also paid to MCM in connection with performance in 2010.

### ***Director Compensation***

The following table describes director compensation for non-executive directors for the year ended December 31, 2010.

<b>Name</b>	<b>Fees Earned (\$)<sup>(1)</sup></b>	<b>Share-Based Awards (\$)</b>	<b>Option-Based Awards (\$)<sup>(2)</sup></b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>
Paul McKenzie <sup>(3)</sup>	44,371	Nil	103,250	5,000	Nil	Nil	152,621
Mel Klohn <sup>(4)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
J. Garry Clark <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Lloyd Bray <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Daniel Frederiksen <sup>(6)</sup>	Nil	Nil	123,650	10,000	Nil	Nil	133,650
Greg Hall	120,000	Nil	313,500	50,000	Nil	Nil	375,500
Paul Venter	12,500	Nil	65,750	5,000	Nil	Nil	70,750
John McGoran	Nil	Nil	136,000	Nil	Nil	Nil	136,000
Michael Deats	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) The value of perquisites and benefits, if any, for each Named Executive Officer was less than the lesser of \$50,000 and 10% of the total annual salary and bonus.

(2) The value of the option-based award was determined using the Black-Scholes option-pricing model.

(3) Paul McKenzie was appointed as President and interim Chief Financial Officer of Prophecy on January 20, 2010. Mr. McKenzie resigned as President and interim Chief Financial Officer on April 12, 2010.

(4) Mel Klohn resigned as a director on September 21, 2010.

(5) Each of J. Garry Clark and Lloyd Bray resigned as directors on April 12, 2010.

(6) Daniel Frederiksen resigned as a director on August 17, 2010.

Prophecy has calculated the “grant date fair value” amounts in the ‘Options-Based Awards’ column using the Black-Scholes model, a mathematical valuation model that ascribes a value to a stock option based on a number of factors in valuing the option-based awards, including the exercise price of the options, the price of the underlying security on the date the option was granted, and assumptions with respect to the volatility of the price of the underlying security and the risk-free rate of return. Calculating the value of stock options using this methodology is very different from simple “in-the-money” value calculation. Stock options that are well “out-of-the-money” can still have a significant “grant date fair value” based on a Black-Scholes valuation. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation. The total compensation shown in the last column is the total compensation of each director reported in other columns. The value of the in-the-money options currently held by each director (based on share price less option exercise price) is set forth in the ‘Value of Unexercised in-the-money Options’ column “Outstanding Share-Based and Option-Based Awards” table below.

### **Share-Based and Option-based Awards to Directors**

The following table sets out for each independent director the incentive stock options to purchase Prophecy Shares (option-based awards) held as of December 31, 2010. The closing price of the Prophecy Shares on the Exchange on December 31, 2010 was \$1.00.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value <sup>(1)</sup> of Unexercised In-The-Money Options <sup>(1)</sup> (\$)	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value <sup>(1)</sup> of Share-Based Awards That Have Not Vested (\$)
Paul McKenzie <sup>(2)</sup>	492,200	0.40	January 23, 2014	295,320	Nil	N/A
	75,000	0.67	May 10, 2015	24,750		
	25,000	0.54	September 21, 2015	11,500		
	50,000	0.93	December 24, 2015	3,500		
Mel Klohn <sup>(3)</sup>	225,400	0.40	January 23, 2014	135,240	Nil	N/A
J. Garry Clark <sup>(4)</sup>	110,400	0.40	January 23, 2014	66,240	Nil	N/A
Lloyd Bray <sup>(4)</sup>	110,400	0.40	January 23, 2014	66,240	Nil	N/A
Daniel Frederiksen <sup>(5)</sup>	Nil	N/A	N/A	N/A	Nil	N/A
Greg Hall	300,000	0.25	October 29, 2014	225,000	Nil	N/A
	75,000	0.67	May 10, 2015	24,750		
	25,000	0.54	September 21, 2015	11,500		
	80,000	0.93	December 24, 2015	5,600		
Paul Venter	100,000	0.67	May 10, 2015	33,000	Nil	N/A
	150,000	0.54	September 21, 2015	69,000		
	200,000	0.93	December 24, 2015	14,000		
John McGoran	125,000	0.60	July 17, 2014	50,000	Nil	N/A
	75,000	0.80	April 30, 2014	15,000		
	25,000	0.54	September 21, 2015	11,500		
	50,000	0.93	December 24, 2015	3,500		
Michael Deats	200,000	0.93	December 24, 2015	14,000	Nil	N/A

(1) This amount is based on the difference between the market value of the Prophecy Shares underlying the options as at December 31, 2010, which was \$1.00, and the exercise price of the option.

(2) Paul McKenzie was appointed as President and interim Chief Financial Officer of Prophecy on January 20, 2010. Mr. McKenzie resigned as President and interim Chief Financial Officer on April 12, 2010.

(3) Mel Klohn resigned as a director on September 21, 2010.

(4) Each of J. Garry Clark and Lloyd Bray resigned as directors on April 12, 2010.

(5) Daniel Frederiksen resigned as a director on August 17, 2010.

### Value of Share-Based and Option-Based Awards Vested or Earned During the Year

The following table sets forth, for each director who is not a NEO, the values of all incentive plan awards which vested or were earned during the year ended December 31, 2010.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Paul McKenzie <sup>(2)</sup>	Nil	Nil	5,000
Mel Klohn <sup>(3)</sup>	Nil	Nil	Nil
J. Garry Clark <sup>(4)</sup>	Nil	Nil	Nil
Lloyd Bray <sup>(4)</sup>	Nil	Nil	Nil
Daniel Frederiksen <sup>(5)</sup>	Nil	Nil	Nil
Greg Hall	Nil	Nil	Nil
Paul Venter	Nil	Nil	Nil
John McGoran	Nil	Nil	Nil
Michael Deats	Nil	Nil	Nil

- (1) Dollar value that would have been realized is calculated by determining the difference between the market price of the underlying securities on the vesting date and the exercise or base price of the options under the option-based award
- (2) Paul McKenzie was appointed as President and interim Chief Financial Officer of Prophecy on January 20, 2010. Mr. McKenzie resigned as President and interim Chief Financial Officer on April 12, 2010.
- (3) Mel Klohn resigned as a director on September 21, 2010.
- (4) Each of J. Garry Clark and Lloyd Bray resigned as directors on April 12, 2010.
- (5) Daniel Frederiksen resigned as a director on August 17, 2010.

### Option-based Awards Exercised During the Year

The following table sets forth the particulars of option-based awards exercised during the year ended December 31 2010 by the directors who are not Named Executive Officers.

Name	Securities Acquired on Exercise (#)	Exercise Price	Date of Exercise (m/d/y)	Aggregate Value Realized <sup>(1)</sup> (\$)
Paul McKenzie <sup>(2)</sup>	Nil	N/A	N/A	N/A
Mel Klohn <sup>(3)</sup>	Nil	N/A	N/A	N/A
J. Garry Clark <sup>(4)</sup>	Nil	N/A	N/A	N/A
Lloyd Bray <sup>(4)</sup>	Nil	N/A	N/A	N/A
Daniel Frederiksen <sup>(5)</sup>	112,700	0.40	October 28, 2010	39,445
	112,700	0.40	December 8, 2010	65,336
Greg Hall	Nil	N/A	N/A	N/A
Paul Venter	Nil	N/A	N/A	N/A
John McGoran	Nil	N/A	N/A	N/A
Michael Deats	Nil	N/A	N/A	N/A

- (1) Calculated using the closing market price of the Shares on the date(s) of exercise less the exercise price of the stock options multiplied by the number of Shares acquired.
- (2) Paul McKenzie was appointed as President and interim Chief Financial Officer of Prophecy on January 20, 2010. Mr. McKenzie resigned as President and interim Chief Financial Officer on April 12, 2010.
- (3) Mel Klohn resigned as a director on September 21, 2010.
- (4) Each of J. Garry Clark and Lloyd Bray resigned as directors on April 12, 2010.
- (5) Daniel Frederiksen resigned as a director on August 17, 2010.

### Option-based Awards Granted During the Year

The following table sets forth the particulars of option-based awards granted during the year ended December 31, 2010 to directors who are not NEOs.

Name	Date of Grant	Number of Option-Based Awards Granted	Exercise Price	Expiry Date (m/d/y)
Paul McKenzie	May 10, 2010 <sup>(1)</sup>	75,000	0.67	May 10, 2015
	September 21, 2010 <sup>(2)</sup>	25,000	0.54	September 21, 2015
	December 24, 2010 <sup>(2)</sup>	50,000	0.93	December 24, 2015
Mel Klohn	May 10, 2010 <sup>(1)</sup>	75,000	0.67	May 10, 2015
J. Garry Clark	N/A	Nil	Nil	Nil
Lloyd Bray	N/A	Nil	Nil	Nil
Daniel Frederiksen	N/A	Nil	Nil	Nil
Greg Hall	May 10, 2010 <sup>(1)</sup>	75,000	0.67	May 10, 2015
	September 21, 2010 <sup>(2)</sup>	25,000	0.54	September 21, 2015
	December 24, 2010 <sup>(2)</sup>	80,000	0.93	December 24, 2015
Paul Venter	May 10, 2010 <sup>(1)</sup>	100,000	0.67	May 10, 2015
	September 21, 2010 <sup>(2)</sup>	150,000	0.54	September 21, 2015
	December 24, 2010 <sup>(2)</sup>	200,000	0.93	December 24, 2015
John McGoran	September 21, 2010 <sup>(2)</sup>	25,000	0.54	September 21, 2015
	December 24, 2010 <sup>(2)</sup>	50,000	0.93	December 24, 2015
Michael Deats	December 24, 2010 <sup>(2)</sup>	200,000	0.93	December 24, 2015

(1) Vesting 25% on grant and every 8 months thereafter.

(2) Vesting 50% every 12 months.

### **Audit Committee**

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

### **Overview**

The Audit Committee of the Prophecy Board is principally responsible for

- recommending to the Prophecy Board the external auditor to be nominated for election by the Prophecy Shareholders at each annual general meeting and negotiating the compensation of such external auditor.
- overseeing the work of the external auditor.
- reviewing Prophecy's annual and interim financial statements, MD&A and press releases regarding earnings before they are reviewed and approved by the Prophecy Board and publicly disseminated by Prophecy.
- reviewing Prophecy's financial reporting procedures and internal controls to ensure adequate procedures are in place for Prophecy's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph.

### ***The Audit Committee's Charter***

The Prophecy Board has adopted a Charter for the Audit Committee which sets out the Audit Committee's mandate, organization, powers and responsibilities. The complete Charter is below:

#### **1.0 Purpose of the Committee**

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

#### **2.0 Members of the Committee**

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

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

#### **3.0 Meeting Requirements**

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

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

#### **4.0 Duties and Responsibilities**

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

- (a) have the authority with respect to the appointment, retention or discharge of the independent public accountants as auditors of Prophecy (the "auditors") who perform the annual audit in accordance with applicable securities laws, and who shall be ultimately accountable to the Prophecy Board through the Audit Committee;
- (b) review with the auditors the scope of the audit and the results of the annual audit examination by the auditors, including any reports of the auditors prepared in connection with the annual audit;
- (c) review information, including written statements from the auditors, concerning any relationships between the auditors and Prophecy or any other relationships that may adversely affect the independence of the auditors and assess the independence of the auditors;
- (d) review and discuss with management and the auditors Prophecy's audited financial statements and accompanying MD&A, including a discussion with the auditors of their judgments as to the quality of Prophecy's accounting principles and report on them to the Prophecy Board;
- (e) review and discuss with management Prophecy's interim financial statements and interim MD&A and report on them to the Prophecy Board;
- (f) pre-approve all auditing services and non-audit services provided to Prophecy by the auditors to the extent and in the manner required by applicable law or regulation. In no circumstances shall the auditors provide any non-audit services to Prophecy that are prohibited by applicable law or regulation;

- (g) evaluate the external auditor's performance for the preceding fiscal year, reviewing their fees and making recommendations to the Prophecy Board;
- (h) periodically review the adequacy of Prophecy's internal controls and ensure that such internal controls are effective;
- (i) review changes in the accounting policies of Prophecy and accounting and financial reporting proposals that are provided by the auditors that may have a significant impact on Prophecy's financial reports, and report on them to the Prophecy Board;
- (j) oversee and annually review Prophecy's Code of Business Conduct and Ethics;
- (k) approve material contracts where the Prophecy Board determines that it has a conflict;
- (l) establish procedures for the receipt, retention and treatment of complaints received by Prophecy regarding the audit or other accounting matters;
- (m) where unanimously considered necessary by the Audit Committee, engage independent counsel and/or other advisors at Prophecy's expense to advise on material issues affecting Prophecy which the Audit Committee considers are not appropriate for the full Prophecy Board;
- (n) satisfy itself that management has put into place procedures that facilitate compliance with the provisions of applicable securities laws and regulation relating to insider trading, continuous disclosure and financial reporting;
- (o) review and monitor all related party transactions which may be entered into by Prophecy; and
- (p) periodically review the adequacy of its charter and recommending any changes thereto to the Prophecy Board.

## 5.0 Miscellaneous

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

### *Composition of the Audit Committee*

The Audit Committee consists of three directors. Unless it is a 'venture issuer' (an issuer the securities of which are not listed or quoted on any of the Toronto Stock Exchange, a market in the United States of America other than the over-the-counter market, or a market outside of Canada and the U.S.A.) as of the end of its last financial year, NI 52-110 requires each of the members of the Audit Committee to be independent and financially literate. Since Prophecy is a 'venture issuer' (its securities are listed on the Exchange, but are not listed or quoted on any other exchange or market) it is exempt from this requirement. In addition, Prophecy's governing corporate legislation requires Prophecy to have an Audit Committee composed of a minimum of three directors, a majority of whom are not officers or employees of Prophecy.

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

<b>Name of Member</b>	<b>Independent (1)</b>	<b>Financially Literate (2)</b>
Paul McKenzie	Yes	Yes
Paul Venter	No	Yes
D. Greg Hall	Yes	Yes

- (1) To be considered to be independent, a member of the Committee must not have any direct or indirect 'material relationship' with Prophecy. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.
- (2) To be considered financially literate, a member of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable

to the breadth and complexity of the issues that can reasonably be expected to be raised by Prophecy's financial statements.

### ***Relevant Education and Experience***

The education and experience of each member of the Audit Committee relevant to the performance of his responsibilities as an Audit Committee member and, in particular, any education or experience that would provide the member with:

1. an understanding of the accounting principles used by Prophecy to prepare its financial statements;
2. the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by Prophecy's financial statements, or experience actively supervising one or more persons engaged in such activities; and
4. an understanding of internal controls and procedures for financial reporting, are as follows:

**Paul McKenzie** – Mr. McKenzie has over 15 years' experience working in the Canadian equities markets. He has experience acquiring, selling, financing and developing international mineral and energy projects in North America, South America and Asia. Mr. McKenzie also previously worked as a licensed equity trader at Brink Hudson Lefever in Vancouver, British Columbia.

**Paul Venter**- Mr. Venter is an industry recognized and seasoned professional with over 30 years of experience with BHP and Eskom in the mining, power generating, and transport industry. Mr. Venter holds a MDP (Mining) and various commercial qualifications. He was accepted as a member of the IRT (SA) in 1983.

**D. Greg Hall** – Mr. Hall is a seasoned financial market professional with over 25 years of experience as a broker, senior executive officer and founder of a number of successful brokerage firms. Mr. Hall has also had extensive experience as a board member and executive director for a number of Canadian and United States public and private companies

### ***Audit Committee Oversight***

Since the commencement of Prophecy's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Prophecy Board.

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

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

### ***Pre-Approval Policies and Procedures***

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

***External Auditor Service Fees (By Category)***

The following table discloses the fees billed to Prophecy by its external auditor during the last two financial years.

<b>Financial Year Ending</b>	<b>Audit Fees (1)</b>	<b>Audit Related Fees (2)</b>	<b>Tax Fees (3)</b>	<b>All Other Fees (4)</b>
December 31, 2010	\$75,000	\$20,000	\$20,000	0
December 31, 2009	\$36,876	0	\$1,000	\$4,286

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of Prophecy's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" includes all other non-audit services".

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

Since Prophecy is a venture issuer, it relies on the exemption contained in section 6.1 of NI 52-110 from the requirements of Part 3 Composition of the Audit Committee (as described in 'Composition of the Audit Committee' above) and Part 5 Reporting Obligations of NI 52-110 (which requires certain prescribed disclosure about the Audit Committee in this Circular).

**Corporate Governance**

National Instrument 58-101 *Disclosure of Corporate Governance Practices* of the Canadian securities administrators requires Prophecy to annually disclose certain information regarding its corporate governance practices. That information is disclosed below.

***Board of Directors***

The Prophecy Board has responsibility for the stewardship of Prophecy including responsibility for strategic planning, identification of the principal risks of Prophecy's business and implementation of appropriate systems to manage these risks, succession planning (including appointing, training and monitoring senior management), communications with investors and the financial community and the integrity of Prophecy's internal control and management information systems.

The Prophecy Board sets long term goals and objectives for Prophecy and formulates the plans and strategies necessary to achieve those objectives and to supervise senior management in their implementation. The Prophecy Board delegates the responsibility for managing the day-to-day affairs of Prophecy to senior management but retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to Prophecy and its business. The Prophecy Board is responsible for protecting shareholders interests and ensuring that the incentives of the shareholders and of management are aligned.

As part of its ongoing review of business operations, the Prophecy Board reviews, as frequently as required, the principal risks inherent in Prophecy's business including financial risks, through periodic reports from management of such risks, and assesses the systems established to manage those risks. Directly and through the

Audit Committee, the Prophecy Board also assesses the integrity of internal control over financial reporting and management information systems.

In addition to those matters that must, by law, be approved by the Prophecy Board, the Prophecy Board is required to approve any material dispositions, acquisitions and investments outside the ordinary course of business, long-term strategy, and organizational development plans. Management of Prophecy is authorized to act without board approval, on all ordinary course matters relating to Prophecy's business.

The Prophecy Board also monitors Prophecy's compliance with timely disclosure obligations and reviews material disclosure documents prior to distribution. The Prophecy Board is responsible for selecting the President and appointing senior management and for monitoring their performance.

The Prophecy Board considers that the following directors are "independent" in that they are independent and free from any interest and any business or other relationship which could or could reasonably be perceived to, materially interfere with the director's ability to act with the best interests of Prophecy, other than interests and relationships arising from shareholding: John McGoran, Michael Deats, Paul McKenzie and Greg Hall. The Prophecy Board considers that John Lee, the Chairman, President and CEO of Prophecy and Paul Venter, the VP Energy Operations are not independent because they are, or have been within the last two years, members of management.

### ***Directorships***

Certain of the directors are presently a director of one or more other reporting issuers (or equivalent) in a Canadian or foreign jurisdiction, as follows:

<u>Name of director</u>	<u>Other reporting issuer</u>
Paul McKenzie	International Enexo Limited Doxa Energy Ltd. Challenger Deep Capital Corp. Elissa Resources Ltd.
D. Greg Hall	Pacific Coast Nickel Corp. Agrimarine Holdings Inc.
John Lee	Pacific Coast Nickel Corp.

### ***Orientation and Continuing Education***

When new directors are appointed, they receive orientation, commensurate with their previous experience, on Prophecy's properties, business and industry and on the responsibilities of directors. Prophecy Board meetings may also include presentations by Prophecy's management and employees to give the directors additional insight into Prophecy's business.

The Prophecy Board has also established a corporate and governance and nominating Committee (in this Section the "Governance Committee"). As part of its governance responsibilities, the Governance Committee may develop an orientation and education program for new recruits to the Board when necessary.

### ***Ethical Business Conduct***

To comply with its legal mandate, the Prophecy Board seeks to foster a culture of ethical conduct by striving to ensure Prophecy carries out its business in line with high business and moral standards and applicable legal and financial requirements. In that regard, the Prophecy Board:

- has adopted a written Code of Business Conduct and Ethics for its directors, officers, employees and consultants which is intend to promote honest and ethical conduct, avoid conflict of interest, protect

confidential or proprietary information and comply with the applicable government laws and securities rules and regulations.

- encourages management to consult with legal and financial advisors to ensure Prophecy is meeting those requirements.
- is cognizant of Prophecy's timely disclosure obligations and reviews material disclosure documents such as financial statements, MD&A and press releases prior to their distribution.
- relies on its Audit Committee to annually review the systems of internal financial control and discuss such matters with Prophecy's external auditor.
- actively monitors Prophecy's compliance with the board's directives and ensures that all material transactions are thoroughly reviewed and authorized by the board before being undertaken by management.

The Prophecy Board must also comply with the conflict of interest provisions of the BCBCA, as well as the relevant securities regulatory instruments, to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

### ***Nomination of Directors***

The Governance Committee is responsible for assisting the Prophecy Board in respect of the nomination of directors and is required to identify new candidates for appointment to the Prophecy Board. The current members of the Governance Committee are Paul McKenzie, John Lee and D. Greg Hall. The Governance Committee periodically examines the size and composition of the Prophecy Board, with a view to determine the impact of the number of directors upon effectiveness and determine the appropriate number of directors which facilitates more effective decision making. The identification of candidates will also be made in the context of the existing competencies and skills which the Prophecy Board, as a whole, does possess or should possess. Once suitable candidates are identified, they are presented for consideration to the Prophecy Board.

### ***Compensation***

The Compensation Committee is, among other things, responsible for determining all forms of compensation to be granted to the Chief Executive Officer of Prophecy and other senior management and executive officers of Prophecy, for evaluating the Chief Executive Officer's performance in light of the corporate goals and objectives set for him/her, for reviewing the adequacy and form of the compensation and benefits of the directors in their capacity as directors of Prophecy to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director, and for reviewing and making periodic recommendations to the Board as to the general compensation and benefits policies and practices of Prophecy, including incentive compensation plans and equity based plans.

The current members of the Compensation Committee are John Lee, Paul McKenzie and Greg Hall. The independent members of the Compensation Committee are Paul McKenzie and Greg Hall. A summary of the compensation received by the Named Executive Officers and directors of Prophecy for the financial year ended December 31, 2009 is provided in this Circular under the heading: "*Information Concerning Prophecy - Executive Compensation*".

### ***Other Board Committees***

Other than the Governance Committee and Compensation Committee described above and the Audit Committee described in this Circular under the heading "*Audit Committee*", the Prophecy Board has no other committees.

### **Assessments**

The Governance Committee evaluates the effectiveness of the board of directors, its committees and individual directors.

### **Management Contracts**

Prophecy entered into a management agreement with Armada Investments Ltd. (“Armada”), dated April 1, 2006, as amended August 1, 2009 which was renewed on a yearly basis (the “Agreement”) for the provision of management services. Pursuant to the Agreement, Prophecy paid Armada fees as follows:

- Rent \$3,000.00 per month
- Management fee \$5,000 per month
- Telephone \$252.30 per month
- Storage \$55.00 per month
- Accounting \$2,000.00 per month

The management agreement with Armada was terminated in December 2010.

Prophecy pays \$2,000 per month to Armada for additional office space acquired by Prophecy on a month to month basis.

Except as described above and at “*Termination and Change in Control Benefits*” in relation to the MCM Consulting Agreement, there are no management functions of Prophecy, which are to any substantial degree performed by a person or company other than the directors or senior officers of Prophecy.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

The only equity compensation plan which Prophecy has in place is the Prophecy Plan which was previously approved by the Prophecy Shareholders on April 12, 2010. The Prophecy Plan has been established to attract and retain employees, consultants, officers or directors to Prophecy and to motivate them to advance the interests of Prophecy by affording them with the opportunity to acquire an equity interest in Prophecy. The Prophecy Plan is administered by the Compensation Committee and the Prophecy Board. The Prophecy Plan provides that the number of Prophecy Shares issuable under the Prophecy Plan, together with all of Prophecy’s other previously established or proposed share compensation arrangements may not exceed 19,334,595 Prophecy Shares.

The following table sets out, as at the end of Prophecy’s last completed financial year, information regarding outstanding options, warrants and rights (other than those granted pro rata to all shareholders) granted by Prophecy under its equity compensation plans.

#### ***Equity Compensation Plan Information as at December 31, 2010***

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights<sup>(1)</sup></b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of shares remaining available for issuance under equity compensation plans<sup>(2)</sup></b>
Equity compensation plans <b>approved</b> by shareholders	48,835,716	\$1.03	0
Equity compensation plans <b>not approved</b> by shareholders	3,692,505	N/A	0
<b>Total</b>	52,528,221	<b>\$1.03</b>	0

- (1) Assuming outstanding options, warrants and rights are fully vested.
- (2) Excluding the number of shares issuable upon exercise of outstanding options, warrants and rights shown in the second column.

### **Promoters**

Other than its directors and officers, there is no person who is or who has been within the two years immediately preceding the Record Date, a ‘promoter’ of Prophecy as defined under applicable Canadian securities laws.

### **Legal Proceedings**

Prophecy is not a party to any legal proceedings currently material to it or of which any of Prophecy’s property is the subject matter, and no such proceedings are known by Prophecy to be contemplated.

### **Auditor, Transfer Agent and Registrar**

The auditor of Prophecy is Smythe Ratcliffe LLP, Chartered Accountants, 700 - 355 Burrard Street, Vancouver, British Columbia, V6C 2G8. The registrar and transfer agent of the Prophecy Shares is Computershare Investor Services Inc., 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

### **Material Contracts**

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

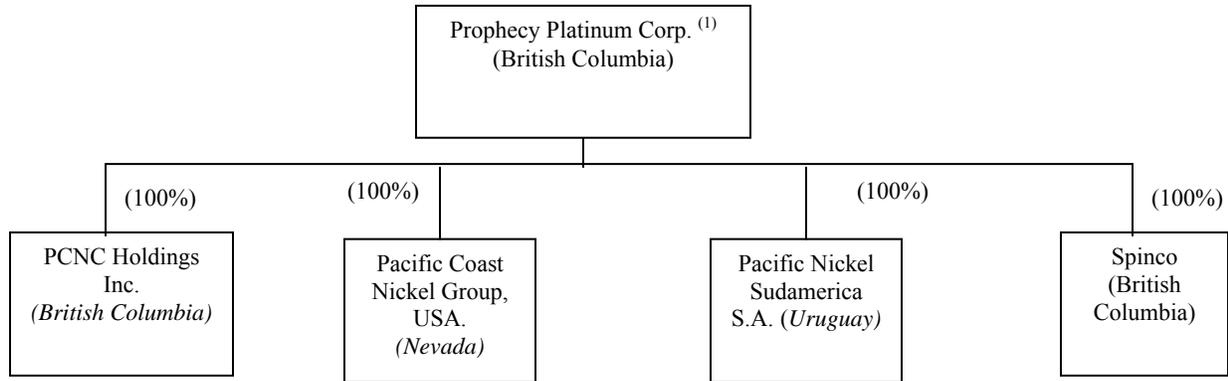
- (a) The arrangement agreement dated March 3, 2010 between Prophecy and Prophecy Resource Corp. (a predecessor issuer of PHI) concerning the RH Plan of Arrangement;
- (b) The arrangement agreement dated July 16, 2010 between Prophecy and Northern Platinum Ltd. (a predecessor issuer of Northern);
- (c) the Letter Agreement; and
- (d) the Arrangement Agreement. See “*The Arrangement*”.

All of the contracts specified above may be inspected at the head offices of Prophecy at Suite 2060-777 Hornby Street, Vancouver, British Columbia, Canada V6Z 1T7 during normal business hours up to the date of the Prophecy Meeting.

## **INFORMATION CONCERNING PCNC – POST ACQUISITION**

### **Corporate Structure**

Upon completion of the Acquisition and Consolidation, Spinco will be a wholly owned subsidiary of PCNC, which will continue to be incorporated under the BCBCA. PCNC’s head office will remain located at Suite 380-580 Hornby Street, Vancouver, British Columbia, V6C 3B6. The registered and records office of PCNC will remain located at Suite 2080-777 Hornby Street, Vancouver, British Columbia, V6Z 1S4. The following diagram sets forth the corporate structure of the Resulting Issuer following the Arrangement:



(1) Following the PCNC Name Change pursuant to the Arrangement Agreement.

## Narrative Description of the Business of PCNC Post- Acquisition

### *Forward-Looking Information*

Statements in the following sections concerning the exploration plans, objectives and milestones of PCNC are "forward-looking information" and are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which is expressed or implied by such forward-looking statements. Please refer to "*Risk Factors*" in this Circular.

PCNC will continue to be an exploration stage mining company engaged in the identification, acquisition, exploration and if warranted, development of mineral properties and will continue to develop PCNC's business plans and mineral properties (including the Nickel Assets) as described in "*Information Concerning PCNC - General Development of the Business*" above. PCNC will focus on the combined property portfolio of PCNC and the Nickel Assets and continue to seek additional properties for acquisition.

PCNC's material properties will be the Lynn Lake Property, as described in the Lynn Lake Report, and the Wellgreen Property as described in the Wellgreen Report (see "*Information Concerning the Significant Assets*"). For further discussion of the proposed exploration and development programs to be undertaken on the material mineral properties, please see "*Information Concerning the Significant Assets*". PCNC has budgeted \$180,000 for the Lynn Lake Property, \$1,119,500 for the Wellgreen Property, \$100,000 for the Burwash Property and \$150,000 for the Las Aguilas Property for the next twelve month period.

Upon the Effective Date, PCNC will target the milestones and conduct the recommended exploration programs set forth in the Lynn Lake Report and the Wellgreen Report, please see "*Information Concerning the Significant Assets*" for additional information. PCNC may also complete additional property acquisitions.

The principal milestones that must occur for PCNC's short-term business objectives described above to be accomplished are as follows:

<u>Milestone</u>	<u>Target Date</u>	<u>Cost</u>
Program recommended by Lynn Lake Report	June 2011	\$180,000
Program recommended by Wellgreen Report	June - September 2011	\$1,119,500

## Dividends

The proposed management and directors of PCNC do not anticipate declaring any dividends payable to the holders of any class of shares of PCNC. PCNC has no restrictions on paying dividends, but if PCNC generates earnings in the foreseeable future, it expects that they will be retained to finance growth. The directors of PCNC will determine if and when dividends should be declared and paid in the future based upon PCNC's financial position at the relevant time. All of the PCNC Shares will be entitled to an equal share in any dividends declared and paid for the particular class of shares.

## Available Funds and Principal Purposes

The available funds of PCNC are estimated to be approximately \$3,400,000 represented as current assets less current liabilities as at the date of this Circular plus the Spinco Cash. Prior to the completion of the Acquisition, PCNC will expend reasonable administrative expenses to fund its operations and Prophecy will reimburse PCNC's costs to complete the Acquisition up to \$150,000 in accordance with the terms of the Arrangement Agreement. Following the Acquisition, PCNC will have been organized and financed to conduct business as a Tier 1 Company, as defined by the Exchange Policies, that will operate primarily in Canada and Argentina, and intends to use the available funds, as at the date of this Circular, as set out in the estimates below, during the 18 months following the Effective Date:

### *Principal Purpose of Funds*

<b>Item</b>	<b>Budgeted Expenditures</b>
<b>Estimated Costs to Complete the Acquisition</b>	\$150,000 (to be paid by Prophecy)
<b>Exploration and Development Expenses: (per project area)</b>	
<b><u>Canada Properties</u></b>	
- Lynn Lake Property	\$180,000
- Wellgreen Property	\$1,119,500
- Burwash Property	\$100,000
<b><u>Argentina Properties</u></b>	
- Las Aguilas Property	\$200,000
<b>Property Maintenance Costs</b>	\$270,000
<b>General and Administrative Expenses for the next 18 months</b>	\$900,000
<b>Unallocated</b>	\$630,500
<b>Total</b>	<b>\$3,400,000</b> (less expenses reimbursed by Prophecy)

PCNC reserves the right to allocate funds to different projects and uses as may be deemed appropriate by management where for sound business reasons, a reallocation of funds is necessary. PCNC, in order to complete a

successful program, may require additional capital which may come from a combination of existing cash flow, potential cash flow, equity financing and/or debt financing. There is no assurance that additional capital will be available to PCNC to complete a successful exploration program or that the terms of such capital will be favourable. Failure to obtain additional capital could result in the delay or indefinite postponement of such exploration program. See “*Risk Factors*”.

### Description of the Securities

PCNC’s authorized capital will consist of an unlimited number of post-Consolidation PCNC Shares without par value. The holders of PCNC Shares are entitled to receive notice of and to one vote per share at all meetings of PCNC Shareholders. The PCNC Shares are entitled to dividends in such amounts as the board of directors may from time to time declare and in the event of liquidation, dissolution or winding-up, the holders of PCNC Shares are entitled to share pro rata in the assets of PCNC.

PCNC will also have outstanding, as of the Effective Date, PCNC Options to purchase up to 480,000 post-Consolidation PCNC Shares with each option exercisable to purchase one PCNC Share at exercise prices ranging from \$1.00 to \$2.00 and having expiry dates ranging from January 7, 2013 to January 11, 2016.

PCNC will also have outstanding, as of the Effective Date, PCNC Warrants to purchase up to 1,836,300 post Consolidation PCNC Shares with each warrant exercisable to purchase one PCNC Share at an exercise price of \$1.00 per PCNC Share and having expiry dates ranging from August 3, 2012 to January 6, 2013.

### Pro Forma Consolidated Capitalization

The following table sets forth the capitalization of PCNC after giving effect to the Acquisition and Consolidation:

Designation of Security	Amount Authorized	Outstanding as at Effective Date <sup>(4)(5)</sup>
PCNC Shares	Unlimited	50,603,484
PCNC Options <sup>(1)</sup>	20% of issued and outstanding capital on the Effective Date <sup>(2)</sup>	455,000
PCNC Warrants <sup>(3)</sup>	N/A	1,836,300

(1) Having exercise prices ranging from \$1.00 to \$2.00 and expiry dates ranging from May 27, 2013 to January 11, 2016.

(2) The number of stock options that PCNC may grant is limited by the terms of the New Option Plan and the Exchange Policies. See “*Information Concerning PCNC – Stock Option Plan*”.

(3) Having an exercise price of \$1.00 and having expiry dates ranging August 3, 2012 to January 6, 2013.

(4) On a pro forma basis as at January 31, 2011, PCNC will have an expected deficit of \$(3,786,059).

(5) Does not include \$1,000,000 in PCNC Shares agreed to be issued by PCNC to Strategic Metals Ltd. upon completion of the Acquisition for the purchase of a 100% interest in the Burwash Property.

### Fully diluted Share Capital

The following table states the fully diluted share capital of PCNC after giving effect to the Acquisition and Consolidation as of the Effective Date.

Description of Security	Number of Securities	Percentage of Total
PCNC Shares	5,603,484	10.59%
PCNC Shares issued in the Acquisition	45,000,000	85.07%

Description of Security	Number of Securities	Percentage of Total
PCNC Shares issuable on the exercise of PCNC Options	455,000	0.87%
PCNC Shares issuable on the exercise of the PCNC Warrants	1,836,300	3.47%
<b>Total</b>	<b>52,894,784</b>	<b>100%</b>

### Options to Purchase Securities

PCNC will have outstanding PCNC Options to purchase up to 455,000 post Consolidation PCNC Shares exercisable at prices ranging from \$1.00 to \$2.00 per share and expiring on dates ranging from January 7, 2013 to January 11, 2016.

The following table indicates the total number and terms of options which will be held by the proposed directors and officers of PCNC upon completion of the Acquisition and Consolidation.

#### OPTION GRANTS TO DIRECTORS AND OFFICERS

Name of Director/ Officer	Securities Under Options Granted (#)	Exercise or Base Price (\$/Security)	Expiration Date
John Lee	100,000	\$1.40	December 13, 2015
D. Greg Hall	25,000	\$1.40	December 13, 2015
Donald Gee	25,000	\$1.40	December 13, 2015
David Patterson	25,000	\$1.40	December 13, 2015
Michael Sweatman	5,000	\$1.60	January 7, 2013
	25,000	\$1.00	November 6, 2014
	25,000	\$2.00	January 11, 2016
John Icke	25,000	\$1.00	August 7, 2014
	25,000	\$2.00	January 11, 2016
John Kerr	3,750	\$1.60	January 7, 2013
	12,500	\$1.00	November 6, 2014

### Stock Option Plan

PCNC will adopt the New Option Plan which will permit the reservation of a maximum of approximately 10,120,695 PCNC Shares. The principal terms of the New Option Plan are discussed at “*Business of the PCNC Meeting – Stock Option Plan*”.

The table below indicates the groups which shall hold options to purchase PCNC Shares upon completion of the Acquisition and Consolidation.

### OUTSTANDING OPTIONS

<b>Group (Number of Persons in Group) (current and former)</b>	<b>Securities Under Options Granted (#)</b>	<b>Exercise or Base Price (\$/Security)</b>	<b>Expiration Date</b>
Directors (who are not officers) (4)	17,500	\$1.60	January 7, 2013
(1)	25,000	\$1.00	August 7, 2014
(4)	75,000	\$1.00	November 6, 2014
(3)	75,000	\$1.40	December 6, 2015
(2)	50,000	\$2.00	January 11, 2016
Officers (2)	75,000	\$1.00	August 7, 2014
(1)	7,500	\$1.00	September 17, 2014
(1)	100,000	\$1.40	December 6, 2015
Consultants (1)	10,000	\$1.60	January 7, 2013
(3)	20,000	\$1.50	May 27, 2013
<b>Total</b>	<b>455,000</b>		

#### *Equity Compensation Plan Information after giving effect to the Arrangement*

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights<sup>(1)</sup></b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of shares remaining available for issuance under equity compensation plans after giving effect to the Arrangement<sup>(2)(3)</sup></b>
Equity compensation plans <b>approved</b> by shareholders	455,000	\$1.30	9,665,695
Equity compensation plans <b>not approved</b> by shareholders	0	N/A	0
<b>Total</b>	<b>455,000</b>	<b>\$1.30</b>	<b>9,665,695</b>

(1) Assuming outstanding options, warrants and rights are fully vested.

(2) Excluding the number of shares issuable upon exercise of outstanding options, warrants and rights shown in the second column.

(3) Based on the New Option Plan and calculated on the basis of the number of issued and outstanding PCNC upon the completion of the Acquisition and the Consolidation.

#### **Escrowed Securities**

The following table lists the holders of escrowed securities, the number of securities held in escrow, and the percentage of securities held in escrow by each person who will be a holder of escrowed securities before and after the Acquisition and Consolidation. The table includes securities which will be released from escrow concurrently with the Acquisition and Consolidation, as described below:

Name and Municipality of Resident of Security Holder	Designation of Class	Before Giving Effect to the Acquisition <sup>(1)</sup>		After Giving Effect to the Acquisition <sup>(1)(2)</sup>	
		Number of Post-Consolidation Shares Held in Escrow	Percentage of Class	Number of Post-Consolidation Shares to be held in Escrow	Percentage of Class
John Lee, Taipei Taiwan	Common	Nil	N/A	304,316 <sup>(2)</sup>	0.60%
	Warrants	Nil	N/A	160,000	8.70%
	Options	Nil	N/A	100,000	21.98%
Merit Holdings Ltd., Taipei, Taiwan	Common	Nil	N/A	814,714	1.61%
John Icke, Vancouver, B.C.	Common	Nil	N/A	10,240	0.02%
	Options	Nil	N/A	50,000	10.99%
Greg Hall, West Vancouver, B.C.	Common	Nil	N/A	148,037 <sup>(2)</sup>	0.29%
	Warrants	Nil	Nil	35,000	1.90%
	Options	Nil	N/A	25,000	5.49%
John Kerr, Vancouver, B.C.	Common	Nil	N/A	82,500	0.16%
	Options	Nil	N/A	16,250	3.57%
Michael Sweatman, Delta, B.C.	Common	Nil	N/A	84,200	0.17%
	Options	Nil	N/A	55,000	12.09%
Donald Gee, Burnaby, B.C.	Options	Nil	N/A	25,000	5.49%
David Patterson, West Vancouver, B.C.	Options	Nil	N/A	25,000	5.49%
Prophecy Resource Corp., Vancouver, B.C.	Common	Nil	N/A	22,500,000	44.48%
<b>Total</b>	<b>Common Shares</b>	<b>Nil</b>	<b>Nil</b>	<b>23,944,007</b>	<b>47.29%</b>
	<b>Warrants</b>	<b>Nil</b>	<b>Nil</b>	<b>195,000</b>	<b>10.40%</b>
	<b>Options</b>	<b>Nil</b>	<b>Nil</b>	<b>296,250</b>	<b>65.11%</b>

(1) Assumes completion of the Consolidation.

(2) These figures are approximate as the number of PCNC Shares held by Mssrs. Lee and Hall will depend on the number of PCNC Shares received by them as Prophecy Shareholders on the Effective Date. The number above assumes that as of the Effective Date, the number of Prophecy Securities outstanding has not changed since the Record Date.

Pursuant to the policies of the Exchange, approximately 23,944,007 PCNC Shares and 195,000 PCNC Warrants held by principals of PCNC following completion of the Acquisition and Consolidation will be held pursuant to the Escrow Agreement, which shall include the following terms:

- 25% of the PCNC Shares, PCNC Options and PCNC Warrants will be released from escrow on the Effective Date;
- The remaining PCNC Shares, PCNC Options and PCNC Warrants will be released in three tranches of 25% every six months following the Effective Date; and
- While in escrow, none of the escrowed PCNC Shares, PCNC Options or PCNC Warrants can be transferred, either directly or indirectly through a change in control of a holding company without the consent of the Exchange.

### Principal Shareholders

After giving effect to the Acquisition and Consolidation, the following persons will beneficially own, directly or indirectly, or exercise control or direction over, common shares carrying more than 10% of the voting rights attached to the PCNC Shares:

Name of Shareholder	Number of PCNC Shares	Percentage of Issued and Outstanding PCNC Shares
Prophecy Coal Corp.	22,500,000	44.48%

### Directors and Officers

The following table sets forth the name and municipality of residence, proposed position with PCNC, principal occupation within the five preceding years and the number and percentage of securities to be held by the proposed directors and officers of PCNC. The term of office of each director will expire at the end of the next annual meeting of PCNC Shareholders which is expected to be held in December 2011.

Name, Jurisdiction of Residence, Proposed Offices	Principal Occupation During Last Five Years	Date of Appointment	Number of PCNC Shares upon completion of the Acquisition and Consolidation <sup>(4)</sup>	Percentage of PCNC Shares Held or Controlled on completion of the Acquisition and Consolidation
John Lee <sup>(2)</sup> Taipei Taiwan Chairman, CEO and Director	President, Mau Capital Management, LLC, President of Prophecy Resource Corp. from October 2009 to Present	December 13, 2010	1,119,030 <sup>(5)(12)</sup>	2.17%
John Icke <sup>(2)</sup> , Vancouver, B.C., Canada, Director	President and CEO of Resinco Capital Partners Incorporated from January 2008 to Present, director and CEO June, 2009 to Present; CEO of JRI Strategy Consulting Inc. from June 2005 to Present	December 15, 2008	10,240 <sup>(6)</sup>	0.02%
Donald Gee <sup>(1)</sup> , Burnaby, B.C., Canada, Director	President of Cantech Capital Corp. from January 1994 to Present	December 13, 2010	Nil <sup>(7)</sup>	N/A

Name, Jurisdiction of Residence, Proposed Offices	Principal Occupation During Last Five Years	Date of Appointment	Number of PCNC Shares upon completion of the Acquisition and Consolidation <sup>(4)</sup>	Percentage of PCNC Shares Held or Controlled on completion of the Acquisition and Consolidation
David Patterson <sup>(2)</sup> , West Vancouver, B.C., Canada, Director	Director of Elysian Enterprises, a private BC management company since August 2001; Chairman and CFO of Donner Metals Ltd., a mineral exploration company listed on the TSX Venture Exchange, since August 2005, and Knight Resources Ltd., a mineral exploration company listed on the TSX Venture Exchange, since September 2002	December 13, 2010	Nil <sup>(8)</sup>	N/A
D. Greg Hall <sup>(1)</sup> , West Vancouver, B.C., Canada, Director	Chairman and Director, Ivory Energy Inc. from June, 2006 to March, 2009; Financial Consultant, February, 2005 to present; Senior Vice President, Leede Financial Markets from February, 2003 to February, 2005	December 13, 2010	148,037 <sup>(9)(12)</sup>	0.29%
John Kerr, Vancouver, B.C., Canada, Director	President John R. Kerr and Associates Ltd from January 1992 to Present	July 10, 2007	82,500 <sup>(10)</sup>	0.16%
Michael Sweatman <sup>(1)</sup> , Delta, B.C., Canada, Director	Chartered Accountant; principal of MDS Management Ltd., a Vancouver based management consulting company, from November 1992 to present	July 10, 2007	84,200 <sup>(11)</sup>	0.17%
David McAdam, North Vancouver, B.C., Canada, Chief Financial Officer	President of First Line Consultants Ltd. from 2008 to Present; Chief Financial Officer of Eastern Platinum Ltd. from 2006 to 2008; President of First Line Consultants Inc. from 2004 to 2006	April 15, 2011	Nil	N/A

Name, Jurisdiction of Residence, Proposed Offices	Principal Occupation During Last Five Years	Date of Appointment	Number of PCNC Shares upon completion of the Acquisition and Consolidation <sup>(4)</sup>	Percentage of PCNC Shares Held or Controlled on completion of the Acquisition and Consolidation
Christina Boddy, Burnaby, B.C. Canada, Corporate Secretary	Corporate Secretary of Resinco Capital Partners Inc. from April 2011 to Present, Employee of Resinco Capital Partners Inc. from February 2011 to Present; Manager, Corporate Legal Services at Finavera Renewables Inc. from March 2009 to February 2011; Executive Assistant to CEO of Finavera Renewables Inc. from April 2007 to March 2008; Executive Assistant to CEO of Nettwerk Music Group from September 2005 to April 2007	April 15, 2011	Nil	N/A

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of the management of Prophecy and has been furnished by the respective individuals. Each director or officer has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years.
- (4) Assumes completion of the Acquisition and Consolidation, but no exercise of any PCNC Options or PCNC Warrants.
- (5) Mr. Lee will hold 304,316 PCNC Shares directly and 814,714 PCNC Shares indirectly through Merit Holdings Limited, a private entity of which he is the sole shareholder. In addition to the above, Mr. Lee will hold 100,000 PCNC Options exercisable at a price of \$1.40 per PCNC Share until December 13, 2015 and 160,000 PCNC Warrants exercisable at a price of \$1.00 per PCNC Share until January 6, 2013.
- (6) In addition to the PCNC Shares noted above, Mr. Icke will hold 25,000 PCNC Options exercisable at a price of \$1.00 per PCNC Share until August 7, 2014 and 25,000 PCNC Options exercisable at a price of \$2.00 per PCNC Share until January 11, 2016.
- (7) Mr. Gee will hold 25,000 PCNC Options exercisable at a price of \$1.40 per PCNC Share until December 13, 2015.
- (8) Mr. Patterson will hold 25,000 PCNC Options exercisable at a price of \$1.40 per PCNC Share until December 13, 2015.
- (9) In addition to the PCNC Shares noted above, Mr. Hall will hold 25,000 PCNC Options exercisable at a price of \$1.40 per PCNC Share until December 13, 2015 and 35,000 PCNC Warrants exercisable at a price of \$1.00 per PCNC Share until January 6, 2013.
- (10) In addition to the PCNC Shares noted above, Mr. Kerr will hold 3,750 PCNC Options exercisable at a price of \$1.60 per PCNC Share until January 7, 2013 and 12,500 PCNC Options exercisable at a price of \$1.00 per PCNC Share until November 6, 2014.
- (11) In addition to the PCNC Shares noted above, Mr. Sweatman will hold 25,000 PCNC Options exercisable at a price of \$2.00 per PCNC Share until January 11, 2016, 5,000 PCNC Options exercisable at a price of \$1.60 per PCNC Share until January 7, 2013 and 25,000 PCNC Options exercisable at a price of \$1.00 per PCNC Share until November 6, 2014.
- (12) These figures are approximate as the number of PCNC Shares held by Messrs. Lee and Hall will depend on the number of PCNC Shares received by them as Prophecy Shareholders on the Effective Date. The number above assumes that as of the Effective Date, the number of Prophecy Shares outstanding has not changed since the Record Date.

The information as to shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to PCNC by the respective directors and officers as at the date hereof. After giving effect to the Acquisition and Consolidation, the directors, officers, insiders and promoters PCNC, and their respective associates and affiliates, as a group, will hold an aggregate of 23,944,007 post Consolidation PCNC Shares, representing approximately 47.34% of the issued and outstanding post-Consolidation PCNC Shares.

PCNC's audit committee will continue to be made up of Michael Sweatman, Donald Gee and Greg Hall. All members of the audit committee will be considered independent for the purposes of applicable Canadian securities laws, and all members are considered to be financially literate.

## Management

The following is a brief description of the key management of the Resulting Issuer.

**John Lee, 37**, has been a mining analyst and accredited investor in the resource space since 2001. He is the President and CEO of Prophecy and he is a speaker at major resource conferences, including Mines and Money, China Mining, Terrapinn, and Cambridge House. Mr. Lee is a CFA charter holder and has degrees in economics and engineering from Rice University.

Mr. Lee is Chairman, interim CEO and a Director of PCNC. Mr. Lee will devote 40% of his working time to the affairs of PCNC. Mr. Lee will not be an employee of the Resulting Issuer and has not entered into any non-competition or non-disclosure agreements with the Resulting Issuer.

**Michael Sweatman, 59**, has been the Owner/Manager of MDS Management Ltd., a Vancouver-based management consulting company, since November 1992. He has been the Principal of his own accounting practice since January 1999. Mr. Sweatman currently serves as the Chief Financial Officer of Lions Gate Metals Inc.. Mr. Sweatman, a Chartered Accountant, obtained his Bachelor of Arts degree in Economics and Commerce in 1982 from Simon Fraser University and received his CA designation from the British Columbia Institute of Chartered Accountants in 1982. He is a member in good standing of the British Columbia Institute of Chartered Accountants and the Yukon Institute of Chartered Accountants.

Mr. Sweatman is a Director of PCNC. Mr. Sweatman intends to devote approximately 5-10% of his working time to the affairs of PCNC. Mr. Sweatman has not entered into a non-competition or non-disclosure agreement with PCNC and will not be an employee of PCNC.

**John Kerr, 70** currently acts as a consultant on mining and exploration projects. His track record includes the discovery of two significant ore deposits in Newfoundland and a 900,000 oz gold deposit in Nevada. Mr. Kerr is Professional Engineer (Geology) with the Association of Professional Engineers of B.C. and holds a B.Sc from University of British Columbia.

Mr. Kerr is a director of PCNC. Mr. Kerr intends to devote approximately 15% of his working time to the affairs of PCNC. Mr. Kerr has not entered into a non-competition or non-disclosure agreement with PCNC and will not be an employee of PCNC.

**John Icke, 54**, is a senior executive with more than 25 years' global management experience in both the private and public sectors. Mr. Icke currently serves as President, CEO and director of Resinco Capital Partners Inc. His previous positions include: President of Accenture Business Services for Utilities, the largest business process outsourcing practice of its kind worldwide; President and Chief Executive Officer of Lily Cups Inc; founding director and chairman of Canadian Polystyrene Recycling Association (C.P.R.A.); Corporate Vice President and General Manager of Indigo N.V.'s worldwide packaging business; Chief Operating Officer and Executive Vice President of Sweetheart Cup, a subsidiary of Fort Howard, and President of JRI Strategy Consultants Inc., a business consultancy providing strategic counseling and leadership to senior executives of retailers, technology, mining, investment management and consumer goods manufacturing businesses.

Mr. Icke is a director of PCNC. Mr. Icke intends to devote approximately 5% of his working time to the affairs of PCNC. Mr. Icke has not entered into a non-competition or non-disclosure agreement with PCNC and will not be an employee of PCNC.

**Donald Gee, 61**, has been a Chartered Accountant in British Columbia since May, 1979, after he obtained his Bachelor of Science (Geology) in 1973 and his Licentiate in Accounting in 1976, both from the University of

British Columbia. Mr. Gee has been a member of the Canadian Institute of Mining and Metallurgy since April, 2004.

Mr. Gee has over 28 years of experience with private and public company financing, as well as corporate and capital structuring and management. Since January, 1994, Mr. Gee has been the President of Cantech Capital Corp., a private management consulting business specializing in public company and corporate finance advice.

Mr. Gee is a director of PCNC. Mr. Gee intends to devote approximately 10% of his working time to the affairs of PCNC. Mr. Gee has not entered into a non-competition or non-disclosure agreement with PCNC and will not be an employee of PCNC.

**David Patterson, 57**, Mr. Patterson holds a Masters of Business Administration from Simon Fraser University (1991) and a Bachelor of Arts from Simon Fraser University (1977). For more than 25 years he has been involved in the administration and finance of exploration companies based in North America. Mr. Patterson has been a director and/or officer of a number of public companies listed on the Exchange.

Mr. Patterson is a director of PCNC. Mr. Patterson intends to devote approximately 10% or less of his working time to the affairs of PCNC. Mr. Patterson has not entered into a non-competition or non-disclosure agreement with PCNC and will not be an employee of PCNC.

**D. Greg Hall, 55**, is a seasoned financial market professional with over 25 years of experience as a broker, senior executive officer and founder of a number of successful brokerage firms. Mr. Hall has also had extensive experience as a board member and executive director for a number of Canadian and United States public and private companies.

Mr. Hall is a Director of PCNC. Mr. Hall intends to devote approximately 15-20% of his working time to the affairs of PCNC as deemed necessary. Mr. Hall will not be an employee of PCNC and has not entered into any non-competition or non-disclosure agreements with PCNC.

**David McAdam, 51**, is an experienced CFO, with transformation and operational experience in the mining sector and internationally. Mr. McAdam has held various senior financial and operational positions ranging from CFO of Hawthorne Gold Corp. (a TSX Venture Exchange mining company) and Eastern Platinum Limited (TSX-AIM-JSE listed mining company) through to VP Operations and Finance Director with Waste Management, Inc. (a Fortune 150 company) based in Houston, Texas. Currently, Mr. McAdam is CFO of a private company with a mining asset in South Africa and Director of two South African mining companies. Mr. McAdam has a Bachelor of Commerce degree from the University of British Columbia.

Mr. McAdam is the Chief Financial Officer of PCNC following completion of the Acquisition. Mr. McAdam intends to devote approximately 20% of his working time to the affairs of PCNC as deemed necessary. Mr. McAdam will not be an employee of PCNC and has not entered into any non-competition or non-disclosure agreements with PCNC.

**Christina Boddy, 32**, is a member of the Canadian Society of Corporate Secretaries and has worked with several public and privately-held companies across varied industries. She holds a B.Sc. from the University of Northern British Columbia, has completed the Canadian Securities Course, and additional coursework in public companies finance, governance and compliance. She currently acts as Corporate Secretary for Resinco Capital Partners and Cue Resources Ltd, and previously as Manager of Legal Services for Vancouver-based, Finavera Wind Energy Inc.

Ms. Boddy is the Corporate Secretary of PCNC following completion of the Acquisition. Ms. Boddy intends to devote approximately 20% of her working time to the affairs of PCNC as deemed necessary. Ms. Boddy will not be an employee of PCNC and has not entered into any non-competition or non-disclosure agreements with PCNC.

### **Corporate Cease Trade Orders or Bankruptcies**

Except as disclosed under the heading “*Information Concerning PCNC – Corporate Cease Trade Orders or Bankruptcies*” regarding Mr. Sweatman and Mr. Icke, to the knowledge of management of PCNC, there has been no director or officer, or any shareholder holding a sufficient number of securities of PCNC to affect materially the control of PCNC that is, or within the 10 years before the Record Date has been, a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Personal Bankruptcies**

To the knowledge of management of PCNC, there has been no director or officer, or any shareholder holding a sufficient number of securities of PCNC to affect materially the control of PCNC, or a personal holding company of any such person that has, within the 10 years before the Record Date, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

### **Penalties or Sanctions**

To the knowledge of management of PCNC, no proposed director, officer, promoter of PCNC or shareholder holding a sufficient number of securities of PCNC to affect materially the control of PCNC has:

- (a) has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) has been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision about the Arrangement.

### **Conflicts of Interest**

There are potential conflicts of interest to which the proposed directors and officers of PCNC will be subject in connection with the operations of PCNC. In particular, certain of the directors and officers PCNC are involved in managerial or director positions with other mineral exploration companies whose operations may, from time to time, be in direct competition with those of PCNC or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of PCNC. Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. The BCBCA provides that if a director has a material interest in a contract or proposed contract or agreement that is material to PCNC, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement subject to and in accordance with the BCBCA or Exchange Policies. To the knowledge of the proposed management of PCNC, as at the date hereof, there are no existing or potential material conflicts of interest between PCNC and a proposed director or officer of PCNC except as otherwise disclosed herein.

### Other Reporting Issuer Experience

The following table sets out the proposed directors and officers of PCNC who are, or have been within the last five years, directors or officers of other Canadian reporting issuers:

Name of Director, Officer or Promoter	Name of Reporting Issuer	Name of Trading Market	Position	Period
John Lee	Prophecy Resource Corp.	TSX-V	Chairman, CEO and Director	October 2009 to Present
Greg Hall	Silvercorp Metals Inc. (formerly SKN Resources Ltd.)	TSX	Director	March 2005 to Present
	AceroMartin Exploration Inc.	TSX-V	Director	October 2005 to February 2008
	Ivory Energy Inc.	TSX-V	Chairman, Corporate Secretary and Director	June 2006 to March 2009
	Prophecy Resource Corp.	TSX-V	Director	January 2010 to Present
	Agrimarine Holdings Inc.	TSX-V	Director	April 2011 to Present
Michael Sweatman	Brownstone Energy Inc.	TSX-V	Director	May 1996 to Present
	Mega Uranium Ltd.	TSX	Director	January 2000 to Present
	Run of River Power Inc.	TSX-V	Chief Financial Officer	April 2005 to January 2008
			VP Corporate Services	January 2008 to March 2011
	Lions Gate Metals Inc.	TSX-V	CFO and Director	July 2010 to Present
	Marifil Mines Ltd.	TSX-V	Chief Financial Officer	July 2005 to August 2010
	Glenthorpe Enterprises Inc.	TSX-V	Director	November 2006 to December 2010
	Mega Precious Metals Inc.	TSX-V	Director	July 1998 to Present
	Pan American Gold Corp.	OTCBB	Director and CFO	May 2004 to August 2006
	Rockford Technology Corp.	ASX	CFO	March 2003 to November 2007
	Blackbird Energy Inc.	TSX-V	Director	July 2008 to Present
	Galena Capital Corp.	TSX-V	Director	April 2010 to Present
	Teslin River Resources Corp.	TSX-V	President and Director	May 2010 to Present
	Netco Energy Inc.	TSX-V	Director and CFO	November 2010 to Present
John Icke	Resinco Capital Partners Inc.	TSX	Director	June 2009 to Present
			President	January 2008 to Present
			CEO	June 2008 to Present
	Cue Resources Ltd.	TSX-V	Director and Chairman	April 2008 to Present

<b>Name of Director, Officer or Promoter</b>	<b>Name of Reporting Issuer</b>	<b>Name of Trading Market</b>	<b>Position</b>	<b>Period</b>
			Interim CEO	April 2008 to March 2010
	Woulfe Mining Corp.	TSX-V	Director	January 2009 to Present
	Terreno Resources Corp.	TSX-V	Director	September 2009 to Present
			Interim CEO	August 2010 to November 2010
	Lions Gate Metals Inc.	TSX-V	Director	November 2009 to Present
	Teslin River Resources Corp.	TSX-V	Director	November 2009 to Present
	Tanzania Minerals Corp.	TSX-V	Director	January 2008 to Present
	Sheen Resources Ltd.	NEX	Director	November 2009 to October 2010
	Finavera Renewables Inc.	TSX-V	Director	December 2007 to February 2010
	Paget Minerals Inc.	TSX-V	Director	March 2009 to April 2009
Donald Gee	Andele Capital Corp.	TSX-V	Director	October 2010 to Present
	Javelle Capital Corp.	TSX-V	Director	November 2010 to Present
	Electric Metals Inc.	TSX-V	Director	June 2009 to November 2010
	Ocean Park Ventures Corp.	TSX-V	President and Director	January 2010 to July 2010
	Pacific-Link Capital Inc.	TSX-V	Director	April 2009 to November 2010
	Rockbridge Resources Inc.	TSX-V	Director	November 2007 to September 2010
	Great Bear Resources Ltd.	CNSX	Chairman and Director	July 2008 to September 2010
	La Quinta Resources Corp.	TSX-V	Director	July 2007 to October 2008
	Eagle Hill Exploration Corporation	TSX-V	CFO and Director	January 2007 to September 2008
	Acero-Martin Exploration Inc.	TSX-V	Director	November 2003 to September 2008
	Evolving Gold Corp.	TSX-V	CFO and Director	February 2007 to August 2008
	Yankee Hat Minerals Ltd.	TSX-V	Director	April 1999 to February 2008
	CMC Metals Ltd.	TSX-V	Director	March 2005 to October 2007
	Journey Resources Corp.	TSX-V	Director	November 2006 to September 2007
Madalena Ventures Inc.	TSX-V	Director	September 2001 to January 2007	

<b>Name of Director, Officer or Promoter</b>	<b>Name of Reporting Issuer</b>	<b>Name of Trading Market</b>	<b>Position</b>	<b>Period</b>
	GBS Gold International Inc.	TSX	Director	March 2005 to March 2006
	Smart-Tek Solutions Inc.	OTCBB	President and Director	December 2004 to September 2006
	Confederation Minerals Ltd.	TSX-V	Director	February 2007 to December 2009
	Canadian Overseas Petroleum Limited	TSX-V	Director	October 2008 to September 2009
David Patterson	Donnybrook Energy Inc.	TSX-V	CEO and Director	May 2006 to Present
			President	January 2006 to Present
	Donner Metals Ltd.	TSX-V	CFO and Director	August 2005 to Present
	Fuller Capital Corp.	TSX-V	CEO and Director	October 2009 to Present
	Knight Resources Ltd.	TSX-V	CFO	January 2007 to Present
			Director	September 2002 to Present
			CEO	January 2002 to January 2007
	Panorama Resources Ltd.	TSX-V	Director	July 2007 to Present
			CEO	January 2010 to Present
	Blackburn Ventures Corp.	TSX-V	CEO and Director	July 2007 to December 2009
	Valverde Capital Corp.	TSX-V	CEO and Director	December 2006 to August 2008
	LTT Capital Corp.	TSX-V	CEO and Director	August 2005 to June 2007
	Donner Petroleum Ltd.	TSX-V	Director	January 2002 to November 2006
			CEO	January 2002 to August 2005
	Terra Nova Gold Corp.	TSX-V	Director	August 2002 to June 2007
CFO			December 2006 to June 2007	
CEO			August 2002 to December 2006	
John Kerr	Quaterra Resources Inc.	TSX-V	Director	May 1993 to Present
	Bravada Resources Corp.	TSX-V	Director	April 2010 to Present
David McAdam	Hawthorne Gold Corp.	TSX-V	Chief Financial Officer	August 2009 to April 2010
	Yellowcake Mining, Inc.	OTCBB	Chief Financial Officer	September 2008 to January 2010
	Eastern Platinum Ltd.	TSX, AIM, JSE	Chief Financial Officer	July 2006 to January 2008
	Silk Road Resources Ltd.	TSX-V	Chief Financial Officer	March 2006 to September 2006

Name of Director, Officer or Promoter	Name of Reporting Issuer	Name of Trading Market	Position	Period
	Barplats Investments Ltd.	JSE	Finance Director	January 2006 to July 2006
Christina Boddy	Resinco Capital Partners Inc.	TSX	Corporate Secretary	April 2011 to Present
	Cue Resources Ltd,	TSX-V	Corporate Secretary	April 2011 to Present

### Indebtedness of Directors and Officers

No director, officer, promoter, or proposed member of management of PCNC, nor any of their associates or affiliates, is or has been indebted to PCNC since the commencement of PCNC's last completed financial year, nor is any such person expected to be indebted to PCNC on the completion of the Acquisition.

### Executive Compensation

PCNC is expected to continue to engage John Lee as a consultant to perform services as chairman, and interim chief executive officer of PCNC at a rate of \$10,000 per month. See *"Information Concerning PCNC – Executive Compensation"* for additional information concerning executive compensation in PCNC.

Set out below is a summary of the anticipated compensation for the proposed Chief Executive Officer of PCNC, for the 12 month period after giving effect to the Acquisition. PCNC has not yet determined what compensation will be payable to other executive officers.

*Summary Compensation Table  
For Financial Year Ending December 31, 2011*

Name and Principal Position	Year Ended	Salary (\$) <sup>(1)</sup>	Share-based awards (\$)	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long term incentive plans (\$)			
John Lee, Chairman, interim Chief Executive Officer/Director <sup>(3)</sup>	2011	Nil	Nil	Nil	Nil	Nil	Nil	120,000	120,000
David McAdam, Chief Financial Officer <sup>(3)</sup>	2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

- (1) The value of perquisites and benefits, if any, for each Named Executive Officer will be less than the lesser of \$50,000 and 10% of the total annual salary and bonus.
- (2) The value of the option-based award was determined using the Black-Scholes option-pricing model.

Apart from the foregoing, PCNC is not expected to pay compensation to any of its directors or senior officers apart from stock option compensation, except as described above at *"Information Concerning PCNC – Executive Compensation – Director Compensation"*.

PCNC has engaged Resinco Capital Partners Inc. to provide office space, financial services and corporate secretarial services under a services agreement at a monthly cost of \$6,000 per month for a term of one year, which may be terminated within 90 days' notice at the end of such year.

### Promoter

PCNC does not expect to have any promoters other than its directors and officers.

## Investor Relations Arrangements

After the Effective Date, PCNC expects to enter into a written agreement with Nicola Street Capital for the provision of promotional and investor relations services for PCNC at a costs of \$3,000 per month for a one year term. Nicola Street Capital is a privately held British Columbia Company, based in Vancouver, and provides investor relations and other marketing services to public companies. Nicola Street Capital and PCNC are at arms-length to one another. Nicola Street Capital does not hold or have the right to acquire an interest, directly or indirectly in PCNC. Nicola Street Capital will provide investor relations services including, but not limited to, communicating with investors and potential investors. Nicola Street Capital will not provide market making services.

PCNC does not anticipate entering into any arrangement with any person to engage in activities for the purpose of stabilizing the market.

## Auditor, Transfer Agent and Registrar

The auditor of PCNC will continue to be Manning Elliott LLP, Chartered Accountants, 11<sup>th</sup> Floor, 1050 West Pender Street, Vancouver, British Columbia, V6E 3S7. The registrar and transfer agent of the PCNC Shares will continue to be Computershare Investor Services Inc., 2<sup>nd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

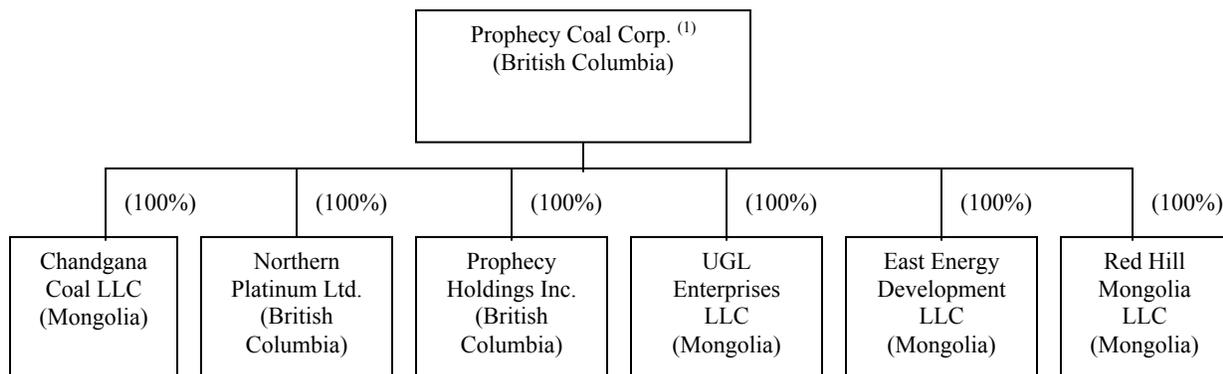
## Sponsorship

Pursuant to the Sponsorship Policy, sponsorship is required in conjunction with an RTO. PCNC has made application to the Exchange for an exemption from the sponsorship requirement on the basis that: (a) it will not be a foreign issuer or the holder of a foreign property upon completion of the Acquisition; (b) the board of directors and management of PCNC meet a high standard and collectively possess appropriate experience, qualifications and history, having positive records with junior companies and appropriate technical and other experiences with public companies in Canada and the United States, and (c) PCNC will be a mining issuer, satisfying the Initial Listing Requirements for a Tier 1 Issuer and will have a current technical report on its material mineral property. There are no assurances that PCNC will be granted an exemption from sponsorship.

## INFORMATION CONCERNING PROPHECY – POST ARRANGEMENT

### Corporate Structure

Upon completion of the Arrangement, Prophecy's head office will remain located at Suite 2060-777 Hornby Street, Vancouver, British Columbia, V6Z 1T7. The registered and records office of Prophecy will remain located at Suite 2600-595 Burrard Street, Vancouver, British Columbia, V7X 1L3. The following diagram sets forth the corporate structure of Prophecy following the Arrangement:



- (1) Following the PCY Name Change pursuant to the Arrangement Agreement.

### **Narrative Description of the Business of Prophecy Post-Arrangement**

Prophecy will continue to be an exploration and development stage mining company engaged in the identification, acquisition, exploration and if warranted, development of mineral properties and will continue to develop Prophecy's business plans and mineral properties (excluding the Nickel Assets) as described in "Information Concerning Prophecy – General Development of the Business" above. Prophecy will continue to focus on the Ulaan Ovoo Property and Chandgana Property and continue to seek additional properties for acquisition.

Prophecy's material properties will be the Ulaan Ovoo Property, as described in the Ulaan Ovoo PFS, the Chandgana Property as described in the Chandgana Tal Report and Chandgana Khavtai Report (see "Information Concerning Prophecy- Material Mineral Projects"). For further discussion of the proposed exploration and development programs to be undertaken on the material mineral properties, please see "Information Concerning Prophecy – Material Mineral Projects". Prophecy has budgeted \$470,000 for the Ulaan Ovoo Property and \$1,100,000 for the Chandgana Property for the next twelve month period, which does not include expenditures Prophecy has already incurred on the properties.

### **Dividends**

The proposed management and directors of Prophecy do not anticipate declaring any dividends payable to the holders of any class of shares of Prophecy. Prophecy will have no restrictions on paying dividends, but if Prophecy generates earnings in the foreseeable future, it expects that they will be retained to finance growth. The directors of Prophecy will determine if and when dividends should be declared and paid in the future based upon Prophecy's financial position at the relevant time. All of the shares of Prophecy will be entitled to an equal share in any dividends declared and paid for the particular class of shares.

### **Available Funds and Principal Purposes**

The available funds of Prophecy are estimated to be approximately \$20,200,000 represented as current assets less current liabilities as at the date of this Circular. Prior to the completion of the Arrangement, Prophecy will expend reasonable administrative expenses to fund their operations. Following the Arrangement, Prophecy will have been organized and financed to conduct business as a Tier 1 Company, as defined by the Exchange Policies, that will operate primarily in Mongolia, and intends to use the available funds, as at the date of this Circular, as set out in the estimates below, during the 12 months following the Effective Date:

#### ***Principal Purpose of Funds***

<b>Item</b>	<b>Budgeted Expenditures</b>
<b>Estimated Costs to Complete the Arrangement (including costs of PCNC up to \$150,000 pursuant to the Arrangement Agreement)</b>	\$300,000
<b>Spinco Cash to PCNC per the Arrangement Agreement</b>	\$2,000,000
<b>Exploration and Development Expenses: (per project area)</b>	
<b><u>Mongolia Properties</u></b>	
- Ulaan Ovoo Property	\$470,000
- Chandgana Property	\$1,100,000

<b>Item</b>	<b>Budgeted Expenditures</b>
<b>Canada Properties</b>	
- Okeover Property	\$120,000
- Titan Property	\$140,000
<b>General and Administrative Expenses for the next 12 months</b>	\$5,000,000
<b>Unallocated</b>	\$9,990,000
<b>Total</b>	<b>\$20,200,000</b>

Prophecy reserves the right to allocate funds to different projects and uses as may be deemed appropriate by management where for sound business reasons, a reallocation of funds is necessary. Prophecy, in order to complete a successful program, may require additional capital which may come from a combination of existing cash flow, potential cash flow, equity financing and/or debt financing. There is no assurance that additional capital will be available to Prophecy to complete a successful exploration program or that the terms of such capital will be favourable. Failure to obtain additional capital could result in the delay or indefinite postponement of such exploration program. See “*Risk Factors*”.

#### **Description of the Securities**

Prophecy's authorized capital will consist of an unlimited number of New Common Shares without par value. The holders of New Common Shares are entitled to receive notice of and to one vote per share at all meetings of shareholders of Prophecy. The New Common Shares are entitled to dividends in such amounts as the board of directors may from time to time declare and in the event of liquidation, dissolution or winding-up, the holders of New Common Shares are entitled to share pro rata in the assets of Prophecy.

Prophecy will also have outstanding, as of the Effective Date, options to purchase up to 22,181,350 New Common Shares with each option exercisable to purchase one New Common Share at exercise prices ranging from \$0.25 to \$1.07 and having expiry dates ranging from January 23, 2014 to March 2, 2016.

Prophecy will also have outstanding, as of the Effective Date, warrants to purchase up to 24,894,238 New Common Shares with each warrant exercisable to purchase one New Common Share at exercise prices ranging from \$0.10 to \$0.80 and having expiry dates ranging from June 5, 2011 to October 28, 2012.

Prophecy will also have outstanding, as of the Effective Date, brokers warrants to purchase up to 180,000 units of Prophecy at price ranging from \$0.40 to \$0.46 per unit and having expiry dates ranging from June 5, 2011 to December 31, 2011, each unit comprising one New Common Share and one half of one warrant exercisable to purchase one New Common Share at exercise prices ranging from \$0.60 to \$0.70 and also having expiry dates ranging from June 5, 2011 to December 31, 2011.

#### **Pro Forma Consolidated Capitalization**

The following table sets forth the capitalization of Prophecy after giving effect to the Arrangement:

<b>Designation of Security</b>	<b>Amount Authorized</b>	<b>Outstanding as at Effective Date<sup>(5)</sup></b>
New Common Shares	Unlimited	189,973,664

Designation of Security	Amount Authorized	Outstanding as at Effective Date <sup>(5)</sup>
Prophecy Options <sup>(1)</sup>	37,916,653 <sup>(2)</sup>	22,181,350
Prophecy Warrants <sup>(3)</sup>	N/A	24,894,238
Prophecy Broker Warrants <sup>(4)</sup>	N/A	180,000

(1) Having exercise prices ranging from \$0.25 to \$1.07 and expiry dates ranging from January 23, 2014 to March 2, 2016.

(2) The number of stock options that Prophecy may grant is limited by the terms of the New Option Plan and the Exchange Policies. See “*Business of the Prophecy Meeting – Stock Option Plan*”.

(3) Having exercise prices ranging from \$0.10 to \$0.80 and having expiry dates ranging June 5, 2011 to October 28, 2012.

(4) Having exercise prices ranging from \$0.40 to \$0.46 per unit entitling the holder to acquire one New Common Share and one half of one warrant until dates ranging from June 5, 2011 to December 31, 2011.

(5) On a pro forma basis as at December 31, 2010, Prophecy will have an expected deficit of \$28,752,790.

### **Fully diluted Share Capital**

The following table states the fully diluted share capital of Prophecy after giving effect to the Arrangement as of the Effective Date.

Description of Security	Number of Securities	Percentage of Total <sup>(1)</sup>
New Common Shares to be issued on the exchange for outstanding Prophecy Shares	189,973,664	80.03%
New Common Shares issuable on the exercise of the Prophecy Options	22,181,350	9.36%
New Common Shares issuable on the exercise of the Prophecy Warrants	24,894,238	10.49%
New Common Shares issuable on the exercise of the Prophecy Broker Warrants (and Prophecy Warrants underlying same)	270,000	0.12%
<b>Total</b>	<b>237,319,752</b>	<b>100%</b>

### **Options to Purchase Securities**

Prophecy will, subject to the approval of the Prophecy Shareholders at the Prophecy Meeting upon completion of the Arrangement, have outstanding options to purchase up to 22,181,350 New Common Shares of Prophecy exercisable at prices ranging from \$0.25 to \$1.07 per share and expiring on dates ranging from January 23, 2014 to March 2, 2016.

The following table indicates the total number and terms of options which will be held by the proposed directors and officers of Prophecy upon completion of the Arrangement.

### **OPTION GRANTS TO DIRECTORS AND OFFICERS**

Name of Director/ Officer	Securities Under Options Granted (#)	Exercise or Base Price (\$/Security)	Expiration Date
John Lee	500,000	\$0.25	October 29, 2014
	350,000	\$0.67	May 10, 2015
	125,000	\$0.54	September 21, 2015
	1,000,000	\$0.93	December 24, 2015

Name of Director/ Officer	Securities Under Options Granted (#)	Exercise or Base Price (\$/Security)	Expiration Date
Paul McKenzie	492,200	\$0.40	January 23, 2014
	75,000	\$0.67	May 10, 2015
	25,000	\$0.54	September 21, 2015
	50,000	\$0.93	December 24, 2015
Greg Hall	300,000	\$0.25	October 29, 2014
	75,000	\$0.67	May 10, 2015
	25,000	\$0.54	September 21, 2015
	80,000	\$0.93	December 24, 2015
Paul Venter	100,000	\$0.67	May 10, 2015
	150,000	\$0.54	September 21, 2015
	200,000	\$0.93	December 24, 2015
John McGoran	125,000	\$0.60	July 17, 2014
	75,000	\$0.80	April 30, 2014
	25,000	\$0.54	September 21, 2015
	50,000	\$0.93	December 24, 2015
Michael Deats	200,000	\$0.93	December 24, 2015
Irina Plavutska	50,000	\$0.54	September 21, 2015
	100,000	\$0.93	December 24, 2015
Joseph Li	100,000	\$0.93	December 24, 2015
	100,000	\$1.07	March 2, 2016
Christiaan Van Eeden	250,000	\$0.93	December 24, 2015

### Stock Option Plan

Prophecy will adopt the New Option Plan which will permit the reservation of a maximum of 37,916,653 New Common Shares. The principal terms of the New Option Plan are discussed at “*Information Concerning PCNC – Stock Option Plan*”.

### Equity Compensation Plan Information after giving effect to the Arrangement

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup>	Weighted-average exercise price of outstanding options, warrants and rights	Number of shares remaining available for issuance under equity compensation plans after giving effect to the Arrangement <sup>(2)(3)</sup>
Equity compensation plans <b>approved</b> by shareholders	22,181,350	\$0.69	15,808,303
Equity compensation plans <b>not approved</b> by shareholders	0	N/A	0
<b>Total</b>	<b>22,181,350</b>	<b>\$0.69</b>	<b>15,808,303</b>

(1) Assuming outstanding options, warrants and rights are fully vested.

(2) Excluding the number of shares issuable upon exercise of outstanding options, warrants and rights shown in the second column.

(3) Based on the New Option Plan to be adopted by Prophecy and calculated on the basis of the number of issued and outstanding shares of Prophecy upon the completion of the Arrangement.

### Escrowed Securities

No securities of Prophecy are currently held in escrow or will be held in escrow following completion of the Arrangement.

### Principal Shareholders

After giving effect to the Arrangement, no persons will beneficially own, directly or indirectly, or exercise control or direction over, common shares carrying more than 10% of the voting rights attached to the securities of Prophecy.

### Directors and Officers

The following table sets forth the name and municipality of residence, proposed position with Prophecy, principal occupation within the five preceding years and the number and percentage of securities to be held by the proposed directors and officers of Prophecy. These persons will become directors and/or officers of Prophecy as of the Effective Date, in accordance with the Plan of Arrangement. The term of office of each director will expire at the end of the next annual meeting of shareholders of Prophecy which is expected to be held in June 2011.

<b>Name, Jurisdiction of Residence, Proposed Offices</b>	<b>Principal Occupation During Last Five Years</b>	<b>Number of New Common Shares upon completion of the Arrangement<sup>(4)</sup></b>	<b>Percentage of New Common Shares Held or Controlled on completion of the Arrangement</b>
John Lee, Taipei Taiwan, President, CEO, Co-Chairman and Director	President, Mau Capital Management LLC (private investor relations firm) from 2004 to present, President and CEO of Prophecy from October 2009 to Present	9,597,970 <sup>(6)</sup>	4.97%
Paul McKenzie, Vancouver, B.C., Director	Director of Prophecy Resource Corp. from June 2004 to present; Manager of Prophecy Resource Corp. from March 2000 to present, Public Relations Officer and Director of International Enexco Ltd. from February 2006 to present and Self Employed Property Broker from August 1996 to present	146,060 <sup>(7)</sup>	0.09%
D. Greg Hall, West Vancouver, B.C., Director <sup>(1)(3)</sup>	Self-employed businessman; Chairman and Director Ivory Energy Inc., (junior oil and gas issuer listed on the TSX-V Exchange) June 2006 to March 2009; Chairman and director, 1078352 Alberta Ltd., November, 2003 to June 2006; former Executive Vice-President, Leede Financial Markets Inc. (investment brokerage house), February 2004 to February, 2005; Secretary and Director, Makevco Consulting Inc. (private consulting company), March 2000 to present	1,192,000 <sup>(8)</sup>	0.63%

Name, Jurisdiction of Residence, Proposed Offices	Principal Occupation During Last Five Years	Number of New Common Shares upon completion of the Arrangement <sup>(4)</sup>	Percentage of New Common Shares Held or Controlled on completion of the Arrangement
Paul Venter, Kent, England, Director and VP Energy Operations	Independent Consultant to Prophecy from December 2009 to Present, Director of the Energy Galway Ltd. from November 2008 to November 2009; Managing Director of EN+ Group from August 2006 to October 2008	Nil <sup>(9)</sup>	N/A
Michael Deats, Gauteng, South Africa, Director	Self Employed Geological Consultant from March 2000 to Present	Nil <sup>(10)</sup>	N/A
John McGoran, Vancouver, B.C., Director	President of J.P. McGoran & Associates from September 1975 to Present	200,750 <sup>(11)</sup>	0.11%
Baz Chuluunbaatar, Ulaanbaatar, Mongolia, Director	President and CEO of Monnis International	1,000,000 <sup>(12)</sup>	0.53%
Jivko Savov, London, United Kingdom, Director	Deputy Chief Executive Officer of En+ Group from 2006 to Present, Manager of private equity investments for Equest Partners and MMC Energy from 2002 to 2006.	Nil <sup>(13)</sup>	N/A
Joseph Li, Richmond B.C., Corporate Secretary	Senior Auditor for Consumer Taxation Audit Branch of B.C. Ministry of Finance from January 1998 to January 2011	1,107,870 <sup>(14)</sup>	0.58%
Irina Plavutska, Port Coquitlam, Interim Chief Financial Officer	Controller for Prophecy from September to Present; Controller for Chris Dikeakos Architects, an International architectural firm from September 2006 to September 2010, Senior accountant for Carlyle Shepherd Chartered Accountant from 2004 to September 2006	Nil <sup>(15)</sup>	N/A
Enkhbaatar Orchibal, Ulaanbaatar, Mongolia, VP Mongolia Country Manager	Consultant of Prophecy from October 2005 to Present	Nil <sup>(16)</sup>	N/A
Christiaan Van Eeden, Sandton, South Africa, VP Mining Operations	VP Mining Operations for Prophecy from March 2011 to Present, Mining Consultant for Sasol Pty Ltd., from April 2010 to January 2011, Mining and managing consultant for Eskom Primary Energy Division from October 2008 to March 2010, Director for Mining Division of CIC Energy from November 2006 to September 2008, private mining consultant from January 2001 to October 2006	Nil <sup>(17)</sup>	N/A

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

- (3) Member of the Corporate Governance Committee
- (4) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of the management of Prophecy and has been furnished by the respective individuals. Each director or officer has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years.
- (5) The approximate number of New Common Shares in all circumstances beneficially owned directly or indirectly, or over which control or direction is exercised by each proposed nominee as at the date hereof is based on information furnished by the transfer agent of Prophecy and by the nominees themselves.
- (6) Of which 1,522,000 New Common Shares are held directly, and 8,075,970 New Common Shares are held through Merit Holdings Ltd. In addition to the New Common Shares noted above, Mr. Lee holds 500,000 Prophecy Options exercisable at a price of \$0.25 per New Common Share until October 29, 2014; 350,000 Prophecy Options exercisable at a price of \$0.67 per New Common Share until May 10, 2015, 125,000 Prophecy Options exercisable at a price of \$0.54 per New Common Share until September 21, 2015, 1,000,000 Prophecy Options exercisable at a price of \$0.93 per New Common Share until December 24, 2015, 600,000 Prophecy Warrants held directly exercisable at a price of \$0.10 per New Common Share until December 31, 2011, and through Merit Holdings Ltd., 138,000 Prophecy Warrants exercisable at a price of \$0.65 per New Common Share until September 1, 2011, 1,205,200 Prophecy Warrants exercisable at a price of \$0.49 per New Common Share until February 17, 2012, 375,000 Prophecy Warrants exercisable at a price of \$0.60 per New Common Share until June 5, 2011, 62,500 Prophecy Warrants exercisable at a price of \$0.80 per New Common Share until March 23, 2012.
- (7) In addition to the New Common Shares noted above, Mr. McKenzie holds 492,200 Prophecy Options exercisable at a price of \$0.40 per New Common Share until January 23, 2014, 75,000 Prophecy Options exercisable at a price of \$0.67 per New Common Share until May 10, 2015, 25,000 Prophecy Options exercisable at a price of \$0.54 per New Common Share until September 21, 2015 and 50,000 Prophecy Options exercisable at a price of \$0.93 per New Common Share until December 24, 2015.
- (8) In addition to the New Common Shares noted above, Mr. Hall holds 300,000 Prophecy Options exercisable at a price of \$0.25 per New Common Share until October 29, 2014; 75,000 Prophecy Options exercisable at a price of \$0.67 per New Common Share until May 10, 2015, 25,000 Prophecy Options exercisable at a price of \$0.54 per New Common Share until September 21, 2015, 80,000 Prophecy Options exercisable at a price of \$0.93 per New Common Share until December 24, 2015 and 500,000 Prophecy Warrants exercisable at a price of \$0.10 per New Common Share until December 31, 2011.
- (9) Mr. Venter holds 100,000 Prophecy Options exercisable at a price of \$0.67 per New Common Share until May 10, 2015, 150,000 Prophecy Options exercisable at a price of \$0.54 per New Common Share until September 21, 2015 and 200,000 Prophecy Options exercisable at a price of \$0.93 per New Common Share until December 24, 2015.
- (10) Mr. Deats holds 200,000 Prophecy Options exercisable at a price of \$0.93 per New Common Share until December 24, 2015
- (11) Of which 169,500 New Common Shares are held directly and 31,250 New Common Shares are held through J.P. McGoran and Associates, a private entity of which Mr. McGoran is the sole shareholder. In addition to the New Common Shares noted above, Mr. McGoran holds 125,000 Prophecy Options exercisable at a price of \$0.60 per New Common Share until July 17, 2014, 75,000 Prophecy Options exercisable at a price of \$0.80 per New Common Share until April 30, 2014, 25,000 Prophecy Options at a price of \$0.54 per New Common Share until September 21, 2015, 50,000 Prophecy Options exercisable at a price of \$0.93 per New Common Share until December 24, 2015, 31,250 Prophecy Warrants exercisable at a price of \$0.60 per New Common Share until August 18, 2011 and through J.P. McGoran and Associates, a further 31,250 Prophecy Warrants exercisable at a price of \$0.60 per New Common Share until August 18, 2011.
- (12) In addition to the New Common Shares noted above, Mr. Chuluunbaatar holds 1,000,000 Prophecy Options exercisable at a price of \$0.77 per Prophecy Share until December 24, 2015.
- (13) In addition to the New Common Shares noted above, Mr. Savov holds 300,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015.
- (14) In addition to the New Common Shares noted above, Mr. Li holds 100,000 Prophecy Options exercisable at a price of \$0.93 per Prophecy Share until December 24, 2015 and 100,000 Prophecy Options exercisable at a price of \$1.07 per Prophecy Share until March 2, 2016.
- (15) Ms. Plavutska holds 50,000 Prophecy Options exercisable at a price of \$0.54 per New Common Share until September 21, 2015 and 100,000 Prophecy Options exercisable at a price of \$0.93 per New Common Share until December 24, 2015.
- (16) Mr. Orchibal holds 115,000 Prophecy Options exercisable at a price of \$0.40 per New Common Share until January 23, 2014, 75,000 Prophecy Options exercisable at a price of \$0.67 per New Common Share until May 10, 2015, 50,000 Prophecy Options exercisable at a price of \$0.54 per New Common Share until September 21, 2015 and 50,000 Prophecy Options exercisable at a price of \$0.93 per New Common Share until December 24, 2015.
- (17) Mr. Van Eeden holds 250,000 Prophecy Options exercisable at a price of \$0.93 per New Common Share until December 24, 2015.

The information as to shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to Prophecy by the respective directors and officers as at the date hereof. After giving effect to the Arrangement, the directors, officers, insiders and promoters of Prophecy, and their respective associates and affiliates, as a group, will hold an aggregate of 12,045,665 New Common Shares, representing approximately 6.34% of the issued and outstanding shares of Prophecy.

Prophecy's audit committee will be made up of Paul McKenzie, D. Greg Hall and Paul Venter. All members of the audit committee will be considered independent for the purposes of applicable Canadian securities laws, and all members are considered to be financially literate.

## Management

The following is a brief description of the key management of Prophecy.

**John Lee, 36**, has been a mining analyst and accredited investor in the resource space since 2001. He is a speaker at major resource conferences, including Mines and Money, China Mining, Terrapinn, and Cambridge House. Mr. Lee is a CFA charter holder and has degrees in economics and engineering from Rice University.

Mr. Lee is President, CEO, Chairman and Director of Prophecy. Mr. Lee will devote substantially all of his working time to the affairs of Prophecy. Mr. Lee is not an employee of PCNC or Prophecy and but has, through MCM, a personal holding company of Mr. Lee, entered into the MCM Consulting Agreement as described at "*Information Concerning Prophecy – Executive Compensation*" above. Pursuant to the MCM Consulting Agreement, MCM receives a base salary of \$16,000 per month and is entitled to a cash bonus of \$500,000 in the event of a successful listing of Prophecy on the Hong Kong Exchange with a minimum offering of \$50 million. In the event of a termination without cause or a failure to renew the MCM Consulting Agreement, MCM shall be entitled to receive severance equal to 12 months salary, plus benefits accrued but unpaid. In the event of a termination resulting from a change in control, MCM shall be entitled to receive severance equal to 24 months salary, plus benefits accrued but unpaid.

**Paul McKenzie, 46**, has over 15 years experience working in the Canadian equities markets. He has experience acquiring, selling, financing and developing international mineral and energy projects in North America, South America and Asia. Mr. McKenzie also previously worked as a licensed equity trader at Brink Hudson Lefever in Vancouver, British Columbia.

Mr. McKenzie is a Director of Prophecy. Mr. McKenzie intends to devote 25% his working time to the affairs of Prophecy. Mr. McKenzie will not be an employee of Prophecy and has not entered into any non-competition or non-disclosure agreements with Prophecy.

**D. Greg Hall, 54**, is a seasoned financial market professional with over 25 years of experience as a broker, senior executive officer and founder of a number of successful brokerage firms. Mr. Hall has also had extensive experience as a board member and executive director for a number of Canadian and United States public and private companies.

Mr. Hall is a Director of Prophecy. Mr. Hall intends to devote approximately 15% of his working time to the affairs of Prophecy as deemed necessary. Mr. Hall will not be an employee of Prophecy and has not entered into any non-competition or non-disclosure agreements with Prophecy.

**Paul Venter, 58**, is an industry recognized and seasoned professional with over 30 years of experience with BHP and Eskom in the mining, power generating, and transport industry. In 2006 he extended his focus to expand the business of a major strategic player in the coal and power generating industry in Russia, China and Mongolia. Mr. Venter contributed towards the commissioning of Prophecy's Ulaan Ovoo mine in November and is now focusing on power generating opportunities in addition to Ulaan Ovoo operations. Mr. Venter holds a MDP (Mining) and various commercial qualifications. He was accepted as a member of the IRT (SA) in 1983.

Mr. Venter is a director and VP Energy Operations for Prophecy. Mr. Venter intends to devote substantially all of his working time to the affairs of Prophecy as deemed necessary. Mr. Venter will not be an employee of Prophecy and has not entered into any non-competition or non-disclosure agreements with Prophecy.

**Michael Deats, 76**, is a Wits University graduate mining engineer spent most of his productive working life at Iscor South Africa, ultimately being responsible for their vast mining operations. He was a director of BP Southern Africa, Managing Director of BP Coal Southern Africa as well as numerous coal related companies including The Richards Bay Coal Terminal Company/ The Transvaal Coal Owners Association.

During his tenure at Eskom, he served with distinction becoming Executive of the Year in 1992, was promoted to Senior General Manager. During his last two years at Eskom, he was responsible for the direction of the entire Generation Division viz all coal-fired power stations/hydro-stations and the nuclear power station together with all their support services. He is still actively consulting in the nuclear field/mining engineering area and governmental regulatory work and is an elected trustee with BP Southern Africa Pension Fund and the Arcelor-Mittal Pension Fund.

Mr. Deats is a director of Prophecy. Mr. Deats intends to devote approximately 10% of his working time to the affairs of Prophecy as deemed necessary. Mr. Deats will not be an employee of Prophecy and has not entered into any non-competition or non-disclosure agreements with Prophecy.

**John McGoran, 75**, graduated with a B.Sc. in Geology from Carleton University and has worked as an economic geologist for the past thirty eight years. Mr. McGoran spent twelve years prospecting for economic minerals and a member in good standing with British Columbia Association of Professional Engineers and Geoscientists, with a P.Geo designation and a member of the Society for Mining, Metallurgy and Exploration. Mr. McGoran is a Co-founder of Imperial Metals Corp and founder of Fleck Resources (now Polymet) and a founder of Northern Platinum Ltd.

Mr. McGoran is a director of Prophecy. Mr. McGoran intends to devote approximately 10% of his working time to the affairs of Prophecy as deemed necessary. Mr. McGoran will not be an employee of Prophecy and has not entered into any non-competition or non-disclosure agreements with Prophecy.

**Baz Chuluunbaatar, 38**, is the President and Chairman of the Monnis Group of Companies in Mongolia, one of the largest industrial holding companies in Mongolia. Mr.Chuluunbaatar founded Monnis International in 1998. Mr.Chuluunbaatar holds a Bachelor's Degree in Computer Programming from the Toyota Computer Science University, Toyota, Japan. Monnis International, with business interests in geology, mining, energy, construction, international freight forwarding, foreign trade, automotive and air service and communication, is one of the largest companies in Mongolia.

Mr. Chuluunbaatar is a director of Prophecy. Mr. Chuluunbaatar intends to devote approximately 10% of his working time to the affairs of Prophecy as deemed necessary. Mr. Chuluunbaatar will not be an employee of Prophecy and has not entered into any non-competition or non-disclosure agreements with Prophecy.

**Jivko Savov, 44** has over 12 years in the energy and power sector within asset management, business development and structured finance roles across a number of international companies. Currently, Mr. Savov is Deputy Chief Executive Officer of En+ Group and is in charge of capital markets and fund raising activities. Mr. Savov served as a Managing Director of Power and Energy at En+ since joining in 2006, and as a Chairman and Deputy Chairman of EurosibEnerg. From 2002 to 2006, Mr. Savov managed private equity investments in power and renewable energy projects, oil and gas, and metals in Eastern Europe and Russia working for Equest Partners and MMC Energy. Mr. Savov holds an MBA from INSEAD, France and an MSc in International Relations (with Honours) from MGIMO, Russia and speaks Russian, English, Bulgarian, French and Romanian.

Mr. Savov is a director of Prophecy. Mr. Savov intends to devote approximately 10% of his working time to the affairs of Prophecy as deemed necessary. Mr. Savov will not be an employee of Prophecy and has not entered into any non-competition or non-disclosure agreements with Prophecy.

**Joseph Li, 45**, is a Certified General Accountant (B.C) and has an Honours Bachelor of Commerce (Laurentian University). For the past 13 years, he was a senior auditor with the B.C. Ministry of Finance, a position which allowed him to gain valuable insights in how diverse businesses of all sizes are operated.

Mr. Li is corporate secretary of Prophecy. Mr. Li intends to devote substantially all of his working time to the affairs of Prophecy as deemed necessary. Mr. Li will not be an employee of Prophecy and has entered into a consulting agreement with Prophecy with provisions for non-competition or non-disclosure.

**Irina Plavutska, 53**, is a professional accountant with over 20 years of diverse international experiences in financial reporting, auditing, and accounting. She is a member of Certified General Accountants Association of British Columbia. Ms. Plavutska earned a Masters Degree in Economics from the University of Business and Economics in Ukraine, and has held senior accounting positions, such as corporate controller, at numerous Canadian international and professional service companies for the past several years.

Ms. Plavutska is interim chief financial officer of Prophecy. Ms. Plavutska intends to devote approximately substantially all of her working time to the affairs of Prophecy as deemed necessary. Mr. Li will not be an employee of Prophecy and has not entered into any non-competition or non-disclosure agreements with Prophecy.

**Enkhbaatar Orchibal, 45** is a Mongolian national, who prior to joining Prophecy was a Senior Manager with MineInfo LLC, one of Mongolia's leading minerals and consulting companies. Prior to entering the mining sector, he spent over 16 years in various managerial positions in Mongolia's financial and banking sectors. He is a former Department Head for the Mongolian Stock Exchange and Securities Commission, and former President of MS Invest LLC - the first Investment Fund in Mongolia in addition to being the former CEO of the Capitron bank. Mr. Orchibal holds a Commerce degree from the Mining & Economics Institute, Ukraine, an MBA from the Mongol Business University, Mongolia in addition to studying at the University of Hull, UK and Boston University. He is fluent in Mongolian, Russian, English and Czech languages.

Mr. Orchibal is VP Mongolia Country Manager of Prophecy. Mr. Orchibal intends to devote substantially all of his working time to the affairs of Prophecy as deemed necessary. Mr. Li will not be an employee of Prophecy and has entered into a consulting agreement with Prophecy with provisions for non-competition or non-disclosure.

**Christiaan Van Eeden, 58**, has 34 years of experience in coal mining and related industries including holding senior management positions pertaining to the engineering, mining and commercial functions of coal mines. His experience also includes the management of the mining and supply of 90-100 million tons of coal per annum, through various coal supply agreements, to Eskom the South African power utility. He is a former director of a Canadian mining company that developed a feasibility study for the establishment of a 2400 MW power plant with its associated coal mine in Botswana in Southern Africa. Also prior to joining Prophecy he was contracted by a large South African coal to liquids company to undertake mining and commercial evaluations for the feasibility studies of three large coal operations in China including negotiating coal supply agreements, as well as the analysis and evaluation of the business plans of five large coal mines in South Africa.

Mr. Van Eeden is VP Mining Operations of Prophecy. Mr. Van Eeden intends to devote substantially all of his working time to the affairs of Prophecy as deemed necessary. Mr. Van Eeden will not be an employee of Prophecy and has entered into a consulting agreement with Prophecy with provisions for non-competition or non-disclosure.

### **Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of management of Prophecy and PCNC, there has been no director or officer, or any shareholder holding a sufficient number of securities of Prophecy or PCNC to affect materially the control of Prophecy or PCNC that is, or within the 10 years before the Record Date has been, a director or officer of any other issuer that, while that person was acting in that capacity:

- (d) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

- (e) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (f) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Personal Bankruptcies**

To the knowledge of management of Prophecy and PCNC, there has been no director or officer, or any shareholder holding a sufficient number of securities of Prophecy or PCNC to affect materially the control of Prophecy or PCNC, or a personal holding company of any such person that has, within the 10 years before the Record Date, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

### **Penalties or Sanctions**

To the knowledge of management of Prophecy and PCNC, no proposed director, officer, promoter of Prophecy or PCNC or shareholder holding a sufficient number of securities of Prophecy or PCNC to affect materially the control of Prophecy or PCNC has:

- (c) has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (d) has been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision about the Arrangement.

### **Conflicts of Interest**

There are potential conflicts of interest to which the proposed directors and officers of Prophecy will be subject in connection with the operations of Prophecy. In particular, certain of the directors and officers of Prophecy are involved in managerial or director positions with other mineral exploration companies whose operations may, from time to time, be in direct competition with those of Prophecy or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Prophecy. Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. The BCBCA provides that if a director has a material interest in a contract or proposed contract or agreement that is material to Prophecy, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement subject to and in accordance with the BCBCA or Exchange Policies. To the knowledge of the proposed management of Prophecy, as at the date hereof, there are no existing or potential material conflicts of interest between Prophecy and a proposed director or officer of Prophecy except as otherwise disclosed herein.

### **Other Reporting Issuer Experience**

The following table sets out the proposed directors and officers of Prophecy who are, or have been within the last five years, directors or officers of other Canadian reporting issuers:

<b>Name of Director, Officer or Promoter</b>	<b>Name of Reporting Issuer</b>	<b>Name of Trading Market</b>	<b>Position</b>	<b>Period</b>
John Lee	Pacific Coast Nickel Corp.	TSX-V	Chairman, Interim CEO and Director	December 2010 to Present

Name of Director, Officer or Promoter	Name of Reporting Issuer	Name of Trading Market	Position	Period
D. Greg Hall	Silvercorp Metals Inc. (formerly SKN Resources Ltd.)	TSX	Director	March 2005 to Present
	Aceromartin Exploration Inc.	TSX-V	Director	October 2005 to February 2008
	Ivory Energy Inc.	TSX-V	Chairman, Corporate Secretary and Director	June 2006 to March 2009
	Pacific Coast Nickel Corp.	TSX-V	Director	December 2010 to Present
	Agrimarine Holdings Inc.	TSX-V	Director	April 2010 to Present
Paul McKenzie	Challenger Deep Capital Corp.	TSX-V	Director, President, CEO and CFO	November 2007 to Present
	Doxa Energy Ltd.	TSX-V	Director	February 2009 to Present
	International Enxco Ltd.	TSX-V	Director	February 2006 to Present
	Elissa Resources Ltd.	BC Reporting Issuer	Director, President and CEO	April 2010 to Present

### Indebtedness of Directors and Officers

No director, officer, promoter, or proposed member of management of Prophecy, nor any of their associates or affiliates, is or has been indebted to PCNC or Prophecy since the commencement of PCNC or Prophecy's last completed financial year, nor is any such person expected to be indebted to Prophecy on the completion of the Arrangement.

### Executive Compensation and Consulting Contracts

Prophecy is expected to continue to engage John Lee as a consultant to perform services as co-chairman, president and chief executive officer of Prophecy at a rate of \$40,000 per month. The MCM Consulting Agreement is more particularly described above at "Information Concerning PCNC – Executive Compensation".

Non-executive directors will be compensated for their services to Prophecy as described above at "Information Concerning Prophecy – Executive Compensation".

Set out below is a summary of the anticipated compensation for the proposed Chief Executive Officer and Chief Financial Officer of Prophecy, for the 12 month period after giving effect to the Arrangement. Prophecy does not have any other Named Executive Officers.

**Summary Compensation Table**  
**For Financial Year Ending December 31, 2010**

Name and Principal Position	Year Ended	Salary (\$) <sup>(1)</sup>	Share-based awards (\$)	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long term incentive plans (\$)			
John Lee, Co-Chairman, President, Chief Executive Officer/Director <sup>(3)</sup>	2011	Nil	Nil	Nil	Nil	Nil	Nil	480,000	480,000

Name and Principal Position	Year Ended	Salary (\$) <sup>(1)</sup>	Share-based awards (\$)	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long term incentive plans (\$)			
Irina Plavutska Chief Financial Officer, Secretary and Director	2011	Nil	Nil	Nil	Nil	Nil	Nil	78,000	78,000

**Notes:**

- (1) The value of perquisites and benefits, if any, for each Named Executive Officer will be less than the lesser of \$50,000 and 10% of the total annual salary and bonus.
- (2) The value of the option-based award was determined using the Black-Scholes option-pricing model.
- (3) Compensation to be paid to MCM., a company owned and controlled by John Lee, for consulting services rendered.

**Promoter**

Prophecy does not expect to have any promoters other than its directors and officers.

**Auditor, Transfer Agent and Registrar**

The auditor of Prophecy will continue to be Smythe Ratcliffe LLP, Chartered Accountants, 700-355 Burrard Street, Vancouver, British Columbia, V6C 2G8. The registrar and transfer agent of the Prophecy Shares will continue to be Computershare Investor Services Inc., 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

**GENERAL INFORMATION****Experts**

PCNC retained Wardrop Engineering to prepare an independent NI 43-101 report on the Lynn Lake Property, located in Manitoba. The Lynn Lake Property Report is referenced at “*Information Concerning the Significant Assets – Lynn Lake Property*”.

PCNC retained Wardrop Engineering Inc. to prepare an independent NI 43-101 report on the Wellgreen Property, located in Yukon Territory. The Wellgreen Report is referenced at “*Information Concerning the Significant Assets – Wellgreen Property*”.

Prophecy retained Wardrop Engineering Inc. to prepare an independent NI 43-101 and pre-feasibility report on the Ulaan Ovoo Property located in Mongolia. The Ulaan Ovoo PFS is referenced at “*Information Concerning Prophecy - Material Mineral Projects*”.

Prophecy retained Kravits Geological Services, LLC to prepare an independent NI 43-101 report on the Chandgana Khavtai property located in Mongolia. The Chandgana Khavtai Report is referenced at “*Information Concerning Prophecy - Material Mineral Projects*”.

Ross Glanville & Associates Ltd. and Bruce McKnight Minerals Advisor Services were retained by PCNC to provide the Glanville Fairness Opinion with respect to the Arrangement which is attached to this Circular as Schedule “E”.

Stephen W. Semeniuk was retained by Prophecy to provide the Semeniuk Fairness Opinion with respect to the Arrangement which is attached to this Circular as Schedule “F”.

Smythe Ratcliffe LLP, Chartered Accountants, prepared the auditor’s report for the audited annual financial statements of Prophecy for the years ended December 31, 2009 and 2008. Smythe Ratcliffe LLP, Prophecy’s auditor, is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Manning Elliott LLP, Chartered Accountants prepared the auditors report for the audited annual financial statements of PCNC for the years ended July 31, 2010 and July 31, 2009. Manning Elliott LLP, PCNC's auditor, is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

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

### **Other Material Facts**

To management of PCNC's and Prophecy's knowledge, there are no other material facts relating to the Arrangement that are not otherwise disclosed in this Circular or are necessary for the Circular to contain full, true and plain disclosure of all material facts relating to the Acquisition, Consolidation and Arrangement.

### **Additional Information - PCNC**

Additional information relating to PCNC is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact PCNC at its head office at Suite 380-580 Hornby Street, Vancouver, British Columbia, V6C 3B6 to request copies of PCNC's financial statements and MD&A or a copy of this Circular, or any of the PCNC documents incorporated herein by reference.

### **Additional Information – Prophecy**

Additional information relating to Prophecy is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact Prophecy at its head offices at Suite 2060-777 Hornby Street, Vancouver, British Columbia, V6Z 1T7 to request copies of Prophecy's financial statements and MD&A or a copy of this Circular, or any of the Prophecy documents incorporated herein by reference.

### **PCNC Business**

As of the date of this Circular, the PCNC Board does not know of any other matters to be brought to the PCNC Meeting, other than those set forth in the notice of meeting pertaining to PCNC accompanying this Circular. If other matters are properly brought before the PCNC Meeting, the persons named in the enclosed proxy will vote the proxy on such matters in accordance with their best judgment.

### **Prophecy Business**

As of the date of this Circular, the Prophecy Board does not know of any other matters to be brought to the Prophecy Meeting, other than those set forth in the notice of meeting pertaining to Prophecy accompanying this Circular. If other matters are properly brought before the Prophecy Meeting, the persons named in the enclosed proxy will vote the proxy on such matters in accordance with their best judgment.

### **Board Approval**

The contents and sending of this Circular have been approved by the PCNC Board and Prophecy Board.

PCNC has provided the information contained in this Circular concerning PCNC and its business, including its financial information and financial statements. Prophecy assumes no responsibility for the accuracy of such information.

Prophecy has provided the information contained in this Circular concerning Prophecy and its business, including its financial information and financial statements. PCNC assumes no responsibility for the accuracy of such information.

**AUDITORS' CONSENT**

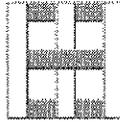
We have read the Joint Information Circular ("Circular") of Pacific Coast Nickel Corp. and Prophecy Resource Corp. (the "Company") dated April 27, 2011 relating to the plan of arrangement involving Prophecy Resource Corp. and Pacific Coast Nickel Corp. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above mentioned Circular of our report to the shareholders of Prophecy Resource Corp. on the consolidated financial statements of the Company for the years ended December 31, 2010 and 2009. Our report is dated April 26, 2011.

*Smythe Ratcliffe LLP*

Chartered Accountants

Vancouver, British Columbia  
April 27, 2011



**MANNING ELLIOTT**  
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver BC, Canada V6E 3S7

Phone: 604.714.3600 Fax: 604.714.3669 Web: manningelliott.com

### AUDITORS' CONSENT

We have read the Joint Information Circular of Pacific Coast Nickel Corp. (the "Company") dated April 28, 2011 with respect to a Proposed Plan of Arrangement involving Prophecy Resource Corp., its securityholders and the Company.

We consent to the use in the above-mentioned Information Circular of our report to the shareholders of the Company on the following financial statements:

- Consolidated balance sheets as at July 31, 2010 and 2009 and the consolidated statement of operations, comprehensive loss and deficit and cash flows for the years then ended, dated October 29, 2010;
- Consolidated balance sheets as at July 31, 2009 and 2008 and the consolidated statement of operations, comprehensive loss and deficit and cash flows for the years then ended, dated October 29, 2009.

*Manning Elliott LLP*

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

April 28, 2011

**SCHEDULE “A”**

**SPECIAL RESOLUTIONS**

**A -1 Prophecy Arrangement Resolution**

**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. The Arrangement under Part 9, Division 5 of the *Business Corporations Act* (British Columbia) (the “Arrangement”) substantially as set forth in the Plan of Arrangement attached as Schedule A to the Arrangement Agreement between Pacific Coast Nickel Corp. (“PCNC”) and Prophecy Resource Corp. (“Prophecy”) dated as of March 30, 2011 (the “Arrangement Agreement”) and as described in the joint Information Circular of PCNC and Prophecy dated March 31, 2011 is hereby approved and authorized and the Board of Directors of PCNC (“Board”) be and is hereby authorized to amend or revise the Arrangement in its discretion to the extent permitted by the Arrangement Agreement without further approval of the shareholders of Prophecy;
2. The Arrangement Agreement between PCNC and Prophecy is hereby confirmed, ratified and approved and the Board be and is hereby authorized to amend or revise the Arrangement Agreement in its discretion to the extent permitted therein without further approval of the shareholders of PCNC;
3. Notwithstanding that the Arrangement has received the approval of the Supreme Court of British Columbia and the shareholders of Prophecy, the Board may, subject to the terms of the Arrangement, amend or decide not to proceed with the Arrangement or revoke this resolution at any time prior to the filing of documents giving effect to the Arrangement without further notice to or approval of shareholders of Prophecy; and
4. Any one director or officer of Prophecy is hereby authorized to do all such acts and things and execute and file all other documents and instruments necessary or desirable to carry out this resolution including the filing of all documents with regulatory authorities and the TSX Venture Exchange.

**A-2 – PCNC Acquisition Resolution**

**BE IT RESOLVED THAT:**

1. The Acquisition of the Nickel Assets through the acquisition of all of the issued and outstanding securities of Spinco in accordance with the terms of Arrangement Agreement dated March 30, 2011, and as described in the Joint Information Circular of PCNC and Prophecy dated March 31, 2011 and the issuance of securities of PCNC in connection therewith is hereby approved and authorized;
2. The Arrangement Agreement between PCNC and Prophecy is hereby confirmed, ratified and approved and the PCNC Board be and is hereby authorized to amend or revise the Arrangement Agreement in its discretion to the extent permitted therein without further approval of the PCNC Shareholders;
3. Notwithstanding that this resolution has been duly passed by the PCNC Shareholders, the PCNC Board may, subject to terms of the Acquisition, amend or decide not to proceed with the Acquisition or revoke this resolution at any time prior to the filing of documents giving effect to the Acquisition without further notice to or approval of PCNC Shareholders; and
4. Any one director or officer of PCNC are hereby authorized to do all such acts and execute and file all other documents and instruments necessary or desirable to carry out these resolutions including the filing of all documents with regulatory authorities and the TSX Venture Exchange.

**A-3 – PCNC Consolidation Resolution**

**BE IT RESOLVED THAT:**

1. The 55,834,842 issued and fully paid common shares without par value in the capital of PCNC be consolidated into 5,583,484 issued and fully paid common shares without par value, every ten (10) outstanding common shares before consolidation being consolidated into one (1) common share, subject to the consent and approval of the TSX Venture Exchange;
2. The PCNC Board is authorized to not proceed with the Consolidation if it is deemed by the PCNC Board in its sole discretion not to be in the best interests of PCNC, notwithstanding the approval of the PCNC Shareholders; and
3. Any two directors or officers of PCNC are hereby authorized, to do all such acts and execute and file all other documents and instruments necessary or desirable to carry out these resolutions including the filing of all documents with regulatory authorities and the TSX Venture Exchange.

## SCHEDULE "B"

### PLAN OF ARRANGEMENT MADE PURSUANT TO PART 9, DIVISION 5 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

#### 1. INTERPRETATION

##### 1.1 Defined Terms

For the purpose of this Plan of Arrangement, unless the context otherwise requires, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

- (a) “**Agreement**” means the Arrangement Agreement, dated as of March 30, 2011 between Prophecy and PCNC, and all amendments thereto;
- (b) “**Arrangement**” means the Arrangement to be completed under Part 9, Division 5 of the BCBCA, involving Prophecy, PCNC, Spinco and the Prophecy Securityholders, as described in this Plan of Arrangement;
- (c) “**BCBCA**” means the *Business Corporations Act* (British Columbia), as may be amended from time to time, including the regulations promulgated thereunder;
- (d) “**Business Day**” means any day other than a Saturday or Sunday or statutory holiday in the Province of British Columbia, upon which banks generally are open for business in the City of Vancouver, British Columbia;
- (e) “**Class A Shares**” means the renamed and redesignated Prophecy Shares as described in Section 2.3(c)(i) of this Plan of Arrangement;
- (f) “**Consideration Shares**” means 450,000,000 PCNC Shares;
- (g) “**Court**” means the Supreme Court of British Columbia;
- (h) “**Depository**” means Computershare Investor Services Inc.;
- (i) “**Dissent Rights**” has the meaning ascribed to it in Section 4.1(a) hereof;
- (j) “**Dissenting Shareholder**” means a registered holder of Prophecy Shares who has properly exercised its Dissent Rights and has not withdrawn or been deemed to have withdrawn such Dissent Rights.
- (k) “**Effective Date**” means the effective date set forth in a certificate signed by a senior officer of each of Prophecy and PCNC formally giving effect to the Arrangement;
- (l) “**Effective Time**” means the effective time of the Amalgamation appearing on the Certificate of Amalgamation;
- (m) “**Final Order**” means the order of the Court approving the Plan of Arrangement, as such order may be amended at any time before the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;
- (n) “**Interim Order**” means the interim order of the Court providing for, among other things, the calling and holding of the Prophecy Special Meeting, as the same may be amended;

- (o) “**ITA**” means the *Income Tax Act* (Canada);
- (p) “**New Common Shares**” has the meaning ascribed to it in Section 2.3(c)(ii) hereof;
- (q) “**PCNC**” means Pacific Coast Nickel Corp., a company existing under the BCBCA;
- (r) “**PCNC Shareholders**” means holders of PCNC Shares;
- (s) “**PCNC Shares**” means the common shares without par value in the capital of PCNC as the same are constituted on the date hereof;
- (t) “**Person**” shall be broadly interpreted and includes any natural person, partnership, limited partnership, joint venture, syndicate, sole proprietorship, body corporate with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative;
- (u) “**Plan of Arrangement**” means this plan of arrangement, including any appendices hereto, and any amendments, variations or supplements hereto made from time to time in accordance with the terms hereof, the Agreement or made at the direction of the Court;
- (v) “**Prophecy**” means Prophecy Resource Corp., a company existing under the BCBCA;
- (w) “**Prophecy Convertible Securities**” means collectively, the Prophecy Options and Prophecy Warrants;
- (x) “**Prophecy Options**” means outstanding stock options to purchase Prophecy Shares granted pursuant to the stock option plan maintained by Prophecy;
- (y) “**Prophecy Securityholders**” means the Prophecy Shareholders and the holders of the Prophecy Convertible Securities;
- (z) “**Prophecy Shareholders**” means the holders of Prophecy Shares;
- (aa) “**Prophecy Shares**” means the common shares without par value in the capital of Prophecy as the same are constituted on the date hereof;
- (bb) “**Prophecy Warrants**” means the outstanding warrants to purchase Prophecy Shares;
- (cc) “**Registrar**” means the Registrar of Companies under the BCBCA;
- (dd) “**Special Meeting**” means the special meeting of the Prophecy Shareholders to be held for the purpose of, among other things, approving the Arrangement;
- (ee) “**Spinco**” means 0905144 B.C. Ltd., the British Columbia company incorporated by Prophecy as a wholly owned subsidiary of Prophecy for the purposes of completing the Plan of Arrangement;
- (ff) “**Spinco Shares**” means the common shares without par value in the capital of Spinco;
- (gg) “**Transmittal Letter**” means the form(s) of letter of transmittal, for use by Prophecy Shareholders providing for delivery to the Depository of certificates representing the New Common Shares and the PCNC, in the form agreed to between Prophecy, PCNC Shares and the Depository.

## 1.2 Sections and Headings

The division of this Plan of Arrangement into Articles, Sections and other divisions and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this Plan of Arrangement.

### **1.3 Number, Gender and Persons**

In this Plan of Arrangement, words importing the singular number only shall include the plural and vice versa, words importing gender shall include all genders and words importing persons shall refer to Persons as defined in this Plan of Arrangement.

### **1.4 Severability**

If any provision of this Plan of Arrangement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

### **1.5 Date for any Action**

If any date on which any action is required to be taken under this Plan of Arrangement is not a Business Day, such action shall be required to be taken on the next succeeding Business Day.

### **1.6 Statute References**

References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations or rules promulgated thereunder from time to time in effect.

### **1.7 Time**

Time shall be of the essence in every matter or action contemplated hereunder.

## **2. ARRANGEMENT**

### **2.1 Arrangement Agreement**

This Plan of Arrangement is made pursuant to, is subject to the provisions of and forms a part of the Arrangement Agreement.

### **2.2 Binding Effect**

This Plan of Arrangement will become effective at, and be binding at and after, the Effective Time on (i) Prophecy, (ii) PCNC, (iii) Spinco and (iv) all holders of Prophecy Shares and Prophecy Convertible Securities.

### **2.3 Plan of Arrangement**

Subject to the provisions of Article 4, commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality:

- (a) Dissenting Shares: The Prophecy Shares held by Dissenting Shareholders shall be deemed to have been transferred to Prophecy, and the Dissenting Shareholders shall cease to have any rights as Prophecy Shareholders other than the right to be paid the fair value of their Prophecy Shares in accordance with Article 4;
- (b) Spinco Transfer: Prophecy shall, and shall be deemed to, transfer all of the issued and outstanding Spinco Shares at their fair market value to PCNC. In consideration for all of the issued and outstanding Spinco Shares, PCNC will issue to Prophecy the Consideration Shares;
- (c) Reorganization of Capital. The authorized share capital of Prophecy and its notice of articles will be altered by:

- (i) renaming and redesignating all of the issued and unissued Prophecy Shares as Class A Shares; and
- (i) creating an unlimited number of common shares without par value as the new common shares (“**New Common Shares**”) having the right, on liquidation of Prophecy, to return of capital in priority to the Class A Shares, but otherwise with the same rights, privileges and restrictions as the Prophecy Shares;
- (d) Spinco Share Exchange: Following the capital reorganization described in paragraph (c) above, each issued and outstanding Class A Share, other than those held by Dissenting Shareholders will be deemed to be exchanged for:
  - (i) one New Common Share; and
  - (ii) a number of PCNC Shares equal to the ratio of 225,000,000 PCNC Shares divided by the number of Class A Shares outstanding on a fully diluted basis immediately prior to the Effective Time;
- (e) Cancellation of Class A Shares. The Class A Shares, none of which will be allotted and issued once the steps referred to in (d) above are completed, will be cancelled and the authorized capital of Prophecy and its notice of articles shall be amended by deleting the Class A Shares as classes of shares of Prophecy;
- (f) Adjustment of Prophecy Convertible Securities. As of the Effective Date, the Prophecy Convertible Securities will be adjusted such that a holder of Prophecy Convertible Securities will, upon exercise of their right to purchase Prophecy Shares, be entitled to receive, and shall accept, in lieu of the number of Prophecy Shares to which such holder of Prophecy Convertible Securities was initially entitled upon such exercise, the kind and amount of shares and other securities or property which the holder of Convertible Securities would have been entitled to receive as a result of the Arrangement if, on the effective date thereof, the holder of Prophecy Securities had been the registered holder of the number of Prophecy Shares to which the holder of Prophecy Convertible Securities was theretofore entitled upon such exercise. All other terms and conditions of the Prophecy Convertible Securities shall remain the same. Following the Effective Date, Prophecy shall hold in escrow a sufficient number of PCNC Shares at all times to satisfy the issuance of PCNC Shares pursuant to the exercise of the then outstanding Prophecy Convertible Securities.

## 2.4 No Fractional Shares

No fractional New Common Shares or PCNC Shares will be issued under the Arrangement. If any fractional New Common Share or PCNC Share would be issuable to a Prophecy Securityholder, such Prophecy Securityholder shall receive that number of New Common Shares and/or PCNC Shares, as the case may be, as the Prophecy Securityholder is entitled to receive pursuant to Section 2.3.

- (a) rounded up to the nearest whole New Common Share or PCNC Share, as the case may be, in the event of fractional shares greater than 0.5; and
- (b) rounded down to the nearest whole New Common Share or PCNC Share, as the case may be, in the event of fractional shares of 0.5 and less.

## 3. CERTIFICATES

### 3.1 Share Certificates

After the Effective Date, certificates formerly representing Prophecy Shares which are held by a Prophecy Shareholder will, subject to Section 3.4 and except for shares held by Dissenting Shareholders of Prophecy,

represent only the right to receive certificates representing New Common Shares and PCNC Shares, all in accordance with the terms of the Arrangement.

### **3.2 Distributions With Respect to Unsurrendered Certificates**

No dividends or other distributions declared or made after the Effective Date with respect to the New Common Shares and PCNC Shares with a record date after the Effective Date will be payable or paid to the holder of any unsurrendered certificate or certificates for Prophecy Shares which, immediately prior to the Effective Date, represented outstanding Prophecy Shares and will not be payable until the surrender of certificates for Prophecy Shares for exchange for New Common Shares and PCNC Shares, in accordance with the terms of this Plan of Arrangement.

### **3.3 Exchange of Share Certificates**

At or prior to the Effective Time, each of Prophecy and PCNC shall deposit with the Depository, for the benefit of the Prophecy Shareholders, sufficient certificates representing New Common Shares and PCNC Shares as required to give effect to this Plan of Arrangement. A Prophecy Shareholder at the Effective Time shall be entitled to receive the certificates representing the New Common Shares and PCNC Shares, to which such holder is entitled pursuant to the provisions hereof as soon as practical after the Effective Date upon delivery to the Depository of a duly completed Transmittal Letter and surrender of the certificates formerly representing the Prophecy Shares together with such other documents and instruments as would have been required to effect the transfer of the Prophecy Shares formerly represented by such certificates under the BCBCA and the articles of Prophecy, and such additional documents and instruments as the Depository, Prophecy or PCNC may reasonably require. The Depository shall register and make available or send by regular mail (postage prepaid) certificates representing New Common Shares and PCNC Shares as directed in each properly completed Transmittal Letter.

### **3.4 Extinction of Rights**

Any certificate which immediately prior to the Effective Date represented outstanding Prophecy Shares and which has not been surrendered, with all other instruments required by this Section 3, on or prior to the sixth anniversary of the Effective Date, will cease to represent any claim against or interest of any kind or nature in Prophecy, PCNC, Spinco or the Depository.

### **3.5 Lost Certificates**

In the event any certificate, which immediately before the Effective Time represented one or more Prophecy Shares, that were exchanged pursuant to Section 2.3 is lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depository will issue in exchange for such lost, stolen or destroyed certificate, one or more certificates representing one or more New Common Shares and PCNC Shares, deliverable in accordance with such holder's Transmittal Letter. When authorizing such issuances in exchange for any lost, stolen or destroyed certificate, the Person to whom certificates representing New Common Shares and PCNC Shares are to be issued or delivered will, as a condition precedent to the issuance thereof, give a bond satisfactory to each of Prophecy, PCNC and their transfer agent in such sum as each of Prophecy and PCNC may direct and otherwise indemnify Prophecy and PCNC in a manner satisfactory to them, against any claim that may be made against it or PCNC, Spinco or Prophecy or any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

## **4. RIGHTS OF DISSENT**

### **4.1 Dissent Rights**

- (a) Registered holders of Prophecy Shares are entitled to exercise rights of dissent in connection with the Arrangement with respect to their Prophecy Shares, pursuant to and in the manner set forth in Part 8, Division 2 of the BCBCA as modified by the Interim Order, the Final Order and this Section 4.1 (the "**Dissent Rights**"); provided that, notwithstanding subsection 242(2) of the

BCBCA, the written objection to the resolution approving the Arrangement contemplated by subsection 242(2) of the BCBCA must be received by Prophecy, not later than 4:30 p.m. (Vancouver time) on the date which is two Business Days immediately preceding the date of the Special Meetings or by 4:30 p.m. (Vancouver time) on the Business Day prior to the date on which any adjourned Special Meeting is held.

- (b) Prophecy Shares held by Dissenting Shareholders who are ultimately entitled to be paid fair value for their Prophecy Shares will be and will be deemed to be cancelled and the former holders of such Prophecy Shares or shall cease to have any rights as former holders of Prophecy Shares other than their right to be paid by Prophecy the fair value for their Prophecy Shares.
- (c) Prophecy Shareholders who exercise, or purport to exercise, Dissent Rights, and who are ultimately determined not to be entitled, for any reason, to be paid fair value for their Prophecy Shares, shall be deemed to have participated in the Arrangement on the same basis as any non-Dissenting Shareholders as at and from the Effective Time and shall receive, and be entitled to receive, only the consideration for each Prophecy Share on the basis set forth in Section 2.3.

#### **4.2 Only Registered Holders**

In no circumstances shall Prophecy, PCNC, Spinco or any other Person be required to recognize a Person exercising Dissent Rights unless such person is a registered holder of the Prophecy Shares in respect of which such Dissent Rights are sought to be exercised.

#### **4.3 Recognition of Dissenting Shareholders**

Neither Prophecy, PCNC, Spinco nor any other Person shall be required to recognize a Dissenting Shareholder as a registered or beneficial owner of Prophecy Shares, New Common Shares or PCNC Shares at or after the Effective Time, and at the Effective Time the names of such Dissenting Shareholders shall be deleted from the register of holders of Prophecy Shares maintained by or on behalf of Prophecy.

#### **4.4 Dissent Right Availability**

A registered holder is not entitled to exercise Dissent Rights with respect to Prophecy Shares if such holder votes (or instructs, or is deemed, by submission of any incomplete proxy, to have instructed his, her or its proxyholder to vote) in favour of the resolution approving the Arrangement.

### **5. AMENDMENTS AND WITHDRAWAL**

#### **5.1 Amendments**

- (a) Prophecy and PCNC reserve the right to amend, modify and/or supplement this Plan of Arrangement from time to time at any time prior to the Effective Date, provided that any such amendment, modification or supplement must be contained in a written document that is filed with the Court prior to the issuance of the Final Order.
- (b) Save and except as may be otherwise provided in the Interim Order, any amendment, modification or supplement to this Plan of Arrangement may be proposed by either of Prophecy and PCNC at any time prior to the Special Meeting with or without any other prior notice or communication to the Prophecy Shareholders and if so proposed and accepted by Prophecy Shareholders voting at the Special Meeting, will become part of this Plan of Arrangement for all purposes. Subject to Section 5.1(c), if such amendment, modification or supplement is made following the Special Meeting, it shall be approved by the Court and, if required by the Court, communicated to the Prophecy Shareholders, and will become part of the Arrangement upon completion of all the conditions required in the Court approval.

- (c) Any amendment, modification or supplement to this Plan of Arrangement may be made by Prophecy and PCNC without approval of the Prophecy Shareholders provided that it concerns a matter which, in the reasonable opinion of Prophecy and PCNC, is of an administrative or ministerial nature required to better give effect to the implementation of this Plan of Arrangement and is not materially adverse to the financial or economic interests of any of the Prophecy Shareholders.

## **5.2 Withdrawal**

This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

## **6. TERMINATION**

### **6.1 Termination**

This Plan of Arrangement will automatically terminate and be of no further force and effect upon the termination of the Agreement in accordance with its terms.

**SCHEDULE “C”**

**SECTIONS 237- 247 OF THE BCBCA**

**Division 2 — Dissent Proceedings**

**Definitions and application**

**237** (1) In this Division:

**“dissenter”** means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

**“notice shares”** means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

**“payout value”** means,

- (a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,
- (b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement, or
- (c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

- (a) the court orders otherwise, or
- (b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

**Right to dissent**

**238** (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

- (a) under section 260, in respect of a resolution to alter the articles to alter restrictions on the powers of the company or on the business it is permitted to carry on;
- (b) under section 272, in respect of a resolution to adopt an amalgamation agreement;
- (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;
- (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;

- (e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
  - (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
  - (g) in respect of any other resolution, if dissent is authorized by the resolution;
  - (h) in respect of any court order that permits dissent.
- (2) A shareholder wishing to dissent must
- (a) prepare a separate notice of dissent under section 242 for
    - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
    - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,
  - (b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and
  - (c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.
- (3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must
- (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
  - (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

**Waiver of right to dissent**

- 239** (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.
- (2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must
- (a) provide to the company a separate waiver for
    - (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and
    - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and
  - (b) identify in each waiver the person on whose behalf the waiver is made.
- (3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

- (a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and
  - (b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.
- (4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

**Notice of resolution**

- 240** (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
  - (b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.
- (2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
  - (b) a statement advising of the right to send a notice of dissent.
- (3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,
- (a) a copy of the resolution,
  - (b) a statement advising of the right to send a notice of dissent, and
  - (c) if the resolution has passed, notification of that fact and the date on which it was passed.
- (4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

**Notice of court orders**

- 241** If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

**Notice of dissent**

- 242** (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,
- (a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
  - (b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
  - (c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
    - (i) the date on which the shareholder learns that the resolution was passed, and
    - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.
- (2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company
- (a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3)
  - (b) as the last date by which notice of dissent must be sent, or
  - (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.
- (3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company
- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or
  - (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.
- (4) A notice of dissent sent under this section must set out the number, and the New Commonnd series, if applicable, of the notice shares, and must set out whichever of the following is applicable:
- (a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;
  - (b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and
    - (i) the names of the registered owners of those other shares,
    - (ii) the number, and the New Commonnd series, if applicable, of those other shares that are held by each of those registered owners, and

- (iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;
  - (c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and
    - (i) the name and address of the beneficial owner, and
    - (ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.
- (5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

### **Notice of intention to proceed**

- 243** (1) A company that receives a notice of dissent under section 242 from a dissenter must,
- (a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of
    - (i) the date on which the company forms the intention to proceed, and
    - (ii) the date on which the notice of dissent was received, or
  - (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.
- (2) A notice sent under subsection (1) (a) or (b) of this section must
- (a) be dated not earlier than the date on which the notice is sent,
  - (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
  - (c) advise the dissenter of the manner in which dissent is to be completed under section 244.

### **Completion of dissent**

- 244** (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,
- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
  - (b) the certificates, if any, representing the notice shares, and
  - (c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.
- (2) The written statement referred to in subsection (1) (c) must
- (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and

- (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
  - (i) the names of the registered owners of those other shares,
  - (ii) the number, and the New Commonnd series, if applicable, of those other shares that are held by each of those registered owners, and
  - (iii) that dissent is being exercised in respect of all of those other shares.
- (3) After the dissenter has complied with subsection (1),
  - (a) the dissenter is deemed to have sold to the company the notice shares, and
  - (b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.
- (4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.
- (5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.
- (6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

**Payment for notice shares**

- 245** (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must
- (a) promptly pay that amount to the dissenter, or
  - (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may
- (a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,
  - (b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and
  - (c) make consequential orders and give directions it considers appropriate.
- (3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

- (a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or
  - (b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),
- (a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or
  - (b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.
- (5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that
- (a) the company is insolvent, or
  - (b) the payment would render the company insolvent.

**Loss of right to dissent**

- 246** The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:
- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
  - (b) the resolution in respect of which the notice of dissent was sent does not pass;
  - (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
  - (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
  - (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
  - (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
  - (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
  - (h) the notice of dissent is withdrawn with the written consent of the company;

- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

**Shareholders entitled to return of shares and rights**

**247** If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

**SCHEDULE "D"**

**INTERIM ORDER AND NOTICE OF HEARING OF PETITION FOR FINAL ORDER**

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APR 29 2011

*W. T. L.*



IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE BUSINESS CORPORATIONS ACT,  
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
PROPHECY RESOURCE CORP. and PACIFIC COAST NICKEL CORP.

PROPHECY RESOURCE CORP.

PETITIONER

**INTERIM ORDER MADE AFTER APPLICATION**

BEFORE *MASTER M<sup>c</sup>CALLUM* ) FRIDAY THE 29<sup>TH</sup> DAY  
)  
) OF APRIL, 2011

ON THE APPLICATION of the Petitioner, Prophecy Resource Corp. ("Prophecy") for an Interim Order pursuant to its Petition filed on April 29, 2011

[x] without notice coming on for hearing at Vancouver on April 29, 2011 and on hearing Sean K. Boyle, counsel for the Petitioner and upon reading the Petition herein and the Affidavit of Joseph Li sworn on April 29, 2011 and filed herein and upon being advised of the Petitioner's intention to rely upon an exemption from the registration requirements of the United States Securities Act of 1933, as amended, pursuant to Section 3(a)(10) thereof with respect to securities issued under the Plan of Arrangement;

THIS COURT ORDERS THAT:

**DEFINITIONS**

1. As used in this Order, unless otherwise defined, terms beginning with capital letters have the respective meanings set out in the Notice of Special Meeting and Information

Circular of Prophecy (the "Circular") attached as Exhibit "A" to the Affidavit of Affidavit of Joseph Li sworn on April 29, 2011 (the "Li Affidavit").

## MEETING

2. Pursuant to Sections 288, 289, 290 and 291 of the *Business Corporations Act*, S.B.C., 2002, c. 57, as amended (the "BCBCA"), Prophecy is authorized and directed to call, hold and conduct a meeting (the "Meeting") of the Shareholders of Prophecy to be held at 10:00 a.m. (Vancouver time) on May 31, 2011 at 595 Burrard Street, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, V7X 1L3 to:

- (a) consider and, if deemed advisable, to pass, with or without variation, a special resolution (the "Arrangement Resolution") approving an arrangement (the "Arrangement") under section 288 of the BCBCA, the full text of which is set out in Schedule "A" to the Circular, which is attached as Exhibit "A" to the Li Affidavit;
- (b) receive the audited consolidated financial statements of Prophecy for the fiscal year ended December 31, 2010 and the auditors' report thereon;
- (c) fix the number of directors to be elected for the ensuing year at eight;
- (d) elect directors of Prophecy for the ensuing year;
- (e) appoint the auditors for Prophecy for the ensuing year and authorize the directors to fix the auditors' remuneration;
- (f) consider and, if deemed advisable, pass with or without variation, an ordinary resolution adopting a new fixed stock option plan, as more particularly described in the Circular;
- (g) consider and, if deemed advisable, pass with or without variation, an ordinary resolution ratifying previously granted stock options, as more particularly described in the Circular;

- (h) consider and, if deemed advisable, pass with or without variation, an ordinary resolution changing Prophecy's name from "Prophecy Resource Corp." to "Prophecy Coal Corp."; and
- (i) transact such further or other business as may properly come before the Meeting or any adjournment of adjournments thereof.

3. The Meeting shall be called, held and conducted in accordance with the BCBCA and the Circular subject to the terms of this Interim Order, and any further Order of this Court, and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order.

#### **ADJOURNMENT**

4. Prophecy, if it deems advisable, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Shareholders respecting the adjournment or postponement and without the need for approval of the Court. Notice of any such adjournments or postponements shall be given by press release, news release, newspaper advertisement, or by notice sent to Shareholders by one of the methods specified in paragraph 9 of this Interim Order.

5. The Record Date (as defined in paragraph 7 below) shall not change in respect of adjournments or postponements of the Meeting.

#### **AMENDMENTS**

6. Prior to the Meeting, Prophecy is authorized to make such amendments, revisions or supplements to the proposed Arrangement in accordance with the Arrangement Agreement without any additional notice to the Shareholders, and the Arrangement as so amended, revised and supplemented shall be the Arrangement submitted to the Meeting, and the subject of the Arrangement Resolution.

#### **RECORD DATE**

7. The record date for determining the Shareholders entitled to receive notice of, attend and vote at the Meeting shall be April 27, 2011 (the "Record Date").

## NOTICE OF MEETING

8. The Circular is hereby deemed to represent sufficient and adequate disclosure, including for the purpose of Section 290(1)(a) of the BCBCA, and Prophecy shall not be required to send to the Shareholders any other or additional statement pursuant to Section 290(1)(a) of the BCBCA.

9. The Circular, form of proxy and Notice of Hearing of Petition (collectively referred to as the "Meeting Materials"), in substantially the same form as contained in Exhibits "A", "B" and "C" to the Li Affidavit, with such deletions, amendments or additions thereto as counsel for the Petitioner may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order, shall be sent to:

- (a) the Shareholders as they appear in the records of Prophecy as at the Record Date, such Meeting Materials to be sent at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing, delivery or transmittal and the date of the Meeting, by one or more of the following methods:
  - (i) by prepaid ordinary or air mail addressed to the Shareholders at his, her or its address as it appears in the applicable records of Prophecy as at the Record Date;
  - (ii) by delivery in person or by delivery to the addresses specified in paragraph 9 (a)(i) above; or
  - (iii) by email or facsimile transmission to any Shareholders who identifies himself, herself or itself to the satisfaction of Prophecy, acting through its representatives, who requests such email or facsimile transmission;
- (b) the directors and auditors of Prophecy by mailing the Meeting Materials by prepaid ordinary mail, or by email or facsimile transmission, to such persons at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or transmittal and the date of the Meeting; and

- (c) in the case of non-registered Shareholders, by providing copies of the Meeting Materials to intermediaries and registered nominees for sending to beneficial owners;

and substantial compliance with this paragraph shall constitute good and sufficient notice of the Meeting.

10. The Circular, including the Notice of Hearing of Petition for Final Order (the "Notice Materials") in substantially the same form as contained in Exhibits "A" and "C" to the Li Affidavit, with such deletions, amendments or additions thereto as counsel for the Petitioner may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order, shall be sent to the holders of options to purchase common shares of Prophecy ("Optionholders") and the holders of warrants to purchase common shares of Prophecy ("Warrantholders") (collectively with Shareholders, Optionholders and Warrantholders the "Securityholders") in accordance with the methods of delivery set out at paragraph 9 of this Interim Order, not later than twenty-one (21) days prior to the date of the Meeting and that such mailing, delivery and distribution shall constitute good and sufficient notice of Prophecy's application for the Final Order.

11. Accidental failure of or omission by Prophecy to give notice to any one or more Securityholders, or the non-receipt of such notice by one or more Securityholders, or any failure or omission to give such notice as a result of events beyond the reasonable control of Prophecy (including, without limitation, any inability to use postal services), shall not constitute a breach of this Interim Order or, in relation to notice to Securityholders, a defect in the calling of the Meeting, and shall not invalidate any resolution passed or proceeding taken at the Meeting, but if any such failure or omission is brought to the attention of Prophecy then it shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

#### **DEEMED RECEIPT OF NOTICE**

12. The Meeting Materials shall be deemed, for the purposes of this Order, to have been received:

- (a) in the case of mailing, the day, Saturdays and holidays excepted, following the date of mailing;
- (b) in the case of delivery in person, the day following personal delivery or the day following delivery to the person's address in paragraph 9 above; and
- (c) in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch.

### **UPDATING MEETING MATERIALS**

13. Notice of any amendments, updates or supplement to any of the information provided in the Meeting Materials may be communicated to the Securityholders by press release, news release, newspaper advertisement or by notice sent to the Securityholders by any of the means set forth in paragraph 9 herein, as determined to be the most appropriate method of communication by the Board of Directors of Prophecy.

### **QUORUM AND VOTING**

14. The quorum required at the Meeting shall be two persons who are, or represent by proxy, Shareholders who in aggregate hold at least 5% of the Shares.

15. The votes taken at the Meeting shall be taken on the basis of one vote per Share and the vote required to pass the Arrangement Resolution shall be the affirmative vote of at least two-thirds of the aggregate votes cast by the Shareholders voting as a single class, present in person or represented by proxy at the Meeting.

16. The vote required to pass the other ordinary resolutions shall be the affirmative vote of at least a simple majority of the votes cast by Shareholders present in person or by proxy at the Meeting.

17. In all other respects, the terms, restrictions and conditions of the Articles of Prophecy will apply in respect of the Meeting.

### **PERMITTED ATTENDEES**

18. The only persons entitled to attend the Meeting shall be the Shareholders or their respective proxyholders as of the Record Date, Prophecy's directors, officers, auditors, advisors and any other person admitted on the invitation of the Chair or with the consent of the Meeting, and the only persons entitled to be represented and to vote at the Meeting shall be the Shareholders as at the close of business on the Record Date, or their respective proxyholders.

### **SCRUTINEERS**

19. A representative of Prophecy's registrar and transfer agent (or any agent thereof) is authorized to act as scrutineer for the Meeting.

### **SOLICITATION OF PROXIES**

20. Prophecy is authorized to use the form of proxy in connection with the Meeting, in substantially the same form as attached as Exhibit "B" to the Li Affidavit and Prophecy may in its discretion waive generally the time limits for deposit of proxies by Shareholders if Prophecy deems it reasonable to do so. Prophecy is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine.

21. The procedure for the use of proxies at the Meeting shall be as set out in the Meeting Materials.

### **DISSENT RIGHTS**

22. Each registered Shareholder shall have the right to dissent in respect of the Arrangement Resolution in accordance with the provisions of sections 237-247 of the BCBCA, as modified by the terms of this Order and the Plan of Arrangement. A beneficial holder of Shares registered in the name of a broker, custodian, nominee or other intermediary who wishes to dissent must make arrangements for the registered Shareholder to dissent on behalf of the beneficial holder of Shares.

23. In order for a Shareholder to exercise such right of dissent under section 237-247 of the BCBCA:

- (a) a dissenting Shareholder shall deliver a written objection must be received by Prophecy c/o Blake, Cassels & Graydon LLP, 595 Burrard Street, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, V7X 1L3, Attention James Chen, at any time prior to 4:30 p.m. (Vancouver time) on May 27, 2011 or the date which is two business days prior to the date of the Meeting or any adjournment or postponement thereof;
- (b) a dissenting Shareholder shall not have voted his, her or its Shares at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;
- (c) a vote against the Arrangement Resolution or an abstention shall not constitute the written objection required under subparagraph (a);
- (d) a dissenting Shareholder may not exercise rights of dissent in respect of only a portion of such dissenting Shareholder's Shares but may dissent only with respect to all of the Shares held by such person; and
- (e) the exercise of such right of dissent must otherwise comply with the requirements of section 237-247 of the BCBCA, as modified by this Order.

24. Subject to further order of this Court, the rights available to the Shareholders under the BCBCA and the Arrangement to dissent from the Arrangement shall constitute full and sufficient rights of dissent for the Shareholders with respect to the Arrangement.

25. Notice to the Shareholders of their right of dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the BCBCA and the Arrangement, the fair value of their Shares shall be given by including information with respect to this right in the Circular to be sent to Shareholders in accordance with this Order.

#### **APPLICATION FOR FINAL ORDER**

26. Upon the approval, with or without variation by the Shareholders of the Arrangement, in the manner set forth in this Interim Order, Prophecy may apply to this Court for, *inter alia*, an Order:

- (a) pursuant to BCBCA Section 291(4)(a) approving the Arrangement; and

- (b) pursuant to BCBCA Section 291(4)(c) declaring that the terms and conditions of the Arrangement are fair and reasonable

(collectively, the "Final Order")

and that the hearing of the Final Order will be held on June 2, 2011 at 9:45 a.m. (Vancouver time) at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or as soon thereafter as the hearing of the Final Order can be heard or at such other date and time as this Court may direct.

27. The form of Notice of Hearing of Petition is hereby approved as the form of Notice of Proceedings for such approval. Any Securityholder has the right to appear (either in person or by counsel) and make submissions at the hearing of the application for the Final Order.

28. Any Securityholder of the Petitioner seeking to appear at the hearing of the application for the Final Order shall:

- (a) file and deliver a Response in the form prescribed by the *Rules of Court*, and a copy of all materials upon which they intend to rely, to the Petitioner's solicitors at:

BLAKE, CASSELS & GRAYDON LLP  
Suite 2600, Three Bentall Centre  
595 Burrard Street, P.O. Box 49314  
Vancouver, B.C. V7X 1L3

Attention: Sean K. Boyle

by or before 4:00 p.m. (Vancouver time) on May 27, 2011, or as the Court may otherwise direct.

29. Sending the Notice of Hearing of Petition and this Interim Order in accordance with paragraphs 9 and 10 of this Order shall constitute good and sufficient service of this proceeding and no other form of service need be made and no other material need be served on persons in respect of these proceedings. In particular, service of the Petition herein and the accompanying Affidavit and additional Affidavits as may be filed, is dispensed with.

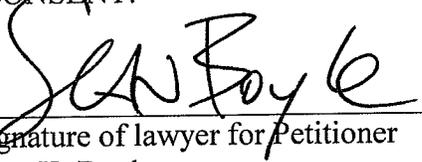
30. In the event the hearing for the Final Order is adjourned, only those persons who have filed and delivered a Response in accordance with this Interim Order need be provided with notice of the adjourned hearing date and any filed materials.

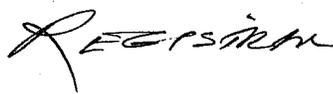
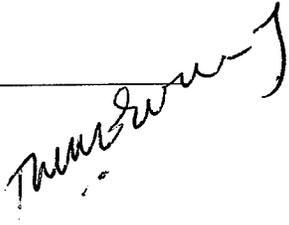
**VARIANCE**

31. The Petitioner shall be entitled, at any time, to apply to vary this Interim Order or for such further order or orders as may be appropriate.

32. Rules 8-1 and 16-1(8)-(12) of the *Supreme Court Civil Rules* will not apply to any further applications in respect of this proceeding, including the application for the Final Order and any application to vary this Interim Order.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

  
\_\_\_\_\_  
Signature of lawyer for Petitioner  
Sean K. Boyle

  
\_\_\_\_\_  
BY THE COURT  
 



NO. S-112824  
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE BUSINESS CORPORATIONS ACT,  
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
PROPHECY RESOURCE CORP. and PACIFIC COAST NICKEL CORP.

PROPHECY RESOURCE CORP.

PETITIONER

**NOTICE OF HEARING OF PETITION FOR FINAL ORDER**

To: The Securityholders of Prophecy Resource Corp.

NOTICE IS HEREBY GIVEN that a Petition has been filed by the Petitioner, Prophecy Resource Corp. ("Prophecy"), in the Supreme Court of British Columbia (the "Court") for approval of a plan of arrangement (the "Plan of Arrangement"), pursuant to the *Business Corporations Act*, S.B.C., 2002, c. 57, as amended (the "BCBCA");

AND NOTICE IS FURTHER GIVEN that by an Interim Order of the Court, pronounced April 29, 2011, the Court has given directions as to the calling of a meeting of the shareholders of Prophecy ("Shareholders"), for the purpose of, *inter alia*, considering, voting upon and approving the Plan of Arrangement;

AND NOTICE IS FURTHER GIVEN that an application for a Final Order approving the Plan of Arrangement shall be made before the presiding Judge in Chambers at the Courthouse, 800 Smithe Street, Vancouver, British Columbia on June 2, 2011, at 9:45 am (Vancouver time), or so soon thereafter as counsel may be heard (the "Final Application").

AND NOTICE IS FURTHER GIVEN that the Final Order approving the Plan of Arrangement will, if made, serve as the basis of an exemption from the registration requirements of the United States Securities Act of 1933, as amended, with respect to the distribution of securities of Prophecy by Prophecy pursuant to the Plan of Arrangement.

IF YOU WISH TO BE HEARD, any person affected by the Final Order sought may appear (either in person or by counsel) and make submissions at the hearing of the Final Application if such person has filed with the Court at the Court Registry, 800 Smithe Street, Vancouver, British

Columbia, a Response to Petition ("Response") in the form prescribed by the Rules of Court of the Court and delivered a copy of the filed Response, together with all material on which such person intends to rely at the hearing of the Final Application, including an outline of such person's proposed submissions, to the Petitioner at its address for delivery set out below by or before 4:00 p.m. (Vancouver time) on May 27, 2011.

The Petitioner's address for delivery is:

BLAKE, CASSELS & GRAYDON LLP  
Suite 2600, Three Bentall Centre  
595 Burrard Street, P.O. Box 49314  
Vancouver, B.C. V7X 1L3

Attention: Sean K. Boyle

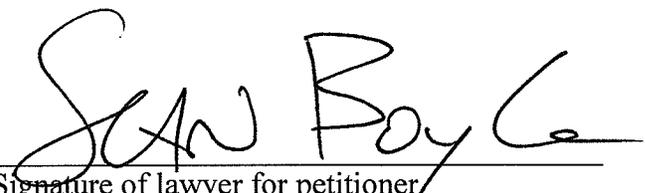
IF YOU WISH TO BE NOTIFIED OF ANY ADJOURNMENT OF THE FINAL APPLICATION, YOU MUST GIVE NOTICE OF YOUR INTENTION by filing and delivering the form of "Response" as aforesaid. You may obtain a form of "Response" at the Court Registry, 800 Smithe Street, Vancouver, British Columbia, V6Z 2E1.

AT THE HEARING OF THE FINAL APPLICATION the Court may approve the Plan of Arrangement as presented, or may approve it subject to such terms and conditions as the Court deems fit.

IF YOU DO NOT FILE A RESPONSE and attend either in person or by counsel at the time of such hearing, the Court may approve the Plan of Arrangement, as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, all without any further notice to you. If the Plan of Arrangement is approved, it will significantly affect the rights of the Shareholders.

A copy of the said Petition and other documents in the proceeding will be furnished to any Shareholder upon request in writing addressed to the solicitors of the Petitioner at its address for delivery set out above.

Date: April 29, 2011

  
\_\_\_\_\_  
Signature of lawyer for petitioner  
Sean K. Boyle

**SCHEDULE "E"**  
**GLANVILLE FAIRNESS OPINION**

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<p><b>Bruce McKnight Minerals Advisor Services</b>  <b>503 2167 Bellevue Avenue,</b>  <b>West Vancouver, BC, V7V 1C2</b>  <b>Tel: 604-926-5799</b>  <b>604-209-8131</b>  <b>Email: <a href="mailto:bmcknight@telus.net">bmcknight@telus.net</a></b></p>	<p><b>Ross Glanville &amp; Associates Ltd.</b>  <b>P.O. Box #48296, Bentall Centre,</b>  <b>595 Burrard Street,</b>  <b>Vancouver, BC, V7X 1A1</b>  <b>Tel: 604-985-6731</b>  <b>604-617-1051</b>    <b>Email: <a href="mailto:glanville@telus.net">glanville@telus.net</a></b></p>
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February 4<sup>th</sup>, 2011

**The Board of Directors**  
**Pacific Coast Nickel Corp.**  
**Suite 380 – 580 Hornby Street**  
**Vancouver, B.C., V6C 3B6**

Re: A Fairness Opinion Regarding the Acquisition of Prophecy Resource Corp.'s Nickel Business by Pacific Coast Nickel Corp.

## Summary

Ross Glanville & Associates Ltd. (“Glanville”) and Bruce McKnight Minerals Advisor Services (“McKnight”) have been retained by the Board of Directors of Pacific Coast Nickel Corp. (“Pacific Coast”, or the “Company”) to determine the fairness (to the shareholders of Pacific Coast) of the proposed acquisition of the nickel business (the “Nickel Business”) of Prophecy Resource Corp. (“Prophecy”) by Pacific Coast. Prophecy’s Nickel Business consists of its Wellgreen and Lynn Lake nickel properties, located in the Yukon Territory and Manitoba, respectively. It is anticipated that Pacific Coast will acquire the business from Prophecy by way of a plan of arrangement. It is proposed that Pacific Coast will issue 450 million of its shares<sup>1</sup> in exchange for acquiring the Nickel Business of Prophecy. As a result, the existing shareholders of Pacific Coast would own just over 15 % of the combined company, assuming that all of the in-the-money warrants and options are exercised.

Pacific Coast is a junior exploration company that has focused primarily on seeking sulphide nickel and platinum/palladium group properties in the Western Hemisphere. The Company currently has the Burwash property next to Prophecy’s Wellgreen nickel/pgm property in the Yukon Territory, five nickel prospects in Uruguay, and has recently optioned the advanced Las Aguilas nickel-copper-pgm

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<sup>1</sup> As part of the transaction, Prophecy will make a \$600,000 payment related to the Lynn Lake nickel project, and incur flow through expenditures of \$2.0 million on the Wellgreen/Lynn Lake properties by the end of 2011.

deposit in Argentina. Pacific Coast's securities trade<sup>2</sup> on the TSX-V, with its trading symbol being NKL.

Prophecy (TSX-V: PCY, OTC-QX: PRPCF, Frankfurt: 1P2) is an internationally diversified company engaged in developing, energy, nickel and platinum group metals projects. The Company controls over 1.4 billion tonnes of open-pitabile thermal coal in Mongolia (839 million tonnes measured and 579 million tonnes indicated). In Canada, Prophecy owns the Wellgreen platinum/palladium/rhodium project in the Yukon, the Lynn Lake nickel sulphide project in Manitoba, and a 10% equity stake in Victory Nickel. Over the past couple of months, the trading price of Prophecy has ranged from about \$0.85 to \$1.25 per share.

It is understood that the Board of Directors of Pacific Coast wishes to commission an independent fairness opinion (the "Fairness Opinion" or "Opinion") on the fairness of the transaction for the shareholders of Pacific Coast. Depending on the exact nature of the transaction and any follow up steps, the Opinion may also be required by stock exchanges, securities commissions and other regulators.

In order to provide the Opinion, Glanville and after McKnight, among other things, reviewed the mineral properties of Prophecy and Pacific Coast, examined the share trading price histories of each of Prophecy and Pacific Coast prior to the announcement of the proposed acquisition, reviewed in-situ values per pound of resources for peer companies, reviewed the websites and SEDAR filings of each of the companies, analyzed publicly-listed companies with similar or comparable portfolios of mineral properties, considered other assets of Prophecy and Pacific Coast, obtained the current financial positions of each of the companies, and reviewed issued shares, options, and warrants of both companies. McKnight and Glanville have not visited any of Prophecy's or Pacific Coast's properties for purposes of this report (although Glanville has been on the Las Aguilas property over a decade ago) and have not performed independent geological, mining, or environmental investigations or title searches.

The approach to the Fairness Opinion provided by McKnight and Glanville involved determining the relative values of Pacific Coast and the Nickel Business of Prophecy, utilizing different methods for determining the value of the Nickel Business. These methods included comparable values per pound of contained metal, prior acquisitions, and the allocation of the market capitalization of Prophecy to its Nickel Business. The resulting values were compared to both the market capitalization and the calculated net asset value of Pacific Coast. Other assets and liabilities (such as working capital and/or debt) were considered to determine the implied values of the mineral properties of each company, and options/warrants were considered in the determination of values per share of Pacific Coast.

The indicated values of the Nickel Business of Prophecy, based on three different valuation approaches, are summarized below:

	<b><u>Indicated Values</u></b>
Comparables Approach (In-situ Values):	\$55.7 million
Prior Acquisitions in 2010:	\$57.9 million
Adjusted Market Capitalization of Prophecy:	\$50.0 million

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<sup>2</sup> The shares were halt traded on January 17<sup>th</sup>, 2011, with the last trade being at \$0.195 per share.

A summary of the individual components of value of Pacific Coast is provided below:

<b>Individual Components</b>	<b>Indicated Values</b>
Las Aguilas:	\$2.5 million
Burwash:	0.7 million
Properties in Uruguay:	0.6 million
Other Assets (working capital, listing, tax pools, etc.):	<u>1.5 million</u>
Total Net Asset Value:	\$5.3 million

Based on the currently issued 55.7 million shares, the foregoing net asset value is equivalent to \$0.095 per share (\$5.3 million divided by 55.7 million shares)

It should be noted that, on a net asset basis only, the options and warrants (most exercisable at \$0.10 per share) are out-of-the money. However, if one were to assume the exercise of all of the options and warrants (resulting in an additional \$2.5 million of cash), there would be an additional 24.015 million shares to add to the presently issued 55.710 million, resulting in a total of 79.725 million shares. As a result the net asset value per share would then \$0.098 ((\$5.3 million plus \$2.5 million) divided by 79.725 million shares).

Based on the net asset value per share of Pacific Coast (\$0.095) the indicated number of shares that should be issued for the Nickel Business of Prophecy (valued at about \$57 million, including the cash contribution by Prophecy) would be 600 million (\$57 million divided by \$0.095). However, a range of value for the Nickel Business of about \$40 million to \$75 million would suggest a reasonable range of about 420 million shares (\$40 million divided by \$0.095) to 790 million (\$75 million divided by \$0.095).

If one were to utilize only the closing share trading price of Pacific Coast prior to the halt (\$0.195 per share), and divide this into the calculation net asset value of the Nickel Business, it would indicate that 292 million shares (\$57 million divided by \$0.195) should be issued. However, it would be more consistent to compare relative net asset values, than a net asset value to a share value.

It should be noted that the average of the shares calculated on the basis of the relative net asset values (indicating 600 million shares) and the closing share trading price of Pacific Coast relative to the net asset value of the Nickel Business (indicating 292 million shares), is 446 million shares. The foregoing is close to the proposed 450 million shares to be issued by Pacific Coast.

**Based upon and subject to the limitations in this Fairness Opinion, and such other matters as McKnight and Glanville have considered relevant, it is their opinion that, as of the date hereof, the terms of the proposed acquisition of the Nickel Business of Prophecy by Pacific Coast are fair, from a financial point of view, to the shareholders of Pacific Coast.** However, Glanville and McKnight express no opinion as to the expected trading price of the shares of Pacific Coast or Prophecy if the proposed acquisition is completed.

## Engagement of Glanville & McKnight

Pursuant to an engagement letter dated January 11<sup>th</sup>, 2011 (the “Engagement Letter”), Pacific Coast has retained the services of Ross Glanville & Associates Ltd. (“Glanville”) and Bruce McKnight Minerals Advisory Services (“McKnight”) in connection with the Fairness Opinion. Glanville’s and McKnight’s services include providing advice and assistance to the independent committee of Pacific Coast’s directors in connection with the proposed merger, and the preparation and delivery to the independent committee of Pacific Coast an opinion (the “Fairness Opinion”) as to the fairness of the proposed acquisition. Glanville and McKnight will be paid a fee for their services as financial advisors to Pacific Coast, but none of the fees are contingent on completion of the transaction. In addition, Glanville and McKnight are to be indemnified in respect of certain liabilities that might arise out of the engagement. Glanville and McKnight express no opinion, nor have they been requested to do so, as to the expected trading price of the shares of Pacific Coast or Prophecy if the proposed transaction is completed.

Technical Reports on some of the properties have been prepared, and McKnight and Glanville have reviewed them and other geological reports. McKnight and Glanville have set out the assumptions and input parameters in this Fairness Opinion, and believe that they are reasonable and appropriate based on industry standards. Major caveats include the uncertainty of future exploration results, the future prices of mineral commodities (mainly nickel and copper), changes to government regulations, and general environmental concerns. The technical reports, websites, and other publications of the companies, as well as filings on the SEDAR site, contain detailed geological and mining information on the various projects of the companies, and so they are not provided here in any detail.

## Relationship with Interested Parties

Glanville and McKnight are independent arm’s-length consultants who do not have a financial interest (nor do they expect to have any future interest), directly or indirectly, in Prophecy or Pacific Coast (or their subsidiary or associated companies), nor do they expect any consideration other than the fee and expenses for the preparation of this Fairness Opinion, nor is their fee contingent on the completion of the proposed transaction.

## Credentials of Glanville and McKnight

Bruce McKnight has a B.A.Sc. in Geological Engineering from the University of B.C., an M.Sc. in Engineering Geoscience from the University of California, Berkeley, a Mineral Economics Diploma from McGill University and an MBA from Simon Fraser University. He is a Member of the Association of Professional Engineers and Geoscientists of British Columbia (P.Eng.) and a Fellow of the Canadian Institute of Mining and Metallurgy (FCIM). McKnight is a former Executive Director of the B.C. and Yukon Chamber of Mines (now renamed Association for Mineral Exploration B.C.) and a former Corporate Vice-President of Westmin Resources Limited. He has over 35 years of senior-level, international and domestic, mining industry experience and has been an active participant in the exploration, valuation, financing and development of several mines in British Columbia and elsewhere. In addition, he has acted as a

consultant to mining and brokerage firms, as well as to mining associations and First Nations and as an “expert witness” to law firms.

Glanville is a company specializing in valuations of public and private mining companies and mineral exploration and development properties, as well as providing fairness opinions and litigation support (such as being an expert witness in court cases involving valuation disputes) related to financial and technical issues. The president, Ross Glanville, graduated from the University of British Columbia in 1970 with a Bachelor of Applied Science Degree (Mining Engineering) and became a member of the Association of Professional Engineers of British Columbia in 1972 (P.Eng.). In 1974, Glanville obtained a Master of Business Administration Degree (MBA), specializing in finance and securities analysis. In 1980, Glanville became a member of the Certified General Accountants of B.C. (CGA). He was also a member of the former Canadian Association of Mineral Valuers. Glanville has provided a large number of fairness opinions (more than 250) for mergers, amalgamations, and acquisitions of public and private companies. These assignments were undertaken for investment dealers, regulatory bodies (including stock exchanges), banks, various government agencies, venture capital firms, forestry companies, mining and exploration companies, oil and gas companies, coal companies, and others. Glanville has valued more than five hundred mining and exploration companies in Canada, the U.S.A., Australia, and Mexico, as well as over one hundred and fifty in many other areas of the world, including Africa, South America, Europe, and Asia. He has formed public companies (listed on the Toronto Stock Exchange, the Australian Stock Exchange, NASDAQ, and the TSX Venture Exchange) and has served on the Boards of Directors of four companies with producing mines. Glanville has also acted in more than 50 court cases and assessment appeal board hearings in Canada, the U.S.A., Australia, and the U.K. He has written several articles, and given many presentations, related to the valuation of exploration and mining companies. Some of these articles were published by the United Nations, the Society of Mining Engineers, and by various Canadian magazines and newspapers.

## Scope of Review

In order to prepare this Fairness Opinion, Glanville and McKnight, among other things, reviewed and relied upon, or carried out (as the case may be) the following:

- certain publicly available financial and other information concerning Pacific Coast and Prophecy
- correspondence and discussions with directors/officers/management of Pacific Coast, and advisors to Pacific Coast and Prophecy
- relevant stock market information relating to Pacific Coast and Prophecy, as well as that for other companies whose activities are similar to those of Pacific Coast and/or Prophecy
- certain industry reports and statistics that Glanville and McKnight deemed appropriate
- data related to other transactions of a comparable or similar nature, which Glanville and McKnight considered to be relevant
- technical reports on some of the mineral properties of Pacific Coast and Prophecy
- a number of marketing reports related to the supply/demand balance and price outlooks for nickel, copper, and PGMs
- news releases of Pacific Coast and Prophecy

- information on the websites of Pacific Coast ([www.pacificcoastnickel.com](http://www.pacificcoastnickel.com)) and Prophecy ([www.prophecyresource.com](http://www.prophecyresource.com))
- SEDAR filings of Pacific Coast and Prophecy
- a number of transactions related to the purchase/sale of mining exploration and development projects
- the latest annual reports and financial statements of Prophecy and Pacific Coast, and the accompanying management discussions and analyses
- financial statements and MD&As of each company for the quarter ended September 30<sup>th</sup>, 2010
- joint venture and option terms on similar or comparable mineral projects
- market capitalizations of listed companies with similar or comparable mineral exploration properties
- market capitalizations of Prophecy and Pacific Coast
- working capital positions of Prophecy and Pacific Coast
- share trading histories of Prophecy and Pacific Coast
- details of the outstanding share options and warrants of Pacific Coast and Prophecy
- prior fairness opinions and valuations completed by Glanville and McKnight
- such other reviews, calculations, analyses, research and investigations deemed appropriate and relevant in the circumstances

In addition to the foregoing, there were discussions and meetings with independent consultants to Pacific Coast and Prophecy with regard to the mineral exploration properties of each of the companies.

## Assumptions and Limitations

In providing this Fairness Opinion, Glanville and McKnight assumed and relied upon the accuracy and completeness of all technical, financial, and other information furnished to them by Prophecy and Pacific Coast, and by their consultants and representatives. They have not undertaken any specific independent verification of such information (although data was reviewed to determine its “reasonableness”). However, Glanville and McKnight have no reason to believe that the information provided to them is not accurate or complete, and they have not been denied access to any information that they requested from the managements of the companies.

Glanville and McKnight decided upon the methodologies to be utilized in this Fairness Opinion, and did not request or receive, from the managements of the companies, suggestions as to the methodologies that might have been utilized. Glanville and McKnight have relied upon technical reports, discussions with executives/officers of Pacific Coast, share trading histories, information provided by management/directors, past expenditures, and results to date. All dollar amounts (“\$”) in this Fairness Opinion refer to Canadian dollars unless otherwise specified.

This Fairness Opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of Prophecy and Pacific Coast as they are reflected in the information, data and other material (financial or otherwise) reviewed by McKnight and

Glanville as they were represented to them in discussions with management of Pacific Coast. McKnight and Glanville have made assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved with the Arrangement Agreement. Although McKnight and Glanville believe that these assumptions are reasonable with respect to Prophecy and Pacific Coast (and the industry in which they operate), to the extent they are incorrect it may affect their view as to the fairness of the business combination.

It should be noted that this report is a Fairness Opinion, not a technical report. As a result, Glanville and McKnight have not provided the detailed information provided in the technical reports and exploration reports. Those reports contain details regarding geology, mineralization, drilling, sampling, assaying, resource estimations, claim locations, detailed agreements, and exploration and development histories, and are available on the companies' SEDAR filings and/or websites.

Pacific Coast acknowledges that the services of Glanville and McKnight are provided in an advisory capacity only, and that Glanville and McKnight are not liable for losses, damages, or other claims that may result from or be alleged to result from any application or use that Prophecy or Pacific Coast and/or others may make of any information, data and opinions contained in the Fairness Opinion. Pacific Coast has waived, released, indemnified and agreed to hold Glanville and McKnight harmless from any and all liability for losses, damages, legal costs, and other claims arising from the Fairness Opinion and/or related issues. Pacific Coast has waived the right to commence any lawsuit against Glanville and McKnight, and will pay (in a timely manner) any legal costs incurred by Glanville and McKnight as a result of any lawsuit related to this Fairness Opinion. Glanville and McKnight have not visited any of the properties or conducted any independent investigations of the geology or resources of any of the companies' properties and consequently have not expressed an opinion on these. Likewise, Glanville and McKnight have not conducted a review of Prophecy's and Pacific Coast's mineral titles, ownership, or environmental obligations, and consequently Glanville and McKnight have not expressed any opinion on these subjects. Glanville and McKnight do not accept any responsibility for errors or omissions pertaining to information provided by Prophecy or Pacific Coast, or their directors, officers, agents, or other related parties.

Glanville and McKnight reserve the right to amend or withdraw this Fairness Opinion in certain circumstances, including in the event that there occurs a material change of facts or representations upon which Glanville and McKnight relied, or in the event that Glanville and McKnight reasonably conclude that the information provided to them or any representation they relied upon contains an untrue statement of material fact or omits to state a material fact that, in their reasonable opinion, would make this Fairness Opinion untrue or inaccurate in any material respect. However, Glanville and McKnight are under no obligation to make any subsequent changes or provide notification to anyone of such changes to the information. The management and directors of Pacific Coast should inform Glanville and McKnight if anything in this Fairness Opinion, or any of the information on which it is based, is, in their opinion, inaccurate or misleading in any way.

Glanville and McKnight have also assumed that all material governmental, regulatory, court, or other approvals and consents required in connection with the consummation of the merger will be obtained, and that in connection with obtaining any necessary governmental, regulatory, court, or

other approvals and consents, no limitations, restrictions or conditions will be imposed that would have a material adverse effect on Pacific Coast.

This Fairness Opinion is addressed to and is for the sole use and benefit of the Pacific Coast Board, and may not be referred to, summarized, circulated, publicized or reproduced by Prophecy or Pacific Coast, other than in the Information Circular, or disclosed to, used or relied upon by any other party without the express written consent of Glanville and McKnight.

McKnight and Glanville believe their analyses must be considered as a whole, and that selecting portions of the analyses or the factors considered by them, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complicated process, and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

## Proposed Arrangement

Prophecy and Pacific Coast have agreed to the acquisition of the Nickel Business of Prophecy Resource Corp. (“Prophecy”) by Pacific Coast. The agreement involves Pacific Coast acquiring the Nickel Business from Prophecy in consideration of 450 million shares of Pacific Coast. It is anticipated that Pacific Coast will acquire the business from Prophecy by way of a plan of arrangement. Following the transaction (and the exercise of the in-the-money options and warrants of Pacific Coast) the existing shareholders of Pacific Coast would own just over 15% of the then issued shares. After completion of the transaction, Pacific Coast plans to consolidate its share capital on a 10 old for 1 new basis, and change its name to Prophecy Platinum Corp. Fifty percent of the 450 million Pacific Coast shares issued will be retained by Prophecy and 50% of such shares will be distributed to the shareholders of Prophecy pro rata in accordance with their holdings. Pacific Coast shares issued to Prophecy and retained by Prophecy will be subject to a three year escrow hold period.

Prophecy will fund up to \$2.0 million of qualified flow through expenditures on the Lynn Lake property or the Wellgreen property over the period from the date of the Letter Agreement until December 31<sup>st</sup>, 2011. Prophecy also has agreed to make the \$600,000 payment to Victory Nickel Inc. in respect of portions of the Lynn Lake property, as specified in the agreement.

## Nickel Business of Prophecy Resource Corp.

Prophecy’s Nickel Business consists of its Wellgreen and Lynn Lake nickel properties, located in the Yukon Territory and Manitoba, respectively.

## Lynn Lake Nickel Project

In October, 2009, Prophecy entered into an option agreement with Victory Nickel Inc. (“Victory”) whereby Prophecy has the right to acquire a 100% interest in the Lynn Lake nickel-

copper project (located in northern Manitoba) by paying Victory an aggregate of \$4.0 million over a four year period, and incurring an aggregate of \$3.0 million in exploration expenditures over a three year period. As part of the agreement, Prophecy issued 2,419,548 of its shares to Victory, and granted Victory the right to participate in future equity financings on a pro rata basis so that Victory may maintain its 10% interest in Prophecy.

The Lynn Lake Project is located in the historic mining town of Lynn Lake, about 320 km by road access northwest of the Thompson mining camp and smelter. The property is the former Sherritt Gordon Mines Limited mine site known as the Lynn A mine and Farley mine, comprised of 30 mineral leases covering an area of 590 hectares. The property was operated by Sherritt Gordon from 1953 to 1976, with reported production of 22.2 million tons at an average grade of 1.023% nickel and 0.535% copper. The property contains eleven zones and several areas of lower grade mineralization. Over the period 2006 to 2008, Independent Nickel drilled 87 core holes, for a total of more than 28,000 metres.

A Technical Report on the Lynn Lake Nickel Project (covering the upper and lower N and O, and the G zone) completed by Wardrop Engineering Inc. (“Wardrop”) in January 2010, calculated a measured plus indicated resource of approximately 22.9 million tons grading 0.57% nickel and 0.30% copper (262.5 million pounds of nickel and 137.5 million pounds of copper), and an inferred resource of approximately 8.1 million tons grading 0.51% nickel and 0.28% copper (81.6 million pounds of nickel and 45.6 million pounds of copper) – with a cut-off grade of 0.4% nickel equivalent (based on a nickel price of \$7.22 per pound and a copper price of \$2.00 per pound). The foregoing resource does not include mineralization from the Disco zone discovery made in 2008, which includes intercepts of 47 metres of 0.7% nickel and 18 metres of 1.5% nickel, located 1.5 km away from the outlined resource. It also does not include the Tango Zone, where a 3,000 meter 2010 drill program intercepted an additional discovery. Prophecy does not plan to utilize conventional milling techniques on the Lynn Lake Project, and is investigating a bio-leaching option.

In September 2010, Prophecy commenced a 3,000 meter drilling program designed to test newly discovered targets from its IP survey. Results of five of the drill holes were announced on December 6<sup>th</sup>, 2010, with the best intersection (in the new Tango zone) being 17.3 meters (from 435.4 to 452.7 meters) grading 0.60% nickel and 0.30% copper. The IP anomaly at Tango extends downward below a depth of 600 meters from surface and then extends southwards for another 380 meters, which remains untested. Prophecy plans to expand its drill program in 2011 along the strike of the intercepts reported at Tango, as well as drill test three other significant targets from the 2010 IP survey.

In addition to the foregoing Lynn Lake deposit acquired from Victory Nickel, Prophecy has acquired 100% (subject to a 3% net smelter return royalty) of the Lynn Gabbros property from VMS Ventures Inc. for 750,000 shares (issued), a finder’s fee of \$24,000, and reimbursement of VMS’s exploration expenditure obligations up to June 1, 2010, of up to \$100,000. By acquiring the Lynn Gabbros claims, which include five gabbro plugs, Prophecy now has six of the seven known gabbro plugs in the Lynn Lake nickel camp.

## Wellgreen Nickel Project

The Wellgreen property is located approximately 35 kilometers northwest of Burwash Landing in the Yukon, and about 400 kilometers from Alaska's deep sea port at Haines. In 1972, Hudbay mined and milled almost 172,000 tons grading 1.39% nickel and 2.23% copper. Based on 701 drill holes (182 from surface and 519 underground), an historic non NI 43-101 compliant geological resource (1989) was estimated to be approximately 55 million tonnes at 0.36% nickel, 0.35% copper, and 0.78 g/t PGM<sup>3</sup>. An independent NI 43-101 report prepared for Prophecy by Wardrop Engineering, dated, July 2010, indicated that the potential (not a resource) of the Wellgreen ranges between 77 and 254 million tonnes at 0.26% to 0.58% nickel, 0.26% to 0.36% copper, and 0.55 to 0.85 g/t platinum/palladium, based on a strike length range of 4,000 to 7,000 meters and a width of 30 to 35 meters.

Subsequent to Wardrop's Wellgreen report, Prophecy intercepted encouraging mineralization at Wellgreen, including 496 meters of 0.27% nickel, 0.18% copper, 0.02% cobalt, and 0.60 g/t PGM + gold. Another 71.2 meter intersection (open at depth, since it ended in mineralization), starting from surface, intersected 0.31% nickel, 0.22% copper, and 0.47 g/t PGMs. The 2010 drill program has extended the resource to the east. In 2011, Prophecy intends to drill to test areas to the west of holes WS 10-177 and 178, test the surface portion within existing resource boundaries (particularly in the East Zone), and continue exploration drilling on the West Zone.

Wellgreen East Zone has seen extensive historic development, with almost 4,300 meters of underground development on seven levels, three internal shafts, and over 500 surface and underground drill holes. During 2010, extensive underground sampling was carried out, with 800 chip channel samples taken at 2-meter intervals along the underground workings. Of these, 174 samples where platinum or palladium grades exceeded 1 g/t were thereafter assayed for gold, rhodium, osmium, iridium and ruthenium. Of these, about two dozen contained rhodium exceeding 0.5 g/t. As a result of the foregoing encouraging results, Prophecy is now assaying 470 drill core samples for all six PGMs from drill programs by Northern Platinum and Coronation Minerals since 2006.

## Pacific Coast Nickel

Pacific Coast is a junior exploration company that has focused primarily on seeking sulphide nickel and platinum/palladium group properties in the Western Hemisphere. The Company currently has the Burwash property contiguous to Prophecy's Wellgreen nickel/copper/pgm property in the Yukon Territory, five prospects in Uruguay, and has recently optioned the advanced Las Aguilas PGM deposit in Argentina. Pacific Coast's securities trade<sup>4</sup> on the TSX-V, with its trading symbol being NKL.

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<sup>3</sup> That report (prior to the introduction of the NI 43-101 policy) by Watts Griffis and McOuat, dated April 1989, showed a near surface probable 'reserve category' of 46.7 million tons of 0.36% nickel 0.35% copper, 0.015 ounces per ton platinum and 0.010 ounces per ton palladium, with an additional 'possible category' of 8.5 million tons of similar grade.

<sup>4</sup> The shares were halt traded on January 17<sup>th</sup>, 2011, at the closing price of \$0.195 per share.

## Las Aguilas

On November 8<sup>th</sup>, 2010, Pacific Coast announced that it had entered into a letter agreement with Marifil Mines Limited (“Marifil”), which provided Pacific Coast with the option to earn up to a 70% interest in the Las Aguilas nickel-copper-PGM property located in San Luis Province, Argentina. To earn a 49% interest in the property, Pacific Coast is required to pay \$300,000 cash and issue 1.0 million of its shares in stages prior to April 1<sup>st</sup>, 2014. In addition, Pacific Coast must complete a resource estimate prior to April 1<sup>st</sup>, 2012, and incur exploration expenditures totaling \$2.0 million prior to April 1<sup>st</sup>, 2015. The agreement provides for Pacific Coast to earn an additional 11% by preparing a pre-feasibility study and issuing 1.0 million shares (and paying \$100,000) on or before April 1<sup>st</sup>, 2015, and a further 10% for completion of a feasibility study before April 15<sup>th</sup>, 2016. The agreement also provides for granting a 3% NSR to Marifil, of which 0.5% can be purchased for \$1.0 million, and Pacific Coast retains the option of buying Marifil’s 30% for \$5.0 million.

Marifil has reported that the Las Aguilas deposit contains a historical resource of 2.2 million tonnes grading about 0.52% nickel, 0.50% copper, 0.04% cobalt, and significant amounts of platinum group elements, based on approximately 9,800 meters of drilling between 1970 and 1984. The foregoing is not an NI 43-101 compliant resource estimate, since the historical resource has not been verified or reviewed in accordance with NI 43-101 standards. The historical exploration data was developed by the Argentine government agency, Fabricaciones Militares, which conducted exploration in the area. An additional 6,800 meters were drilled by BHP during 2003/2004, and additional drilling (about 12,800 meters for 78 holes) was conducted by Castillian in 2007 and 2008. The foregoing drilling was anticipated to expand the historical resource estimate significantly, and the mineralization is open to the north, south, and at depth<sup>5</sup>. Amec (October 2008 NI 43-101 report) concluded that the Castillian Ni, Cu, and Pd assay data are sufficiently precise and accurate for resource estimation purposes. Although an updated NI 43-101 resource is in the process of being prepared, it is unlikely to be available for about a month.

## Burwash

Pursuant to an option agreement dated May 14<sup>th</sup>, 2008, amended on December 9<sup>th</sup>, 2008, and further amended February 23<sup>rd</sup>, 2010, Pacific Coast could acquire up to a 75% interest in the Burwash Property, located in the Yukon Territory. Pacific Coast could acquire a 50% interest by making \$130,000 in cash payments (\$50,000 more to be paid on or before March 31<sup>st</sup>, 2011), issuing 550,000 shares (200,000 more to be issued on or before March 31<sup>st</sup>, 2011), and incurring \$3.0 million in exploration expenditures on or before December 1<sup>st</sup>, 2012 (of which the requirements for \$650,000 by December 1<sup>st</sup>, 2010, have been met). Pacific Coast may earn an additional 10% interest by providing the optionor with a positive feasibility study on or before March 31<sup>st</sup>, 2016, and a further 15% by providing all of the funding to put the property into commercial production on or before March 31<sup>st</sup>, 2019.

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<sup>5</sup> In the East Deposit, the deepest holes are well outside the historic resource estimate, and demonstrate that the deposit is getting larger and richer with depth. Hole LA 08-078, the deepest hole, intersected 19.7 meters grading 0.58% nickel, 0.42% copper, 0.03% cobalt, 0.44 g/t platinum, 0.69 g/t palladium, and 0.14 g/t gold.

The Burwash property is located eight kilometers from the Alaska Highway, and adjoins the Wellgreen nickel deposit of Prophecy. Pacific Coast completed a \$400,000 exploration program on the Burwash property during the summer of 2008, suspended exploration work in 2009, and completed a detailed geophysical survey on the property during the summer of 2010. The Burwash property overlies the eastern half of the Quill Creek mafic-ultramafic complex, a 20-kilometer long multiphase sill-like intrusion that attains a maximum thickness of over one kilometer. The complex hosts a number of nickel-copper-PGM occurrences. The highest grades of mineralization occur in the western part of the property where relatively thin but laterally extensive sills that are elsewhere dominated by peridotite give way to a greater proportion of gabbro. Mineralization consists of disseminated sulphides in gabbro, and banded to massive sulphide mineralization along the sheared contact between gabbro and country rock. The banded to massive sulphides are enriched in the rare PGEs, rhodium, osmium, indium and ruthenium. The Burwash property has had a long exploration history, but little drilling has been carried out despite the discovery of a number of areas of high grade nickel-copper-PGE mineralization. The known mineralization to date consists of elongate massive sulphides that are not well connected, with long-axis dimensions on the order of 10 to 60 meters.

## Uruguay Nickel Prospects

Pacific Coast incorporated a wholly-owned subsidiary in Uruguay for the purpose of conducting a review of several properties with demonstrated nickel potential in Uruguay. The subsidiary has been granted First Administrative Rights over five Prospection Permits in Uruguay for magmatic nickel-copper sulfide exploration. These comprise the Cerro Chato (3,176-hectares), Molles North (4,283-hectares), Molles South (200-hectares), Quebracho (8,502-hectares) and Polanco (12,000-hectares) Prospection Permits.

The Prospection Permits were identified by Company geologists as a result of country-wide targeting, followed by field reconnaissance, in 2008. Regional focus was on steep crustal-penetrating structural zones marginal to Precambrian cratonic blocks, with sulphidic metasedimentary cover rocks, and in some cases historically reported ultramafic rocks, present. Multi-element Ni-Cu-Cr-Co anomalies in historical regional geochemical data led Company geologists to identify prospective ultramafic-mafic intrusive suites in all of the applied-for, and subsequently granted, Prospection Permits.

At least three major Proterozoic basement terranes, one containing a significant Archean component, are present in Uruguay. These terranes are partially covered by Phanerozoic sedimentary rocks ranging from Cambrian to Quaternary, but are exposed in eastern and southern Uruguay. The three major terranes collided and rifted at various geological times, from the Early Proterozoic to the Neo-Proterozoic or Cambrian.

First-phase exploration was completed on the Cerro Chato Permit during late November to early December, 2008, comprising geological mapping and prospecting, ground magnetics (on 400-m spaced lines, with 200-m spaced lines over the ultramafic intrusion in the north-central portion of the Permit), and detailed stream sediment sampling. Although there is generally less than one percent to locally several percent outcrops, it was possible, with systematic geological traverses, to construct a reasonable geological map of the Permit area, particularly by extrapolation using the results of the ground magnetic survey. Geological mapping and rock chip sampling have been

completed on the eastern half of the Molles North Permit. Completion of geological mapping and rock chip sampling, a ground magnetic survey, and detailed stream sediment sampling are planned for the Molles North Permit and the small adjacent Molles South Permit. The presence, but not the total extent, of significant ultramafic-mafic intrusions has also been confirmed to date on the Quebracho & Polanco Prospection Permits.

## Approaches to the Fairness Opinion

In connection with the Opinion, Glanville and McKnight have performed a variety of financial and comparative analyses. Furthermore, they have not attributed any particular weight to any specific analysis or factor, but instead have made qualitative judgments based on their experience in rendering such opinions and on the circumstances and information as a whole.

In the purchase of assets in exchange for shares of another company, the approach to fairness normally entails assessing the relative values of the assets and shares, using as many techniques as are applicable, in order to check them against each other and to determine the most reasonable relative values. Since the major assets involved in the proposed transaction consist of its mineral properties, informal valuations of these properties have been prepared, utilizing a number of different approaches as set out in a subsequent section of this report.

## CIMVal Standards

The Exchanges (TSX.V and TSX) require that CIMVal Standards (Canadian Institute of Mining, Metallurgy and Petroleum Standards and Guidelines for Valuations of Mineral Properties) be used by Issuers and their professional advisors when preparing formal valuations and valuation reports on mineral properties. The CIMVal Standards are limited to Valuations of Mineral Properties (including any interests therein), and do not cover fairness opinions or valuations of corporations or other entities that hold Mineral Properties as assets. As a result, the CIMVal standards are not applicable to this Fairness Opinion, although McKnight and Glanville are familiar with the CIMVal Standards and have followed them where appropriate.

It should be emphasized that this Fairness Opinion is not a technical report nor a formal valuation of either of the companies or their mineral properties as defined in The Canadian Institute of Mining, Metallurgy and Petroleum publication of February 2003, “Standards and Guidelines for Valuation of Mineral Properties”, (CIMVal Standards and Guidelines). This review is a Fairness Opinion of the proposed acquisition of the Nickel Business of Prophecy by Pacific Coast, and includes informal valuations of the assets of each of the companies as part of the Opinion.

## Determination of Informal Values of the Mineral Properties

McKnight and Glanville utilized the comparables approach (based on in-situ values per pound), prior acquisitions, and the allocation of a portion of the market capitalization of Prophecy (to the Nickel Business).

## Comparable Transactions Method

Glanville and McKnight have examined the stock market trading performance of many nickel/copper exploration and development companies, as well as the terms of purchases of several similar exploration and development projects, and have examined the adjusted market capitalizations per pound of in-situ values for active exploration and development companies. As would be expected, the ranges in adjusted market capitalizations and purchase prices per in-situ quantities are reasonably wide, since the prices depend upon a variety of factors, including the stage of advancement (early stage exploration, 'potential resources', historic resources, inferred resources, drill-indicated resources, proven reserves, production from one operation, or a multi-mine company, for example), the depth and attitude of the deposit (underground or open pit), the likely grade of the resource, the existing and potential size of the deposit, the likely metallurgical recovery, the location (type of infrastructure available), foreign exchange risk, the income tax and royalty structure, third party interests in the property (such as net smelter returns or gross override royalties), the level of technical study (scoping study, pre-feasibility study, feasibility study, operating statistics, etc.), the long term commodity price outlooks (mainly for nickel and copper in this case), the exploration potential, the expectations for replacing resources/reserves and adding to them, the political jurisdiction in which the deposit is located, etc. In spite of the reasonably wide range of in-situ values, one can determine a much narrower range for properties with similar attributes. As a result, this method is often utilized as an indicator of value, and market capitalizations per pound are compiled by mining analysts and mining companies.

Investment dealer and mining analyst Canaccord Genuity periodically compiles the attributed market capitalizations per pound of copper and nickel in resources for a variety of exploration, development, and producing copper/nickel companies. The January 26<sup>th</sup>, 2011, Canaccord Junior Mining Weekly provided a list of non-producing copper and nickel companies at the exploration stage through to early-stage development (greater than 12 months from production). The median attributed value was approximately 6.5 cents per pound of contained nickel and 2.7 cents per pound of contained copper.

## Prior Acquisitions

The Wellgreen property was acquired in September of 2010, and the Lynn Lake Nickel property was acquired in early 2010. The financial statements of Prophecy show the values that were assigned to these mineral exploration properties, and these attributed values were utilized as indications of value, but were adjusted upwards to reflect the impact of changes since the time of the transactions.

## Relative Values of Prophecy's Mineral Properties

The adjusted market capitalization of Prophecy provides an indication of the total value attributed to its mineral exploration and development properties. Glanville and McKnight then estimated the percentage of that value attributed to the Nickel Business, based on a variety of factors. These factors included the advancement of the coal project towards production, the additional

exploration results at Lynn Lake and Wellgreen, and the increases in the prices of coal, nickel, and copper.

## Valuation of the Nickel Business of Prophecy

### Comparables Approach

#### Lynn Lake Nickel Project

A review of the companies in the Canaccord list of non-producers (including the size of the resource, the stage of advancement, and preliminary economics) would indicate that the attributed values for resources in the Lynn Lake deposit should be based on the medians determined from the Canaccord list (about 6.5 cents per pound for nickel and 2.7 cents per pound for copper). Based on the application of the foregoing, the indicated value of the Lynn Lake deposit would be as follows:

#### Measured & Indicated Resources:

262.5 million pounds <sup>6</sup> of nickel X 6.5 cents per pound	=	\$17.1 million
137.5 million pounds <sup>7</sup> of copper X 2.7 cents per pound	=	\$3.7 million

#### Inferred Resources<sup>8</sup>:

81.6 million pounds <sup>9</sup> of nickel X 6.5 cents per pound	=	\$5.3 million
45.6 million pounds <sup>10</sup> of copper X 2.7 cents per pound	=	\$1.2 million

Based on the foregoing the indicated value of the Lynn Lake deposit to Prophecy would be \$27.3 million.

In addition to the foregoing Lynn Lake deposit acquired from Victory Nickel, Prophecy has acquired the Lynn Gabbros property from VMS Ventures Inc. for 750,000 shares (issued), a finder's fee of \$24,000, and reimbursement of VMS's exploration expenditure obligations up to June 1, 2010, of up to \$100,000. Based on the foregoing, as well as the proximity of this property to the substantial resource acquired from Victory Nickel, Glanville and McKnight are of the opinion that the value of the Lynn Gabbros property to Prophecy would be approximately \$2.0 million.

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<sup>6</sup> 22.9 million tons at 0.57% nickel

<sup>7</sup> 22.9 million tons at 0.30% copper

<sup>8</sup> The comparable cents per pound were determined based on the inclusion of all categories of resources.

<sup>9</sup> 8.1 million tons at 0.51% nickel

<sup>10</sup> 8.1 million tons at 0.28% copper

As a result of the foregoing, the Lynn Lake Project (Lynn Lake deposit and the Lynn Gabbros) would be worth about **\$29.3 million**.

#### Wellgreen Project

Glanville and McKnight believe that the attributed values for the historic resource (not NI 43-101 compliant) at Wellgreen should be less than the medians determined from the Canaccord list (these medians were about 6.5 cents per pound for nickel and 2.7 cents per pound for copper), due to the location and lower grade of the Wellgreen deposit relative to the Lynn Lake (and the fact that it is an historic resource). Based on the application of two thirds of the median values, the indicated value of the Wellgreen deposit would be as follows:

$$\begin{array}{rcl} 436.5 \text{ million pounds}^{11} \text{ of nickel} & \times & 4.3 \text{ cents per pound} & = & \$18.8 \text{ million} \\ 424.4 \text{ million pounds}^{12} \text{ of copper} & \times & 1.8 \text{ cents per pound} & = & \$7.6 \text{ million} \end{array}$$

The total of the foregoing is approximately **\$26.4 million**. Although one might be justified in increasing the foregoing slightly for the potential recovery of PGMs, the lack of infrastructure (including low cost power) would likely more than offset this factor.

#### Value of Nickel Business Based on Comparables

Based on the comparables approach, the value of Prophecy's Nickel Business would be approximately **\$55.7 million** (\$29.3 million for the Lynn Lake project and \$26.4 million for Wellgreen).

#### Prior Acquisitions

On September 23<sup>rd</sup>, 2010, Prophecy acquired all of the issued and outstanding shares of Northern Platinum Ltd. ("Northern"). Based on the shares issued, the allocation of value to the mineral properties (the Wellgreen properties) was determined to be \$9.9 million. However, Prophecy also acquired the 50% back-in right of Belleterre Quebec Mines Inc. for cash, shares, and warrants of Prophecy, for consideration of \$4.2 million. As a result, the total indicated value attributed to Wellgreen at the time was approximately \$14.1 million (\$9.9 million plus \$4.20 million).

Upon closing of the amalgamation with Red Hill in April 2010, a total of approximately \$29.4 million was capitalized as the acquisition cost of Lynn Lake.

Based on the foregoing, the indicated acquisition value of Wellgreen plus Lynn Lake (the Nickel Business) in 2010 would have totaled \$43.5 million (\$14.1 million plus \$29.4 million). This value has been increased by one third to **\$57.9 million** to account for the subsequent exploration results, the increase in the nickel price, and the fact that some payments that have been made since the acquisitions.

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<sup>11</sup> 55 million tonnes at approximately 0.36% nickel

<sup>12</sup> 55 million tonnes at approximately 0.35% copper

## Relative Values of Prophecy's Mineral Properties

The adjusted market capitalization of Prophecy (after accounting for working capital, debt, assumed exercise of in-the-money warrants and options, etc) would indicate that all of its mineral properties would have an implied value of about \$150 million<sup>13</sup>. Although the relative book values (capitalized exploration and development expenditures) of the mineral properties of Prophecy would indicate that almost two thirds of the implied value (or almost \$100 million) should be attributed to the Nickel Business, Glanville and McKnight are of the opinion that only about one third of the \$150 million property value, or about **\$50 million**, should be attributed to the Nickel Business, due to the following factors:

- the advancement of the Mongolian thermal coal project
- the dramatic increase in the coal price
- the approximately \$40 million equity raising that was for the coal project
- the news releases of Prophecy
- the relative expenditures on the various mineral properties of Prophecy
- the sales contracts in place for the coal
- the completion of the feasibility study for the coal project and the commencement of construction

## Summary of the Indicated Values of Prophecy's Nickel Business

The indicated values of the Prophecy's Nickel Business are as summarized below:

	<u><b>Indicated Values</b></u>
Comparables Approach (In-situ Values):	\$55.7 million
Prior Acquisitions:	\$57.9 million
Adjusted Market Capitalization of Prophecy:	\$50.0 million

Based on the average of the foregoing, it is the opinion of Glanville and McKnight that the value of the Nickel Business of Prophecy is \$54.5 million. Since Prophecy is also making the payment of \$600,000 related to the Lynn Lake project, and has agreed to spend \$2.0 million on exploration of the Wellgreen/Lynn Lake properties in 2011, Prophecy is effectively providing value of almost \$57 million (\$54.5 million plus the discounted present value of \$2.6 million). Due to the difficulty in determining precise values for early-stage mineral deposits, it is the opinion of Glanville and McKnight that a reasonable range of value of the Nickel Business is between about \$40 million and \$75 million.

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<sup>13</sup> This attributed value does not assume any premium that is often accorded to the acquisition of all of the shares of a company.

## Net Asset Valuation of Pacific Coast Nickel

The major components of value of Pacific Coast include its interest in the Las Aguilas deposit, its interest in the Burwash project, its nickel exploration prospects in Uruguay, its working capital, its TSXV listing, and its income tax pools. These are described in the following sections.

### Las Aguilas

The Las Aguilas deposit has a historical resource of 2.2 million tonnes at a grade of 0.52% nickel, 0.04% cobalt, plus some platinum/palladium. Based on drilling since that report, Pacific Nickel believes that the resource might have doubled. If the resource is determined to have increased to 4.4 million tonnes of similar grade (this is only an assumption, and has not been verified, and is not meant to be an NI 43-101 resource – and therefore should not be relied upon) the indicated net value (70% of the total, less of earn-in costs) of Pacific Coast's interest in Las Aguilas, utilizing the same in-situ values as were utilized for the Nickel Business of Prophecy, would be as set out below:

$$\begin{aligned} 4.4 \text{ million tonnes} \times 0.52\% \text{ nickel} \times 2205 \text{ pounds/tonne} \times 6.5 \text{ cents} &= \$3.28 \text{ million} \\ 4.4 \text{ million tonnes} \times 0.50\% \text{ copper} \times 2205 \text{ pounds/tonne} \times 2.7 \text{ cents} &= \$1.31 \text{ million} \end{aligned}$$

Based on the foregoing, the value of 100% of Las Aguilas would be approximately \$4.6 million, and the 70% interest would be worth about \$3.2 million. The foregoing has been reduced to **\$2.5 million** to account for the risk-adjusted present value of the substantial requirements (cash, shares, and exploration expenditures) for Pacific Coast to earn its interest, as well as the 3% NSR payable to Marifil.

It should also be noted that the trading price of Pacific Coast increased by about seven cents per share<sup>14</sup> over the month since the announcement of the acquisition of Las Aguilas on November 8<sup>th</sup>, 2010. Based on the then issued 40.5 million shares, the foregoing would indicate a value of about \$2.8 million.

### Burwash

The historic or book values of mineral properties, if known or estimated, can be compared with the market values of a suite of comparable or similar companies to examine the ratios of market capitalizations (adjusted to eliminate working capital, and other assets and liabilities) to book values of the exploration properties. The foregoing ratios for similar exploration companies that have early-stage nickel projects currently range from about 0.5 to more than 5.0, with the median being around 1.0. This median of 1.0 has been applied to the book value of \$815,000 attributed to the Burwash property, resulting in an indicated value of about \$0.8 million.

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<sup>14</sup> It is difficult to separate the value increase attributed to the acquisition of Las Aguilas from other factors, including the increase in the nickel price. Furthermore, the share price has been quite volatile, so the value attributed to Las Aguilas depends on the share trading at a particular point in time.

One might also reasonably attribute a value to the Burwash property of about 5% of the \$26.4 million value attributed to Wellgreen (based on the relative advancement of the two contiguous properties), or about \$1.32 million. As a result, Pacific Coast's right to earn 75% would be worth almost \$1.0 million if it did not have to make payments, issue shares, and incur expenditures (including the preparations of a feasibility study and the provision of funds to place the property into commercial production prior to March 31, 2019). As a result, the net interest of Pacific Coast would likely be in the range of \$0.5 million to \$0.8 million.

Based on the foregoing, Glanville and McKnight have attributed a value of **\$0.7 million** to the beneficial interest of Pacific Coast in the Burwash nickel project.

### Uruguay Nickel Prospects

Uruguay has excellent geological potential, but has been relatively unexplored (especially for non-gold projects). It also has a stable and favourable business and political climate, with good logistics and infrastructure.

As stated previously, the historic or book values of mineral property expenditures, if known or estimated, can be compared with the market values of a suite of comparable or similar companies to examine the ratios of market capitalizations (adjusted to eliminate working capital, and other assets and liabilities) to book values of the exploration properties. The median of 1.0 for the selected comparables has been applied to the expenditures of about \$560,000 by Pacific Coast on its exploration/acquisition in Uruguay to arrive at an indicated value of approximately \$0.6 million.

### Other Assets of Pacific Coast Nickel

The current working capital of Pacific Coast has been stated to be approximately \$1.0 million. Additional assets include a TSXV listing, income tax pools, and minor equipment, which combined would have a value of about \$0.5 million. As a result, the total value of the other assets of Pacific Coast would be about **\$1.5 million**.

### Options and Warrants

There are 18.725 million warrants, and 5.300 million options that are all in-the-money, and if exercised would bring in about \$2.51 million in additional cash.

### Valuation of Pacific Coast and Value per Share

A summary of the individual components of value of Pacific Coast is provided below:

<b>Individual Components</b>	<b>Indicated Values</b>
Las Aguilas:	\$2.5 million
Burwash:	0.7 million
Properties in Uruguay:	0.6 million
Other Assets (working capital, listing, tax pools, etc.):	<u>1.5 million</u>
Total Net Asset Value:	\$5.3 million

Based on the currently issued 55.7 million shares, the foregoing net asset value is equivalent to \$0.095 per share (\$5.3 million divided by 55.7 million shares)

It should be noted that, on a net asset basis, the options and warrants (most exercisable at \$0.10 per share) are out-of-the money. However, if one were to assume the exercise of all of the options and warrants (resulting in additional cash of \$2.5 million), there would be an additional 24.015 million shares to add to the presently issued 55.710 million, resulting in a total of 79.725 million shares. As a result, the net asset value per share would then be \$0.098 ('\$5.3 million plus \$2.5 million' divided by 79.725 million).

## Relative Values

Based on the net asset value per share of Pacific Coast (\$0.095) the indicated number of shares that should be issued for the Nickel Business of Prophecy (valued at about \$57 million, including the cash contribution by Prophecy) would be 600 million (\$57 million divided by \$0.095). However, a range of value for the Nickel Business of about \$40 million to \$75 million would suggest a reasonable range of about 420 million shares (\$40 million divided by \$0.095) to 790 million shares (\$75 million divided by \$0.095).

If one were to utilize only the closing share trading price of Pacific Coast prior to the halt (\$0.195 per share), and divide this into the calculation net asset value of the Nickel Business, it would indicate that 292 million shares (\$57 million divided by \$0.195) should be issued. However, it would be more consistent to compare relative net asset values, than a net asset value to a share value.

It should be noted that the average of the shares calculated on the basis of the relative net asset values (indicating 600 million shares) and the closing share trading price of Pacific Coast relative to the net asset value of the Nickel Business (indicating 292 million shares), is 446 million shares. The foregoing is close to the proposed 450 million shares to be issued by Pacific Coast.

## Fairness Considerations

In connection with the provision of the Fairness Opinion, Glanville and McKnight have performed a variety of financial, technical, and other analyses, including those set out below (in addition to the calculations in the prior sections of this report). In arriving at the Fairness Opinion, they have not attributed any particular weight to any specific analysis or factor considered by them, but rather Glanville and McKnight have made qualitative judgments based

on their experience in rendering such opinions and on the circumstances and information as a whole. Glanville and McKnight considered a number of factors in arriving at the Fairness Opinion, including the following, among others.

- the valuations of the mineral properties of both companies
- the options and warrants of each of the companies
- the likely broader appeal of the new Pacific Coast (to be renamed Prophecy Platinum Corp.) to international and institutional investors with multiple advanced assets, and greater expected stock liquidity
- the most recent financing (which closed in January 2011) of Pacific Coast at \$0.07 per unit, which consisted of one share and one share purchase warrant exercisable at \$0.10 per share
- the fact that Prophecy would be the controlling shareholder, and thereby be able to leverage the marketing and technical expertise of Prophecy
- the fact that the shareholders of Pacific Coast would be giving up control of the company
- share trading histories of each of Prophecy and Pacific Coast over the past several months
- the impact of the share dilution to the added value of the mineral properties to be acquired
- other reviews, calculations, analyses, research and investigations deemed appropriate and relevant in the circumstances

## Disclaimer

This report relies in part on information not within the control of Glanville and McKnight, and while it is believed that the information and assumptions are reliable and valid as of the date hereof, and under the stated conditions and limitations, Glanville and McKnight cannot guarantee its accuracy. In addition, Glanville and McKnight disclose that they have conducted neither a title search, nor an ownership review, nor have they visited the properties or carried out independent geological investigations.

Glanville and McKnight are basing their opinion on their experience, on their examination of market conditions, and on information provided by Prophecy and others. The use of this Fairness Opinion and/or any information contained in it shall be at the user's sole risk, regardless of any fault or negligence of Glanville or McKnight.

## Fairness Opinion

**Based upon and subject to the limitations in this Fairness Opinion, and such other matters as McKnight and Glanville have considered relevant, it is their opinion that, as of the date hereof, the terms of the proposed acquisition of the Nickel Business of Prophecy by Pacific Coast are fair, from a financial point of view, to the shareholders of Pacific Coast.** However,

Glanville and McKnight express no opinion as to the expected trading price of the shares of Pacific Coast or Prophecy if the proposed acquisition is completed.

This fairness opinion may be relied upon (subject to the qualifications set out in this report) by the Board of Directors, regulatory authorities, and shareholders of Pacific Coast, but may not be used or relied upon by any other person without express prior written consent of McKnight and Glanville. However, McKnight and Glanville consent to the duplication and inclusion of this Fairness Opinion in a Prospectus or Information Circular.

Yours very truly,

*“Ross Glanville”*

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Ross Glanville & Associates Ltd.  
Ross Glanville, B.A.Sc., P.Eng., MBA

*“Bruce McKnight”*

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Bruce McKnight Minerals Advisor Services  
Bruce McKnight, B.A.Sc., M.Sc., P.Eng., MBA

**SCHEDULE "F"**

**SEMENIUK FAIRNESS OPINION**

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# **Prophecy Resource Corp.**

## **Fairness Opinion on the Proposed Arrangement with Pacific Coast Nickel Corp.**

**Prepared by: Stephen W. Semeniuk, CFA**

**Submitted: March 31, 2011**

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## Summary and Conclusions

This report contains the fairness opinion on an arrangement between Prophecy Resources Corp. ("Prophecy") and Pacific Coast Nickel Corp. ("Pacific Coast") whereby Pacific Coast will acquire Prophecy's nickel-copper and platinum group metals ("PGM") projects consisting of the Wellgreen nickel-copper-PGM property in the Yukon Territory, the Lynn Lake nickel property in Manitoba (inclusive of the Lynn Gabbro claims) and \$2 million cash.

The acquisition will occur by way of a plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). Pursuant to the Arrangement, Prophecy will exchange its PGM projects with Pacific Coast in exchange for the issuance of 450 million Pacific Coast shares, of which 50% of such Pacific Coast Shares will be retained by Prophecy and 50% of the Pacific Coast Shares will be distributed or reserved for distribution on a pro rata basis to holders of Prophecy shares on a fully diluted basis (including Prophecy shares which may be issuable upon the eventual exercise of Prophecy options and warrants outstanding at the effective time of the Arrangement). . Prophecy may also grant up to 500,000 options prior to the effective time of the Arrangement. Pacific Coast will then consolidate its share capital on a 10 old shares for 1 new share basis. On completion, Pacific Coast will have approximately 50.58 million shares outstanding of which amount 45 million, or approximately 88.97%, will be held by Prophecy and its shareholders and 5.58 million shares representing an ownership level of approximately 11.04% will be held by current Pacific Coast shareholders.

The Arrangement will allow Prophecy shareholders to realize some direct value in Prophecy's nickel and PGM projects through the distribution of Pacific Coast shares to be received by Prophecy. The Arrangement will create market interest in and enhance Pacific Coast as a significantly larger nickel and PGM focused company with two significant nickel and PGM projects at a time when the prices of these metals have been rising. As a larger company, Pacific Coast will appeal to a broader range of investors thereby facilitating future fund raising, particularly as the company will have access to flow-through financing for its Canadian projects.

The separation of Prophecy's Canadian nickel and PGM projects from its Mongolian coal interests is intended to build value for current Prophecy shareholders by packaging its mineral assets to appeal to a wider range of investors with different investment objectives. The targeting of particular investment interests as will be generated in the separated activities of Prophecy and Pacific Coast will potentially enhance the interests of current Prophecy shareholders as the liquidity in trading of the shares of the two resulting separate companies could improve and the combined volatility in the trading of the separate shares of the two companies could be reduced relative to the pre Arrangement volatility of Prophecy shares, which in itself has value enhancing implications.

The proposed Arrangement does not significantly alter the proportional ownership position of current Prophecy shareholders in the Company's assets except that their ownership interests will be held through the shares in two companies rather than in one company. Arguably, the value of Prophecy's nickel and PGM assets has not been adequately reflected in the pricing of Prophecy shares in the market. Thus, any dilution in the proportion holding of such assets as to 90% in terms of Pacific Coast shares versus 100% previously through Prophecy shares will be offset by the fact that half of the value in Pacific Coast shares is cash or near cash as well as the likely market reaction to Pacific Coast shares when the Arrangement is closed. Additionally, Pacific Coast has intangible values that offset any significant dilution to the interests of Prophecy and its shareholders.

When the Arrangement is completed, the numbers of shares issuable on exercise and exercise prices of Prophecy's outstanding warrants will be adjusted to offset the effect of the spinout on Prophecy's paid up capital. Prophecy option holders will not participate in the distribution of Pacific Coast shares. Based on the above information, observations and analyses conducted by the writer as well as other relevant factors, **it is the writer's considered opinion that Prophecy's agreement with Pacific Coast to exchange Prophecy's PGM projects for the issuance of 450 million Pacific Coast shares, as specified under the Arrangement and described herein; is fair, from a financial point of view, to Prophecy and its securityholders.**

March 31, 2011

Special Committee of the Board of Directors  
Prophecy Resources Corp.  
2080 - 777 Hornby Street  
Vancouver, B.C. V6Z 1S4

Gentlemen:

**Re: Proposed Plan of Arrangement with Prophecy Resource Corp.**

### **Introduction**

You have asked the writer to provide a fairness opinion on the proposed plan of arrangement ('Arrangement') by which Prophecy Resources Corp. ('Prophecy') and Pacific Coast Nickel Corp. ('Pacific Coast') have entered into an agreement for Pacific Coast to acquire Prophecy's nickel-copper and an platinum group metals ('PGM') projects which consist of the Wellgreen nickel-copper-PGM property in the Yukon Territory, the Lynn Lake nickel property in Manitoba (inclusive of the Lynn Gabbro claims) and \$2 million cash..

The acquisition will occur by way of a plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). Pursuant to the Arrangement, Prophecy will exchange its PGM projects with Pacific Coast in exchange for the issuance of 450 million Pacific Coast shares, of which 50% of such Pacific Coast Shares will be retained by Prophecy and 50% of the Pacific Coast Shares will be distributed or reserved for distribution on a pro rata basis to holders of Prophecy shares on a fully diluted basis (including Prophecy shares which may be issuable upon the eventual exercise of Prophecy options and warrants outstanding at the effective time of the Arrangement). . Prophecy may also grant up to 500,000 options prior to the effective time of the Arrangement. Pacific Coast will then consolidate its share capital on a 10 old shares for 1 new share basis. On completion, Pacific Coast will have approximately 50.58 million shares outstanding of which amount 45 million, or approximately [88.97%, will be held by Prophecy and its shareholders and 5.58 million shares representing an ownership level of approximately 11.04% will be held by current Pacific Coast shareholders.

The Arrangement will allow Prophecy shareholders to realize some direct value in Prophecy's nickel and PGM projects through the distribution of Pacific Coast shares to be received by Prophecy. In addition, the Arrangement will create interest in and enhance Pacific Coast as a nickel-PGM focused company with two significant nickel and PGM projects at a time when the prices of these metals have been rising. As a larger company, Pacific Coast will appeal to a broader range of investors thereby facilitating future fund raising, particularly as the company will have access to flow-through financing for its major Canadian projects.

Prophecy holds significant coal assets in Mongolia acquired through the Red Hill Energy Inc. ('Red Hill') arrangement completed in April 2010. On completion of the Pacific Coast Arrangement, Prophecy's name will become 'Prophecy Coal Corp.' reflecting its focus on its

Mongolian coal interests. Pacific Coast will become 'Prophecy Platinum Corp.'. Pursuant to the October 20, 2009 option agreement between Prophecy and Victoria Nickel Inc., Prophecy has made the necessary payments to keep the Lynn Lake project in good standing until March 2012.

Prophecy currently has approximately 184,981,199 common shares outstanding. Pursuant to the Arrangement, 22,500,000 million Pacific Coast shares will be distributed or reserved for distribution to Prophecy shareholders on a fully diluted basis (including holders of Prophecy shares which may be issuable upon the eventual exercise of Prophecy options and warrants outstanding at the effective time of the Arrangement)., It is expected that each Prophecy shareholder at the effective time will receive approximately 0.135 Pacific Coast shares for each 1.0 share of Prophecy held (the 'distribution ratio') or conversely 1.0 Pacific coast share for every 7.4 Prophecy shares held. Holders of Prophecy options and warrants at the effective time will also receive, upon exercise of such options and warrants for Prophecy shares, a number of Pacific Coast shares based on the same exchange ratio, and otherwise in accordance with the terms governing such options and warrants.

The merging of Prophecy's nickel-PGM projects into Pacific Coast will combine the latter's Burwash project with Prophecy's Wellgreen project. The two properties are on trend and adjoin at their respective western and eastern borders. The exploration targets on the properties are nickel-copper-PGM bearing intrusions related to ancient periods of basaltic volcanism. Underground mining was conducted on the Wellgreen property in 1972 and 1973. Current exploration on both properties is directed to developing bulk tonnage, open pitable resources. Pacific Coast has also optioned nickel-PGE exploration interests in Uruguay and Argentina.

## **Background of Prophecy**

Prophecy Resource Corp. was incorporated under the *Business Corporations Act* (British Columbia) on February 9, 2006. The company was listed on the TSXV on completion of an initial public offering of 2,200,000 shares priced at \$0.25 under prospectus dated December 29, 2006. The purpose of the financing was to conduct exploration on the OK Property, a copper-molybdenum prospect located 25 kilometres north of Powell River, BC. Between 1966 and 1977, seven companies carried out a number of exploration programs including more than 14,000 metres of drilling.

In April 2007, Prophecy acquired an option held by Goldrush Resources Ltd. ('Goldrush') to earn a 60% interest in the ('Okeover Property') from Eastfield Resources Ltd. ('Eastfield') by spending up to \$1,000,000 in exploration on the Okeover Property within four years by making cash payments of \$110,000. These commitments were met and Prophecy became operator with Prophecy and Eastfield sharing ongoing exploration costs on a pro rata basis.

In October, 2009 Prophecy agreed to acquire a 100% interest in the Lynn Lake nickel-copper project in Manitoba from Victory. The consideration consisted of staged payments and expenditures amounting to \$7.0 million to be made over a four year period. In addition to these

commitments, Prophecy issued 2,419,548 common shares to Victory, representing 10% of Prophecy's post transaction outstanding shares at that time, and granted Victory participation rights in all future equity financings to enable Victory to maintain its 10% interest. In conjunction with the announcement of the Lynn Lake option agreement, Prophecy announced the closure of a previously announced financing. The financing raised gross proceeds of Cdn\$2,264,699 and the issue of 12,860,782 shares.

The Lynn Lake nickel mine was operated by Sherritt-Gordon Mines Limited ('Sherritt-Gordon') from 1953 to 1976. During its 23 years of operation, the mine produced over 20 million tonnes of nickel-copper ore at a grade of 1.023% nickel and 0.535% copper, making the Lynn Lake mine the third largest nickel producer in North America. Only the Sudbury and Thompson mining camps surpassed Lynn Lake. When the Lynn Lake mine was closed in 1976, it was due to adverse market conditions for nickel.

An updated NI 43-101 compliant resource estimate on the Lynn Lake nickel-copper property was completed by Wardrop Engineering Inc. ('Wardrop') in May 2010. The property, which includes the former Lynn Lake A mine site and the Farley mine, is estimated to contain a measured and indicated resource of 22.9 million tons grading 0.57% nickel and 0.3% copper, together with an inferred resource of 8.1 million tons grading 0.51% nickel and 0.28% copper. The contained metal resources amount to 345 million pounds of nickel and 184 million pounds of copper. Approximately 50% of the host rock is said to remain unexplored.

A new 2008 discovery, the Disco zone, includes intercepts of 47 metres of 0.7 per cent nickel located 1.5 kilometres away from the outlined resource. A 3,000-metre 2010 drill program intercepted an additional discovery zone named as the Tango zone. Neither the Disco zone nor the Tango zone discoveries were included in the Wardrop resource estimate. In 2010, Prophecy completed extensive induced polarization programs and initiated bulk-tonnage metallurgical testing at Lynn Lake and had planned additional infill and exploratory drilling programs in support of a forthcoming feasibility study.

In June 2010, Prophecy finalized an agreement to combine with Northern Platinum through a share transaction that closed in September with Prophecy issuing a total of 13,874,819 shares under the arrangement. In a separate transaction, Prophecy agreed to acquire the 50% back-in right that Belleterre Quebec Mines Ltd. held with respect to Northern Platinum's 100% owned Wellgreen project in the Yukon Territory. Upon completion of the Prophecy-Northern business combination, Prophecy agreed to pay Belleterre \$4.2 million in a 50/50 combination of cash and Prophecy common shares with the 3.56 million shares issued at a deemed price of \$0.59 each.

The Wellgreen platinum-nickel-copper PGM property covers an area of about 22 square miles (5,698 hectares) located approximately 35 kilometres northwest of Burwash Landing, Yukon. The Wellgreen project is situated within the Kluane ultramafic nickel belt, which ranks second in size to the Thompson Nickel Belt and remains vastly unexplored.

The Wellgreen deposit was discovered in 1952. Exploration and development during the 1950s and 1960s culminated in limited underground production from isolated massive sulphide lenses in 1972 and 1973. In 1972, Hudson Bay Mining and Smelting Ltd. milled 171,652 tonnes grading 2.23% copper and 1.39% nickel. A total of 701 holes (182 from surface and 519 underground) for a grand total of 53,222 metres (28,303 metres on surface and 24,919 metres underground) were completed by previous operators. A historic, non-compliant geological report on the Wellgreen project completed in 1989 presented a calculated a resource of 55 million tonnes grading 0.36% nickel, 0.35% copper and 0.78 grams PGM per tonne. Exploration was renewed in the late 1980s with a program of surface and underground diamond drilling that was directed toward developing a bulk tonnage, open pitable resource.

Prophecy's approach on the Wellgreen project has been to define a large, bulk-tonnage, open-pit operation. An independent NI 43-101 report prepared for Prophecy by Wardrop dated July, 2010, indicates that the potential of the Wellgreen property ranges between 77 to 254 million tonnes at 0.26 to 0.38 per cent nickel, 0.26 per cent to 0.36 per cent copper, and 0.55 to 0.85 g/t platinum and palladium, based on a strike-length range of 4,000 to 7,000 metres and a width of 30 to 35 metres but there has been insufficient exploration to define a mineral resource. Subsequent to the completion of the Wardrop estimate, Prophecy announced a drill hole that assayed, from surface, 496.06 metres of 0.596 grams per tonne PGM plus gold, 0.27% nickel, 0.18% copper and 0.02% cobalt. Prophecy undertook to assay past drill cores for iridium, osmium, ruthenium and rhodium. In addition, 800 previously unreported chip samples along 4,300 metres of underground development on seven levels were also assayed. Re-assaying for all six platinum group metals yielded over one gram of combined platinum and palladium and the discovery of previously unknown occurrences of rhodium.

In April of 2010, Prophecy completed a merger with Red Hill, a company that since 2003 had been active in the acquisition, exploration and development of mineral properties in Mongolia. Initially, these efforts were focused on gold and copper properties, but the company broadened its scope to energy minerals, coal and uranium. At the time of the arrangement with Prophecy, Red Hill was in the process of advancing three projects, located in two significant Mongolian coal basins. The projects contain a combined coal resources amounting to over one billion tonnes in the measured and indicated categories and approximately 500 million tonnes of inferred bituminous and sub bituminous coal. With the acquisition of Red Hill, Prophecy's operating and financing interests were focussed on advancing the company's Mongolian coal assets.

Prophecy's most advanced coal projects are the Chandgana Tal and Chandgana Khavtgai projects that are approximately nine kilometres apart in the northeast part in southeast central Mongolia. The projects form two parts of the same massive coal deposit situated about 290 kilometres east of Ulaanbaatar and are reasonably close to infrastructure. The Nyalga Coal Basin is linked by road to the Mongolian Railroad that is 160 kilometres to the east thereby providing direct rail access to south to China or north to Russia.

Prophecy undertook a twelve hole drill program on the Chandgana project in June 2010 and five lines of seismic geophysical survey for a total of 7.4 line kilometres. This work allowed for the expansion of the measured and indicated coal resources to 1.211 billion tonnes. The coal is suitable for the location of future power plants to supply electrical power through the Mongolian electrical system for the Chinese market. In November 2010, Prophecy received approval to proceed with a detailed environmental assessment of a pit-mouth 600 megawatt coal fired power plant adjacent to the Chandgana project.

Prophecy's 100% owned Ulaan-Ovoo coal deposit is located in the territory of Tushig Soum, a sub province of Selenge Aimag (province) in Northern Mongolia. The deposit is eight kilometers west of the central village of Tushig Soum and 10 kilometres from Mongolian-Russian border. The project is approximately 120 kilometres east of the main railway linking Russia and China.

Prophecy has successfully advanced the Ulaan Ovoo project to the stage that has allowed the company to plan a mining operation. In May 2010, the company entered into a mine services agreement with Leighton Asia Limited with the company's Ulaan Ovoo coal deposit in northern Mongolia in preparation for a coal mining operation. Site establishment commenced on July 13, 2010 and mining from a starter pit commenced in the fourth quarter of 2010 with plans to ramp up production to 100,000 tonnes per month by year end. On January 5, 2011, Prophecy announced the signing of an off-take agreement with the JUST Group of Mongolia pertaining to the delivery of a minimum of 1.2 million tonne of coal annually from the Ulaan Ovoo mine.

In support of its mine development and exploration activities in Mongolia, Prophecy increased the size of a proposed financing, announced on December 2, 2010, to \$42 million.

On January 14, 2010, Prophecy announced the TSXV's acceptance of its agreement with Randsburg International Gold Corp., for the acquisition of an 80% interest in 16 patented and three unpatented claims situated in the Angus and Flett townships of Ontario. The claims are known as the Titan project. Consideration for the acquisition consists of staged payments of \$500,000 and a commitment to undertake \$200,000 of exploration work. The Titan project is near infrastructure with past drill intercepts from two holes reporting 142 meters of 0.27% vanadium (as vanadium pentoxide) from one drill hole and 174 meters of 0.26% vanadium (as vanadium pentoxide) from the second. The mineralization extends from surface to an open vertical depth of 500 meters. The complete extent of the deposit has yet to be determined.

### **Description of Pacific Coast**

Pacific Coast is a junior exploration company engaged in mineral exploration in Canada, Argentina and Uruguay. The company holds the Burwash property in the Yukon Territory, which is adjacent to the Prophecy's Wellgreen property and former small-scale nickel and copper mine. The Burwash property is eight kilometres from the Alaska Highway near Burwash. The company has also established a wholly owned subsidiary in Uruguay where a number of prospective targets have been identified. More recently, Pacific Coast entered into an option agreement to acquire a 70% interest in the Las Aguilas nickel-copper-PGM property in San Luis

Province, Argentina. Pacific Coast has also announced that the company has expanded its scope of interest to include precious metals and is reviewing a number of opportunities that target such metals.

Pacific Coast was incorporated in British Columbia as a capital pool company on April 5, 2006 under the name 'Fargo Capital Corp.'. On March 12, 2007 the Company agreed to acquire Pacific Coast Nickel Corp., a private company that was developing the Big Nic project in British Columbia located approximately 20 kilometres northwest of the town of Hope and immediately west of the Giant Mascot Mines, a former nickel and copper producer. After encountering disappointing exploration results, the Big Nic project was written off in 2008. This left the company with an option on the Burwash project held under an agreement with Strategic Metals Ltd. ('Strategic') that had been acquired in May 2008.

The 120 claim (2500 hectare) Burwash property is 100% owned by Strategic and all areas of exploration interest on the property are served by a network of four-wheel-drive roads. As with the adjoining Wellgreen project, the exploration target is nickel-copper and PGM mineralization. Under an agreement dated May 14, 2008, Pacific Coast is acquiring a 50% interest in the Burwash property by completing payments of \$130,000 in cash of which only \$50,000 remains to be paid by March 31, 2011 and issuing a total of 450,000 shares to Strategic of which amount 200,000 shares remain to be issued by March 31, 2011. Pacific Coast was obliged to spend a total of \$650,000 in exploration expenditures by December 1, 2010 and \$750,000 in exploration by December 1, 2011 and an additional \$1,600,000 prior to December 1, 2012.

Pacific Coast can earn an additional 10% interest in the Burwash property on completion of a positive bankable feasibility study by March 31 2016 and a further 15% interest by providing all of the funding to put the property into commercial production by March 31, 2019.

Pacific Coast has been granted First Administrative Rights over five prospection permits in Uruguay for nickel-copper sulfide exploration in late 2008-early and 2009. These comprise the Cerro Chato (3,176-hectares), Molles North (4,283-hectares), Molles South (200-hectares), Quebracho (8,502-hectares) and Polanco (12,000-hectares) Prospection Permits that encompass a total area of 28,161 hectares, or 282 square kilometres.

### **Reasons for the Arrangement**

Prophecy is now exclusively identified in the market as an emerging coal producer in Mongolia. The majority of the Prophecy's recently completed financing of \$42 million is earmarked to finance the company's existing coal properties in Mongolia, which represent the company's primary focus of operations and the reason that the company undertook its transformational arrangement with Red Hill.

Prophecy has undertaken the Arrangement with Pacific Coast in order to separate its coal interests in Mongolia from its nickel, copper and PGM projects in Canada that the company

believes have unrecognized value on the part of investors. Prophecy believes that market interest and its future fund raising activities will be facilitated through the use of two differently focused companies as Prophecy and its shareholders will be majority holders of Pacific Coast shares on completion of the Arrangement. The distribution of Pacific Coast shares to Prophecy shareholders will allow a partial realization of the value of Prophecy's investments in the Wellgreen and Lynn Lake projects that are not currently fully recognized in the market place.

Prophecy will receive Pacific Coast shares as consideration for the sale of its nickel, copper PGM interests and intends to hold 50% of such proceeds as an investment and to distribute the 50% balance to its shareholders. As a result, the proportional interest of current Prophecy shareholders in the assets and mineral properties of their company will remain unchanged although they will hold 50% of such assets directly in the form of Pacific Coast shares and the balance, indirectly through their ownership of Prophecy shares.

On completion of the distribution of Pacific Coast shares to Prophecy shareholders, the number of Prophecy outstanding shares will remain unchanged. Prophecy will provide Pacific Coast sufficient funds to meet the immediate requirements to maintain the Wellgreen and Lynn Lake projects in good standing.

### **Terms of the Proposed Arrangement**

Pursuant to their agreement, Pacific Coast will acquire the Wellgreen nickel-copper PGM and the Lynn Lake nickel projects located in Yukon and Manitoba by issuing 450 million common shares of Pacific Coast Nickel to Prophecy. Pacific Coast currently has 55.7 million shares outstanding. Following the transaction:

- Prophecy will own approximately 89% of Pacific Coast Nickel.
- Pacific Coast Nickel will consolidate its share capital on a 1 for 10 basis.
- Prophecy will change its name to Prophecy Coal Corp., and Pacific Coast will be renamed as 'Prophecy Platinum Corp.'
- Prophecy will distribute or reserve for distribution on a pro rata basis 50% of the Pacific Coast shares received to holders of Prophecy shares on a fully diluted basis (including Prophecy shares which may be issuable upon the eventual exercise of Prophecy options and warrants outstanding at the effective time of the Arrangement), and retain 50% of the shares as a portfolio holding.

Based on the \$0.195 per share closing price of Pacific Coast shares on January 17<sup>th</sup>, the gross value of the transaction has been described as \$107.25 million, but as has been established in Canadian Court rulings, the trading price of a company's shares may not necessarily reflect the value of the company.

## **Qualifications of the Writer**

The writer is a CFA® charter holder awarded by the CFA Institute, a global membership organization that awards the Chartered Financial Analyst® (CFA®) designation upon completion of an assigned curriculum and examinations. The CFA Institute leads the investment industry by setting the highest standards of ethics and professional excellence and vigorously advocating fair and transparent capital markets. The writer also holds an M.B.A. degree granted by Michigan State University.

From 1987 to 1991, the writer was Vice President, Research, LOM Western Securities Ltd., now known as Canaccord Capital Corp., a leading underwriter of resources and industrial companies in Western Canada. As a condition of his employment, the writer was required to pass the Partners, Directors and Officers examination administered by the Canadian Securities Institute and was subsequently registered by the British Columbia Securities Commission under the category: Trading Partner, Director, Officer.

The writer is a past director of the Canadian Council of Financial Analysts and since 1991, the writer has been an Independent Financial Consultant providing securities valuation services, fairness opinions, financial research and related consulting services and assignments for over one hundred Canadian and International clients such as mining and exploration companies and companies operating in other sectors, financial institutions, law firms, governments and investment dealers.

The writer is knowledgeable in the valuation of mineral resources and a peer reviewed article pertaining to this subject that the writer wrote appeared in the August 2002 issue of Mining Engineering, a publication of the Society for Mining, Metallurgy and Exploration. The writer is a member in good standing of that organization.

The writer also acts as an advisor to companies on merger and acquisition matters. The writer has been accepted by the Tax Court of Canada, the British Columbia Supreme Court and the Alberta Court of the Queen's Bench as an expert witness on matters relating to the stock market and mineral exploration company share prices, coal mining, placer gold mining, gold company share prices and mineral claims and mineral royalty matters. The writer served as a Research and Financial Analyst with the Vancouver Stock Exchange & Securities Regulation Commission (i.e. Matkin Commission) in 1993.

## **Relationship of Writer with Interested Parties**

The writer has no past, present or intended interest in the shares and properties of Prophecy nor with Pacific Coast and their associated companies. The writer is not an insider, associate or affiliated with such parties. The writer did prepare the fairness opinion on the arrangement between Red Hill and Prophecy that closed in April 2010.

The writer will be paid a fee for this work in accordance with normal professional consulting practice. The writer may in the future - in the course of conducting financial advisory services to a broad spectrum of corporate clients - perform financial and research services for companies referred to in the preparation of this report.

## **Definition of Value**

Normally, the definition of value that applies for the purposes of a valuation report or fairness opinion is 'Fair Market Value'. This concept of value, assuming a going concern scenario, is the highest price obtainable, expressed in terms of money, in an open and unrestricted market between knowledgeable, prudent and willing parties, dealing at arm's length, who are fully informed and not under compulsion to transact.

A characteristic in the junior mineral exploration sector is that companies are typically cash short due to ongoing exploration commitments. As long as mineral exploration companies are able to finance their activities by accessing internal or external sources of funding, the going concern criterion is appropriate.

The issue of fairness applying to arrangements between companies is usually based on the values that can be attributed to shareholders' ownership rights. On a post Transaction basis, the pro rata tangible and intangible values attributed to such shareholders' interests should equate to or exceed the prior amount of such values.

## **Scope of Review**

In performing this assignment, the writer relied on information provided by the management of Prophecy and referred to publicly available information on other companies and transactions mentioned in this report.

In the course of this engagement, the writer held a number of discussions with the management of Prophecy and Pacific Coast. The writer had access to all information requested from Prophecy and no suggestions were requested of or offered as to the approach or methodology used in the preparation of this report. Documents and sources of information accessed by the writer include:

- Arrangement Agreement between Prophecy and Pacific Coast dated March 30, 2011.
- Formal agreement on the proposed business Arrangement, as amended, between Prophecy and Pacific Coast dated January 17, 2011
- Technical Report on the Wellgreen Ni-Cu-Pt-Pd Project, Yukon, Canada, by Todd McCracken, P Geo et al, Wardrop dated July 26, 2010
- Technical Report on the Lynn Lake Nickel Project, Northern Manitoba, Canada, by Todd McCracken, P Geo et al, Wardrop dated March 15, 2010

- Prophecy, MD&A and unaudited Financial Statements for the periods ended June 30, 2010 and September 30, 2010
- Pacific Coast, MD&A and audited Financial Statements for the period ended July 31, 2010 and October 31, 2010 (unaudited)
- Pacific Coast, share trading information and selected press releases and the company's past annual and quarterly financial statements including the report for the period ending June 30, 2010 available on SEDAR and Stockwatch.
- Prospectus for initial public offering by Fargo Capital Corp. dated December 19, 2006
- Prophecy, Information Circular for AGM and Special Meeting of Shareholders in draft form.
- Platinum 2010 and Platinum 2010 Interim Review, published by Johnson Matthey, available on the company's Website.

### **Considerations as to Fairness**

In assessing the fairness of the Arrangement, the writer has analyzed, reviewed and considered numerous factors. Among these are the following:

- The relative selected past trading volumes and prices of Pacific Coast shares on TSXV over recent selected periods of time
- The mineral exploration project, holdings and financial resources of Prophecy and Pacific Coast
- The current working capital position and the exploration and development and financing requirements of Prophecy's nickel-PGM projects as well as Pacific Coast's requirements
- The absence of significant ownership and value dilution implications inherent in the Arrangement to Prophecy shareholders as the proportional ownership position of Prophecy minority shareholders in assets of the company will remain relatively unchanged when the sale of the Wellgreen and Lynn Lake projects is completed and the partial distribution of Pacific Coast shares to Prophecy shareholders, pursuant to the Arrangement, is made.
- The Arrangement will separate Prophecy's nickel, copper and PGM properties in Canada from its Mongolian coal projects.

It is the writer's view that under the proposed Arrangement, the separate mineral perspectives of Prophecy and Pacific Coast should be viewed as one and the same. On completion of the Arrangement, the proportional ownership position of current Prophecy shareholders in the company's properties, including those to be sold to Pacific Coast, will remain essentially unchanged and compensated by the existing values attributed to Pacific Coast.

There are two reasons for this. First, the Wellgreen and Lynn Lake gold projects are currently owned by Prophecy shareholders in proportion to their holdings of Prophecy shares. There are no other outside ownership interests. Secondly, all of the Pacific Coast shares to be received by Prophecy, for the sale of the Wellgreen and Lynn Lake gold projects and working capital

commitments made to Pacific Coast, will be distributed to Prophecy shareholders in proportion to their ownership of Prophecy shares as approximately 90% of Pacific Coast's shares will be held by Prophecy and Prophecy shareholders on completion of the Arrangement.

Consequently, on completion of the Arrangement, Prophecy shareholders will retain essentially a similar proportional ownership interest in the Wellgreen and Lynn Lake projects as they held prior to the Arrangement. The minor dilution of their interests from a 100% to 90% will be compensated by values attributed to Pacific Coast's holdings particularly as Prophecy regards Pacific Coast's adjoining Burwash project as complimentary to Prophecy's Wellgreen project.

### **Recent Performance of Nickel and Platinum Group Metals**

The PGM group includes six metals that often occur together in nature: platinum, palladium, rhodium, ruthenium, osmium, and iridium. For the most part, most of these metals or their compounds have catalytic properties. All are highly resistant to wear, tarnish, chemical attack, and are stable at high temperatures as well as in electrical applications. All PGM metals are desirable for uses in a number of industries as well as in jewellery applications. The prices of platinum and palladium are readily quoted in the press, but the prices of some PGE are negotiated between the producers and end users because production amounts are very low.

Platinum is used in jewellery and in pollution-control devices. According to Johnson Matthey ('J&M'), a company that produces a third of the world's autocatalysts, gross global demand for platinum in 2009 fell to 7.04 million ounces or a decline of 11.9% from 2008. Gross demand in 2010 had been forecast to rise to 7.56 million ounces. Although the demand was expected to rise, the global platinum market was in surplus by 285,000 ounces in 2009 and a surplus of 290,000 ounces was expected in 2010. However, platinum imports by China, the biggest car market, jumped 40% in 2010 as robust vehicle sales increased platinum demand with the result that shipments of platinum climbed to 75.9 metric tons last year.

As of January 21, 2011, the price of platinum in North American trading rose by \$23.50 to close at a new two year high of US\$1,828 an ounce.

Palladium is also is used in both gasoline and diesel exhaust aftertreatment systems and pollution-control devices. In jewellery applications palladium can be alloyed with gold to create a white gold variant. Gross palladium demand in 2009 decreased 6.3% to 7.77 million ounces and was forecast to recover to 8.94 million ounces in 2010. The light duty gasoline sector accounts for most of the total automotive palladium demand. Palladium demand from the automotive sector was forecast to increase to 5.15 million ounces in 2010 due to growth in light vehicle and truck manufacture. J&M had forecast that the largest increase in palladium would come from China, now the world's largest automobile market, which has underpinned the increase in palladium price. On January 21<sup>st</sup>, the price of palladium increased by \$18.50 to close at a new ten year high of US\$813.26 an ounce.

Rhodium is a silver-white metal that has a higher melting point than platinum. Two of its special properties are high electrical and heat conductivity. Rhodium is also harder than platinum. Most rhodium alloys are used for industrial or research purposes, such as laboratory equipment and thermocouples, which are devices for measuring very high temperatures. Rhodium usage is dominated by automotive catalyst applications where it is used together with platinum and palladium to control exhaust emissions. The rhodium market was expected to move higher throughout 2010. The price of rhodium traded as high as \$2,970 an ounce in the first quarter of 2010 and declined below \$2,160 in August and September. The price as of January 21<sup>st</sup> was \$2,435 an ounce.

Ruthenium is another rare element and is typically associated with ores containing platinum. Most ruthenium is used for wear-resistant electrical contacts in the production of thick-film resistors. Rhodium is inert against corrosion and most aggressive chemicals, and because of this characteristic, rhodium is usually alloyed with platinum or palladium and is applied in high-temperature and corrosion-resistive coatings. Ruthenium is used in hard disk drives and as it is expected that the Chinese chlor-alkali battery producers are expected to upgrade to ruthenium-iridium membrane cell technology the demand for ruthenium was expected to nearly double to 1.05 million ounces. The price of ruthenium reached high of \$245 per ounce in the first quarter of 2010 and briefly traded at \$175 per ounce in the fourth quarter before recovering and closing at \$180 per ounce as of January 21<sup>st</sup>.

Iridium is a very rare, hard, brittle, silvery-white metal of the platinum family and is the second most dense element after osmium. Iridium is also the most corrosion-resistant metal, even at temperatures as high as 2000°. Iridium is one of the rarest elements in the Earth's crust, with annual production and consumption of only three tonnes. According to J&M, the demand for iridium was expected to double to 204,000 ounces in 2010. An important use for iridium is in the production of crucibles used for the growth of single crystals of sapphire that are used as a substrate in the production of light emitting diodes (i.e. LEDs). The price of iridium has been in a steady climb throughout 2010. The year ago price of iridium was \$425 per ounce compared to the closing price on January 21<sup>st</sup> of \$825 per ounce.

Osmium is a hard, brittle, blue-gray or blue-black metal that is twice as dense as lead. Osmium is also used in alloys with other platinum group metals. Such alloys are employed in fountain pen tips, electrical contacts and in other applications where extreme durability and hardness are needed. It is estimated that the annual production of osmium is only about one tonne annually and current quotations available on certain websites is \$400 per ounce.

### **Apparent Value of Pacific Coast Offer**

For the most part, and particularly with respect to the share trading of small cap companies on junior stock exchanges (with the adjective 'small' applying even to the TSX Exchange), the daily trading volume in shares only represents a minority opinion of the value of a company's shares.

The rationale is that, if all of a company's shares were put on offer, the trading prices of the shares would fall reflecting the increase in supply, as is the case with most trading commodities.

In a matter of trading days, Pacific Coast shares increased in price from a close of \$0.075 a share on December 3, 2010 to a close of \$0.24 a share six trading days later on December 13<sup>th</sup>. The events that appeared to set off the increases in price and volume were announcements that the company had arranged a non-brokered private placement of \$1.05 million through the sale of 15 million units priced at \$0.07 per unit. Each unit consists of one share and one share purchase warrant with a strike price of \$0.10 exercisable for two years after closing. Also on December 13<sup>th</sup>, Pacific Coast announced a change of management and board of directors with connections to Prophecy.

As can be seen in the table below that provides a 13 week summary of the trading in Pacific Coast shares for the period beginning November 18<sup>th</sup> through to January 14<sup>th</sup>, the announcement of the management change and non brokered private placement resulted in a more than doubling of the trading prices of Pacific Coast shares. For the period beginning December 6<sup>th</sup> and ending on January 14<sup>th</sup>, the average of the six weekly closings of the shares averaged a rounded value of \$0.18 a share whilst the seven weekly closings of the shares for the period ending on December 3<sup>rd</sup> resulted in a rounded value of \$0.068 a share.

The weekly average closing price of the Pacific Coast shares over the thirteen week observation period was \$0.1196 per share and the approximate value of shares traded is estimated as approaching \$1.2 million with approximately \$0.9 million in volume having occurred in the six full weeks ending on January 14<sup>th</sup> and about \$0.3 million in volume traded in the seven weeks ended on December 3<sup>rd</sup>. The shares were halted on January 17<sup>th</sup> and the 55,000 shares traded on that date are included in the volume of trading for the week of January 10<sup>th</sup>.

wk. of	Volume	High	Low	Close
01/10	784,400	0.235	0.19	0.195
01/03	728,774	0.24	0.19	0.21
12/27	511,200	0.20	0.18	0.19
12/20	462,500	0.20	0.18	0.185
12/13	1,310,800	0.24	0.14	0.17
12/06	1,247,550	0.16	0.085	0.135
11/29	711,000	0.095	0.075	0.075
11/22	410,000	0.075	0.055	0.075
11/15	114,000	0.075	0.055	0.07
11/08	1,910,920	0.095	0.05	0.095
11/01	237,850	0.045	0.04	0.04
10/25	173,000	0.05	0.045	0.045
11/18	<u>410,000</u>	<u>0.075</u>	<u>0.055</u>	<u>0.075</u>
Total	8,956,994	av. closing prices		0.1196
Total (last 6 weeks)	4,990,224	av. closing prices		0.1800
Total (first 7 weeks)	3,966,770	av. closing prices		0.0679

There is a dichotomy between the pricing of Pacific Coast shares under the private placement of \$0.07 per unit announced on December 3<sup>rd</sup> and the subsequent increase in the trading prices of the shares. In each of the subsequent five weekly periods after December 3<sup>rd</sup>, the trading highs of the shares attained levels of \$0.20 a share or higher. Prophecy shareholders must be assured that the 450 million to 550 million Pacific Coast shares to be received under the Arrangement are backed by at least \$0.07 per share in value as suggested by consideration that the buyers of the non brokered private placement paid for their units.

### **Adjusted Book Value Backing of Pacific Coast Shares**

Due to the non brokered private placement of 15 million units and the fact that the associated warrants are in the money, the calculations shown below indicate that cash and near cash represents approximately half of the asset backing of Pacific Coast shares.

Cash Balance (01/06/11)	\$1.26 mm
In Money Warrants	1.50
Mineral Properties - Cda	0.82
- Urg	0.56
- Arg	0.04
2011 Burwash Expndrs	0.84
Exchange Listing	<u>0.30</u>
Total	\$5.32 mm
O/S share - diluted	70.6 mm
Book value backing p.s.	\$0.0754

Pacific Coast's mineral properties are included in the above at October 31<sup>st</sup> balance sheet values, which might have increased in line with higher commodity prices since the Burwash and Uruguay agreements were completed in 2008 and 2009. When viewed from the perspective that the Arrangement represents a reverse takeover, the underlying reason for vending Prophecy's nickel and PGM properties into Pacific Coast is not to control the latter's cash resources but rather to acquire the Burwash property that adjoins Prophecy's Wellgreen project.

Pacific Coast holds an option on Strategic's Burwash property that has a common boundary to Prophecy's Wellgreen project on its western flank. Consequently, there are intangible synergistic values to Prophecy shareholders not reflected in the above calculations. Not the least of the intangibles is the fact that Pacific Coast has an established market presence with shares held in the market place and the ability to raise financing as demonstrated by the company's recently completed private placement financing.

While an arbitrary amount of \$0.3 million was entered as the value of Pacific Coast's listing on TSXV, this represents an opportunity cost in time and expenses that Prophecy and its shareholders will avoid by entering into the Arrangement rather than embarking on an alternate scenario under which Prophecy's non-coal assets might have been spun out directly to its

shareholders. With these adjustments, the calculated attributed value of Pacific Coast shares is at least \$0.0754 per share.

However, if the Burwash property is treated on an equivalent per hectare value basis, as is demonstrated in the following two sections, the asset backing of Pacific Coast can be augmented by approximately \$506,000, thereby increasing the asset value backing of Pacific Coast shares to \$0.0826 per share.

### **Burwash Property**

Pacific Coast has indicated that nickel-copper-PGM mineralization was discovered on the Burwash property in 1952 and it was incorporated into the Wellgreen property. Exploration since that time has been sporadic usually when work was being undertaken on the Wellgreen deposit. Past work included grid soil sampling, ground geophysical surveys, road building and minor diamond and percussion drilling before the claims were allowed to lapse in 2003 and were immediately re-staked by Strategic, which had held adjoining ground to the east since 1998. Strategic compiled all the historical data for the combined properties into a GIS database before farming out the project to another company. That optionee drilled seven short holes in a small area before dropping the option. Strategic conducted a helicopter-borne electromagnetic and magnetic survey in 2007 to evaluate bedrock geology under overburden to outline new areas of potential exploration interest.

Pacific Coast describes the widespread nickel-copper-PGM mineralization on the property as related to a swarm of Triassic aged mafic-ultramafic sills that extend over a lateral distance of 4.5 kilometres and a stratigraphic interval of at least 1.5 kilometres. The best grades of mineralization occur in the west part of the property (towards the Greenwell property). Mineralization consists of banded to massive sulphide mineralization along the sheared contact between gabbro and country rock. The banded to massive sulphides are enriched in the rare PGMs including rhodium, osmium, iridium and ruthenium.

Pacific Coast has reported that exploration on the Burwash property has demonstrated that the mineralized zones are generally more enriched in platinum group metals relative to copper and nickel than those at Wellgreen. Some historical sampling results posted on Pacific Coast's website show impressive assays of nickel and copper with even equally impressive showings of platinum and palladium such as a 1986 sample that assayed 4.1 % copper also indicated 9.3 grams of platinum and 4.4 grams per tonne palladium. A 1987 sample that assayed 8.15% copper also indicated 11.6 grams platinum and 29.4 grams of palladium per tonne.

The Burwash property has had a long exploration history but little drilling has been carried out despite the discovery of a number of areas of high grade nickel-copper-PGM mineralization. Access and overburden complications have been the principal barriers to exploration. Pacific Coast completed a \$400,000 exploration program on the Burwash property in summer 2008 and

suspended work during the summer of 2009 due to economic conditions. During the summer of 2010, the Company completed a detailed geophysical survey on the Burwash property.

### Comparison of Carried Values of Wellgreen and Burwash Properties

The table below compares the Wellgreen and Burwash properties in terms of size and carried values and compares the carried costs on a per hectare basis.

	Wellgreen	Burwash
Carried values at book	\$9,853,624	\$815,244
Req'd 2011 expenditures		<u>\$840,000</u>
		\$1,655,244
Size in hectares	5,698	2,500
Net hectares or earn in	5,698	1,250
Average value per hectare	\$1,729	\$1,324

This comparison shows that if Prophecy ranks the Burwash project on par or near par with the Wellgreen project in terms of exploration potential, the reverse takeover implied by the Arrangement is potentially value accretive to the interests of Prophecy and its shareholders. The compensating adjustment required to recognize this value on behalf of Pacific Coast shareholders is \$506,250 with the supporting calculation being:

$$1,250 \times (\$1,729 - \$1,324) = \$506,250$$

### Adjusted Value Backing of Subject Prophecy Properties

The calculation below shows the book values of the Lynn Lake and Wellgreen properties as presented in Prophecy's financial statements at September 30, 2010. The bulk of the total value of \$40.01 million represents acquisition costs with only \$0.35 million having been spent on the Lynn Lake project since acquisition as Prophecy had directed most of its attention in 2010 on the Red Hill acquisition and the latter's Mongolian assets. Prophecy will fund up to \$2,000,000 of qualified flow-through expenditures on Pacific Coast's properties to December 31, 2011 as well as make a payment of \$600,000 to Victoria to keep the Lynn Lake project in good standing until March 2012.

Lynn Lake	\$30.16 mm
Wallgreen	<u>9.85</u>
Total	\$40.01 mm
Cash contributions	2.60
2011 Burwash Expndrs	<u>(0.84)</u>
Adjusted	\$41.77 mm

Pacific Coast's 2011 spending requirements on the Burwash project in the amount of \$840,000 will be have been deducted from the above total book values of the Wellgreen and Lynn Lake projects. The reason for this adjustment is to avoid double counting of the expenditure which will be made from funds already raised by Pacific Coast and recognized in the adjusted book value backing of the shares as shown in the calculations provided on page 17.

### **Cost of Pacific Coast Acquisition to Prophecy**

Prophecy shareholders must be assured that the Pacific Coast shares they received represent fair value in return for the Prophecy assets to be acquired. However, if the 450 million Pacific Coast shares that will be exchanged for the Wellgreen and Lynn Lake properties are valued at the adjusted value of the shares of \$0.0826 each, the consideration being paid to Prophecy amounts to \$37.17 million. However, the latter amount does not recognize the intangible benefits of the Arrangement, which are intended to increase the visibility of Prophecy's Wellgreen and Lynn Lake project thereby facilitating future fund raising and increasing the value of the Arrangement from the perspective of Prophecy to equate to or exceed \$41.77 million as shown by the calculations on the preceding page.

The Arrangement can also be viewed from the perspective that Prophecy's objective is the acquisition of the Burwash property because it complements the Wellgreen property in terms of potential future exploration and development synergies. Equally important is the fact that Pacific Coast provides a platform for Prophecy to realize value for the company's nickel and PGM assets as these were being overshadowed by the growing importance of Prophecy's development of its coal holdings in Mongolia.

The Arrangement is intended to increase market interest and potentially enhance value for Prophecy shareholders. The future fund raising capacity of Pacific Coast to increase its nickel and PGM exploration and development activities will be facilitated by the Arrangement as the company's shares will appeal to potential investors interested in targeting domestic mining exploration opportunities. Prophecy's coal mining activities in Mongolia will be of interest to a separate group of investors. By appealing to different groups of investors, the market valuations of the separate companies should increase as both companies will be judged by different groups of investors with different investment objectives.

The Arrangement should potentially enhance the interests of current Prophecy shareholders who will continue to participate in the enhancement of value of the Wellgreen and Lynn Lake projects as well as in the new exposure to the Burwash project, either directly through their ownership of Pacific Coast shares or indirectly through Prophecy's own holding of Pacific Coast shares. Alternatively, certain Prophecy shareholders may prefer to dispose of the Pacific Coast shares they receive pursuant to the Arrangement and focus exclusively on Prophecy's Mongolian coal development activities. The Arrangement will allow such investors to realize on Prophecy's investment in its nickel and PGM assets.

## **Impact of Management Change on Pacific Cost Value**

As demonstrated in the share trading summary on page 16, Pacific Coast shares have more than doubled subsequent to the announcement on December 13<sup>th</sup> of the election of four new directors. The change in the management of the company and prospect of a change in control was perceived as a positive development. In the six weeks subsequent to the announced management change, approximately 5.0 million Pacific Coast shares traded at an average of the six weekly closing prices of \$0.18 a share. In the seven weeks prior to the announcement of the management change, approximately 4.0 million shares traded at an average weekly closing price over the seven week period of \$0.068 a share.

The new management team has obviously added intangible value to Pacific Coast shares that was not evident prior to December 13<sup>th</sup>. However, share trading on any particular day only represents a minority opinion on the value of a company, because if all shares were placed into the market different prices would prevail. Due to this firmly held belief by the writer, an intangible value was calculated as restricted solely to the Pacific shares that actually traded from December 13<sup>th</sup> to the time Pacific shares were halted as of January 18<sup>th</sup>. The intangible value amounted to approximately \$560,000 as being 5.0 million shares multiplied by \$0.012. The latter value is the difference in the averages of the weekly closing share prices observed for the six weeks after the announced management change and the average of the weekly closing prices for the seven weeks prior to the announced management change.

Recognizing the intangible value of the management change at Pacific Coast increases the adjusted value of Pacific Coast from \$0.0826 per share (as explained on page 17) to \$0.09 a share. When the latter value of Pacific Coast shares is applied against the adjusted value of the Prophecy properties of \$41.77 million (shown on page 19), the suggested exchange ratio in terms of Pacific Coast shares is 464 million shares with the calculation being (i.e.  $41.77 \text{ mm} / 0.09$ ). To minimize the number of fractional shares and odd lots the ratio was rounded down to 450 million shares. Any increase in the value of Pacific Coast shares when trading resumes will be attributed to the Prophecy property acquisition.

## **Potential for Less Dilution in Future Financings**

The Prophecy Board of Directors believe that market interest and future fund raising for its mining exploration activities will be facilitated through the use of separate corporate entities to focus separately on its coal versus its nickel and PGM exploration and development activities. The target minerals of Prophecy and Pacific Coast will appeal to different groups of investors. By targeting different groups of investors with different investment objectives, the Arrangement should facilitate future fund raising for Prophecy's current nickel and PGM projects as distinct from the company's main coal development activities in Mongolia.

The increased separate interests generated in the activities of Prophecy and Pacific Coast will potentially enhance the interests of current Prophecy shareholders as the liquidity in trading of

the shares of the separate companies could improve and volatility in the trading of the separate companies' shares might be reduced. The foregoing portfolio characteristics attributed to separating Prophecy's nickel and PGM activities from the company's Mongolian coal business into separate corporate entities, in order to appeal to different groups of investors, have value enhancing implications and may indicate that fewer shares will have to be issued by either company at any given level of future financing.

### **Tax Implications to Certain Shareholders**

Prophecy expects that for the most part, the Arrangement will have no material adverse effects on the majority of its Canadian shareholders. As a corporate entity, Prophecy must be able to manage its affairs as best it can to maximize its value as a corporate entity. Consequently, this Fairness Opinion relates to the proposed Arrangement and its effect on current Prophecy shareholders on a pre tax basis, which is generally the norm with work of this nature particularly as junior mining exploration companies rarely generate significant operating income.

### **Working Capital Position of Pacific Coast**

At October 30, 2010, Pacific Coast had working capital position of approximately \$0.6 million. In addition, the company completed a private placement units financing in January 2011 that raised a gross amount of \$1.05 million. These amounts are adequate to cover the company's immediate 2011 expenditure commitments on the Burwash project. The one-for-one warrants associated with the financing are exercisable for a two year period at a price of \$0.10 each and are in-the-money as Pacific Coast shares have been trading at significantly higher levels prior to being halted until the Arrangement is closed.

As Pacific Coast is conducting exploration activities in Argentina and Uruguay, the company will incur additional exploration costs with respect to the Wellgreen and Lynn Lake projects. For this reason, Prophecy has agreed to transfer \$2 million to Pacific Nickel as part of the Arrangement.

### **Observations**

The separation of Prophecy's Canadian nickel and PGM projects from its Mongolian coal interests is intended to build value for current Prophecy shareholders by packaging its mineral assets to appeal to a wider range of investors with different investment objectives. The targeting of particular investment interests as will be generated in the separated activities of Prophecy and Pacific Coast will potentially enhance the interests of current Prophecy shareholders as the liquidity in trading of the shares of the two resulting separate companies could improve and the combined volatility in the trading of the separate shares of the two companies could be reduced relative to the pre Arrangement volatility of Prophecy shares, which in itself has value enhancing implications.

The proposed Arrangement does not significantly alter the proportional ownership position of current Prophecy shareholders in the Company's assets except that their ownership interests will be held through the shares in two companies rather than in one company. Arguably, the value of Prophecy's nickel and PGM assets has not been adequately reflected in the market by the trading prices of Prophecy's shares. Thus, any dilution in the proportion holding of such assets as to approximately 90% in terms of Pacific Coast shares versus 100% previously held through Prophecy shares may be offset by the market reaction to Pacific Coast shares when the Arrangement is closed.

It is significant that more than half of the adjusted book value of Pacific Coast shares is made up of cash and near cash thereby reducing much of any risk that might be attributed to the Arrangement from the perspective of current Prophecy shareholders. Additionally, the value of Pacific Coast's stock exchange listing has been valued at \$0.3 million when the value to Prophecy's shareholders may be greater given the market's reaction to Prophecy's participation in the affairs of Pacific Coast.

Alternate calculations were provided to recognize the intangible value of the management change that Pacific Coast announced on December 13<sup>th</sup>. The impact of this adjustment is to support an exchange ratio of 450 million shares for the subject Prophecy properties. When the Arrangement is completed, the numbers of shares issuable on exercise and exercise prices of Prophecy's outstanding warrants will be adjusted to offset the effect of the spinout on Prophecy's paid up capital.

## Conclusions as to Fairness

Based on the above information, observations and analyses conducted by the writer as well as other relevant factors, it is the writer's considered opinion that Prophecy's agreement with Pacific Coast to exchange Prophecy's Wellgreen project and its Lynn Lake PGM projects for the issuance of between 450 million million to 550 million Pacific Coast shares, as specified under the Arrangement and described herein; and, the proposed distribution of 50% of such shares to current Prophecy shareholders, whilst retaining the 50% balance of such shares for Prophecy's corporate purpose, is fair, from a financial point of view, to Prophecy and its securityholders.

This fairness opinion is provided for the sole and exclusive use of the Board of Directors of Prophecy and the company's shareholders. The writer reserves the right to amend or withdraw the conclusions reached in this Fairness Opinion, if a material change occurs in any of the facts, representations and reports which have been relied upon in preparing this report, or if information provided to the writer and upon which he has relied, is inaccurate in any material respect. This report has been prepared solely for the purpose of providing information. It should not be construed as a recommendation to buy or sell any of the securities mentioned herein and no representations or warranties of any kind are intended, neither implied nor should be inferred.

Yours truly,



Stephen W. Semeniuk, CFA

## Certificate of Qualifications

I, Stephen Semeniuk, of 3845 Southridge Avenue, West Vancouver, Canada hereby certify that:

1. I graduated, B. Comm. (Hons.), from the University of Windsor.
2. I was granted a M.B.A. in finance from Michigan State University.
3. I am a CFA® charter holder, having completed the program offered by the Institute of Chartered Financial Analysts in 1982.
4. I have been practicing as an independent financial consultant since January 1991 in providing securities valuation services, fairness opinions, and financial consulting and research services to lawyers, government, investment dealers and industry.
5. I was formerly Vice President, Research of LOM Western Securities Ltd., at that time, the leading underwriter of junior resources and industrial companies in Western Canada. I have also held securities research positions with Vancouver-based Odlum Brown Ltd. and Brink Hudson and Lefever Ltd.
6. I have also held financial planning and operations analysis positions with a number of companies: B.C.R.I.C., Power Corporation of Canada, Chemcell Ltd. and Ford Motor Company of Canada.
7. The attached Fairness Opinion on the Arrangement between Prophecy Resource Corp. and Pacific Coast Nickel Corp. was prepared for the Board of Directors of Prophecy and is based on information, documents, and data provided to me as well as other data, materials and analyses I collected or prepared. I reserve the right to amend or withdraw the conclusions reached in this report, if a material change occurs in or if any of the facts, information or representations provided to me is materially inaccurate.
8. In preparing this Fairness Opinion, I was not required to visit the properties held by the companies.
9. I have no past, present or intended interest in the shares or holdings of the companies discussed in the Fairness Opinion.
10. I consent to use of this Fairness Opinion by Prophecy Resource Corp. for corporate, judicial and regulatory purposes as well as to its inclusion in the Company's Information Circular and public files. The report, however, should not be construed as a recommendation to buy or sell any shares mentioned in this report. No such representations are intended or implied.



\_\_\_\_\_, West Vancouver, B.C., March 31, 2011.  
Stephen W. Semeniuk, CFA

**SCHEDULE "G"**

**SEGMENTED FINANCIAL STATEMENTS OF SPINCO FOR THE YEAR ENDED DECEMBER 31, 2010**

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**SPINCO**

**PRO FORMA BALANCE SHEET**  
**December 31, 2010**  
**(UNAUDITED)**

**SPINCO**  
**Pro Forma Balance Sheet**  
**(Unaudited)**  
**December 31, 2010**

	December 31, 2010	Adjustments	Notes	Pro forma Balance Sheet
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents	\$ 1	\$ 2,000,000	3a	2,000,001
Mineral property interests	-	45,188,712	3b	45,188,712
	\$ 1	\$ 47,188,712		\$ 47,188,713
Future income tax liability		8,230,656		8,230,656
<b>Shareholders' Equity</b>				
Capital Stock (note 4)		1 38,958,056	3a	38,958,057
	\$ 1	\$ 47,188,712		\$ 47,188,713

Approved on behalf of the Directors:

*"John Lee"*  
..... Director  
John Lee

*"Greg Hall"*  
..... Director  
Greg Hall

The accompanying notes are an integral part of these pro forma consolidated financial statements.

**SPINCO**  
**Notes to the Pro-Forma Balance Sheet**  
**(Unaudited)**  
**December 31, 2010**

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**1. Basis of Presentation**

Spinco (the "Company") is a private company incorporated under the provisions of the British Columbia Business Corporations Act on March 10, 2011 as 0905144 B.C. Ltd. The Company is a 100% owned subsidiary of Prophecy Resource Corp. ("Prophecy"). The accompanying unaudited pro forma balance sheet of Spinco as at December 31, 2010 has been prepared for inclusion in the Joint Information Circular ("Circular") of Prophecy Resource Corp. and Pacific Coast Nickel Corp. ("Pacific") in connection with the Plan of Arrangement ("Arrangement") resulting in Pacific acquiring all of Prophecy's interests in certain of its assets (the "Nickel Assets") in consideration of the issuance of 450,000,000 common shares Pacific. The unaudited pro-forma balance sheet reflects the spin-out of the Nickel Assets of Prophecy to the Company pursuant to the Arrangement (note 2).

The unaudited pro forma balance sheet as at December 31, 2010 has been prepared by management in accordance with Canadian generally accepted accounting principles. The pro forma assumptions and adjustments as described in Note 3 are based on all information available to management to date. In accordance with Canadian GAAP for mineral properties Prophecy capitalizes all expenditures related to exploration and development of its mineral interests. Accordingly, a pro forma statement of operations for the period ending December 31, 2010 would not provide any meaningful information to the financial statement reader and therefore, has not been included.

The unaudited pro forma balance sheet as at December 31, 2010 has been compiled from the audited consolidated balance sheet of Prophecy as at December 31, 2010 and should be read in conjunction with Prophecy's consolidated financial statements for the year ended December 31, 2010 and notes thereto. The unaudited pro forma balance sheet gives effect to the spin out of the Nickel Assets of Prophecy as though it had occurred on December 31, 2010 based on the assumptions disclosed in Note 3.

It is management's opinion that the pro forma balance sheet includes all adjustments necessary for the fair presentation of the transactions described here and are in accordance with Canadian generally accepted accounting principles ("GAAP") applied on a basis consistent with the Prophecy's accounting policies. The pro forma balance sheet is not intended to reflect the financial position of Spinco which would have actually resulted had the transactions been effected on the dates indicated. Actual amounts recorded upon consummation of the transactions will differ from those recorded in the unaudited pro forma balance sheet and the differences may be material.

**2. Spin-out of Prophecy's Nickel Assets**

The accompanying unaudited pro forma balance sheet of the Company gives effect to the proposed spin-out of the Nickel Assets of Prophecy; specifically the Lynn Lake and Wellgreen properties, and \$2,000,000 cash in exchange for common shares of the Company to be issued to Prophecy. Pacific will acquire Spinco from Prophecy and in exchange Prophecy will receive 450,000,000 common shares of Pacific (the "Pacific Shares"). Prophecy will distribute 225,000,000 of the Pacific shares to its shareholders and retain 225,000,000. The Pacific Shares are to be issued at a deemed price per share equal to \$0.195 (closing price of the shares on January 17, 2011, the last day the shares traded prior to announcement of the acquisition), for an aggregate deemed value of \$87,750,000.

**SPINCO**  
**Notes to the Pro-Forma Balance Sheet**  
**(Unaudited)**  
**December 31, 2010**

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The acquisition of the Nickel Assets from Prophecy and the cash is accounted for as a continuity of interests. Accordingly, the assets being transferred are at their net book values.

**3. Pro forma Assumptions and Adjustments**

The unaudited pro forma balance sheet as at December 31, 2010 gives effect to the following assumptions and adjustments:

- (a) Prophecy will transfer \$2,000,000 in cash to the Company.
- (b) Prophecy will transfer to the Company its Nickel Assets, specifically the Lynn Lake and Wellgreen properties, with net book values of \$30,618,880 and \$14,569,832, respectively. The future income tax liability relating to the Nickel Assets would be transferred in the amount of \$8,230,656.
- (c) Spinco will issue common shares to Prophecy as consideration for the transfer of the Nickel Assets and cash. At this time the number of shares has not been determined. Upon completion of the arrangement, Prophecy will transfer all its shares in Spinco it owns to Pacific in exchange for 450,000,000 common shares of Pacific.

**4. Capital Stock**

Authorized

Unlimited common shares without par value

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	<b>Amount</b>
Issued on incorporation	\$ 1
Issuance of common shares pursuant to plan of arrangement	38,958,056
Total pro forma common shares outstanding, December 31, 2010	\$ 38,958,057

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**SCHEDULE "H"**

**PRO FORMA FINANCIAL STATEMENTS OF PROPHECY**

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**PROPHECY RESOURCE CORP.**

**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010**  
**(UNAUDITED)**

**PROPHECY RESOURCE CORP.**  
**PRO FORMA CONSOLIDATED BALANCE SHEET**  
**December 31, 2010**  
**(Unaudited)**

	<b>Prophecy Resource Corp.</b>	<b>Adjustments</b>	<b>Notes</b>	<b>Pro Forma Consolidated</b>
<b>Assets</b>				
Current				
Cash and cash equivalents	39,324,151	(2,000,000)	3(a)	37,324,151
Receivables and deposits	414,926			414,926
Prepaid expenses	82,513			82,513
Investment	3,295,385			3,295,385
	43,116,975	(2,000,000)		41,116,975
Investment in Pacific Coast Nickel Corp.		38,958,056	3(a)	
		(19,479,028)	3(b)	19,479,028
Property and equipment	91,706			91,706
Reclamation deposits	6,500			6,500
Mineral properties	74,377,177	(45,188,712)	3(a)	29,189,005
	117,592,358	(27,709,684)		89,882,674
<b>Liabilities</b>				
Current				
Accounts payable and accrued liabilities	2,221,951			2,221,951
Loans payable	5,083,334			5,083,334
	7,305,285			7,305,285
Asset retirement obligation	80,000			80,000
Future income tax liability	8,606,656	(8,230,656)	3(a)	376,000
	15,991,941	(8,230,656)		7,761,285
<b>Shareholders' Equity</b>				
Share capital	125,458,376			125,458,376
Contributed surplus	5,407,447			5,407,447
Accumulated other comprehensive loss	(512,616)			(512,616)
Deficit	(28,752,790)	(19,479,028)	3(b)	(48,231,818)
	101,600,417	(19,479,028)		82,121,389
	117,592,358	(27,709,684)		89,882,674

Approved on behalf of the Directors:

*"John Lee"*  
..... Director  
John Lee

*"Greg Hall"*  
..... Director  
Greg Hall

See notes to pro forma consolidated financial statements

**PROPHECY RESOURCE CORP.**  
**PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR YEAR ENDED DECEMBER 31, 2010**  
**(Unaudited)**

	Prophecy Resource Corp.	Adjustments	Notes	Pro Forma Consolidated
<b>General and Administrative Expenses</b>				
Consulting and management fees	\$ 1,278,392			\$ 1,278,392
Stock-based compensation	1,142,330			1,142,330
Advertising and promotion	693,778			693,778
Professional fees	447,512			447,512
Travel and accommodation	367,511			367,511
Stock exchange and shareholder services	254,658			254,658
Salary and benefits	252,703			252,703
Office and administration	196,958			196,958
Insurance	6,038			6,038
Amortization	19,458			19,458
<b>Loss Before Other Items</b>	<b>(4,659,338)</b>			<b>(4,659,338)</b>
<b>Other Items</b>				
Interest expense	(1,143,889)			(1,143,889)
Loss on disposal of property and equipment	(1,739)			(1,739)
Mineral property written-off	-			-
Gain on acquisition of joint venture interest	-			-
Interest income	9,399			9,399
Foreign exchange gain	23,726			23,726
	<b>(1,112,503)</b>			<b>(1,112,503)</b>
<b>Net Loss for Year</b>	<b>(5,771,841)</b>			<b>(5,771,841)</b>
<b>Loss Per Share, basic and diluted</b>	<b>\$ (0.06)</b>			<b>\$ (0.06)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>100,639,942</b>			<b>100,639,942</b>

See notes to pro forma consolidated financial statements

**PROPHECY RESOURCE CORP.**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010**  
**(Unaudited)**

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**1. BASIS OF PRESENTATION**

The accompanying unaudited pro forma consolidated financial statements have been prepared by management of Prophecy Resource Corp. ("Prophecy" or the "Company") for inclusion in Joint Information Circular ("Circular") of Prophecy and Pacific Coast Nickel Corp. ("Pacific") in connection with the Plan of Arrangement ("Arrangement") resulting in Pacific acquiring all of Prophecy's interests in certain of its assets (the "Nickel Assets") in consideration of the issuance of 450,000,000 common shares of Pacific.

The unaudited pro forma consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The unaudited pro forma consolidated balance sheet gives effect to the spin out of the Nickel Assets as though it had occurred on December 31, 2010. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2010 gives effect to the spin out of the Nickel Assets as though it had occurred on January 1, 2010. The unaudited pro forma consolidated financial statements have been prepared in accordance with Prophecy's accounting policies as disclosed in Prophecy's 2010 audited consolidated financial statements.

These pro forma consolidated financial statements of the Company have been derived from the audited consolidated financial statements of Prophecy as at December 31, 2010 and for the year then ended. The unaudited pro forma consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included therein, as referred to above and incorporated by the reference in the Circular, and are available at [www.sedar.com](http://www.sedar.com).

It is management's opinion that these unaudited pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the transactions described here and are in accordance with Canadian generally accepted accounting principles ("GAAP") applied on a basis consistent with the Company's accounting policies. The unaudited pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position of Prophecy which would have actually resulted had the transactions been effected on the dates indicated. Furthermore, the unaudited pro forma financial information is not necessarily indicative of the results of operations that may be obtained in the future. Actual amounts recorded upon consummation of the transactions will differ from those recorded in the unaudited pro forma consolidated financial statements and the differences may be material.

**2. PRO-FORMA TRANSACTIONS**

The accompanying unaudited pro forma consolidated financial statements of the Company gives effect to the proposed spin out of the Nickel Assets Prophecy to Spinco ("Spinco"), a 100% owned subsidiary of Prophecy and the sale of Spinco to Pacific. The Company will spin out the Lynn Lake and Wellgreen properties, and \$2,000,000 in cash in exchange for common shares of Spinco. Pacific will acquire all of the outstanding common shares of Spinco from Prophecy for 450,000,000 common shares of Pacific (the "Pacific Shares"). Prophecy will distribute 225,000,000 of the Pacific Shares to its shareholders and retain 225,000,000 of the Pacific Shares. The Pacific Shares will be issued at a deemed price per share equal to \$0.195 (closing price of the shares on January 17, 2011, the last day the shares traded prior to announcement of the acquisition), for an aggregate deemed value of \$87,750,000.

The spin out of the Nickel Assets and cash from Prophecy to Spinco and the subsequent disposition of the shares of Spinco to Pacific is accounted for using continuity of interests accounting. Accordingly, no gain or loss is recorded on the spin out as the transactions are recorded at book values.

**PROPHECY RESOURCE CORP.**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010**  
**(Unaudited)**

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**3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS**

The unaudited pro forma consolidated financial statements as at and for the year ended December 31, 2010 gives effect to the following assumptions and adjustments:

- (a) Prophecy will transfer \$2,000,000 cash and the Lynn Lake and Wellgreen properties with net book values of \$30,618,880 and \$14,569,832, respectively to Spinco in exchange for shares in Spinco. The future income tax liability relating to the Nickel Assets would be transferred in the amount of \$8,230,656. At this time the number of shares that Spinco will issue has not been determined. Prophecy will sell all of the shares it owns of Spinco to Pacific for 450,000,000 common shares of Pacific, which will be recorded at the carrying value of the assets sold.
- (b) Prophecy will distribute 225,000,000 Pacific common shares to its shareholders at a value of \$19,479,028. The distribution of the shares of Spinco to the shareholders of Prophecy will be treated as a dividend distribution. Prophecy's remaining interest in Pacific will be less than 50% but will retain significant influence and therefore the investment in Pacific will be treated as an equity accounted investment.

**4. SHARE CAPITAL**

There is no change to the Company's share capital pursuant to this transaction.

**SCHEDULE "T"**

**PRO FORMA FINANCIAL STATEMENTS OF PCNC**

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**PRO-FORMA CONSOLIDATED BALANCE SHEET**

**PACIFIC COAST NICKEL CORP.**

**JANUARY 31, 2011**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

1. PRO-FORMA CONSOLIDATED BALANCE SHEET
2. NOTES TO PRO-FORMA CONSOLIDATED BALANCE SHEET

**PACIFIC COAST NICKEL CORP.**  
**PRO-FORMA CONSOLIDATED BALANCE SHEET**

*As at January 31, 2011*

*(Expressed in Canadian Dollars)*

*(Unaudited)*

	Pacific Coast Nickel Corp.	Spinco	Note	Adjustments	Pro-forma Balances
	\$	\$		\$	\$
<b>ASSETS</b>					
Current					
Cash and cash equivalents	1,325,429	2,000,001	2b	-	<b>3,325,430</b>
Marketable securities	78,968	-		-	<b>78,968</b>
Amounts receivable	18,497	-		-	<b>18,497</b>
Prepaid expenses and deposits	9,024	-		-	<b>9,024</b>
Deferred acquisition costs	10,000	-		-	<b>10,000</b>
	1,441,918	2,000,001		-	<b>3,441,919</b>
Exploration deposit	-	-		-	-
Equipment	8,199	-		-	<b>8,199</b>
Mineral properties	1,508,976	40,014,393	2b	72,375,961	<b>113,899,330</b>
	2,959,093	42,014,394		72,375,961	<b>117,349,448</b>
<b>LIABILITIES</b>					
Current					
Accounts payable and accrued liabilities	101,286	-		-	<b>101,286</b>
Due to related parties	17,000	-		-	<b>17,000</b>
	118,286	-		-	<b>118,286</b>
Future income tax liability	-	8,546,365	2b	26,640,355	
			2b	(8,546,365)	<b>26,640,355</b>
	118,286	8,546,365		18,093,990	<b>26,758,641</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	4,696,774	33,468,029	2b	(33,468,029)	
			2b	87,750,000	<b>92,446,774</b>
Contributed surplus	1,930,092	-		-	<b>1,930,092</b>
Deficit	(3,786,059)	-		-	<b>(3,786,059)</b>
	2,840,807	33,468,029		54,281,971	<b>90,590,807</b>
	2,959,093	42,014,394		72,375,961	<b>117,349,448</b>

Basis of presentation (Note 1)

Pro-forma transaction (Note 2)

The accompanying notes are an integral part of this pro-forma balance sheet.

# **PACIFIC COAST NICKEL CORP.** (An Exploration Stage Company)

## **NOTES TO THE PRO-FORMA CONSOLIDATED BALANCE SHEET**

January 31, 2011

(Expressed in Canadian Dollars)

(Unaudited)

### **1. BASIS OF PRESENTATION**

---

The accompanying unaudited pro-forma balance sheet of Pacific Coast Nickel Corp. (the "Company") as at January 31, 2011 has been prepared by management in accordance with Canadian generally accepted accounting principles using the same accounting policies as described in the Company's annual financial statements, together with other information available to the Company. The unaudited pro-forma consolidated balance sheet has been prepared for inclusion in a Joint Information Circular dated April 28, 2011 with respect to a Proposed Plan of Arrangement involving Prophecy Resource Corp. ("Prophecy"), its securityholders and the Company. In the opinion of the Company's management, this unaudited pro-forma consolidated balance sheets include all adjustments necessary for the fair presentation of the transactions described below.

The unaudited pro-forma consolidated balance sheet of the Company has been compiled from and include information derived from the following:

- (a) The Company's unaudited consolidated financial statements as at January 31, 2011;
- (b) the additional information set out in Note 2;

The unaudited pro-forma consolidated balance sheet has been prepared for illustrative purposes only and may not be indicative of the combined entities' financial position and results of operations that would have occurred if the acquisition has been in effect at the date indicated as set out in Note 2.

### **2. PRO-FORMA TRANSACTION**

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The pro-forma balance sheet was prepared based on the following assumption:

- a) The unaudited pro-forma consolidated balance sheet gives effect to the acquisition by the company as if it had occurred as at January 31, 2011. Under the proposed transaction, the Company will acquire Spinco from Prophecy in exchange in exchange for issuing 450,000,000 common shares of the Company, as directed by Prophecy to the shareholders of Prophecy. The common shares are to be issued at a deemed price per share equal to the \$0.195 (closing price of the common shares on January 17, 2011, the last day the common shares traded prior to announcement of the acquisition), for an aggregate deemed value of \$87,750,000.
- b) Spinco will become a wholly owned subsidiary of the Company upon acquisition. The acquisition of Spinco is accounted as a purchase of assets. The total purchase price of \$87,750,000 has been allocated as follows:

Cash	\$ 2,000,001
<u>Mineral properties</u>	<u>112,390,354</u>
	114,390,355
<u>Future income tax liability</u>	<u>(26,640,355)</u>
<u>Total purchase price</u>	<u>\$ 87,750,000</u>

- c) Upon acquisition, the Company will consolidate its share capital on a 10 for 1 basis.

**PACIFIC COAST NICKEL CORP.** (An Exploration Stage Company)  
**NOTES TO THE PRO-FORMA CONSOLIDATED BALANCE SHEET**  
*January 31, 2011*  
*(Expressed in Canadian Dollars)*  
*(Unaudited)*

**3. PRO-FORMA SHARE CAPITAL**

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After giving effect to the pro forma assumptions in Note 2, the issued and fully paid share capital of the Company would be as follows:

	Number of Shares	Amount
Balance, January 31, 2011	55,709,842	\$ 4,696,774
Shares to be issued pursuant to the acquisition of Spinco	450,000,000	87,750,000
	505,709,842	\$ 92,446,774
Pro forma balance, January 31, 2011 (post 10 for 1 share consolidation)	50,570,984	\$ 92,446,774

Upon acquisition, the Company will consolidate its share capital on a 10 for 1 basis.

**4. PRO-FORMA TAX RATE**

The pro-forma effective income tax rate applicable to consolidated operations for the period ended January 31, 2011 is 28.5%.

**CERTIFICATE OF PACIFIC COAST NICKEL CORP.**

The foregoing, as it relates to Pacific Coast Nickel Corp. contains full, true and plain disclosure of all material facts relating to the particular matters to be acted upon by the shareholders of Pacific Coast Nickel Corp.

DATED at Vancouver, British Columbia on April 28, 2011.

(Signed) "*John Lee*"

John Lee

Chairman, interim Chief Executive Officer and Director

(Signed) "*David McAdam*"

David McAdam

Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF PACIFIC COAST NICKEL CORP.**

(Signed) "*D. Greg Hall*"

D. Greg Hall

Director

(Signed) "*Michael Sweatman*"

Michael Sweatman

Director

**CERTIFICATE OF PROPHECY RESOURCE CORP.**

The foregoing, as it relates to Prophecy Resource Corp. contains full, true and plain disclosure of all material facts relating to the particular matters to be acted upon by the shareholders of Prophecy Resource Corp.

DATED at Vancouver, British Columbia on April 28, 2011.

(Signed) "*John Lee*"

John Lee

Chairman, interim Chief Executive Officer and Director

(Signed) "*Irina Plavutska*"

Irina Plavutska

interim Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF PROPHECY RESOURCE CORP.**

(Signed) "*Paul McKenzie*"

Paul McKenzie

Director

(Signed) "*Paul Venter*"

Paul Venter

Director and VP Energy Operations