Prophecy Platinum Releases 3rd Quarter Financial Statements and Project Update

06.03.2013 | Marketwired

VANCOUVER, BRITISH COLUMBIA -- (Marketwire) -- 03/06/13 -- Prophecy Platinum Corp. ("Prophecy Platinum" or the "Company") (TSX VENTURE: NKL) (OTCQX: PNIKF) reports the release of its unaudited interim consolidated financial statements for the three and nine month periods ended December 31, 2012 (the "Q3 Financial Statements") and the related management's discussion and analysis (the "Q3 MD&A"). The Company is also pleased to provide an update on its Wellgreen PGM-Nickel-Copper project in the Yukon Territory and its Shakespeare PGM-Nickel-Copper project in Ontario, Canada. Further information about the Company, including the Q3 Financial Statements, Q3 MD&A and technical information on each of the Company's projects, are available on the Company's website at www.prophecyplatinum.com and on SEDAR at www.sedar.com.

President's Message

In early February, Prophecy Platinum released the final results of its 11,000 metre 2012 exploration drill program at the Company's 100%-owned Wellgreen project. Some of the best results to date on the project were seen, with fourteen of fifteen drill holes showing significant mineralization across approximately two kilometres of the existing mineral resource area.

The results from our 2012 drill program indicate wide intervals of impressive mineralization on a grade and thickness basis. Six of these drill holes exceeded a grade thickness value of over 500 gram-metres of platinum equivalent and two drill holes returned nearly 1000 gram-metres, highlighting the strength of the Wellgreen system. In addition, the majority of these zones remain open to further expansion at depth and along trend.

Over the past several months our Wellgreen team has been integrating the geologic information from the 2012 drill program and updating the geologic model for the project. We are finding a nearly continuous zone of disseminated Platinum Group Metals ("PGM"), nickel and copper mineralization in ultramafic intrusive rocks of up to 200-500 metres in thickness, with a higher grade package of ultramafics lower in the section of up to 150-300 metres that contains substantially higher PGM content. This work will continue over the coming months ahead of the 2013 field season and will allow for the development of priority targets for testing in 2013.

In addition, geochemical and geophysical surveys have highlighted targets both to the west and to the east of the existing resource area which are of similar size to the Wellgreen system itself. Concurrent exploration drilling is planned for these areas which include the Far West, Quill, and Burwash areas. These targets are completely outside of the existing resource area and we believe they have the potential to significantly add to the existing substantial open pit resources defined at the Wellgreen project.

The primary objectives of our 2013 drilling program at the Wellgreen project are to upgrade Inferred category resources to Measured and Indicated and test priority expansion targets that have potential to add near surface higher grade material to the life of mine plan.

Ongoing metallurgical test work will focus on optimizing PGM, nickel and copper recovery, enhancing concentrate grades and determining the economic contribution of the rare PGMs that are present in the deposit. In addition, 2013 engineering studies will determine if the life of mine plan and economics can be further optimized by extracting higher grade portions of the resource early in the production schedule and utilizing a staged construction process that would defer pre-production capital requirements. These additional metallurgical and engineering studies will support an updated resource and economic assessment on the project planned for early 2014.

In parallel with exploration, metallurgical and engineering programs, the Company will continue to consult with the Kluane First Nation and the White River First Nation, as well as advance its 2012 Environmental Baseline data collection program.

The Company also believes that there may be a number of opportunities to decrease operating costs utilized in the technical report entitled "Wellgreen Project, Preliminary Economic Assessment, Yukon Canada" dated

August 1, 2012 (the "2012 PEA") and prepared by Andrew Carter, C.Eng., Pacifico Corpuz, P. Eng., Philip Bridson, P.Eng., and Todd McCracken, P.Geo., of Tetra Tech Wardrop Inc. One of the underlying assumptions in the 2012 PEA was the use of diesel fuel for power generation. The 2013 engineering program will look at potential significant cost reduction associated with liquefied natural gas (LNG) power generation. The Company will also evaluate the potential for other power alternatives such as hydro-electric in cooperation with the Kluane First Nation. The 2012 PEA is available under the Company's profile on SEDAR at www.sedar.com.

Baseline environmental studies continue on the Wellgreen project, including collection of meteorological data, surface water flows, surface water quality and analysis of recent wildlife studies. These baseline studies are being conducted with the assistance of the Kluane First Nation as part of our cooperation and benefits agreement with them that we announced on August 2, 2012. Under this cooperation and benefits agreement we will seek ways to facilitate local economic and business development opportunities through the various stages of project implementation.

The Shakespeare project recorded operational cash flow of $11.2 million on the sale of metals from the project from the year ending January 2012. In January 2012, all operations at the Shakespeare project were temporarily suspended due to low metal prices. The project is currently on care and maintenance with all permits in good standing.

Prophecy Platinum is also currently completing a comprehensive review of the opportunities for cost reduction on the Shakespeare PGM-Nickel-Copper project in the Sudbury mining district of Ontario. Our review has focused on decreasing operating costs in three key areas: contract mining; concentrate haulage; and toll milling/smelting, with the objective of returning the project to sustainable economical production. This includes participation with the Sagamok Anishnawbek First Nation as per the criteria established in our Impact Benefit Agreement. With operating cost improvements, the Shakespeare project has the potential to generate meaningful cash flow for the Company with minimal additional capital investment. In operation, the project is projected to produce 25,000 ounces of PGM+Au, 8 million pounds of nickel and 10 million pounds of copper on an annual basis.

The Company anticipates providing regular news updates over coming quarters as we undertake exploration programs and complete resource and engineering updates that should deliver meaningful milestones for increasing shareholder value. Prophecy Platinum offers compelling value and leverage to platinum and palladium with nearly 0.1 ounces of platinum equivalent from precious metals, equating to more than $150 worth of platinum, palladium and gold in the ground per share.

Current Market and Economic Conditions

The challenging market conditions for the resource sector in general, and precious metals equities in particular, continued from 2012 into the first two months of 2013. This includes PGM-focused equities despite the relative strength of platinum and palladium prices and favourable supply/demand conditions. However, global economic policy continues to have an expansionary and inflationary bias that should be positive for commodities in the long term. The fundamentals for platinum and palladium remain strongly positive with the market expected to be in a deficit situation in 2013.

The junior mining sector is off to a difficult start in 2013 with the S&P TSX Venture Composite Index down 9% year-to-date and the Market Vectors Junior Gold Miners Index down 23% year-to-date. Prophecy Platinum's share price has been relatively stable averaging just over $1/share during this period of negative market sentiment towards junior mining stocks.

Over the past few months, however, the fundamentals associated with our key focus metals, platinum and palladium, have turned significantly more positive toward likely higher future prices. After trading at a discount to the gold price for almost a year and a half, platinum resumed trading at a premium to gold in January of this year. In fact, platinum and palladium have been the best performing precious metals thus far in 2013, with each up 5%, whilst gold is down 5%. The strength in PGMs relative to gold is primarily attributable to an increasing market awareness of the supply threats to platinum and palladium, particularly in South Africa and Zimbabwe.

Compared with gold or silver, the platinum and palladium markets are significantly smaller and mine production is heavily concentrated in high political risk countries. South Africa, Russia and Zimbabwe combined produce over 92% of the world's platinum and 84% of the world's palladium, but this supply has been in decline since 2006. According to Johnson Matthey, a total of 5,840,000 ounces of platinum was mined in 2012, with South Africa accounting for 73% of production and Russia 16%(1) with North America accounting for only 6% of global production. South African platinum production in 2012 fell to its lowest levels in 11 years as violence and unrest between mining unions and demands for higher wages disrupted production. The recent and ongoing labour unrest is adding to the challenges already faced by South African platinum mining companies, in terms of depletion and a corresponding increase in deposit depth. The result has been increased production costs and the shutdown of mines that are no longer economical. In January, Anglo American Platinum (Amplats) announced that it would cease operations at two of its South African platinum mines and put another up for sale, resulting in the loss of 14,000 industry jobs.

The decline in platinum production in South Africa is likely to continue as cost pressures force even more mine closures and as companies refrain from investing capital into new projects and mine expansions. Social unrest and lower tax revenue also have the potential to further increase the pressure on the South African government to nationalize platinum mines. While the ruling African National Congress party rejected proposals to nationalize mines in favour of higher taxes at its national conference last December, political maneuvering in the lead up to the 2014 general election in South Africa could see this issue be revisited.

In Zimbabwe, the government announced in mid-February that it was nationalizing platinum reserves owned by Zimplats and handing them over to other investors. In addition, the government has given platinum miners two years to build a refinery within Zimbabwe for processing platinum ores. This follows the announcement last year that platinum mining companies would be forced to transfer 51% ownership to local groups. With the hostile investment climate in Zimbabwe, which has the second highest platinum reserves after South Africa, it seems unlikely that significant expansion of production or development of new mines in Zimbabwe is probable.

The palladium market also faces significant supply risks. Russia is currently the largest producer of palladium, accounting for 43% of global production in 2012, with South Africa second at 37% of the 6,570,000 ounces of palladium mined globally in 2012. The majority of Russian palladium production was from Norilsk Nickel, but sales from Russian stockpiles were estimated to be 250,000 ounces in 2012 with indications that the state stockpiles of palladium are close to being depleted. From 2008 to 2011, palladium sales from Russian stockpiles averaged over 900,000 ounces per year, or about 13% of annual global supply. If that supply is exhausted, the palladium market deficit could significantly exceed the deficit currently projected by analysts.

The market had largely ignored this decline over the past several years as PGM demand for use in autocatalysts (a.k.a. catalytic converters) dropped substantially as a result of lower automobile demand following the 2008 financial crisis. Now, however, with automobile demand recovering, supply deficits, that were projected for both platinum and palladium in 2012, are expected to continue into 2013.

From 1980 to 2008, platinum demand grew at an average rate of 5% per year. Demand then dropped 15% in 2009 due to the global economic crisis, primarily because of the decreased demand for autocatalysts. Autocatalyst consumption rebounded in 2010 but is still well below levels from 2008 due to lower automobile demand in Europe. The European automobile market is important for platinum demand due to the much higher proportion of diesel engines which tend to use more platinum than palladium. Rapid growth in automobile sales from emerging economies is anticipated to result in increased platinum and palladium consumption, and is expected to be bolstered by the increased adoption of stricter environmental standards in Asia. Strong automobile demand growth continues in China, which reported a 46% increase in automobile sales in January 2013. Platinum jewellery demand has also been strong due to demand from China and investment demand is also increasing due to investor interest in ETFs like Sprott's recently launched Physical Platinum and Palladium Trust. Due to falling supply the platinum market is anticipated to see a reported 400,000 ounce deficit in 2012 or approximately 7% of global platinum supply.

While platinum demand increases have been somewhat moderated by lower European automobile sales, palladium demand has shown strong growth since 2002 and is now at record levels due in particular to autocatalyst demand and Johnson Matthey estimates the market was at a 915,000 ounce deficit in 2012, or approximately 14% of global palladium supply. Autocatalyst manufacturers have been substituting palladium for platinum as much as possible in the past decade due to the pricing disparity between platinum and palladium. Accordingly, palladium use in autocatalysts is now more than double the amount of platinum used and growth is strong due to the strength in automobile demand in China. That demand is expected to continue to grow rapidly as the number of cars per capita in China increases (it is currently about 85 cars per 1000 people, compared to about 812 cars per 1000 people in the United States), as emission standards improve and as more cars are sold to China's burgeoning middle class. Palladium prices have moved from around 20% of platinum prices to 40% in the past four years due to demand growth for palladium in autocatalysts. This price convergence could continue if Russian palladium stockpiles are close to being depleted.

Based on these factors, we view the fundamentals for the PGM market as being the strongest of all the precious metals. Demand is likely to continue to improve, while supplies are likely to continue the declining trend in response to the structural challenges in South Africa, Russia and Zimbabwe. This background suggests the potential for significant spikes in PGM prices that could be amplified by speculative investments in this relatively small market. Given the lack of substitutes for PGMs in autocatalysts and the relatively low cost of PGMs compared to the total cost of an automobile, demand for PGMs is not likely to subside even with a dramatic increase in platinum and palladium prices.

Large PGM deposits are scarce outside of South Africa, Russia and Zimbabwe. With the improving fundamentals, investor interest in the PGM sector has been increasing, particularly over the past six months. We believe that the market will need to look for alternate sources of PGM supply in geopolitically stable and predictable environments. This may present a positive dynamic for PGM equities in the junior mining sector and particularly companies like Prophecy Platinum with large resources in politically stable countries like Canada, which was ranked 8th in the world in the Fraser Institute's 2012/2013 Survey of Mining Companies.

While Prophecy Platinum's primary focus is on developing its PGM resources, the Company also has significant exposure to nickel and copper. Nickel prices deteriorated for much of 2012 due to economic concerns globally, but especially due to concerns of a hard landing in China, combined with market expectations that the nickel market surplus would increase as several large nickel projects commence production. In the past few months, however, the nickel price has moved well off its August 2012 lows and technical challenges associated with large nickel laterite projects have resulted in less nickel production than expected. These technical challenges along with proposed export restrictions by Indonesia will likely curb new low cost laterite production and drive up marginal production costs. Another implication of the low nickel price environment is that there have been very few new nickel sulphide deposits being developed, which some analysts believe could create a dramatic shortfall for nickel sulphide smelter feed in the next few years. Therefore, while nickel prices remain weak in the short-term, they are not as poor as predicted in 2012 and could lead to a nickel deficit situation in the next several years due to a lack of development.

The copper market has remained fairly balanced and prices have remained in the $3.40-3.80/lb range for the past six months. Copper prices rose to their highest levels since October 2012 in early February of this year in response to improving economic data from China and the United States, before pulling back with markets and a typical slowdown in activity seen around the Lunar New Year. In addition to our positive outlook for platinum and palladium, we remain bullish over the long-term for both copper and nickel in the context of high demand growth from China and the rest of the developing world.

Looking Forward

With our new, experienced senior management team in place, 2013 should be a transformational year for Prophecy Platinum. Our Wellgreen technical team is currently updating geological model based on all of the historical exploration at the Wellgreen project and is targeting a significant drill program for 2013 that will include confirmatory drilling as well as test the resource expansion potential of several high priority targets. Infill confirmatory drilling will be done to upgrade Inferred Resources to the Indicated Resource category with a target to issue an updated resource model by Q1 2014.

The Company also expects to provide an updated preliminary economic assessment on the Wellgreen project in calendar Q1 2014 that will build on the 2012 PEA by evaluating the potential of further optimization of PGM and base metal recoveries, higher concentrate grades and developing a better understanding of the economic contribution of the rare PGMs. Our engineering activities will optimize surface infrastructure, determine if pre-production capital can be decreased and/or deferred and look to enhance cash flows by decreased operating costs.

At our Shakespeare project, we will continue our evaluation of potential cost savings opportunities to assess restarting mining operations there. This work will include discussions and negotiations with contract mining companies, trucking firms and milling operations in the Sudbury area.

With the scarcity of large PGM projects outside of southern Africa and Russia we believe that the scale of Prophecy Platinum's projected North American PGM production will become of interest to potential investors in the sector. Our business strategy will be to demonstrate the full potential of the Wellgreen project and to de-risk the project through the next steps of engineering toward feasibility, which should support higher valuations in the market and expand our investor base. We look forward to reporting on the exciting developments ahead for the Company and its projects as we remain focused on delivering increased shareholder value.

(1) http://www.platinum.matthey.com/publications/pgm-market-reviews.

About Prophecy Platinum

[Prophecy Platinum Corp.](#) is a growth-focused PGM exploration company with projects in the Yukon Territory, Ontario and Manitoba, Canada. The Company's 100% owned Wellgreen PGM-Ni-Cu project, located in the Yukon, is one of the world's largest PGM deposits and one of few significant PGM deposits outside of southern Africa or Russia. The Company's Shakespeare PGM-Ni-Cu project is a fully-permitted, production-ready mine located in the Sudbury mine district of Ontario, and its Lynn Lake project is a former operating mine located in Manitoba, Canada. The Company's experienced management team has a track record of successful large scale project discovery, development, operations and financing combined with an entrepreneurial and collaborative approach to working with First Nations and communities. The Company's shares are listed on the TSX-Venture exchange under the symbol "NKL" and on the US OTC-QX market under the symbol "PNIKF".

Further information about the Company and its projects can be found at www.prophecyplatinum.com.

Forward Looking Information: *This news release includes certain information that may be deemed "forward-looking information". All information in this release, other than information of historical facts, including, without limitation, information of potential mineralization, the estimation of mineral resources, the realization of mineral resource estimates, interpretation of prior exploration and potential exploration results, the timing and success of exploration activities generally, future production estimates, the timing and results of future resource estimates, permitting time lines, metal prices and currency exchange rates, availability of capital, government regulation of exploration operations, environmental risks, reclamation, title, and future plans and objectives of the Company are forward-looking information that involve various risks and uncertainties. Although the Company believes that the expectations expressed in such forward-looking information are based on reasonable assumptions, such expectations are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking information. Forward-looking information is based on a number of material factors and assumptions.*

Factors that could cause actual results to differ materially from the forward-looking information include unsuccessful exploration results, changes in project parameters as plans continue to be refined, results of future resource estimates, future metal prices, availability of capital and financing on acceptable terms, general economic, market or business conditions, risks associated with operating in foreign jurisdictions, uninsured risks, regulatory changes, defects in title, availability of personnel, materials and equipment on a timely basis, accidents or equipment breakdowns, delays in receiving government approvals, the Company's ability to maintain the support of stakeholders necessary to develop the Wellgreen project, unanticipated environmental impacts on operations and costs to remedy same, and other exploration or other risks detailed herein and from time to time in the filings made by the Company with securities regulatory authorities in Canada. Readers are cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral exploration and development of mines is an inherently risky business. Accordingly, actual events may differ materially from those projected in the forward-looking information. For more information on the Company and the risks and challenges of our business, investors should review our annual filings which are available at www.sedar.com. The Company does not undertake to update any forward looking information, except in accordance with applicable securities laws.

Cautionary Note to United States Investors: *This news release has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all resource and reserve estimates included in this news release have been prepared in accordance with the Canadian Securities Administrators' National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy, and Petroleum Definition Standards on Mineral Resources and Mineral Reserves. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and resource and reserve information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. 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 the reserve determination is made.*

The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may *not form the basis of feasibility or pre-feasibility studies except in very rare cases. Investors are cautioned not to assume that all or any part of an "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U.S. standards.*

"Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release."

Contacts:

Prophecy Platinum Corp.
Greg Johnson, President & CEO
1-800-459-5583

Prophecy Platinum Corp.
Chris Ackerman, Senior Manager, Investor Relations
cackerman@prophecyplatinum.com
www.prophecyplatinum.com