

**FLETCHER NICKEL INC.**  
**(A Development and Exploration Stage Company)**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**DATE**

This management discussion and analysis (MD&A) covers the six months ended June 30, 2009 and was prepared on August 12, 2009.

**GENERAL**

The following discussion and analysis of the operations, results, and financial position of Fletcher Nickel Inc. ("Fletcher" or "the Company") for the six months ended June 30, 2009, should be read in conjunction with the Company's interim Financial Statements for the six months ended June 30, 2009 and the audited Financial Statements for the year ended December 31, 2008. Unless otherwise noted, amounts are in Canadian dollars and based on Canadian Generally Accepted Accounting Principles.

**COMPANY OVERVIEW AND OUTLOOK**

The Company is a junior mining exploration and development company engaged in the acquisition, exploration and development of nickel projects in Northern Ontario, Canada. The Company's main office is located at 141 Adelaide Street West, Suite 1000, Toronto, Ontario, M5H 3L5. The Company's principal asset is the New Texmont Project which is comprised of fourteen mining leases expiring February 28, 2017, 53 adjoining mineral claims totalling 548 claim units and options to acquire 271 additional claim units adjacent to its properties. 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 13,104 hectares, comprised of 8,768 hectares on the leases and claims and 4,336 under option. 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.

The results of operations for the six months ended June 30, 2009 reflect the costs of property acquisitions, exploration expenses, costs incurred by the Company to maintain itself and its properties in good standing with regulatory authorities, and for administrative infrastructure to manage the acquisition, exploration, and financing activities of the Company. The Texmont Property was acquired in March 2006, the culmination of an initiative begun in early 2004. Site rehabilitation was completed in late 2007 with the demolition of all structures and installations of the former mining and milling facilities and removal of all refuse from the site. Exploration and definition drilling started in August 2007. The Company completed an initial public offering of securities for exploration funding of \$4 million and working capital of \$3 million, on November 29, 2007. Exploration costs were budgeted to utilize this funding in 2008 in order to renounce such expenditures to the subscribers of the "flow-through" shares. As the Company has no operations from which revenue is generated for the payment of general and administrative costs, it will become necessary to sell further treasury shares for the subscription of such funding, in future, unless cash is first generated from the sale of assets or revenue is realized from the commencement of operations.

The nickel market is volatile and has fluctuated between US\$23/lb and US\$4/lb in the last two years. As of the date of this report, nickel is trading at US\$7.35/lb. In management's opinion, this volatility will continue to affect the outlook for nickel in the near term. Longer term, given the economic environment at present, the outlook for nickel remains uncertain. Consolidation of some of the major nickel companies occurred during 2006 including a takeover of major nickel producer Falconbridge Limited by Swiss based miner, Xstrata Plc, and the takeover of Inco Limited by Brazilian based Companhia Vale do Rio Doce (Vale). Mid-tier producers such as LionOre Mining International Ltd. and Rio Narcea Gold Mines Ltd. have been acquired by the major nickel producers, as nickel sulphide deposits were highly sought after. The consolidation of the nickel industry is believed to bode well for the medium to long-term outlook for the nickel market, as supply discipline is more likely to occur. See "FORWARD LOOKING INFORMATION

The business objective of the Company is to acquire, explore and develop mineral properties of nickel and so to carry out the exploration programs recommended in a Technical Report dated February 16, 2007, and amended June 12, 2007, in furtherance of defining the mineralization potential of the Texmont Project. In this, the Company proposed to determine the extent and style of the mineralized envelope to depth and along strike, confirm whether an open-pit mine is practicable, and corroborate essential data from previous information. In order to maintain these activities, the Company will continue to evaluate all avenues for raising additional funds for exploration and general corporate purposes, including the issuance of additional shares. The price of nickel will be an important determining factor in the Company's ability to source such additional funds.

As of June 30, 2009 the Company had \$65,653 in cash and cash equivalents (December 31, 2008- \$519,830) and a working capital deficiency of \$354,059 (December 31, 2008- working capital of \$272,540). The decreases from December 31, 2008 are primarily due to cash exploration costs of \$179,163 and an operating loss before non-cash items of \$152,335. There have been no dispositions, write-offs, abandonments or other similar transactions during the six months ended June 30, 2009, or in any prior period, to affect the continuing operations of the Company thus far.

Funding is required prior to the end of 2009 for the Company to continue operations. Management believes that it has the ability to raise sufficient funds for the continuation of operations. In February 2009, the Company received subscription agreements to issue 1,400,000 Flow-through units at \$0.06 per unit for gross proceeds of \$84,000. Proceeds of \$54,000 were received prior to June 30, 2009. This offering closed on July 13, 2009 and the flow-through units were then issued. While management has been historically successful in raising the necessary capital, it cannot provide assurances that it will be able to obtain the required financing.

#### SELECTED ANNUAL INFORMATION

	<i>December 31 2008</i>	<i>December 31 2007</i>	<i>December 31 2006</i>
<b>Statement of Operations</b>			
Total Revenues	\$ 74,599	\$ 27,318	\$ 3,101
Total Expenses	1,893,983	2,569,898	1,082,975
Net Income/(Loss) before income taxes	(1,819,384)	(2,542,580)	(1,079,874)
Net Income/(Loss) per share – Basic	(0.03)	(0.22)	(0.14)
Net Income/(Loss) per share – Fully Diluted	(0.03)	(0.22)	(0.14)
<b>Balance Sheet</b>			
Total Assets	\$ 13,008,963	\$ 13,756,763	\$ 7,141,826
Total Long Term Debt	5,361,670	4,941,940	4,595,362
Total Liabilities	5,746,367	5,110,760	5,147,965
Shareholders' Equity	7,262,596	8,646,003	1,993,861
Dividends	-	-	-

The revenues were derived entirely from interest on the Company's banked cash balances. Expenses are for general and corporate purposes. The 2007 increase in both assets and shareholders' equity, compared to 2006, resulted from the distribution of treasury shares, net of issue costs. The 2008 decrease in total expenses from 2007 is primarily due to a reduction in stock based compensation.

## RESULTS OF OPERATIONS

During the six months ended June 30, 2009, the Company spent \$177,778 on its mineral properties, as follows:

<b>New Texmont Project</b>	<b>Balance June 30, 2009</b>	<b>Additions During Period</b>	<b>Balance December 31, 2008</b>
Acquisition Costs	\$ 7,343,903	\$ -	\$ 7,343,903
Airborne geophysics	77,000	-	77,000
Assaying	234,291	12,001	222,290
Depreciation	19,349	(1,385)	20,734
Drilling	2,529,225	1,811	2,527,414
Engineering studies	57,058	12,910	44,148
Environmental studies	319,024	25,682	293,342
Field office expense	144,899	28,954	115,945
Geology	1,135,173	38,133	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	312,934	14,462	298,472
Project planning and reports	88,790	32,150	56,640
Surveying	7,890	-	7,890
Sale of concentrates	(102,463)	-	(102,463)
	<b>\$ 12,464,710</b>	<b>\$ 177,778</b>	<b>\$ 12,286,932</b>

## SUMMARY OF QUARTERLY RESULTS

Following is a summary of selected financial data for the Company's last eight completed quarters:

	<b>June 30 2009</b>	<b>Mar 31 2009</b>	<b>Dec 31 2008</b>	<b>Sept 30 2008</b>	<b>Jun 30 2008</b>	<b>Mar 31 2008</b>	<b>Dec 31 2007</b>	<b>Sept 30 2007</b>
<b>Revenue</b>	\$ -	\$ 383	\$2,824	\$10,766	\$19,445	\$41,563	\$16,410	\$ -
<b>Operating Loss</b>	(356,739)	(453,191)	(386,393)	(409,610)	(506,575)	(591,405)	(1,499,922)	(376,939)
<b>Net Income(Loss)</b>	(356,739)	(453,191)	(44,794)	(352,610)	(422,075)	160,240	(1,420,897)	(376,939)
<b>Income (Loss) per Share</b>	\$(0.02)	\$(0.02)	\$(0.00)	\$(0.02)	\$(0.02)	\$0.01	\$(0.13)	\$(0.03)

## GENERAL AND CORPORATE EXPENDITURES

Following is a summary of general and corporate expenses of the Company for the six months ended June 30, 2009 and 2008:

	<b>June 30, 2009</b>	<b>June 30, 2008</b>
Accretion of preference shares	\$196,979	\$165,007
Accretion of convertible debentures	80,348	44,857
Administrative and general expenses	87,794	116,121
Amortization	2,166	1,900
Accounting, audit and legal	61,105	88,411
Consulting	50,383	69,650
Directors fees	-	42,000
Insurance	20,086	16,023
Interest on preference shares	205,000	200,000
Rent	25,328	9,100
Salaries and benefits	81,124	142,617
Tax interest on flow-thru funds	-	83,303
Warrant extension expense	-	180,000
	<b>\$810,313</b>	<b>\$1,158,989</b>

## **LIQUIDITY**

Since the Company is a junior resource mining exploration and development corporation, it does not have the ability to generate from earnings or asset sales sufficient amounts of cash and cash equivalents with which to pay for its operating costs, even in the short term. The activities of the Company, principally the acquisition and exploration of mineral properties, are thus financed through the completion of offerings involving the sale of equity securities. These equity offerings generally include private placements and the exercise of warrants and options. To maintain the Company's capacity to meet planned growth or to fund further development activities, the Company must utilize its current cash reserves and future equity financings.

As of June 30, 2009 the Company had \$65,653 in cash and cash equivalents (December 31, 2008- \$519,830) and a working capital deficiency of \$354,059 (December 31, 2008- working capital of - \$272,540). The decreases from December 31, 2008 are primarily due to cash exploration costs of \$179,163 and an operating loss before non-cash items of \$152,335. As of August 12, 2009, the Company had \$60,009 cash and cash equivalents available for its ongoing expenses.

Funding is required during 2009 for the Company to continue operations. Management believes that it has the ability to raise sufficient funds for the continuation of operations. In February 2009, the Company received subscription agreements to issue 1,400,000 Flow-through units at \$0.06 per unit for gross proceeds of \$84,000. Proceeds of \$54,000 were received prior to June 30, 2009. This placement closed on July 13, 2009. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to obtain the required financing.

There are no commitments, events, risks or uncertainties that management reasonably believes will materially affect the Company's future performance including losses from discontinued operations or any extraordinary items. There are no defaults, arrears, or anticipated defaults or arrears on dividend payments, lease payments, interest or principal payment on debt, debt covenants, and redemption or retraction or sinking fund payments. The Company had no other unusual or infrequent events or transactions over the past six months.

## **CAPITAL RESOURCES**

The Company is obligated to redeem \$8 million of preference shares on March 15, 2014 and to pay dividends thereon of \$100,000 per quarter prior to redemption. Given that the Company does not currently have a source of revenue, its ability to meet its dividend obligations in respect of the Preference Shares Series A is dependent on its ability to obtain sufficient additional financing. Failure to obtain sufficient financing to meet its dividend obligations could result in the Company losing the Texmont Leases. The Company has arranged to issue 500,000 Series B preference shares to satisfy the dividends due to the Series A preference shareholder on the 15<sup>th</sup> day of April, May, August and November 2009 and February 2010. Each Series B preference share is redeemable at \$1 on or before March 15, 2014, entitles the holder to receive a 5% cumulative annual preferential cash dividend payable quarterly, and is convertible into 2.5 common shares at any time prior to redemption. See "Loss of Texmont Leases", "Additional Capital" and "Dividends" under the heading "Risk Factors." The Company may elect to redeem the preference shares at any time prior to maturity.

The discovery, development and acquisition of mineral properties are in many instances unpredictable events. Future metal prices, the success of exploration programs and other property transactions can have a significant impact on capital requirements. The Company does not expect to receive significant income from any of its properties within the foreseeable future. Should the Company decide to further develop any of its properties, the Company may fund its capital requirements by arranging further equity financing, issuing long-term debt, arranging joint ventures with other companies, or through a combination of the above. At present, there are no commitments obliging the Company to undertake any such capital expenditures.

## **OFF-BALANCE SHEET TRANSACTIONS**

The Company has not entered into any off-balance sheet transactions.

## TRANSACTIONS WITH RELATED PARTIES

<b>Balances:</b>	<u>June 30, 2009</u>
Due to directors and officers	\$5,250
Amount included in accounts payable, due to a law firm of which a partner is a director of the Company	<u>\$33,272</u>
<b>Transactions:</b>	
Management fees paid to directors and officers	\$24,050
Legal fees incurred to a law firm of which a partner is a director of the Company	<u>\$34,638</u>

Amounts due to directors and officers are non-interest bearing, have no set terms of repayment and are due on demand. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. There were no management services contracts and there are no employment contracts between the Company and its officers.

## PROPOSED TRANSACTIONS

There are no proposed transactions that will materially affect the performance or operation of the Company, in the near term. However, the lack of revenue requiring the Company to rely on the issue of treasury shares to fund its operations could have a material effect on its performance and operation.

## SIGNIFICANT ACCOUNTING POLICIES

### *Estimates*

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 and dividend expense related to the preference shares is recorded as interest, which varies from its income tax treatment.

During the course of acquiring, exploring and developing potential mining properties, the Company must comply with government regulated environmental evaluation, updating and reclamation requirements. To date, no significant disturbances have occurred nor have any physical structures been constructed. The costs of complying with these requirements are capitalized as incurred, as deferred costs, until such time as the properties are put into commercial production, at which time the costs incurred will be charged to operations on a unit-of-production basis over the estimated mine life. Upon abandonment or sale of a property, all deferred costs relating to the property will be expended in the year of such abandonment or sale.

### ***Disclosure Controls and Procedures and Internal Control over Financial Reporting***

The Company has established and is maintaining disclosure controls and procedures. These provide reasonable assurance that material information relating to the Company is disclosed in annual filings, interim filings or other reports and is recorded, processed, summarized and reported within the time periods as required by securities regulations.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures. Management believes that these controls and procedures are sufficient to provide reasonable assurance that the Company's disclosures are compliant with securities regulations. The Company has established and is maintaining internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. No change in the Company's internal control over financial reporting has occurred that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### ***International Financial Reporting Standards (IFRS)***

In January 2006, the CICA Accounting Standards Board (AcSB) 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.

### ***Shares Issued and Outstanding***

As at August 12, 2009, the Company had 24,431,600 common shares issued and outstanding as well as 8,000,000 Series A preference shares, 1,400,000 common share purchase warrants, and 1,680,000 common share purchase options. The exercise of all outstanding warrants and options would generate proceeds of \$1,325,000. As at August 12, 2009 the market value of the common shares was less than the exercise price of all outstanding warrants and options.

### ***Other Requirements***

This MD&A, together with the Company's Annual Audited Financial Statements and Interim Unaudited Financial Statements, as well as additional information relating to the Company, is available on the Company's SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com).

### **RISKS AND UNCERTAINTIES**

Exploration and mining companies face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical.

Funding is required during 2009 for the Company to continue operations. Management believes that it has the ability to raise sufficient funds for the continuation of operations. In February 2009, the Company received subscription agreements to issue 1,400,000 Flow-through units at \$0.06 per unit for gross proceeds of \$84,000. Proceeds of \$54,000 were received prior to June 30, 2009. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to obtain the required financing.

The principal activity of the Company is mineral exploration, which is inherently risky. Exploration is also capital intensive, and the Company currently has no source of income other than that described above. Only the skills of its management and staff in mineral exploration and exploration financing serve to mitigate these risks and therefore are one of the main assets of the Company.

The risk factors, which the Company's management believes are most important in the context of the Company's business, are outlined in its amended and restated prospectus dated October 25, 2007 and receipted on November 29, 2007 by the Securities Commissions of Ontario, Alberta and British Columbia. It should be noted that this list is not exhaustive and that other risk factors may apply. An investment in the Company may not be suitable for all investors.

### ***Exploration and Operating Risks***

The exploration for mineral deposits is a speculative venture involving a high degree of risk. Even a combination of careful evaluation, experience and knowledge may not eliminate such risk. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides, and the inability of the Company to obtain suitable machinery, equipment or labour are all risks involved with the conduct of exploration programs and the operation of mines. Substantial expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the particular attributes of the deposit, such as size, grade and

proximity to infrastructure; (ii) nickel prices, which are highly cyclical; (iii) government regulations, including regulations relating to taxes, royalties, land tenure, land use and environmental protection; (iv) ongoing costs of production; and (v) availability and cost of additional funding. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

### ***No Proven Body of Commercial Ore / Early Stage Project***

Although exploration work has been conducted on the Texmont Property, a proven body of commercial ore has not been established. The adjacent Bartlett-English property is in the early exploration stage only and is without a proven body of commercial ore. Development of the Bartlett-English property would follow only if favourable exploration results are obtained. While the discovery of a commercially viable ore body may result in substantial rewards, few mineral properties which are explored are ultimately developed into producing mines. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits on either of these or any other properties will result in discoveries of sufficient quantities and qualities of ore to result in the commercial production of a mine.

### ***Environmental, Health and Safety Risks and Hazards***

All phases of the Company's operations are subject to environmental and health and safety regulations. These regulations mandate, among other things, the maintenance of air and water quality standards, land reclamation, worker safety and mine development. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous owners or operators of the properties. There may be costs and/or delays associated with compliance with these laws and regulations.

Government approvals and permits are currently, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained the Company may be curtailed or prohibited from proceeding with the planned exploration or development of its mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions hereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of exploration properties may be required to compensate those suffering loss or damage by reason of such parties' activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The unknown nature of possible future additional regulatory requirements creates uncertainties related to future environmental, health and safety costs. Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses or capital expenditures or require abandonment or delays in development of new exploration properties.

### ***Uninsurable Risks***

In the course of exploration, development and production of mineral properties, several risks and, in particular, unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of the Company.

As of the date of this report, the Company is not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies

within the industry. The Company periodically evaluates the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds the Company has to pay such liabilities and result in bankruptcy. Should the Company be unable to fund fully the remedial cost of an environmental problem it might be required to enter into interim compliance measures pending completion of the required remedy.

### ***Permitting***

The Company's current and future operations will require approvals and permits from various federal, provincial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of such approvals and permits or that the Company's title could not be subject to third party claims or native land claims. Prior to any development on any of its properties, the Company must receive permits from appropriate governmental authorities. There can be no assurance that the Company will obtain or continue to hold all permits necessary to explore, develop or operate any particular property.

### ***Title to Properties***

The Company does not own the real property underlying its properties, and currently only has the right to conduct exploration activities on the properties pursuant to the terms of the mining leases and mining claims comprising the properties. In order to maintain the Texmont Leases, the Company must comply with all of its covenants under the leases, including the covenant to pay rent as set out in the Texmont Leases. In order to maintain its mining claims, the Company must incur certain minimum exploration expenditures annually or risk forfeiture of its mining claims and any such expenditure made to such time. There can be no assurance that the Company will be able to obtain the required mining and other permits for the Properties, if, as, and when mining operations become viable at the Properties.

### ***Loss of Texmont Leases***

Pursuant to the terms of the purchase agreement under which the company acquired the Texmont Leases, if the Company (i) becomes insolvent or is not able to pay its debts as they become due, (ii) admits in writing its inability to pay its debts or makes a general assignment for the benefit of creditors, (iii) institutes, among other things, bankruptcy, liquidation or winding-up proceedings, (iv) takes any corporate action to authorize any of the foregoing, (v) fails to pay any dividend when due under the Preference Shares Series A (for which the Company has arranged to issue 500,000 Series B preference shares to satisfy the dividends due on the 15<sup>th</sup> day of April, May, August and November 2009 and February 2010, or (vi) fails to redeem the Preference Shares Series A in accordance with their terms, the vendor, New Texmont Explorations Ltd. may require the Company to transfer the Texmont Leases back to New Texmont, together with all improvements and fixtures installed thereon and all technical documents relating to such interests, in exchange for all of the Preference Shares Series A.

### ***Competition***

The resource and mining exploration industry is intensely competitive in all of its phases. As a result of this competition, some of which is with large, established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire further potential mineral properties on terms it considers acceptable.

### ***Additional Capital***

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Company. The development and exploration of the Company's properties may require substantial additional financing. Failure to obtain such financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional financing is raised by the Company through the issuance of securities from treasury, control of the Company may

change and security holders may suffer additional dilution.

### ***Market Factors and Volatility of Nickel Prices***

The marketability of mineralized material which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations in the prices of nickel, which are highly volatile, the proximity and capacity of nickel markets and processing equipment, and government regulations, including regulations relating to taxes, royalties, land tenure, land use and environmental protection. The effect of these factors cannot be accurately predicted, but may result in the Company not receiving an adequate return on invested capital. Prices of certain minerals have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the control of the Company. Future nickel prices cannot be accurately predicted. A severe decline in the price of nickel would have a material adverse effect on the Company.

### ***No History of Earnings***

The Company has no history of earnings, and there is no assurance that any of the properties it now owns or may hereafter acquire or obtain interests in will generate earnings, operate profitably, or provide a return on investment in the future.

### ***Dividends***

The Company has no earnings or dividend record in respect of its Common Shares and since it intends to employ available funds for mineral exploration and development it does not intend to pay any dividends on its Common Shares in the immediate or foreseeable future. The future dividend policy will be determined by the Board of Directors.

The holders of the Company's Preference Shares Series A are entitled to receive fixed, cumulative, preferential cash dividends of \$0.0125 per share quarterly on the fifteenth (15<sup>th</sup>) day of February, May, August and November. If the Company fails to pay dividends on its Preference Shares Series A, it may be required to return the Texmont Leases to New Texmont Explorations Ltd.

### ***Key Executives***

The Company is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations. The Company does not currently carry any key man life insurance on any of its executives. The directors and officers of the Company devote only part of their time to the affairs of the Company.

### ***Historical Estimations of Deposit Size***

Historical estimations of the former Texmont Property deposit size are not currently NI 43-101 compliant. Although such estimations are, nonetheless, regarded as being relevant, reliable and conservative by Hadyn Butler, P. Geo, the author of the Technical Report, there can be no assurance that further work on the Texmont Property will delineate a "resource" for the purposes of NI 43-101 of similar size and grade as the historic estimate.

## **FORWARD LOOKING INFORMATION**

This MD&A contains "forward looking information". Forward looking information may include, but is not limited to, information with respect to the future price of nickel, exploration and mine development plans, the estimation of mineral resources, timing of the development of mineral projects, exploration results, budgets, capital and operating cost estimates and forecasts, results of mining operations, mining extraction and recovery rates, the conversion of mineral resources to mineral reserves, estimations of mine life, sales of nickel, success of exploration activities, permitting time lines, requirements for additional capital, strategies of the Company, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending and future regulatory applications and other information

which are not historical facts. In certain cases, forward looking information can be identified by the use of words such as “intends”, “proposes”, “expected” or “estimated” or variations of such words and phrases and may include the negative variation of such phrases.

In particular, this MD&A contains forward looking information pertaining to the following:

- expectations regarding drilling programs at the Texmont Property;
- expectations regarding the assessment of the Bartlett-English Property;
- projections regarding future costs and the ability to fund such costs;
- plans to undertake environmental and engineering studies;
- projections of market prices and costs; and
- expectations regarding capital expenditures and exploration activities.

With respect to forward looking information contained in this MD&A, the Company has made assumptions regarding, among other things:

- the Company's ability to generate sufficient cash flow from operations and access existing credit facilities and capital markets to meet its future obligations;
- the regulatory framework representing royalties, taxes and environmental matters in the areas in which the Company conducts its business; and
- the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

Although the Company believes that its expectations reflected in forward looking information are reasonable, such forward looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward looking information. Such factors include, among others:

- risks related to failure to convert estimated mineral resources to reserves;
- changes in project parameters as plans continue to be refined;
- future prices of nickel;
- unexpected increases in capital or operating costs;
- possible variations in mineral resources;
- grade or recovery rates;
- failure of equipment or processes to operate as anticipated;
- accidents, labour disputes and other risks of the mining industry;
- delays in obtaining governmental consents, permits, licences and registrations or financing or in the completion of development plans and activities;
- uncertainties relating to the costs and availability of financing needed in the future;
- changes in equity markets;
- inflation;
- fluctuations in commodity prices and uninsured risks; and
- those factors discussed under “Risk Factors”.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward looking information. The forward looking information contained herein, except where stated otherwise, is made as of the date of this MD&A.