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**PURE NICKEL INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SECOND QUARTER ENDED MAY 31, 2019**

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## Background and overview

This Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding Pure Nickel Inc. ("Pure Nickel," the "Corporation," the "Company", "we," "our," "us"), its business environment and future prospects. This MD&A should be read in conjunction with the Company's consolidated audited financial statement for the years ended November 30, 2018 and 2017. Those financial statements are presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all dollar amounts refer to Canadian funds. Information herein includes any significant developments to July 24, 2019, the date on which this MD&A was approved by our directors.

Historically, we have been in the business of acquiring, exploring and developing mineral properties in Canada and the United States of America ("US"), primarily those containing nickel ("Ni"), platinum group elements ("PGE's), copper ("Cu"), gold ("Au"), silver ("Ag") and associated base and precious metals. Since the beginning of 2019, the Company has made strategic steps to expand its focus to include gold and silver exploration. The addition of the Neal Project in Idaho in May 2019, in partnership with Eric Sprott ("Sprott"), provides the Company with an advanced stage gold exploration project that is expected to return positive exploration results and holds the potential to be advanced to production.

We continuously evaluate our mineral property holdings with respect to carrying costs and the future likelihood of any property driving shareholder value. Past and future divestiture decisions have been, and will be made based on this criterion. We are also investigating other opportunities, such as sale of assets and project acquisitions that would enable the Company to diversify and grow.

Our common shares trade on the TSX Venture Exchange under the symbol "NIC."

We were incorporated under the *Company Act* (British Columbia) on April 29, 1987, and continued under the *Canada Business Corporations Act* on April 7, 2009. We conduct our US operations through a wholly-owned subsidiary, Nevada Star Resource Corp. (U.S.), a Nevada corporation.

## Exploration and Evaluation Projects

### Neal LP and Sprott Partnership

On April 29, 2019, the Company signed an Agreement ("Agreement") with 2176423 Ontario Ltd., a company controlled by Sprott to acquire an operating and controlling interest in the Neal Development Limited Partnership ("Neal LP"). Under terms of the Agreement, the Company could acquire 51% of the Neal LP from Sprott in consideration of the Company issuing 10,221,732 common shares to Sprott. The transaction was closed on May 13, 2019 and Sprott now holds 13% of the currently issued and outstanding shares of the Company. In addition, the Company has an earn-in option to acquire an additional 27% of the Neal LP, along with seven unpatented mining claims by raising between US\$ 1-1.5 million for an exploration drilling program. Upon completion of this future financing, the Company has the option to pay Sprott US\$84,706 to exercise its option to acquire the remaining 27%. Upon completion of this earn-in option, the Company will own 78% of Neal LP, Sprott will retain 20% and a separate party will continue to hold the remaining 2%.

With the acquisition of a controlling and operating interest in the Neal Project in Idaho, the Company has made the first key strategic step to expand its focus from nickel to include gold and silver exploration and development.

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**Neal Project**

The Neal Project is a high-grade gold-dominant vein system with at least five veins known to date. It is located 27 kilometers southeast of Boise, Idaho and has excellent access via 20 kilometers of improved gravel and dirt roads from Interstate-84. The Project consists of five private patented mining claims covering approximately 22.4 hectares (55.38 acres) and another seven unpatented lode claims covering about 52.6 hectares (130 acres) located on U.S. Forest Service administered public lands.

On May 30, 2019 the Company filed a NI 43-101 Technical Report for the Neal Project ("Neal") entitled: "NI 43-101 Technical Report: Property Report for the Neal Project, Elmore County, Idaho". The Technical Report was prepared by Thomas H. Chadwick, CPG, an independent Qualified Person under NI 43-101 Disclosure Standards for Mineral Projects. Highlights of the NI 43-101 Technical Report include:

**Project Location and Access:**

- The Neal Project is located in Elmore County, Idaho in rolling hills just east of Boise. Access is a short 25-minute commute from the Boise Airport via paved roads for most of the way.
- Power and water are available nearby and could be furnished to the project as needed

**Neal Land Status:**

- All historic and modern mining and exploration has been confined to five patented (private property) claims that make up the core of the Neal property.
- An additional seven unpatented lode mining claims provide further mineral rights along trend in both directions from the patented property. These claims are located on federal lands administered by the U.S. Forest Service.

**Project History:**

- Gold mineralization at the Neal Project and elsewhere in the Neal Mining District was discovered in 1889 by Arthur Neal. Total reported District lode gold production through 1941 has been estimated at around 30,000 ounces, with most of this production coming from the Neal Project area in the 1889-1915 time frame<sup>1</sup>.
- The Neal Project area contains three historic underground gold mines: Hidden Treasure, Homestake and Daisy. These mines were eventually connected underground and were at peak production from 1902-1915.
- Neal was explored in the late 1980's for open pit, heap leach potential with a reverse circulation drilling program consisting of 208 holes totaling 47,000 feet.
- Modern bulk sampling from an open cut in 2015-2016 produced a stockpile of mineralized material estimated to contain around 13,900 tons at 0.132 ounces per ton (oz/t) gold<sup>2</sup>. The stockpile is not part of the NIC Neal transaction and remains with Sprott.

**Vein & Mineralization Description: (historic geology & mining from <sup>1</sup>Bennett, 2001 and <sup>3</sup>Lindgren, 1898)**

- Neal gold mineralization is hosted in north-easterly striking veins that average around N70E, and dip to the south at 60-45 degrees. Vein widths range from 2-13 feet

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<sup>1</sup> Bennett, Earl H., 2001. The Geology and Mineral Deposits of Part of the Western Half of the Hailey 1° x 2° Quadrangle, Idaho, USGS Bulletin 2064-W, prepared with Idaho Geological Survey, Idaho State University and the University of Idaho: with a section on the Neal Mining District by Thor H. Kiilsgaard and Earl H. Bennet (pp 24-29)

<sup>2</sup> Russell, R. D., 2017-2018. Neal Average Assay for Stockpile (A to H), Atlanta Gold internal spreadsheet and supporting lab work of Neal stockpile material, 2017.

<sup>3</sup> Lindgren, Waldemar, 1898. The Mining Districts of the Idaho Basin and the Boise Ridge, Idaho; Department of the Interior, US Geological Society; Extract from the 18th Annual Report of the Survey 1896-1897, Part III, Economic Geology; Washington, Government Print Office (pp 609-703).

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- Historically mined "mineralized" shoots averaged around 0.5 oz/ton gold, with reported strike lengths of 75-125 feet and 350 feet of dip development at Homestake, whereas the Hidden Treasure reported 450 feet of strike development with 165 feet of dip.

**Geology and Mineralization:**

- Neal area veins are hosted entirely in intrusive rocks, with the primary host a Cretaceous-aged biotite granodiorite of the Idaho Batholith.
- Fault zones that host the veins are frequently intruded by lamprophyre dikes in the Neal area, as well as by rhyolitic dikes. Other dike-like intrusives are also common and can be compositional and/or textural variations of the granodiorite. The lamprophyres at Neal are sometimes minor hosts to mineralization.
- The approximate N70E trend of the Neal vein system can be offset locally by northerly trending faults
- Neal veining consists of one or two primary veins, but other veins have been identified with roughly parallel strikes and dips. A total of five veins have been identified to date.
- Veins consist of quartz-white mica-clay-pyrite alteration and mineralization and can be subtle to identify in the field. Quartz textures are indicative of higher temperature mesothermal environments, and quartz content is modest overall. Near surface, iron oxides after pyrite are often direct indicators of gold mineralization. Other associated minerals include minor to trace amounts of galena and sphalerite
- No bottom to the mineralized vein system has been identified, and little exploration or mining has been conducted along strike beyond the known mining limits.

**Metallurgy and Mining:**

- Historic mining records for Neal and other districts in the region indicate that gold was commonly recovered from both near surface and deeper sulfide mineralization by gravity and flotation, although some cyanidization was used in the early 1900's.
- Several modern studies have been conducted on mixed oxide-sulfide material at Neal that suggest strong gold recoveries of up to 90% can be achieved using a mill with a combined gravity and flotation circuit. Neal sulfide material does not appear to be refractory

**Exploration Plan:**

- NIC plans to explore the Property for higher grade strike extensions of the Neal veins and to determine deeper down-dip potential in, and around, the known mines.
- The Technical Report recommends a drill-oriented exploration program for the 2019-2020 field seasons of approximately US\$ 1 million. This program proposes a dual reverse circulation and diamond (core) drilling approach to locate and confirm vein targets at Neal.

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**Milford Copper Property, Utah**

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, 2017. 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).

**William Lake**

The William Lake property is located 70 kilometers from Grand Rapids, Manitoba and has the potential for nickel and PGEs. The Claims area is approximately 10,566 hectares. An extensive exploration program was conducted during 2008. A re-assay program was completed in 2012 and preliminary target modelling was completed in 2013. The costs to maintain the claims on this property are minimal as the Company has banked work credits that will be used at renewal.

Properties were part of a property purchase from Xstrata Nickel terms included:

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

**Fond du Lac**

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.

**Manibridge**

This nickel property is located in the Thompson Nickel Belt (128 kilometers southwest of Thompson, Manitoba). 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 to the sale, the Company recognized a gain on sale of exploration and evaluation property of \$116,779.

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**HPM**

This property is a nickel and copper property in the early exploration stage. We owned 50% of this property and Murchison Minerals Ltd. ("Murchison") owned the other 50%. On March 5, 2019, the Company sold its interest in HPM property to Murchison Minerals Ltd. ("Murchison") for \$50,000 in cash and issue of 500,000 common shares of Murchison. In connection to the sale, the Company recognized a gain on sale of exploration and evaluation property of \$96,684.

**Tower Property, Manitoba**

On May 22, 2015, we sold 30% interest in the Tower Property to Akuna Minerals Inc. ("Akuna"). Under the terms of the sale agreement, Akuna paid us \$1,000,000. In addition, upon achievement of nameplate production, as defined in an NI 43-101 feasibility study, Akuna will make a one-time payment to us of \$500,000. The Tower Property was acquired by Rockcliff Metals Corporation ("Rockcliff") in May 2019 and Rockcliff plans to advance the Tower Property towards production in 2020.

**Outlook**

We continue to operate with reduced activity levels and are proactively reducing expenditures in an effort to conserve cash while we identify and evaluate new opportunities going forward. Currently, our properties have sufficient work credits and can therefore be carried at very minimal costs. We are also investigating other opportunities, such as asset sales or project acquisitions that would enable the Company to diversify and grow.

**Quarterly Information**

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

	<b>Quarter ended May 31, 2019 \$</b>	<b>Quarter ended Feb 28, 2019 \$</b>	<b>Quarter ended November 30, 2018 \$</b>	<b>Quarter ended August 31, 2018 \$</b>
Loss before other expenses	(412,045)	(259,193)	(501,339)	(95,934)
Other income (expenses)	302,182	911	(3,917)	1,487
Net loss	(108,952)	(258,282)	(505,256)	(94,447)
Total comprehensive loss	(110,354)	(257,683)	(493,069)	(83,864)
Net loss per share*	(0.001)	(0.004)	(0.007)	(0.001)
	<b>Quarter ended May 31, 2018 \$</b>	<b>Quarter ended Feb 28, 2018 \$</b>	<b>Quarter ended November 30, 2017 \$</b>	<b>Quarter ended August 31, 2017 \$</b>
Income (Loss) before other income (expenses)	(69,114)	(66,770)	(117,944)	404,172
Other income (expenses)	547	419	(1,174)	(1,136)
Net income (loss)	(68,567)	(66,351)	(119,118)	403,036
Total comprehensive income (loss)	(62,283)	(76,808)	(89,469)	396,489
Net income (loss) per share*	(0.001)	(0.001)	(0.001)	0.006

Note: \* Fully diluted income (loss) per share is not presented since it would be anti-dilutive or all stock options had expired.

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**Results of Operations – six months ended May 31, 2019.**

We generated no operating revenues during the six months ended May 31, 2019, which is unchanged from the six months ended November 30, 2018. This was in accordance with expectations as we are an exploration stage company and expect to finance activities through joint ventures, the sale of property interests, and by raising additional share capital when market conditions are suitable.

We recorded a net loss of \$367,234 or \$0.00 per share for the six months ended May 31, 2019, compared to net loss of \$134,918 or \$0.00 per share for the six months ended May 31, 2018. The increase in net loss was primarily due to the increase in administration and general expenses of \$536,256, offset by gain on sale of exploration and evaluation HPM and Manibridge properties' interests of \$213,463 and royalty income from Milford copper royalty of \$111,019.

The following table summarizes our administration and general expenses:

<b>For the six months ended</b>	<b>May 31, 2019</b>	<b>May 31, 2018</b>
Accounting, audit and legal fees	\$ 36,536	\$ 18,061
Consulting	465,226	23,741
Depreciation	318	454
Directors' fees	22,500	21,375
Investor relations	2,391	358
Occupancy costs	917	882
Office and miscellaneous	13,188	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
<b>Total administration and general expenses</b>	<b>\$ 670,913</b>	<b>\$ 134,657</b>

Total administration and general expenses for the six months ended May 31, 2019 were \$670,913, an increase of \$534,864 (or 397%) compared to \$134,657 for the six months ended May 31, 2018.

- Consulting fees increased by \$441,485 primarily due to the compensation to the Company's CEO and President. R. David Russell, of a total of \$271,018 pursuant to the service agreement entered on January 11, 2019 and \$145,492 bonus in connection with achieving certain performance objectives in May 2019. As of May 31, 2019, a total of \$390,112 is due to David Russell and was included in accrued liabilities. There was no compensation incurred to the Company's former CEO and President during the comparative period.
- A total of 4,600,000 options were granted on March 28, 2019, to an employee, officers and directors of the Company valued at \$45,813. The options were vested immediately and as such, the options were expensed on grant date.
- An increase of \$14,999 (449%) of travel expense compared to comparative period due to increase activities for corporate and operational activities in the last two quarters.

Cash used in operating activities was \$242,898 during the six months ended May 31, 2019 was comparable to cash generated from operating activities of \$186,636 in the first quarter of the prior year. The increase is mainly due to the increased in administrative and general expenses.

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Cash generated from investing activities of \$77,175 for the six months ended May 31, 2019 compared to \$11,925 in the comparative period. The increase is due to \$50,000 and \$25,000 cash proceeds in connection to the sale of HPM and Manibridge properties respectively, \$2,500 in guaranteed investment certificate was redeemed as the Company reduced the limit of the corporate credit cards. The Company also received \$111,019 (US\$82,072) of royalty income from Milford copper property.

The Company did not raise any cash through financing activities in the six months ended May 31, 2019, nor in the six months ended May 31, 2018.

**Results of Operations – three months ended May 31, 2019.**

We generated no operating revenues during the three months ended May 31, 2019, which is unchanged from the six months ended November 30, 2018. We recorded a net loss of \$108,952 or \$0.00 per share for the three months ended May 31, 2019, compared to net loss of \$68,567 or \$0.00 per share for the three months ended May 31, 2018. The increase in net loss was primarily due to the increase in administration and general expenses of \$343,833, offset by gain on sale of exploration and evaluation HPM and Manibridge properties' interests of \$213,463 and royalty income from Milford copper royalty of \$111,019.

Total comprehensive loss was \$110,354 for the three months ended May 31, 2019, compared to \$62,283 in the comparative period. This was mainly due to the increase in net loss of \$40,385 and the effect of the currency translation adjustment of \$1,402 compared to the comparative period.

The following table summarizes our administration and general expenses:

For the three months ended	May 31, 2019	May 31, 2018
Accounting, audit and legal fees	\$ 23,455	\$ 8,810
Consulting	276,642	16,441
Depreciation	159	227
Directors' fees	9,937	10,688
Investor relations	1,585	178
Occupancy (recoveries) costs	458	378
Office and miscellaneous	7,589	5,472
Regulatory, filing and transfer agent fees	8,575	1,659
Salaries and benefits	24,284	24,262
Share-based compensation	45,813	–
Travel	13,548	97
Total	\$ 412,045	\$ 68,212

Total administration and general expenses for the three months ended May 31, 2019 were \$412,045, up from \$68,212 for the three months ended November 30, 2016, an increase of 502%.

- Legal fees increased by \$14,645 or 166% due to the HPM and Manibridge sale and acquisition of interest in Neal LP.
- Consulting fees increased by \$441,485 primarily due to the compensation to the Company's CEO and President. R. David Russell, of a total of \$234,770 for the three months ended May 31, 2019. The Company did not incur any compensation to the Company's former CEO and President during the comparative period.
- A total of 4,600,000 options were granted on March 28, 2019, to an employee, officers and directors



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of the Company valued at \$45,813. The options were vested immediately and such, the options were expensed on grant date.

Cash used in operating activities was \$136,618 during the three month period ended May 31, 2018, compared to \$72,895 in the second quarter of the prior year. The increase of \$63,723 in the cash used in operating activities is primarily due to the increase in total administration and general expenses.

Cash generated from investing activities was \$75,000 for the three months ended May 31, 2018 compared to \$12,313 generated in the comparative period. The Company also received \$111,019 (US\$82,072) of royalty income from Milford copper property.

The Company did not raise any cash through financing activities in the three months ended May 31, 2019, nor in the three months ended May 31, 2018.

### **Liquidity and Capital Resources**

Currently, none of our property interests generate revenue. Our capital needs have historically been met by the issuance of securities (either through private placements, the exercise of stock options, or the issuance of shares for services, property or other assets). Fluctuations in our share price will affect our ability to obtain future financing, and future financing will represent dilution to existing shareholders. During the six months ended May 31, 2019, the Company had a net loss of \$365,842 (2018 – \$134,918), negative cash flow from operations of \$242,822 (2018 – \$186,636) and working capital deficiency as at May 31, 2019 of \$618,724 (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 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.

We had cash and restricted cash equivalents of \$103,499 as at May 31, 2019 compared to \$274,340 as at November 30, 2018. This balance includes restricted cash equivalents of \$2,500 (November 30, 2018 - \$5,000) which are funds invested in guaranteed investment certificates with maturities of less than year as security for corporate credit cards.

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

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

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

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**Subsequent events**

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.

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.

**Related Party Transactions****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.

**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.

## **Critical Accounting Estimates and Policies**

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 year. 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 year 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.

### **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 consolidated financial statements.

*IFRIC 23 – Uncertainty over Income Tax Treatments*

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

## **Disclosure Controls and Procedures**

There have been no significant changes in the Company’s internal control over financial reporting during the year ended May 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management of the Company has separately filed on SEDAR (at [www.sedar.com](http://www.sedar.com)) the Form 52-109FV2 Venture Issuer Basic Certificate at the same time as having filed the Company's condensed interim condensed interim consolidated financial statements and MD&A for the year ended May 31, 2019.

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

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

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

## **Economic Factors**

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

In the future, should the development of our exploration and evaluation projects occur, then our financial performance will become more closely linked to the prices obtained for the gold and/or other metals produced.

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

## Risks

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

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

We are an exploration stage company. Our operations are subject to all the risks inherent in the establishment of an exploration stage enterprise and the uncertainties arising from the absence of a significant operating history. Investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration of the exploration and evaluation properties that we plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The amounts disbursed by us in the exploration of the mineral claims may not result in the discovery of mineral deposits. Problems such as unusual or unexpected formations of rock or land and other conditions are involved in mineral exploration and often result in unsuccessful exploration efforts. If the results of future exploration programs do not reveal viable commercial mineralization, we may decide to abandon our claims and in fact have abandoned some already.

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

We had cash of \$167,594 and net working capital deficiency of \$665,361 as at May 31, 2019. We do not currently generate revenues or cash flows from operations (except for interest income and payments that are credited to exploration and evaluation properties on the balance sheet rather than being identified as revenues in our statement of operations). The exploration and development of our mineral projects will require substantial additional capital. In order to maintain certain of our property claims, we must incur certain minimum exploration expenditures on an ongoing basis. There can be no assurance that we will have the funds required to make such expenditures or that those expenditures will result in positive cash flow. There are no arrangements in place for additional financing and there is no assurance that we will be able to find such financing if required. We are an exploration company with an accumulated deficit of \$55,674,177 as at May 31, 2019. With ongoing cash requirements for exploration, development and new operating activities, it will be necessary to raise substantial funds from external sources. If we do not raise these funds, we will be unable to pursue our business activities, and our investors could lose their investment. If we are able to raise funds, investors could experience a dilution of their interests that would negatively affect the market value of the shares.

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

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

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

We have not found any mineral reserves on our claims and there can be no assurance that any of the mineral claims under exploration contain commercial quantities of any minerals. Even if commercial quantities of minerals are identified, there can be no assurance that we will be able to exploit the reserves or, if we are able to exploit them, that it can be done on a profitable basis. Substantial expenditures will be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required. It is impossible to ensure that the exploration or development programs planned by us will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) metal prices, which are highly cyclical; (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; (iv) ongoing costs of production; and (v) availability and cost of additional funding. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in us receiving no return or an inadequate return on invested capital.

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

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

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

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

The marketability of mineralized material that we may acquire or discover will be affected by many factors beyond our control. These factors include market fluctuations in the prices of minerals sought which are highly volatile, the proximity and capacity of natural resource markets and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use,

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importing and exporting of minerals and environmental protection. The effect of these factors cannot be predicted, but may result in a very low or negative return on invested capital. Prices of certain minerals have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond our control. Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by us would have a material adverse effect on us, and could result in the suspension of our exploration programs or mining operations.

**Our stock price could be volatile.**

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

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

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

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

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

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

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

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

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

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

Our activities are not only subject to extensive federal, provincial, state and local regulations controlling the exploration and mining of exploration and evaluation properties, but also the possible effects of such activities upon the environment as well as costs, cancellations and delays resulting from lobbying activities of environmental groups. Future legislation and regulations could cause additional disbursements, capital expenditures, restrictions and delays in the development of our properties, the extent of which cannot be predicted. Also, as noted above, permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. In the context of environmental permitting, including the approval of reclamation plans, we must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays, depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. If we become more active on our properties, compliance with environmental regulations may increase our costs. Such compliance may include feasibility studies on the surface impact of proposed operations; costs associated with minimizing surface impact, water treatment and protection, reclamation activities including rehabilitation of sites, on-going efforts at alleviating the mining impact on wildlife, and permits or bonds as may be required to ensure our compliance with applicable regulations. The costs and delays associated with such compliance may result in us deciding not to proceed with exploration, development or mining operations on any exploration and evaluation properties.

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

As at May 31, 2019, share capital consisted of 78,366,606 issued and outstanding common shares and 4,600,000 options outstanding and exercisable at a price of \$0.05 with five years term from date of issuance.

As at July 24, 2019, share capital consisted:

- 82,693,339 issued and outstanding common shares;
- 4,600,000 outstanding and exercisable options with exercise price of \$0.05 and five years term from date of issuance.
- 1,416,667 outstanding warrants with exercise price of \$0.12 and two years term from date of issuance.

The holders of the options were given an opportunity to profit from a rise in the market price of the common shares with a resulting dilution in the interest of the other shareholders. Our ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the common shares. The holders of options may exercise such securities at a time when we would otherwise be able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by those outstanding rights. The increase in the number of common shares issued and outstanding and the possibility of sales of such shares may depress the market price of our common shares. In addition, as a result of any such issuances the votes of existing shareholders will be diluted.



## **Forward-Looking Statements**

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

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

## **Additional Information**

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