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**PURE NICKEL INC.**

FORM 51 -102F1

**Management Discussion and Analysis**

For the year ended November 30, 2007

As of February 25, 2008

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# **PURE NICKEL INC.**

## **Introduction**

This Management's Discussion and Analysis is prepared as of February 25, 2008 and is supplementary to and should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2007 which can be found on the Corporation's website at [www.purenickel.com](http://www.purenickel.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Pure Nickel Inc. ("Pure Nickel" or the "Corporation") is a mineral exploration company with multiple advanced nickel sulphide projects in Canada and the United States. The Corporation also seeks to exploit joint venture or option agreements where appropriate to enhance shareholder value.

Pure Nickel is a reporting issuer in Ontario, British Columbia and Alberta and its common shares trade on the Toronto Stock Exchange under the symbol "NIC," and on the NASDAQ Over the Counter Bulletin Board Service under the symbol "PNCKF".

## **Company History**

The Corporation was incorporated under the Company Act (British Columbia) on April 29, 1987, and on June 17, 1998 was continued under the Yukon Business Corporations Act. The Corporation conducts its U.S. operations through its wholly-owned subsidiaries, Nevada Star Resource Corp. (U.S.), a Nevada corporation, and Nevada Star Resource Corp. (formerly M.A.N. Resources, Inc.), a Washington corporation, and its Canadian operations through Pure Nickel Holdings Corp., a Canadian corporation.

On March 27, 2007, the head office of the Corporation was moved to 95 Wellington Street West, Suite 900, Toronto, Ontario, M5J 2N7. On March 30, 2007, the Corporation (then known as Nevada Star Resource Corp. ["Nevada Star"]) completed the acquisition of all of the shares of (old) Pure Nickel Inc. ("old PNi"), a private company incorporated May 18, 2006. As the transaction was deemed to be a Reverse Take Over ("RTO"), old PNi, the new subsidiary of Nevada Star, was deemed to be the acquirer and its financial statements are the basis of the continuing financial statements of Nevada Star, which simultaneously changed its name to Pure Nickel Inc. As a result, the comparative financial statements shown in the accompanying financial statements are those of old PNi. To see the financial statements of Nevada Star for the year ended November 30, 2006 (or other periods), please refer to EDGAR: [www.edgar.com](http://www.edgar.com).

At the same time as the RTO, the Corporation consolidated its common shares on a one-for-five basis, which continued to be traded on the Toronto Stock Exchange Venture Exchange (TSX-V) and in the United States on the NASDAQ Over the Counter Bulletin Board market. The Corporation has now graduated to the senior Canadian exchange and as of August 14, 2007 its shares are listed on the Toronto Stock Exchange.

During the second quarter, 2007, the Corporation completed a financing of \$9,000,000 by the sale of 10,000,000 units for \$0.90 each. Each unit consisted of one common share and one-half of one warrant. Each whole warrant is exercisable into one common share at \$1.20 for a term of 18

months. The agent received a cash commission of 7% of the gross proceeds and advisory warrants equal to 5% of the gross number of securities sold in the offering. Each advisory warrant is exercisable into one common share at \$0.90 each for a period of 18 months.

During the third quarter, 2007, the Corporation completed a financing of \$27,500,000 by the sale of 22,000,000 units for \$1.25 each. Each unit consisted of one common share and one half of one warrant, each whole warrant being exercisable for a period of 18 months into a common share of the Corporation for \$1.75 per share.

The Corporation prepares its financial statements in Canadian dollars and in accordance with Canadian generally accepted accounting principles (“GAAP”). Unless otherwise indicated herein, all dollar amounts are stated in Canadian dollars. This represents a change in accounting from previous filings wherein the amounts were in U.S. dollars and with respect to old PNi formerly in U.S. GAAP. The change recognizes the significance of its Canadian-based operations and its principal trading forum in Canada.

## **Changes to Directors and Management**

In conjunction with the acquisition of Pure Nickel, the Board appointed four new Directors to the Corporation, replacing six resigning Board members. The resigning Board members were: Messrs. Donald Bosnick, John Mears, Rodney Blakestad, Michael Sharon, Richard Graeme and Edward Waale. The newly appointed Board members were: Messrs. J. Jay Jaski, Steve Vaughan, Harry Blum, and David McPherson. Messrs. Monty Moore and Robert Angrisano resigned as Chair, and President and CEO, respectively, and the Board appointed Dale Hull as COO, Jay Richardson as CFO and Secretary, and J. Jay Jaski as President and CEO. Mr. Jaski was also elected Chair. In the third quarter, Mr. Monty Moore resigned as a Director and was appointed as a Special Advisor to the Board. The vacancy on the Board was filled by the appointment of Mr. Constantine Salamis.

On December 20, 2007, the Corporation announced with great sadness that Mr. J. Jay Jaski, Chairman and CEO had died. The Board of Directors appointed Mr. Robert Angrisano, a former President and CEO of the Corporation to be interim non-executive Chair and Mr. David McPherson, a director, to be interim Chief Executive Officer. The vacancy on the Board of Directors has not been filled. The Corporation’s strategies have continued unchanged, and its operations continue without interruption.

On February 5, 2008, Mr. Jay Richardson resigned as CFO in order to focus on his other business obligations, and the Board appointed Mr. Jeffrey D. Sherman as CFO.

Currently, the Directors of the Corporation are: Messrs. Robert Angrisano, David McPherson, Harry Blum, David Russell, Constantine Salamis, and Steve Vaughan.

## **Exploration Projects**

### **Fond du Lac Project, Saskatchewan**

At the time of the RTO, Pure Nickel could acquire up to an undivided 80% working interest in the Fond du Lac Nickel-Copper project from Red Dragon Resources Corp. The Fond du Lac project

lies directly north of the Athabasca Basin in the Fond-du-Lac region of Northern Saskatchewan, Canada. The Fond du Lac Project claim area consists of permits totalling approximately 95,000 acres of prospective ground. This area is characterized by a large number of nickel-copper sulphide occurrences and confirmed by ground geochemical work, an airborne geophysical survey and diamond drilling. The 2006 drilling program intersected mineralization in all 7 drill holes completed including one intersection of a half metre length grading 1.86% nickel.

During the second quarter of 2007, Pure Nickel completed a drill program of 19 diamond drill holes totalling 3,127 metres. Drilling tested a focused area of known mineralization on the Rea Lake mineralized horizon, a strong magnetic feature 600 metres to the south, and a possible extension to the Axis Lake East Zone horizon. Pure Nickel commissioned a National Instrument 43-101 technical report on the property which was submitted to securities commissions in the second quarter. Historical exploration established an inferred mineral resource of 3.4 million tonnes at the Axis Lake horizon grading 0.66% nickel and 0.35% copper. Readers are cautioned that while this historical resource estimate is considered to be reliable and relevant and estimated under the high standards of the day, it does not comply with the modern guidelines of National Instrument 43-101.

During the second quarter, the Corporation entered into an agreement with Red Dragon for the acquisition of Red Dragon's remaining interest in the project for the sum of \$100,000 and 1,000,000 fully paid common shares of the Corporation and this transaction was completed during the third quarter. The shares were recorded at \$1.26 per share, their market price on June 13, 2007 and are subject to a one year hold.

### **Fox River Project, Manitoba**

Pure Nickel also had an agreement with Xstrata Nickel, a unit of Falconbridge Limited, to earn a 50% interest in the Manitoba Fox River Project. In February of 2007, Pure Nickel announced the commencement of the first phase of its 2007 exploration program on the property which began with an extensive block-targeted, high resolution VTEM airborne electromagnetic survey of approximately 2600 line-km. These blocks were selected on the basis of previous drilling by Falconbridge, a lower-resolution airborne survey conducted in 1999 by Falconbridge and a recently acquired soil geochemical survey completed by Pure Nickel in late 2006. In March of 2007, Pure Nickel began the second phase of its current program by contracting Cyr Drilling International to carry out a helicopter-supported, diamond drilling program of 3,000 metres focused on the highly prospective conductors that were revealed by the VTEM and soil geochemistry surveys. This round of drilling was completed in May 2007.

While the drilling was considered a technical success, it was not considered to be a commercial success and the Corporation has returned the property to the control of Falconbridge and has no further interest in it. Accordingly, the amounts previously expended on exploration on this property were written off in the final quarter of the year.

### **Milford Copper Property, Utah**

Stuart Havenstrite, CPG, a qualified person as defined by National Instrument 43-101, reviewed the technical information hereunder for the Milford Copper Property, acquired by Nevada Star in 1998.

The Milford Copper Property consists of 55 patented mining claims, 232 unpatented mining claims, five Utah state leases, and 93 acres of fee land, aggregating approximately 7,000 acres. The Milford Copper Property is owned 100% by the Corporation, subject to a 12% Net Profits Interest on copper production from certain claims (held by a group of private investors which includes a current director of the Corporation) which will not exceed \$1.2 million in the aggregate.

The Corporation carried out extensive drilling on the claims in 1998 and commissioned a feasibility study that year. The results of the study were positive for the production of up to 54 million pounds of copper over a 5-year production life. However due to low copper prices at the time, the anticipated plant and production facilities were never constructed and the claims were not put into production.

On November 26, 2003, 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 or WUCC could receive a one-year extension by notifying the Corporation before that date that the property was being readied for production by the commencement of actual mine and/or plant development expenditures according to a schedule leading to production within twelve months. WUCC so notified the Corporation that it is on a path to production and has been granted two one year extensions. The Corporation will 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. Total royalties are capped at \$10 million.

WUCC has provided notice to the Corporation that the Milford Copper Property is being readied for production and has undertaken the construction of a concentrator, a working onsite analytical laboratory and office building, and ongoing ore reserve drilling on the Milford Copper Property. In addition, WUCC has provided the Corporation with a preliminary construction schedule that will lead to production. Following the extension granted in November 2007, the CEO, the Special Adviser to the Board and another member of the Board have visited the property, confirmed the progress in construction of the mill and confirmed that the property is now expected to be in production by October 2008.

### **MAN Alaska Project, Alaska**

The Corporation's Qualified Person on the MAN Alaska Project is Larry Hulbert.

Nevada Star's principal property, the MAN Alaska Project, is primarily a sulphide nickel-copper-PGE property. The MAN Alaska Project property includes approximately 300 square miles of federal and state claims. Portions of the claims are located in the Fairbanks, Talkeetna and Chitina recording districts. The Corporation acquired certain claims of the MAN Alaska Project pursuant to the acquisition of M.A.N. Resources, Inc. ("MAN") in the year ended August 31, 2002. Other claims were acquired from FNX Mining Company Ltd. or staked by the Corporation.

In May 2007 a VTEM B-Field airborne geophysical survey was conducted over the Alpha, Beta and East Rainy complexes of Pure Nickel's MAN Alaska project area. Surveys over the three blocks were conducted along flight lines 100 metres apart for a total of 3,327 line kilometres. The survey has the capability to detect conductors at depths of 400 metres and any significant or material results are expected to be incorporated in the drilling program.

Three dimensional magnetic inversion modelling was completed in May on the Alpha Complex based on a past airborne geophysical survey. Similar 3D magnetic inversion modelling based on the May VTEM survey results was conducted on the Alpha, Beta and East Rainy Complexes. The new VTEM survey data was also examined and modelled by Condor Geophysics for its conductive character and how it varies with depth. This will help refine indicators of size, orientation, dip and depth of conductors revealed by the airborne surveys.

In June 2007, a follow-up soil geochemical survey was conducted on the Alpha complex. This soil survey provided additional detail and definition from over 2282 new sample sites to expand upon the existing soil geochemical results accumulated from a 4000 sample program conducted during the 2002 to 2005 programs and will bring greater precision in targeting the 2008 drill program.

In conjunction with the soil geochemical survey, a bedrock geochemical analytical program was conducted in July 2007. Detailed GPS grids on the Alpha complex were established on which 1266 sites were analyzed utilizing a portable XRF unit. The objective of this survey is to establish width and extent of several large areas known to contain disseminated Ni-Cu-PGE sulphides. The survey established that two anomalous Ni-Cu horizons, each with strike lengths of > 450 metres are present to the west of Fish Lake.

From July 17, 2007 to October 3, 2007, 14 drill holes were collared, of which two were abandoned, on the Alpha Complex. A total of 3359 metres of the proposed 4000 metres program was completed. Most of the drill holes encountered extensive zones of disseminated Ni-Cu-PGE sulphides. The best disseminated intersections appear to be associated with areas defined to have anomalous conductivity as defined by the VTEM survey. QA-QC analytical results are still pending for two holes.

### **Salt Chuck Property, Alaska**

The Corporation's Qualified Person on the Salt Chuck Property is Gary Vivian, P. Geo., of Aurora Geosciences Ltd. of Yellowknife, NT.

The Salt Chuck property consists of 31 unpatented federal mining claims covering approximately 620 acres of prospective ground near the historic Salt Chuck mine on Prince of Wales Island, Alaska. The area is underlain by a mafic-ultramafic complex which hosts palladium bearing copper sulfide mineralization. Prince of Wales Island can be accessed by ferry service from Ketchikan to Hollis. Direct access to the property is by well maintained U.S. Forest Service roads. The Salt Chuck Property (MAN claims), acquired as part of the acquisition of Nevada Star Resource Corporation, is currently at the exploration stage. During the second quarter, the Corporation staked 115 federal lode mining claims adjacent to its existing 31 MAN claims. The newly staked mining claims combined with the Corporation's existing claims will cover 2,280 acres of contiguous prospective ground.

A recent airborne geophysical survey released by the State of Alaska indicates that the Salt Chuck property covers prospective ground within the mafic-ultramafic complex. On the property lies the historic Salt Chuck mine. The Salt Chuck mine was active between 1919 and 1941 and had reported production of 300,000 tons of copper sulfide ore grading 0.95% Copper, 2.0 g/t Palladium,

1.1 g/t Gold, and 5.7 g/t Silver. A site visit to the property was made in September 2007, and the logistic for a 2500 metres drill program for 2008 was laid out.

The Corporation has developed an exploration program for its Salt Chuck property. Stage I of the program is projected to be a 2500 metres diamond drill program proximal to the old mine site area and in the North Pole Hill area.

### **Xstrata Properties Acquisition**

During the third quarter, Pure Nickel acquired substantially all of the Canadian nickel exploration properties of Xstrata for \$15,250,000 and 4,000,000 common share warrants entitling Xstrata to acquire common shares of the Corporation at a price of \$2.00 per share for a period of three years. The Corporation has granted Net Smelter Return royalties (“NSRs”) of 2% to Xstrata on all of the properties acquired and the Corporation has certain buy back rights on a portion of the NSRs. In addition, the Corporation has granted to Xstrata the right to back in to a joint venture with the Corporation for the mining of one deposit of at least 15,000,000 tons, by paying the Corporation twice the amount of its exploration expenditure to that stage.

### **Xstrata Properties**

#### **William Lake, Manitoba**

Pure Nickels Inc. William Lake property (WLP) is located in central Manitoba 50 kilometres north of the community of Grande Rapids. Xstrata through its precursor entity, Falconbridge, carried out a successful nickel exploration program during the period of 1989 to 2002 which included airborne and ground geophysical surveys and 260 diamond drill holes. Their biggest success was the discovery of the William Lake trend (WLT) extending 18 kilometres in a northwest –southeast axis located on the southwest and east side of William Lake. Work by Xstrata and the Manitoba geological survey concluded the metasedimentary rocks belong to the Thompson Nickel belt and are part of the same nickel bearing Ospawagan group that hosts all of the Thompson nickel mines.

Xstrata’s exploration outlined 7 prospects (W55, W56N, W21, W56, W22, W42 and Lime) of nickel mineralization within the WLT. The nickel mineralization occurs either within or at the inferred basal contact of ultramafic sills or in silicate/sulphide iron formations next to the ultramafic contacts or on the boudinaged extensions of the sills. Ni mineralization is also commonly found in pegmatite dykes and veins.

The W56 prospect is one of the most mineralized zones in the WLT having a strike length of 2.5 km. A total of 23 drill holes were completed up to 1998. Some of the most significant mineralization discovered is seen in 3 different sections over a strike length of 1.2 kilometres and include the following intervals; DDH #168 on section line 31+00W returned 1.85% over 6.83 m, DDH # 166 on section line 26+00W returned 2.05% Ni over 11.2 metres and DDH #165 on section line 19+00W returned 2.85% over 6.4 m.

Pure Nickel’s current exploration started at the end of October, 2007 and is following up on the above 3 mineralized intersections on prospect W56. In view of the wide spaced drilling (up to 250 metres apart) the main objective of the program is to establish the continuity of the known mineralization to provide the confidence to work towards a mineral estimation for a 43-101

compliant resource on one or more sections. Testing for the continuity of mineralization includes drilling above and below the known zones at 50 to 100 metres step outs. For example a 5 million tonne deposit would be a target approximately 6 metres wide, 250 metres in strike length and 1000 metres down plunge extent.

The program included an ongoing ground PEM and BHEM surveys and 1159 line kilometres of a VTEM airborne survey was flown over the entire WLT properties (completed on December 17<sup>th</sup>). Preliminary results have identified multiple, weak to highly enhanced conductivity zones, some with previous drilling indicating the presence of ore grade nickel mineralization and others with very little or no drilling. To date, a total of 1876 metres in 5 holes has been completed.

The exploration program is designed to extend the continuity of the known mineralization that has previously been discovered by Xstrata on only one (possibly two) out of seven of the prospects and is ultimately working towards a compliant resource number.

Depending on the results of the current program additional targets would include following up on the new VTEM survey and the remaining 5 to 6 prospects that make up the rest of the WLT as identified by Xstrata. An additional \$3 million would be required to continue exploring these remaining prospects. When a zone has been outlined for resource potential additional drilling is required to bring it to a 43-101-compliant inferred resource. The program as outlined by Beaudry in the Technical report suggests approximately 20,000 metres is needed to outline the compliant resource. At current drilling rates this program would cost approximately \$7 million.

Reviewing the current exploration status of all the projects in Pure Nickels portfolio the William Lake Project is the most advanced property based on the exploration activity (primarily drilling) and results (potentially economic grade and width). The William Lake project has consistently returned economic grade/width intersections with the previous drilling programs.

On February 21, 2008 the Corporation announced it had entered into an option agreement with Rockcliff Resources Inc. whereby Rockcliff may earn up to a 70% interest in the Tower VMS property. This property is comprised of 35 mining claims located at the north end of the company's William Lake Property. The agreement requires Rockcliff to drill 2,000 metres in the first year as well as the granting of warrants to Pure Nickel to purchase 1,250,000 shares of Rockcliff at \$1.50 per share with a term of 2 years.

### **Manibridge nickel deposit, Manitoba**

The Manibridge nickel deposit is a classic magmatic sulphide deposit hosted in an ultramafic intrusion. It is located 128 kilometres southwest of Thompson and 32 kilometres southwest of the town of Wabowden. The Manibridge property consists of two claims, Ore 5 and Ore 6 that are 100% owned by the Corporation. These claims cover the shaft, ore body and tailings pond.

A production decision was announced in June 1969, on a mineral inventory calculation derived from 26 surface drill holes cutting the mineralized zone. At this stage 51 holes had been drilled on the property for a total of 44,398 ft. Production started in June 1971 and the operation ran into continual problems, never reaching design production levels (250,000 t.p.y. milled and 13,700,000

lbs annual production of nickel). The mine was closed in June 1977, when economic reserves were exhausted. The crown pillar has since collapsed and the mine workings are no longer accessible.

- Production Period: June 1971 to June 1977
- Initial Mineral Inventory: 1,409,000 tons (including 15% dilution) at 2.25% Ni, 0.27% Cu to a depth of 1250 feet.
- Recovered grades (including smelting and refining losses) were 1.65% Ni, 0.125% Cu, 0.02% Co.
- Smelting: 1971-1975 concentrate was shipped to Sudbury for smelting. 1976-1977 concentrate was smelted in Thompson on a toll basis and matte shipped to Sudbury for further refining.

The ultramafic body, which hosts the nickel sulphides at Manibridge is an elongated zone 3.2 kilometres in length conformable with the enclosing gneissic rocks. It has a maximum width of 150 metres at its southern end and thins gradually to 30 metres in width towards to north. Although the nickel-bearing sulphides occur sporadically throughout the entire length of the body, the ore producing section is restricted to a 180 metre strike length at the southernmost end, coinciding with the area of greatest width. Pegmatites constitute approximately 30% of the volume of the ultramafic zone, with two major varieties recognized. The ultramafic forms the core of a major fold axis related to the earliest deformation of the gneisses. Ten sulphide lenses can be distinguished, all of which conform to a fold pattern. The largest and richest of these, the A zone, is the outermost or lowest of the lenses or bands.

Sulphides are classified as disseminated, net-textured, semi-massive and possibly breccia filling. The main ore minerals are pentlandite and chalcopyrite. Pyrrhotite, pyrite and violarite also occur. Magnetite has been found in fractures and cleavage planes of the sulphides. The sulphides are considered to be magmatic in origin. Mineralization in the serpentinite is subdivided into higher grade ore (more than 3% Ni) and lower grade ore (1 to 3% Ni).

Subsequent to the year-end Pure Nickel entered into 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 past producing Manibridge Nickel Mine. Under the agreement, each party will contribute properties and mineral rights and make an initial aggregate contribution of \$3 million each over a three-year period to fund preliminary exploration activities within the joint venture area and perform further detailed technical studies as necessary to evaluate the potential for development and mining on the properties. Crowflight will be the operator of the joint venture. This transaction will enable Pure Nickel to expand the potential at Manibridge by exploring not only the areas surrounding the mine but the historical mineralization along strike that are evident in exploratory drill holes from the 1960s and 1970s. Properties contributed by Pure Nickel to the joint venture contain the claims and tailings disposal area of the past producing Manibridge Mine and are subject to rights held by Xstrata. Crowflight is in the process of bringing its Bucko Lake project into production and is motivated to find additional mill feed for the recently fully funded mill to be built there. In 2007 Crowflight conducted a VTEM geophysical survey over the Manibridge property, shared mine data with PNI on the deposit and is expected to be conducting a summer drill program in 2008.

## **HPM and Forgues**

On November 6, 2007, the Corporation announced that it entered into an option agreement with Manicouagan Minerals Inc. Pursuant to the agreement, Pure Nickel granted Manicouagan Minerals 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 Minerals pays \$30,000 to Pure Nickel, and as long as the agreement remains in effect, \$25,000 on the first and second anniversary. Manicouagan Minerals granted Pure Nickel 250,000 common share purchase warrants at \$0.40 per share. The warrants have a term of two years. Manicouagan Minerals 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. Manicouagan Minerals can earn an additional 20% if, within two years plus 60 days, it elects to carry Pure Nickel during a further year by spending an additional \$1,500,000. Since a significant shareholder and officer of Manicouagan Minerals is a director of the Corporation, this is reported as a Transaction with Related Parties (see page 18).

The Manicouagan Metamorphic Complex (HPM) is located North of Sept-Iles in the Grenville geological province. The 100 by 50 kilometres metamorphic complex contains several gabbroic plugs, ultramafic dykes and anorthosite intrusions intruding a granulitic assemblage. The gabbroic intrusions have variable dimensions but five of them are larger than 20 square kilometres. They are dominated by gabbro norites with pyroxene and olivine rich cumulate horizons.

## **Nuvilik Property, Ungava, Quebec**

The Nuvilik Property is located in the central part of the Cape Smith Belt approximately 90 kilometres south of the coastal Inuit community of Salluit, and 80 kilometres west-south-west of the Raglan Mine complex. The Cape Smith Belt in northern Québec is host to the Raglan Mine which has mineral reserves of 15.7Mt grading 2.8% Ni and 0.7% Cu (FI annual Report 2004). This mineralization occurs within the *Raglan Horizon* that occurs at the base of the Chukotat Group (dark green). The mineralization is located at, or near the base of embayment features in ultramafic subvolcanic to volcanic complexes. The footwall is either gabbro or sediments. A permit covering 75 square kilometres was originally taken in 1995 over the main showings. In December 2002 and July 2003 additional claims were taken and the property now comprises 245 claims covering 158 square kilometres separated into two distinct blocks; all of the claims are 100% owned. The claims were assembled to cover the prospective horizon at the contact between the Chukotat and Povungnituk Groups (fault repeated) and unexplained magnetic features that could correspond to ultramafic rocks associated with the South Raglan Trend.

The presence of significant Ni-Cu-(PGE) sulfide occurrences including the historical Ekwan showing (1.8% Ni and 0.8% Cu over 6.5 metres, 1957) illustrates the potential of the Nuvilik property to host Ni-Cu-PGE deposits. Historical drilling in the vicinity of the main showings includes 15 packsack drill holes totalling 148m in 1957 by Ekwan River Mines Ltd. and 6 drillholes totalling 1,037.4m by Falconbirdge Ltd. in 1996 and 1997. More recent work has shown that high tenor sulphides are present within ultramafic rocks in the eastern part of the property as well (0.5% Ni, 0.8g/t PGE with only 0.6% S). In the southern part of the Nuvilik main block, a Zn-Pb-Ag showing is associated with a sequences of felsic pyroclastic and dolomitic rocks. Samples with

greater than 2% Zn have been identified along a horizon that extends for at least 2km. Exposure in this area is relatively poor and there is no record of drilling on the showing.

An AeroTEM airborne EM and Magnetic survey was flown in 2004 that identified several unexplained conductive anomalies. Some of these conductors are concordant with, or occur in the vicinity of previously mapped ultramafic units and historical Ni-Cu-PGE occurrences (Ekwan Showing). The AeroTEM total field magnetic data highlighted numerous magnetic features, some that are potentially related to previously unrecognized ultramafic units. Additionally there are several discrete conductive anomalies that correspond with the Getty horizon .

### **POV Property, Ungava, Quebec**

The POV Park property is located 100 kilometres northeast of the coastal Inuit community of Akulivik, 160 kilometres west-southwest of the Raglan Mine Complex. The Cape Smith Belt in northern Québec is host to the Raglan Mine which has mineral reserves of 15.7Mt grading 2.8% Ni and 0.7% Cu. This mineralization occurs within the *Raglan Horizon* that occurs at the base of the Chukotat Group (dark green). The mineralization is located at, or near the base of embayment features in ultramafic subvolcanic to volcanic complexes. The footwall is either gabbro or sediments.

The property consists of 4 blocks comprising a total of 148 map staked claims covering an area of 58.9km<sup>2</sup> acquired in 2003 by Falconbridge. The claims were staked to cover the prospective horizon at the contact between the Chukotat and Povungnituk Groups. These claims are located within a Provincial Reserve close to the Mont Puvirnituk Park project. The limited amount of field work that has been conducted on this property has already uncovered some high tenor magmatic sulphides at the base of an ultramafic complex (0.52% Ni, 0.24% Cu, 2.3g/t PGE and 1.74% S; and 0.60% Ni, 0.43% Cu, 0.9 g/t PGE and 2.51% S). This ultramafic body is positioned within the Raglan Horizon and appears to have a conductive response associated with it.

An AeroTEM airborne EM and Magnetic survey was flown in 2004 that identified several unexplained conductive anomalies (Figures 1 and 2). Some of these conductors are concordant with, or occur in the vicinity of previously mapped ultramafic units. The AeroTEM total field magnetic data highlighted numerous magnetic features, some that are potentially related to previously unrecognized ultramafic units.

### **SR1 Property, Ungava, Quebec**

The SR1 property is up to 45 kilometres long by 14 kilometres wide, covering a surface of 357 square kilometres, comprising 864 claims. Exploration in the southern portion of the Ungava foldbelt (i.e., South Raglan) in Northern Québec was sparked anew in 2003, by the recent Ni-Cu-(PGE) sulfide discoveries announced by Canadian Royalties Inc. (Mesamax, Tootoo, and TK). At that time there was a staking rush and Falconbridge Ltd. took out several claim blocks (SR1, SR2, SR3, SR4, and SR5) in the South Belt then and initiated a regional exploration project to

investigate the potential of the ultramafic rocks. The SR1 property is located in the south-eastern part of the Ungava Foldbelt. The property is underlain by rocks of the Beuparlant and Lamarche sub-Groups and metasediments are the most common rock type. The contact with the Archean in the SR1 block is a disconformity in which there is an observed pebble conglomerate directly overlying the Archean gneisses. This unit is overlain by ironstones, oxide iron formation and magnetite bearing quartzites. The metamorphic grade is generally higher in the southern parts of the belt and the rocks are commonly sheared and foliated. Metamorphic grade is at lower amphibolite facies.

Thick units of Povungnituk basalts, mostly massive flows commonly occur within the sedimentary sequence. Most of them have been previously mapped as gabbro. Mafic and ultramafic sills are rare and in the middle and eastern part of the SR1 block, the ultramafics consists of thin deformed talc carbonate altered sills with a weak magnetic feature. In the western part of SR1 the ultramafic sills are not so altered although they have been deformed.

In the north-west portion of the SR1 block, several ultramafic intrusions contain disseminated to semi-massive sulphides (Spirit and Spirit South). These areas were the subject of a more detailed grid mapping following ground Mag and HLEM surveys. On the Spirit grid several ultramafic intrusions were identified but they are highly altered and almost certainly deformed. Alteration of the ultramafics consists of talc and iron carbonates thus reducing the magnetic properties of the rocks. The pyroxenite margins are transformed into tremolitites and contain disseminated to semi-massive pyrrhotite with minor chalcopyrite. The ultramafic rocks are intrusive into metasedimentary rocks consisting of pelites and graphitic argillites. Partially digested xenoliths of basalt are commonly found near the contacts of the ultramafic intrusions. Graphitic and sulphidic rocks have been identified in between the hills (peridotite) and explain some of the conductors. Most of the significant Ni and PGE value were collected proximal to this contact. The altered pyroxenite returned anomalous values for Ni, Cu and PG with best values obtained of 0.29% Ni, 0.32% Cu, 0.01ppm Au, 0.06ppm Pt and 0.22ppm Pd for 4.96% S.

On the Spirit South Grid a thin flat lying ultramafic sill formed of a core of peridotite and a pyroxenite margin was mapped. The underlying rocks consist of dolomite and dolomitic sandstones and the overlying rocks consist of massive basalt. Magmatic sulphides were identified in the peridotite as disseminations. The best value obtained from this area was 0.24% Ni, 0.16% Cu, 0.05 Pt and 0.16 ppm Pd for 5.27% S.

This area was covered with a Mag and HLEM survey totalling 5.94 line-km. Several EM anomalies and conductive zoned were outlined. A Crone TDEM survey was also conducted to investigate potentially deep-seated conductors that could have been missed or misidentified. Only weak conductors were detected, but they may also represent deep seated features.

In 2003, 2,778 line kilometres of AeroTEM survey was flown, followed with ground checking of the EM conductors. In 2004, soil geochemical sampling was performed mostly in lowlands where

conductors appear to be buried underneath glacial sediments. Samples were collected in order to form lines that cut through the targeted conductors axis. A total of 397 samples were collected. In 2005 ground surveys were conducted (HLEM, Mag and CRONE TEM) over an area located NNW of the claim blocks where a favourable setting was identified in prior years. Detailed geological mapping was also conducted.

### **East Hudson joint venture**

The East Hudson property consists of two claim blocks; 77 claims in the Tan block and 36 claims in the Nickel Dance block. The properties are part of a 50 - 50 Joint Venture agreement between SOQUEM and Falconbridge since 2000. Since the Xstrata property acquisition, the joint venture agreement is now with Pure Nickel. Both the Tan and the Nickel Dance claim blocks are located within the Tikkerutuk domain of Archean age. The geology consists of granodiorite, biotite-hornblende granites with enclaves of gneiss and eruptive breccias of varied fragments (mafic, ultramafic, paragneiss, iron formation). The Tikkerutuk domain is now believed to be an extension of the Bienville Subprovince.

### **Harp Lake, Labrador, Newfoundland**

The Harp Lake Property consists of a claim block staked over anomalous nickel and copper gossans in the Harp Lake Anorthositic Complex. The Harp Lake Complex underlies about 10,000 square kilometres in central Labrador and straddles the boundary between the Nain and Churchill Provinces. It consists of a major anorthosite massif and smaller amounts of gabbroic rocks and ferrodiorite together with several associated plutons of adamellite and granite. The complex was intruded about  $1450 \pm 25$  m.y. ago and is part of a group of large Elsonian plutonic complexes comprising the Nain Plutonic Suite and the Michikamau Complex. Elsonian magmatic activity in Labrador took place in a continental crustal environment under anorogenic conditions.

### **Rainbow, Nunuvut**

The Rainbow project consists of a series of 36 contiguous mining claims totalling 32,498 hectares. This property occurs within the southwest portion of the Archean Rankin-Ennadai Greenstone Belt in the Kivalliq District of Nunavut, and consists of basalt-andesite volcanics, clastic metasediments, iron formations, and ultramafic flows. An indeterminate series of komatiitic and basaltic flows outcrop to various extents the entire 30 kilometres length of the property. Nickeliferous sulphide occurs as fine disseminations and massive sulphide boulders associated with komatiitic peridotites in an area referred to as the Main Zone Showing. This area of nickel mineralization was historically discovered by Inco Limited in 1952. Subsequent work by Noranda in 1977 confirmed the presence of the Main Zone Showing. In addition to the Main Zone Showing Area, a Noranda report of 1977 lists analytical results from two glacially transported massive sulphide boulders collected 1 and 2km south-east of the Main Zone, with historic assay data listed as 4.6% and 7.4% Ni respectively.

### **Exploration Syndicate**

On September 18, 2007 Exploration Syndicate granted the Corporation an option to earn up to a 100% interest in 6 mining licenses and 5 claims comprising the Thompson Project (William Lake Extension) in Manitoba (the "Mineral Rights"). The Thompson Project covers 160,000 hectares of

prospective property, north, east and west of the existing, 100% Corporation owned, William Lake claim block, and more than quadruples Pure Nickel's exploration potential in the prolific Thompson Nickel Belt. The licenses effectively cover all of the land between Pure Nickel's William Lake property and the Corporation's Manibridge Property, a former operating mine.

An airborne geophysics survey of approximately 9,000 line kilometres of VTEM and deep imaging was completed in late 2006 on the majority of the Mineral Rights. Interpretation of that data is largely complete and Pure Nickel has identified nine drill ready locations. The Corporation intends to explore high priority targets in 2008.

The Corporation issued to Exploration Syndicate 500,000 non-transferable common share warrants exercisable at a price of \$2.00 each. The warrants vest when the Corporation earns a 50% interest in the Mineral Rights. To achieve that it must incur \$3,000,000 of expenditures during the first two years of the Option Agreement, of which at least \$2,000,000 must be incurred in the first year. If the Corporation incurs those expenditures, it will earn a 50% interest in the Mineral Rights and has one year to exercise its right to earn an additional 15% interest in the Mineral Rights by (i) incurring an aggregate of \$2,000,000 of additional expenditures on the Mineral Rights within two years; and (ii) issue to Exploration Syndicate 500,000 shares. If the Corporation exercises the Additional 15% Option, it has 180 days to exercise its right to earn an additional 10% interest in the Mineral Rights, by completing and delivering a feasibility study to Exploration Syndicate within 2 years from the date the Corporation notifies Exploration Syndicate of its intention to complete the study. In that case, it will have the right to purchase the remaining 25% interest in the Mineral Rights held by Exploration Syndicate for 110% of its fair market value.

Should the Corporation decide not to continue to earn-in on the Mineral Rights at any time after it has earned a 50% interest in the Mineral Rights, the Corporation and Exploration Syndicate will then enter into an industry standard joint venture agreement.

## Exploration Plans for all Properties

Pure Nickel is formulating its plans for its 2008 exploration programs (indicated in the above noted descriptions) which are expected to total approximately \$8,000,000, all of which has already been funded. The Corporation will be focusing on its high priority properties and will continue to explore for joint venture, earn-in or other arrangements by which to advance the exploration of many of the Corporation's properties without the cost of all of the work being borne by the Corporation.

## Selected Financial Information

	Year ended November 30, 2007 \$	Period from May 18, 2006 to November 30, 2006 \$
Revenues	Nil	Nil
Expenses	4,946,798	103,441
Net income (loss)	(7,725,575)	(138,523)
Net income (loss) per share*	(0.18)	(0.02)

## Results of Operations

On March 30, 2007, the Corporation completed the acquisition of all of the shares of old PNi, a private company incorporated May 18, 2006. As the transaction was deemed to be an RTO, old PNi, the new subsidiary of Nevada Star, was deemed to be the acquirer and its financial statements are the basis of the continuing financial statements of Nevada Star, which simultaneously changed its name to Pure Nickel Inc. As a result, the comparative financial information is that of old PNi. At the same time as the RTO, the Corporation consolidated its common shares on a one-for-five basis.

Pure Nickel reported a net loss of \$7,725,575 or \$0.18 per share for the year ended November 30, 2007, compared to a net loss of \$138,523 or \$0.02 per share for the period from incorporation on May 18, 2006 to November 30, 2006 for old PNi. (Note that the comparative results are not particularly meaningful since the nature of the company changed as a result of a reverse takeover transaction discussed in the previous paragraph.) Of the loss, \$331,560 is from loss on foreign exchange for which the comparative figure is nil. The Corporation's policy has been to maintain U.S. cash balances for the payment of expenses incurred in U.S. dollars (the conduct of the exploration programs on the MAN and Salt Chuck properties) so the loss results from the appreciation of the Canadian dollar during the year.

General and administrative expenses for the year ended November 30, 2007 were \$4,946,798 compared to \$103,441 in the previous period. The expenses are primarily attributable to compensation costs including those attributed from option grants to officers, directors and consultants of the Corporation pursuant to its stock option plan. Option grants were non-cash costs aggregating \$2,311,488. Professional fees increased to \$698,973 from \$31,536 in the comparative period owing to the significant increase in activity of the Corporation and numerous transactions requiring outside legal assistance. Transfer agent and regulatory fees increased to \$159,626 from nil in the comparative period because the comparative figures are for a non-public company with no such costs. Similarly, investor relations expense increased from \$6,529 to \$215,188. Travel and entertainment increased from \$3,523 to \$287,554 owing to the geographic dispersion of properties being explored by the Corporation.

Interest income increased to \$378,816 for the year ended November 30, 2007 compared to nil for the comparative period due to interest earned on funds raised through financings.

Cash used by operating activities was \$2,786,072, compared to \$296,633 in the prior year. The cash flow use from loss for the year was reduced by the write-down for impairment of mineral properties of \$2,659,219 and stock-based compensation expense of \$2,311,488, since these are both non-cash expenses. Investing activities consumed cash of \$22,972,609, the bulk of which was due to capitalization of expenditures on mineral properties. Financing activities provided cash of \$38,200,924 as against \$3,001,845 for the comparative period. The most significant elements of this are \$9,000,000 financing completed March 30, 2007 at a price of \$0.90 per unit, and the \$27,500,000 financing completed July 10, 2007, both discussed below under Liquidity and Capital Resources.

## Summary of Quarterly Results

The following tables present selected unaudited financial information for the past seven quarters, which represent the period since the incorporation of the Corporation.

	Period from May 18, 2006 to November 30, 2006		
	Quarter ended Nov. 30, 2006 \$	Quarter ended Aug. 31, 2006 \$	May 18, 2006 to May 31, 2006 \$
Revenues	Nil	Nil	Nil
Expenses	43,068	60,373	Nil
Net income (loss)	(83,822)	(54,701)	Nil
Net income (loss) per share*	(.01)	(.01)	Nil

	Year ended November 30, 2007			
	Q4 ended Nov. 30, 2007 \$	Q3 ended Aug. 31, 2007 \$	Q2 ended May 31, 2007 \$	Q1 ended Feb. 28, 2007 \$
Revenues	Nil	Nil	Nil	Nil
Expenses	1,061,731	979,214	2,755,543	150,310
Net income (loss)	(3,514,569)	(957,058)	(3,105,926)	(148,022)
Net income (loss) per share*	(0.052)	(0.017)	(0.088)	(0.036)

.\*Note: Fully diluted loss per share has not been presented as it is anti-dilutive.

## Economic Factors

The financial performance of the Corporation will be directly affected by the exploration activities to be conducted on its 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), the Corporation 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 the Corporation's mineral projects occur, its financial performance will become more closely linked to the prices obtained for the nickel and/or other metals produced. Management is of the view that the previous historically high price of nickel may not be regained, however the long-term forecast price is sufficiently attractive to justify the Corporation's focus on nickel projects. Demand for nickel and base metals is expected to remain strong for the foreseeable future, primarily due to demand from China, India and other developing areas. While this will encourage increased exploration and production, the overall growth in supply is not expected to keep pace with demand growth in the near future.

The Corporation reports its financial results in Canadian dollars whereas its revenues, if any, will be primarily, if not completely, earned in U.S. dollars, and its costs are primarily in Canadian dollars. The Canadian dollar has shown a significant appreciation against the U.S. dollar. The main effect of the erosion in value of the U.S. dollar as against the Canadian dollar and other international currencies is to reduce the price of metals expressed in Canadian dollars relative to

their expression in U.S. dollars. The Corporation takes this and anticipated trends in metal prices and foreign exchange rates into consideration when evaluating its business, prospects and projects and expenditures thereon.

### **Liquidity and Capital Resources**

On March 15, 2007, the Corporation completed a brokered private placement of 10,000,000 subscription receipts for \$0.90 each, for gross proceeds of \$9,000,000. Upon completion of the amalgamation with Pure Nickel Inc., the subscription receipts were automatically converted into units comprised of one post-consolidation common share of the Corporation and one-half of one post-consolidation warrant. Each whole warrant is exercisable into a common share at price of \$1.20 for a term of 18 months. The Agent received a cash commission of 7% of the gross proceeds and agent's compensation and advisory warrants equal to 5% of the gross number of securities sold in the offering. Each agent's warrant and advisory warrant is exercisable into one post-consolidation common share at a price of \$0.90 each for a period of 18 months.

During the third quarter, 2007, the Corporation completed a financing of \$27,500,000 by the sale of 22,000,000 units for \$1.25 each consisting of one common share and one half warrant, each whole warrant being exercisable for a period of 18 months into a common share of the Corporation for \$1.75 per share.

Currently, none of the Corporation's property interests generates revenue. The Corporation's capital needs have historically been met by the issuance of securities (either through private placements, the exercise of stock options, shares for services, property or other assets). Fluctuations in the Corporation's share price may affect its ability to obtain future financing, and future financing will represent dilution to existing shareholders. In addition, such price fluctuations will influence the propensity of holders of the Corporation's warrants to exercise them into shares of the Corporation. By September 30, 2008, holders of the 5,500,000 warrants issued in the March 30, 2006 private placement will have to decide whether to exercise their warrants. Such an exercise could add \$6,600,000 to the Corporation's cash resources and will not occur if the share price remains below the exercise price of the warrants.

The Corporation had cash and equivalents plus short-term investments of \$12,960,396 at November 30, 2007 compared to \$1,514,560 at November 30, 2006. Current liabilities at November 30, 2007 consisted of accounts payable and accrued liabilities payable totalling \$477,076 compared to \$179,000 at November 30, 2006 which included a note payable that has subsequently been paid in full. Net working capital at November 30, 2007 was \$13,182,405.

During the third quarter, the Corporation recognized the disruptions being experienced in the markets for short term money market instruments and the risks associated with certain categories of such instruments, As a result, the Corporation sold its portfolio of bonds at par and reinvested its short term cash into bankers' acceptances carrying the credit guarantee of a major Canadian chartered bank. The policy of the Corporation is to invest its surplus cash only into instruments of the federal or a provincial government or a Schedule I Canadian chartered bank, or equivalent counterparties in the United States.

The exploration and development of the Corporation's mineral projects will require substantial additional capital. Failure to obtain sufficient capital would result in the delay or indefinite

postponement of exploration, development or production on any or all projects, and may cause loss of participating project interests. There can be no assurance that additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be favourable to the Corporation. At the time of writing, the Corporation has sufficient resources to complete all of its commitments pursuant to property agreements and all of its anticipated exploration programs for fiscal 2008.

Management believes that the working capital on hand at November 30, 2007 will be sufficient to cover general and administrative expenses and property holding and exploration costs for the current fiscal year. The Corporation additionally will watch for attractive opportunities to raise additional capital by way of private placement both in flow through financings and hard dollar financings.

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

The Corporation has not entered into any off-balance-sheet financing arrangements.

### **Transactions with Related Parties**

During the year ended November 30, 2007, the Corporation paid fees of \$148,666 (2006: \$20,000) to a company controlled by a senior officer of the Corporation for the provision of that officer's services.

Also during the year, the Corporation entered into the Manicouagan Minerals joint venture described above. Manicouagan Minerals is a company of which a member of the Board of Directors of Pure Nickel is Founder and a significant shareholder and Officer. The values inherent and all of the terms were negotiated between the parties as between arms length parties and the resulting transaction is believed to be at fair market value.

### **Proposed Transactions**

The board of directors is not aware of any proposed transactions involving a proposed asset or business or business acquisition or disposition which may have a material effect on the Corporation's financial condition, results of operations and cash flows. At any time, however, the Corporation may have under consideration potential transactions in such categories as part of its continuous review of its business activities and opportunities. This is now perhaps much more significantly so in view of the extensive exploration project portfolio under the control of the company as a result of the RTO and more so as a result of the Xstrata Properties Acquisition. Joint venture and earn in opportunities will frequently be presented to the Corporation and will be disclosed in timely fashion to the extent they are consummated and are material.

### **Critical Accounting Estimates**

The most significant accounting estimates for the Corporation relate to the carrying values of its mineral property assets. Mineral 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 management 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 on 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. If a property is abandoned, the property and deferred exploration costs will be written off to operations as has been the case this year with the Fox River property pursuant to its return to Xstrata. Otherwise, all of the Corporation's properties have been acquired so recently and/or have been the subject of recent exploration programs which are still being evaluated that no impairment charges are appropriate at this time.

Another significant accounting estimate relates to accounting for stock-based compensation. The Corporation uses the Black-Scholes option pricing model. Option pricing models require the use of subjective assumptions including the expected price volatility of the Corporation's shares. Changes in the input assumptions can significantly affect the fair value calculation, and therefore the value of the options may be changed significantly if alternate assumptions are used.

### **Financial Instruments and Other Instruments**

The carrying value of cash, receivables, deposits and accounts payable approximate their fair value because of the short maturity of these financial instruments. The Corporation is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities. The Corporation incurs a portion of exploration costs and expenses in U.S. dollars and translates all U.S. dollar transactions into Canadian currency using rates prevailing at the time of the exchange which may vary from time to time. The Corporation expects that the use of its U.S. dollars for exploration programs on its U.S. properties will deplete its U.S. dollar bank accounts and that continued U.S. exploration programs may have to be financed by conversion of Canadian dollars. Consequently, the Corporation is exposed to risk from exchange rate fluctuations.

### **Dividend Policy**

The Corporation has neither declared nor paid any dividends on its common shares. The Corporation intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its Common Shares in the foreseeable future. The payment of dividends in the future will depend on the earnings and financial condition of the Corporation and such other factors as the board of directors of the Corporation may consider appropriate.

### **Changes in Accounting Policies**

The Corporation's change to reporting in Canadian dollars (and with respect to old PN<sub>i</sub>, the change from U.S. to Canadian GAAP) has been referred to above. The principal effect of these changes is to recognize as a capitalized amount going forward the amount of exploration expense incurred by old PN<sub>i</sub> that had been written off under U.S. GAAP. Ongoing exploration costs similarly will be capitalized subject to the considerations outlined above regarding impairment of value.

### **Stock Option Plan**

During the second quarter, the Corporation granted 2,950,000 stock options to directors, officers and service providers at prices of \$0.90 to \$1.55 per share for three-year periods and in the third

quarter a further 100,000 at \$1.45. It also amended its stock option plan by increasing the number of shares reserved for issuance from 1,400,000 to 4,300,000 shares. The amendment has received regulatory and shareholder approval. In the fourth quarter, a further 600,000 incentive share options were granted to senior officers and/or directors of the Corporation consistent with the terms of the Corporation's Option Plan.

### **Disclosure of Outstanding Share Data at February 25, 2008**

Issued common shares	67,765,559
Stock options	3,750,000
Share purchase warrants	20,000,004
Agent's compensation and advisory warrants	1,129,370

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

As of the end of the period covered by this report, the Corporation's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures under the supervision of, and with the participation of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures, as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers Annual and Interim Filings are effective to ensure that material information relating to Pure Nickel is made known to management on a timely basis and is included in this report.

### **Internal Control over Financial Reporting**

The Canadian Securities Administrators' (CSA) Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, requires management to include a certificate about the design of internal control over financial reporting and related MD&A disclosures.

The internal control over financial reporting certification disclosures did not indicate any deficiencies.

### **Forward-Looking Statements**

This Management's Discussion and Analysis includes forward-looking statements concerning the future performance of the Corporation, its operations, and its 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 "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. The Corporation cautions 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 the Corporation's control.

Future events and results may vary significantly from what the Corporation currently foresees. 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 its website at [www.purenickel.com](http://www.purenickel.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com).