

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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Pure Nickel Inc. (TSX: NIC) – Strategic Focus shifted to William Lake

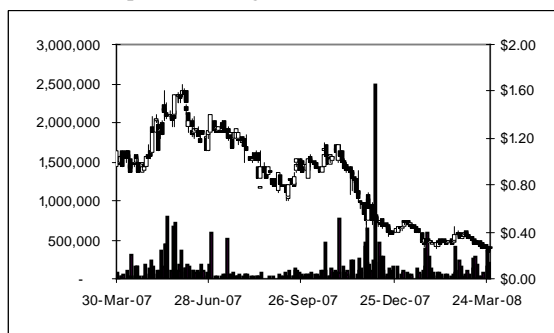
Sector/Industry: Junior Mining/Nickel/Copper/PGE

www.purenickel.com

Market Data (as of March 31, 2008)

Current Price	C\$0.25
Fair Value	C\$0.86 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.23 - C\$1.65
Shares O/S	67,765,559
Market Cap	C\$16.94 million
Current Yield	N/A
P/E	N/A
P/B	0.35
YoY Return	-75.0%
YoY TSX	0.5%

*see back of report for rating and risk definitions



Investment Highlights

- Pure Nickel is a nickel and platinum group metals explorer with a diverse property portfolio. Their portfolio encompasses projects in many different regions at various stages of exploration.
- With the acquisition of Xstrata's Canadian Exploration Package, the company is focusing on William Lake, Fond du Lac, MAN, and Salt Chuck projects.
- We expect the company to continue to joint venture its remaining properties to advance its property portfolio as efficiently as possible.
- The company has an experienced, aggressive management team with notable experience in financial and geological aspects of building a junior resource company.
- The company completed a \$27.5 million non-brokered private placement in August 2007, which has put it in a strong cash position.
- We have lowered our fair value estimate from \$1.60 per share to \$0.86 per share as our average peer group valuation metric (Enterprise Value to Mineral Assets) has dropped. We attribute the drop in the average EV/Mineral Assets to an expected slowdown in global economic growth rates, ongoing credit crunch problems, and a less bullish outlook on nickel prices.
- The company's working capital at the end of November 2007 represented \$0.19 per share, which means that, at current price levels, the market values the company's projects at only \$0.06 per share!

Key Financial Data (FYE - November 30)

(C \$)	2007
Cash	12,960,396
Working Capital	13,182,405
Mineral Assets	35,502,123
Total Assets	49,188,862
Net Loss	(7,725,575)
Loss per Share	(0.18)

Pure Nickel is focused on nickel exploration throughout North America. It became one of North America's largest nickel explorers upon acquisition of Xstrata's Canadian Nickel Exploration Package in July 2007. The company has an experienced, aggressive management team. We believe an investment in Pure Nickel is a good way to participate in new nickel-copper-PGE discoveries.

Company Overview

Pure Nickel has a diverse portfolio of nickel and platinum group element properties throughout Canada and Alaska. We like the strategy of having different projects with different mineralization and at different stages, which means the projects could be attractive under different market conditions. This year, Pure Nickel has been very active through an \$8 million exploration program on its priority target properties.

Properties Overview



Source: Pure Nickel Inc.

William Lake & Thompson

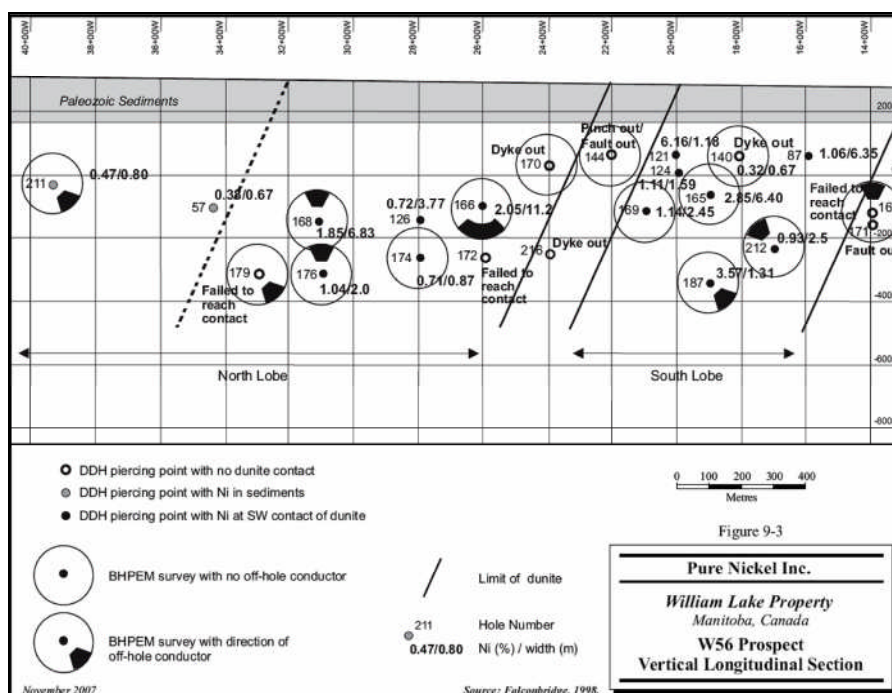
Property Overview: The company is currently drilling the 100% owned William Lake property, which is its priority property. At least 11 large ultramafic bodies have been discovered on the property. The company is focusing on delineating the best targets and establishing NI 43-101 compliant resource estimates on them. They plan to commence drilling later in the year on the Thompson property under option from Exploration Syndicate Inc., a private company.

Historic Exploration/Production: Falconbridge explored the property from 1998-2002 and spent an estimated \$30 million on exploration. Falconbridge was focused on discovering a 20 million tonne deposit, and was drilling at large step outs to screen out “sub-threshold mineralized zones.” They subsequently dropped the property. There is very significant exploration potential at William Lake, where at today’s nickel prices, smaller sub 20 million tonne deposits could be very attractive. Historic exploration has defined 11 target areas and several smaller targets along the 15 kilometer William Lake trend, and a polymetallic base and precious metals target at the Tower Zone. Select historic results are presented below.

W56 Drill Holes	Grade	Meters
WL95-87	1.06% Nickel	6.35 m
WL95-121	6.16% Nickel	1.18 m
WL95-124	1.11% Nickel	1.59 m
WL96-165	2.85% Nickel	6.40 m
WL96-166	2.05% Nickel	11.2 m
WL96-168	1.85% Nickel	6.83 m
WL96-169	1.14% Nickel	2.45 m
WL97-176	1.04% Nickel	2.0 m
WL98-187	3.57% Nickel	1.31 m

Accessibility and Infrastructure: One of the advantages of this project is its infrastructure. The property is road accessible along Highway 6, which leads from Winnipeg to Thompson and Flin Flon. Thompson and Flin Flon both have metallurgical processing plants for numerous metals. A regional electrical power line follows Highway 6. Manitoba is a very mining friendly province, and the Thompson Nickel Belt has a number of active mines, development stage projects, and exploration properties.

Geology and Mineralization: A 15 kilometer mineralized trend known along the William Lake Dome hosts a number of mineralized zones. The William Lake Technical Report prepared by Roscoe Postle Associates identified several priority targets, especially W56, W56N, W22, W21, and the Tower Zone. These mineralized zones are heavily deformed and have irregular shapes. The historic drilling at W56 is laid out on the longitudinal section below. This steeply dipping mineralization was not fully tested by Xstrata (LSE: XTA).



Source: Pure Nickel Inc.

Current Status: The company began a 3,500 meter drilling program in November 2007, at William Lake, to follow up on Falconbridge (Xstrata)'s widely spaced drilling, which hit excellent nickel intercepts in terms of both grade, and width, but failed to define continuity of the multiple mineralized zones. The company is drilling on the known mineralized zones at 50 to 100 meter step outs, to establish continuity to work towards a NI 43-101 compliant resource estimate. No drilling results have been released at this time, but are expected in March 2008. The company has continued geophysical surveys, including PEM, BHEM, and VTEM over William Lake, Thompson, and Manibridge. The geophysical survey has identified multiple conductive zones, some of which were previously drill tested by Falconbridge and others that were not. The company has identified four priority zones which vary from 300 to 800 meters in strike length. The company added a second drill rig in

February 2008 to explore new anomalies. A third rig will be added in mid March to explore geophysical anomalies on the Thompson property. **The budget for the William and Thompson properties in 2008 is approximately \$4.8 million, representing 60% of the company's exploration budget.**

Resource Estimates: This property does not have any historic or NI 43-101 compliant resource estimates at this time. A NI 43-101 compliant technical report incorporating historic drilling on William Lake was released in November 2007.

Tower Property Property Overview: The company has optioned the Tower VMS project in the northeastern corner of the William Lake Property to Rockcliff Resources Inc (TSX-V: RCR).

Ownership: Under the terms of the option agreement, Rockcliff must pay \$30,000 on signing and on each anniversary date and grant 1.25 million warrants at \$1.50 to Pure Nickel. They can earn 50% by drilling 2,000 meters beyond the Precambrian-Paleozoic boundary within the first year, and spending \$2 million on exploration within the first two years. Upon earning 50% and making all payments to Pure Nickel, the two companies can form a 50:50 joint venture. Within 60 days, Rockcliff can increase their interest to 70% exercising the option to spend \$2.0 million on exploration over two years.

Historic Exploration: The William Lake Technical report released in November 2007 identified the Tower Zone as a polymetallic base and precious metals target. The Tower zone was discovered by testing a nickel sulfide geophysical target and has been intersected in multiple holes. The best intersection obtained to date is 5.30% Cu, 2.01% Zn, 0.85 g/t Au, and 22.0 g/t Ag over 3.78 m.

Current Status: Rockcliff Resources plans to complete an exploration program in 2008, including diamond drilling and geophysics to determine the size of the Tower VMS Zone and define other VMS horizons on the property.

Resource Estimates: This property does not have any historic or NI 43-101 compliant resource estimate at this time.

**Manibridge
Joint Venture**

Property Overview: The Manibridge property is adjacent to William Lake. It is a historic producer, which operated from 1971-1977. Pure Nickel and Crowflight Minerals (TSX.V: CML) have partnered in a 50:50 joint venture, bringing their adjacent Manibridge claims into one land package. Pure Nickel controls the historic Manibridge Mine from the Xstrata deal, and Crowflight controls a number of claims along strike with potential for additional mineralization.

Ownership: Each party will contribute properties and mineral rights to the Joint Venture and make an initial contribution of \$3 million each over a three year period to fund exploration and technical studies. Crowflight will be the operator of the joint venture. In addition, Pure Nickel will have an option to earn a 50% interest from Crowflight in the option area surrounding the JV area by spending \$1.5 million over a three year period.

MAN Project

Property Overview: The 100% owned MAN project is located in south-central Alaska. It is of interest because of the high-grade nickel and copper surface samples identified through historic sampling.

Current Status: In 2007, the company completed a \$4 million exploration program on the Alpha Complex. This program included airborne geophysical surveys, ground mapping, soil and bedrock geochemical surveys and 3,359 meters of exploration drilling from July to October.

The company's drilling focused on the Alpha Complex. The six holes reported all intersected massive sulfides in a thick, laterally extensive, sequence which was drilled along strike for 370 meters, and down dip for greater than 340 meters. The only material mineralization reported was in Hole PNI-001, which intersected 77.4 meters grading 0.26% nickel, 0.12% copper, 139 ppb palladium and 62 ppb platinum. This hole ended in mineralization. This is not high-grade mineralization and is not economic on its own, but is a good sign that there is a mineralizing event in the area. The other six holes intersected massive sulfides, but grades were not reported. The company is still planning the Phase II exploration program in 2008, using the information gained from the 2007 program as a guide to target economic mineralization.

Resource Estimates: This property does not have any NI 43-101 compliant resource estimates at this time.

**Salt Chuck
Palladium-
Copper
Property**

Property Overview: The 100% owned Salt Chuck property is located on Prince of Wales Island in Alaska, and is a historic producer of copper, palladium, gold, and silver.

Current Status: The company's proposed exploration and drilling program did not proceed in January 2008 as planned, due to delays in the permitting process. Final permitting is expected by the end of February 2008. The company is currently evaluating the optimal time period to drill and the exploration program for this year.

Resource Estimates: This property does not have any historic or NI 43-101 compliant resource estimates at this time.

**Fond du Lac
Property**

Property Overview: The 100% owned Fond du Lac property is located in Northern Saskatchewan. The property has a non NI 43-101 compliant historic resource estimate on the Axis Lake Zone, and a number of targets remain to be tested.

Current Status: The company is evaluating the exploration program for Fond du Lac this year.

Resource Estimates: The property has a non NI 43-101 compliant historic resource estimate of 3.4 million tonnes of ore grading 0.66% Ni and 0.60% Cu at the Axis Lake East Zone.

**Dropped
Properties**

The company has dropped the Fox River and Florence Lake (Labrador) properties.

**HP & Forgues
Project**

Property Overview: The Haut Plateau and Forgues property host a large geophysical anomaly that was drilled successfully in 2001 and 2002. Drilling results include 4.15 meters at 2.34% nickel and 0.54% copper, and 5.95 meters at 2.74% nickel and 0.86% copper.

Ownership: Manicouagan Minerals can earn 70% interest in the project by paying \$80,000 in cash, and granting Pure Nickel 250,000 share purchase warrants at \$0.40. Upon spending \$0.75 million in the first two years, Manicouagan will have earned 50%. It can earn an additional 20% by expending an additional \$1.5 million over another year.

Management

In December 2007, J. Jay Jaski, Chairman, CEO, and Director of Pure Nickel, passed away suddenly. David McPherson, a director, stepped up as President and CEO. The company appointed a new Chief Financial Officer, Jeffrey Sherman, to replace Jay Richardson, who remains with the company as the Corporate Secretary. The biographies of the new management follow.

David McPherson – President and CEO, Director

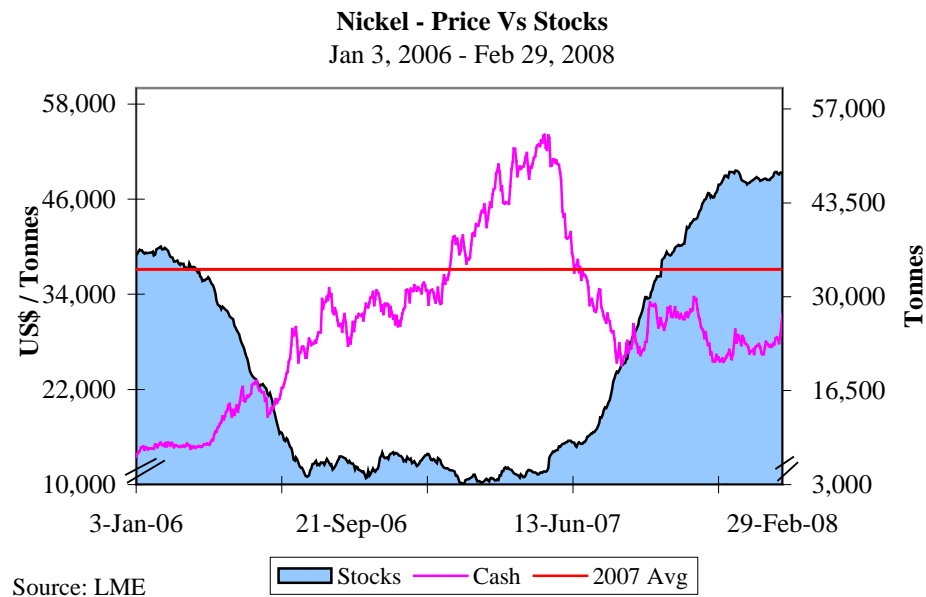
Mr. McPherson has over 25 years of financial institution experience with a major chartered bank, a number of those years being at the executive level. He has had responsibility for large regional retail and small business banking operations. He has served in an advisory capacity to a number of community based economic development groups including Niagara Growth Fund, a regional venture capital fund based in Niagara. From 2001-2006 Mr. McPherson was a Vice-President with First Ontario Credit Union and led strategy development, product and marketing groups. Since the fall of 2006 he has been self-employed as a management consultant.

Jeffrey D. Sherman - Chief Financial Officer

Mr. Sherman, a Chartered Accountant and MBA comes to the company with a vast breadth of knowledge in governance and planning, finance, internal controls and accounting. Previous work experience includes positions as Vice President and CFO of Visible Genetics Inc. and VisualSonics Inc. Jeffrey is an accomplished speaker and has authored eleven books including *Canadian Treasury Management*, *Canadian Cash Management*, and *Financial Instruments: A Guide for Financial Managers*.

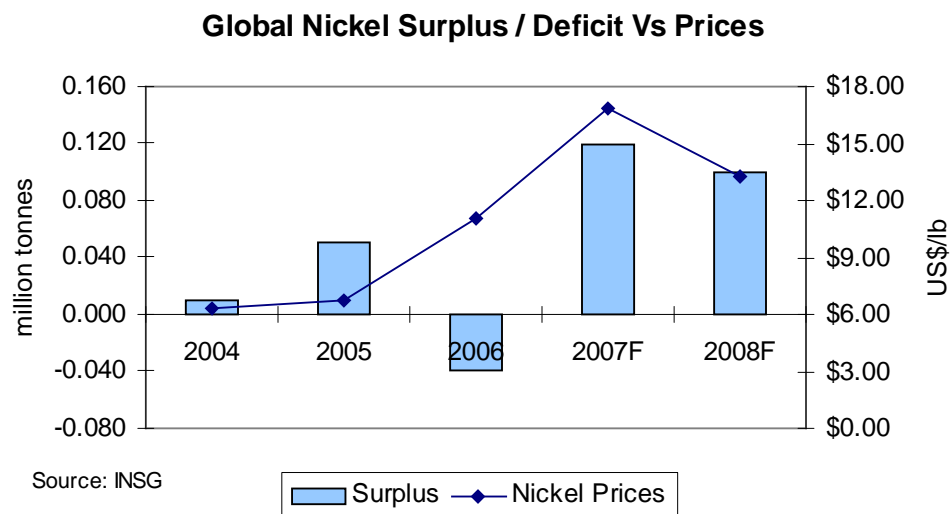
**Outlook on
Nickel**

Nickel (prices) has been one of the most volatile commodities in the past 18 months. Nickel prices have dropped by 45% since achieving their record high of US\$24.54/lb in May 2007. As of March 31, 2008, nickel was trading at US\$13.52/lb, which reflects a YOY decline of 37%. However, prices are still up by 121% since the beginning of 2006.



Nickel prices declined in the second half of 2007 primarily due to an increase in inventory levels (as shown in the chart). LME stocks as of March 31, 2008, were 49,992 tonnes (compared to 6,648 as of January 8, 2007), a YOY increase of 868%.

Supply / Deficit: We believe that surging demand from stainless steel will keep nickel prices at current levels in 2008. The chart below shows that the global nickel production surplus is expected to decrease to 0.10 million tonnes (down from 0.12 million tonnes in 2007) in 2008, as growth in consumption (8.9%) is expected to outpace production growth (6.8%).



Over the long-term, we continue to expect prices to soften from current price levels based on slower growth in global GDP (compared to 2006 and 2007), and an increase in global production levels. The International Monetary Fund (IMF) recently revised downward their

global GDP growth forecasts by 0.5% each year during 2002-07, in response to a new purchasing power parity (PPP) estimate published by the International Comparison Program (ICP).



The average forecasts for nickel prices are US\$13.25/lb in 2008, and US\$11/lb in 2009, which are significantly higher than the historical average price of nickel. We have maintained our long-term nickel price forecast at US\$8/lb.

Financials

Operations: At the end of November 2007, the company had cash and working capital of \$12.96 million and \$13.18 million, respectively. Pure Nickel had a net loss of \$7.73 million for FY2007 ended November 30, 2007 (EPS: -\$0.18). We estimate the company had a burn rate of \$2.23 million per month for FY2007. The table below shows the company's cash position and liquidity ratios.

C\$	2007
Cash	12,960,396
Working Capital	13,182,405
Current Ratio	28.6
LT Debt / Assets	-
Cash from financing activities	38,200,924
Burn Rate Per Month (incl. exploration costs)	(2,229,890)

Recent Financing: There was no major financing since our previous report in September 2007.

Stock Options and Warrants: At the end of November 2007, the company had 3.65 million stock options outstanding with exercise prices ranging from \$0.79 to \$1.55, and weighted average remaining contractual life of 2.5 years (none of the stock options are currently in the money). The company also had about 20 million warrants outstanding with a weighted average exercise price of \$1.66, and expiry dates between September 2008 and May 2010.

Conclusion: As at November 30, 2007, the company had \$12.96 million in cash. Based on

our discussions with management, we believe the company is in sound cash position to fund its exploration activities (\$8 million) and working capital in the next 12 months.

Valuation

We have continued to value the company based on the average ratio of enterprise value (EV) to mineral assets (book value) of its peers. Our revised valuation dropped significantly from \$1.59 per share to \$0.86 per share, as the average ratio of EV/Mineral Assets dropped from 3.2 to 1.3.

Company	Symbol	Price	EV	Mineral Assets	EV/Min Assets
1 Pure Nickel Inc.	NIC	\$0.25	\$3,758,985	35,502,123	0.11
2 Independent Nickel Corp.	INI	\$0.25	\$5,576,119	12,003,235	0.46
3 Strongbow Exploration Inc.	SBW	\$0.35	\$11,465,644	10,967,274	1.05
4 Hard Creek Nickel Corporation	HNC	\$0.69	\$29,813,295	20,036,244	1.49
5 International Nickel Ventures Corporation	INV	\$1.00	\$10,395,821	6,350,020	1.64
6 Mustang Minerals Corp.	MUM	\$0.44	\$25,072,230	13,827,481	1.81
7 Canadian Arrow Mines Limited	CRO	\$0.38	\$17,046,243	7,376,386	2.31
Average					1.27
Fair value per share					\$0.86

We have removed a few companies from our analysis, as we no longer believe that they are comparable to Pure Nickel. We attribute the drop in the average EV/Mineral Assets to an expected slowdown global economic growth, ongoing credit crunch problems, and a less bullish outlook on nickel prices. As we expect nickel prices to maintain current levels for the rest of 2008, we believe that our valuation metric has stabilized, and therefore, we do not expect to see a major change in the average EV/Mineral Assets ratio.

It is important to note that Pure Nickel is undervalued compared to all the other companies that we have included in this analysis. The EV/Mineral Assets ratio of Pure Nickel is 0.11 versus the average ratio of 1.27 of its peers.

Conclusions & Rating

We believe that the William Lake property is one of merit and is underexplored based on its location and potential for mineralization shown by excellent historic drilling results outlined in the technical report. We believe recent share price weakness may be due to delays in announcing drilling results, and we are confident that good drilling results will be an upside catalyst for the stock.

Based on our revised valuation model, we reiterate our BUY rating but lower our fair value estimate from \$1.60 per share to \$0.86 per share. Pure Nickel's shares are currently trading at \$0.25 per share. The company's working capital at the end of November 2007 accounts for \$0.19 per share, which means that the market values the company's projects at only \$0.06 per share!

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The company has not defined any NI 43-101 compliant resource estimates and does not

currently have any operating mines.

- The success of drilling, expansion and determination of favorable resource estimates are important long-term success factors for the company.
- The company is subject to dilution risk as it advances a number of projects simultaneously.
- The value of the company depends on commodity prices (nickel and copper).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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The distribution of FRC's ratings are as follows: BUY (80%), HOLD (8%), SELL (4%), SUSPEND (8%).

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