



PURE NICKEL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended May 31, 2019 and 2018

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	May 31, 2019	November 30, 2018
ASSETS			
Current			
Cash		\$ 100,999	\$ 269,340
Restricted cash equivalents	4	2,500	5,000
Amounts receivable	6	6,754	4,618
Prepaid expenses and deposits		4,605	529
Investments	5	120,575	-
Total current assets		235,434	279,487
Equipment	7	1,801	2,117
Royalty interest	9	1	1
Exploration and evaluation properties	8	204,237	4
Total assets		\$ 441,474	\$ 281,609
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current			
Accounts payable		\$ 10,268	\$ 8,895
Accrued liabilities		954,908	678,429
Total current liabilities		965,176	687,324
Shareholders' deficit:			
Share capital	10	53,745,348	53,541,113
Reserves	11	45,813	-
Accumulated other comprehensive income		1,468,264	1,469,067
Deficit		(55,783,129)	(55,415,895)
Total shareholders' deficit		(523,704)	(405,715)
Total liabilities and shareholders' deficit		\$ 441,474	\$ 281,609

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

Approved on behalf of the board of directors:

"R. David Russell"
R. David Russell, 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 May 31		Six months ended May 31	
	Notes	2019	2018	2019	2018
Expenses:					
Administration and general	12	\$ 412,045	\$ 68,212	\$ 670,913	\$ 134,657
Impairment of exploration and evaluation properties	8	–	902	325	1,227
Loss before other income (expenses)		(412,045)	(69,114)	(671,238)	(178,068)
Other income (expenses):					
Interest income (expense)		21	(23)	48	25
Gain on sale of exploration and evaluation properties		213,463	–	213,463	–
Unrealized loss on FVTPL investments	5	(18,705)	–	(18,705)	–
Royalty income		111,019	–	111,019	–
Foreign exchange gain (loss)		(2,705)	570	(1,821)	941
Net loss for the period		(108,952)	(68,567)	(367,234)	(134,918)
Other comprehensive income (loss)					
Currency translation adjustment		(1,402)	6,284	(803)	(4,173)
Total comprehensive loss for the period		\$ (110,354)	\$ (62,283)	\$ (368,037)	\$ (139,091)
Loss per share – basic and diluted	13	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (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 CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY**(Expressed in Canadian dollars)**

		<u>Reserves</u>				
	Share capital	Share based payments	Accumulated other comprehensive income	Deficit	Total shareholders' (deficit) equity	
Balance, November 30, 2018	\$ 53,541,113	\$ –	\$ 1,469,067	\$ (55,415,895)	\$ (405,715)	
Net loss	–	–	–	(367,234)	(367,234)	
Share-based compensation	–	45,813	–	–	45,813	
Shares issued on Neal property	204,235	–	–	–	204,235	
Foreign exchange translation	–	–	(803)	–	(803)	
Balance, May 31, 2019	\$ 53,745,348	\$ 45,813	\$ 1,468,264	\$ (55,783,129)	\$ (523,704)	
Balance, November 30, 2017	\$ 53,541,113	\$ –	\$ 1,450,470	\$ (54,681,274)	\$ 310,309	
Net loss	–	–	–	(134,918)	(134,918)	
Foreign exchange translation	–	–	(4,173)	–	(4,173)	
Balance, May 31, 2018	\$ 53,541,113	\$ –	\$ 1,446,297	\$ (54,816,192)	\$ 171,218	

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PURE NICKEL INC.

(An Exploration Stage Company)

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

For the six months ended May 31,	2019	2018
Operating activities:		
Net loss for the period	\$ (367,234)	\$ (134,918)
Items not affecting cash:		
Depreciation	316	227
Share-based compensation	45,813	–
Unrealized loss on FVTPL investments	18,705	–
Gain on exploration and evaluation properties	(213,463)	–
Impairment of exploration and evaluation properties	325	1,227
Changes in non-cash working capital items:		
Amounts receivable	(2,136)	(3,215)
Prepaid expenses and deposits	(4,076)	(9,998)
Accounts payable	1,373	553
Accrued liabilities	276,479	(40,866)
Total cash flows used in operating activities	(242,898)	(186,636)
Investing activities:		
Capitalized exploration and evaluation property expenditures, net of recoveries	(325)	11,925
Proceeds from sale of properties	75,000	–
Redemption of restricted cash and cash equivalents	2,500	–
Total cash flows used in investing activities	77,175	11,925
Translation adjustments	1,382	(5,640)
Decrease in cash during the period	(168,341)	(180,478)
Cash, beginning of the period	269,340	565,754
Cash, end of the period	\$ 100,999	\$ 385,276

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 THE SIX MONTHS ENDED MAY 31, 2019 AND 2018

(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 gold, nickel, platinum group elements (PGEs), copper, 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 six months ended May 31, 2019, the Company had a net loss of \$367,234 (2018 – \$134,918), negative cash flow from operations of \$246,898 (2018 – \$186,636) and working capital deficiency as at May 31, 2019 of \$729,743 (November 30, 2018 – \$407,837). 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 AND PRESENTATION**(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, 2019.

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, 2018.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on July 24, 2019.

PURE NICKEL INC.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION AND PRESENTATION (continued)**(b) 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.

(c) Basis of measurement

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

(d) 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 years affected. The most significant source of estimation uncertainty is related to deferred tax, impairment losses 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 years from tax assets and tax losses.

At the end of each reporting year, the Company assesses whether or not there has been an impairment of the capitalized royalty interest, or if there is any indication that an impairment loss recognized in prior years for royalty interests may no longer exist or may have decreased. This requires that the Company considers observable market data, significant changes in market conditions, and evidence if the royalty's economic performance will be other than previously expected. Significant judgement required in estimating future cash flows associated with the royalty includes future commodity prices, foreign exchange rates, and production volumes.

PURE NICKEL INC.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION AND PRESENTATION (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 year, 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 year, 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. 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 years. Many of these updates are not applicable or consequential to the Company and are not included in the list below.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, which will replace IAS 17 Leases. This standard 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. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. The Company intends to adopt IFRS 16 on December 1, 2019 and does not expect material impact of this new standard on its condensed interim consolidated financial statements.

PURE NICKEL INC.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

3. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)*IFRIC 23 – Uncertainty over Income Tax Treatments*

In June 2018, 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 years beginning on or after January 1, 2019, and permits early adoption. The Company is assessing the potential impact of IFRIC 23.

4. RESTRICTED CASH EQUIVALENTS

Restricted 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.

5. INVESTMENTS

The Company’s investments are as follows:

	May 31, 2019	November 30, 2018
<i>FVTPL</i>	\$	\$
<u>Murchison Minerals Limited</u>		
500,000 Shares (2018 – NIL shares)	40,000	–
<u>CanAlaska Uranium Limited</u>		
300,000 Shares (2018 – NIL shares)	72,000	–
100,000 Warrants (2018 – NIL warrants)	8,575	–
Balance	120,575	–

6. AMOUNTS RECEIVABLE

	May 31, 2019	November 30, 2018
Sales taxes receivable	\$ 6,754	\$ 4,618
Total amounts receivable	\$ 6,754	\$ 4,618

PURE NICKEL INC.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

7. EQUIPMENT

	Computer hardware
Cost	
Balance at November 30, 2017	\$ 32,263
Additions	-
Balance at November 30, 2018	\$ 32,263
Additions	-
Balance at May 31, 2019	\$ 32,263
Accumulated depreciation	
Balance at November 30, 2017	\$ 29,238
Depreciation	908
Balance at November 30, 2018	\$ 30,146
Depreciation	316
Balance at May 31, 2019	\$ 30,462
Net book value	
As at November 30, 2017	\$ 3,025
As at November 30, 2018	\$ 2,117
As at May 31, 2019	\$ 1,801

8. EXPLORATION AND EVALUATION PROPERTIES

	Idaho	Saskatchewan	Manitoba		Quebec	
	Neal	Fond du Lac	William Lake	Manibridge	HPM	Total
Balance November 30, 2018	\$ -	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4
Acquisition	204,235	-	-	-	-	204,235
Claims	-	-	325	-	816	1,141
Less:						
Disposals	-	-	-	(1)	(817)	(818)
Impairment	-	-	(325)	-	-	(325)
Balance May 31, 2019	\$ 204,235	\$ 1	\$ 1	\$ -	\$ -	\$ 204,237

	Idaho	Saskatchewan	Manitoba		Quebec	
	Neal	Fond du Lac	William Lake	Manibridge	HPM	Total
Balance November 30, 2017	\$ -	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4
Exploration and evaluation costs:						
Claims	-	-	728	13	720	1,461
Less:						
Impairment	-	-	(728)	(13)	(720)	(1,461)
Balance November 30, 2018	\$ -	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4

PURE NICKEL INC.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION PROPERTIES**(a) Neal Property, Boise, Idaho**

On May 13, 2019, the Company acquired 102 units, representing 51% of operating and controlling interest, in the Neal Development Limited Partnership (“Neal LP”) which holds a lease to operate the Neal property (“Neal”). Neal is located 27 kilometers southeast of Boise, Idaho and consists of five patented mining claims covering approximately 22.4 hectares (55.338 acres) and seven unpatented Iode claims covering about 52.6 hectares (130 acres) located on Forest Service administered public lands.

The Company has an earn-in option to acquire an additional of 54 units (27%), along with seven unpatented Iode claims after raising financing between US\$1 million to US\$1.5 million for an exploration drilling program.

(b) Fond du Lac Property, Saskatchewan, Canada

Fond du Lac is located in northern Saskatchewan 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 Company relinquished 3 of the 4 claims that comprised the property in April 2019 and the last claim expires on July 31, 2019.

(c) 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. 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 was owned 50% by the Company and 50% by Murchison Minerals Ltd. The HPM Property was written down to \$1 up to November 30, 2018 as no substantive expenditures have been made on this property in recent years nor are any planned or budgeted for.

On March 5, 2019, the Company sold its interest in the HPM property to Murchison Minerals Ltd. (“Murchison”) for \$50,000 in cash and issue of 500,000 common shares of Murchison. In connection with the sale, the Company recognized a gain on sale of exploration and evaluation property of \$96,684.

(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 was been written down to \$1 as no substantive exploration expenditures are planned or budgeted.

On April 1, 2019, the Company sold its interest in the Manibridge property to CanAlaska Uranium Ltd. (“CanAlaska”) for \$25,000 in cash, 300,000 CanAlaska shares and 100,000 CanAlaska warrants, each exercisable into one CanAlaska share at a purchase price of \$0.28 per share for a period of two years from the closing date. In connection with the sale, the Company recognized a gain on sale of exploration and evaluation property of \$116,779.

PURE NICKEL INC.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

9. ROYALTY INTEREST

The Company holds a 1% net smelter royalty (the “Royalty”) on the Milford Copper Property located in Utah. The Milford Copper Property was previously owned by CS Mining LLC (“CS Mining”) and is now owned by Tamra Mining Company, LLC (“Tamra”) as of August 29, 2018. The royalty is shared with another party on a pro-rata basis, with the Company’s royalty capped at US\$5,000,000 (\$6,584,500) and the other party’s royalty capped at US\$3,000,000 (\$3,950,700).

For the year ended November 30, 2018, the Company received royalty payments for a total of \$181,461 (US\$138,974). At the end of 2018, the Company was informed that processing of ore at the Milford Copper Property has been suspended pending new financing partners. Given the uncertainty of future operations and collection of the royalty payments, the royalty was written down to \$1. For the six months ended May 31, 2019, the Company received royalty payments in arrears, earned prior to the suspension of operations, of a total of \$111,019 (US\$82,072), increasing total royal payments received to \$813,725 (US\$609,631). As at May 31, 2019, the maximum royalty remaining balance was US\$4,390,369 (2018 – US\$4,472,441) or \$5,778,739 (2018 - \$5,889,758).

Balance, November 30, 2017	\$	597,998
Royalty payments received during the year		(181,461)
Reversal of impairment of royalty interest		(432,314)
Effect of exchange rate movements		15,778
Balance, November 30, 2018 and May 31, 2019	\$	1

10. SHARE CAPITAL

Share capital consists of unlimited authorized common shares without par value. A total of 78,366,606 common shares are issued and outstanding at May 31, 2019 (November 30, 2018 – 68,144,874).

Pursuant to the agreement to acquire 51% of the Neal LP (Note 8 (a)) dated April 29, 2019, the Company issued 10,221,732 common shares valued at \$204,235, based on the share price of the date of issuance, to 2176423 Ontario Ltd., a company controlled by Eric Sprott.

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 fixed 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 fixed plan, options on common shares may be issued for up to a cumulative amount that may not exceed 10% of shares outstanding at the time the plan was approved. As at May 31, 2019, the Company had 22,144,487 options reserved on common shares.

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 year and term of the option are set by the board of directors.

PURE NICKEL INC.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2019 AND 2018**(Expressed in Canadian dollars)****11. SHARE-BASED COMPENSATION (continued)**

Stock option activity is presented below:

	Number of shares	Weighted average exercise price \$
Outstanding, November 30, 2017	1,600,000	0.05
Expired	(1,600,000)	(0.05)
Outstanding, November 30, 2018	-	-
Issued	4,600,000	0.05
Outstanding, May 31, 2019	4,600,000	0.05

On March 29, 2019, the Company granted an aggregate of 4,600,000 stock options to certain management, directors, consultants and employees. The options have an exercise price of \$0.05, a term of five years and vest immediately.

The estimated fair value of options granted during the six months ended May 31, 2019:

Volatility	277%
Expected life	5 years
Risk-free interest rate	1.52%
Expected dividend yield	0%

The following stock options are outstanding and exercisable at May 31, 2019:

Grant date	Options outstanding			Options exercisable		
	Exercise price \$	Number of shares	Weighted average remaining contractual life in years	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
March 28, 2019	0.05	4,600,000	4.96	0.05	4,600,000	0.05
		4,600,000	4.96	0.05	4,600,000	0.05

Stock options outstanding at May 31, 2019 have expiry date of March 28, 2024. During the six months ended May 31, 2019, the Company recognized \$45,813 of share-based compensation expense (2018 – \$Nil).

PURE NICKEL INC.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2019 AND 2018**(Expressed in Canadian dollars)**

12. ADMINISTRATION AND GENERAL EXPENSES

Included in administration and general expenses are the following:

For the six months ended	May 31, 2019	May 31, 2018
Accounting, audit and legal fees	\$ 36,536	\$ 18,061
Consulting	463,834	23,741
Depreciation	318	454
Directors' fees	22,500	21,375
Investor relations	2,391	358
Occupancy costs	917	882
Office and miscellaneous	11,796	11,211
Regulatory, filing and transfer agent fees	16,627	6,050
Salaries, bonus and benefits	49,054	49,181
Share-based compensation	45,813	–
Travel	18,343	3,344
Total administration and general expenses	\$ 669,521	\$ 134,657

13. LOSS PER SHARE

The weighted average number of shares outstanding used in the computation of loss per share for the six months ended May 31, 2019 was 78,366,606 (2018 – 68,144,874). Stock options have not been considered in the computation of diluted loss per share as all had expired as at May 31, 2019 and 2018.

For the six months ended	May 31, 2019	May 31, 2018
Loss attributable to common shareholders	\$ (367,234)	\$ (134,918)
Weighted average number of common shares outstanding	69,161,400	68,144,874
Loss per share basic and diluted	\$ (0.00)	\$ (0.00)

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 six months ended	May 31, 2019	May 31, 2018
Management compensation	\$ 428,510	\$ 6,000
Directors' fees	22,500	21,374
Share based compensation	37,347	–
	\$ 200,823	\$ 27,374

Included in the accounts payable and accrued liabilities as of May 31, 2019 was \$396,112 (November 30, 2018 - \$604,329) due to officers of the Company and \$46,498 (November 30, 2018 - \$42,938) due to directors of the Company.

PURE NICKEL INC.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2019 AND 2018**(Expressed in Canadian dollars)**

14. RELATED PARTY TRANSACTIONS (continued)**(b) Transactions with related parties**

On February 23, 2011, the Company entered into an employment agreement with the Company's former 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 Company's former 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 May 26, 2018, a transition agreement was agreed to which governed the services provided by, and the transition of the Company's former CEO and President. On January 11, 2019, the transition agreement was not renewed, and the Company's former President and CEO ceased performing his services for the Company. As of May 31, 2019, a total of \$489,590 (November 30, 2018 - \$598,349) due to the Company's former President and CEO has been included in accrued liabilities.

On January 11, 2019, the Company appointed a new President and CEO, R. David Russell ("D. Russell"). The consulting agreement with the Company's President and CEO contain clauses requiring additional payments of up to US\$728,000 be made upon termination of contract. On May 31, 2019, the Company granted D. Russell \$145,492 in connection with achieving certain performance objectives.

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 May 31, 2019	Canada	United States	Total
Current assets	\$ 178,557	\$ 56,876	\$ 235,433
Equipment	1,801	–	1,801
Royalty interest	–	1	1
Exploration and evaluation properties	2	204,235	204,237
	\$ 180,360	\$ 261,112	\$ 441,472
Current liabilities	\$ 712,509	\$ 249,667	\$ 965,176

As at November 30, 2018	Canada	United States	Total
Current assets	\$ 93,884	\$ 185,603	\$ 279,487
Equipment	2,117	–	2,117
Royalty interest	–	1	1
Exploration and evaluation properties	4	–	4
	\$ 96,005	\$ 185,604	\$ 281,609
Current liabilities	\$ 678,371	\$ 8,953	\$ 687,324

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2019 AND 2018**(Expressed in Canadian dollars)**

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

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

May 31, 2019	Fair Value	Amortized Cost	Other financial liabilities
Cash	\$ –	\$ 100,999	\$ –
Restricted cash equivalents	–	2,500	–
Amounts receivable	–	6,753	–
Investments	120,575	–	–
Accounts payable	–	–	10,268
Accrued liabilities	–	–	954,908

November 30, 2018	Fair Value	Amortized Cost	Other financial liabilities
Cash	\$ –	\$ 269,340	\$ –
Restricted cash equivalents	–	5,000	–
Amounts receivable	–	4,618	–
Accounts payable	–	–	8,895
Accrued liabilities	–	–	678,429

(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 designated its cash, restricted cash and investments as fair value through profit and loss, which is measured at fair value and is classified as level 1, except for investments – warrants, which is classified as level 2. The recorded value of the Company's accounts receivable accounts payable and accounts liabilities approximate their fair value due to their short-term maturities.

(c) Credit risk

The following assets are exposed to credit risk: cash, restricted cash equivalents and amounts receivable. The Company maintains all of its cash and restricted 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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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MAY 31, 2019 AND 2018

(Expressed in Canadian dollars)

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 May 31, 2019, the Company had cash of \$100,999 (2018 - 269,340) to settle liabilities of \$965,176 (2018 - \$686,393).

(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 May 31, 2019, the Company had net monetary assets denominated in United States funds of approximately \$162,000 (US\$110,000). Based upon the balance as at May 31, 2019, 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 \$33,000, and a reduction of 15% would result in an increase in the net loss and comprehensive loss of \$33,000. 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' deficit 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 year.

18. SUBSEQUENT EVENTS

- (a) On June 17, 2019, the Company completed the first tranche of a non-brokered private placement for 2,333,333 Units at a price of \$0.05 per Unit for gross proceeds of \$116,667. On July 22, 2019 the Company completed a second and final tranche of the private placement for an additional 500,000 Units for gross proceeds of an additional \$25,000. A director subscribed for 500,000 Units of the second private placement. Each Unit consists of one common share and one-half of one common share purchase warrant, each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.12 for a period of two years after closing. No commissions, broker fees or finders' fees will be paid in conjunction with the private placement.
- (b) On July 9, 2019, the Company settled an aggregate amount of \$74,670 for services and expenses rendered to the Company through the issuance of 1,493,400 common shares at a deemed issue price of \$0.05 per share. A total of 807,000 common shares were issued to an officer of the Company to settle payables in the amount of \$40,350.