

FLETCHER NICKEL INC.
(A Development Stage Company)

Financial Statements
Year ended December 31, 2005



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AUDITORS' REPORT

To the Shareholders of
Fletcher Nickel Inc.
(A Development Stage Company)

We have audited the balance sheet of Fletcher Nickel Inc. as at December 31, 2005 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Smith, Nixon & Co. LLP

Chartered Accountants
Toronto, Ontario
May 19, 2006

FLETCHER NICKEL INC.
(A Development Stage Company)
BALANCE SHEET

As at December 31,	2005	2004
ASSETS		
Current assets		
Cash	\$ 104	\$ 33,409
Cash held in escrow	751,892	-
Accounts receivable	14,903	14,588
Prepaid expenses	4,200	13,477
	771,099	61,474
Mineral exploration properties (note 3)	369,457	340,502
Investment in Claim Lake Resources - at cost	6,000	6,000
Deferred financing costs	147,567	70,667
Office equipment (note 4)	512	1,022
	\$ 1,294,635	\$ 479,665
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 158,224	\$ 30,804
Due to shareholders - non interest bearing, no set terms of repayment	41,437	-
	199,661	30,804
SHAREHOLDERS' EQUITY		
Capital stock (note 5)	547,400	547,400
Special warrants (note 5)	627,000	-
Warrants (note 5)	148,000	25,000
Deficit	(227,426)	(123,539)
	1,094,974	448,861
	\$ 1,294,635	\$ 479,665

See accompanying notes to financial statements

Approved by the board of directors

Director

Director

FLETCHER NICKEL INC.
(A Development Stage Company)
STATEMENT OF OPERATIONS AND DEFICIT

Year ended December 31,			Cumulative since inception
	2005	2004	
Revenue			
Interest income	\$ 1,892	\$ -	\$ 1,892
Administrative costs			
Accounting	4,700	-	4,700
Administrative and general expenses	44,190	52,472	97,991
Amortization	510	512	1,022
Audit and legal	8,350	24,009	35,319
Consulting	7,000	10,215	17,215
Interest	-	105	105
Rent	24,200	21,000	45,200
Travel	16,829	10,542	27,766
	105,779	118,855	229,318
Net loss	(103,887)	(118,855)	(227,426)
Deficit, beginning of year	(123,539)	(4,684)	-
Deficit, end of year	\$ (227,426)	\$ (123,539)	\$ (227,426)
Loss per share basic and fully diluted	\$ (0.02)	\$ (0.03)	
Weighted average number of shares outstanding during the year	5,010,959	4,096,448	

See accompanying notes to financial statements

FLETCHER NICKEL INC.
(A Development Stage Company)
STATEMENT OF CASH FLOWS

Year ended December 31,	2005	2004	Cumulative since inception
Cash provided by (used in)			
Operations			
Net loss	\$ (103,887)	\$ (118,855)	\$ (227,426)
Item not involving cash			
Amortization	510	512	1,022
	(103,377)	(118,343)	(226,404)
Net change in non-cash working capital			
Accounts receivable	(315)	(14,521)	(14,903)
Prepaid expenses	9,277	(13,477)	(4,200)
Accounts payable and accrued liabilities	127,420	26,462	158,224
	33,005	(119,879)	(87,283)
Financing			
Special warrants issued for cash	750,000	-	750,000
Common shares issued for cash	-	310,000	311,500
Deferred financing costs	(76,900)	(70,667)	(147,567)
Due to shareholders	41,437	-	41,437
	714,537	239,333	643,870
Investing			
Mineral exploration properties	(28,955)	(79,602)	(108,557)
Investment in Claim Lake Resources	-	(6,000)	(6,000)
Cash held in escrow	(751,892)	-	(751,892)
Purchase of office equipment	-	(1,534)	(1,534)
	(780,847)	(87,136)	(867,983)
Net change in cash during the year	(33,305)	32,318	(311,396)
Cash, beginning of year	33,409	1,091	-
Cash, end of year	\$ 104	\$ 33,409	\$ (311,396)

See accompanying notes to financial statements

FLETCHER NICKEL INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

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 exploration 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 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 financial statements.

2. 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.

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.

FLETCHER NICKEL INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in Mineral Exploration Properties

The costs of mineral exploration 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 exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. 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.

Office Equipment

Office equipment is stated at acquisition cost. Amortization is provided on the straight-line basis over three years.

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.

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.

FLETCHER NICKEL INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 asset is recognized.

Deferred financing costs

Costs associated with obtaining financing are deferred and amortized on a straight-line basis over the original term of the debt or netted against capital stock.

Other Stock-based Payments

The Corporation accounts for other stock-based payments based on the fair value of the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions as at the measurement date.

3. MINERAL EXPLORATION PROPERTIES

	2005	2004
New Textmont Project		
Deferred exploration expenditures	\$ 72,257	\$ 44,202
Porcupine Mining District		
Acquisition costs	280,700	280,700
Deferred exploration expenditures	16,500	15,600
	297,200	296,300
	\$ 369,457	\$ 340,502

FLETCHER NICKEL INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

3. MINERAL EXPLORATION PROPERTIES (continued)

(a) New Texmont Project

On March 22, 2004 the Company signed a letter of intent with New Texmont Mines Limited for the acquisition of a 100% interest in 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 the Company commissioned a number of technical studies. The purchase was completed on March 15, 2006 (see note 8).

(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. A technical report was prepared but the exploration work recommended to assess the claims was not undertaken and the Company's interest was relinquished. In September 2005, 57 of the claims were re-staked on behalf of the Company and the royalty holders. In November 2005, an additional 17 claims were re-staked on behalf of the Company and the royalty holders.

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.

In February 2004, the company acquired, by staking, 38 mineral claims in the Porcupine Mining District of Ontario, 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.

4. OFFICE EQUIPMENT

	Cost	Accumulated Amortization	2005 Net	2004 Net
Computer equipment	\$ 1,534	\$ 1,022	\$ 512	\$ 1,022

FLETCHER NICKEL INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

5. CAPITAL STOCK

Authorized

Unlimited number of common shares.
 Unlimited number of preferred shares.

Issued

	Number of Common Shares	Amount
Balance, December 31, 2003	3,000,000	\$ 1,500
Issued for cash	1,600,000	310,000
Issued for property (Note 3(b))	1,943,600	260,900
Warrants	-	(25,000)
Balance, December 31, 2004 & 2005	6,543,600	\$ 547,400

Special Warrants issued

	Number of Special Warrants	Consideration
Balance, December 31, 2004	-	\$ -
Issued for cash (note 5(d))	1,500,000	750,000
Warrants (note 5(d))	-	(123,000)
Balance, December 31, 2005	1,500,000	\$ 627,000

- 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 July 14, 2006.

FLETCHER NICKEL INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

5. CAPITAL STOCK (continued)

d) On September 22, 2005 the Company issued 1,500,000 units for cash consideration of \$750,000 under a private placement. Each unit is comprised of one special warrant and one warrant. Each special warrant is convertible into one common share and each warrant entitled the holder to purchase one special warrant at \$0.50 until January 22, 2006. These warrants expired unexercised. In addition, compensation warrants were issued to an agent entitling them to purchase up to 150,000 common shares of the Company at \$0.50 each at any time prior to September 22, 2007. In addition, the agent is entitled to 7% of the proceeds under the private placement when it closes.

e) Warrants Outstanding

	Number of Warrants	Exercise Price	Expiry Date
	300,000	\$ 0.75	July 14/06
	1,500,000	0.50	Jan 22/06
	150,000	0.50	Sep 22/07
	1,950,000	\$ -	\$ -

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

The fair value of the warrants issued during 2005 was estimated at \$123,000 using the Black-Scholes pricing model with the following weighted average assumptions:

Risk-free interest rate	2.91%
Expected volatility	85%
Expected life of warrants	4 months
Expected dividend yield	Nil

Warrants

	2005	2004
Balance, beginning of year	\$ 25,000	\$ -
Value of warrants issued	123,000	25,000
Balance, end of year	\$ 148,000	\$ 25,000

FLETCHER NICKEL INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

6. INCOME TAXES

(a) Provision for income taxes

The major factors that cause variations from the Corporation's combined federal and provincial statutory Canadian income tax rates of 36.12% (2004 - 36.62%) were the following:

	2005	2004
Loss before income taxes	\$ (103,887)	\$ (118,855)
Expected tax recovery at statutory rates	\$ (37,524)	\$ (42,930)
Increase (decrease) resulting from:		
Non-capital losses not recognized	24,000	24,000
Non-deductible expenses	13,524	18,930
	\$ -	\$ -

(b) Future tax balances

The tax effects of temporary differences that give rise to future income tax assets and future income tax liabilities are as follows:

	2005	2004
Future income tax assets (liabilities)		
Non-capital losses	\$ 74,000	\$ 43,000
Valuation allowance	(74,000)	(43,000)
	\$ -	\$ -

(c) Losses carried forward

In addition to approximately \$370,000 of tax resource pools which have no expiry date, the Corporation has non-capital losses that will expire, if not utilized, as follows:

2010	\$ 4,000
2014	111,000
2015	89,000
	\$ 204,000

FLETCHER NICKEL INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

7. FINANCIAL INSTRUMENTS

(a) 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, cash held in escrow, accounts payable and accrued liabilities and due to shareholders 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.

(b) Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

8. SUBSEQUENT EVENTS

On January 4, 2006 the Company issued a \$750,000 principal amount special note, convertible into a \$750,000 principal amount unsecured convertible debenture and an aggregate of 1,500,000 common share purchase warrants, each such warrant entitling the holder to purchase one common share at \$0.65 until January 4, 2008. The special note was converted on March 15, 2006 and the \$750,000 principal amount unsecured convertible debenture and 1,500,000 warrants were issued upon such conversion. The unsecured convertible debenture bears interest at 4% per annum and may be converted by the holder at any time into an aggregate of up to 1,500,000 units of the Company at a deemed price of \$0.50 per unit. Each unit will comprise one common share and one warrant. Compensation warrants were issued to an agent entitling it to purchase up to 150,000 common shares of the Company at \$0.50 each at any time prior to January 4, 2008.

On March 15, 2006 the Company acquired (a) an assignment from New Texmont Explorations Limited ("NTE") of fourteen mining leases, and (b) an assignment from Sheridan Geophysics Limited ("SGL") of its accrued interest in the leases acquired by its construction of mining and milling facilities at the Texmont Mine in exchange for \$1,000,000 in cash, 1,000,000 common shares of the Company with a deemed value of \$1,000,000 and 8,000,000 redeemable preferred shares of the Company with a deemed value of \$8,000,000.

The assigned interest from SGL entitles the Company to recover the cost of construction of the mill, plus accrued interest, from production profits prior to any distributions to other interested parties. The agreed cost of construction of the mill on December 31, 1972 was \$3,000,000 and interest is compounded annually at the prime lending rate.

FLETCHER NICKEL INC.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

8. SUBSEQUENT EVENTS (continued)

The preferred shares may be redeemed by the Company at any time, are due March 15, 2014 and bear a cumulative dividend of 5% per annum payable quarterly. The Company has secured payment of the preferred share dividends with a debenture. NTE retains a net smelter royalty interest in the leases under which it will receive 3% of the minerals in concentrate recovered from the property during the first 1095 days of commercial production, and thereafter 5% of such minerals ("NSR"). The Company may acquire up to one-half of the NSR at any time for \$2,000,000 and has a right of first refusal on the sale of the NSR by NTE.

The Company has deposited an executed re-assignment of the mining leases with an escrow agent. 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 cure 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, on ninety days' notice, to deliver the preferred shares for cancellation at any time the Company wishes to relinquish and re-assign the mining leases.

On May 12, 2006 the Company accepted subscriptions on a private placement basis for an aggregate of 200,000 units of securities of the Company at a price of \$1.25 per unit. Each unit is comprised of one flow-through share and one warrant entitling the holder to purchase an additional flow-through share at \$1.25 for an 18 month period.