

FLETCHER NICKEL INC.
(A Development Stage Company)
Financial Statements
For the three months ended
March 31, 2009
(unaudited)

FLETCHER NICKEL INC.

(A Development Stage Company)

Balance Sheets

	(unaudited) March 31, 2009	(audited) December 31, 2008
Assets		
Current		
Cash and equivalents	\$ 172,203	\$ 519,830
Accounts receivable	10,649	33,998
Contractor advances	-	74,988
Prepaid expenses	19,421	28,421
	<u>202,273</u>	<u>657,237</u>
Fixed Assets (Note 5)	52,527	58,794
Investment in Claim Lake Resources - at cost	6,000	6,000
Interest in Mineral Properties (Note 6)	12,345,908	12,286,932
	<u>\$ 12,606,708</u>	<u>\$ 13,008,963</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accruals	\$ 196,969	\$ 384,697
Dividend payable (Note 8)	100,000	-
	<u>296,969</u>	<u>384,697</u>
Long Term Liabilities		
Convertible debenture (Note 7)	261,989	221,815
Preference shares - Series A (Note 8)	5,238,345	5,139,855
	<u>5,797,303</u>	<u>5,746,367</u>
Shareholders Equity		
Common shares (Note 9)	8,808,291	8,808,291
Equity component of convertible debenture (Note 7)	436,740	436,740
Warrants (Note 10)	976,717	1,330,888
Contributed surplus (Note 12)	1,470,942	1,116,771
Deficit	(4,883,285)	(4,430,094)
	<u>6,809,405</u>	<u>7,262,596</u>
	<u>\$ 12,606,708</u>	<u>\$ 13,008,963</u>

Subsequent events (Notes 8 and 16)

APPROVED ON BEHALF OF THE BOARD

, Director

, Director

See accompanying notes to the interim unaudited financial statements

FLETCHER NICKEL INC.

(A Development Stage Company)

Statements of Operations, Comprehensive Loss and Deficit (unaudited)

	Three months ended March 31,		Cumulative since inception
	2009	2008	
Income			
Interest income	\$ 383	\$ 41,563	\$ 107,293
Expenditures			
Accretion of preference shares (Note 8)	98,490	82,504	929,655
Accretion of convertible debentures (Note 7)	40,174	22,429	220,574
Administrative and general expenses	61,620	80,669	728,449
Amortization	1,083	-	6,947
Accounting, audit and legal	40,822	45,586	353,997
Consulting	37,383	34,625	603,035
Directors fees	-	-	42,000
Insurance	9,000	8,945	57,626
Interest on preference shares (Note 8)	105,000	100,000	1,171,527
Penalty on debenture conversion	-	-	126,000
Rent	14,348	6,825	149,182
Salaries and benefits	45,654	71,385	550,239
Stock-based compensation	-	-	1,103,361
Tax interest on flow-through funds	-	-	103,356
Warrant extension expense	-	180,000	83,800
	<u>453,574</u>	<u>632,968</u>	<u>6,229,748</u>
Net loss before income taxes	(453,191)	(591,405)	(6,122,455)
Future income tax recovery (Note 15)	-	751,645	1,239,170
Net and comprehensive income (loss)	(453,191)	160,240	(4,883,285)
Deficit, beginning of period	<u>(4,430,094)</u>	<u>(3,770,855)</u>	-
Deficit, end of period	\$ (4,883,285)	\$ (3,610,615)	\$ (4,883,285)
Income (loss) per share, basic and diluted	\$ (0.02)	\$ 0.01	
Weighted average number of shares outstanding during the period, basic and diluted	<u>23,031,600</u>	<u>22,431,600</u>	

See accompanying notes to the interim unaudited financial statements

FLETCHER NICKEL INC.

(A Development Stage Company)

Statements of Cash Flows

(unaudited)

	Three months ended March 31,		Cumulative since inception
	2009	2008	
Cash derived from (applied to)			
Operating activities			
Net income (loss)	\$ (453,191)	\$ 160,240	\$ (4,883,285)
Less: Operating items not involving cash			
Amortization	1,083	-	6,947
Accretion of preference shares	98,490	82,504	929,655
Accretion of convertible debenture	40,174	22,429	220,574
Non-cash interest payments	100,000	-	225,000
Non-cash consulting fees	-	-	25,939
Penalty on debenture	-	-	126,000
Stock-based compensation	-	-	1,103,361
Warrant extension expense	-	180,000	83,800
Future income tax recovery	-	(751,645)	(1,239,170)
Change in non cash working capital			
Accounts receivable	23,350	28,523	(10,628)
Prepaid expenses	9,000	(7,290)	(19,421)
Contractor advances	74,988	(85,000)	-
Accounts payable	(187,728)	41,346	(101,806)
	(293,834)	(328,893)	(3,533,034)
Financing activities			
Issuance of common shares	-	-	9,369,700
Issuance of special warrants	-	-	1,080,400
Issuance of warrants	-	-	44,000
Share issuance costs	-	-	(1,435,825)
Issue of convertible debenture	-	-	750,000
Advances from shareholders	-	-	100,000
	-	-	9,908,275
Investing activities			
Interest in mineral properties	(53,793)	(574,076)	(6,111,646)
Investment in Claim Lake resources	-	-	(6,000)
Purchase of fixed assets	-	(44,495)	(85,392)
	(53,793)	(618,571)	(6,203,038)
Increase (decrease) in cash	(347,627)	(947,464)	172,203
Cash at beginning of period	519,830	5,934,634	-
Cash at end of period	\$ 172,203	\$ 4,987,170	\$ 172,203
Supplementary information			
Interest paid	\$ 5,000	\$ 100,000	

See accompanying notes to the interim unaudited financial statements

FLETCHER NICKEL INC.

(A Development Stage Company)

Notes to the Unaudited Interim Financial Statements

For the three months ended March 31, 2009

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 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 during 2009. It is not possible to predict whether financing efforts will be successful and management cannot provide assurance that it will be able to obtain the required financing.

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 financial statements should be read in conjunction with the notes to the Company's audited financial statements for the year ended December 31, 2008, 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.

FLETCHER NICKEL INC.
(A Development Stage Company)
Notes to the Unaudited Interim Financial Statements
For the three months ended March 31, 2009

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 Company considers its capital to be equity, which is comprised of common shares, equity component of convertible debentures, warrants, contributed surplus and deficit, which at March 31, 2009 totalled \$6,809,405 (December 31, 2008 - \$7,262,596).

The Company is subject to external restrictions on its capital. The Company is required to make quarterly dividend payments on their preferred shares (see Note 8). As well, these preferred shares will be required to be repaid in 2014. The company does not currently have the resources to meet these requirements. Failure to meet these requirements may result in the loss of the New Texmont property (see Note 6). Subsequent to year-end the Company has entered into an agreement for alternate payment of the dividends (Note 8). The company does not have any other external restrictions on its capital.

Several 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, 2009.

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 accounts receivables included in current assets. The Company has no significant concentration of credit risk arising from operations. Cash and equivalents consist of bank deposits which have been invested with or purchased from reputable financial institutions, from which management believes the risk of loss to be 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, 2009, the Company had cash and equivalents of \$172,203 (December 31, 2008 - \$519,830) to settle current liabilities of \$296,969 (December 31, 2008 - \$384,697). 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.

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Notes to the Unaudited Interim Financial Statements

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4. FINANCIAL RISK FACTORS (continued)

Market risk

(a) Interest rate risk

The Company has cash balances, convertible debentures 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) 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 and equivalents, accounts receivable, accounts payable and accruals and dividend payable 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.

As at March 31, 2009, the fair value of the convertible debenture, estimated using a discounted cash flow model and a discount rate of 15% is \$606,000.

As at March 31, 2009, the fair value of the Series A preference shares, estimated using a discounted cash flow model and a discount rate of 15% is \$4,954,000.

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.

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.

FLETCHER NICKEL INC.
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5. FIXED ASSETS

	Cost	Accumulated Depreciation	Net March 31, 2009	Net December 31, 2008
Office furniture	\$ 21,654	\$ 5,413	\$ 16,241	\$ 17,324
Vehicles	62,204	25,918	36,286	41,470
	<u>\$ 83,858</u>	<u>\$ 25,918</u>	<u>\$ 52,527</u>	<u>\$ 58,794</u>

6. INTEREST IN MINERAL PROPERTIES

	Balance March 31, 2009	Additions During Period	Balance December 31, 2008
New Texmont Project			
Acquisition Costs	\$ 7,343,903	\$ -	\$ 7,343,903
Airborne geophysics	77,000	-	77,000
Assaying	233,645	11,355	222,290
Depreciation	25,918	5,184	20,734
Drilling	2,528,799	1,385	2,527,414
Engineering studies	53,538	9,390	44,148
Environmental studies	273,797	(19,545)	293,342
Field office expense	126,210	10,265	115,945
Geology	1,120,986	23,946	1,097,040
Ground geophysics	281,497	4,900	276,597
Lease rental and land taxes	3,391	564	2,827
Metallurgical testing	12,749	7,596	5,153
Project management	302,222	3,750	298,472
Project planning and reports	56,826	186	56,640
Surveying	7,890	-	7,890
Sale of concentrates	(102,463)	-	(102,463)
	<u>\$ 12,345,908</u>	<u>\$ 58,976</u>	<u>\$ 12,286,932</u>

The New Texmont Project is comprised of fourteen mining leases expiring February 28, 2017, plus 53 adjoining mineral claims totaling 548 claim units. The mining leases are located 42 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 8,768 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.

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6. INTEREST IN MINERAL PROPERTIES (Continued)

On May 2, 2008 the company entered into an option agreement to acquire 88 additional 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. Prior to December 31, 2008, this agreement was amended. The new terms require payment in the amount of \$250,000 in the first year; \$300,000 in the second year; and, \$50,000 in the third year. The Company may, at any time prior to the commercial production of any part of the optioned property, purchase two-thirds of the 1.5% net smelter royalty on the property for \$1,000,000. Pursuant to this agreement, the company issued 600,000 common shares on May 8, 2008 at a value of \$390,000 and made payments of \$175,000 of the \$225,000 required. The company has been granted an extension for the additional \$50,000.

In addition 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. The Company may purchase one-half of a 2% net smelter royalty on the property, should the optionor's interest in the joint venture dilute below 10%, for \$1,000,000.

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 matures March 14, 2011, 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. These warrants expired unexercised.

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-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 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, 2009 was calculated to be \$40,174 (2008 - \$22,429).

FLETCHER NICKEL INC.
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Notes to the Unaudited Interim Financial Statements
For the three months ended March 31, 2009

10. WARRANTS

Issued and outstanding – 4,244,600 warrants

	<u>Number of Warrants</u>	<u>Amount</u>
Balance December 31, 2008	6,011,600	\$ 1,330,888
Expired	<u>(1,767,500)</u>	<u>(354,171)</u>
Balance March 31, 2009	<u>4,244,100</u>	<u>\$ 976,717</u>

Warrants Outstanding

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
500,000	1.25	April-03-09
50,000	1.20	April-25-09
15,000	1.50	May-21-09
2,143,000	1.00	May-29-09
571,500	1.00	May-29-09
428,600	1.00	May-29-09
236,000	1.00	May-29-09
300,000	0.75	June-30-09
<u>4,244,100</u>		

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

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>
50,000	0.70	August 11, 2010
1,900,000	0.70	November 29, 2012
150,000	0.75	December 12, 2012
30,000	0.75	March 24, 2013
<u>2,130,000</u>		

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12. CONTRIBUTED SURPLUS

Balance, December 31, 2008	\$ 1,116,771
Expiry of warrants	<u>354,171</u>
Balance, March 31, 2009	<u><u>\$ 1,470,942</u></u>

13. RELATED PARTY TRANSACTIONS AND BALANCES

	<u>March 31, 2009</u>
Balances:	
Due to directors and officers	\$ nil
Amount included in accounts payable, due to a law firm of which a partner is a director of the Company	<u>14,944</u>
	<u>\$ 14,944</u>
Transactions:	
Management fees paid to directors and officers	\$ 19,000
Legal fees incurred to a law firm of which a partner is a director of the Company	<u>17,183</u>
	<u>\$ 36,183</u>

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

All transactions were made in the normal course of business and are measured at the exchange amount.

14. FUTURE ACCOUNTING CHANGES

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with IFRS by 2011. The Company's changeover plan to adopt IFRS encompasses review of and possible changes to its accounting policies, information technology and data systems, internal control over financial reporting, disclosure controls and procedures, financial expertise and training and certain business matters, such as compensation arrangements. The Company is in the early stages of assessing the impact of the various elements of the changeover plan.

15. FUTURE INCOME TAX RECOVERY

During the quarter ending March 31, 2008, 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 as at March 31, 2008..

16. SUBSEQUENT EVENTS

Subsequent to March 31, 2009 the Company received subscription agreements for 1,500,000 Flow-through units at \$0.06 per unit for gross proceeds of \$90,000. Each unit is comprised of one flow-through common share and one non flow-through warrant exercisable at \$0.10 per share for two years.