PURE NICKEL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three month periods ended February 28, 2015 and 2014

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

(Unaudited)

(Expressed in Canadian dollars)

	Notes		**February 28, 2015**		**November 30, 2014**
ASSETS					
Current assets:					
Cash and cash equivalents	6	$	505,044	$	782,842
Restricted cash and cash equivalents	7		93,761		90,040
Amounts receivable	8		10,078		11,625
Prepaid expenses and deposits			166,083		146,754
Total current assets			774,966		1,031,261
Equipment	9		8,369		9,022
Royalty interest	11		1,147,059		1,010,195
Exploration and evaluation properties	10		28,132,330		28,291,156
Total assets		$	30,062,724	$	30,341,634
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable		$	30,347	$	13,565
Accrued liabilities			76,406		94,387
Total current liabilities			106,753		107,952
Shareholders' equity:					
Share capital	12		53,541,113		44,490,220
Reserves			137,099		12,344,546
Accumulated other comprehensive income			644,136		279,981
Deficit			(24,366,377)		(26,881,065)
Total shareholders' equity			29,955,971		30,233,682
Total liabilities and shareholders' equity		$	30,062,724	$	30,341,634

Going concern (Note 2)

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

Approved on behalf of the board of directors:

"David R McPherson"	*"Harry Blum"*
David R. McPherson, Director	Harry Blum, Director

PURE NICKEL INC.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS

(Unaudited)

(Expressed in Canadian dollars)

	Notes		**Three months ended February 28, 2015**		**Three months ended February 28, 2014**
Expenses:					
Administration and general	14	$	289,112	$	368,434
Impairment of exploration and evaluation properties	10		361,680		–
Loss before other income (expenses)			(650,792)		(368,434)
Other income (expenses):					
Interest income			764		3,078
Foreign exchange gain			6,842		30,928
Net loss for the period			(643,186)		(334,428)
Loss per share – basic and diluted	15	$	(0.01)	$	(0.00)

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 COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(Expressed in Canadian dollars)

	Notes		**Three months ended February 28, 2015**		**Three months ended February 28, 2014 (restated Note 21)**
Net loss for the period		$	(643,186)	$	(334,428)
Other comprehensive income					
Currency translation adjustments			364,155		162,050
Total comprehensive loss		$	(279,031)	$	(172,378)

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 CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in Canadian dollars)

		Reserves				
	Share capital	**Share based payments**	**Warrants**	**Accumulated other comprehensive income (loss)— Currency translation**	**Deficit**	**Total shareholders' equity**
Balance, November 30, 2013, as restated (Note 21)	$ 44,490,220	$ 3,274,963	$ 9,050,893	$ (7,080)	$ (25,626,782)	$ 31,182,214
Net loss	–	–	–	–	(334,428)	(334,428)
Other comprehensive income, as restated (Note 21)	–	–	–	162,050	–	162,050
Total comprehensive income (loss) for the period, as restated (Note 21)	–	–	–	162,050	(334,428)	(172,378)
Share-based compensation (Note 13)	–	3,371	–	–	–	3,371
Balance, February 28, 2014	$ 44,490,220	$ 3,278,334	$ 9,050,893	$ 154,970	$ (25,961,210)	$ 31,013,207
Balance, November 30, 2014	$ 44,490,220	$ 3,293,653	$ 9,050,893	$ 279,981	$ (26,881,065)	$ 30,233,682
Net loss	–	–	–	–	(643,186)	(643,186)
Other comprehensive income	–	–	–	364,155	–	364,155
Total comprehensive income (loss) for the period	–	–	–	364,155	(643,186)	(279,031)
Reallocation of expired warrants (Note 12)	9,050,893	–	(9,050,893)	–	–	–
Reallocation of expired and cancelled stock options (Note 12)	–	(3,157,874)	–	–	3,157,874	–
Share-based compensation (Note 13)	–	1,320	–	–	–	1,320
Balance, February 28, 2015	$ 53,541,113	$ 137,099	$ –	$ 644,136	$ (24,366,377)	$ 29,955,971

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

(Unaudited)

(Expressed in Canadian dollars)

	Notes		**Three months ended February 28, 2015**		**Three months ended February 28, 2014**
Operating activities:					
Net loss for the period		$	(643,186)	$	(334,428)
Interest income			(764)		(3,078)
Items not affecting cash:					
Depreciation	9		653		885
Impairment of exploration and evaluation properties	10		361,680		–
Share-based compensation	13		1,320		3,371
Changes in non-cash working capital items:					
Amounts receivable			1,547		18,191
Prepaid expenses and deposits			(17,250)		(31,908)
Accounts payable			16,735		2,814
Accrued liabilities			(19,323)		(47,565)
Total cash flows used in operating activities			(298,588)		(391,718)
Investing activities:					
Capitalized exploration and evaluation property expenditures, net of recoveries	10		(12,122)		(33,331)
Interest income			764		3,078
Effect of currency translation on restricted cash and cash equivalents			(3,721)		(1,589)
Total cash flows used in investing activities			(15,079)		(31,842)
Translation adjustments on cash and cash equivalents			35,869		50,707
Decrease in cash and cash equivalents during the period			(277,798)		(372,853)
Cash and cash equivalents, beginning of period			782,842		2,835,085
Cash and cash equivalents, end of period		$	505,044	$	2,462,232
Cash			453,698		1,262,711
Investment savings account			51,346		1,199,521
Cash and cash equivalents		$	505,044	$	2,462,232

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

1. NATURE OF OPERATIONS

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 95 Wellington Street West, Suite 900, Toronto, ON, M5J 2N7.

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.

The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "NIC".

2. GOING CONCERN

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from February 28, 2015.

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. 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.

During the three month period ended February 28, 2015, the Company had a net loss of $643,186, negative cash flow from operations of $298,588 and positive working capital of $668,213. The positive working capital balance was primarily due to a cash balance of $505,044. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration. As a result of these risks, there is 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 continue to 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 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 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. See also Note 22 – Subsequent Event.

3. 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, 2015.

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, 2014.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on April 23, 2015.

(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 of the Company's subsidiaries is described in Note 4(h).

(d) Use of estimates, judgments and assumptions

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates, judgments 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. Actual results could 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. Certain estimates, such as those related to the recoverability and impairment of exploration and evaluation properties and long-lived assets, the assumptions used in the determination of the fair value of stock-based compensation and the recognition of deferred tax assets depend on subjective or complex judgments about matters that may be uncertain. Changes in those estimates could materially impact these condensed interim consolidated financial statements. The judgments that management has applied in the application of accounting policies and related estimates that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are discussed below:

3. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued)

(i) Capitalization of exploration and evaluation properties

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 estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the costs, a judgment is made that recovery of the costs is unlikely, the respective capitalized amount will be written off.

(ii) Share-based compensation

The Company includes an estimate of forfeitures, share price volatility, expected life and risk-free interest rates in the calculation of the expense for share-based compensation. These estimates are based on previous experience and may change for different stock option grants made throughout the life of the stock option plan. See Note 13 for a listing of the assumptions used in the Black-Scholes option pricing model to calculate the fair value of the option grants.

(iii) Determination of functional currency

The functional currency of the Company and its subsidiaries 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.

(iv) Identification of impairment:

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, equipment. 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, or equipment, which would reduce the Company's earnings and net assets. During the three months ended February 28, 2015, the Company decided not to renew the claims on the Raglan property causing an impairment to be recorded, writing the property down to $nil.

(v) Deferred taxes:

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.

4. 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 subsidiaries, Nevada Star Resource Corp. (U.S.) and MAN Alaska LLC. All intercompany balances and transactions have been eliminated upon consolidation.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on account, demand deposits and money market investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to insignificant changes in value. 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.

(d) Impairment of exploration and evaluation properties

The carrying value of exploration and evaluation properties 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment of exploration and evaluation properties (continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

(h) 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 condensed interim 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Foreign currency translation (continued)

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) 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 period. Outstanding stock options have not been considered in the computation of diluted 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 February 28, 2015 and 2014, the Company had not incurred any asset retirement obligations related to the exploration of its exploration and evaluation properties.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income taxes

Income taxes expense comprises current and deferred income taxes. Income taxes expense is recognized in the consolidated statements of 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 subsidiaries' financial statements from their functional currency to the presentation currency. Amounts included in other comprehensive income or loss are shown net of tax.

5. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New accounting standards
The following new accounting standards were adopted effective December 1, 2013.

IFRIC 21 – Levies
In May 2013, the IASB issued a new interpretation IFRIC 21 *Levies*, which provides guidance on when to recognize a liability for a levy imposed by a government. IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also addresses the accounting for a liability to pay a levy only when the triggering event specified in the legislation occurs.

IFRIC 21 is effective for annual periods commencing on or after January 1, 2014 and is to be applied retrospectively. The adoption of IFRIC 21 did not have a material impact on the Company's condensed interim consolidated financial statements.

(Expressed in Canadian dollars)

5. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

IAS 32 offsetting Financial Assets and Financial Liabilities
In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with a corresponding amendment to IFRS 7. The adoption of IAS 32 did not have a material impact on the condensed interim consolidated financial statements.

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.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include funds in corporate chequing and savings accounts that are accessible on demand, and in an investment savings account that is redeemable with one day's notice.

7. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents include funds invested in guaranteed investment certificates with maturities of less than three months 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.

8. AMOUNTS RECEIVABLE

	February 28, 2015	November 30, 2014
Sales taxes receivable	$ 9,999	$ 11,625
Other amounts receivable	79	–
Amounts receivable	$ 10,078	$ 32,105

(Expressed in Canadian dollars)

9. EQUIPMENT

	Office equipment	Computer hardware	Total
Cost			
Balance at November 30, 2013	$ 3,866	$ 32,263	$ 36,129
Additions	–	–	–
Balance at November 30, 2014	$ 3,866	$ 32,263	$ 36,129
Additions	–	–	–
Balance at February 28, 2015	$ 3,866	$ 32,263	$ 36,129

Accumulated depreciation			
Balance at November 30, 2013	$ 2,691	$ 21,246	$ 23,937
Depreciation for the year	218	2,952	3,170
Balance at November 30, 2014	$ 2,909	$ 24,198	$ 27,107
Depreciation for the period	48	605	653
Balance at February 28, 2015	$ 2,957	$ 24,803	$ 27,760
Net book value			
As at November 30, 2013	$ 1,175	$ 11,017	$ 12,192
As at November 30, 2014	$ 957	$ 8,065	$ 9,022
As at February 28, 2015	$ 909	$ 7,460	$ 8,369

(Expressed in Canadian dollars)

10. EXPLORATION AND EVALUATION PROPERTIES

	United States of America		Saskatchewan	Manitoba			Quebec		
	MAN	Salt Chuck	Fond du Lac	William Lake	Tower	Manibridge	HPM	Raglan	Total
Balance November 30, 2014	$ 260,118	$ 1,787,222	$ 4,354,373	$21,074,636	$ 1	$ 453,287	$ 1	$ 361,518	$ 28,291,156
Exploration and evaluation costs:									
Claims	–	–	–	325	–	–	–	–	325
Drilling	–	–	–	–	–	–	–	–	–
Field accommodations and vehicles	–	–	–	–	–	–	–	–	–
Geophysical, geochemical and assays	–	–	–	–	–	–	–	–	–
Legal	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Supplies	7,927	2,478	–	309	–	–	–	–	10,714
Travel	–	–	–	–	–	–	–	–	–
Wages and consulting	–	194	–	325	–	–	796	162	1,477
Less:									
Impairment	–	–	–	–	–	–	–	(361,680)	(361,680)
Effect of exchange rate movement	24,173	166,165	–	–	–	–	–	–	190,338
Balance, February 28, 2015	**$ 292,218**	**$ 1,956,059**	**$ 4,354,373**	**$21,075,595**	**$ 1**	**$ 453,287**	**$ 797**	**$ –**	**$ 28,132,330**

(Expressed in Canadian dollars)

10. EXPLORATION AND EVALUATION PROPERTIES (continued)

	United States of America		Saskatchewan	Manitoba			Quebec		Nunavut	
	MAN	Salt Chuck	Fond du Lac	William Lake	Tower	Manibridge	HPM	Raglan	Rainbow	Total
Balance November 30, 2013 (restated Note 21)	$ 12,814	$ 1,212,945	$ 4,354,166	$21,061,797	$(14,944)	$ 453,164	$ (57,584)	$ 361,518	$ 28,139	$ 27,412,015
Exploration and evaluation costs:										
Claims	160,393	26,325	–	5,270	–	26	–	–	–	192,014
Drilling	–	349,490	–	–	–	–	–	–	–	349,490
Field accommodations and vehicles	11,440	35,099	–	–	–	–	–	–	–	46,539
Geophysical, geochemical and assays	9,230	20,751	–	–	–	–	–	–	–	29,981
Legal	–	–	–	–	–	–	–	–	–	–
Other	5,635	–	–	49	44,653	–	57,585	–	–	107,922
Supplies	30,935	12,384	–	2,202	–	–	–	–	–	45,521
Travel	–	8,770	–	1,627	–	–	–	–	–	10,397
Wages and consulting	28,681	27,721	207	3,691	292	97	–	–	–	60,689
Less:										
Impairment	–	–	–	–	–	–	–	–	(28,139)	(28,139)
Option payments received	–	–	–	–	(30,000)	–	–	–	–	(30,000)
Effect of exchange rate movement	990	93,737	–	–	–	–	–	–	–	94,727
Balance, November 30, 2014	**$ 260,118**	**$ 1,787,222**	**$ 4,354,373**	**$21,074,636**	**$ 1**	**$ 453,287**	**$ 1**	**$ 361,518**	**$ –**	**$ 28,291,156**

10. EXPLORATION AND EVALUATION PROPERTIES (continued)

(a) MAN Property, Alaska, United States

In 2008, the Company entered into an Option and Joint Venture Agreement (the "Agreement") with ITCOHU Corporation ("ITOCHU") whereby ITOCHU could earn up to a 75% interest in the MAN property. In 2010, when the property was transferred to MAN Alaska LLC, ITOCHU had earned a 30% interest in the property and was, therefore, provided a 30% interest in MAN Alaska LLC, while the Company obtained a 70% interest. The Company determined that MAN Alaska LLC was under the joint control of the Company and ITOCHU and accounted for its interest in the MAN Alaska LLC joint venture as an equity method investment. Any amounts included in exploration and evaluation properties subsequent to the transfer of the MAN property to the joint venture but prior to the Company's acquisition of control of MAN Alaska LLC, as described in the next paragraph, relate to costs incurred directly by the Company.

From 2008 to November 15, 2013, ITOCHU funded approximately US$24,206,000 ($25,707,000) of exploration costs. On November 15, 2013, ITOCHU withdrew from the joint venture on the MAN Property, and the Company determined that its investment in the joint venture was impaired, resulting in an impairment charge of $18,176,670. Under the terms of the Agreement, upon withdrawal of ITOCHU, full ownership of MAN Alaska LLC reverted back to the Company, resulting in consolidation of this entity. The carrying value of the MAN property was $nil when PNI obtained control on November 15, 2013 (See Note 21).

(b) Salt Chuck Property, Alaska, United States

The Salt Chuck Property consists of mining claims covering approximately 1,082 hectares near the historic Salt Chuck mine on Prince of Wales Island, Alaska. Nine drill holes totalling 1,700 metres were completed on the North Pole Hill section of the property in May and June, 2014.

(d) 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.

(e) Other properties

In 2007, the Company purchased the property rights for the properties listed below from Falconbridge Limited (now Glencore) subject to a 2% net smelter return royalty. In addition, Glencore has a one-time right to repurchase a 50% working interest in any one of the properties if certain conditions are met. Glencore 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 20,656 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.

(Expressed in Canadian dollars)

10. EXPLORATION AND EVALUATION PROPERTIES (continued)

(ii) Tower Property, Manitoba, Canada
The Tower Property is located immediately north of the William Lake Property. During 2008, the Company entered into an option agreement with Rockcliff Resources Inc. under which Rockcliff could earn up to a 70% interest in the Tower Property. In May 2014, Rockcliff made the required option payments and had incurred the required exploration expenditures to earn a 70% interest in these claims. In 2013, Rockcliff filed an NI 43-101 technical report on an indicated and inferred resource estimate for the high grade copper T-1 deposit. See also Note 22 - Subsequent Event.

(iii) HPM Property, Quebec, Canada
In 2007, the Company entered into an option agreement with Manicouagan Minerals Inc. (now Murchison Minerals Ltd.) under which Manicouagan could earn up to a 70% interest in the HPM property. In November 2009 Manicouagan had made the required option payments and exploration expenditures to earn a 50% interest in the property and decided not to earn the additional 20%.

(iv) Manibridge Property, Manitoba, Canada
This nickel property is located in the Thompson Nickel Belt in Manitoba, 128 km southwest of Thompson.

(v) Raglan Property, Quebec, Canada
The Raglan area is located in northern Quebec and consists of a property called Nuvilik. During the current quarter the Company decided not to renew these claims and the property was written off.

(vi) Rainbow Property, Nunavut, Canada
The Rainbow Property was located in a remote region of Nunavut and consisted of mining claims covering approximately 2,468 hectares. In May 2014 the Company decided not to renew these claims and the property was written off.

11. ROYALTY INTEREST

The Milford Copper Property, located in Utah, United States of America, is currently owned by CS Mining LLC ("CS Mining"). The Company holds a 1% net smelter royalty interest capped at US$8,000,000 ($10,002,400) on all CS Mining's Milford properties against which there is a 2% net smelter return royalty on certain claims, held by another party that is capped at US$3,000,000 ($3,750,900).

		Royalty interest
Balance, November 30, 2013	$	904,617
Effect of exchange rate movements		105,578
Balance, November 30, 2014		1,010,195
Effect of exchange rate movements		136,864
Balance, February 28, 2015	$	1,147,059

(Expressed in Canadian dollars)

12. SHARE CAPITAL

Share capital consists of unlimited authorized common shares without par value. 68,144,874 common shares are issued and outstanding at February 28, 2015 (November 30, 2014 – 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.

13. 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.

Stock option activity since November 30, 2013 is presented below:

	Number of shares	Weighted average exercise price $
Outstanding, November 30, 2013	4,740,000	0.09
Granted	1,705,000	0.05
Expired	(1,380,000)	0.16
Outstanding, November 30, 2014	5,065,000	0.06
Cancelled	(15,000)	0.06
Outstanding, February 28, 2015	5,050,000	0.06

The following stock options are outstanding and exercisable at February 28, 2015:

	Options outstanding				Options exercisable	
Grant date	Exercise price $	Number of shares	Weighted average remaining contractual life in years	Weighted average exercise price $	Number of shares	Weighted average exercise price $
April 24, 2012	0.095	1,600,000	0.2	0.095	1,600,000	0.095
June 27, 2012	0.065	100,000	0.3	0.065	100,000	0.065
April 23, 2013	0.035	1,650,000	1.2	0.035	1,412,500	0.035
October 23, 2014	0.05	1,700,000	2.7	0.05	1,250,000	0.05
		5,050,000	1.3	0.06	4,362,500	0.06

(Expressed in Canadian dollars)

13. SHARE-BASED COMPENSATION (continued)

Stock options outstanding at February 28, 2015 expire from April 24, 2015 to October 23, 2017.

During the three months ended February 28, 2015, the Company recognized $1,320 of share-based compensation expense (February 28, 2014 – $3,371), which has been recorded in the consolidated statement of loss.

The following inputs and assumptions were used in the Black-Scholes option pricing model used to calculate the fair value of each grant at the grant date:

	Stock options outstanding at February 28, 2015	Stock options outstanding at February 28, 2014
Expected option lives	3.0 years	3.0 years
Risk-free interest rate	1.01% - 1.19%	1.01% - 1.74%
Expected dividend yield	0%	0%
Estimated forfeiture rate	3%	3%
Expected stock price volatility	86% - 139%	86% - 117%

14. ADMINISTRATION AND GENERAL EXPENSES

Included in administration and general expenses are the following:

	Three months ended February 28, 2015	Three months ended February 28, 2014
Accounting, audit and legal fees	$ 29,989	$ 64,789
Consulting	10,146	10,902
Depreciation	654	885
Directors' fees	8,125	20,750
Investor relations	39	18,777
Occupancy costs	12,858	17,743
Office and miscellaneous	19,318	43,725
Regulatory, filing and transfer agent fees	9,508	6,506
Salaries and benefits	186,635	172,170
Share-based compensation	1,320	3,371
Travel	10,520	8,816
Total administration and general expenses	$ 289,112	$ 368,434

(Expressed in Canadian dollars)

15. LOSS PER SHARE

The weighted average number of shares outstanding used in the computation of loss per share for the three months ended February 28, 2015 was 68,144,874 (February 28, 2014 – 68,144,874). Outstanding stock options have not been considered in the computation of diluted loss per share as the result is anti-dilutive.

	Three months ended February 28, 2015	Three months ended February 28, 2014
Loss attributable to common shareholders	$ 643,186	$ 334,428
Weighted average number of common shares outstanding	68,144,874	68,144,874

16. RELATED PARTY BALANCES AND 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:

	Three months ended February 28, 2015	Three months ended February 28, 2014
Salaries and other short term benefits	$ 98,893	$ 99,734
Directors' fees	8,125	20,750
Share-based compensation	801	1,645
	$ 107,819	$ 122,129

(b) Transactions with related parties

During the three months ended February 28, 2015, the Company incurred legal expenses with a firm of which a director of the Company was a partner, of $983. During the three months ended February 28, 2014, the Company incurred legal expenses with a firm of which a director of the Company was a principal, of $5,624. The balance and transactions were in the normal course of operations.

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 period or current financial year 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, any variable compensation that would have been paid during the notice period, plus $100,000.

(Expressed in Canadian dollars)

17. 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.

February 28, 2015		Canada		United States of America		Total
Equipment	$	8,369	$	–	$	8,369
Royalty interest		–		1,147,059		1,147,059
Exploration and evaluation properties		25,884,053		2,248,277		28,132,330
	$	25,892,422	$	3,395,336	$	29,287,758

November 30, 2014		Canada		United States of America		Total
Equipment	$	9,022	$	–	$	9,022
Royalty interest		–		1,010,195		1,010,195
Exploration and evaluation properties		26,243,816		2,047,340		28,291,156
	$	26,252,838	$	3,057,535	$	29,310,373

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

18. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

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

February 28, 2015		Loans and receivables		Other financial liabilities
Cash and cash equivalents	$	505,044	$	–
Restricted cash and cash equivalents		93,761		–
Amounts receivable		10,078		–
Accounts payable		–		30,347
Accrued liabilities		–		76,406

November 30, 2014		Loans and receivables		Other financial liabilities
Cash and cash equivalents	$	782,842	$	–
Restricted cash and cash equivalents		90,040		–
Amounts receivable		11,625		–
Accounts payable		–		13,565
Accrued liabilities		–		94,387

18. FINANCIAL INSTRUMENTS (continued)

(b) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a 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 and cash equivalents, restricted cash and cash equivalents, amounts receivable, 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 and cash equivalents, restricted cash and cash equivalents and amounts receivable. The Company maintains all of its cash and cash equivalents 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.

(d) Liquidity risk

The Company has no debt and almost all of its financial assets are liquid, therefore has very limited exposure to liquidity risk of its financial assets.

(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 February 28, 2015, the Company had net monetary assets denominated in United States funds of $569,000 (US$455,000). Based upon the balance as at February 28, 2015, 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 $85,000, and a reduction of 15% would result in an increase in the net loss and comprehensive loss of $85,000. 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.

(Expressed in Canadian dollars)

19. 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 subsidiaries are not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the period.

20. COMMITMENTS

The Company has commitments under an operating lease for office space. This operating lease has a three year term. Included in administration and general expenses for the three months ended February 28, 2015 is $12,858 of operating lease expenses (February 28, 2014 - $17,743).

Future minimum lease payments as at February 28, 2015 are as follows:

2015	$ 42,971
2016	$ 14,324

21. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

MAN Alaska LLC

In the course of preparing the Company's consolidated financial statements for the year ended November 30, 2014, an historical error was identified in the accounting for the Company's interest in the MAN Alaska LLC joint venture. Upon review of *IFRS 11- Joint Arrangements,* and *IAS 31- Interests In Joint Ventures,* it was determined that the Company's 70% participating interest in the MAN Alaska LLC joint venture from April 5, 2010 to November 15, 2013 should have been accounted for under the equity method. Consequently, the Company restated the consolidated financial statements for the year ended November 30, 2013 and the consolidated balance sheet at December 1, 2012 to reflect the equity method of accounting for this investment up to November 15, 2013. Immediately prior to November 15, 2013, when ITOCHU withdrew from the joint venture, the Company determined that the investment was impaired. The Company wrote down the investment to its estimated fair value less costs of disposal, which resulted in an impairment loss of $18,176,670.

On November 15, 2013, the Company obtained control of MAN Alaska LLC upon ITOCHU's withdrawal, which resulted in the Company derecognizing its equity investment and consolidating the identifiable assets and liabilities of MAN Alaska LLC. The acquisition of control was determined to be an acquisition of assets and was not in the scope of *IFRS 3 – Business combinations* because MAN Alaska LLC was not a business. A gain of $761,043 was recorded on acquisition of control, which consisted primarily of the acquisition of net monetary assets and from the reclassification of $550,985 of cumulative translation amounts in accumulated other compressive income to profit or loss.

(Expressed in Canadian dollars)

21. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (continued)

The following tables summarize the impact of the restatement adjustments on the Company's previously reported condensed interim consolidated financial statements.

Effect of restatement on Consolidated Statement of Comprehensive Income (Loss):

February 28, 2014		**As Reported**		**Adjustment**		**As Restated**
Net loss for the period	$	(334,428)	$	–	$	(334,428)
Other comprehensive income						
Currency translation adjustments		502,503		(340,453)		162,050
Total comprehensive income (loss)	$	168,075	$	(340,453)	$	(172,378)

Effect of restatement on Consolidated Statement of Changes in Shareholders' Equity:

February 28, 2014		**As Reported**		**Adjustment**		**As Restated**
Total shareholders' equity, November 30, 2013	$	39,077,044	$	(7,894,830)	$	31,182,214
Net loss		(334,428)		–		(334,428)
Other comprehensive income		502,503		(340,453)		162,050
Share-based compensation		3,371		–		3,371
Total shareholders' equity, February 28, 2014	$	39,248,490	$	(8,235,283)	$	31,013,207

22. SUBSEQUENT EVENT

On March 31, 2015, the Company announced it had signed an agreement with Akuna Minerals Inc. ("Akuna") for the sale of the Company's 30% interest in the Tower Property. Akuna will pay the Company $1,000,000, of which a non-refundable deposit of $10,000 has been received. In addition, upon achievement of nameplate production, as defined in an NI 43-101 feasibility study, Akuna will make a one-time payment to the Company of $500,000. This sale is expected to close by May 30, 2015.