

FLETCHER NICKEL INC.
Financial Statements
For the Years ended
December 31, 2004 and 2003

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NOTICE OF NO AUDITOR REVIEW OF FINANCIAL STATEMENTS

The accompanying unaudited financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a audit of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for an audit of financial statements by an auditor.

FLETCHER NICKEL INC.

Balance Sheets

	December 31, 2004 Unaudited \$	December 31, 2003 Audited \$
Assets		
Current		
Cash	33,409	1,091
Deferred Financing Costs	70,667	-
Loan Receivable	6,000	-
GST receivable	14,588	67
Prepaid expenses	13,477	-
	<u>138,141</u>	<u>1,158</u>
Capital Assets	1,022	-
Interest in Mineral Properties (Note 3)	<u>340,502</u>	-
	<u>479,665</u>	<u>1,158</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accruals	<u>30,804</u>	4,342
	<u>30,804</u>	<u>4,342</u>
Shareholders Equity		
Capital Stock (Note 4)	572,400	1,500
Deficit	<u>(123,539)</u>	<u>(4,684)</u>
Total Equity	<u>448,861</u>	<u>(3,184)</u>
	<u>479,665</u>	<u>1,158</u>

FLETCHER NICKEL INC.
Statements of Operations and Deficit
For the year ending December 31
Unaudited

	2004	2003
Expenditures		
Professional fees	34,225	2,960
General & Administration	17,761	1,329
Rent	21,000	-
Travel and promotion	45,358	395
Depreciation	511	-
	<u>118,855</u>	<u>4,684</u>
Net Income (Loss) for the period	(118,855)	(4,684)
Retained earnings (Deficit), beginning of period	<u>(4,684)</u>	-
Retained earnings (deficit) end of period	<u>(123,539)</u>	<u>(4,684)</u>
Loss per share	<u>0.01</u>	<u>0.00</u>

FLETCHER NICKEL INC.

Statements of Cash Flows

For the year ended December 31

Unaudited

	2004	2003
Cash derived from (applied to)		
Operating activities		
Net Income (Loss)	(118,855)	(4,684)
Less: Operating items not involving cash		
Depreciation	511	-
Change in non cash working capital		
(increase) Decrease in Loan Receivable	(6,000)	-
(Increase) Decrease GST receivable	(14,521)	(67)
(Increase) Decrease in prepaid expenses	(13,477)	-
Increase (Decrease) in accounts payable	26,462	4,342
	<u>(125,880)</u>	<u>(409)</u>
Financing activities		
Issuance of Common shares	310,000	1,500
Deferred Financing Costs	(70,667)	-
	<u>239,333</u>	<u>1,500</u>
Investing activities		
Purchase of Capital Assets	(1,533)	-
Interest in Mineral Properties	(79,602)	-
	<u>(81,135)</u>	<u>-</u>
Increase (decrease) in cash	32,318	1,091
Cash at beginning of period	1,091	-
Cash at end of period	<u>33,409</u>	<u>1,091</u>

FLETCHER NICKEL INC.
(A Development Stage Company)
Notes to Financial Statements
December 31, 2004

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. 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 consolidated 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 limited working capital and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant:

Interest in Mineral Properties:

The cost of mineral properties and related exploration expenditures are deferred until the properties to which they relate are placed into production, sold or allowed to lapse. These costs will be amortized over the estimated useful life of the properties following commencement of production or written off if the properties are sold or allowed to lapse. The Company does not accrue future costs to keep the properties in good standing. Administrative expenditures are charged to operations as incurred.

The Company reviews its mineral properties on an annual basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. In reviewing its mineral properties, the Company estimates the future cash flows expected to result from each asset and its eventual

FLETCHER NICKEL INC.
(A Development Stage Company)
Notes to Financial Statements
December 31, 2004

disposition. If the sum of the undiscounted, expected future cash flow is less than the carrying value of the asset, an impairment loss is recognized. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write down.

Asset Retirement Obligations

The Company follows the CICA accounting standard on "Asset retirement obligations". Under the standard the Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral exploration properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to exploration properties and deferred exploration expenditures and is amortized over the useful life of the property. Management is not aware of any asset retirement obligations.

Equipment and Amortization:

Equipment is stated at acquisition cost. Amortization is provided on the straight line basis at the following annual rates:

Computer equipment	1/3
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Use of Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenues and expenses during the reporting period. Actual results could differ from those reported. Management believes that the estimates are reasonable.

Loss Per Share:

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Cash and Cash Equivalents:

Cash and short-term investments include cash and highly liquid investments with original maturities of three months or less. The Company invests cash in term deposits maintained in high credit quality institutions.

FLETCHER NICKEL INC.
(A Development Stage Company)
Notes to Financial Statements
December 31, 2004

3. INTEREST IN MINERAL PROPERTIES

	Balance December 31, 2004	Additions During Period	Balance December 31, 2003
(a) New Texmont Project	\$	\$	\$
Acquisition Costs	-	-	-
Exploration Costs	44,202	-	-
	44,202	-	-
	\$	\$	\$
(b) Porcupine Mining District	280,700	280,700	-
Acquisition Costs	15,600	15,600	-
Exploration Costs	296,300	296,300	-
	340,502	296,300	-

(a) New Texmont Project.

On March 22, 2004 the Company signed a letter of intent with New Texmont Mines Limited for the acquisition of the Texmont Mine in the Porcupine Mining District of Ontario. The parties then amended the terms of the proposed acquisition in a memorandum dated June 29, 2004 and subsequently drafted purchase agreement documents for review. Based on the terms then contemplated, the Company undertook all indicated due diligence examinations preparatory to the funding requirements anticipated. The purchase agreement terms will be finalized when such funding has been committed.

(b) Porcupine Mining District

On January 6, 2004, the Company acquired a 100% interest in 171 staked mineral claims in the Porcupine Mining District of Ontario (subject to a 1.5% net smelter royalty) for \$15,000 cash and 1,500,000 common shares of the Company with deemed consideration of \$150,000.

On February 28, 2004, the Company acquired a 100% interest in 149 staked mineral claims in the Porcupine Mining District of Ontario (subject to a 1.5% net smelter royalty) for 279,600 common shares of the Company with deemed consideration of \$69,900.

The company acquired, by staking, 38 mineral claims in the Porcupine Mining district of Ontario in February 2004, for \$4,800 cash.

On March 15, 2004, the Company acquired a 100% interest in 110 staked claims in the Porcupine Mining District of Ontario (subject to a 1.5% net smelter royalty) for 164,000 common shares of the Company with deemed consideration of \$41,000.

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Notes to Financial Statements
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4. CAPITAL STOCK

Authorised
 Unlimited number of common shares
 Unlimited number of preference shares

Issued : 6,543,600 common shares

	2004		2003	
	Number of Shares	Amount	Number of Shares	Amount
		\$		\$
Balance at beginning of year	3,000,000	1,500	-	-
Issued for cash	1,600,000	310,000	3,000,000	1,500
Issued for property (Note 3(b))	1,943,600	260,900		
Balance at end of year	<u>6,543,600</u>	<u>572,400</u>	3,000,000	1,500

- (a) On January 31, 2004 the Company issued 1,000,000 common shares for cash consideration of \$100,000 under a private placement.
- (b) On July 14, 2004 the Company issued 300,000 units for cash consideration of \$105,000 under a private placement. Each unit is comprised of one common share and one half of a common share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at the lower of \$0.75 or the price at which the common shares are offered pursuant to the Company's initial public offering until July 14, 2006.
- (c) On November 10, 2004 the Company issued 300,000 units for cash consideration of \$105,000 under a private placement. Each unit is comprised of one common share and one half of a common share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at the lower of \$0.75 or the price at which the common shares are offered pursuant to the Company's initial public offering until November 10, 2006.

Warrants Outstanding

Number of Warrants	Exercise Price	Expiry Date
150,000	0.75	14/07/06
<u>150,000</u>	<u>0.75</u>	10/11/06
<u>300,000</u>	<u>0.75</u>	

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

5. FINANCIAL INSTRUMENTS

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.