
PURE NICKEL INC. (formerly Nevada Star Resource Corp.)
(An Exploration Stage Company)
CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Expressed in Canadian Dollars)

AUDITORS' REPORT

To the Shareholders of
Pure Nickel Inc.

We have audited the consolidated balance sheets of **Pure Nickel Inc.** (the "Company") as at November 30, 2007 and 2006 and the consolidated statements of operations and deficit, cash flows and comprehensive loss for the periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2007 and 2006 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

SF Partnership, LLP

Toronto, Canada
February 25, 2008

LICENSED PUBLIC ACCOUNTANTS

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)**(An Exploration Stage Company)****CONSOLIDATED BALANCE SHEETS****(Expressed in Canadian Dollars)**

	November 30, 2007	(Note 2) November 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,960,396	\$ 514,560
Short-term investments	–	1,000,000
Receivables	377,652	114,810
Prepaid expenses and deposits	321,433	125,000
	<hr/> 13,659,481	<hr/> 1,754,370
Property and equipment (Note 6)	27,258	–
Mineral properties (Note 7)	35,502,123	1,190,652
	<hr/> \$ 49,188,862	<hr/> \$ 2,945,022

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 345,517	\$ –
Accrued liabilities	131,559	79,000
Note payable	–	100,000
	<hr/> 477,076	<hr/> 179,000
Share capital (Note 8)	45,213,503	2,901,845
Contributed surplus (Note 9)	11,362,381	2,700
Deficit	(7,864,098)	(138,523)
	<hr/> 48,711,786	<hr/> 2,766,022
	<hr/> \$ 49,188,862	<hr/> \$ 2,945,022

Nature of operations (Note 1)

Commitments (Note 7)

Subsequent events (Note 17)

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

Approved on behalf of the board of directors:

“Dave McPherson”
Dave McPherson, Director

“Harry Blum”
Harry Blum, Director

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in Canadian Dollars)

	Year Ended November 30, 2007	(Note 2) Period from May 18, 2006 to November 30, 2006
Revenues	\$ -	\$ -
Expenses:		
Amortization	13,875	-
Consulting (Note 10)	987,444	-
Office and miscellaneous	148,389	5,153
Professional fees	698,973	31,536
Promotion, advertising and investor relations	215,188	6,529
Rent	42,000	-
Transfer agent and filing fees	159,626	-
Travel and entertainment	287,554	3,523
Wages and benefits (Note 10)	2,393,749	56,700
	4,946,798	103,441
Loss before other income (expenses)	(4,946,798)	(103,441)
Other income (expenses):		
Impairment in mineral properties (Note 7(e))	(2,659,219)	-
Interest income	378,816	-
Interest expense	(7,830)	(35,082)
Foreign exchange	(331,560)	-
Transaction fees for reverse takeover transaction	(158,984)	-
	(2,778,777)	(35,082)
Net loss for the period	(7,725,575)	(138,523)
Deficit, beginning of period	(138,523)	-
Deficit, end of period	\$ (7,864,098)	\$ (138,523)
Loss per share:		
Basic and diluted (Note 12)	\$ (0.18)	\$ (0.02)

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

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)**(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Expressed in Canadian Dollars)**

	Year Ended November 30, 2007	(Note 2) Period from May 18, 2006 to November 30, 2006
Operating activities:		
Net loss for the period	\$ (7,725,575)	\$ (138,523)
Items not affecting cash:		
Amortization	13,875	–
Common shares issued for services (Note 8(b))	74,000	–
Impairment in mineral properties (Note 7(e))	2,659,219	–
Stock-based compensation – wages and benefits (Note 10)	2,071,766	2,700
Stock-based compensation – consulting (Note 10)	239,722	–
	(2,666,993)	(135,823)
Changes in non-cash working capital items:		
Receivables	(209,262)	(114,810)
Prepaid expenses and deposits	(125,287)	(125,000)
Accounts payable and accrued liabilities	273,407	79,000
Income taxes payable	(57,937)	–
Total cash flows used in operating activities	(2,786,072)	(296,633)
Investing activities:		
Acquisition of property and equipment	(17,296)	–
Capitalized mineral property expenditures	(23,955,313)	(1,190,652)
Short-term investments	1,000,000	(1,000,000)
Total cash flows used in investing activities	(22,972,609)	(2,190,652)
Financing activities:		
Proceeds from issuance of common shares, net of cash share issuance costs	28,412,276	2,901,845
Proceeds from issuance of warrants	6,221,887	–
Cash and cash equivalents acquired in reverse takeover transaction (Note 2)	3,664,761	–
Proceeds from issuance of note payable	–	600,000
Repayments of note payable	(100,000)	(500,000)
Advances from related party	–	40,000
Repayments of advances from related party	–	(40,000)
Total cash flows provided by financing activities	38,200,924	3,001,845
Effects of changes in foreign exchange rates on cash and cash equivalents	3,593	–
Increase in cash and cash equivalents during the period	12,445,836	514,560
Cash and cash equivalents, beginning of period	514,560	–
Cash and cash equivalents, end of period	\$ 12,960,396	\$ 514,560
Cash and cash equivalents consists of:		
Demand deposits	\$ 12,960,396	\$ 514,560

Supplementary cash flow information (Note 13)

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

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year Ended November 30, 2007	(Note 2) Period from May 18, 2006 to November 30, 2006
Net loss for the period, being comprehensive loss for the period	\$ (7,725,575)	\$ (138,523)

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

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****NOVEMBER 30, 2007 AND 2006****(Expressed in Canadian Dollars)**

1. NATURE AND CONTINUANCE OF OPERATIONS

Pure Nickel Inc., formerly Nevada Star Resources Corp., (the "Company") was incorporated under the laws of British Columbia, Canada and continued in the Yukon Territory of Canada in 1998. On March 30, 2007, the Company acquired Pure Nickel Inc. in a reverse takeover transaction (see Note 2). The Company's principal business activities include the acquisition and exploration of mineral properties located in Canada and the United States. The Company is in the exploration stage and has not yet determined whether any of these properties contain ore reserves that are economically recoverable.

While the Company currently has sufficient cash on hand to conduct its exploration programs for the next year, the long term continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in mineral properties, which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals, or by entering into joint venture arrangements by which third parties undertake the necessary expenditures.

2. REVERSE TAKEOVER TRANSACTION

On March 30, 2007, Nevada Star Resources Corp. ("Nevada Star") acquired the issued and outstanding common shares of old Pure Nickel Inc. ("old Pure Nickel") by issuing 17,901,703 (89,508,515 pre-split adjusted) common shares of Nevada Star valued at \$13,426,276 to the shareholders of old Pure Nickel in a reverse takeover transaction. Upon the completion of the transaction, old Pure Nickel was amalgamated with a subsidiary of Nevada Star and Nevada Star changed its name to Pure Nickel Inc. ("Pure Nickel"). The transaction has been accounted for using guidance relevant to reverse takeover transactions including EIC-10, "Reverse Takeover Accounting", CICA 1581, "Business Combinations" and EIC-124, "Definition of a Business". Under this guidance, for accounting purposes, the legal parent company (Nevada Star) in the reverse takeover transaction is deemed to be a continuation of the legal subsidiary (old Pure Nickel), which is regarded as being the acquirer. Accordingly, the consolidated financial statements reflect the significant accounting policies of old Pure Nickel (except for mineral properties – see below) and are expressed in Canadian dollars, the reporting currency of old Pure Nickel. Comparative figures are of old Pure Nickel for the period from incorporation, May 18, 2006 to November 30, 2006. Values were assigned to the net assets of Nevada Star and its legal subsidiaries on the acquisition date as follows:

	Amount
Cash and cash equivalents	\$ 3,664,761
Receivables	58,935
Prepaid expenses and deposits	74,417
Property and equipment	26,356
Mineral properties	9,791,966
Accounts payable and accrued liabilities	(126,244)
Income taxes payable	(63,915)
Fair value of consideration	\$ 13,426,276

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****NOVEMBER 30, 2007 AND 2006****(Expressed in Canadian Dollars)**

3. CHANGE IN ACCOUNTING POLICY

Upon completion of the reverse takeover transaction disclosed in Note 2, Pure Nickel retroactively adopted Canadian generally accepted accounting principles ("Canadian GAAP") and as a result was required to restate its prior period figures that were reported in accordance with United States generally accepted accounting principles ("US GAAP"). Management of the Company believes the voluntary change in generally accepted accounting principles will result in more reliable and relevant information due to the nature of the Company's industry.

A significant difference between Canadian and US GAAP impacting the Company's consolidated financial statements relates to the accounting treatment of mineral property exploration expenditures. Under US GAAP, exploration expenditures are expensed prior to the determination that proven or probable mineral reserves exist, at which time these expenditures are considered to have the characteristics of property, plant and equipment and, accordingly, are capitalized. Under Canadian GAAP, an enterprise may capitalize mineral property expenditures, including acquisition, exploration and development costs, if the enterprise considers such costs to have the characteristics of property, plant and equipment. Mineral property expenditures that are not considered to have the characteristics of property, plant and equipment are expensed as incurred. An enterprise applies the method of accounting for mineral property expenditures that it considers to be appropriate to its operations and applies the method consistently to all its properties. The change in accounting policy had the following effects on the Company's consolidated financial statements as at November 30, 2006 and for the period from May 18, 2006 to November 30, 2006:

	Amount Previously Recorded	Effect of Change	Restated Amount
Balance sheet:			
Mineral properties	\$ —	\$ 1,190,652	\$ 1,190,652
Deficit	(1,329,175)	1,190,652	(138,523)
Statements of operations and deficit and comprehensive loss:			
Exploration expenses	1,190,652	(1,190,652)	—
Loss for the period	(1,329,175)	1,190,652	(138,523)
Loss per share – basic and diluted	(0.19)	0.17	(0.02)
Comprehensive loss for the period	(1,329,175)	1,190,652	(138,523)
Statement of cash flows:			
Loss for the period	(1,329,175)	1,190,652	(138,523)
Capitalized mineral property expenditures	—	(1,190,652)	(1,190,652)

4. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Presentation**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They are expressed in Canadian dollars and include the accounts of old Pure Nickel from the date of its incorporation on May 18, 2006 and the accounts of Nevada Star and its wholly-owned subsidiaries, Pure Nickel Holdings Corp. and Nevada Star Resource Corp. (U.S.), from March 30, 2007, the date of the reverse takeover transaction. All significant inter-company balances and transactions have been eliminated upon consolidation.

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2007 AND 2006

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Significant areas requiring the use of estimates relate to the recoverability or valuation of receivables and mineral properties, the utilization of future income tax assets and the valuation of asset retirement obligations and stock-based compensation. Actual results could differ from these estimates.

(c) Cash and Cash Equivalents

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

(d) Short-Term Investments

Short-term investments include term deposits with maturities from the date of acquisition greater than three months and less than twelve months.

(e) Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided for based on the estimated useful lives of the assets using the declining balance basis at the following annual rates:

Mining Equipment	30%
Office Equipment	20%
Computer Hardware	30%
Computer Software	100%

(f) Mineral Properties

All mineral property acquisition and exploration costs are capitalised, in accordance with the guidance provided by CICA 3061, "Property, Plant and Equipment" and EIC-126, "Accounting by Mining Enterprises for Exploration Costs". Development costs are capitalized, once a property is determined financially viable. Payments received for options granted to third parties to purchase the Company's mineral properties are credited against the capitalized costs of the related mineral property when received. Capitalized mineral property costs will be amortized upon the commencement of commercial production using the unit of production basis.

(g) Impairment of Long-lived Assets

The recoverability of long-lived assets, which includes property and equipment and mineral properties, is assessed when an event occurs indicating impairment. Recoverability is based on factors such as future asset utilization and the future undiscounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable and exceeds its fair value. At that time the carrying amount is written down to fair value.

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Foreign Currency Translation

Revenue and expenses in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in income.

The Company's integrated foreign subsidiaries are financially or operationally dependent on the Company. The Company uses the temporal method to translate the accounts of its integrated operations into Canadian dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at weighted average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in income.

(i) Loss per Share

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of "in the money" stock options, warrants, agent share warrants and agent unit warrants.

(j) Stock-Based Compensation

The Company has a plan for granting stock options to management, directors, employees and consultants. The Company recognizes compensation expense for this plan under the fair value based method in accordance with CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under this method, 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 contributed surplus. The Company estimates the fair value of each grant using the Black-Scholes option-pricing model. Consideration paid upon the exercise of stock options is recorded as share capital.

(k) Asset Retirement Obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mineral properties, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation. As at November 30, 2007, the Company has not incurred any asset retirement obligations related to the exploration of its mineral properties.

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2007 AND 2006

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

5. ADOPTION OF NEW ACCOUNTING STANDARDS AND DEVELOPMENTS

(a) Accounting Changes

Effective December 1, 2006, the Company adopted the revised CICA 1506, "Accounting Changes", which requires that: (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (ii) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The Company made a voluntary change in accounting principles as described in Note 3.

(b) Financial Instruments

Effective December 1, 2006, the Company adopted the three new accounting standards and related amendments to other standards on financial instruments issued by the CICA. Prior periods have not been restated.

(i) CICA 3855, "Financial Instruments – Recognition and Measurement" and CICA 3861, "Financial Instruments – Disclosure and Presentation"

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized, measured, presented and disclosed in the financial statements and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. Effective December 1, 2006, the Company's cash equivalents have been classified as available-for-sale and are recorded at fair value on the balance sheet. Fair values are determined directly by reference to published price quotations in an active market. Changes in the fair value of these instruments are reflected in other comprehensive income and included in shareholders' equity on the balance sheet. All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing an other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date.

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)
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5. ADOPTION OF NEW ACCOUNTING STANDARDS AND DEVELOPMENTS (continued)

(b) Financial Instruments

(ii) CICA 3865, "Hedges"

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG-13, "Hedging Relationships", and CICA 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company had no hedging relationships as at December 1, 2006. There was no impact on the Company's financial statements upon adoption of this standard.

(iii) CICA 1530, "Comprehensive Income"

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized. This statement has been included in the consolidated financial statements for the fiscal year ended November 30, 2007.

(iv) CICA 3862, "Financial Instruments – Disclosures"

This standard relates to the disclosures of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA 3863, "Financial Instruments – Presentation" must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The Company will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending November 30, 2008.

(v) CICA 3863, "Financial Instruments – Presentation"

This standard relates to the presentation of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA 3862, "Financial Instruments – Presentation" must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The Company will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending November 30, 2008.

(c) CICA 1535, "Capital Disclosures"

This standard relates to the disclosure of capital management strategies. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. The Company will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending November 30, 2008.

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****NOVEMBER 30, 2007 AND 2006****(Expressed in Canadian Dollars)**

6. PROPERTY AND EQUIPMENT

November 30, 2007	Cost	Accumulated Amortization	Net Book Value
Mining equipment	\$ 7,011	\$ 1,402	\$ 5,609
Office equipment	7,363	982	6,381
Computer hardware	8,314	1,678	6,636
Computer software	18,507	9,875	8,632
	\$ 41,195	\$ 13,937	\$ 27,258

7. MINERAL PROPERTIES AND COMMITMENTS

Year Ended November 30, 2007	Balance, Beginning of Year	Expenditures Capitalized and Balances Acquired During the Year	Impairment Charge	Balance, End of Year
Milford Copper (a)	\$ -	\$ 4,128,838	\$ -	\$ 4,128,838
MAN Project (b)	-	8,835,811	-	8,835,811
Salt Chuck (c)	-	164,976	-	164,976
Fond du Lac (d)	1,111,345	3,236,312	-	4,347,657
Fox River (e)	79,307	2,579,912	(2,659,219)	-
William Lake (f)	-	17,421,930	-	17,421,930
Thompson (William Lake Extension) (g)	-	602,911	-	602,911
	\$ 1,190,652	\$ 36,970,690	\$ (2,659,219)	\$ 35,502,123

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****NOVEMBER 30, 2007 AND 2006****(Expressed in Canadian Dollars)**

7. MINERAL PROPERTIES AND COMMITMENTS (continued)

Period from May 18, 2006 to November 30, 2006 (Note 2)	Balance, Beginning of Period	Expenditures Capitalized During the Period	Impairment Charge	Balance, End of Period
Milford Copper (a)	\$ —	\$ —	\$ —	\$ —
MAN Project (b)	—	—	—	—
Salt Chuck (c)	—	—	—	—
Fond du Lac (d)	—	1,111,345	—	1,111,345
Fox River (e)	—	79,307	—	79,307
William Lake (f)	—	—	—	—
Thompson (William Lake Extension) (g)	—	—	—	—
	\$ —	\$ 1,190,652	\$ —	\$ 1,190,652

(a) Milford Copper (formerly known as OK Copper Mine and Beaver Lake), Utah, United States

The Milford Copper properties in Utah aggregate approximately 7,000 acres. They are 100% owned by the Company, subject to a 12% interest in the net profits from copper production of certain claims (held by a group of private investors that includes a current director of the Company) and a 2% net smelter return royalty on certain claims (held by the property vendor) which will not exceed \$3 million. On November 26, 2003, Western Utah Copper Company ("WUCC") exercised its option to acquire 100% of the mining claims located in Beaver County, Utah for royalty payments of up to \$10 million. Under the option agreement, WUCC had three years to put the property into production. The option was extended with two further one-year terms. The Company would receive 1% of net proceeds from the first 10 million pounds of copper produced, 1.5% of net proceeds on all copper produced thereafter and 2% of net smelter proceeds on all other minerals produced, capped at \$10 million. WUCC has provided notice to the Company that the property is being readied for production and has undertaken the construction of a concentrator, a working on-site analytical laboratory and office building and ongoing ore reserve drilling.

(b) MAN Project, Alaska, United States

The 72,519 hectare (179,200 acre) MAN Alaska Project is comprised of the Eureka Creek and Tangle Lakes Project, the Canwell Glacier property and additional claims staked by the Company. During the year ended November 30, 2007, the Company completed a B-Field VTEM airborne electromagnetic survey, an extensive soil geochemical survey, and a 3,400 metre exploration drilling program.

(c) Salt Chuck, Alaska, United States

The Salt Chuck property consists of mining claims covering approximately 250 hectares (620 acres) near the historic Salt Chuck mine on Prince of Wales Island, Alaska.

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2007 AND 2006

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7. MINERAL PROPERTIES AND COMMITMENTS (continued)

(d) Fond du Lac Project (formerly known as Axis Lake Project), Saskatchewan, Canada

Fond du Lac is located in northern Saskatchewan and comprises eight contiguous claims covering 38,445 hectares (95,000 acres). Named for the Fond Du Lac lake and river that lies across the extent of its southern border, the Fond Du Lac Property is located on the northern edge of the Athabaska Basin. On July 27, 2007, the Company completed an agreement with Red Dragon Resource Corp. ("Red Dragon"), superseding its previous earn-in agreement with Red Dragon, to acquire 100% ownership of the project by paying \$100,000 and issuing 1,000,000 common shares to Red Dragon. The common shares have been valued at \$1,260,000, the market value on the measurement date. In accordance with CICA Handbook section 3870, the measurement date of the transaction was determined to be June 13, 2007, being the date the titles of the underlying mineral rights were transferred from Red Dragon to the Company. Comprehensive surveying undertaken to date includes airborne geophysics, UTEM electromagnetic ground survey and geochemical soil survey.

(e) Fox River Project, Manitoba, Canada

During the year, the Company determined it would not proceed with a two year exploration program on the Fox River property. Accordingly, the amounts previously expended on this property were written off resulting in an impairment charge of \$2,659,219 that has been recorded in the consolidated statements of operations and deficit.

(f) William Lake, Manitoba, Canada

The William Lake property is located in central Manitoba, 50 km. from Grand Rapids. On May 15, 2007, the Company completed an agreement with Xstrata Nickel ("Xstrata"), a division of Falconbridge Limited, to pay \$15,250,000 and issue 4,000,000 common share purchase warrants to acquire the property. Each warrant entitles Xstrata to acquire one common share of the Company at a price of \$2.00 per share for a term expiring on May 11, 2010. The warrants were valued at \$1,963,411 using the Black-Scholes option-pricing model. Under the agreement, the Company granted Xstrata a 2% net smelter return royalty and the right to repurchase a 50% working interest in the property. The Company is committed to a minimum of 2,500 metres of drilling to be completed by January 31, 2008. As at November 30, 2007, the Company has completed 1,089 metres of drilling.

(g) Thompson Project (William Lake Extension), Manitoba, Canada

The Thompson Project comprises 160,000 hectares of properties adjacent to the William Lake properties. On September 18, 2007 the Company entered into an agreement with Exploration Syndicate, Inc. ("Exploration Syndicate") to earn up to a 100% interest in this project. The Company agreed to issue Exploration Syndicate 500,000 non-transferable common share purchase warrants, exercisable when the Company earns a 50% interest in the Mineral Rights, into one common share of the Company for \$2.00 per share, expiring five years from the date of the agreement. To earn a 50% interest in the Mineral Rights, the Company must incur \$3,000,000 of expenditures during the first two years, of which \$2,000,000 must be incurred in the first year. As at November 30, 2007, the Company has not made any significant expenditures towards earning the 50% interest.

PURE NICKEL INC. (formerly Nevada Star Resource Corp.)**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****NOVEMBER 30, 2007 AND 2006****(Expressed in Canadian Dollars)**

7. MINERAL PROPERTIES AND COMMITMENTS (continued)

- h) On November 6, 2007, the Company entered into an Option Agreement with Manicouagan Minerals Inc. ("Manicouagan"). Pursuant to the agreement, the Company granted Manicouagan an option to earn up to a 70% interest in 39 mining claims comprising the Forgues and Haut Plateau East project in Quebec.

Under the agreement, Manicouagan paid \$30,000 to Pure Nickel to secure the Option Agreement and as long as the Option Agreement remains in effect, \$25,000 on the first and second anniversary. Manicouagan granted Pure Nickel 250,000 common share purchase warrants at \$0.40 per share. The warrants have a term of two years. Manicouagan will earn 50% interest in the Forgues and Haut Plateau properties by spending a minimum of \$750,000 on the property on or before the second anniversary date. Manicouagan can earn an additional 20% if, within 60 days of the second anniversary of the agreement, Manicouagan elects to carry the Company during the next 12 months by expending an additional \$1,500,000 in the same manner as during the earn in period.

This is a related party transaction as a member of the Company's Board of Directors is the founder and a significant shareholder of Manicouagan, as described in Note 14.

8. SHARE CAPITAL

- (a) Authorized Share Capital: Unlimited common shares without par value

- (b) Issued and Outstanding Share Capital

	Number of Shares	Amount
Balance, May 18, 2006	–	\$ –
Issued for cash in private placements, net of share issue costs (Notes 8(b)(i) to (iv))	24,100,001	2,901,845
Balance, November 30, 2006 (Note 2)	24,100,001	2,901,845
Issued for cash upon exercise of stock options	100,000	20,000
Issued for services to an officer of the Company	370,000	74,000
Transferred from contributed surplus upon exercise of stock options	–	2,700
Reverse takeover transaction (Note 2):		
Common shares of Pure Nickel eliminated	(24,570,001)	–
Common shares of Nevada Star recognized	84,319,285	–
Common shares of Nevada Star issued to shareholders of Pure Nickel	89,508,515	13,426,276
	173,827,800	16,456,861
Reverse stock split 1:5	(139,062,240)	–
Issued in two private placements for cash, net of share issue costs (Notes 8(b)(v) and (vi))	31,999,999	27,528,682
Issued for acquisition of mineral property (Note 8(b)(vii))	1,000,000	1,260,000
Balance, November 30, 2007	67,765,559	\$ 45,213,503

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8. SHARE CAPITAL (continued)

(b) Issued and Outstanding Share Capital (continued)

- (i) On May 18, 2006, the Company issued 1 common share of the Company at a price of \$1 to a director for cash.
- (ii) On August 25, 2006, the Company issued 9,100,000 common shares of the Company at a price of \$0.01 per share for gross proceeds of \$91,000 to the Company's founders.
- (iii) On September 20, 2006, the Company issued 9,300,000 common shares of the Company at a price of \$0.20 per share for gross proceeds of \$1,860,000 under a private placement. In connection with the private placement, the Company incurred cash share issuance costs of \$101,341.
- (iv) On October 10, 2006, the Company issued 5,700,000 common shares of the Company at a price of \$0.20 per share for gross proceeds of \$1,140,000 under a private placement. In connection with the private placement, the Company incurred cash share issuance costs of \$87,815.
- (v) As at March 15, 2007, the Company had raised \$9,000,000 of subscription receipts under a brokered private placement for 10,000,000 common shares (the "Subscription Receipts") at a price of \$0.90 per common share. Upon completion of the reverse takeover transaction with Pure Nickel on March 30, 2007, the Subscription Receipts were automatically converted into units comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable into a common share at a price of \$1.20 for a term of 18 months. Values of \$7,393,158 and \$1,606,842 were allocated to the common shares and warrants, respectively, based on their relative fair values at the closing date of the private placement. In connection with the private placement, the Company paid as agent commissions of \$630,000 cash, representing 7% of the gross proceeds from the offering, and 500,000 agent share warrants, representing 5% of the gross number of common shares issued in the private placement. Each agent share warrant is exercisable into one common share at a price of \$0.90 each for a period of 18 months. The fair value of the agent share warrants was computed to be \$297,062 using the Black-Scholes option-pricing model and was recorded as a share issuance cost. The Company also incurred other share issuance costs of \$133,677.
- (vi) On July 10, 2007, the Company issued 21,999,999 units at a price of \$1.25 per unit for gross proceeds of \$27,499,999 under a brokered private placement. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share of the Company for \$1.75 for a term of 18 months. Values of \$22,884,954 and \$4,615,045 were allocated to the common shares and warrants, respectively, based on their relative fair values at the closing date of the private placement. In connection with the private placement, the Company paid cash commissions of \$920,871 and issued 629,370 agent unit warrants. Each agent unit warrant entitles the agent to purchase one unit, with the characteristics described above, for \$1.25 expiring on January 9, 2009. The fair value of the agent unit warrants was computed to be \$568,533 using the Black-Scholes option-pricing model and was recorded as a share issuance cost. The Company also incurred other share issuance costs of \$199,287.
- (vii) On July 27, 2007, the Company issued 1,000,000 common shares to acquire the Fond du Lac Project. The shares were valued at \$1,260,000. Refer to Note 7(d).

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8. SHARE CAPITAL (continued)

(c) Stock Options

On March 30, 2007, the Company assumed a stock option plan (the "Plan") from Nevada Star in a reverse takeover transaction (see Note 2). The Plan allowed for the grant of stock options to purchase a maximum of 7,000,000 common shares by directors, officers, employees and consultants of the Company. On April 13, 2007, the Company completed a reverse stock split causing shares available for issuance under the Plan to decrease to 1,400,000. The board of directors approved an amendment to the Plan to increase the number of shares reserved for issuance from 1,400,000 to 4,300,000. The amendment was approved by the Company's shareholders on May 30, 2007. The exercise price for each option granted under the Plan is determined by the board of directors and cannot be less than the discounted market price, as prescribed by the TSX Venture Exchange policy. The term of an option may not exceed ten years from the date of the grant of the option. The vesting period of options is set by the board of directors.

Stock option activity since May 18, 2006 is presented below:

	Number of Shares	Weighted Average Exercise Price \$
Outstanding, May 18, 2006	—	—
Granted	100,000	0.20
Outstanding, November 30, 2006 (Note 2)	100,000	0.20
Granted	3,650,000	0.99
Exercised	(100,000)	0.20
Outstanding, November 30, 2007	3,650,000	0.99

The following table summarizes stock options outstanding and exercisable at November 30, 2007:

Options Outstanding				Options Exercisable		
Exercise Prices \$	Number of Shares	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price \$	Number of Shares	Weighted Average Exercise Price \$	
0.79	600,000	2.8	0.79	300,000	0.79	
0.90	2,225,000	2.3	0.90	2,225,000	0.90	
1.07	100,000	2.9	1.07	100,000	1.07	
1.30	250,000	2.5	1.30	250,000	1.30	
1.45	100,000	2.5	1.45	100,000	1.45	
1.50	250,000	2.5	1.50	125,000	1.50	
1.55	125,000	2.5	1.55	125,000	1.55	
	3,650,000	2.5	0.99	3,225,000	0.99	

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8. SHARE CAPITAL (continued)

(c) Stock Options (continued)

Stock options outstanding at November 30, 2007 expire between March 27, 2010 and October 31, 2010.

(d) Warrants

Warrant activity since May 18, 2006 is presented below:

	Number of Shares	Weighted Average Exercise Price \$
Outstanding, May 18, 2006 and November 30, 2006 (Note 2)	—	—
Issued	20,000,004	1.66
Outstanding, November 30, 2007	20,000,004	1.66

The weighted average fair value of each warrant issued was \$1.23 computed using the Black-Scholes option-pricing model at the date of each issuance. Warrants outstanding at November 30, 2007 expire between September 30, 2008 and May 11, 2010. As at November 30, 2007, the Company has committed to issuing 500,000 warrants should it earn a 50% interest in the Exploration Syndicate, Inc. mineral properties as disclosed in Note 7(g). These have not been considered as outstanding in the above table.

(e) Agent Share Warrants

Agent share warrant activity since May 18, 2006 is presented below:

	Number of Shares	Weighted Average Exercise Price \$
Outstanding, May 18, 2006 and November 30, 2006 (Note 2)	—	—
Issued	500,000	0.90
Outstanding, November, 2007	500,000	0.90

During the year ended November 30, 2007, the Company issued 500,000 agent share warrants to purchase 500,000 common shares of the Company in connection with the private placement described in Note 8(b)(v). The weighted average fair value of each agent share warrant issued was \$0.59 computed using the Black-Scholes option-pricing model at the date of issuance. Agent share warrants outstanding at November 30, 2007 expire September 30, 2008.

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8. SHARE CAPITAL (continued)

(f) Agent Unit Warrants

Agent unit warrant activity since May 18, 2006 is presented below:

	Number of Units	Weighted Average Exercise Price \$
Outstanding, May 18, 2006 and November 30, 2006 (Note 2)	—	—
Issued	629,370	1.25
Outstanding, November 30, 2007	629,370	1.25

During the year ended November 30, 2007, the Company issued 629,370 agent unit warrants to purchase 629,370 units in connection with the private placement described in Note 8(b)(vi). The weighted average fair value of each agent unit warrant issued was \$0.90 computed using the Black-Scholes option-pricing model at the date of issuance. Agent unit warrants outstanding at November 30, 2007 expire January 9, 2009.

9. CONTRIBUTED SURPLUS

	Year Ended November 30, 2007	(Note 2) Period from May 18, 2006 to November 30, 2006
Balance, beginning of period	\$ 2,700	\$ —
Stock-based compensation expense	2,311,488	2,700
Relative fair value of warrants issued in private placements	6,221,887	—
Fair value of agent share warrants issued for share issue costs	297,062	—
Fair value of agent unit warrants issued for share issue costs	568,533	—
Fair value of warrants issued for mineral properties	1,963,411	—
Amount transferred to share capital upon exercise of stock options	(2,700)	—
Balance, end of period	\$11,362,381	\$ 2,700

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10. STOCK-BASED COMPENSATION

During the year ended November 30, 2007, the Company granted 3,650,000 stock options to directors, officers, employees and consultants of the Company (period from May 18, 2006 to November 30, 2006 – 100,000). The weighted average fair value of each option granted was \$0.69 (period from May 18, 2006 to November 30, 2006 - \$0.03) using the Black-Scholes option-pricing model at the date of each grant using the following assumptions:

	Year Ended November 30, 2007	(Note 2) Period from May 18, 2006 to November 30, 2006
Expected option lives	3.0 years	0.2 years
Risk-free interest rate	4.1%	4.2%
Expected dividend yield	0%	0%
Expected stock price volatility	88.3%	84.2%

During the year ended November 30, 2007, the Company recognized \$2,311,488 of compensation cost (period from May 18, 2006 to November 30, 2006 - \$2,700) of which \$2,071,766 has been recorded in wages and benefits expense (period from May 18, 2006 to November 30, 2006 - \$2,700) and \$239,722 has been recorded in consulting expenses in the statement of operations (period from May 18, 2006 to November 30, 2006 - \$nil).

11. INCOME TAXES

In assessing the realization of the Company's future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future income tax assets considered realizable could change materially in the near term based on future taxable income generated during the carry-forward period.

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11. INCOME TAXES (continued)

(a) Future Income Tax Assets and Liabilities

The significant components of the Company's future tax assets are as follows:

	November 30, 2007	November 30, 2006
Future income tax assets:		
Non-capital tax losses carried forward	\$ 1,355,000	\$ 44,000
Share issue costs	524,000	-
Property and equipment	6,000	-
Cumulative eligible capital	4,000	-
Canadian exploration and development expenses	872,000	-
Total gross future income tax assets	2,761,000	44,000
Valuation allowance	(2,761,000)	(44,000)
Net future income tax assets	\$ -	\$ -

(b) Non-Capital Losses

As at November 30, 2007, the Company has non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of \$4,170,000 expiring as follows:

	\$
2008	216,000
2009	446,000
2010	159,000
2014	96,000
2015	19,000
2026	242,000
2027	2,992,000
	<u>4,170,000</u>

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11. INCOME TAXES (continued)

(c) Income Tax Reconciliation

Income tax expense presented in the statements of operations differs from the amounts that would be computed by applying the combined Canadian federal and provincial income tax rate of 32.5% (period from May 18, 2006 to November 30, 2006 – 34.1%) to income before income taxes as follows:

	November 30, 2007	Period from May 18, 2006 to November 30, 2006
Income tax recovery expected at statutory rates	\$ 2,510,812	\$ 47,236
Change in reserves	1,042,000	–
Timing differences in mineral properties	984,000	–
Timing differences in property and equipment	7,000	–
Non-deductible items	(1,615,000)	–
Change in valuation allowance	(2,717,000)	(44,000)
Other	(211,812)	(3,236)
Income tax recovery	\$ –	\$ –

12. LOSS PER SHARE

The weighted average number of shares outstanding used in the computation of loss per share was 43,644,922 (period from May 18, 2006 to November 30, 2006 – 6,816,500). Outstanding stock options, warrants, agent share warrants and agent unit warrants have not been considered in the computation of diluted loss per share as the result is anti-dilutive.

13. SUPPLEMENTARY CASH FLOW INFORMATION

	Year Ended November 30, 2007	(Note 2) Period from May 18, 2006 to November 30, 2006
Non-cash investing and financing activities:		
Common shares issued in reverse takeover transaction (Note 2)	\$ 9,761,516	\$ –
Common shares issued for acquisition of mineral property	1,260,000	–
Warrants issued for acquisition of mineral property	1,963,411	–
Agent share warrants issued as financing commissions	297,062	–
Agent unit warrants issued as financing commissions	568,533	–
Cash paid for:		
Interest	32,830	–
Income taxes	\$ 57,937	\$ –

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14. RELATED PARTY BALANCES AND TRANSACTIONS

During the year ended November 30, 2007, the Company entered into the following transactions with related parties:

- (a) The Company paid legal firms, of which a director of the Company was a principal during the year, \$348,536 (period from May 18, 2006 to November 30, 2006 - \$nil) for legal services.
- (b) The Company paid directors of the Company, and companies controlled by directors of the Company, \$271,170 (period from May 18, 2006 to November 30, 2006 - \$29,225) for consulting services.

During the period from May 18, 2006 to November 30, 2006, the Company borrowed and repaid a loan of \$110,000 from a company controlled by a director of the Company. The loan was unsecured and non-interest bearing.

As described in Note 7 (h), the Company has entered into an Option Agreement with Manicouagan Minerals Inc., of which a member of the Company's Board of Directors is the Founder and a significant shareholder.

The above transactions were in the normal course of operations and have been recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

15. FINANCIAL INSTRUMENTS

- (a) Fair Values of Financial Instruments

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

- (b) Concentration of Credit Risk

The Company maintains all of its cash and cash equivalents with major financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

- (c) Currency Risk

As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. Fluctuation in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations.

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16. SEGMENT DISCLOSURES

The Company's property and equipment and mineral properties by geographic distribution are as follows:

November 30, 2007	Canada	United States	Total
Property and equipment	\$ 27,258	\$ -	\$ 27,258
Mineral properties	22,372,498	13,129,625	35,502,123
	<u>\$ 22,399,756</u>	<u>\$ 13,129,625</u>	<u>\$ 35,529,381</u>

November 30, 2006 (Note 2)	Canada	United States	Total
Property and equipment	\$ -	\$ -	\$ -
Mineral properties	1,190,652	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

17. SUBSEQUENT EVENTS

On December 6, 2007 the Company entered a 50-50 Joint Venture Agreement with Crowflight Minerals Inc. to explore for and develop nickel deposits on properties controlled by both parties proximal to the Pure Nickel's past producing Manibridge Nickel Mine, approximately 20 kilometres south of the town of Wabowden, Manitoba. Pursuant to the terms of the agreement, each party will contribute properties and \$3 million each over a three year period to fund preliminary exploration activities within the joint venture area. Pure Nickel will contribute two claims (ORE 5 and ORE 6) to the joint venture area and Crowflight Minerals Inc. contributes six claims (DOG 1-3,5,7,10) and three other claims it is acquiring from other parties. Furthermore Pure Nickel also has an option to earn a 50% interest from Crowflight in an area surrounding the joint venture area by spending \$1.5 million over a three year period.

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18. DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differ in certain respects from those generally accepted in the United States of America ("US GAAP"). As disclosed in Note 3, a significant difference between Canadian and US GAAP impacting the Company's consolidated financial statements relates to the accounting treatment of mineral property exploration expenditures. Under Canadian GAAP, an enterprise may capitalize mineral property expenditures, including acquisition, exploration and development costs, if the enterprise considers such costs to have the characteristics of property, plant and equipment. Mineral property expenditures that are not considered to have the characteristics of property, plant and equipment are expensed as incurred. An enterprise applies the method of accounting for mineral property expenditures that it considers to be appropriate to its operations and applies the method consistently to all its properties. As disclosed in Note 4(f), the Company capitalizes acquisition and exploration costs when incurred, and capitalizes development costs once a mineral property is determined to be economically viable.

As at November 30, 2007, the Company has not yet identified economically recoverable reserves on any of its mineral properties. Mineral properties are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. During the year ended November 30, 2007, the Company determined that the value of its Fox River mineral property was not recoverable and recorded an impairment charge of \$2,659,219 in the statement of operations. The Company has not identified any events and changes in circumstances that indicated the carrying values of its other mineral properties may not be recoverable.

Under US GAAP, acquisition costs are capitalized when incurred in accordance with the guidance provided in EITF 04-02, ("Whether Mineral Rights are Tangible or Intangible Assets"), exploration costs are expensed as incurred and development costs are capitalized when it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves as defined by Industry Guide 7.

The Company assesses the carrying costs for impairment in accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets". Under SFAS No. 144, mineral properties are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, with further guidance as provided under EITF 04-03, "Mining Assets – Impairment and Business Combinations". This guidance is consistent with Canadian GAAP and accordingly, during the year ended November 30, 2007, for US GAAP purposes, the Company determined that the value of its Fox River mineral property was not recoverable and recorded an impairment charge of \$2,659,219 in the statement of operations.

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18. DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES (continued)

The differences in accounting for mineral properties under Canadian and US GAAP had the following effects on the Company's financial statements.

(i) Net Loss and Loss per Share

	Year Ended November 30, 2007	Period from May 18, 2006 to November 30, 2006
Net loss under Canadian GAAP	\$ (7,725,575)	\$ (138,523)
Capitalized expenditures on unproven mineral properties	(34,311,471)	(1,190,652)
Net loss under US GAAP	\$ (42,037,046)	\$ (1,329,175)
Loss per share under US GAAP – basic and diluted	\$ (0.96)	\$ (0.19)

(ii) Mineral Properties

	November 30, 2007	November 30, 2006
Mineral properties under Canadian GAAP	\$ 35,502,123	\$ 1,190,652
Capitalized expenditures on unproven mineral properties	(35,502,123)	(1,190,652)
Mineral properties under US GAAP	\$ –	\$ –

(iii) Deficit

	November 30, 2007	November 30, 2006
Deficit under Canadian GAAP	\$ (7,864,098)	\$ (138,523)
Capitalized expenditures on unproven mineral properties	(35,502,123)	(1,190,652)
Deficit under US GAAP	\$ (43,366,221)	\$ (1,329,175)