

### Independent Nickel Corp. (TSX: INI) – Update on Drilling

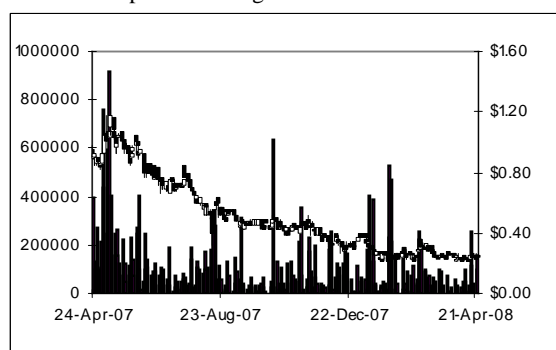
Sector/Industry: Junior Mining/Nickel

[www.independentnickel.com](http://www.independentnickel.com)

#### Market Data (as of April 24, 2008)

Current Price	C\$0.28
Fair Value	C\$1.46 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.20 – C\$1.20
Shares O/S	59,956,625
Market Cap	C\$16.79 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.80
YoY Return	-68.9%
YoY TSX	3.5%

\*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. It also has an additional 4.6 million tons grading 0.6% nickel and 0.3% copper inferred.
- The company is drilling to expand the resource and has released interesting drilling results.
- They are continuing their development program for this year and dewatering has been re-scheduled for the fall of 2008.
- The company holds a 3% NSR royalty on Victory Nickel's (TSX: NI) Minago property when nickel prices are above US\$6/lb.

#### Key Financial Data (FYE - December 31)

(C \$)	2005	2006	2007
Cash	1,253,761	4,927,432	7,046,903
Working Capital	941,770	4,691,421	6,644,283
Mineral Assets	1,319,171	2,714,669	7,892,917
Mineral Royalty	-	-	6,344,547
Total Assets	2,811,504	7,772,563	22,534,993
Net Loss	(419,321)	(526,754)	(1,871,108)
Loss per Share	(0.03)	(0.02)	(0.04)

*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. It also has 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, has advanced the Lynn Lake Nickel Mine through prefeasibility. The underground resources left in the Lynn Lake Mine when it closed in 1976 were subeconomic at time of closure. The improving nickel market over the past five years has lead the company to continue exploration and delineation of these mineralized zones to put them back into production.

**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. The company maintains 100% interest in the property, which is not subject to any royalties. It purchased Glencairn Gold Corporation's (Frankfurt: GGX) 2% NSR royalty in June 2007.

**Bioleaching:** Wardrop is evaluating bioleaching to process Lynn Lake concentrate. Wardrop has indicated that bioleaching provides superior economics. The ability to process and create nickel, copper, and cobalt products on site would elevate Independent Nickel to an exclusive group of companies, as there are only three refined nickel producers and marketers of nickel products in North America.

**Preliminary Feasibility Study** **Economic Studies:** A preliminary feasibility study on the N and O orebodies was completed in December 2007. The details from this study, prepared by Wardrop Engineering Inc., are outlined below.

<b>Probable Reserve (N and O)</b>	10.7 million tonnes grading 0.65% nickel and 0.36% copper
<b>Operating Rate</b>	3,000 tonnes/day
<b>Mine Life</b>	9.6 years based on current reserves
<b>Capital Cost</b>	\$289 million: \$148 million pre-production, \$141 million over mine life
<b>Operating Cost</b>	\$70.55/tonne (\$4.90/lb nickel)
<b>Payback Period</b>	3 years
<b>Net Present Value: (pre-tax) at 8%</b>	\$131.0 million
<b>Internal Rate of Return (pre-tax)</b>	29%
<b>Price Assumptions</b>	US\$9.01/lb nickel, US\$2.13/lb copper

**Plans for 2008:** 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 commencing in the fall of 2008. The company will use the 2,000 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.

**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.

**Current Status:** A 20,000 meter drilling program began in March 2007, and is ongoing. Approximately 17,000 meters have been completed to date. The focus of this program is exploration drilling on the Echo, N, Upper G and Golf targets. The company recently announced drilling results from hole LLN-024, which encountered high grade nickel-copper-cobalt mineralization outside of the current resources at the N orebody. **This hole intersected 157.9 meters of 0.65% nickel, 0.26% copper and 0.02% cobalt including 69.2 meters of 1.01% nickel, 0.38% copper, and 0.03% cobalt.** Since then, two wedge holes into this new area have continued to prove up similar grades and multiple intercepts. This new area could provide important resource expansion potential for the company.

**Mine Planning:** 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 Q3-2008.

**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 four years. There are several options to speed production, notably, driving a new shaft or decline from the surface. Below, we have presented a revised estimated timeline for production on the property, based on the information available in the prefeasibility study and guidelines from management.

<b>November 2007</b>	Prefeasibility Study
<b>September 2008</b>	Begin Mine Dewatering and rehabilitation
<b>September 2010</b>	Complete Mine Dewatering and rehabilitation
<b>October 2010</b>	Begin Underground Development
<b>October 2012</b>	Production

**Resource Estimate:** The NI 43-101 compliant resource estimate was calculated by compiling historic drilling and mine 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 pre-feasibility recommends a cut-off grade varying from 0.5% to 0.7% nickel, which was largely dependent on production technique from cut-and-fill to longhole open stoping.

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

### **Minago Property**

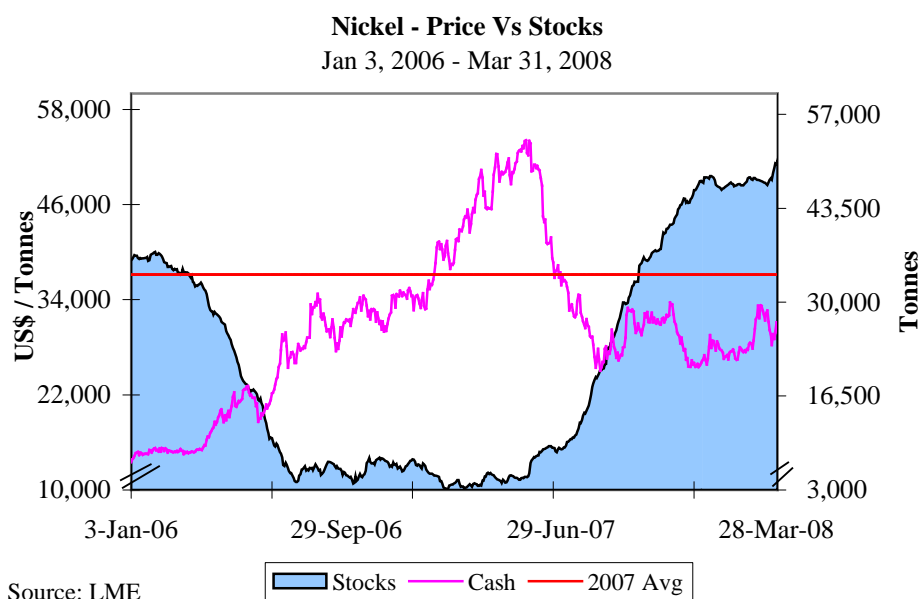
**Property Overview:** Independent Nickel maintains an NSR royalty on Victory Nickel's Minago property, also in Manitoba. The Minago deposit is a large tonnage nickel sulfide deposit amenable to open pit and underground bulk tonnage mining. Like Lynn Lake, accessibility and infrastructure are good.

**Ownership:** The Minago royalty is determined on a sliding scale based on the price of nickel. The NSR royalty is 3% when nickel is over US\$6/pound. Independent Nickel owns the royalty outright and there are no buyback provisions.

**Current Status:** Victory Nickel began a 10,000 meter drilling program in January 2008, focusing on delineating the high grade lenses of the Nose deposit and expanding the resource. They expect a feasibility study in Q4-2008, and hope to be in production in Q4-2010.

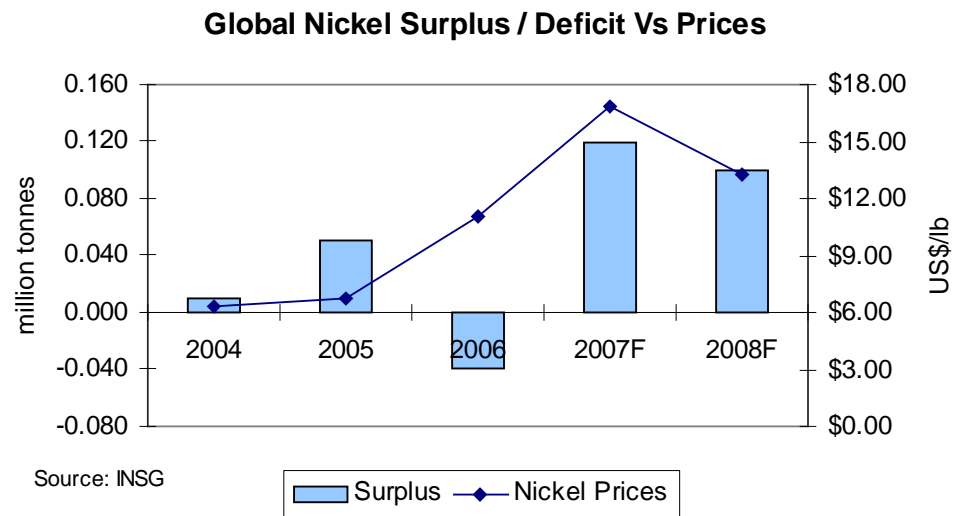
### **Outlook on Nickel**

Nickel has been one of the most volatile commodities in the past 18 months. Nickel prices have dropped by 47% since achieving a record high of US\$24.54/lb in May 2007. As of April 24, 2008, nickel was trading at US\$13.07/lb, which reflects a YOY decline of 42%. However, prices are still up by 113% 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 April 24, 2008, were 51,978 tonnes (compared to 6,648 as of January 8, 2007), a YOY increase of 929%.

**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

At the end of 2007, the company had \$7.05 million in cash and \$6.64 million in working capital, versus \$4.93 million and \$4.69 million at the end of 2006. The company reported a net loss of \$1.87 million (EPS: -\$0.04) in FY2007, versus \$0.53 million (EPS: -\$0.02) in FY2006. Net losses increased YOY primarily due to an increase in stock based

compensation expenses from \$0.52 million to \$1.25 million. The table below shows a summary of the company's cash position.

( in C\$)	2005	2006	2007
Cash	1,253,761	4,927,432	7,046,903
Working Capital	941,770	4,691,421	6,644,283
Current Ratio	2.7	14.5	5.3
LT Debt / Assets	-	-	-
Cash from financing activities	1,680,662	5,729,176	12,889,488
Burn Rate Per Month (incl. exploration costs)	(88,863)	(171,292)	(537,539)

We estimate the company had a burn rate (including exploration expenses) of \$0.54 million per month in FY2007, versus \$0.17 million per month in FY2006. Assuming the company had a burn rate of \$0.54 million per month (same as in FY2007) in Q1-2008, we estimate the company currently has about \$5.03 million in cash.

**Stock Options and Warrants:** At the end of 2007, the company had 4.45 million stock options outstanding with a weighted average exercise price of \$0.57, and maturity periods between June 2008 and October 2012 (about 0.67 million of the stock options are currently in the money). The company also had about 9.86 million warrants outstanding with a weighted average exercise price of \$0.82, and maturity periods between February 2008 and May 2009 (none of the warrants is currently in the money).

The company's revised capital budget for 2008 is \$3 million. Previously they had estimated a budget of \$25 million for mine de-watering and shaft building. Based on their cash on hand, we believe the company is in a good position to fund their exploration activities in 2008.

## Valuation

We have continued to value the company based on its the Lynn Lake project and the company's royalty interests in the Minago project.

**Lynn Lake project:** Our real options valuation model (shown below) valued the project at \$1.83 per share, compared with \$1.34 per share in our previous report. Our real options model gave a higher fair value estimate primarily because we have revised upwards our long term exchange rate forecast from C\$1.10/US\$ to C\$1.15/US\$.

<b>Real Options Valuation Model</b>					
	<b>Resources (in tons)</b>	<b>Grade %</b>	<b>Contained Metal (in lbs)</b>	<b>Commodity Prices (US\$/lb)</b>	<b>Value (C\$)</b>
Nickel	18,380,000	0.65%	239,018,000	8.00	1,657,745,192
Copper	18,380,000	0.33%	121,606,000	1.75	183,274,956
Cobalt	18,380,000	0.02%	7,352,000	17.50	101,240,946
<b>Recovery</b>					
Ni	75.4%				
Cu	74.9%				
Co	68.4%				
				Total Value (C\$)	\$1,942,261,094
				Operating Costs (C\$)	\$1,363,378,750
C\$/US\$	1.15			<b>Net Value (C\$)</b>	<b>\$578,882,344</b>
<b>Inputs relating to the underlying asset</b>					
Estd. Mineral Resources (in tons)					18,380,000
Estd. Value of Minerals if extracted today					\$452,926,874
Annualized Standard Deviation of Mineral prices					44.1%
Capital Investment					\$289,000,000
Estd. Mine Life (years)					17.5
Riskfree Rate					3.66%
<b>Output</b>					
Stock Price	\$452,926,874			T.Bond rate	3.66%
Strike Price	\$289,000,000			Variance	0.19
Expiration (in years)	17.5			Annualized div yield	5.71%
d1 =	0.971				
N(d1) =	0.834		Value of Option		\$109,866,200
d2 =	-0.873		No of outstanding shares (diluted)		59,982,298
N(d2) =	0.191		<b>Value per share</b>		<b>\$1.83</b>

Based on an average enterprise value (EV) to resources ratio of \$0.12/lb (down from \$0.14/lb), our relative valuation on the Lynn Lake project (total resource estimate – 314 million lbs of nickel equivalent) is \$0.61 per share (previous \$0.72 per share). We have removed Ursa Major Minerals Incorporated (UMJ) and First Nickel Inc. (FNI) from the comparable analysis. We don't feel they are good comparables because they are in production, whereas INI is still in the development stage.

Company	Symbol	Price	EV	Resources	EV/lb
1 Hard Creek Nickel Corporation	HNC	\$0.62	24,236,767	4,300	\$0.01
2 Victory Nickel Inc.	NI	\$0.47	75,626,184	1,190	\$0.06
3 Crowflight Minerals Inc.	CML	\$0.68	148,647,291	1,152	\$0.13
4 Canadian Arrow Mines Limited	CRO	\$0.39	17,850,593	132	\$0.14
5 Mustang Minerals Corp.	MUM	\$0.38	22,489,880	160	\$0.14
6 Mirabela Nickel Ltd.	MBN (ASX)	\$5.88	583,736,328	1,446	\$0.40
				<b>Average*</b>	<b>\$0.12</b>
<b>Fair value of the Lynn Lake Project</b>					<b>\$0.61</b>

Note: Stock prices are as of April 24, 2008

\* Excluded (1) and (6) as they are outliers

We also introduced a Discounted Cash Flow (DCF) Valuation model to value the Lynn Lake

project based on the preliminary feasibility study data and our own conservative estimates. However, our DCF model gave a negative NPV for the project, which indicates the project is uneconomic under current parameters. We used a higher discount rate of 11.63% (compared with 8% in the preliminary feasibility study), lower metal prices forecasts of US\$8.00/lb nickel, US\$1.75/lb copper (compared with US\$9.01/lb nickel, US\$2.13/lb copper in the preliminary feasibility study). In addition, our NPV was calculated after tax assuming an effective tax rate of 35%.

In light of the negative DCF valuation on the Lynn Lake project, we have decided to discount our real options valuation by 50%. As a result, **the average fair value estimate (based on our real options and relative valuation) on the project is \$45.87 million, or \$0.76 per share (previous \$62.78 million, or \$1.03 per share).**

**Valuation of the royalty interests in the Minago project:** Our DCF model valued the company's 3% NSR interest in Victory Nickel's Minago project at \$36.40 million, or \$0.61 per share (previous \$34.45 million, or \$0.57 per share). We made no significant changes in our model except using shorter time periods for discounting the free cash flows.

<b>Valuation of Royalty Interests in the Minago Project</b>	
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 (\$)	\$36,396,868
No. of Shares	59,982,298
<b>Value per share</b>	<b>\$0.61</b>

**Valuation Summary:** Adding the company's working capital net debt to our valuation on the Lynn Lake project and the royalty interest in the Minago project, we estimate the company's fair value as \$87.30 million, or \$1.46 per share (previous \$105.01 million, or \$1.73 per share).

<b>Valuation Summary</b>		
	<b>Value</b>	<b>VPS</b>
Lynn Lake Project	\$45,874,380	\$0.76
Royalty Interests in the Minago Project	\$36,396,868	\$0.61
Working Capital	\$5,031,131	\$0.08
Debt	-	-
<b>Net Fair Value</b>	<b>\$87,302,379</b>	<b>\$1.46</b>
Number of Shares	59,982,298	

**Sensitivity:** Our valuation on the company is highly sensitive to our long-term nickel price

<b>Sensitivity Analysis</b>	
<b>Nickel price (US\$/lb)</b>	<b>Value per share</b>
\$5.50	\$0.83
\$7.50	\$1.32
<b>\$8.00</b>	<b>\$1.46</b>
\$9.50	\$2.17
\$11.50	\$3.31
\$13.50	\$4.47

assumptions. The following table shows the changes in our valuation of the company when our long-term nickel price assumptions vary between US\$5.5/lb and US\$13.5/lb.

### ***Conclusions & Rating***

The company has announced drilling results with the potential to expand the resource. We believe the stock price may have dropped due to lack of news flow and a delay in development plans. We still believe that the company is severely undervalued and believe it is a BUY at these levels. We believe the commencement of development activity is one potential upside catalyst for the stock.

**Based on our revised valuation models and review of the company’s progress since our previous report, we reiterate our BUY rating on the company with a lower fair value estimate of \$1.46 per share (down from our previous estimate of \$1.73 per share). Our fair value estimate reflects an upside potential of 421% from current price levels.**

### ***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 (Speculative).**

**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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