



PURE NICKEL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the nine months ended August 31, 2018 and 2017

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim consolidated financial statements of Pure Nickel Inc. and all the information contained in the financial statements are the responsibility of management and have been approved by the Board of Directors. They have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Some amounts included in the financial statements are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal controls. These controls ensure that transactions are authorized, assets are safeguarded from loss or unauthorized use, and financial records are reliable for the purpose of preparing financial statements. The Board of Directors carries out its responsibilities for the financial statements through the Audit Committee. The Audit Committee periodically reviews and discusses financial reporting matters with the Company's auditors, Grant Thornton LLP, as well as with management. These financial statements have not been audited or reviewed by Pure Nickel Inc.'s auditors.

PURE NICKEL INC.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**(Expressed in Canadian dollars)**

	Notes	August 31, 2018	November 30, 2017
ASSETS			
Current			
Cash		\$ 333,240	\$ 565,754
Restricted cash and cash equivalents	5	5,000	5,000
Amounts receivable	6	2,911	1,604
Prepaid expenses and deposits		3,355	559
Total current assets		344,506	572,917
Equipment	7	2,345	3,025
Royalty interest	9	458,877	597,998
Exploration and evaluation properties	8	4	4
Total assets		\$ 805,732	\$ 1,173,944
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable		\$ 11,768	\$ 718
Accrued liabilities		706,610	862,917
Total current liabilities		718,378	863,635
Shareholders' equity:			
Share capital	10	53,541,113	53,541,113
Accumulated other comprehensive income		1,456,880	1,450,470
Deficit		(54,910,639)	(54,681,274)
Total shareholders' equity		87,354	310,309
Total liabilities and shareholders' equity		\$ 805,732	\$ 1,173,944

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)**SUBSEQUENT EVENT (Note 18)**

Approved on behalf of the board of directors:

"David R. McPherson"

David R. McPherson, Director

"Thomas S. Kofman"

Thomas Kofman, Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PURE NICKEL INC.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**(Expressed in Canadian dollars)**

		Three months ended August 31		Nine months ended August 31	
	Notes	2018	2017	2018	2017
Expenses:					
Administration and general	12	\$ 95,934	\$ 708,786	\$ 230,591	\$ 884,160
Reversal of impairment of royalty interest	9	–	(1,112,958)	–	(1,113,972)
Impairment of exploration and evaluation properties	8	–	–	1,227	2,694
Income (Loss) before other income (expenses)		(95,934)	404,172	(231,818)	227,118
Other income (expenses):					
Interest income		135	8	160	41
Foreign exchange gain (loss)		1,352	(1,144)	2,293	(822)
Net income (loss) for the period		(94,447)	403,036	(229,365)	226,337
Other comprehensive income (loss)					
Currency translation adjustment		10,583	(6,547)	6,410	(7,807)
Total comprehensive income (loss) for the period		\$ (83,864)	\$ 396,489	\$ (222,955)	\$ 218,530
Loss per share – basic and diluted	13	\$ (0.00)	\$ 0.01	\$ (0.00)	\$ 0.00

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PURE NICKEL INC.

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**(Expressed in Canadian dollars)**

		<u>Reserves</u>			
	Share capital	Share based payments	Accumulated other comprehensive income (loss) - Currency translation	Deficit	Total shareholders' equity
Balance, November 30, 2017	\$ 53,541,113	\$ –	\$ 1,450,470	\$ (54,681,274)	\$ 310,309
Net loss	–	–	–	(229,365)	(229,365)
Other comprehensive income	–	–	6,410	–	6,410
Total comprehensive loss for the period	–	–	6,410	(229,365)	(222,955)
Balance, August 31, 2018	\$ 53,541,113	\$ –	\$ 1,456,880	\$ (54,910,639)	\$ 87,354
Balance, November 30, 2016	\$ 53,541,113	\$ 14,775	\$ 1,428,628	\$ (54,803,268)	\$ 181,248
Net income	–	–	–	226,337	226,337
Other comprehensive loss	–	–	(7,807)	–	(7,807)
Total comprehensive income for the period	–	–	(7,807)	226,337	218,530
Balance, August 31, 2017	\$ 53,541,113	\$ 14,775	\$ 1,420,821	\$ (54,576,931)	\$ 399,778

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PURE NICKEL INC.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**(Expressed in Canadian dollars)**

For the nine months ended August 31,	Notes	2018	2017
Operating activities:			
Net income (loss) for the period		\$ (229,365)	\$ 226,337
Items not affecting cash:			
Depreciation	7	680	973
Reversal of impairment of royalty interest	9	–	(1,113,972)
Proceeds from royalty interest	9	146,869	487,172
Impairment of exploration and evaluation properties	8	1,227	2,892
Changes in non-cash working capital items:			
Amounts receivable		(1,307)	1,032
Prepaid expenses and deposits		(2,796)	8,366
Accounts payable		11,050	(590)
Accrued liabilities		(156,307)	667,230
Total cash flows (used in) generated from operating activities		(229,949)	279,400
Investing activities:			
Capitalized exploration and evaluation property expenditures, net of recoveries	8	(1,227)	(2,892)
Redemption of restricted cash and cash equivalents	5	–	78,226
Total cash flows (used in) generated from investing activities		(1,227)	75,334
Translation adjustments		(1,338)	(7,460)
(Decrease) increase in cash during the period		(232,514)	347,314
Cash, beginning of the period		565,754	247,666
Cash, end of the period		\$ 333,240	\$ 594,980

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PURE NICKEL INC.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED AUGUST 31, 2018 AND 2017

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Pure Nickel Inc. (the “Company”) is a corporation domiciled in Canada, originally incorporated under the laws of British Columbia, Canada, and subsequently continued under the *Canada Business Corporations Act*. The address of the Company’s registered head office is TD Canada Trust Tower, 161 Bay Street, Suite 2700, Toronto, ON, M5J 2S1. The Company’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “NIC”.

The Company is in the business of acquiring, exploring and developing mineral properties in Canada and the United States, primarily those containing nickel, platinum group elements (PGEs), copper, gold, silver and associated base and precious metals. The Company is in the process of exploring its exploration and evaluation properties and has not yet determined whether they contain reserves that are economically recoverable. The Company will be required to obtain additional financing to explore and develop its resource properties.

As of the date of these condensed interim consolidated financial statements, the Company has not yet determined whether any of its exploration and evaluation properties contain economically recoverable reserves. Accordingly, exploration and evaluation properties are recorded at cost on a property-by-property basis, less impairment. The recoverability of the exploration and evaluation costs 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.

During the nine months ended August 31, 2018, the Company had a net loss of \$229,365 (August 31, 2017 –net income of \$226,337), negative cash flow from operations of \$229,949 (August 31, 2017 – positive cash flow of \$279,400) and working capital deficiency as at August 31, 2018 of \$373,872 (November 30, 2017 –\$290,718). The Company is subject to risks and challenges similar to companies in a comparable stage of exploration. As a result of these risks, there are material uncertainties which cast significant doubt as to the Company’s ability to continue as a going concern. There is no assurance that the Company’s funding initiatives will be successful and these condensed interim consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported and condensed interim consolidated statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. Additional funding will be necessary to advance its exploration and development efforts and discussions are ongoing in monetizing some Company assets to assist this. While the Company has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

2. BASIS OF PREPARATION**(a) Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and do not include all the information required for full annual consolidated financial statements required by IFRS as issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies used are those the Company expects to adopt in its consolidated financial statements as at and for the year ending November 30, 2018.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual financial statements for the year ended November 30, 2017.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on October 24, 2018.

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**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS
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(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)**(b) Basis of measurement**

These condensed interim consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency for the Company's United States subsidiary is the United States (US) dollar. The presentation currency for these condensed interim consolidated financial statements is the Canadian dollar. The functional currency of the Company's subsidiary is further described in Note 3(h).

(d) Use of estimates and judgments**(i) Use of estimates**

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The most significant source of estimation uncertainty is related to deferred tax and the reversal of impairment loss of previously recognized royalty interest.

The Company recognizes the deferred tax benefit related to tax assets and tax losses to the extent recovery is probable. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit and expected timing of reversals of existing temporary differences. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the deferred tax assets recorded at the balance sheet date could be affected. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from tax assets and tax losses.

At the end of each reporting period, the Company assesses whether there is any indication that an impairment loss recognized in prior periods for royalty interests may no longer exist or may have decreased. In assessing whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased, the Company considers observable market data, significant changes in market conditions, and evidence that the royalty's economic performance will be better than expected. Significant judgement required in estimating future cash flows associated with the royalty includes future commodity prices, foreign exchange rates, and production volumes.

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**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS
ENDED AUGUST 31, 2018 AND 2017**

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)**(ii) Critical judgments**

The judgments that management has applied in the application of the Company's accounting policies that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are the policies on exploration and evaluation properties, royalty interest and functional currency.

The Company's accounting policy for exploration costs results in certain items being capitalized according to the expected recoverability of the projects. This policy requires management to make certain assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such assumptions may change as new information becomes available.

The Company considers at the end of each accounting period, whether or not there has been an impairment of the capitalized exploration and evaluation properties. For non-producing exploration and evaluation properties, this assessment is based on whether factors that may indicate the need for a write-down are present. If the Company has determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, the Company would be required to write-down the recorded value of its exploration and evaluation properties which would reduce the Company's earnings and net assets.

The Company considers at the end of each accounting period, whether or not there has been an impairment, or recovery of impairment, of the capitalized royalty interest. This requires evaluating current market conditions and the ability of the counterparty to settle its obligations.

The functional currency of the Company and its subsidiary have been assessed by management based upon consideration of the currency and economic factors that influence costs, financing and similar items. Changes to these factors may have an impact on the judgment applied in the determination of the functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned United States subsidiary, Nevada Star Resource Corp. (U.S.). All intercompany balances and transactions have been eliminated upon consolidation.

(b) Cash

Cash include cash on account and demand deposits. Funds that are not available for use by the Company are noted as restricted.

(c) Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided for based on the estimated useful lives of the assets using the declining balance basis at the following annual rates:

Office equipment	20%
Computer hardware	30%

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment and amortized according to their respective useful lives.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Impairment of exploration and evaluation properties and royalty interest**

The carrying value of exploration and evaluation properties and royalty interest are reviewed at each reporting date for impairment whenever events or circumstances indicate the recoverable amount may be less than the carrying amount. The recoverable amount is the greater of its value-in-use and its fair value less costs of disposal.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or the smallest group of assets that largely generates independent cash inflows (cash generating units or "CGUs") through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less costs of disposal is the amount obtainable from the sale of an asset or CGU in an orderly transaction between market participants at the measurement date, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

An impairment loss is recognized when the carrying value of an asset held for use exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to risks and uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting period date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

(e) 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.

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(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(e) Exploration and evaluation properties (continued)**

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 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.

(f) Royalty interest

The Company records its royalty interest at cost, net of impairment charges. Royalty revenues received from the royalty interest are recorded against the capitalized amount when received. Royalty revenues received in excess of the capitalized amount are recorded as revenue on the statement of income (loss) when received. Where a potential impairment is indicated, assessments are performed for each area of interest. Any royalty interest that is not expected to be recovered is charged to the results of operations.

(g) 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, restricted cash and cash equivalents and amounts receivable and are classified as current assets in the condensed interim 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(h) Foreign currency translation****Translation of foreign operations**

The functional currency for the Company and its subsidiary is the currency of the primary economic environment in which each operates.

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 period-end and are measured at historical cost (translated using the exchange rates at the transaction date).

(i) Income (loss) per share

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

(j) 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 reserves. 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.

(k) Asset retirement obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of exploration and evaluation properties. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred and the corresponding asset retirement cost is added to the carrying amount of the related asset. The cost is amortized over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation. As at August 31, 2018 and November 30, 2017, the Company had not incurred any asset retirement obligations related to the exploration of its exploration and evaluation properties.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**(l) Income taxes**

Income taxes expense comprises current and deferred income taxes. Income taxes expense is recognized in the condensed interim consolidated statements of income (loss) except to the extent that it relates to items recognized directly in equity.

Current income taxes

Current taxes are the expected taxes payable or recoverable on the taxable income or loss, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income taxes payable in respect of previous years.

Deferred income taxes

The Company accounts for income taxes under the asset and liability method. Under this method of tax allocation, deferred income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences).

Deferred income taxes are measured using the tax rates that are expected to be in effect when the temporary differences are likely to reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect on deferred income tax assets and liabilities of a change in tax rates is included in earnings in the period in which the change is substantively enacted. The amount of deferred income tax assets recognized is limited to the amount that is probable to be realized.

(m) Comprehensive income or loss

Comprehensive income or loss is the change in equity during the period from transactions, events and circumstances other than those under the control of management. It includes all changes in equity during a period except those resulting from investments by shareholders and distributions to shareholders. The Company reports comprehensive income or loss as a separate statement. Comprehensive income or loss represents the change in net equity for the period that arises from unrealized gains and losses on available-for-sale financial instruments and the translation of the Company's subsidiary's financial statements from their functional currency to the presentation currency. Amounts included in other comprehensive income or loss are shown net of tax.

4. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS**Future accounting standards**

Certain pronouncements have been issued by the IASB or IFRIC (IFRS Interpretations Committee) that will be effective for future accounting periods. Many of these updates are not applicable or consequential to the Company and are not included in the list below.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of International Financial Reporting Standard (“IFRS”) 9, “Financial Instruments”, which replaces IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities, establishes an expected credit losses impairment model and a new hedge accounting model with corresponding risk management activity disclosures. The standard is effective for annual periods beginning on or after January 1, 2018.

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4. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)*IFRS 15 – Revenue from Contracts with Customers*

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018.

IFRS 16 – Leases

IFRS 16 was issued in January 2016. IFRS 16 replaces IAS 17 Leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019 with early adoption permitted.

IFRIC 23 – Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (“IFRIC 23”). IFRIC 23 clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, and permits early adoption.

Earlier application is permitted for these pronouncements. These new standards are expected to have minimal impact on the Company’s future reporting periods and on foreseeable future transactions.

5. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents include funds invested in guaranteed investment certificates with maturities of less than year as security for corporate credit cards. The funds securing the corporate credit cards are restricted and cannot be withdrawn while the credit cards are outstanding.

6. AMOUNTS RECEIVABLE

	August 31, 2018	November 30, 2017
Sales taxes receivable	\$ 2,911	\$ 1,604
Total amounts receivable	\$ 2,911	\$ 1,604

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED AUGUST 31, 2018 AND 2017

(Expressed in Canadian dollars)

7. EQUIPMENT

	Computer hardware	
Cost		
Balance at November 30, 2016	\$	32,263
Additions		–
Balance at November 30, 2017	\$	32,263
Additions		–
Balance at August 31, 2018	\$	32,263
Accumulated depreciation		
Balance at November 30, 2016	\$	27,941
Depreciation for the year		1,297
Balance at November 30, 2017	\$	29,238
Depreciation for the period		680
Balance at August 31, 2018	\$	29,918
Net book value		
As at November 30, 2016	\$	4,322
As at November 30, 2017	\$	3,025
As at August 31, 2018	\$	2,345

8. EXPLORATION AND EVALUATION PROPERTIES

	Saskatchewan	Manitoba		Quebec	
	Fond du Lac	William Lake	Manibridge	HPM	Total
Balance November 30, 2017	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4
Exploration and evaluation costs:					
Claims	–	494	13	720	1,227
Less:					
Impairment	–	(494)	(13)	(720)	(1,227)
Balance August 31, 2018	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4

	Saskatchewan	Manitoba		Quebec	
	Fond du Lac	William Lake	Manibridge	HPM	Total
Balance November 30, 2016	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4
Exploration and evaluation costs:					
Claims	–	715	26	2,187	2,928
Less:					
Impairment	–	(715)	(26)	(2,187)	(2,928)
Balance November 30, 2017	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4

(a) Fond du Lac Property, Saskatchewan, Canada

Fond du Lac is located in northern Saskatchewan and comprises four contiguous claims covering 19,713 hectares on the northern edge of the Athabasca Basin. This nickel, copper property is currently in the early exploration stage. The Fond du Lac Property was written down to \$1 as no substantive exploration expenditures are planned or budgeted. The costs to maintain the claims on this property are minimal as the Company has banked work credits that will be used at renewal.

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8. EXPLORATION AND EVALUATION PROPERTIES (continued)**(b) Other properties**

In 2007, the Company purchased the property rights for the properties listed below from Falconbridge Limited (“Xstrata”) subject to a 2% net smelter return royalty. In addition, Xstrata has a one-time right to repurchase a 50% working interest in any one of the properties if certain conditions are met. Xstrata also has the right to purchase 100% of the ore produced at market prices.

(i) William Lake Property, Manitoba, Canada

The William Lake property is located in central Manitoba and consists of 10,566 hectares. An extensive exploration program was conducted on this nickel and platinum group element (PGE) property during 2008. A re-assay program was completed in 2012 and preliminary target modelling was completed in 2013. The William Lake Property was written down to \$1 as no substantive exploration expenditures are planned or budgeted. The costs to maintain the claims on this property are minimal as the Company has banked work credits that will be used at renewal.

(ii) HPM Property, Quebec, Canada

The HPM Property is located in Quebec. The property is owned 50% by the Company and 50% by Murchison Minerals Ltd. The HPM Property was written down to \$1 as no substantive expenditures have been made on this property in recent periods nor are any planned or budgeted for.

(iii) Manibridge Property, Manitoba, Canada

This nickel property is located in the Thompson Nickel Belt in Manitoba, 128 km southwest of Thompson. The Manibridge Property has been written down to \$1 as no substantive exploration expenditures are planned or budgeted. The costs to maintain the claims on this property are minimal as the Company has banked work credits that will be used at renewal.

9. ROYALTY INTEREST

The Milford Copper Property was previously owned by CS Mining LLC (“CS Mining”) and is now owned by Tamra Mining Company, LLC (“Tamra”). The Company holds a 1% net smelter royalty on all Tamra’s Milford properties. That Royalty is shared with another party on a pro-rata basis, with the Company’s royalty capped at US\$5,000,000 (\$6,527,500) and the other party’s royalty capped at US\$3,000,000 (\$3,916,500).

The Company was previously informed by CS Mining that the property was in production and there were royalties owing. In June 2016, a group of creditors of CS Mining filed a petition for involuntary Chapter 11 bankruptcy and two of CS Mining’s owners filed an action against the other owners of the company. Subsequently, CS Mining converted the involuntary bankruptcy to voluntary Chapter 11 bankruptcy and a bidding process for the assets ensued. As a result of the bankruptcy filing by CS Mining, the timing of the royalty payments was uncertain; therefore the royalty was written down to \$1 during the year ended November 30, 2016.

On August 29, 2017, the successful bidder, Tamra, became the owner of the Milford Copper Property and on August 31, 2017, the Company received a court approved royalty payment, for previously earned royalty, of \$486,158 (US\$387,810). For the nine months ended August 31, 2018, the Company received further royalty payments for a total of \$146,869 (US\$112,500), increasing the total royalty payments received to \$634,041 (US\$501,085). As at August 31, 2018, the remaining maximum royalty balance was US\$4,498,915 (2017 – US\$4,611,415) or \$5,873,334 (2017 - \$5,947,342).

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9. ROYALTY INTEREST (continued)

In 2017, the Company evaluated its royalty interest in Milford Copper Property for indication that the impairment loss that had been recognized in previous periods either no longer existed or had decreased. The Company concluded that due to the positive developments, which included new ownership and the activities post acquisition of the Milford Copper Property, there were indicators that the asset value had increased. Management estimated the recoverable amount through the use of third party valuator, and estimated the fair value less costs to sell of the royalty interest based on an evaluation of comparable transactions and the underlying resources of the Milford Copper Property, and reversed the previously recognized impairment of \$1,067,863 (US\$851,805).

		Royalty interest
Balance, November 30, 2016	\$	1
Reversal of impairment of royalty interest		1,067,863
Royalty payments received during the year		(487,172)
Effect of exchange rate movements		17,306
Balance, November 30, 2017		597,998
Royalty payments received during the period		(146,869)
Effect of exchange rate movements		7,748
Balance, August 31, 2018	\$	458,877

10. SHARE CAPITAL

Share capital consists of unlimited authorized common shares without par value. A total of 68,144,874 common shares are issued and outstanding at August 31, 2018 (November 30, 2017 – 68,144,874).

Reserves

Reserves include (i) the accumulated fair value of stock options recognized as share-based compensation, and (ii) the fair value of warrants issued in private placements and for share issue costs. Reserves are increased by the fair value of these items as they vest and are reduced by corresponding amounts when the options or warrants expire or are exercised or cancelled.

11. SHARE-BASED COMPENSATION

The Company has a common share option plan for designated directors, officers, employees and consultants. Pursuant to the plan, option awards are recommended by the Compensation Committee of the Board and then reviewed by the Board of Directors. Under the plan, options on common shares may be issued for up to a cumulative amount that may not exceed 10% of shares outstanding.

The exercise price for each option granted under the plan is based upon the five-day weighted average market price at the date of the grant but shall not be lower than the discounted market price, as defined by the TSX Venture Exchange Corporate Finance Manual. The term may not exceed ten years from the date of the grant of the option. The specific terms including vesting period and term of the option are set by the board of directors.

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Stock option activity since November 30, 2016 is presented below:

	Number of shares	Weighted average exercise price \$
Outstanding, November 30, 2016	1,600,000	0.05
Expired	(1,600,000)	(0.05)
Outstanding, November 30, 2017 and August 31, 2018	–	–

12. ADMINISTRATION AND GENERAL EXPENSES

Included in administration and general expenses are the following:

	Three months ended		Nine months ended	
	August 31		August 31	
	2018	2017	2018	2017
Accounting, audit and legal fees	\$ 36,491	\$ 3,781	\$ 54,552	\$ 13,745
Consulting	6,293	5,250	30,034	18,800
Depreciation	227	325	681	973
Directors' fees	9,750	13,687	31,125	42,001
Investor relations	–	–	358	308
Occupancy costs (recoveries)	453	465	1,335	(5,145)
Office and miscellaneous	5,423	5,134	16,634	19,429
Regulatory, filing and transfer agent fees	9,583	2,454	15,633	13,265
Salaries and benefits	27,579	677,073	76,760	779,658
Travel	135	617	3,479	1,126
Total	\$ 95,934	\$ 708,786	\$ 230,591	\$ 884,160

13. LOSS PER SHARE

The weighted average number of shares outstanding used in the computation of loss per share for the Nine months ended August 31, 2018 was 68,144,874 (2017 – 68,144,874). Stock options have not been considered in the computation of diluted loss per share as all had expired as at August 31, 2018 (2017 - the result of outstanding shares was anti-dilutive).

For the Nine months ended	August 31, 2018	August 31, 2017
Loss attributable to common shareholders	\$ (229,365)	\$ 226,337
Weighted average number of common shares outstanding	68,144,874	68,144,874
Loss per share basic and diluted	\$ (0.00)	\$ 0.00

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14. RELATED PARTY TRANSACTIONS**(a) Compensation awarded to key management personnel**

Key management personnel include the Company's directors, chief executive officer and chief financial officer. Compensation expenses for key management personnel include:

For the Nine months ended	August 31, 2018	August 31 2017
Salaries, consulting and other short-term benefits	\$ 18,000	\$ 709,106
Directors' fees	31,125	42,001
	\$ 49,125	\$ 751,107

(b) Transactions with related parties

The Company has no plans or arrangements in respect of remuneration received or that may be received by the named executive officers of the Company in the most recently completed financial year or current financial period in respect of compensating such officers in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities following a change of control; except for an employment agreement with the President and CEO of the Company, which provides that in the event of termination without cause or if a terminating event occurs because of a change in control (or similar event, as defined in the contract), the President and CEO will receive a minimum of 24 months' salary, \$528,000; deferred salary of \$118,800; plus US\$100,000 ("transition payment"). On February 1, 2017, the President and CEO decided to forgo his salary payments in an effort to improve working capital. On May 26, 2017, a transition agreement was agreed to whereby the CEO and President's severance amounts owing were crystalized as per the forgoing and as of August 31, 2018, a total of \$136,772 of the transition payment has been settled. Subsequent to August 31, 2018, the Company and the President and CEO of the Company entered into a royalty interest agreement (Note 18).

15. SEGMENTED INFORMATION

The Company operates in one segment being the acquisition, exploration and development of exploration and evaluation properties. The Company has exploration and evaluation properties located in two geographical areas, Canada and the United States of America.

As at August 31, 2018	Canada	United States	Total
Current assets	\$ 62,885	\$ 281,621	\$ 344,506
Equipment	2,345	–	2,345
Royalty interest	–	458,877	458,877
Exploration and evaluation properties	4	–	4
	\$ 65,234	\$ 740,498	\$ 805,732
Current liabilities	\$ 711,875	\$ 6,503	\$ 718,378

As at November 30, 2017	Canada	United States	Total
Current assets	\$ 43,078	\$ 529,839	\$ 572,917
Equipment	3,025	–	3,025
Royalty interest	–	597,998	597,998
Exploration and evaluation properties	4	–	4
	\$ 46,107	\$ 1,127,837	\$ 1,173,944
Current liabilities	\$ 857,087	\$ 6,548	\$ 863,635

Operating expenses in each period are presently wholly attributable to the corporate office.

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16. FINANCIAL INSTRUMENTS**(a) Classification of financial instruments**

Financial assets and liabilities in the statements of financial position are as follows:

August 31, 2018	Loans and receivables	Other financial liabilities
Cash	\$ 333,240	\$ –
Restricted cash and cash equivalents	5,000	–
Amounts receivable	2,911	–
Accounts payable	–	11,768
Accrued liabilities	–	706,610

November 30, 2017	Loans and receivables	Other financial liabilities
Cash	\$ 565,754	\$ –
Restricted cash and cash equivalents	5,000	–
Amounts receivable	1,604	–
Accounts payable	–	718
Accrued liabilities	–	862,917

(b) Fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between arm's length market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company has various financial instruments comprised of cash, restricted cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair value due to their short-term maturities.

(c) Credit risk

The following assets are exposed to credit risk: cash, restricted cash and cash equivalents and amounts receivable. The Company maintains all of its cash and restricted cash and cash equivalents invested in demand deposits and short-term instruments at a major Canadian financial institution and a major United States of America financial institution. Most of these amounts are not insured but depend upon the general creditworthiness of the institution. The Company believes that exposure to credit risk is low.

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16. FINANCIAL INSTRUMENTS (continued)**(d) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at August 31, 2018, the Company had cash of \$333,240 (November 30, 2017 - \$565,754) to settle liabilities of \$718,378 (November 30, 2017 - \$863,635).

(e) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(f) Currency risk

As the Company operates in the United States, some of the Company's assets, liabilities, and transactions are denominated in United States funds. Fluctuation in the exchange rates between the United States dollar and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations.

At August 31, 2018, the Company had net monetary assets denominated in United States funds of approximately \$271,500 (US\$208,000). Based upon the balance as at August 31, 2018, an increase of 15% in the U.S. to Canadian dollar exchange would result in a decrease in the net loss and comprehensive loss of \$41,000, and a reduction of 15% would result in an increase in the net loss and comprehensive loss of \$41,000. Management believes that it is not likely but it is possible that the exchange rate could fluctuate by more than 15% within the next 12 months.

17. CAPITAL MANAGEMENT

The Company considers all of the components of shareholders' equity to be capital. The Company's objectives in managing capital are to safeguard its ability to operate as a going concern and to generate a superior return to shareholders. The Company has no debt and does not expect to enter into debt financing. It expects to finance exploration activity through joint ventures, sales of property interests, and by raising additional share capital when market conditions are suitable. The Company and its subsidiary are not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the period.

18. SUBSEQUENT EVENT

On September 4, 2018, the Company reached an agreement to sell its royalty interest (the "Royalty") in the Milford Copper Property (Note 9) to a corporation owned and controlled by the President and CEO of the Company ("Purchaser") for \$660,759 (the "Purchase Price"). The Purchase Price will be satisfied through issuance of a secured promissory note (the "Note") in the principal amount of the Purchase Price. The note will be secured by a collateral pledge of all rights, titles and interest as set forth in Transition Agreement (Note 14 (b)). The principal amount of the Note is payable upon receipt by the Purchaser of payments under the Royalty. The Note provides that any obligation to repay the principal outstanding shall be automatically set off against any amounts owing to the President and CEO of the Company under the Transition Agreement (Note 14 (b)). The closing of the Royalty agreement is subject to shareholders' approval.