

FLETCHER NICKEL INC.
(A Development Stage Company)

Financial Statements

June 30, 2006

FLETCHER NICKEL INC.
(A Development Stage Company)
Balance Sheets

	Unaudited	Audited
	June 30,	December 31,
	2006	2005
	\$	\$
Assets		
Current		
Cash	51,244	751,996
Contractor advances	15,671	
GST receivable	12,841	14,903
Prepaid expenses	4,200	4,200
	<u>83,956</u>	<u>771,099</u>
Investment in Claim Lake Res.	6,000	6,000
Deferred Financing Costs	-	147,567
Office Equipment (Note 4)	256	512
Interest in Mineral Properties (Note 3)	10,569,223	369,457
	<u>10,659,435</u>	<u>1,294,635</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accruals	31,282	158,224
Due to shareholders	119,341	41,437
	<u>150,623</u>	<u>199,661</u>
Long Term Liabilities		
Convertible Debenture (Note 5)	<u>750,000</u>	-
Total Liabilities	<u>900,623</u>	199,661
Shareholders Equity		
Capital Stock (Note 6)	10,259,728	1,322,400
Deficit	<u>(500,916)</u>	<u>(227,426)</u>
Total Equity	<u>9,758,812</u>	<u>1,094,974</u>
	<u>10,659,435</u>	<u>1,294,635</u>

FLETCHER NICKEL INC.
(A Development Stage Company)
Statements of Operations and Deficit
Unaudited

	6 Months Ending June 30,		3 Months Ending June 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
Income				
Interest Income	3,101	-	225	-
Expenditures				
Interest & bank charges	14,727	69	7,498	55
Professional fees	148,219	-	80,299	-
General & Administration	29,224	23,093	14,972	10,252
Rent	11,400	12,600	5,700	6,300
Travel	6,238	11,646	3,581	8,610
Depreciation	256	-	128	-
	210,064	47,408	112,178	25,217
Net Income (Loss) for the period	(206,963)	(47,408)	(111,953)	(25,217)
Dividends	(66,527)	-	(66,527)	-
	(273,490)	-	(178,480)	-
Retained earnings (Deficit), beginning of period	(227,426)	(123,539)	(322,436)	(145,730)
Retained earnings (deficit) end of period	(500,916)	(170,947)	(500,916)	(170,947)
Loss per share	0.02	0.01	0.01	-

FLETCHER NICKEL INC.

(A Development Stage Company)

Statements of Cash Flows

Unaudited

	6 Months Ending June 30,		3 Months Ending June 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash derived from (applied to)				
Operating activities				
Net Income (Loss)	(206,963)	(47,408)	(111,953)	(25,217)
Less: Operating items not involving cash				
Depreciation	256	-	128	-
Change in non cash working capital				
(Increase) Decrease in Contractor Advances	(15,671)	-	(15,671)	-
(Increase) Decrease GST receivable	2,062	(5,147)	10,379	(3,617)
(Increase) Decrease in prepaid expenses	-	9,277	-	-
Increase (Decrease) in accounts payable	(49,039)	55,300	(2,525)	51,690
	<u>(269,355)</u>	<u>12,022</u>	<u>(119,642)</u>	<u>22,856</u>
Financing activities				
Issuance of Common shares and warrants	937,328	-	232,500	-
Issuance of Preferred Shares	8,000,000	-	-	-
Issue of Convertible Debenture	750,000	-	-	-
Payment of dividends	(66,527)	-	(66,527)	-
Deferred Financing Costs	147,567	(33,550)	-	(33,550)
	<u>9,768,368</u>	<u>(33,550)</u>	<u>165,973</u>	<u>(33,550)</u>
Investing activities				
Purchase of Capital Assets	-	-	-	-
Interest in Mineral Properties	(10,199,765)	(11,830)	(189,182)	-
	<u>(10,199,765)</u>	<u>(11,830)</u>	<u>(189,182)</u>	<u>-</u>
Increase (decrease) in cash	(700,752)	(33,358)	(142,851)	(10,694)
Cash at beginning of period	751,996	33,409	194,095	10,745
Cash at end of period	51,244	51	51,244	51

FLETCHER NICKEL INC.
(A Development Stage Company)
Notes to Financial Statements
June 30, 2006

1. BASIS OF PRESENTATION

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim 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 review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an auditor.

These interim financial statements follow the same accounting policies and methods as the audited financial statements for the year ended December 31, 2005 and should be read in conjunction with the audited financial statements for the year ended December 31, 2005.

2. 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 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.

FLETCHER NICKEL INC.
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Notes to Financial Statements
June 30, 2006

3. INTEREST IN MINERAL PROPERTIES

	Balance June 30, 2006	Additions During Period	Balance December 31, 2005
New Texmont Project	\$	\$	\$
Acquisition Costs	10,000,000	10,000,000	-
Exploration Costs	260,875	188,618	72,257
Lease rental payments	565	565	-
	10,261,440	10,189,183	72,257
	Balance June 30, 2006	Additions During Period	Balance December 31, 2005
Porcupine Mining District	\$	\$	\$
Acquisition Costs	291,283	10,583	280,700
Exploration Costs	16,500	-	16,500
	307,783	10,583	297,200
	10,569,223	10,199,766	369,457

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 agreement was completed on March 15, 2006 and 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 \$3,000,00 and interest is compounded annually at the prime lending rate.

NTE retains a net smelter royalty interest ("NSR") 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. 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.

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Notes to Financial Statements

June 30, 2006

3. INTEREST IN MINERAL PROPERTIES (Continued)

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. The company also acquired 38 adjacent mineral claims in February 2004, by staking. On March 15, 2004, the Company acquired a 100% interest in an additional 110 staked claims (subject to a 1.5% net smelter royalty) for 164,000 common shares of the Company with deemed consideration of \$41,000. As no assessment work was undertaken, the Company's interest in all 297 claims was relinquished.

4. OFFICE EQUIPMENT

	Cost	Accumulated Amortization	June 30, 2006	December 31, 2005
Computer Equipment	\$1,534	\$1,278	\$256	\$512

5. CONVERTIBLE DEBENTURE

On January 4, 2006 the company issued for cash 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 common share purchase warrant, each such warrant entitling the holder to purchase one common share at \$0.65. In addition, 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.

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6. CAPITAL STOCK

Authorized
Unlimited number of common shares
Unlimited number of preference shares
Issued

6,543,600 common shares

	2006	
	Number of Shares	Amount
		\$
Balance at beginning of year	6,543,600	547,400
Issued for cash	200,000	250,000
Issued for property	1,000,000	1,000,000
Share issue costs	-	(312,672)
Balance at end of period	<u>7,743,600</u>	<u>1,484,728</u>

1,500,000 special warrants

	2006	
	Number of Warrants	Amount
		\$
Balance at beginning of year	1,500,000	627,000
Issued for cash	-	-
Balance at end of period	<u>1,500,000</u>	<u>627,000</u>

3,600,000 warrants

	2006	
	Number of Warrants	Amount
		\$
Balance at beginning of year	1,950,000	148,000
Expired	(1,500,000)	-
Issued on Note conversion	1,500,000	-
Issued for cash	200,000	-
Financing Costs	150,000	-
Balance at end of period	<u>2,300,000</u>	<u>148,000</u>

8,000,000 preferred shares

	2006	
	Number of Shares	Amount
		\$
Balance at beginning of year	-	-
Issued for property	8,000,000	8,000,000
Balance at end of period	<u>8,000,000</u>	<u>8,000,000</u>

Total Capital Stock

10,259,728

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Notes to Financial Statements

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6. CAPITAL STOCK (Continued)

- (a) 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. 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 September 22, 2007.
- (b) On March 15, 2006 and 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 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 dividend with a debenture.

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 to deliver the preferred shares for cancellation at any time it wishes to relinquish and re-assign the mining leases.

- (c) On May 12, 2006 the Company, on a private placement basis, issued an aggregate of 200,000 units of securities of the Company at a price of \$1.25 per unit for gross proceeds of \$250,000. Each unit is comprised of one flow-through share and one warrant enabling the holder to acquire an additional flow-through share at \$1.25 until November 12, 2007.

Warrants Outstanding

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Amount</u>
300,000	0.75	14/07/2006	225,000.00
150,000	0.50	22/09/2007	75,000.00
1,500,000	0.65	04/01/2008	975,000.00
150,000	0.50	04/01/2008	75,000.00
200,000	1.25	12/11/2007	250,000.00
<u>2,300,000</u>	<u>0.55</u>		<u>1,275,000.00</u>

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

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.

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7. FINANCIAL INSTRUMENTS (Continued)

The carrying value of cash, 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. COMMITMENTS AND CONTINGENT LIABILITY

Pursuant to the issuance of 200,000 flow through shares in May 2006 the Company is committed to spending \$250,000 on qualified expenditures by December 31, 2006.