

Independent Nickel Corp. (TSX:INI) – Initiating Coverage; Prefeasibility Study Advancing Nickel Mine

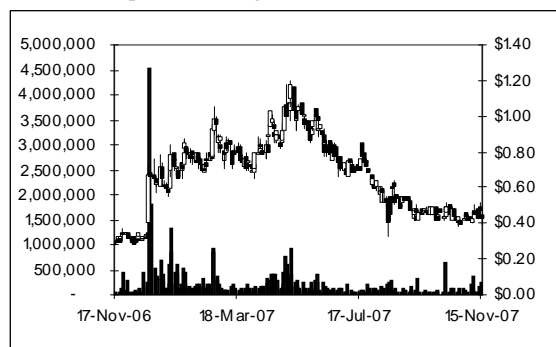
Sector/Industry: Junior Mining/Nickel

www.independentnickel.com

Market Data (as of November 22, 2007)

Current Price	C\$0.39
Fair Value	C\$1.75
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.29 – C\$1.20
Shares O/S	59,866,125
Market Cap	C\$23.36 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.10
YoY Return	18.2%
YoY TSX	6.6%

*see back of report for rating and risk definitions



Investment Highlights

- Independent Nickel is based in Sudbury, Ontario, and is exploring for nickel in Lynn Lake, Manitoba. The property is a historic producer with mining infrastructure in place.
- Lynn Lake has a NI 43-101 compliant resource estimate of 16.1 million tons grading 0.7% nickel and 0.35% copper measured and indicated in the N, O, and G zones, and 4.6 million tons grading 0.6% nickel and 0.3% copper inferred.
- A recently completed pre-feasibility study improved upon the economics of the scoping study.
- The company is considering the economics of building a bioleach facility at Lynn Lake to process and create nickel products on site.
- The company holds a 3% NSR royalty when nickel prices are above \$6/lb, on Victory Nickel's Minago property.
- We believe Manitoba is a very good province for mineral exploration and production.

Risks

- The success of ongoing economic studies is very important for the company's future prospects. The value of company depends heavily on commodity prices, namely nickel and copper.

Key Financial Data (FYE - December 31) (C \$)

	2005	2006	Q3-2007
Cash	1,253,761	4,927,432	8,733,726
Working Capital	941,770	4,691,421	9,113,254
Mineral Assets	1,319,171	2,714,669	5,658,688
Mineral Royalty	-	-	6,344,547
Total Assets	2,811,504	7,772,563	21,670,752
Net Loss	(419,321)	(526,754)	(1,272,326)
Loss per Share	(0.03)	(0.02)	(0.03)

Independent Nickel Corp. is working to reopen the Lynn Lake Nickel Mine to exploit resources that were subeconomic when the mine closed in 1976. This former producer has a NI 43-101 compliant resource estimate of 16.1 million tons grading 0.7% nickel and 0.35% copper measured and indicated, and 4.6 million tons grading 0.6% nickel and 0.3% copper inferred and is currently in prefeasibility.

**Company
Overview**

Independent Nickel, a Sudbury, Ontario based company, is advancing the Lynn Lake Nickel Mine through prefeasibility. The underground resources left in the Lynn Lake Mine when it closed in 1976 were subeconomic at the time of closure. The excellent nickel market over the past three years has lead the company to continue exploration and delineation of these mineralized zones to put them back into production. A prefeasibility study is expected in November 2007.

**Corporate
History**

Independent Nickel (formerly known as Seymour Exploration Corp) acquired the formerly producing Lynn Lake Nickel Mine in March 2005, and has been solely focused on the property since that time. The company changed its name to Independent Nickel in June 2006. It upgraded from the TSX Venture Exchange to the Toronto Stock Exchange in August 2007. The company also maintains a 3% net smelter royalty on all products created when nickel prices are over \$6/lb for Victory Nickel's (TSX: NI) Minago project in northern Manitoba. A bankable feasibility study for the Minago project is expected in the first half of 2008.

**Mining
Outlook for
Manitoba**

We are very positive on mining in Manitoba. The province has consistently rated highly for favorability of mining investment. According to a study recently conducted by the Fraser Institute, Manitoba is the world's best province for policy potential, a composite index of many factors that attract mining investment. The government has favorable land use policies, taxation structure, and is very secure. We believe that Canada is a good place to conduct exploration and mining, due to its security, infrastructure, mining history, political stability, and mineral potential.

Manitoba	
Category	World Rank
Policy Potential	1
Security	1
Mineral Potential	12
Best Practice Mineral Potential	19
Composite Policy & Mineral Potential	12
Infrastructure	1
Political Stability	1
Regulatory Duplication & Inconsistencies	2
Taxation Regime	11

Manitoba's rank for favorable mining investments in the world for 2006/2007.

Data Source: The Fraser Institute, an Economic Think Tank based in Canada

**Lynn Lake
Nickel-Copper
Mine**

Property Overview: The 471 hectare Lynn Lake A Plug property is a historic producer that is advancing towards production again.

Ownership: The company maintains 100% interest in the property, which is not subject to any royalties. It purchased Glencairn Gold Corporation's (AMEX: GLE) 2% NSR royalty in June 2006.

Historic Exploration/Production: The Lynn Lake Mine, operated by Sherritt Gordon Mines Limited, produced 22.2 million tons of ore at an average grade of 1.0% nickel and 0.5% copper between 1953 and 1976. Not all of this production was from Independent Nickel's property. Known resources/reserves were left unmined when the mine closed. The company has focused on the N, O, and G orebodies, which are lower grade and were not mined out. When the company acquired the property in 2005, no exploration had been completed since the mine's closure.

Upon acquisition of the property, the company built a database of 3,709 drillholes totaling 1.31 million feet that had been completed. Wardrop used historic drilling data to compile a NI 43-101 compliant resource in 2005. In 2006, the company conducted a drilling program to test exploration targets that needed further delineation. This program was very successful. The intercepts in the Hotel target were wide (up to 30 meters) including high-grade nickel intercepts. Drilling of a new conductive body identified through geophysics identified the "Upper G" target below the Golf mineralized zone. This is a large mineralized zone, and preliminary drilling has been positive.

One negative legacy of the historic production is pollution. The liability for historic pollution from the operation of the Lynn Lake Mine is not the responsibility of Independent Nickel. However, elevated levels of cyanide and other chemicals may impact Independent Nickel's proposed mine dewatering and tailings removal program, as well as the placement of tailings ponds and mine infrastructure.

Neighbors: A number of historic mines exist in the Lynn Lake Greenstone Belt, but there are no producing mines currently. Independent Nickel's closest neighbor is Western Areas NL (TSX: WSA), an Australian based company that is jointly listed on the Australian Stock Exchange and the Toronto Stock Exchange. Western Areas owns the EL Plug, which produced approximately 1.0 million tons during Sherritt Gordon's years of operation in Lynn Lake. This property is in early stages of exploration, as Western Areas has not released drilling results from the property yet.

Accessibility and Infrastructure: The Lynn Lake property is located in the town of Lynn Lake, population 699, along Provincial Highway 391. The town is 320 kilometers drive from Thompson, Manitoba, a mining center for the Thompson Nickel Belt mines. Lynn Lake is accessible by road and air. A railroad extends south from Lynn Lake to Flin Flon, Manitoba. Two local hydro generating stations are tied into the provincial power grid. Manitoba is known for low industrial electricity costs.

Two shafts were developed to exploit the Lynn Lake Mine, the A Shaft and the Farley Shaft. The company plans to dewater, clean, and rehabilitate the Farley Shaft in 2008. They will use the 2,000 meter and 3,000 meter levels to enable access to the N and O orebodies. A decline ramp will be excavated between these two levels to access the ore zones.

A former mill on the Lynn Lake property was used from 1992-2000 by Black Hawk Mining to process 2.8 million tonnes of material from its Farley open pit gold mine 36 kilometers away. Black Hawk used the Farley Shaft as a depository for an estimated 1.1 million tonnes

of tailings. The mine’s underground workings have flooded naturally to near surface. The company plans to build a new mill onsite for processing.

One infrastructure risk raised in Wardrop’s scoping study is disposal of tailings. No single location for tailings disposal in the Lynn Lake area is large enough to hold all of the tailings. The best plan at this time is to use multiple locations for tailings disposal on a sequential basis. Lynn Lake ore is also acid generating, which presents challenges due to the environmental damage associated with poorly managed acid generating tailings. All base metal sulfide mines are potentially acid bearing.



*Existing underground workings and orebodies at Lynn Lake A Plug.
Source: Independent Nickel Corp.*

Geology and Mineralization: The Lynn Lake property lies within the Lynn Lake Greenstone Belt, which extends from South Indian Lake to Laurie Lake. The Lynn Lake A Plug is a complex volcanic intrusive body with mineralized shoots and pipes. The approximate dimensions are 3 kilometers north south and 1.5 kilometers east west. Nickel mineralization is contained in peridotite and amphibolite.

Historically, mineralized zones on the Lynn Lake property have been named using the International Communication Alphabet, i.e. Target 1 is Alpha, Target 2 is Bravo, etc. The property contains 10 orebodies; A, B, C, D (Upper and Lower), E-J, F-K, G, M-N, O, and P and several areas of sub-economic mineralization.

Metallurgy: The nickel, copper, and cobalt ore is amenable to conventional flotation recovery with magnetic separation. Historically, nickel recovery averaged 75-78% and copper recovery averaged 83-84% while the mine was in operation. Advanced metallurgical studies have been completed in conjunction with Wardrop's prefeasibility study. This analysis incorporated cobalt grades and recovery. The scoping study estimated an average cobalt grade of 0.02% based on historic drilling data.

Metallurgical test results indicate a nickel recovery of 81.5%, copper recovery of 92%, and cobalt recovery of 80.5% using conventional milling and flotation. This will produce a concentrate containing 9.3% nickel, 7.5% copper, and 0.3% cobalt.

Wardrop is evaluating bioleaching to process Lynn Lake concentrate, due to the high grades and recovery rates of the Lynn Lake concentrate. Test work to date suggests bioleaching of the concentrate could recover 92.5% nickel, 81.4% copper, and 85% cobalt. In addition, the sulfur content of the concentrate is amenable to bioleaching recovery. The company is aggressively pursuing the possibility of constructing a bioleach facility, including an SXEW plant to recover nickel, copper, and cobalt metal on site. Bioleaching is a more environmentally friendly processing option, as traditional smelting generates toxic chemicals. Wardrop has indicated that bioleaching provide superior economics. The ability to process and create nickel products on site would elevate Independent Nickel to an exclusive group of companies, as there are only three nickel producers and marketers of nickel products in North America.

Sherritt Gordon's mill also included a talc recovery circuit, as talc usually "floats" and dilutes the concentrate levels of nickel and copper. The N and O orebodies are not known to contain any talc, so the company has not yet determined whether a talc recovery circuit will be included in the processing plant.

**Preliminary
Economic
Assessment**

Economic Studies: A preliminary economic assessment (scoping study) on the N and O orebodies was completed in October 2006. The details from this study, prepared by Wardrop Engineering Inc., are outlined below. A preliminary feasibility study is underway by Wardrop. This report is expected by the end of 2007.

Resource Estimate (N, O and G)	16.1 million tons grading 0.7% nickel and 0.4% copper measured and indicated	Also inferred resource of 4.6 million tons grading 0.6% nickel and 0.3% copper.
Mineable Resources Estimate (N and O)	11.4 million tons grading 0.7% nickel and 0.35% copper	at 0.6% nickel cut-off
Operating Rate	3,000 tonnes/day	
Mine Life	9.6 years	Based on measured and indicated resources
Capital Cost	\$271 million	With contingency
Operating Cost	\$63.50/tonne	
Payback Period	4.5 years	
Net Present Value (pre-tax) at 5%	\$133.7 million	

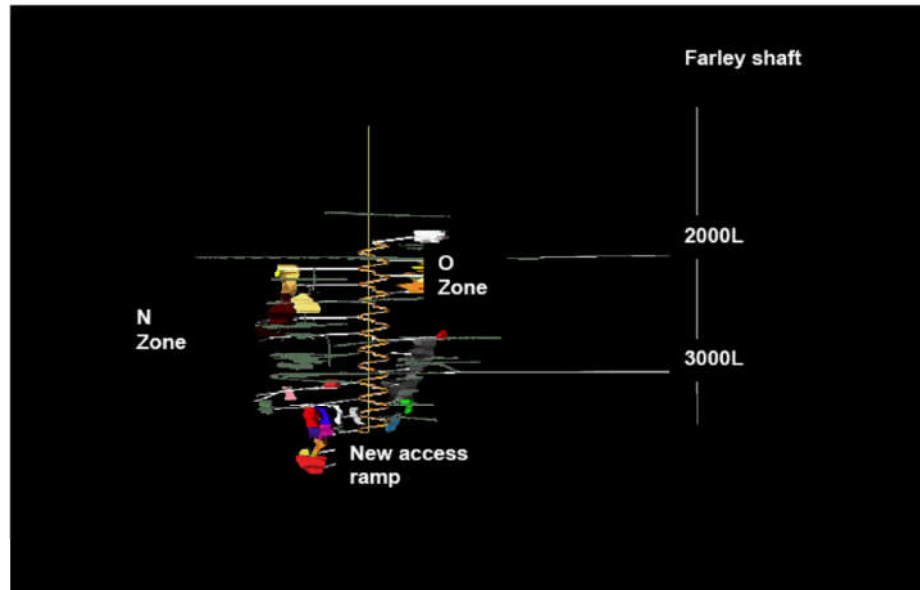
Internal Rate of Return (pre-tax)	14.4%	
Price Assumptions	US\$6.95/lb nickel, US\$1.74/lb copper	

**Preliminary
Feasibility
Study**

A preliminary feasibility study on the N and O orebodies was completed in November 2007. The details from this study, prepared by Wardrop Engineering Inc., are outlined below.

Probable Reserve (N and O)	10.7 million tons grading 0.65% nickel and 0.36% copper	
Operating Rate	3,000 tonnes/day	
Mine Life	9.6 years	Based on measured and indicated resources
Capital Cost	\$289 million	\$148 million pre-production, \$141 million over mine life
Operating Cost	\$70.55/tonne	
Payback Period	3 years	
Net Present Value (pre-tax) at 8%	\$131.0 million	
Internal Rate of Return (pre-tax)	29%	
Price Assumptions	US\$6.95/lb nickel US\$1.74/lb copper	

Mine Plan: Wardrop outlined a mine plan to exploit the N and O orebodies using a combination of the existing Farley Shaft and a new spiral ramp decline. The Farley shaft will be dewatered and cleaned, and the N and O orebody will be exploited using a ramp decline between the 2,000 and 3,000 ft levels. Individual levels will be created on 150 feet intervals. The image below outlines the development plan.



Source: Independent Nickel Corp.

Current Status: A 20,000 meter drilling program began in March 2007, and is ongoing. The focus of this program is exploration drilling on the Echo, Hotel, M, Upper G and Golf targets. In June, the company announced the discovery of a new nickel zone while testing the Upper G target. The new “Papa” zone assayed 0.7% nickel and 0.4% copper over 39.2 feet. The company is planning underground drilling following mine dewatering in Q4-2008 or Q1-2009, to determine a NI 43-101 compliant resource.

Environmental baseline data is being collected to support a mine application. The company is currently in the permitting process for mine dewatering and underground access. They hope to begin mine dewatering in Q2-2008. Removal of 1.2 million tons of tailings from the Farley Shaft will be completed in conjunction with mine dewatering.

Production Plan: Independent Nickel is on course to put the property into production. The current plan, involving mine dewatering, tailings removal, and ramp development, has a long development period of five years. There are several options to speed production, notably driving a new shaft or decline from the surface. Below, we have presented an estimated timeline for production on the property.

November 2007	Prefeasibility Study
May 2008	Begin Mine Dewatering and tailings removal
May 2010	Complete Mine Dewatering and tailings removal
June 2010	Begin Underground Development
June 2013	Production

Resource Estimate: The NI 43-101 compliant resource estimate was calculated by compiling historic drilling data submitted by Sherritt Gordon to the Manitoba government upon mine closure. The resource reproduced below is at a nickel grade cut-off of 0.5%.

Wardrop's scoping study recommends a cut-off grade of 0.6% nickel as being ideal based on current economic conditions.

Category	Tonnage tons	Ni grade (%)	Cu grade (%)	Ni Content (tons)
Measured (N & O)	0.95 million	0.80	0.37	8,200
Indicated (N, O, & G)	15.12 million	0.65	0.33	107,000
Total	16.1 million	0.7	0.35	115,200
Inferred (N, O, & G)	4.62 million	0.59	0.32	31,000

Minago Property

Property Overview: Independent Nickel maintains a 3% NSR royalty on Victory Nickel's Minago property, also in Manitoba. The Minago deposit is a large tonnage, low-grade nickel sulfide deposit amenable to open pit and underground bulk tonnage mining. Like Lynn Lake, accessibility and infrastructure is good.

Ownership: The Minago royalty is determined on a sliding scale, shown on the table below.

Nickel Price	Independent Nickel's NSR royalty
<US\$4/lb	1%
US\$4-US\$5/lb	1.5%
US\$5-US\$6/lb	2%
>US\$6/lb	3%

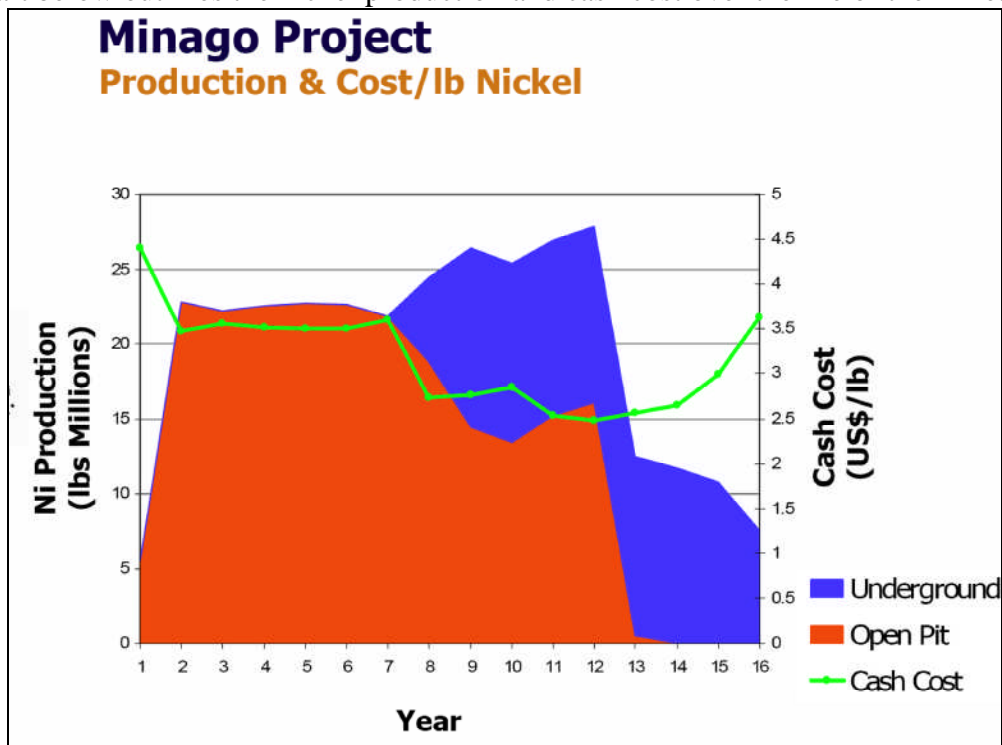
Accessibility and Infrastructure: The Minago property is adjacent to a paved highway, Provincial Highway 6, which runs from Winnipeg north to Thompson. A railroad is 60 kilometers away, and power is available from power lines that transverse the property. The nearest community is Grand Rapids, 107 kilometers to the south. Mine personnel will be housed in Grand Rapids and other communities within driving distance, not on site.

Economic Studies: A scoping study on the Minago project was completed in November 2006. The results of this study are outlined below. A bankable feasibility study with Wardrop Engineering is expected in the first half of 2008.

Resource Estimate	Total: 44.8 million tonnes grading 0.50% Ni Open Pit: 35.7 million tonnes grading 0.52% Ni Underground: 9.0 million tonnes grading 0.85% Ni	
Operating Rate	10,000 tonnes/day	
Mine Life	16 Years	(13 yr open pit, 9 yr underground with overlap)

Operating Scenario	Yr -2 to 0: pre-production stripping Yr 1-6: Open Pit Yr 6: Begin Underground Development Yr 8: Underground Production Yr 13: Open pit exhausted Yr 16: Underground exhausted	
Capital Cost	\$440.994 million	Life of mine, including contingency
Operating Cost	\$40.96/tonne	
Payback Period	5.3 years	
Net Present Value (pre-tax) at 8%	\$334 million	
Internal Rate of Return (pre-tax)	23.1%	

The chart below outlines the nickel production and cash cost over the life of the mine.

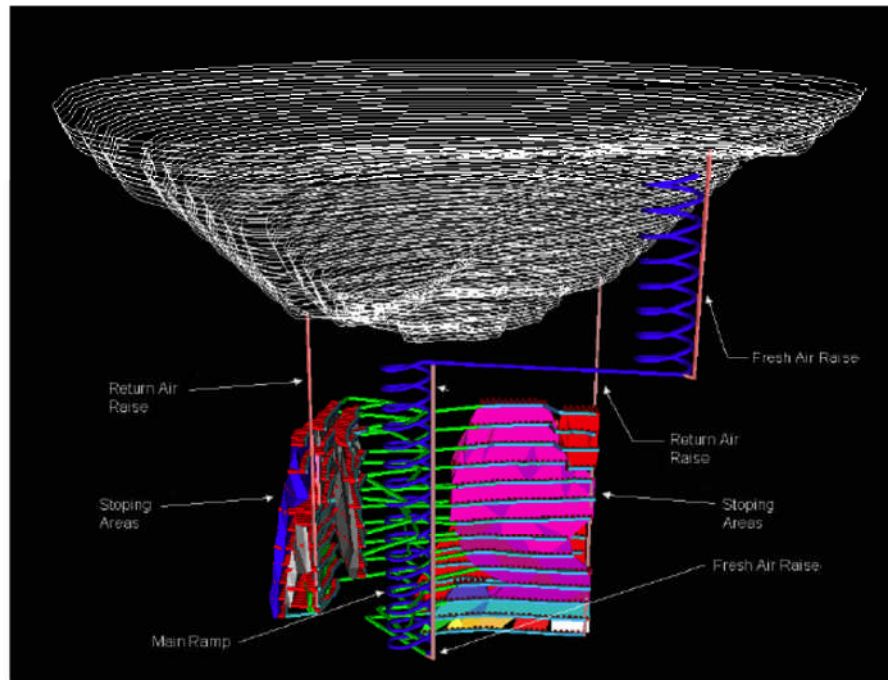


Source: Victory Nickel Inc.

Frac Sand Operations: The overburden of the open pit is partially composed of high quality sandstone that the company is planning to process and sell for fracturing. Frac sand is injected into oil and gas wells to improve flows. Frac sand ranges in value from US\$100-150/tonne. The analysis of the frac sand operation, outlined below, assumes a market price of CDN\$100/tonne.

Mining	3 years
Sales	15 years
Total Sand Mined	16.2 million tonnes
Total Frac Sand Sold	4.0 million tonnes
Net Cash Operating Profit	\$88.9 million
Net Present Value @ 8% – Frac Sand Only	\$32 million

Source: Victory Nickel Inc.



Mine Plan – Source: Victory Nickel Inc.

Geologic Resource and Mineable Resource Estimates: The crown pillar resource is the area between the open pit and underground areas. The scoping study estimates that approximately 50% of the crown pillar will be mineable if the ground is competent. Further testing is required, however.

	Total Insitu Resource (0.25% Cut-off Grade)		Total Mined Resource	
	Tonnes	Grade	Tonnes	Insitu Grade
Open Pit				
Measured	8,842,230	0.600	7,509,798	0.621
Indicated	27,720,971	0.485	22,222,981	0.501
Subtotal	36,563,201	0.513	29,732,779	0.531
Inferred	8,189,142	0.436	5,973,121	0.455
Crown Pillar				
Measured	985,950	0.519	-	-
Indicated	7,282,512	0.491	-	-
Subtotal	8,268,462	0.494	-	-
Inferred	3,724,981	0.435	-	-
Underground				
Measured	430,084	0.615	173,127	0.83
Indicated	3,776,396	0.586	1,179,391	0.855
Subtotal	4,206,480	0.589	1,352,518	0.852
Inferred	32,156,081	0.562	7,632,350	0.847

Source: Victory Nickel Inc.

Management & Board of Directors

Independent Nickel benefits from an experienced and diverse management team.

Richard Murphy, President, Chief Executive Officer and Director, is a professional geologist who has been active in mineral exploration for over eleven years. Mr. Murphy has a strong background in corporate development including the identification, acquisition and exploration of strategic mineral assets.

Guy Mahaffy, Chief Financial Officer and Director, is a Chartered Accountant and a Chartered Financial Analyst charterholder. He has held executive-level positions in the resource, commercial real estate, and investment banking industries. Mr. Mahaffy holds a Bachelor of Arts degree and a Master of Accounting degree.

Thomas Obradovich, Chairman, was most recently President and CEO of Young-Davidson Mines Limited, where he led that company from its initial acquisition of an historic gold mine in the Kirkland Lake Mining Camp to its successful merger with mid-tier gold producer Northgate Minerals Inc. He is a co-founder of public resource companies Canadian Royalties Inc., Aurelian Resources Inc., and U3O8 Corp.

Conrad Swanson, Director, has held the positions since September 2002. Mr. Swanson is also president and chairman of International Samuel Exploration Corp. since April 1996, president and CEO of Gold Reach Resources Ltd. since July 2003 and the owner of Third Millennium Capital Corp.

Kerry Knoll, Director, had been President of Glencairn since its incorporation in 1987 until his appointment as Executive Chairman in 2006. He was also the co-founder of Wheaton

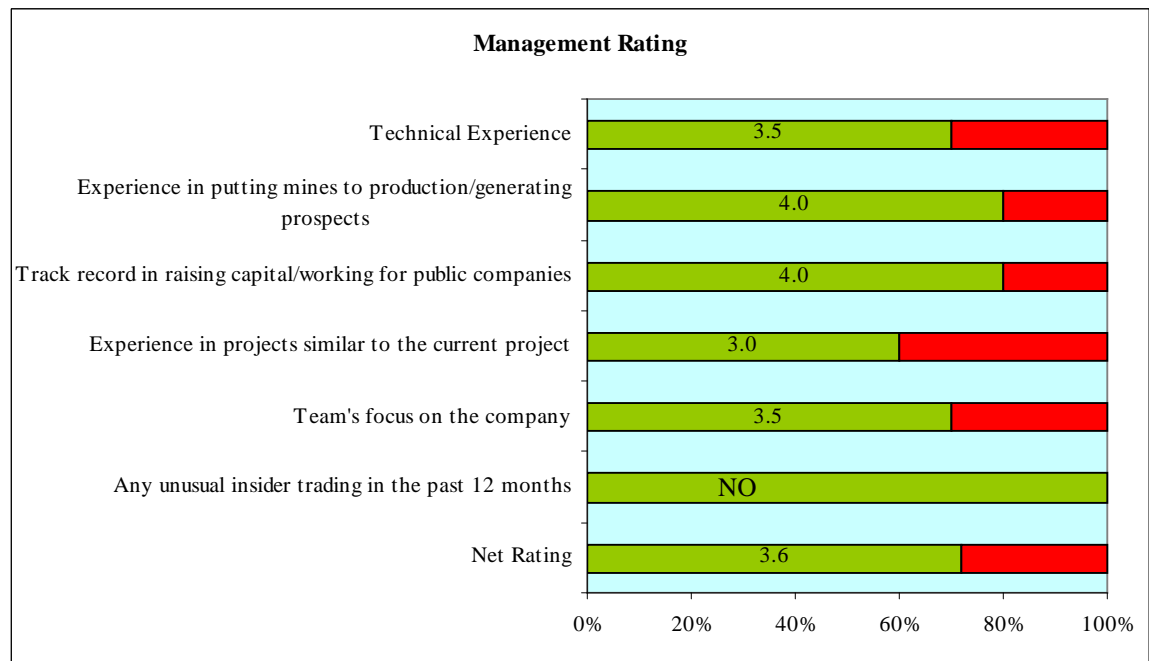
River Minerals Ltd., a company founded by Glencairn, and stayed with that company for 11 years in various capacities, including President. Other accomplishments during his career include terms as the Editor of both The Northern Miner Magazine and the Canadian Mining Journal.

Wayne Whymark, Director, is an entrepreneur with over 25 years experience in exploration both in Canada and abroad. He has served as a director and senior officer positions with a number of public mining companies.

Ronald Arnold, Director, is the founder and President of Dalron Construction Limited, a Sudbury, Ontario based private real estate development corporation. Dalron is also a developer/owner of commercial, hotel and retirement properties. Mr. Arnold brings significant director-level experience in the resource sector. He is a director of public resource companies Titanium Corporation and Duncan Park Holdings Corporation.

Management Rating

We believe that the most important aspect of a junior mining company is its management. Our management rating system is a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management’s time commitment to the company. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating for Independent Nickel is 3.6, which we have rated above average.** Independent Nickel has a highly qualified management team and board of directors that successfully identified the potential of the Lynn Lake property.



Strength of Board

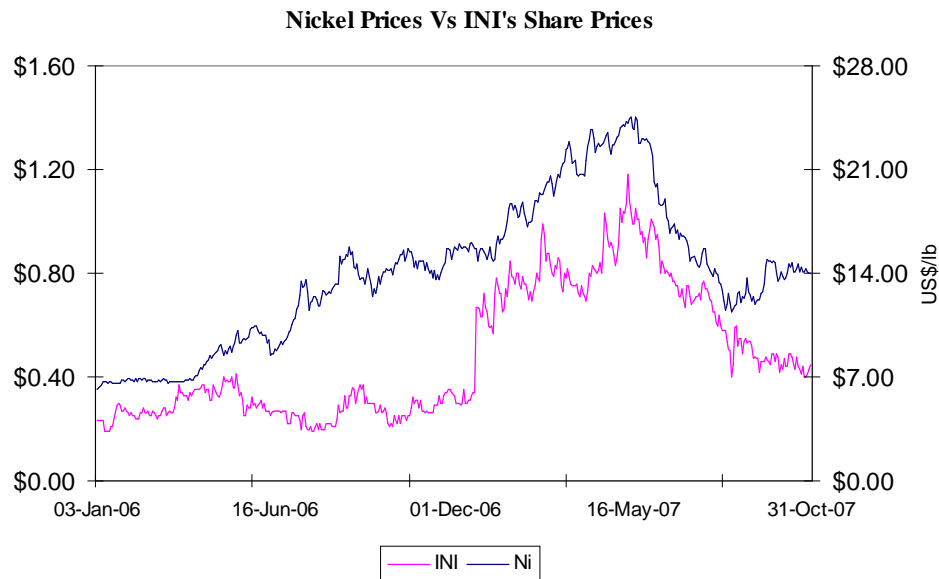
The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director’s ability to act in the best interest of the company.

An unrelated/independent director can be a shareholder. In this report, we rate the strength of board based on information available from the company’s annual “Management Information Circular” to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Board. This report also identifies any non-arms length transactions and management’s compensation.

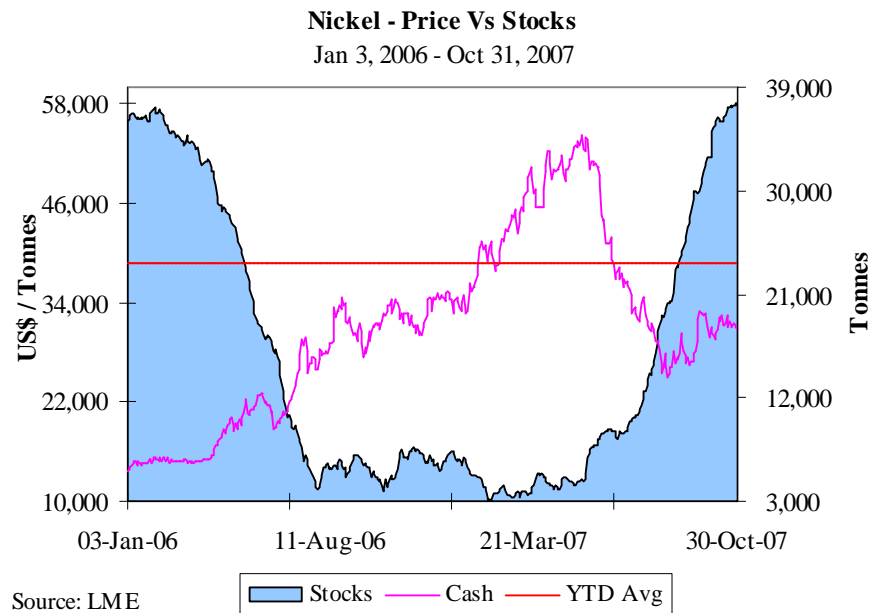
Independent Nickel’s Board of Directors is made up of seven individuals: Richard Murphy, Guy Mahaffy, Kerry Knoll, Conrad Swanson, Wayne Whymark, Ronald Arnold, and Thomas Obradovich. Richard Murphy and Guy Mahaffy are related/non-independent directors, as they are named executive officers of the company and receive compensation. All directors hold shares in the company. The Audit Committee is made up of Conrad Swanson, Wayne Whymark, and Ronald Arnold. The Compensation Committee is made up of Wayne Whymark and Kerry Knoll. Thus, these boards should be considered independent. Independent Nickel does not have any non-arms length transactions.

Outlook on Nickel

Although there has not been any significant correlation between nickel prices and INI’s share price, the chart below shows that INI’s shares have moved in tandem with nickel prices, when nickel prices were high.



Among all metals, nickel prices have experienced the highest appreciation since the beginning of 2006. Prices hit their record high of US\$24.54/lb in May 2007. However, prices dropped after attaining their peaks, and as of November 19, 2007, nickel was trading at US\$13.70/lb, which reflects a YOY decrease of 2.4%.



The recent decline in prices was primarily due to an increase in inventory levels. LME stocks as of October 31, 2007, were 37,662 tonnes (compared to 6,648 at the end of 2006), a YTD increase of 467%. Based on global daily consumption of 3,600 tpd, current inventories will suffice for almost 10 days.

Rising Demand: Stainless steel accounts for about 65% of global nickel consumption. Nickel is added to steel to make it rust-proof. Demand for nickel is driven by the strong demand for stainless steel in the world, particularly from China. The expected growth in the Chinese manufacturing and construction industry (based on GDP growth of about 10% p.a in 2007 and 2008) is expected to keep stainless steel demand high. According to the International Stainless Steel Forum (ISSF), global stainless steel production rose by 16.7% YOY to 28.4 Mt in 2006. China's stainless steel production rose by 68% YOY to 5.3 Mt (18.7% of global production) in 2006. Japan, the second largest stainless steel producer, increased its production by 2.3% in 2006, to 4.1 Mt. According to Goldman Sachs, stainless steel production in China is expected to rise by 33% and 23% in 2007, and 2008, respectively. Also, we believe, the rising global interest in hybrid vehicles (Nickel-zinc batteries are used for hybrid vehicle operation) will support growth in nickel demand.

However, we expect demand growth to soften in the long-term, based on expectations of a slowdown in global GDP. According to the International Monetary Fund (IMF), global GDP growth is expected to decline to 4.9% in 2008, compared to 5.4% in 2006. Even though the U.S. Federal Reserve cut interest rates by 75 basis points (to 4.50%) recently, we believe, the ongoing credit crunch problems, and a slump in the U.S. housing industry, will put downward pressure on U.S. economic growth. The U.S. economic growth rate is expected to slow to 2.2% in 2008, down from 3.3% in 2006 (according to the IMF). Therefore, we expect slower nickel demand growth in the U.S. to slightly offset the strong growth in demand from China and Japan.

Tight Supply: In addition to rising demand, we believe, the expectation of a shortage in supply led to price increases in 2006, and early 2007. Production at several major mines were lower than expected in 2006, including CVRD's Voisey's Bay Mine, Indonesia's largest nickel miner, PT International Nickel Indonesia (an Inco unit), and BHP Billiton's (NYSE: BHP) Yabulu mine in Australia. Two major projects, Inco Ltd.'s (now CVRD) Goro project in New Caledonia, and BHP Billiton's Ravensthorpe project in Australia, are now expected to start production later than expected.

Nickel supplies are not expected to meet demand in 2008. Several projects, including Ravensthorpe (Australia) and Onca Puma (Brazil), are lined up to commence production during 2007-2010. We believe the additional supply will be able to meet the increasing global demand in the longer-term. However, as the market is very tight, nickel prices are very sensitive to delays in commencement of production at new mines, or production stoppages in currently producing mines.

Forecasts: We believe that surging demand from stainless steel and low inventory levels will keep nickel prices at current levels, and volatile, in 2007, and 2008. We believe that fundamentals are strong enough to support prices staying above their historical averages. The average forecasted prices for nickel are US\$17.11/lb in 2007, and US\$14.50/lb in 2008.

Financials

In the first nine months of FY2007, the company recorded a net loss of \$1.27 million (EPS: -\$0.03), compared to a net loss of \$0.39 million (EPS: -\$0.02) in the comparable period in the previous year. Net losses increased primarily due to a YOY increase in stock-based compensation, from \$0.34 million to \$1.17 million, and a \$0.53 million write down of mineral properties. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.45 million per month in the first nine months of FY2007, compared to \$0.17 million per month in FY2006 (12-month period). The table below shows the company's cash and liquidity position.

	2005	2006	Q3-2007
Cash	1,253,761	4,927,432	8,733,726
Working Capital	941,770	4,691,421	9,113,254
Current Ratio	2.7	14.5	20.7
LT Debt / Assets	-	-	-
Cash from financing activities	1,680,662	5,729,176	12,871,993
Burn Rate Per Month (incl. exploration costs)	(88,863)	(171,292)	(449,572)

At the end of September 2007, the company had cash and working capital of \$8.73 million and \$9.11 million, respectively, compared to \$4.93 million and \$4.69 million at the end of FY2006.

Stock Options and Warrants: At the end of June 2007, the company had 4.05 million stock options outstanding (2.23 million are currently 'in-the-money') with exercise prices ranging between \$0.20 and \$0.90, and maturity dates between June 2008 and March 2012. The company also had 10.52 million warrants outstanding (3.24 million are currently 'in-the-money') with exercise prices ranging between \$0.30 and \$0.90, and maturity periods

between August 2007 and November 2008.

Conclusions: We expect the company to spend \$3 million in the rest of the year. In FY2008, the company will have to spend an additional \$25 million for mine de-watering and shaft building. Based on cash on hand at the end of September 2007 (\$8.73 million), we believe the company will have to raise close to \$20 million in 2008. However, note that these costs will be significantly reduced if the company decides to joint venture the project in the future.

Valuation

We have valued the company based on a sum-of-parts approach. In the next section, we present our valuation on the Lynn Lake project and the company's royalty interests in the Minago project.

Valuation of the Lynn Lake project: We valued the project based on a real options valuation model and a relative valuation.

Our valuation is based on all the measured and indicated resource estimates, and 50% of the inferred resource estimates. Our real options valuation model gave a fair value estimate of \$1.34 per share, and our comparables valuation gave a fair value estimate of \$0.72 per share. Our estimates for operating and capital costs were based on the recently completed preliminary feasibility study. A summary of our real options valuation model is shown below.

Real Options Valuation Model					
	Resources (in tons)	Grade %	Contained Metal (in lbs)	Commodity Prices (US\$/lb)	Value (C\$)
Nickel	18,380,000	0.65%	239,018,000	8.00	1,585,669,314
Copper	18,380,000	0.33%	121,606,000	2.25	225,394,046
Cobalt	18,380,000	0.02%	7,352,000	17.50	96,839,166
Recovery					
Ni					
Cu					
Co				Total Value (C\$)	\$1,907,902,525
				Operating Costs (C\$)	\$1,363,378,750
C\$/US\$	1.1			Net Value (C\$)	\$544,523,775
Inputs relating to the underlying asset					
Estd. Mineral Resources (in tons)					18,380,000
Estd. Value of Minerals if extracted today					\$386,737,788
Annualized Standard Deviation of Mineral prices					44.8%
Capital Investment					\$289,000,000
Estd. Mine Life (years)					17.5
Riskfree Rate					4.20%
Output					
Stock Price	\$386,737,788			T.Bond rate	4.20%
Strike Price	\$289,000,000			Variance	0.20
Expiration (in years)	17.5			Annualized div yield	6.32%
d1 =	0.895				
N(d1) =	0.815		Value of Option		\$81,528,509
d2 =	-0.980		No of outstanding shares (diluted)		60,888,556
N(d2) =	0.164		Value per share		\$1.34

We used eight comparables to value the Lynn Lake project using a relative analysis. We

valued the project based on an average enterprise value (EV) to resources ratio.

	Company	Symbol	Price	EV	Resources	EV/lb
1	Hard Creek Nickel Corporation	HNC	\$1.05	49,037,912	4,300	\$0.01
3	Victory Nickel Inc.	NI	\$0.48	68,803,430	1,147	\$0.06
5	Canadian Arrow Mines Limited	CRO	\$0.45	17,254,781	199	\$0.09
4	Ursa Major Minerals Incorporated	UMJ	\$0.67	16,206,573	170	\$0.10
2	Crowflight Minerals Inc.	CML	\$0.61	119,623,050	1,152	\$0.10
6	Mustang Minerals Corp.	MUM	\$0.60	36,794,115	158	\$0.23
7	First Nickel Inc.	FNI	\$0.75	74,749,579	308	\$0.24
8	Mirabela Nickel Ltd.	MNB	\$4.67	395,192,792	1,281	\$0.31
					Average	\$0.14
Fair value of the Lynn Lake Project						\$0.72

Based on an average ratio of \$0.14/lb, our relative valuation on the project (total resource estimate – 309 million lbs of nickel equivalent) is \$0.72 per share.

The average fair value estimate (based on our real options and relative valuation) is \$62.78 million, or \$1.03 per share.

Valuation of the royalty interests in the Minago project: We valued the company's 3% NSR interest (we expect nickel prices to stay above US\$6/lb in the long-term) in Victory Nickel's Minago project at \$34.45 million, or \$0.57 per share.

Valuation of Royalty Interests in the Minago Project	
Resource (in tonnes)	71,150,000
Wt. Avg. Ni Grade (%)	0.52%
Ni (lbs) - Recovered	468,155,741
Price of Nickel (\$/lb)	USD 8.00
Production Commencement	2011
Operating Rate (tpd)	10,000
Mine Life (years)	20
Discount Rate (%)	11.63%
Net Present Value (\$)	\$34,448,757
No. of Shares	60,888,556
Value per share	\$0.57

Our valuation was based on all the measured and indicated resources, and 50% of the inferred resources of the Minago project. All the inputs and assumptions used in our valuation model are presented in the table above.

Valuation Summary: Adding the company's working capital to our valuation on the Lynn Lake project and the royalty interest in the Minago project, we estimate the company's fair value as \$105.01 million, or \$1.73 per share.

Valuation Summary		
	Value	VPS
Lynn Lake Project	\$62,782,793	\$1.03
Royalty Interests in the Minago Project	\$34,448,757	\$0.57
Working Capital	\$7,834,581	\$0.13
Debt	-	-
Net Fair Value	\$105,066,130	\$1.73
Number of Shares	60,888,556	

We believe the Lynn Lake A Plug property is a quality asset that is quickly advancing towards a production decision. Investment in Independent Nickel eliminates many of the risks associated with many junior nickel exploration companies, who have early stage assets without economic studies. Although the company's share price is leveraged to the price of nickel, economic studies are based on conservative price assumptions and we are positive about the long-term outlook and demand for nickel.

Conclusions & Rating

INI shares are currently trading at \$0.39 per share. The company is undervalued based solely on our fair value estimate of \$0.57 per share on the 3% NSR interest in the Minago project. We believe the current share price does not reflect the true fair value of the company's projects. This may be due to investor concern over the infrastructure risk associated with the disposal of tailings, the long development period of five years to put the Lynn Lake project into production, and the low grade of the current reserves. However, we have a positive outlook on the project due to its location in a highly favorable mining district, the associated infrastructure, and the plan to become an integrated nickel producer and marketer. Also, our fair value estimate on the company is based on conservative inputs and assumptions.

Therefore, based on our valuation models and review of the company's projects, we initiate coverage on INI with a BUY rating, and a fair value estimate of \$1.75 per share.

Risks

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

- The company, as with all other junior mining companies, is subject to delays affecting the entire mining industry.
- The success of economic studies, engineering, and permitting are important long-term factors for the success of the company.
- The value of the company depends on commodity prices, especially nickel.

We rate the shares Risk 5: Highly Speculative, as we do for similar stage junior mining companies.

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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