

FLETCHER NICKEL INC.
(A Development Stage Company)
Financial Statements
For the three months ended
March 31, 2010
(unaudited)

FLETCHER NICKEL INC.

(A Development Stage Company)

Balance Sheets

	(unaudited) March 31, 2010	(audited) December 31, 2009
Assets		
Current		
Cash and equivalents	\$ 15,366	\$ 664
Accounts receivable	11,276	8,924
Prepaid expenses	7,421	7,421
	<u>34,063</u>	<u>17,009</u>
Fixed Assets (Note 6)	12,468	12,993
Interest in Mineral Properties (Note 7)	11,744,448	11,794,918
	<u>\$ 11,790,979</u>	<u>\$ 11,824,920</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accruals	\$ 284,239	\$ 281,496
Long Term Liabilities		
Preference shares - Series A (Note 8)	5,647,929	5,533,814
Preference shares - Series B (Note 8)	142,748	142,748
	<u>6,074,916</u>	<u>5,958,058</u>
Total Liabilities	<u>6,074,916</u>	<u>5,958,058</u>
Shareholder's Equity		
Common shares (Note 9)	9,630,041	9,630,041
Preference shares Series B (Note 8)	39,241	29,880
Commitment to issue shares	110,938	55,469
Warrants (Note 10)	14,000	14,000
Contributed surplus (Note 12)	2,447,659	2,447,659
Deficit	(6,525,816)	(6,310,187)
	<u>5,716,063</u>	<u>5,866,862</u>
Total Equity	<u>5,716,063</u>	<u>5,866,862</u>
	<u>\$ 11,790,979</u>	<u>\$ 11,824,920</u>

APPROVED ON BEHALF OF THE BOARD

, Director

, Director

See accompanying notes to the interim unaudited financial statements

FLETCHER NICKEL INC.

(A Development Stage Company)

Statements of Operations, Comprehensive Loss and Deficit (unaudited)

	Three months ended March 31,		Cumulative since inception
	2010	2009	
Income			
Interest income	\$ -	\$ 383	\$ 107,293
Expenditures			
Accretion of preference shares (Note 8)	114,115	98,490	1,339,239
Accretion of convertible debentures	-	40,174	271,845
Administrative and general expenses	2,138	66,620	781,433
Depreciation	-	1,083	16,049
Accounting, audit and legal	27,964	40,822	452,095
Consulting	2,000	37,383	629,485
Directors fees	-	-	42,000
Insurance	5,367	9,000	86,822
Interest on preference shares (Note 8)	100,000	100,000	1,566,527
Penalty on debenture conversion	-	-	126,000
Rent	(785)	14,348	164,049
Salaries and benefits	-	45,654	607,709
Stock-based compensation	-	-	1,103,361
Tax interest on flow-through funds	-	-	103,356
Warrant extension expense	-	-	83,800
	<u>250,799</u>	<u>453,574</u>	<u>7,373,770</u>
Other items			
Gain on dividend payment	35,170	-	207,073
Write down of mineral properties	-	-	(699,582)
Write down of investment	-	-	(6,000)
	<u>35,170</u>	<u>-</u>	<u>(498,509)</u>
Net loss before income taxes	(215,629)	(453,191)	(7,764,986)
Future income tax recovery	-	-	1,239,170
Net and comprehensive loss	<u>(215,629)</u>	<u>(453,191)</u>	<u>(6,525,816)</u>
Deficit, beginning of period	<u>(6,310,187)</u>	<u>(4,430,094)</u>	-
Deficit, end of period	<u>\$ (6,525,816)</u>	<u>\$ (4,883,285)</u>	<u>\$ (6,525,816)</u>
Loss per share, basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	
Weighted average number of shares outstanding during the period, basic and diluted	<u>25,981,600</u>	<u>23,031,600</u>	

See accompanying notes to the interim unaudited financial statements

FLETCHER NICKEL INC.
(A Development Stage Company)
Statements of Cash Flows
(unaudited)

	Three months ended		Cumulative
	March 31,		since
	2010	2009	inception
Cash derived from (applied to)			
Operating activities			
Net income (loss)	\$ (215,629)	\$ (453,191)	(6,525,816)
Less: Operating items not involving cash			
Depreciation	-	1,083	16,049
Accretion of preference shares	114,115	98,490	1,339,239
Accretion of convertible debenture	-	40,174	271,845
Non-cash interest payments	100,000	100,000	625,000
Non-cash consulting fees	-	-	25,939
Penalty on debenture	-	-	126,000
Stock-based compensation	-	-	1,103,361
Warrant extension expense	-	-	83,800
Gain on dividend payment	(35,170)	-	(207,073)
Write down of mineral properties	-	-	699,582
Write down of investment	-	-	6,000
Future income tax recovery	-	-	(1,239,170)
Change in non cash working capital			
Accounts receivable	(2,352)	23,350	(11,256)
Prepaid expenses	-	9,000	(7,421)
Contractor advances	-	74,988	-
Accounts payable	2,743	(187,728)	(14,535)
	<u>(36,293)</u>	<u>(293,834)</u>	<u>(3,708,456)</u>
Financing activities			
Issuance of common shares	-	-	9,439,700
Issuance of special warrants	-	-	1,080,400
Issuance of warrants	-	-	58,000
Share issuance costs	-	-	(1,435,825)
Issue of convertible debenture	-	-	750,000
Advances from shareholders	-	-	100,000
	<u>-</u>	<u>-</u>	<u>9,992,275</u>
Investing activities			
Interest in mineral properties	50,470	(53,793)	(6,214,586)
Investment in Claim Lake resources	-	-	(6,000)
Purchase of fixed assets	-	-	(85,392)
Sale of fixed assets	525	-	37,525
	<u>50,995</u>	<u>(53,793)</u>	<u>(6,268,453)</u>
Increase (decrease) in cash	14,702	(347,627)	15,366
Cash at beginning of period	664	519,830	-
Cash at end of period	\$ 15,366	\$ 172,203	\$ 15,366
Supplementary information			
Interest paid	\$ -	\$ 5,000	

See accompanying notes to the interim unaudited financial statements

FLETCHER NICKEL INC.

(A Development Stage Company)

Notes to Financial Statements

March 31, 2010 and 2009

1. NATURE OF OPERATIONS AND GOING CONCERN

Fletcher Nickel Inc. (the "Company") is a development stage company and currently has interests in exploration and development properties in Canada. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in mineral properties contain mineral reserves which are economically recoverable.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Given the lack of working capital, the recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

The Company has a need for equity capital and financing in order to explore and develop its properties and for working capital requirements. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$6,525,816. As at March 31, 2010, the Company had cash of \$15,366 to settle current liabilities of \$284,239.

2. BASIS OF PRESENTATION

The unaudited interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual financial statements except as noted below. The accompanying unaudited interim financial statements should be read in conjunction with the notes to the Company's audited financial statements for the year ended December 31, 2009, since they do not contain all disclosures required by GAAP for annual financial statements. These unaudited interim financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS would be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. The Company has begun assessing the impact of the adoption of IFRS on its financial statements and believes that the financial reporting impact of the transition to IFRS will not be substantial.

4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be equity, which is represented by the Shareholder's Equity section of the balance sheet and which as at March 31, 2010 totalled \$5,716,063 (December 31, 2009 - \$5,866,862).

The Company is subject to external restrictions on its capital. The Company is required to make quarterly dividend payments on their preferred shares. As well, these preferred shares will be required to be repaid in 2014. Failure to meet these requirements may result in the loss of the New Texmont property (see Note 7). The Company does not have any other external restrictions on its capital.

Several properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2010.

FLETCHER NICKEL INC.
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March 31, 2010 and 2009

5. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Fair Value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying value of cash and equivalents, accounts payable and accruals and dividend payable approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

As at March 31, 2010, the fair value of the Series A preference shares, estimated using a discounted cash flow model and a discount rate of 25% is \$4,026,000 and the fair value of the Series B preference shares, estimated using a discounted cash flow model and a discount rate of 25% is \$146,000.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge its obligations and thereby causes financial loss to another party. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits which have been invested with or purchased from reputable financial institutions, from which management believes the risk of loss to be remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Company had cash and equivalents of \$15,366 (December 31, 2009 - \$664) to settle current liabilities of \$284,239 (December 31, 2009 - \$281,496). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The preference shares Series A and Series B mature on March 15, 2014.

To continue operations and to fund future obligations for at least the next twelve months, the Company will be required to raise funds through equity or other financing alternatives. Global economic conditions and market uncertainties may have an impact on the Company's ability to raise funds through the equity markets. There can be no assurance that the Company will be successful in its fund raising activities.

Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as: interest rates, the trading price of equity and other securities, and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Following is a discussion of the Company's primary market risk exposures and how they are currently managed.

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March 31, 2010 and 2009

5. FINANCIAL RISK FACTORS (continued)

(a) Interest rate risk

The Company has cash balances and preference shares bearing fixed interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company's preference shares are at fixed interest rates and, therefore, the Company's exposure to interest rate risk over the term of the preference shares is minimal.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. From time to time, the Company funds certain operations, exploration and administrative expenses in US dollars on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

6. FIXED ASSETS

	Cost	Accumulated Depreciation	Net March 31, 2010	Net December 31, 2009
Office furniture	\$ 21,129	\$ 8,661	\$ 12,468	12,993

7. INTEREST IN MINERAL PROPERTIES

	Balance March 31, 2010	Additions (Recoveries) During Period	Balance December 31, 2009
New Texmont Project			
Acquisition costs	\$ 7,345,653	\$ -	\$ 7,345,653
Airborne geophysics	77,000	-	77,000
Assaying	234,444	-	234,444
Depreciation	19,350	-	19,350
Drilling	2,528,799	-	2,528,799
Engineering studies	66,234	-	66,234
Environmental studies	280,404	(47,830)	328,234
Field office expense	145,317	(3,675)	148,992
Geology	1,136,048	-	1,136,048
Ground geophysics	281,497	-	281,497
Lease rental and land taxes	4,001	610	3,391
Metallurgical testing	12,749	-	12,749
Project management	321,317	425	320,892
Project planning and reports	85,790	-	85,790
Surveying	7,890	-	7,890
Sale of concentrates	(102,463)	-	(102,463)
Write down	(699,582)	-	(699,582)
	<u>\$ 11,744,448</u>	<u>(50,470)</u>	<u>\$ 11,794,918</u>

7. INTEREST IN MINERAL PROPERTIES (continued)

- (a) The New Texmont Project is comprised of fourteen mining leases expiring February 28, 2017, plus 53 adjoining mineral claims totaling 548 claim units. The mining leases are located 42 kilometers south of Timmins, Ontario, in Geikie and Bartlett Townships. The adjoining mineral claims extend into Bartlett, McArthur, English, Semple, Hutt, Zavitz and Montrose Townships. The leases cover a surface area of 188 hectares and the mineral claims cover a surface area of 8,768 hectares. Under various option terms, minerals recovered from the leases and the claims will be subject to royalties payable to prior holders. A 1.5% net smelter royalty is payable on minerals recovered from the claims but may be reduced to 0.5% for specified fixed-price payments. A 3% net smelter royalty is payable on minerals recovered from the leases during the first three years of commercial production, after which 5% is payable. However, royalties from the leases are halved upon payment of \$2 million.
- (b) On May 2, 2008 the Company entered into an option agreement to acquire 88 additional claim units adjacent to its properties for 600,000 shares, \$600,000 payable in eight equal quarterly instalments, and \$325,000 payable in shares on May 15, 2009, at 95% of their weighted average price over the prior 20 trading days. Prior to December 31, 2008, this agreement was amended. The new terms require payment in the amount of \$250,000 in the first year; \$300,000 in the second year; and, \$50,000 in the third year. The Company may, at any time prior to the commercial production of any part of the optioned property, purchase two-thirds of the 1.5% net smelter royalty on the property for \$1,000,000. Pursuant to this agreement, the Company issued 600,000 common shares on May 8, 2008 at a value of \$390,000 and made payments of \$175,000. On October 13, 2009, the Company and Pele Mountain Resources Inc. effected a termination of the option agreement between them and the Company has written off the option payments of \$565,000 and exploration expenses on the optioned property of \$134,582.
- (c) On April 8, 2008 the Company entered into an option agreement to acquire a majority operating interest in 183 claim units adjoining its properties. The Company may earn a 55% joint venture interest in the claim group by completing \$1,000,000 of exploration expenditures over four years and issuing 50,000 shares annually until the interest is earned. A minimum of \$150,000 of such exploration expenditures must be incurred in the first year; \$200,000 in the second year; \$250,000 in the third year; and, \$400,000 in the fourth year. The Company may purchase one-half of a 2% net smelter royalty on the property, should the optionor's interest in the joint venture dilute below 10%, for \$1,000,000. The first anniversary date of the agreement is July 8th 2009. As at March 31, 2010 the Company has issued 50,000 shares and has spent \$227,187.

8. PREFERENCE SHARES

The Series A preference shares entitle the holder to receive a 5% per share fixed cumulative annual preferential cash dividend, payable in quarterly installments on the fifteenth (15th) day of February, May, August and November. The Company may at any time, upon a minimum 14 days notice, redeem all or part of the Series A preference shares at a price of \$1.00 per share, together with unpaid dividends accrued to the date of redemption. On the eighth anniversary date of issuance, March 15, 2014, the Company must redeem all of the Series A preference shares at a price of \$1.00 per share, together with unpaid dividends accrued to the date of redemption.

On March 15, 2006, the value of the Series A preference shares was determined on the date of issue by discounting the future payments until March 15, 2014 at a discount rate of 15% which represents the borrowing rate available to the Company for similar instruments of debt having no conversion rights.

FLETCHER NICKEL INC.

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Notes to Financial Statements

March 31, 2010 and 2009

8. PREFERENCE SHARES (continued)

The Company accretes the value assigned to the par value of \$8,000,000 using the effective interest rate method. Dividend expense related to the Series A preference shares is recorded as interest. For the three months ended March 31, 2010, the Company recorded \$114,115 of accretion expense (2009 - \$98,490) and \$100,000 of dividends as interest expense (2009 - \$100,000).

The Company has deposited an executed re-assignment of the mining lease with an escrow agent. New Texmont Explorations Limited ("NTE") may require delivery of the re-assignment by the escrow agent in exchange for delivery of the preferred shares for cancellation, at any time the Company has failed to remedy a default in payment of the preferred share dividends within thirty days of a notice of default from NTE. The Company may also require NTE to deliver the preferred shares for cancellation at any time it wishes to relinquish and re-assign the mining leases.

On March 24, 2009, the Company arranged to issue 500,000 Series B preference shares to satisfy the dividends due to the Series A preference shareholder in amounts of 100,000 on the 15th day of April, May, August and November 2009 and February 2010. Each Series B preference share will be redeemable at \$1 on or before March 15, 2014, will entitle the holder to receive a 5% cumulative annual preferential cash dividend payable quarterly, and will be convertible into 2.5 common shares at any time prior to redemption. 300,000 Series B preference shares were issued and 200,000 Series B preference shares were committed to be issued as at March 31, 2010 for payment of the April, May, August and November, 2009 and February 2010 dividends due.

The fair value of the conversion feature of the Series B preference shares issued was determined to be \$20,518 and has been recorded in equity as "Equity portion of preference shares Series B". The fair value of the debt portion of \$142,748 was estimated by management by discounting the future payments until March 15, 2014 at a discount rate of 25%. The equity portion was calculated using the Black-Scholes option-pricing model assuming a risk-free interest rate of 1.95%, an expected life of 4.5 years, a volatility of 153% and no dividends. The gain on settlement was \$136,733.

The fair value of the conversion feature of the Series B preference shares committed to be issued was determined to be \$18,724 and has been recorded in equity as "Equity portion of preference shares Series B". The fair value of the debt portion of \$110,938 was estimated by management by discounting the future payments until March 15, 2014 at a discount rate of 25%. The equity portion was calculated using the Black-Scholes option-pricing model assuming a risk-free interest rate of 1.95%, an expected life of 4.2 years, a volatility of 153% and no dividends. The gain on settlement was \$70,340.

9. COMMON SHARES

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2009 and March 31, 2010	<u>25,981,600</u>	<u>\$ 9,630,041</u>

10. WARRANTS

	<u>Number of Warrants</u>	<u>Amount</u>
Balance, December 31, 2009 and March 31, 2010	<u>1,400,000</u>	<u>\$ 14,000</u>

Warrants Outstanding

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Book Value</u>
1,400,000	\$ 0.06	July 12, 2011	\$ 14,000

Each warrant entitles the holder to purchase one common share of the Company.

FLETCHER NICKEL INC.

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Notes to Financial Statements

March 31, 2010 and 2009

11. OPTIONS

The Company's Stock Option Plan (the "Stock Option Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed five years at exercise prices not less than the closing sale price of the shares on the TSX on the trading day immediately preceding the date options are granted, and are not transferrable. The plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual, the exercise price and the term. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 10% of the issued shares.

During the three months ended March 31, 2010 there were no option transactions.

Options Outstanding

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
50,000	0.70	August 11, 2010
1,450,000	0.70	November 29, 2012
150,000	0.75	December 12, 2012
30,000	0.75	March 24, 2013
<u>1,680,000</u>		

The weighted average exercise price and remaining contractual life of the options is 2.86 years and \$0.71 respectively.

12. CONTRIBUTED SURPLUS

Balance, December 31, 2009 and March 31, 2010 \$ 2,447,659

13. RELATED PARTY TRANSACTIONS AND BALANCES

	<u>March 31, 2010</u>
Balances:	
Due to directors and officers	\$ 9,450
Amount included in accounts payable, due to a law firm of which a partner is a director of the Company	<u>\$ 67,937</u>
Transactions:	
Management fees paid to directors and officers	\$ 2,000
Legal fees incurred to a law firm of which a partner is a director of the Company	<u>\$ 9,315</u>

Amounts due to directors and officers are non-interest bearing, have no set terms of repayment and are due on demand. All transactions were made in the normal course of business and are measured at the exchange amount.