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**PURE NICKEL INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED NOVEMBER 30, 2015**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Background and overview

This Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding Pure Nickel Inc. ("Pure Nickel," the "Corporation," the "Company," "we," "our," "us"), its business environment and future prospects. This MD&A should be read in conjunction with our consolidated financial statements and related notes for the year ended November 30, 2015. Information herein includes any significant developments to March 24, 2016, the date on which this MD&A was approved by our directors.

Historically, we have been in the business of acquiring, exploring and developing mineral properties in Canada and the United States of America ("US"), primarily those containing nickel ("Ni"), platinum group elements ("PGE's"), copper ("Cu"), gold ("Au"), silver ("Ag") and associated base and precious metals. We continuously evaluate our mineral property holdings with respect to carrying costs and the future likelihood of any property driving shareholder value. Past and future divestiture decisions have been, and will be made based on this criterion. We are also investigating other opportunities that would enable the Company to diversify and grow.

Our common shares trade on the TSX Venture Exchange under the symbol "NIC." Our consolidated financial statements are prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles, following International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all dollar amounts refer to Canadian funds.

We were incorporated under the *Company Act* (British Columbia) on April 29, 1987, and continued under the *Canada Business Corporations Act* on April 7, 2009. We conduct our US operations through a wholly-owned subsidiary, Nevada Star Resource Corp. (U.S.), a Nevada corporation. Nevada Star Resource Corp. (U.S.) is the sole member of MAN Alaska LLC, a Delaware limited liability company.

### Exploration and Evaluation Projects

We have mineral rights for a number of properties in various stages of exploration in North America. A summary of the properties, is presented below.

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<b>Property</b>	<b>Location</b>	<b>Claims area (approx.)</b>	<b>Comments</b>
<b>Salt Chuck</b>	Alaska, Prince of Wales Island	1,082 hectares	The property is currently in the early exploration stage. The Company completed a drilling exploration program in 2012 and 2014. The 2012 program encountered gold mineralization in two of the drill holes. (NPH-12-04: 29.1 g/t Au, 14.1 g/t Ag, and 0.79% Cu over 2.58 m including a high grade intersection of 127.8 g/t Au, 57.6 g/t Ag and 2.78% Cu over 0.35 metres apparent widths). The 2014 exploration program consisted of nine drill holes totaling 1,700 metres on the North Pole Hill (NPH) section of the property. Results indicate the property hosts numerous mineralized structures with elevated Au and Cu values.
<b>William Lake<sup>1</sup></b>	Manitoba (70 km from Grand Rapids)	10,566 hectares	We consider William Lake to be one of our premier properties, with potential for nickel and PGEs. An extensive exploration program was conducted during 2008. A re-assay program was completed in 2012 and preliminary target modelling was completed in 2013. The costs to maintain the claims on this property are minimal as the Company has banked work credits that will be used at renewal.
<b>Fond du Lac<sup>2</sup></b>	Saskatchewan (20 km NW of Stony Rapids)	19,713 hectares	This Ni, Cu property is currently in the early exploration stage. The costs to maintain the claims on this property are minimal as the Company has banked work credits that will be used at renewal.
<b>Manibridge<sup>1</sup></b>	Manitoba (128 km SW of Thompson)	274 hectares	This Ni property is located in the Thompson Nickel Belt. The costs to maintain the claims on this property are minimal as the Company has banked work credits that will be used at renewal.
<b>HPM<sup>1</sup></b>	Quebec (180 km NW of Sept Isles)	748 hectares	This Ni, Cu property is in the early exploration stage. We own 50% of this property and Murchison Minerals Ltd. owns the other 50%.

<sup>1</sup> Properties were part of a property purchase from Xstrata Nickel terms included:

- a net smelter royalty of 2% on each property with Pure Nickel having the right to reacquire 1% by payment of \$1,000,000 with respect to a particular property at any time up to twelve months after commercial production has been achieved on that property;
- off-take and marketing rights for all concentrate or product produced from the properties; and
- the right to retain one back-in right to 50% for any one mining project with an economic threshold of 15,000,000 tons of resources.

<sup>2</sup> Property is subject to a 0.5% NSR

We continue to evaluate the properties in our portfolio and make divestiture decisions based on the carrying costs of maintaining the claims in good standing and the likelihood of directing resources towards exploration on the properties.

### **MAN Property, Alaska**

The MAN Property has benefitted from over US\$24,206,000 (\$25,707,000) of exploration from 2008 to November 2013. During that time, the Company had entered into a joint venture agreement with ITOCHU Corporation ("ITOCHU") whereby ITOCHU funded exploration while earning into the property. Notwithstanding that a significant zone of mineralization was identified on the property, ITOCHU withdrew from the joint venture agreement on November 15, 2013 and full ownership of the MAN Property reverted back to the Company. During the fourth quarter of 2015 the Company decided not to renew the MAN Property claims and the property was written off.

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**Tower Property, Manitoba**

On March 31, 2015, we announced we had signed an agreement with Akuna Minerals Inc. ("Akuna") for the sale of the Company's 30% interest in the Tower Property. This sale closed on May 22, 2015. Under the terms of the agreement, Akuna paid us \$1,000,000. In addition, upon achievement of nameplate production, as defined in an NI 43-101 feasibility study, Akuna will make a one-time payment to us of \$500,000.

**Royalty Interest - Milford Copper Property, Utah**

The Milford Copper Property is currently owned by CS Mining LLC ("CS Mining"). We hold a 1% net smelter royalty capped at US\$8,000,000 (\$10,682,400) on all CS Mining's Milford properties against which there is a 2% net smelter royalty on certain claims held by another party that is capped at US\$3,000,000 (\$4,005,900).

**Outlook**

We are currently operating with reduced activity levels in order to control costs and conserve cash balances. We are proactively reducing expenditure levels in an effort to conserve cash while we identify and evaluate new opportunities going forward. We continuously evaluate our mineral property holdings with respect to carrying costs and the future likelihood of any property driving shareholder value. Past and future divestiture decisions have been, and will be made based on this criterion. We are also investigating other opportunities that would enable the Company to diversify and grow.

**Quarterly Information**

Selected financial information for the previous eight quarters is set out below.

	<b>Quarter ended Nov. 30, 2015 \$</b>	<b>Quarter ended Aug. 31, 2015 \$</b>	<b>Quarter ended May 31, 2015 \$</b>	<b>Quarter ended Feb. 28, 2015 \$</b>
Revenues	–	–	999,999	–
Expenses	28,610,105	240,474	228,964	650,792
Net income (loss)	(28,607,632)	(233,140)	780,890	(643,186)
Total comprehensive income (loss)	(28,542,537)	6,283	758,604	(279,031)
Net income (loss) per share*	(0.42)	(0.003)	0.011	(0.009)
	<b>Quarter ended Nov. 30, 2014 \$</b>	<b>Quarter ended Aug. 31, 2014 \$</b>	<b>Quarter ended May 31, 2014 \$</b>	<b>Quarter ended Feb. 28, 2014 \$</b>
Revenues	–	–	–	–
Expenses	221,785	263,396	437,415	368,434
Net income (loss)	(212,442)	(262,446)	(444,968)	(334,428)
Total comprehensive income (loss)	407,715	(228,344)	(699,756)	168,075
Net income (loss) per share*	(0.003)	(0.004)	(0.007)	(0.005)

Note: \* Fully diluted loss per share is not presented since it would be anti-dilutive.

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## **Results of Operations – year ended November 30, 2015**

We received no operating revenues during the year ended November 30, 2015, which is unchanged from the year ended November 30, 2014. We received net proceeds from the disposition of a mineral property during the current year of \$999,999, compared to \$nil in 2014. We do not currently generate revenues or cash flows from operations (except for interest income and some small payments that are credited to exploration and evaluation properties on the consolidated statement of financial position rather than being identified as revenues in our statement of operations). This was in accordance with expectations as we are an exploration stage company and expect to finance activities through joint ventures, the sale of property interests, and by raising additional share capital when market conditions are suitable.

We incurred a net loss of \$28,703,068 or \$0.42 per share for the year ended November 30, 2015, compared to a net loss of \$1,254,283 or \$0.02 per share for the year ended November 30, 2014. The increase in the loss was due to an impairment of mineral properties during the current year that totalled \$28,668,104, compared to an impairment of \$28,139 on one mineral property during the prior year. Total comprehensive loss was \$28,056,681 for the year ended November 30, 2015 compared to a total comprehensive loss of \$967,222 for the prior year. This was due to the effect of the currency translation adjustment which was income of \$646,387 for this year compared to income of \$287,061 last year. The currency translation adjustment results from the effect of translating the balance sheets of our US subsidiaries from US dollars into Canadian funds.

Our results included a gain on foreign exchange of \$23,440 for the year ended November 30, 2015 compared to a gain of \$27,466 in the previous year. This decrease is a result of a smaller US dollar cash and cash equivalents balance on hand at November 30, 2015 than at November 30, 2014.

Interest income decreased to \$3,828 for the year ended November 30, 2015 compared to \$9,280 for the comparative period due to lower interest rates and a lower cash balance at November 30, 2015 than at November 30, 2014.

The following table summarizes our administration and general expenses for the years ended November 30, 2015 and 2014:

	November 30, 2015	November 30, 2014
Accounting, audit and legal fees	\$ 95,464	\$ 119,892
Consulting	116,565	56,028
Depreciation	2,337	3,170
Directors' fees	56,062	67,688
Investor relations	39	66,439
Occupancy costs	55,851	59,534
Office and miscellaneous	79,864	19,577
Regulatory, filing and transfer agent fees	33,044	27,982
Salaries and benefits	559,987	694,483
Settlement payment	–	82,463
Share-based compensation	3,648	18,690
Travel	59,370	46,944
<b>Total administration and general expenses</b>	<b>\$ 1,062,231</b>	<b>\$ 1,262,890</b>

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Total administration and general expenses for the year ended November 30, 2015 were \$1,062,231, down from \$1,262,890 for the year ended November 30, 2014, a decrease of 16%. The decrease is a result of an on-going effort to reduce expenses in order to conserve cash while we identify and evaluate new opportunities going forward.

Accounting, audit and legal expenses decreased by \$24,428, or 20%, as a result of lower legal fees during the current year. The decrease in legal fees during the current year resulted from the settlement of a disputed net profits interest related to the Milford Copper Property in the second quarter of 2014. Consulting fees increased by \$60,537, or 108%, due to consultants being used on a per diem basis during the last three quarters of 2015 to work with us on assessing potential future business opportunities. Depreciation fell slightly as the net book value of the equipment was lower year over year and there were no new additions during 2015. Directors' fees decreased \$11,626, or 17%, for the year ended November 30, 2015 compared to last year due to fewer meetings during the current year and the retirement of one director in June 2015. Investor relations expenses decreased by \$66,400, or 99%, for the year ended November 30, 2015 compared to the prior year as a result of a reduction in the number of investor relations firms retained during the year. Occupancy costs decreased by \$3,683, or 6% when compared to the prior year, due to a slight decrease in rent in 2015. Office and miscellaneous expenses increased by \$60,287 or 308% for the year ended November 30, 2015. This increase is due to a non-cash adjustment made in the fourth quarter of 2014 related to the Tower and HPM properties. After removing this non-cash adjustment from the 2014 balance, office and miscellaneous costs decreased by \$41,951, or 34%. This decrease is a result of lower insurance costs for the current year, a reduction in the conventions attended and the overall emphasis on cost reduction. Regulatory, filing and transfer agent fees were up by \$5,062, or 18% primarily due to the reversal of a prepaid expense from a prior period. Salaries and benefits fell by \$134,496, or 19%, for the year ended November 30, 2015 compared to the prior year. This decrease is due to a reduction in the number of employees during the current year compared to the prior year. There was a one-time payment of \$82,463 (US\$75,000) for the settlement of a disputed net profits interest related to the Milford Copper Properties that occurred during the second quarter of 2014. Share based compensation fell by \$15,042, or 80%, in the year. Recent stock option grants had a lower fair value as calculated using the Black-Scholes option pricing model and no stock options were granted during 2015. Travel costs rose by 26%, or \$12,426, compared to last year due to an increase in travel related to the evaluation of potential business opportunities for us during 2015.

Cash provided by operating activities was \$206,224 during the year ended November 30, 2015, compared to cash used of \$1,404,730 in the prior year. This difference was due to the proceeds of \$999,999 received from the disposition of a mineral property in the current fiscal year and the overall emphasis on cost reduction during 2015.

Investing activities used cash of \$24,552 for the year ended November 30, 2015 compared to \$702,285 of cash used in investing activities in the year ended November 30, 2014. This difference is due to higher expenditures on exploration and evaluation properties, namely the MAN Alaska and Salt Chuck properties, during the year ended November 30, 2014.

Pure Nickel did not raise any cash through financing activities in the year ended November 30, 2015, nor in the year ended November 30, 2014.

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## **Results of Operations – three months ended November 30, 2015**

We received no operating revenues during the three months ended November 30, 2015, which is unchanged from the three months ended November 30, 2014. We do not currently generate revenues or cash flows from operations (except for interest income and some small payments that are credited to exploration and evaluation properties on the balance sheet rather than being identified as revenues in our statement of operations). This was in accordance with expectations as we are an exploration stage company and expect to finance activities through joint ventures, the sale of property interests, and by raising additional share capital when market conditions are suitable.

We incurred a net loss of \$28,607,632 or \$0.42 per share for the three months ended November 30, 2015, compared to a net loss of \$212,441 or \$0.00 per share for the three months ended November 30, 2014. The increase in the loss was due to an impairment of mineral properties during the current quarter totalling \$28,306,424, compared to an impairment of \$nil during the fourth quarter last year. Total comprehensive loss was \$28,542,537 in the quarter compared to a comprehensive loss of \$17,473 in the fourth quarter last year. This was due to the effect of the currency translation adjustment which was income of \$65,095 in the fourth quarter this year compared to income of \$194,968 last year. The currency translation adjustment results from the effect of translating the balance sheets of our US subsidiaries from US dollars into Canadian funds.

Our results included a gain on foreign exchange of \$1,037 for the quarter ended November 30, 2015 compared to a gain of \$7,664 in the fourth quarter of the previous year.

Interest income decreased to \$1,436 for the three months ended November 30, 2015 compared to \$1,679 for the comparative period due to lower interest rates and a lower cash balance at November 30, 2015 than at November 30, 2014.

The following table summarizes our administration and general expenses for the three months ended November 30, 2015 and 2014:

	Three months ended November 30, 2015	Three months ended November 30, 2014
Accounting, audit and legal fees	\$ 40,051	\$ 11,252
Consulting	76,145	43,368
Depreciation	519	705
Directors' fees	11,437	17,250
Investor relations	–	11,655
Occupancy costs	14,345	14,502
Office and miscellaneous	21,574	(78,266)
Regulatory, filing and transfer agent fees	2,106	2,534
Salaries and benefits	119,889	158,971
Share-based compensation	484	12,705
Travel	17,131	27,109
<b>Total administration and general expenses</b>	<b>\$ 303,681</b>	<b>\$ 221,785</b>

Total administration and general expenses for the three months ended November 30, 2015 were \$303,681, up from \$221,785 for the three months ended November 30, 2014, an increase of 37%. After adjusting

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for the one-time non-cash adjustment booked in the fourth quarter of 2014, total administration and general expenses for the three months ended November 30, 2015 were \$303,681, down from \$324,023 for the three months ended November 30, 2014, a decrease of 6%. The decrease is a result of an on-going effort to reduce expenses in order to conserve cash while we identify and evaluate new opportunities going forward. Some of these savings were offset by higher consulting and legal costs as we used outside service providers to assist in evaluating potential business opportunities.

Accounting, audit and legal expenses increased by \$28,799, or 256%, as a result of an increase in legal fees accrued for during the fourth quarter of 2015. Consulting fees increased by \$32,777, or 76%, due to consultants being used on a per diem basis during the fourth quarter of 2015 to work with us on assessing potential future business opportunities. Depreciation fell slightly as the net book value of the equipment was lower year over year and there were no new additions during the fourth quarter of 2015. Directors' fees decreased by \$5,813, or 34%, for the three month period ended November 30, 2015 compared to the same period last year as the board had one fewer member in the current quarter than in 2014 due to the retirement of one board member in June 2015. Investor relations expenses decreased by \$11,655, or 100%, for the three months ended November 30, 2015 as we did not use any investor relations firms during the current quarter. Occupancy costs decreased by \$157, or 1% when compared to the prior period, as a result of a slight decrease in rental rates during the current quarter. Office and miscellaneous expenses, after removing the 2014 non-cash adjustment noted above, decreased by \$2,398 or 10% for the three month period ended November 30, 2015. This decrease is a result of lower insurance costs for the current quarter and the overall emphasis on cost reduction. Regulatory, filing and transfer agent fees were down \$428, or 17%. Salaries and benefits fell by \$39,082, or 25%, for the three months ended November 30, 2015 compared to the prior comparable period. This decrease is due to a reduction in the number of employees during the fourth quarter of 2015 compared to the fourth quarter of 2014. Share based compensation fell by \$12,221, or 96%, for the current three month period as there were no stock options granted during the fourth quarter of 2015. Stock options were granted to directors and employees in October 2014. Travel costs fell by 37%, or \$9,978, compared to the fourth quarter of the prior year. Travel costs for the fourth quarter of 2014 were higher as they included overseas travel which did not occur during the fourth quarter of 2015.

Cash used by operating activities was \$187,101 during the three month period ended November 30, 2015, compared to cash used of \$351,537 in the fourth quarter of the prior year. This difference was due to the lower expenses incurred in the current fiscal quarter and a deposit that was prepaid in the fourth quarter of 2014.

Investing activities used cash of \$24,284 for the three months ended November 30, 2015 compared to \$205,430 of cash used in investing activities in the three months ended November 30, 2014. This difference is due to higher expenditures on exploration and evaluation properties, namely the Salt Chuck Property, during the quarter ended November 30, 2014 as the 2014 drill season was ending.

Pure Nickel did not raise any cash through financing activities in the three months ended November 30, 2015, nor in the three months ended November 30, 2014.

## **Liquidity and Capital Resources**

Currently, none of our property interests generate revenue. Our capital needs have historically been met by the issuance of securities (either through private placements, the exercise of stock options, or the issuance of shares for services, property or other assets). Fluctuations in our share price will affect our

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ability to obtain future financing, and future financing will represent dilution to existing shareholders.

We had cash and equivalents of \$1,103,494 at November 30, 2015 compared to \$872,882 at November 30, 2014. This balance includes restricted cash and cash equivalents of \$83,383 (November 30, 2014 - \$90,040) which are funds invested in guaranteed investment certificates with maturities of less than three months as security for corporate credit cards. Working capital was \$917,460 at November 30, 2015 compared to \$923,309 at November 30, 2014. Current liabilities at November 30, 2015 consisted of accounts payable and accrued liabilities totalling \$215,239 compared to \$107,952 at November 30, 2014.

The exploration and development of our exploration and evaluation projects will require substantial additional capital. Going forward, we continue to seek joint venture and other arrangements with partners by which we can advance the exploration of our properties without bearing all of the exploration costs directly. Management reviews the properties on a regular basis and abandons claims and writes off their book value when it is determined that further exploration is not likely to be productive.

Management believes it will be able to control expenditures and at present expects it has sufficient cash to meet required general and administrative expenses and property holding costs for the next twelve months.

### **Off-Balance-Sheet Arrangements**

We have not entered into any off-balance-sheet financing arrangements.

### **Transactions with Related Parties**

During the year ended November 30, 2015, the Company incurred legal expenses with a firm of which a director of the Company was a partner, of \$983. During the year ended November 30, 2014, the Company incurred legal expenses with a firm of which a director of the Company was a principal until February 2014, of \$5,624 and incurred legal expenses with a firm of which a director of the Company was a partner since March 2014, of \$595. The balance and transactions were in the normal course of operations.

### **Proposed Transactions**

We are not aware of any proposed transactions involving a proposed asset or business or business acquisition or disposition which may have a material effect on our financial condition, results of operations and cash flows. At any time, however, we may have under consideration potential transactions in such categories as part of the continuous review of our business activities and opportunities.

### **Share Capital**

At March 24, 2016 and November 30, 2015 share capital was as follows:

Issued and outstanding common shares	68,144,874
Stock options	3,150,000

## **Critical Accounting Estimates and Policies**

Our consolidated financial statements for the year ended November 30, 2015 are prepared in accordance with Canadian generally accepted accounting principles (GAAP), following International Financial Reporting Standards (IFRS). Management makes certain estimates and relies upon certain assumptions related to reporting our assets and liabilities as well as results of operations in conformity with Canadian GAAP. Actual results will differ from these estimates and assumptions.

The most significant accounting estimates for us relate to the carrying values of our exploration and evaluation property assets. Exploration and evaluation properties consist of exploration and mining claims and leases. Acquisition and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. The estimated values of all properties are assessed by us on a continual basis, and if the carrying values exceed estimated recoverable values, then these costs are written down to the estimated recoverable values. If properties are put into production, the costs of acquisition and exploration are written off over the life of the property, based upon the estimated economic reserves. Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in operations for the period.

The following are our more critical accounting policies.

### **Exploration and evaluation properties**

All expenditures related to the cost of exploration and evaluation of mineral resources, including acquisition costs for interests in mineral claims are capitalized as exploration and evaluation properties. Exploration and evaluation costs include costs to acquire and maintain rights to explore, geological, geophysical and geochemical studies, sampling, exploratory drilling, analytical testing, assaying, metallurgical work and directly attributable administrative costs.

General exploration costs not related to a specific exploration and evaluation property or those incurred before the Company has a legal right to explore an area are expensed in the period incurred.

Proceeds received from the sale of properties or cash received from option payments are recorded as a reduction of the related exploration and evaluation property asset.

Exploration and evaluation properties are recorded at cost on a property-by-property basis. The recoverability of the amounts shown for exploration and evaluation properties is dependent upon the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet obligations under various agreements, and future profitable production or, alternatively, upon the Company's ability to recover its costs through a disposition of its exploration and evaluation resource properties. If a project does not prove to be viable, all unrecoverable costs associated therewith would be written off. The amounts shown for exploration and evaluation of the properties do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation.

## **Foreign currency translation**

### **Translation of foreign operations**

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which each operates. The parent company's functional currency is the Canadian dollar. The functional currency for the Company's United States subsidiaries is the United States (US) dollar. The presentation currency for these consolidated financial statements is the Canadian dollar.

Translation of all assets and liabilities from the US dollar functional currency to the presentation currency is performed using the rates prevailing at the balance sheet date. The differences arising upon translation from the functional currency to the presentation currency are recorded as currency translation adjustments in other comprehensive income.

Translation of all income and expenses from the US dollar functional currency to the presentation currency are performed using the average exchange rate for the period with translation gains and losses recorded as currency translation adjustments in other comprehensive income.

### **Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date).

## **Financial Assets and Liabilities**

Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

### **Loans and receivables**

#### *Classification*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Assets in this category are cash and cash equivalents, restricted cash and cash equivalents and amounts receivable and are classified as current assets in the consolidated statements of financial position.

#### *Recognition and measurement*

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

### **Impairment of financial assets**

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and are recognized in the income statement.

### **Financial liabilities**

The Company has recognized its accounts payable and accrued liabilities as other financial liabilities. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. Accounts payable and accrued liabilities are subsequently measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

### **Loss per Share**

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. Outstanding stock options have not been considered in the computation of diluted loss per share as the result is anti-dilutive.

### **Share-Based Compensation**

The Company has an equity-settled share-based compensation plan for granting stock options to management, directors, employees and consultants. The Company recognizes compensation expense for this plan at fair value so that the fair value of each option grant is estimated on the date of the grant and amortized over the vesting period, with the resulting amortization credited to reserve. The Company uses the accelerated method (also referred to as graded vesting) for allocating stock option expense over the vesting period. Stock option expense incorporates an expected forfeiture rate. The forfeiture rate is based on past experience and expectations of future forfeitures rates. Adjustments are made if the actual forfeiture rate differs from the expected rate. The fair value of each grant is determined using the Black-Scholes option-pricing model. Consideration paid upon the exercise of stock options is recorded as share capital.

### **Disclosure Controls and Procedures**

There have been no significant changes in the Company's internal control over financial reporting during the year ended November 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management of the Company has separately filed on SEDAR (at [www.sedar.com](http://www.sedar.com)) the Form 52-109FV2 Venture Issuer Basic Certificate at the same time as having filed the Company's consolidated financial statements and MD&A for the year ended November 30, 2015.

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

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

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificate(s). Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost effective basis, DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Economic Factors

Our financial performance will be directly affected by the exploration activities to be conducted on our projects, the results of those activities, and the possible development of the properties for commercial production of nickel and/or other valuable minerals. Should the results of such exploration activities warrant bringing any of the projects into commercial production, substantial additional funds would be required. Until such time as commercial production is achieved (and there can be no assurance it will be), we will continue to incur administrative costs and exploration expenditures that are either deferred or expensed, depending upon the nature of those expenditures, resulting in continuing operating losses and significant cash requirements. In the future, should the development of our exploration and evaluation projects occur, then our financial performance will become more closely linked to the prices obtained for the nickel and/or other metals produced.

We report our financial results in Canadian dollars although our revenues, if any, will be primarily earned in US dollars, while our expenses are in both currencies. The Canadian dollar has shown significant volatility compared with the US dollar. As a result, prices of commodities (such as nickel) as well as the Canadian value of disbursements incurred in United States funds have been highly volatile. We take this volatility and anticipated trends in metal prices and foreign exchange rates into consideration when evaluating our business, prospects and projects and expenditures thereon.

## Risks

*Any investment in our common shares involves a high degree of risk. Selected risk factors are shown below. In addition to the other information presented in this Management Discussion and Analysis, you should consider the following risk factors carefully in evaluating Pure Nickel Inc., our business, and the mineral exploration and mining industry.*

**We have a limited operating history and as a result there is no assurance we can operate profitably or with a positive cash flow.**

We are an exploration stage company. Our operations are subject to all the risks inherent in the establishment of an exploration stage enterprise and the uncertainties arising from the absence of a significant operating history. Investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success

must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration of the exploration and evaluation properties that we plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The amounts disbursed by us in the exploration of the mineral claims may not result in the discovery of mineral deposits. Problems such as unusual or unexpected formations of rock or land and other conditions are involved in mineral exploration and often result in unsuccessful exploration efforts. If the results of future exploration programs do not reveal viable commercial mineralization, we may decide to abandon our claims and in fact have abandoned some already.

**If we do not obtain additional financing, our business will fail and investors could lose their investment.**

We had cash and equivalents of \$1,103,494 and net working capital of \$917,460 at November 30, 2015. We do not currently generate revenues or cash flows from operations (except for interest income and payments that are credited to exploration and evaluation properties on the balance sheet rather than being identified as revenues in our statement of operations). The exploration and development of our mineral projects will require substantial additional capital. In order to maintain certain of our property claims, we must incur certain minimum exploration expenditures on an ongoing basis. There can be no assurance that we will have the funds required to make such expenditures or that those expenditures will result in positive cash flow. There are no arrangements in place for additional financing and there is no assurance that we will be able to find such financing if required.

We are an exploration company with an accumulated deficit of \$52,330,955 as at November 30, 2015. With ongoing cash requirements for exploration, development and new operating activities, it will be necessary to raise substantial funds from external sources. If we do not raise these funds, we will be unable to pursue our business activities, and our investors could lose their investment. If we are able to raise funds, investors could experience a dilution of their interests that would negatively affect the market value of the shares.

**Because there is no assurance that we will generate revenues, we face a high risk of business failure.**

We have not earned any revenues to date and have never had positive cash flow. Before being able to generate revenues, we will incur substantial operating and exploration expenditures without receiving any revenues. If we are unable to generate significant revenues from our activities, we will not be able to earn profits or continue operations. Based upon current plans, we expect to incur significant operating losses in the future. We cannot guarantee that we will be successful in raising capital to fund these operating losses or generate revenues in the future. There is no assurance that we will ever generate any operating revenues or ever achieve profitable operations. If we are unsuccessful in addressing these risks, our business may fail and our investors could lose some or all of their investment.

**There are no known reserves of minerals on our mineral claims and there is no assurance that we will find any commercial quantities of minerals.**

We have not found any mineral reserves on our claims and there can be no assurance that any of the mineral claims under exploration contain commercial quantities of any minerals. Even if commercial quantities of minerals are identified, there can be no assurance that we will be able to exploit the reserves or, if we are able to exploit them, that it can be done on a profitable basis. Substantial expenditures will be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required. It is impossible to ensure that the exploration or development programs planned by us will result in a profitable commercial mining operation. The decision as to whether a particular property contains a

commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) metal prices, which are highly cyclical; (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; (iv) ongoing costs of production; and (v) availability and cost of additional funding. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in us receiving no return or an inadequate return on invested capital.

**Because of the speculative nature of the exploration of natural resource properties, there is substantial risk that our business will fail.**

While the discovery of a commercially viable ore body may result in substantial rewards, few exploration and evaluation properties which are explored are ultimately developed into producing mines. There is no assurance that any of the claims that we will explore or acquire will contain commercially exploitable reserves of minerals. Exploration for natural resources is a speculative venture involving substantial risk. Even a combination of careful evaluation, experience and knowledge may not eliminate such risk. Hazards such as unusual or unexpected geological formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides, and the inability of us to obtain suitable machinery, equipment or labour are all risks involved with the conduct of exploration programs and the operation of mines.

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect our operations, financial condition and results of operations.

**We are subject to market factors and volatility of commodity prices beyond our control.**

The marketability of mineralized material that we may acquire or discover will be affected by many factors beyond our control. These factors include market fluctuations in the prices of minerals sought which are highly volatile, the proximity and capacity of natural resource markets and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The effect of these factors cannot be predicted, but may result in a very low or negative return on invested capital. Prices of certain minerals have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond our control. Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by us would have a material adverse effect on us, and could result in the suspension of our exploration programs or mining operations.

**Our stock price could be volatile.**

Market prices of securities of many public companies have experienced significant fluctuations in price that have not been related to the operating performance, underlying asset values or prospects of such companies. The market price of our common shares has been and is likely to remain volatile. Results of exploration activities, the price of nickel, future operating results, changes in estimates of our performance by securities analysts, market conditions for natural resource companies in general, and other factors beyond our control could cause a significant decline of the market price of our common shares.

**If we do not make certain payments or fulfill other contractual obligations, we may lose our option rights and interests in our joint ventures.**

We may, in the future, be unable to meet our share of costs incurred under option or joint venture agreements to which we are a party and we may have our interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, we may be unable to finance the cost required to complete programs. The loss of any option rights or interest in joint ventures would have a material, adverse effect on us.

**We may not have good title to our exploration and evaluation properties, potentially impairing our value.**

The acquisition of title to exploration and evaluation properties is a very detailed and time-consuming process. Title to exploration and evaluation properties may be disputed. Although we believe we have taken reasonable measures to ensure proper title to our properties, there is no guarantee that title to any of our properties will not be challenged or impaired. Third parties may have valid claims underlying portions of our interests, including prior unregistered liens, agreements, transfers or claims, including aboriginal land claims, and title may be affected by, among other things, undetected defects or unforeseen changes to the boundaries of our properties by governmental authorities. As a result, we may be constrained in our ability to operate our properties or unable to enforce our rights with respect to our properties. An impairment to or defect in our title to our properties could have a material adverse effect on our financial condition or results of operations. In addition, such claims, whether or not valid, will involve additional cost and expense to defend or settle.

**If key employees or contractors leave the company, we will be harmed since we are heavily dependent upon them for all aspects of our activities.**

We are dependent upon key employees and contractors, the loss of any of whom could have a negative impact on our ability to operate the business and could cause a decline in the value of, or cash flows from, our properties or additional costs resulting from a delay in development or exploration of properties.

**If we do not comply with all applicable regulations, we may be forced to halt our business activities and/or incur significant expense.**

We are subject to government and environmental regulations. Permits from a variety of regulatory authorities are required for many aspects of exploration, mining operations and reclamation. We cannot predict the extent to which future legislation and regulation could cause additional expense, capital expenditures, restrictions, and delays in the development of our Canadian and/or US properties, including those with respect to unpatented mining claims.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities that may result in operations ceasing or being curtailed; and may include corrective measures requiring capital expenditures, installation of additional equipment, or other expensive and/or time-consuming remedial actions. Parties engaged in the exploration or development of exploration properties may be required to compensate those suffering loss or damage by reason of such parties' activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Our activities are not only subject to extensive federal, provincial, state and local regulations controlling the exploration and mining of exploration and evaluation properties, but also the possible effects of such activities upon the environment as well as costs, cancellations and delays resulting from lobbying activities of environmental groups. Future legislation and regulations could cause additional disbursements, capital expenditures, restrictions and delays in the development of our properties, the

extent of which cannot be predicted. Also, as noted above, permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. In the context of environmental permitting, including the approval of reclamation plans, we must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays, depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. If we become more active on our properties, compliance with environmental regulations may increase our costs. Such compliance may include feasibility studies on the surface impact of proposed operations; costs associated with minimizing surface impact, water treatment and protection, reclamation activities including rehabilitation of sites, on-going efforts at alleviating the mining impact on wildlife, and permits or bonds as may be required to ensure our compliance with applicable regulations. The costs and delays associated with such compliance may result in us deciding not to proceed with exploration, development or mining operations on any exploration and evaluation properties.

**Exercise of outstanding options, and other future issuances of securities, will result in dilution of our common shares.**

As of March 24, 2016 and November 30, 2015, there were 68,144,874 common shares issued and outstanding as well as 3,150,000 options outstanding.

The holders of the options are given an opportunity to profit from a rise in the market price of the common shares with a resulting dilution in the interest of the other shareholders. Our ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the common shares. The holders of options may exercise such securities at a time when we would otherwise be able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by those outstanding rights.

The increase in the number of common shares issued and outstanding and the possibility of sales of such shares may depress the market price of our common shares. In addition, as a result of any such issuances the votes of existing shareholders will be diluted.

## **Forward-Looking Statements**

This Management Discussion and Analysis includes forward-looking statements concerning our future performance, operations, and financial performance and financial condition. These forward-looking statements may include, among others, statements with respect to our objectives and strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. When used herein, the words “plan”, “believe”, “anticipate”, “may”, “should”, “intend”, “estimate”, “expect”, “project”, and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on current expectations. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates, or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors including economic conditions, technological change, regulatory change, and competitive factors, many of which are beyond our control.

Future events and results may vary significantly from what is expected. We are under no obligation (and we expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise.

### **Additional Information**

Additional information about Pure Nickel is available on our website at [www.purenickel.com](http://www.purenickel.com), on the SEDAR website at [www.sedar.com](http://www.sedar.com).