



PURE NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER ENDED FEBRUARY 28, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Background and overview

This Management's Discussion and Analysis (MD&A) is intended to assist readers in understanding Pure Nickel Inc. ("Pure Nickel," the "Corporation," the "Company," "we," "our," "us"), its business environment and future prospects. This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements and related notes for the three-month period ended February 28, 2015, and the most recent annual consolidated financial statements and MD&A for the year ended November 30, 2014. Information herein includes any significant developments to April 23, 2015, the date on which this MD&A was approved by our directors.

We are 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. Our intention is to explore undeveloped properties with the expectation of developing them to a level where an ore body is indicated or likely. As appropriate, we would consider a joint venture or purchase option with a larger mining company to further develop the property and, if justified, to take the property into production. In that case, we would expect to retain an interest in the property: either a percentage of ownership, or receive a percentage royalty from the production.

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

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

Exploration and Evaluation Projects

We have mineral rights for a number of properties in various stages of exploration in North America. We continue to seek joint venture, earn-in or other arrangements by which to advance the exploration of our properties without the cost of all of the work being borne by us. Additional information on our projects, highlights as to developments in the period, as well as a summary of the properties, is presented below. Salt Chuck, William Lake and MAN Alaska are currently considered to be our most important properties.

PURE NICKEL INC.**MANAGEMENT'S DISCUSSION AND ANALYSIS****February 28, 2015**

Property	Location	Claims area (approx.)	Comments
MAN	Alaska (400 km NE of Anchorage, 265 km SE of Fairbanks)	14,000 hectares	This polymetallic (Ni, Cu, Co, Au, Ag Pt, Pd) property is currently in the early exploration stage. A large zone of disseminated sulphide mineralization has been identified in the Alpha Complex on the property. Nickel deportment studies were completed in April 2014 and indicate favourable results for nickel recovery, with 75.3% of the nickel in potentially recoverable phases of Ni-Fe sulphides and Ni-Fe alloys. A partner is being sought for the project.
Salt Chuck	Alaska, Prince of Wales Island	1,082 hectares	The property is currently in the early exploration stage. The Company completed a drilling exploration program in the fall of 2012. The program encountered gold mineralization in two of the drill holes. (NPH-12-04: 29.1 g/t Au, 14.1 g/t Ag, and 0.79% Cu over 2.58 m including a high grade intersection of 127.8 g/t Au, 57.6 g/t Ag and 2.78% Cu over 0.35 metres apparent widths). The 2014 exploration program consisted of nine drill holes totalling 1,700 metres on the North Pole Hill (NPH) section of the property. Results indicate the property hosts numerous mineralized structures with elevated Au and Cu values.
William Lake¹	Manitoba (70 km from Grand Rapids)	20,656 hectares	We consider William Lake to be one of our premier properties, with potential for nickel and PGEs. An extensive exploration program was conducted during 2008. A re-assay program was completed in 2012 and preliminary target modelling was completed in 2013.
Tower¹	Manitoba (70 km from Grand Rapids)	9,530 hectares	In February, 2008, we granted an option to Rockcliff Resources Inc. ("Rockcliff") under which it could earn up to a 70% interest in the Tower claims, which are contiguous to the northern boundary of the William Lake claim block. Rockcliff commenced exploration in October 2010 and in May 2014 they had completed the required expenditures to vest their 70% interest. In 2013, Rockcliff filed an NI 43-101 technical report on an indicated and inferred resource estimate for the high grade copper T-1 deposit. On March 31, 2015 the Company announced that it had signed an agreement with Akuna Minerals Inc. for the sale of its 30% interest in the Tower Property. The sale is expected to close by May 30, 2015.
Fond du Lac²	Saskatchewan (20 km NW of Stony Rapids)	19,713 hectares	This Ni, Cu property is currently in the early exploration stage.
Manibridge¹	Manitoba (128 km SW of Thompson)	274 hectares	This Ni property is located in the Thompson Nickel Belt.
HPM¹	Quebec (180 km NW of Sept Isles)	748 hectares	This Ni, Cu property is in the early exploration stage. We own 50% of this property and Murchison Minerals Ltd. owns the other 50%.
Navilik¹	Quebec	660 hectares	This Ni property is currently in the early exploration stage. During the first quarter of 2015 we made the decision not to renew these claims and the property was written off.

¹ 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.

² Property is subject to a 0.5% NSR

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

Salt Chuck Property, Alaska

Our Salt Chuck Copper – Gold – Silver – Palladium (“Pd”) Property is located near Thorne Bay on Prince of Wales Island in south-eastern Alaska. The Property consists of 146 contiguous federal lode mining claims, and hosts the past producing Salt Chuck mine. The island is accessed by ferry service, and direct access to the Property by well maintained US Forest Service roads.

A 2012 drilling program was designed to test coincident multi-element (Au-Cu-Pd) soil geochemical and Induced Polarization (“IP”) anomalies in the western part of the Property, an area known locally as North Pole Hill (“NPH”). Mineralization was encountered in a previously unidentified gold bearing structure in hole NPH-12-04 which intersected 29.1 g/t Au, 14.1 g/t Ag, and 0.79% Cu over 2.58 metres apparent width, including 127.8 g/t Au, 57.6 g/t Ag and 2.78% Cu over 0.35 metres apparent width. In addition, broad zones of anomalous palladium concentrations were encountered in the westernmost drill holes. These Pd intersections appear to reflect primary magmatic mineralization, and raise the possibility that remobilized Pd mineralization, such as the Salt Chuck mine may be associated with other structures not yet encountered in the NPH area.

The fact that significant mineralization was encountered in these drill holes supports an interpretation that the geochemical and IP anomalies at NPH reflect remobilization of primary magmatic sulphides in an east-west trending structure.

Our 2014 drilling program on the property was designed to further target soil geochemical anomalies that occur to the east and south of the discovery hole in the NPH area. The program operated in May and June 2014 and consisted of 1,700 metres of drilling in nine holes. Eight of the nine holes encountered pyrite-chalcopyrite mineralization associated with hydrothermal quartz-calcite-epidote veining, similar to that intersected in 2012. The first five drill holes were designed to test the continuity of high grade gold mineralization encountered during drilling in 2012 at site NPH-12-04, where a moderate gold anomaly is present in the soil. Four of these holes encountered similar hydrothermal sulphide mineralization associated with quartz-calcite-epidote veining. The best result was in hole NPH-14-07 which intersected 14.1 g/t Au and 0.74% Cu over 0.5 meters apparent width. In addition, NPH-14-05 intersected 1.3 g/t Au over 1.1 meters apparent width, NPH-14-10 intersected 1.3 g/t Au over 1.0 meters apparent width, and hole NPH-14-11 intersected 0.6 g/t Au over 2.0 meters apparent width.

Drill holes NPH-14-12 through 14 tested a northwest trending gold in soil anomaly in the eastern part of the NPH area, and each encountered pyrite-chalcopyrite mineralization in quartz-carbonate-epidote veins. Moderately anomalous gold and copper values were obtained from some of these zones, including 0.91 g/t Au over an apparent width of 0.34 meters in hole NPH-14-14, and 0.42% Cu over 2 meters apparent width in NPH-14-12. While these intersections are not ore grade, they do indicate that a significant mineralizing system is present on the property.

NPH-14-15 targeted a southerly trending series of gold anomalies in soil in the central part of the NPH area. This hole encountered anomalous disseminated chalcopyrite mineralization across a broad interval (0.12% Cu over 71 meters apparent width).

PURE NICKEL INC.**MANAGEMENT'S DISCUSSION AND ANALYSIS****February 28, 2015**

The results of the 2014 drill program indicate that the Salt Chuck Property hosts numerous mineralized structures that locally exhibit elevated gold and copper values. These structures may be related to a major fault that bisects the Salt Chuck intrusion in the central part of the property, which has yet to be investigated. Soil geochemistry has proven to be an excellent indicator of bedrock mineralization, and numerous anomalies remain to be tested.

Tower Property, Manitoba

The Tower Property is contiguous with Pure Nickel's William Lake claims in the Thompson Nickel Belt.

In May, 2014, Rockcliff exercised its option to earn a 70% interest in the Property by making the required expenditures of \$4,000,000 on exploration and making \$150,000 in option payments.

In December, 2012, Rockcliff filed an NI 43-101 compliant independent mineral resource estimate on the Tower Property, central Manitoba. The report, entitled Independent Technical Report, Tower Property, Grand Rapids, Manitoba, and dated January 20, 2013 can be found on SEDAR (www.sedar.com) with other Rockcliff's filings. A copy of the report is also available on our website at www.purenickel.com/s/Tower-Property-Manitoba.asp.

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

MAN Property, Alaska

The MAN Property is located 265 kilometres southeast of Fairbanks, Alaska and is comprised of State claims encompassing an area of approximately 14,000 hectares. The main project area covers a mafic/ultramafic complex referred to as Alpha, which is currently our area of focus.

A zone of Nickel - Copper - Cobalt ("Co") - Gold - Silver - Platinum ("Pt") - Palladium mineralization, termed the Eureka Zone, was first recognized in the Alpha complex in 2012. It consists of a broad interval of magmatic sulphide mineralization that straddles the contact between gabbroic and ultramafic rocks. A review of historic drilling on the Property has shown that all drill holes that intersected the correct stratigraphic interval encountered similar disseminated sulphide mineralization.

The fact that all drill holes positioned at the correct stratigraphic level intersected the same style of mineralization suggests that the Eureka Zone may be a continuous feature along most, if not all, of the strike length of the Alpha complex, approximately 30 kilometres. The thickness, strike length, and continuity of the Eureka Zone indicate that there is the potential to delineate a very significant tonnage of sulphide mineralization from which potentially recoverable metals would include Ni, Cu, Co, PGE, Au and Ag. There are currently insufficient drilling data to define a NI 43-101 compliant resource in the Eureka Zone.

PURE NICKEL INC.**MANAGEMENT'S DISCUSSION AND ANALYSIS****February 28, 2015**

In April 2014 we received favourable results from a nickel deportment study for the Eureka Zone. The results indicate that the majority of the nickel in the zone's mineralization is hosted by potentially recoverable Ni – Iron ("Fe") sulphides (63%) and Ni-Fe alloys (12.3%). Only 20% of the nickel is unrecoverable in silicate minerals.

Royalty Interest - Milford Copper Property, Utah

The Milford Copper Property is currently owned by CS Mining LLC ("CS Mining"). We hold a 1% net smelter royalty capped at US\$8,000,000 (\$10,002,400) on all CS Mining's Milford properties against which there is a 2% net smelter royalty on certain claims held by another party that is capped at US\$3,000,000 (\$3,750,900).

Outlook

We are currently operating with reduced activity levels in order to control costs and maintain cash balances. We are proactively reducing expenditure levels in an effort to conserve cash while we identify and evaluate new opportunities going forward. At this time, we continue to maintain our exploration and evaluation properties in good standing.

Selected Financial Information

	Three months ended February 28, 2015	Three months ended February 28, 2014 (restated)
Revenues	–	–
Expenses	289,112	368,434
Net loss	(643,186)	(334,428)
Total comprehensive loss	(279,031)	(172,378)
Net loss per share*	(0.01)	(0.00)

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

Restatement of Previously Issued Financial Statements**MAN Alaska LLC**

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

PURE NICKEL INC.**MANAGEMENT'S DISCUSSION AND ANALYSIS****February 28, 2015**

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

Further information on this adjustment and a reconciliation to amounts previously reported are contained in Note 21 to the condensed interim consolidated financial statements for February 28, 2015. Accordingly, this MD&A should be read in conjunction with our condensed interim consolidated financial statements for February 28, 2015 and consolidated financial statement for November 30, 2104. All comparative financial information included in this MD&A reflects the restated amounts.

Quarterly Information

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

	Quarter ended Feb. 28, 2015 \$	Quarter ended Nov. 30, 2014 \$	Quarter ended Aug. 31, 2014 (restated) \$	Quarter ended May 31, 2014 (restated) \$
Revenues	–	–	–	–
Expenses	289,112	221,784	263,396	409,276
Net income (loss)	(643,186)	(212,441)	(262,446)	(444,968)
Total comprehensive income (loss)	(279,031)	(17,473)	(251,590)	(525,781)
Net income (loss) per share*	(0.009)	(0.003)	(0.004)	(0.007)
	Quarter ended Feb. 28, 2014 (restated) \$	Quarter ended Nov. 30, 2013 (restated) \$	Quarter ended Aug. 31, 2013 (restated) \$	Quarter ended May 31, 2013 (restated) \$
Revenues	–	–	–	–
Expenses	368,434	233,796	154,595	468,142
Net income (loss)	(334,428)	(17,648,870)	1,286,798	513,041
Total comprehensive income (loss)	(172,378)	(18,312,457)	1,615,556	630,726
Net income (loss) per share*	(0.005)	(0.26)	0.02	0.01

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

Results of Operations

We received no operating revenues during the three months ended February 28, 2015, which is unchanged from the three months ended February 28, 2014. We do not currently generate revenues or cash flows from operations (except for interest income and some small payments that are credited to exploration and evaluation properties on the balance sheet rather than being identified as revenues in our statement of operations). This was in accordance with expectations as we are an exploration stage company and expect to finance activities through joint ventures, the sale of property interests, and by raising additional share capital when market conditions are suitable.

We incurred a net loss of \$643,186 or \$0.01 per share for the three months ended February 28, 2015, compared to a net loss of \$334,428 or \$0.00 per share for the three months ended February 28, 2014. Total comprehensive loss was \$279,031 in the quarter compared to a comprehensive loss of \$172,378 in the first quarter last year. This was due to the effect of the currency translation adjustment which was income of \$364,155 in the first quarter this year compared to income of \$162,050 last year. The currency translation adjustment results from the effect of translating the balance sheets of our US subsidiaries from US dollars into Canadian funds.

Our results included a gain on foreign exchange of \$6,842 for the quarter ended February 28, 2015 compared to a gain of \$30,928 in the first quarter of the previous year. This decrease is a result of a smaller US dollar cash and cash equivalents balance on hand at February 28, 2015 than at February 28, 2014. Our policy has been to maintain US cash balances for the payment of expenses incurred in US dollars. Our 2014 drill program at our Salt Chuck Property in Alaska required US funds for payment of expenditures, thus reducing our US dollar cash balance. Going forward, we will continue to try to reduce our US dollar exposure resulting from net monetary assets held in that currency.

Interest income decreased to \$764 for the three months ended February 28, 2015 compared to \$3,078 for the comparative period due to lower interest rates and a lower cash balance at February 28, 2015 than at February 28, 2014.

The following table summarizes our administration and general expenses for the three months ended February 28, 2015 and 2014:

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

PURE NICKEL INC.**MANAGEMENT'S DISCUSSION AND ANALYSIS****February 28, 2015**

Total administration and general expenses for the three months ended February 28, 2015 were \$289,112, down from \$368,434 for the three months ended February 28, 2014, a decrease of 22%. The decrease is a result of an on-going effort to reduce expenses in order to conserve cash while we identify and evaluate new opportunities going forward. These reductions were offset slightly by an increase in salary and benefits costs as our senior geologist's salary was fully borne by us in the first quarter of 2015 while it was charged to the MAN Alaska joint venture for the first month of the first quarter of 2014.

Accounting, audit and legal expenses decreased by \$34,800, or 54%, as a result of lower legal fees during the current quarter. The decrease in legal fees during the current quarter resulted from the settlement of a disputed net profits interest related to the Milford Copper Property in the second quarter of 2014. Consulting fees decreased by \$756, or 7%, due to fewer consultants being used during the current quarter which was offset by a consultant being retained during the fourth quarter of 2014 and into the first quarter of 2015 to work with us on potential future business opportunities. Depreciation fell slightly as the net book value of the equipment was lower year over year and there were no new additions during the first quarter of 2015. Directors' fees decreased \$12,625, or 61%, for the three month period ended February 28, 2015 compared to the same period last year due to further reductions in directors' fees and fewer meetings during the first quarter of 2015 than the first quarter of 2014. Investor relations expenses decreased by \$18,738, or 99%, for the three months ended February 28, 2015 as a result of a reduction in the number of investor relations firms retained during the period. Occupancy costs decreased by \$4,885, or 28% when compared to the prior period, primarily due to the timing of a rebate received from the landlord in the first quarter of 2015. Office and miscellaneous expenses decreased by \$24,407 or 56% for the three month period ended February 28, 2015. This decrease is a result of lower insurance costs for the current quarter, a reduction in the conventions attended and the overall emphasis on cost reduction. Regulatory, filing and transfer agent fees were up by \$3,002, or 46% as a result of an accounting adjustment booked during the first quarter of 2015. Salaries and benefits went up by \$14,465, or 8%, for the three months ended February 28, 2015 compared to the prior comparable period. This increase is due to the salary of our senior geologist not being recovered from the MAN Alaska LLC joint venture during the current three month period while one month was recovered during the quarter ended February 28, 2014. Share based compensation fell by \$2,051, or 61%, for the current three month period. Recent stock option grants had a lower fair value as calculated using the Black-Scholes option pricing model. Travel costs rose by 19%, or \$1,704, compared to the first quarter of the prior year as a result of travel related to the evaluation of potential opportunities for us during the first quarter of 2015.

Cash used by operating activities was \$298,588 during the three month period ended February 28, 2015, compared to cash used of \$391,718 in the first quarter of the prior year. This difference was primarily due to the lower expenses incurred in the current fiscal quarter.

Investing activities used cash of \$15,079 for the three months ended February 28, 2015 compared to \$31,842 of cash used in investing activities in the three months ended February 28, 2014. This difference is due to higher expenditures on exploration and evaluation properties, namely the MAN Alaska property, during the quarter ended February 28, 2014 as the 2013 drill season was wrapping up.

Pure Nickel did not raise any cash through financing activities in the three months ended February 28, 2015, nor in the three months ended February 28, 2014.

Liquidity and Capital Resources

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

We had cash and equivalents of \$598,805 at February 28, 2015 compared to \$872,882 at November 30, 2014. This balance includes restricted cash and cash equivalents of \$93,761 (November 30, 2014 - \$90,040) which are funds invested in guaranteed investment certificates with maturities of less than three months as security for corporate credit cards. Working capital was \$668,213 at February 28, 2015 compared to \$923,309 at November 30, 2014. Current liabilities at February 28, 2015 consisted of accounts payable and accrued liabilities totalling \$106,753 compared to \$107,952 at November 30, 2014.

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

We have prepared a forecast for our 2015 fiscal year. Management believes it will be able to control expenditures and at present expects it has sufficient cash to meet required general and administrative expenses and property holding costs through to the end of fiscal 2015.

Off-Balance-Sheet Arrangements

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

Transactions with Related Parties

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

Subsequent Event

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

Proposed Transactions

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

Share Capital

At February 28, 2015, share capital was as follows:

Issued and outstanding common shares	68,144,874
Stock options	5,050,000

Critical Accounting Estimates and Policies

Our condensed interim consolidated financial statements for the three months ended February 28, 2015 have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), following International Financial Reporting Standards (IFRS). Management makes certain estimates and relies upon certain assumptions related to reporting our assets and liabilities as well as results of operations in conformity with Canadian GAAP. Actual results will differ from these estimates and assumptions.

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

Following are our more critical accounting policies.

Exploration and evaluation properties

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

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

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

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

Foreign currency translation

Translation of foreign operations

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

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

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

Foreign currency transactions and balances

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

Financial Assets and Liabilities

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

Loans and receivables*Classification*

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

Recognition and measurement

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

Impairment of financial assets

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

Financial liabilities

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

Loss per Share

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

Share-Based Compensation

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

Disclosure Controls and Procedures

There have been no significant changes in the Company's internal control over financial reporting during the three months ended February 28, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PURE NICKEL INC.**MANAGEMENT'S DISCUSSION AND ANALYSIS****February 28, 2015**

Management of the Company has separately filed on SEDAR (at www.sedar.com) the Form 52-109FV2 Venture Issuer Basic Certificate at the same time as having filed the Company's condensed interim consolidated financial statements and MD&A for the three months ended February 28, 2015.

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

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

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

Economic Factors

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

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

Risks

Any investment in our common shares involves a high degree of risk. Risk factors that you should consider are set out in our Annual Information Form available on at www.sedar.com.

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, on the SEDAR website at www.sedar.com.