

FLETCHER NICKEL INC.
(A Development Stage Company)
Financial Statements
For the three months ended
March 31, 2008

FLETCHER NICKEL INC.

(A Development Stage Company)

Balance Sheets

March 31, December 31,
2008 2007

Assets

Current

Cash and equivalents	\$ 1,647,688	\$ 2,048,812
Restricted cash and equivalents (Note 15)	3,339,482	3,885,822
	<u>4,987,170</u>	<u>5,934,634</u>
Accounts receivable	41,763	70,287
Contractor advances	147,500	62,500
Prepaid expenses	29,793	22,503
	<u>5,206,226</u>	<u>6,089,924</u>

Fixed Assets (Note 5)

Furniture and equipment	10,000	-
Vehicles	31,621	-
	<u>41,621</u>	<u>-</u>

Investment in Claim Lake Resources - at cost

Interest in Mineral Properties (Note 6)

6,000	6,000
<u>8,237,789</u>	<u>7,660,839</u>

\$ 13,491,636 \$ 13,756,763

Liabilities and Shareholders' Equity

Current Liabilities

Accounts payable and accruals	\$ 210,165	\$ 168,820
	<u>210,165</u>	<u>168,820</u>

Long Term Liabilities

Convertible Debenture (Note 7)	154,529	132,100
Preference shares (Note 8)	4,892,344	4,809,840
Future income tax liability (Note 16)	408,500	-
	<u>5,455,373</u>	<u>5,041,940</u>

Total Liabilities 5,665,538 5,110,760

Shareholders Equity

Common shares (Note 9)	8,418,291	9,578,436
Equity component of convertible debenture (Note 7)	436,740	436,740
Warrants (Note 10)	1,432,310	1,328,282
Contributed surplus (Note 12)	1,149,372	1,073,400
Deficit	(3,610,615)	(3,770,855)
	<u>7,826,098</u>	<u>8,646,003</u>

Total Equity 7,826,098 8,646,003

\$ 13,491,636 \$ 13,756,763

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

For the three months ended March 31,	2008	2007	Cumulative since inception
Income			
Interest Income	<u>\$ 41,563</u>	\$ -	\$ 73,874
Expenditures			
Accounting	11,835	-	43,311
Accretion of preference shares (Note 8)	82,504	74,606	583,654
Accretion of convertible debentures (Note 7)	22,429	22,795	113,114
Administrative and general expenses	71,956	32,400	406,697
Amortization	-	-	1,534
Audit and legal	33,751	8,167	167,762
Consulting	34,625	6,000	449,604
Insurance	8,945	-	23,498
Interest and bank charges	550	3,648	43,573
Interest on preference shares (Note 8)	100,000	100,000	766,527
Penalty on debenture conversion	-	-	126,000
Rent	6,825	5,700	100,400
Salaries and benefits	71,385	57,973	290,379
Stock-based compensation	-	-	950,400
Travel	8,163	1,764	77,922
Warrant extension expense	180,000	-	370,784
	<u>632,968</u>	313,053	4,515,159
Net loss before income taxes	(591,405)	(313,053)	(4,441,285)
Future income tax recovery	<u>751,645</u>	-	830,670
Net and comprehensive income (loss)	160,240	(313,053)	(3,610,615)
Deficit, beginning of period	<u>(3,770,855)</u>	(1,307,300)	-
Deficit, end of period	<u>\$ (3,610,615)</u>	<u>\$ (1,620,353)</u>	<u>\$ (3,610,615)</u>
Income (loss per share) - basic and diluted	<u>\$ 0.01</u>	<u>\$ (0.04)</u>	
Weighted average number of shares outstanding during the period - basic	<u>22,431,600</u>	<u>7,845,267</u>	
Weighted average number of shares outstanding during the period - diluted	<u>22,806,600</u>	<u>7,845,267</u>	

FLETCHER NICKEL INC.

(A Development Stage Company)

Statements of Cash Flows

For the three months ended March 31	2008	2007	Cumulative since inception
Cash derived from (applied to)			
Operating activities			
Net Income (Loss)	\$ 160,240	\$ (313,053)	\$ (3,610,615)
Less: Operating items not involving cash			
Amortization	-	-	1,534
Accretion of preference shares	82,504	74,606	583,654
Accretion of convertible debenture	22,429	22,795	113,114
Non-cash interest payments	-	-	125,000
Non-cash consulting fees	-	-	25,939
Penalty on debenture	-	-	126,000
Stock-based compensation	-	-	950,400
Warrant extension expense	180,000	-	370,784
Future income tax recovery	(751,645)	-	(830,670)
Change in non cash working capital			
(Increase) Decrease accounts receivable	28,523	(13,369)	(41,744)
(Increase) Decrease in prepaid expenses	(7,290)	(750)	(29,793)
(increase) Decrease in contractor advances	(85,000)	-	(147,500)
Increase (Decrease) in accounts payable	41,346	(243,918)	110,166
	(328,893)	(473,689)	(2,253,731)
Financing activities			
Issuance of common shares	-	750,000	9,369,700
Issuance of special warrants	-	-	1,080,400
Issuance of warrants	-	-	44,000
Share issuance costs	-	(17,251)	(1,349,767)
Issue of convertible debenture	-	-	750,000
Advances from shareholders	-	-	100,000
Deferred financing costs	-	(74,339)	(86,058)
	-	658,410	9,908,275
Investing activities			
Interest in mineral properties	(574,076)	(7,400)	(2,615,345)
Investment in Claim Lake resources	-	-	(6,000)
Purchase of fixed assets	(44,495)	-	(46,029)
	(618,571)	(7,400)	(2,667,374)
Increase (decrease) in cash	(947,464)	177,321	4,987,170
Cash at beginning of period	5,934,634	2,134	-
Cash at end of period	\$ 4,987,170	\$ 179,455	\$ 4,987,170

FLETCHER NICKEL INC.

(A Development Stage Company)

Notes to Financial Statements

March 31, 2008

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 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.

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 consolidated financial statements should be read in conjunction with the notes to the Company's audited financial statements for the year ended December 31, 2007, 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.

Change in accounting policies

On January 1, 2008, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

FLETCHER NICKEL INC.

(A Development Stage Company)

Notes to Financial Statements

March 31, 2008

2. BASIS OF PRESENTATION (continued)

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in note 3 to these financial statements.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook sections in note 4 to these financial statements.

3. 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 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 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 period ended March 31, 2008. The Company is not subject to externally imposed capital requirements.

4. FINANCIAL RISK FACTORS

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

Credit risk

The Company's credit risk is primarily attributable to short-term investments and receivables included in other assets. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits and money market funds holding Government of Canada treasury notes, which have been invested with or purchased from reputable financial institutions, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to financial instruments included in other assets is 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, 2008, the Company had a cash balance of \$4,987,170 (December 31, 2007 - \$5,934,634) to settle current liabilities of \$210,165 (December 31, 2007 - \$168,820). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

FLETCHER NICKEL INC.

(A Development Stage Company)

Notes to Financial Statements

March 31, 2008

4. FINANCIAL RISK FACTORS (continued)

Market risk

(a) Interest rate risk

The Company has cash balances and debt 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 convertible debentures and preference shares are at fixed interest rates and, therefore, the Company's exposure to interest rate risk over the term of the debentures and 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.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

The Company has designated its cash and cash equivalents and short term investments as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at March 31, 2008, the carrying and fair value amounts of the Company's financial instruments are the same.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Price risk is remote since the Company is not a revenue producing entity.

5. FIXED ASSETS

	Cost	Accumulated Depreciation	Net March 31, 2008	Net December 31, 2007
Office furniture	\$ 10,000	\$ -	\$ 10,000	\$ -
Vehicles	34,495	2,874	31,621	-
	<u>\$ 44,495</u>	<u>\$ 2,874</u>	<u>\$ 41,621</u>	<u>\$ -</u>

FLETCHER NICKEL INC.
(A Development Stage Company)
Notes to Financial Statements
March 31, 2008

6. INTEREST IN MINERAL PROPERTIES

	Balance March 31, 2008	Additions During Period	Balance December 31, 2007
New Texmont Project			
Acquisition Costs	\$ 6,762,903	\$ 47,777	\$ 6,715,126
Assaying	22,032	21,135	897
Depreciation	2,874	2,874	-
Drilling	661,614	338,407	323,207
Field office expense	49,252	15,239	34,013
Geology	521,990	106,240	415,750
Ground Geophysics	92,084	8,505	83,579
Lease rental and land taxes	2,827	606	2,221
Project management	195,992	28,443	167,549
Project planning and reports	28,684	7,724	20,960
Sale of concentrates	(102,463)	-	(102,463)
	\$ 8,237,789	\$ 576,950	\$ 7,660,839

The New Texmont Project is comprised of fourteen mining leases expiring February 28, 2017, plus 51 adjoining mineral claims totaling 443 claim units. The mining leases are located 40 kilometres 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 7,172 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,

7. 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 fair value of the warrants was determined to be \$211,845. These warrants were exercised on May 22, 2007. 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 was determined using the Black-Sholes 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.

FLETCHER NICKEL INC.

(A Development Stage Company)

Notes to Financial Statements

March 31, 2008

7. CONVERTIBLE DEBENTURE (continued)

The debt component of the unsecured convertible debenture will be accreted to its face value over its 5 year term. The accretion of the convertible debenture for the three months ended March 31, 2008 was calculated to be \$22,429 (2007 - \$22,795).

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.

The value of the Series A 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 Series A preference shares is recorded as interest. For the three months ended March 31, 2008, the Company recorded \$82,504 of Accretion expense (2007 - \$74,606) and \$100,000 of dividends as interest expense (2007 - \$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 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.

9. CAPITAL STOCK

Authorized

Unlimited number of common shares

Unlimited number of preference shares

Issued

Common shares	Number of Shares	Amount
Balance December 31, 2007	22,431,600	\$ 9,578,436
Renunciation of flow-through expenditures	-	(1,160,145)
Balance March 31, 2008	22,431,600	\$ 8,418,291

FLETCHER NICKEL INC.

(A Development Stage Company)

Notes to Financial Statements

March 31, 2008

10. WARRANTS

	<u>Number of Warrants</u>	<u>Amount</u>
Balance December 31, 2007	6,361,600	\$ 1,328,282
Expired	150,000	(75,972)
Expiry extension	-	180,000
Balance March 31, 2008	<u>6,211,600</u>	<u>\$ 1,432,310</u>

On January 25, 2008 the Company extended the expiry date on 2,382,500 warrants entitling the holders to purchase 2,382,500 common shares of the Company. The estimated fair value of the modification of the warrants at the date of modification under the Black-Scholes option pricing model was \$180,000.

The following assumptions were used to estimate the value between the date of grant and the date of modification: expected dividend yield of 0%, expected volatility of 85%, risk-free interest rate of 3.27% and an average expected life of 1 year.

Warrants Outstanding

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
300,000	0.75	June 30, 2009
200,000	1.25	November 12, 2008
725,000	1.25	February 28, 2009
500,000	1.25	March 20, 2009
50,000	1.25	March 28, 2009
500,000	1.25	April 3, 2009
50,000	1.20	April 25, 2009
15,000	1.50	May 21, 2009
300,000	1.20	February 6, 2009
75,000	1.20	February 15, 2009
50,000	1.20	February 6, 2009
60,000	1.00	February 6, 2009
7,500	1.00	February 15, 2009
2,143,000	1.00	May 29, 2009
571,500	1.00	May 29, 2009
428,600	1.00	May 29, 2009
<u>236,000</u>	1.00	May 29, 2009
<u>6,211,600</u>		

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

FLETCHER NICKEL INC.

(A Development Stage Company)

Notes to Financial Statements

March 31, 2008

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.

Options Outstanding

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,900,000	\$0.70	November 29, 2012
<u>150,000</u>	\$0.75	December 12, 2012
<u>2,050,000</u>		

12. CONTRIBUTED SURPLUS

	<u>2008</u>
Balance, beginning of year	<u>\$ 1,073,400</u>
Expiry of warrants	<u>75,972</u>
Balance, end of period	<u>\$ 1,149,372</u>

13. RELATED PARTY TRANSACTIONS AND BALANCES

	<u>2008</u>
Balances:	
Due to directors and officers	<u>\$ 3,680</u>
Amount included in accounts payable, due to a law firm of which a partner is a director of the Company	<u>\$ 17,000</u>
Transactions:	
Management fees paid to directors and officers	<u>\$ 3,000</u>
Legal fees incurred to a law firm of which a partner is a director of the Company	<u>\$ 17,000</u>

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

FLETCHER NICKEL INC.
(A Development Stage Company)
Notes to Financial Statements
March 31, 2008

14. 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 receivable, accounts payable and accrued liabilities, due to related parties, dividends payable and non-interest bearing loan 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.

15. COMMITMENT

The Company, by undertaking the issuance of flow-through shares during 2007, has a spending commitment of \$4,000,500 on its mineral properties by December 31, 2008. To March 31, 2008, \$661,018 of this spending has occurred. The Company has restricted cash and equivalents of \$3,339,482 to meet this commitment.

16. INCOME TAXES

During the quarter, the Company renounced to investors \$4,000,500 of resource expenditures. The future income tax liability resulting from the renunciation of these qualifying expenditures amounted to \$1,160,145, and was recorded in the quarter ended March 31, 2008. This liability was offset by a future tax recovery of \$751,645, resulting in a net future tax liability of \$408,500.

17. SUBSEQUENT EVENTS

- (a) The Company has signed a letter of intent 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.
- (b) The Company has entered an option agreement to acquire 81 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.