FLETCHER NICKEL INC.

Financial Statements

March 31, 2007

FLETCHER NICKEL INC.
Balance Sheets

	March 31, 2007	December 31, 2006
	$	$
Assets		
Current		
Cash	**179,455**	2,134
GST receivable	**7,933**	6,564
Accounts receivable	**12,000**	
Prepaid expenses	**4,950**	4,200
	204,338	12,898
Deferred Financing Costs	**160,398**	86,058
Investment in Claim Lake Resources - at cost	**6,000**	6,000
Interest in Mineral Properties (Note 3)	**7,069,763**	7,036,870
	7,440,499	7,141,826
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accruals	**66,224**	136,995
Dividends payable	**-**	100,000
Due to related parties (Note 9)	**142,463**	315,608
	208,687	552,603
Long Term Liabilities		
Convertible Debenture (Note 4)	**100,534**	77,739
Preference shares (Note 5)	**4,592,229**	4,517,623
Total Liabilities	**4,901,450**	5,147,965
Shareholders Equity		
Common shares (Note 6)	**2,186,811**	1,501,962
Equity component of convertible debenture (Note 4)	**436,740**	436,740
Special warrants (Note 7)	**627,000**	627,000
Warrants (Note 8)	**760,359**	612,459
Contributed surplus	**123,000**	123,000
Deficit	**(1,594,861)**	(1,307,300)
Total Equity	**2,539,049**	1,993,861
	7,440,499	7,141,826

FLETCHER NICKEL INC.

Statements of Operations and Deficit
For the three months ending March 31

	2007	2006
	$	$
Income		
Sale of concentrates	**25,492**	-
Interest Income	**-**	2,875
	25,492	2,875
Expenditures		
Accretion of preference shares (Note 5)	**74,606**	-
Accretion of convertible debentures (Note 4)	**22,795**	-
Salaries and benefits	**57,973**	
Professional fees	**14,167**	67,920
Interest and bank charges	**3,648**	7,228
Interest on preference shares (Note 5)	**100,000**	-
General & Administration	**32,400**	14,252
Rent	**5,700**	5,700
Travel	**1,764**	2,657
Depreciation	**-**	128
	313,053	97,885
Net Income (Loss) for the period	**(287,561)**	(95,010)
Retained earnings (Deficit), beginning of period	**(1,307,300)**	(227,426)
Retained earnings (deficit) end of period	**(1,594,861)**	(322,436)
Loss per share	**0.03**	0.01
Weighted average number of shares outstanding during the period	**7,845,267**	5,010,959

FLETCHER NICKEL INC.

Statements of Cash Flows
For the three months ended March 31

	2007	2006
Cash derived from (applied to)		
Operating activities		
Net Income (Loss)	**(287,561)**	(95,010)
Less:Operating items not involving cash		
Depreciation	**-**	128
Accretion of preference shares	**74,606**	-
Accretion of convertible debenture	**22,795**	-
Change in non cash working capital		
(Increase) Decrease GST receivable	**(1,369)**	(8,317)
(Increase) Decrease in accounts receivable	**(12,000)**	
(Increase) Decrease in prepaid expenses	**(750)**	-
Increase (Decrease) in accounts payable	**(243,918)**	(46,514)
	(448,197)	(149,713)
Financing activities		
Issuance of common shares	**750,000**	-
Share issuance costs	**(17,251)**	(295,172)
Issue of convertible debenture	**-**	750,000
Deferred financing costs	**(74,339)**	147,567
	658,410	602,395
Investing activities		
Interest in Mineral Properties	**(32,892)**	(1,010,583)
	(32,892)	(1,010,583)
Increase (decrease) in cash	**177,321**	(557,901)
Cash at beginning of period	**2,134**	751,996
Cash at end of period	**179,455**	194,095

1. BASIS OF PRESENTATION

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, 2006 and should be read in conjunction with the audited financial statements for the year ended December 31, 2006.

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.

3. INTEREST IN MINERAL PROPERTIES

	Balance March 31, 2007	Additions During Period	**Balance December 31, 2006**
New Texmont Project	**$**	$	**$**
Acquisition Costs	**6,363,690**	5,000	**6,358,690**
Lease Costs	**2,221**	43	**2,178**
Exploration Costs	**385,501**	27,850	**357,651**
	6,751,412	32,893	**6,718,519**

	Balance March 31, 2007	Additions During Period	**Balance December 31, 2006**
Porcupine Mining District	**$**	$	**$**
Acquisition Costs	**300,936**	**-**	**300,936**
Exploration Costs	**17,415**	**-**	**17,415**
	318,351	**-**	**318,351**
	7,069,763	32,893	**7,036,870**

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.

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.

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.

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. In November and December 2006, 150 of the claims were re-staked on behalf of the Company and the royalty holders.

4. 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.

The components of these financial instruments, consisting of the debenture, warrants and conversion features were valued on a pro-rata basis based on the relative fair values of each component. The fair value of the debenture was estimated by discounting the future cash flows at an interest rate applicable to non-convertible debt. The fair value of the warrants were valued using the Black-Scholes option pricing model assuming a risk-free interest rate of 3.97% on the date of issue, an expected life of 2 years, a volatility of 85% and dividends of $Nil. The fair value of the conversion was similarly valued, with the exception of an expected life of 5 years.

The debt component of the convertible debenture will be accreted to its face value over the 5 year term of the debenture. The accretion of the convertible debenture for the three months ended March 31, 2007 was calculated to be $22,795.

5. PREFERENCE SHARES

The preference shares Series A 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 preference shares Series A 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 allof the preference share Series A shares at a price of $1.00 per share, together with unpaid dividends accrued to the date of redemption.

The value of the preference shares has been determined by discounting the future interest 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.

The Company accretes the value assigned to the par value of $8,000,000. Dividend expense related to the preference shares is recorded as interest. For the three months ended March 31, 2007, the Company recorded $74,606 of accretion expense and $100,000 of dividends as interest expense.

6. COMMON SHARES

	Number of Shares	Amount
		$
Balance, December 31, 2006	**7,928,600**	**1,501,962**
Issued for cash	**750,000**	**645,000**
Issued on debt settlement	**100,000**	**86,000**
Share issue costs	**-**	**(46,151)**
Balance, March 31,2007	**8,778,600**	**2,186,811**

(a) Between February 6 and February 23, 2007 the Company, on a private placement basis, issued an aggregate of 750,000 units of securities of the Company at a price of $1.00 per unit for gross proceeds of $750,000. Each unit is comprised of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $1.20 for one year from the date of issue. In addition compensation warrants were issued to an agent entitling it to purchase up to 85,000 units of the Company at $1.00 each for one year from the date of issue. Each unit is comprised of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $1.20 for one year from the date of issue.

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(b) On February 6, 2007 the Company converted a $100,000 non-interest bearing loan with no set terms of repayment into 100,000 units of securities of the Company. Each unit is comprised of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $1.20 for one year from the date of issue.

7. SPECIAL WARRANTS

1,500,000 special warrants

	Number of Warrants	Amount
		$
Balance, December 31, 2006	**1,500,000**	**627,000**
Issued for cash	**-**	**-**
Balance, March 31,2007	**1,500,000**	**627,000**

8. WARRANTS

	Number of Warrants	Amount
		$
Balance, December 31, 2006	**4,160,000**	**612,459**
Issued for cash	**375,000**	**105,000**
Issued on debt settlement	**50,000**	**14,000**
Issued for compensation	**85,000**	**28,900**
Balance, March 31,2007	**4,670,000**	**760,359**

Warrants Outstanding

Number of Warrants	Exercise Price	Expiry Date	Amount
300,000	0.75	14/01/2008	225,000
150,000	0.50	22/09/2007	75,000
1,500,000	0.65	04/01/2008	975,000
150,000	0.50	04/01/2008	75,000
200,000	1.25	12/11/2007	250,000
20,000	1.25	20/11/2007	25,000
625,000	1.25	28/02/2008	781,250
650,000	1.25	20/03/2008	812,500
500,000	1.25	18/04/2008	625,000
50,000	1.20	24/04/2008	60,000
15,000	1.50	20/05/2008	22,500
425,000	1.20	6-23/02/2008	510,000
85,000	1.00	23/02/2008	85,000
4,670,000	0.97		4,521,250

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

The fair value of the warrants issued during 2007 was estimated on the date of issue using the Black-Scholes option pricing model with the following weighted average assumptions.

Risk-free interest rate	**4.00%**
Expected volatility	**85.00%**
Expected life of warrants	**1 year**
Expected dividend yield	**Nil**

9. RELATED PARTY TRANSACTIONS AND BALANCES

Balances:	
Due to directors and officers	**$ 142,463**
Transactions:	
Salaries paid to directors and officers	**$ 75,000**

Amounts due to directors and officers are non-interest bearing, have no set terms of repayment and are due on demand.

10. 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, 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.

11. SUBSEQUENT EVENTS

On May 14, 2007 1,500,000 warrants were exercised for proceeds of $975,000.

A preliminary prospectus to qualify the shares to be issued on conversion of the special warrants and to distribute four million flow-through shares and two million units was filed with regulatory authorities on May 15, 2007. Upon receipt of approval of a final prospectus each flow-through share will be issued for subscription of $1 of exploration funding and each unit will be issued for subscription of $1. Each unit will comprise one share and one-half warrant and each full warrant may be exercised to acquire an additional share for $1.20 within 12 months.