



## **NUINSCO RESOURCES LIMITED**

### **UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**

**DATED NOVEMBER 4, 2011**

#### **Management's Comments on Unaudited Condensed Consolidated Financial Statements**

The accompanying unaudited condensed consolidated financial statements of Nuinsco Resources Limited for the three and nine months ended September 30, 2011 and 2010 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited condensed consolidated financial statements have not been reviewed by an auditor.

## Condensed Consolidated Balance Sheets

		September 30, 2011	December 31, 2010
(in thousands of Canadian dollars)	Notes	(unaudited)	(unaudited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	\$ 305	\$ 628
Restricted cash	6	210	199
Receivables	7	473	674
Marketable securities	8	2,214	5,463
<b>Total current assets</b>		<b>3,202</b>	<b>6,964</b>
<b>Non-current assets</b>			
Property and equipment	10	60	70
Exploration and evaluation projects	11	14,243	12,382
Interest in Campbell Resources Inc.	12	4,293	4,263
Royalty interest	13	3,000	3,000
<b>Total non-current assets</b>		<b>21,596</b>	<b>19,715</b>
<b>Total Assets</b>		<b>\$ 24,798</b>	<b>\$ 26,679</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	14	\$ 1,103	\$ 2,601
<b>Total current liabilities</b>		<b>1,103</b>	<b>2,601</b>
<b>Non-current liability</b>			
Other long-term liability	15	261	246
<b>Total Liabilities</b>		<b>1,364</b>	<b>2,847</b>
<b>Shareholders' equity</b>			
Share capital	17	96,803	94,340
Contributed surplus		4,955	4,259
Accumulated other comprehensive (loss) income	17	(673)	596
Deficit		(77,651)	(75,363)
<b>Total shareholders' equity</b>		<b>23,434</b>	<b>23,832</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 24,798</b>	<b>\$ 26,679</b>

### NATURE OF OPERATIONS (Note 1)

### CONTINGENCY (Note 26)

The accompanying notes are an integral part of these condensed consolidated financial statements

## Condensed Consolidated Statements of Operations

		Three months ended September 30,		Nine months ended September 30,	
		2011	2010	2011	2010
		(unaudited)	(unaudited - Note 28)	(unaudited)	(unaudited - Note 28)
(in thousands of Canadian dollars, except per share amounts)					
<b>Other revenue</b>	<b>Notes</b>	\$ -	\$ -	\$ 100	\$ -
<b>Other expenses</b>					
General and administrative costs	22	(400)	(313)	(1,530)	(1,011)
Share-based payment transactions:	19				
Options		(35)	(87)	(557)	(331)
Bonus shares		-	-	(17)	(121)
Amortization of property and equipment	10	(3)	(4)	(10)	(10)
Accretion of decommissioning		-	-	-	(3)
Pre-exploration write-offs	11	(12)	(76)	(139)	(316)
Writedown of exploration and evaluation projects	11	-	(606)	-	(348)
<b>Operating loss</b>		<b>(450)</b>	<b>(1,086)</b>	<b>(2,153)</b>	<b>(2,140)</b>
Finance income	20	13	117	63	386
Finance costs	20	(26)	(183)	(93)	(621)
<b>Net finance costs</b>		<b>(13)</b>	<b>(66)</b>	<b>(30)</b>	<b>(235)</b>
<b>Loss before income taxes</b>		<b>(463)</b>	<b>(1,152)</b>	<b>(2,183)</b>	<b>(2,375)</b>
Income tax expense		-	(27)	(105)	(1,324)
<b>Net Loss for the Period</b>		<b>\$ (463)</b>	<b>\$ (1,179)</b>	<b>\$ (2,288)</b>	<b>\$ (3,699)</b>
<b>Loss per share</b>	18				
Basic loss per share		\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Diluted loss per share		\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)

The accompanying notes are an integral part of these condensed consolidated financial statements

## Condensed Consolidated Statements of Comprehensive Loss

		Three months ended September 30,		Nine months ended September 30,	
		2011	2010	2011	2010
		(unaudited)	(unaudited - Note 28)	(unaudited)	(unaudited - Note 28)
(in thousands of Canadian dollars)					
<b>Net loss for the period</b>	<b>Note</b>	<b>\$ (463)</b>	<b>\$ (1,179)</b>	<b>\$ (2,288)</b>	<b>\$ (3,699)</b>
<b>Other comprehensive (loss) income</b>					
Net change in fair value of financial assets	9	(111)	997	(1,374)	(22)
Income tax expense		-	27	105	27
<b>Other comprehensive (loss) income for the period</b>		<b>(111)</b>	<b>1,024</b>	<b>(1,269)</b>	<b>5</b>
<b>Total Comprehensive Loss for the Period</b>		<b>\$ (574)</b>	<b>\$ (155)</b>	<b>\$ (3,557)</b>	<b>\$ (3,694)</b>

The accompanying notes are an integral part of these condensed consolidated financial statements

# Condensed Consolidated Statements of Shareholders' Equity

		Share Capital	Contributed Surplus	Accumulated Other Comprehensive (Loss) Income	Deficit	Total Equity
(unaudited - Note 28)						
(in thousands of Canadian dollars)						
<b>Balances as at January 1, 2010</b>	<b>Notes</b>	<b>\$ 93,130</b>	<b>\$ 3,707</b>	<b>\$ (617)</b>	<b>\$ (71,722)</b>	<b>\$ 24,498</b>
<b>Total comprehensive loss for the period</b>						
Net loss for the period					(3,699)	(3,699)
<b>Other comprehensive income</b>						
Net change in fair value of financial assets				(22)		(22)
Income tax recovery				27		27
<b>Total other comprehensive income</b>				<b>5</b>		<b>5</b>
<b>Total comprehensive loss for the period</b>						<b>(3,694)</b>
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by owners - in the period</b>						
Share issue costs		(4)	-	-	-	(4)
Shares issued for property		38	-	-	-	38
Issue of shares under Share Bonus Plan		121	-	-	-	121
Options granted and vesting		-	331	-	-	331
<b>Total contributions by owners</b>		<b>155</b>	<b>331</b>	<b>-</b>	<b>-</b>	<b>486</b>
<b>Total transactions with owners</b>		<b>155</b>	<b>331</b>	<b>-</b>	<b>-</b>	<b>486</b>
<b>Balances as at September 30, 2010</b>		<b>\$ 93,285</b>	<b>\$ 4,038</b>	<b>\$ (612)</b>	<b>\$ (75,421)</b>	<b>\$ 21,290</b>
<b>Balances as at January 1, 2011</b>		<b>\$ 94,340</b>	<b>\$ 4,259</b>	<b>\$ 596</b>	<b>\$ (75,363)</b>	<b>\$ 23,832</b>
<b>Total comprehensive loss for the period</b>						
Net loss for the period					(2,288)	(2,288)
<b>Other comprehensive loss</b>						
Net change in fair value of financial assets	9			(1,374)		(1,374)
Income tax recovery				105		105
<b>Total other comprehensive loss</b>				<b>(1,269)</b>		<b>(1,269)</b>
<b>Total comprehensive loss for the period</b>						<b>(3,557)</b>
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by owners - in the period</b>						
Issue of common shares and warrants	17	425	68	-	-	493
Issue of flow-through common shares and warrants	17	1,055	230	-	-	1,285
Shares issued for property	17	95	-	-	-	95
Options granted and vesting	19	-	557	-	-	557
Issue of shares under Share Bonus Plan	17	17	-	-	-	17
Options exercised	17, 19	10	(4)	-	-	6
Warrants exercised	17, 19	861	(155)	-	-	706
<b>Total contributions by owners</b>		<b>2,463</b>	<b>696</b>	<b>-</b>	<b>-</b>	<b>3,159</b>
<b>Total transactions with owners</b>		<b>2,463</b>	<b>696</b>	<b>-</b>	<b>-</b>	<b>3,159</b>
<b>Balances as at September 30, 2011</b>		<b>\$ 96,803</b>	<b>\$ 4,955</b>	<b>\$ (673)</b>	<b>\$ (77,651)</b>	<b>\$ 23,434</b>

The accompanying notes are an integral part of these condensed consolidated financial statements

# Condensed Consolidated Statements of Cash Flows

		Nine months ended September 30,	
		2011	2010
		(unaudited)	(unaudited)
(in thousands of Canadian dollars)	Notes		- Note 28)
<b>Cash flows from operating activities</b>			
Net loss for the period		\$ (2,288)	\$ (3,699)
Adjustments for:			
Share-based payment transactions	19	574	452
Amortization of property and equipment	10	10	10
Fee received in shares		(50)	-
Accretion of decommissioning		-	3
Writedown of exploration and evaluation projects	11	-	348
Net finance (income) costs	20	(56)	236
Income tax expense		105	1,324
Net change in non-cash working capital:			
Change in receivables		201	(137)
Change in trade and other payables		(264)	(216)
<b>Net cash used by operating activities</b>		<b>(1,768)</b>	<b>(1,679)</b>
<b>Cash flows from investing activities</b>			
Interest in Campbell Resources Inc.	12	(30)	(1,525)
Expenditures on exploration and evaluation projects	11	(3,090)	(1,113)
Proceeds on sale of marketable securities	8	1,925	684
Proceeds on sale of Cameron Lake	1	-	5,900
Purchase of marketable securities	8	-	(366)
Purchase of equipment	10	-	(6)
<b>Net cash (used by) from investing activities</b>		<b>(1,195)</b>	<b>3,574</b>
<b>Cash flows from financing activities</b>			
Issue of common shares and warrants	17	2,640	(4)
Repayments of loan	1	-	(2,804)
Interest paid	1	-	(168)
<b>Net cash from (used by) financing activities</b>		<b>2,640</b>	<b>(2,976)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(323)</b>	<b>(1,081)</b>
Cash and Cash Equivalents, Beginning of the Period		628	1,490
<b>Cash and Cash Equivalents, End of the Period</b>		<b>\$ 305</b>	<b>\$ 409</b>

The accompanying notes are an integral part of these condensed consolidated financial statements

# Notes to the Condensed Consolidated Financial Statements

*(all tabular amounts in thousands of Canadian dollars, except common share and per share information)*

## 1. REPORTING ENTITY

### Nature of Operations

Nuinsco Resources Limited ("Nuinsco" or the "Company") is a company domiciled in Canada. The address of the Company's registered office is 80 Richmond St. West, Suite 1802, Toronto, Ontario, M5H 2A4. The condensed consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2011 and 2010 comprise the Company and its subsidiaries (together referred to as "Nuinsco" and individually as "Nuinsco entities") and Nuinsco's interest in jointly-controlled entities. Nuinsco is primarily engaged in the acquisition, exploration and evaluation of properties for the mining of precious and base metals in Canada, Turkey, Egypt and Sudan (Note 23). The Company conducts its activities on its own or participates with others on a joint venture basis. The Company also makes strategic investments through equity or loan financing to companies engaged in the exploration and development of resource properties. Refer to Notes 11, 12 and 24 to these financial statements.

The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "NWI".

### Going Concern

These financial statements have been prepared using generally accepted accounting principles ("GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at September 30, 2011, the Company had working capital of \$1,889,000 excluding restricted cash of \$210,000 (December 31, 2010 - \$4,164,000, excluding restricted cash of \$199,000).

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Development of the Company's current projects to the production stage will require significant financing. Given the current economic climate, the ability to raise funds may prove difficult.

None of the Company's projects has commenced commercial production and, accordingly, the Company is dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The recoverability of the carrying value of exploration and evaluation projects, and ultimately the Company's ability to continue as a going concern, is dependent upon exploration results which have the potential for the discovery of economically recoverable reserves and resources, the Company's ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

The Company continues to examine a number of strategies to maximize the realization of previously written-down amounts due from Campbell Resources Inc. ("Campbell"). Refer to Note 12 to these financial statements. Furthermore, the Company has received reassessments from the Canada Revenue Agency ("CRA") refer to Note 26.

Should the Company not be able to continue to achieve favourable exploration results, obtain the necessary financing or achieve future profitable production or sale of properties, the carrying value of the Company's assets could be subject to material adjustment and, in addition, other adjustments may be necessary to these financial statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under GAAP.

### Sale of Cameron Lake Property to Coventry Resources Limited

On December 23, 2009, the Company announced that it had entered into a binding agreement with Coventry Resources Limited ("Coventry"), a company listed on the Australian Securities Exchange ("ASX"), to sell its Cameron Lake property and mill. The transaction was completed on April 20, 2010 and involved the receipt of consideration as follows:

- Cash of \$100,000 received in December 2009;
- Cash of \$5,900,000 received on April 20, 2010;
- 12 million Coventry shares, representing 17% of the then-outstanding shares of that company. Coventry shares had a closing price of A\$0.265 (\$0.247) on April 20, 2010; and
- A 3% net smelter return ("NSR") royalty under which Coventry will have the right to reduce the royalty to a 1% NSR at any time within five years of April 20, 2010 by making, at Coventry's option, either a cash payment of \$2,000,000 or issuing additional Coventry shares with an equivalent market value (Note 13).

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

The following table illustrates the components of the loss on sale of the Cameron Lake property, after adjustments in accordance with IFRS as outlined in Note 28:

<b>Consideration received</b>	
Cash	\$ 6,000
Coventry shares	2,958
Royalty interest (Note 13)	3,000
	<hr/>
<b>Aggregate consideration</b>	11,958
<b>Net book value of assets sold (liabilities assumed) and expenses of sale</b>	
Cameron Lake property (Note 28)	\$ 11,904
Mill	54
Decommissioning liability assumed	(114)
	<hr/>
	11,844
Transaction expenses	114
	<hr/>
	11,958
<b>Gain on sale of Cameron Lake</b>	
	-
Income tax expense (drawdown of previously recorded deferred tax asset)	1,297
	<hr/>
<b>Net after-tax loss</b>	<u>\$ (1,297)</u>

The income tax expense is a non-cash item and offsets the recovery for income taxes recognized in the fourth quarter of 2009. Upon sale of Cameron Lake, the Company repaid its then-outstanding interest-bearing promissory note along with accrued interest thereon.

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

The condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). In particular, the Company followed the guidance under IAS 34, *Interim Financial Reporting* ("IAS 34").

Nuinsco's first consolidated financial statements prepared in accordance with IFRS wherein IFRS 1, *First time adoption of International Financial Reporting Standards* ("IFRS 1"), was applied were the unaudited interim consolidated financial statements as at and for the three months ended March 31, 2011 and 2010 ("First Quarterly Consolidated Financial Statements of 2011"). Note 32 to those statements include a detailed explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of Nuinsco for the periods then presented.

These unaudited condensed consolidated financial statements reflect the accounting policies described in the Company's First Quarterly Consolidated Financial Statements of 2011 (with the exception of any changes set out in Note 3 below) and accordingly, should be read in conjunction with those financial statements and the notes thereto.

The disclosures in the First Quarterly Consolidated Financial Statements of 2011 exceeded the minimum requirements under IAS 34. In particular, the Company's accounting policies under IFRS were presented in full and certain notes included more detail than the conventional updates required under interim reporting standards in order to provide the reader with additional contextual information. In this and successive interim reports, the Company has not and may not in future provide the same amount of disclosure as the reader will be able to refer to earlier reports prepared in accordance with IFRS. Note 28 to these unaudited condensed consolidated financial statements explains the adjustments which were necessary to the comparative information included in this report which was not reported in the First Quarterly Consolidated Financial Statements of 2011.

The management of Nuinsco prepare the unaudited condensed consolidated financial statements which are then reviewed by the Audit Committee and the Board of Directors. The unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on November 4, 2011. Shortly thereafter, the financial statements are made available to shareholders and others through filing on SEDAR.



# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## (b) Basis of Measurement

The financial statements have been prepared on the historic cost basis except for the following:

- financial assets at fair value through operations are measured at fair value; and
- financial assets at fair value through Other Comprehensive Income or Loss ("OCI") are measured at fair value.

## (c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated. Tabular amounts are shown in thousands of dollars.

## (d) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The accompanying unaudited condensed consolidated financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation. The results of operations and cash flows for the current periods as presented are not necessarily indicative of the results to be expected for the full year.

Information regarding significant areas of estimation uncertainty and critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the unaudited condensed consolidated financial statements is included in the following notes:

- |                 |  |
|-----------------|--|
| ▪ Notes 8 and 9 | valuation of financial assets at fair value through OCI;                       |
| ▪ Note 11       | measurement of the recoverable amounts of exploration and evaluation projects; |
| ▪ Note 12       | valuation of interest in Campbell;   |
| ▪ Note 13       | valuation of royalty interest and recoverable amount;                          |
| ▪ Note 26       | contingencies; and   |
| ▪ Note 19       | measurement of share-based payments.   |

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in detail in Note 3 to the First Quarterly Consolidated Financial Statements of 2011, as updated under New Accounting Policies below. Such policies have been applied consistently to all periods presented in these unaudited condensed consolidated financial statements, and have been applied consistently by Nuinsco entities.

### a) New Accounting Policies

There have been no new accounting policies adopted by the Company.

### b) New Standards and Interpretations not yet Adopted

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following new and revised standards and interpretations which are applicable to the Company but which are not yet effective for the year ended December 31, 2011 and have not been applied in preparing these financial statements.

#### **IFRS 10 - Consolidated Financial Statements**

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements.

#### **IFRS 11 - Joint Arrangements**

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IFRS 11 provides a



# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

new definition of joint arrangement focusing on the rights and obligations of the arrangement, rather than its legal form. The IFRS classifies joint arrangements into two types, joint operations and joint ventures.

## **IFRS 12 – Disclosure of Interests in Other Entities**

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IFRS 12 requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows.

Early adoption of these standards is only permitted if IFRS 10, IFRS 11, IFRS 12 and the consequential amendments to IAS 17 and IAS 18 are adopted at the same time, with the exception of early adopting only the disclosure provisions for IFRS 12 without the other new standards.

## **IFRS 13 – Fair Value Measurement**

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IFRS 13 provides a definition of fair value, a single framework for measuring fair value and disclosure requirements about fair value measurements.

## **IAS 28 – Investments in Associates and Joint Ventures**

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IAS 28 makes consequential amendments to IAS 28 – Investments in Associates, to describe the application of the equity method to investments in joint ventures in addition to associates.

These standards, amendments and interpretations have not been early adopted by the Company. Furthermore, the Company is currently assessing the impact that the application of these standards or amendments may have on the consolidated financial statements of the Company.

## **c) IFRS 9 - Financial Instruments**

IFRS 9 - *Financial Instruments* ("IFRS 9"), which impacts the classification and measurement of financial assets, has been early-adopted by the Company concurrent with its implementation of IFRS.

## **4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT DISCLOSURES**

### **Overview**

The Company has exposure to credit risk, liquidity risk, market risk and operational risk from its use of financial instruments. A complete description of the Company's financial risk management and capital management is included in Note 4 to the First Quarterly Consolidated Financial Statements of 2011. This note updates information about the Company's exposure to each of the above risks where there have been material or noteworthy changes. Further quantitative disclosures are included throughout these financial statements.

### **Credit Risk**

#### **Receivables**

The Company's receivables consist primarily of amounts due from federal and provincial governments. Amounts due from related parties are settled on a regular basis.

Concentration of credit risk arises as a result of the loan and convertible debenture due from Campbell totalling \$7,923,000 before impairment writedown and other acquisitions of debt (Note 12). Campbell is in default on its loans to the Company as it has not made the required principal or interest payments. These deficient interest payments have been included in the balance of the loan up to September 30, 2008. Given Campbell's current financial position, there is a significant credit risk associated with these loans. For that, and reasons further described in Note 12, the Company determined that a writedown of the loans was required in 2008. Refer to Note 12 for an update on Campbell.

### **Market Risk**

#### **Currency risk**

The Company conducts transactions or has balances in the United States and Australian dollars ("US\$" and "A\$", respectively) as well as the European Euro ("Euro" or "€"), the Egyptian Pound ("LE") and Turkish Lira ("TL").

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## Capital Management Disclosures

	September 30, 2011	December 31, 2010
Shareholders' equity	\$ 23,434	\$ 23,832
Other long-term liability	261	246
<b>Balance as at end of period</b>	<b>\$ 23,695</b>	<b>\$ 24,078</b>

Neither the Company, nor any of its subsidiaries, are subject to externally imposed capital requirements. There were no changes in the Company's approach to financial risk management or capital management during the period.

## 5. DETERMINATION OF FAIR VALUES

There have been no changes in how the Company determines fair value for both financial and non-financial assets and liabilities from the descriptions included in Note 5 to the Company's First Quarterly Consolidated Financial Statements of 2011. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

## 6. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	September 30, 2011	December 31, 2010
Bank balances	\$ 305	\$ 528
Short-term deposits	-	100
<b>Cash and Cash Equivalents in the Statement of Cash Flows</b>	<b>\$ 305</b>	<b>\$ 628</b>

The Company has issued a letter of guarantee to support the obligations of its activities in Egypt on its own and its partner's obligations in the amount of US\$200,000. The letter of guarantee is secured on a GIC included in restricted cash in the amount of US\$200,000 or \$210,000 (December 31, 2010 - \$199,000) (Note 11). The current letter of guarantee expires on November 8, 2011.

## 7. RECEIVABLES

	Note	September 30, 2011	December 31, 2010
Due from Victory Nickel Inc.	22	\$ -	\$ 21
Other receivables		433	603
Prepaid expenses and deposits		40	50
		<b>\$ 473</b>	<b>\$ 674</b>

## 8. MARKETABLE SECURITIES

	Note	September 30, 2011	December 31, 2010
Financial assets at fair value through OCI: Shares	9		
Victory Nickel Inc.		\$ 624	\$ 807
Coventry Resources Limited		1,552	3,665
Gold Hawk Resources Inc.		-	991
Other		38	-
		<b>\$ 2,214</b>	<b>\$ 5,463</b>

With the exception of the Victory Nickel Inc. ("Victory Nickel") warrants, which were exercised in 2010, all of the Company's marketable securities are publicly-listed. All of the shares owned by the Company are valued using Level One methodologies.

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

In July, 2010, Nuinsco advanced \$366,000 to Victory Nickel as prepayment for the exercise of warrants. The related fee and interest expense of \$33,000 charged to Victory Nickel for the advance represents the difference between the aggregate exercise price of the warrants and the amount of the advance. The warrants were exercised by the Company in September, 2010. As at the exercise date, the value of the warrants had declined. Accordingly, a loss on financial assets at fair value through operations of \$403,000 was recorded as part of finance costs (Note 20) by the end of the third quarter of 2010. The Company no longer has any Level Two securities.

The amount of change in fair value of Coventry shares attributable to the change in foreign exchange rates and included in OCI is a loss of \$30,000 and \$33,000 for the three and nine months ended September 30, 2011, respectively (three and nine months ended September 30, 2010 – gains of \$268,000 and \$193,000).

## Sensitivity Analysis – Equity Price Risk

All of the Company's financial assets at fair value through OCI are listed on public stock exchanges such as the TSX, the TSX-V or the ASX. For such investments, a 5% increase in the equity prices at the reporting date would have increased equity by \$97,000, after tax effects of \$14,000 (December 31, 2010 - an increase of \$239,000, after tax effects of \$34,000); an equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above.

## 9. FINANCIAL INSTRUMENTS

### Credit Risk

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	September 30, 2011	December 31, 2010
<b>Carrying amount</b>			
Cash and cash equivalents	6	\$ 305	\$ 628
Restricted cash	6	210	199
Receivables	7	473	674
Financial assets at fair value through OCI	8	2,214	5,463
Interest in Campbell	12	4,293	4,263
		<b>\$ 7,495</b>	<b>\$ 11,227</b>

### Liquidity Risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

Non-derivative financial liabilities	Trade and other payables
<b>As at September 30, 2011</b>	
Carrying amount	\$ 1,103
Contractual cash flows	965
6 months or less	965
<b>As at December 31, 2010</b>	
Carrying amount	\$ 2,601
Contractual cash flows	2,553
6 months or less	2,553

The contractual cash flows reflected in the table above exclude the non-cash flow-through premium liability.

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## Currency Risk

### Exposure to currency risk

The Company's exposures to foreign currency risk are as follows based on foreign-denominated amounts translated into Canadian dollars ("C\$") at the respective dates:

(in thousands of Canadian dollars)

#### As at September 30, 2011

	C\$	US\$	A\$
Cash and cash equivalents	\$ 299	\$ 6	\$ -
Restricted cash	-	210	-
Receivables	473	-	-
Marketable securities	662	-	1,552
Trade and other payables	(791)	(312)	-
Other long-term liability	(261)	-	-
<b>Net exposure</b>	<b>\$ 382</b>	<b>\$ (96)</b>	<b>\$ 1,552</b>

(in thousands of Canadian dollars)

#### As at December 31, 2010

	C\$	US\$	A\$
Cash and cash equivalents	\$ 620	\$ 8	\$ -
Restricted cash	-	199	-
Receivables	674	-	-
Marketable securities	1,798	-	3,665
Trade and other payables	(1,963)	(638)	-
Other long-term liability	(246)	-	-
<b>Net exposure</b>	<b>\$ 883</b>	<b>\$ (431)</b>	<b>\$ 3,665</b>

## Sensitivity analysis

A strengthening of the Canadian dollar, as indicated below, against US\$ and A\$ would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting periods. The analysis assumes that all other variables, in particular interest rates, remain constant.

#### As at September 30, 2011

	Equity	Profit or Loss
US\$ (10 percent strengthening)	\$ (10)	\$ (10)
A\$ (10 percent strengthening)	\$ 155	\$ -

#### As at December 31, 2010

	Equity	Profit or Loss
US\$ (10 percent strengthening)	\$ (43)	\$ (43)
A\$ (10 percent strengthening)	\$ 367	\$ -

A weakening of the Canadian dollar against the above currencies would have had the equal but opposite effect on the amounts shown above. Note that the Company has transactions and balances in the Euro, LE and TL, but the balances as well as the effect of exchange rate differences would not be material.

## Fair Value

### Fair values versus carrying amounts

The fair values of financial assets and liabilities equal the carrying amounts shown in the balance sheets. The Company has not made any reclassifications between financial assets recorded at cost or amortized cost and fair value.

There have been no transfers of financial assets between Level 1 and Level 2 during the current and previous reporting periods. All of the shares owned by the Company are valued using Level 1 methodologies.

### Interest rate used for determining fair value

The interest rate used to discount estimated cash flows, when applicable, is based on the rate charged in the most recent financing obtained by the Company and was 8%.

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## 10. PROPERTY AND EQUIPMENT

Equipment	Cost	Accumulated Depreciation	Carrying Amount
<b>Balance as at January 1, 2010</b>	<b>\$ 331</b>	<b>\$ 272</b>	<b>\$ 59</b>
Additions	24	-	24
Depreciation	-	13	13
<b>Balance as at December 31, 2010</b>	<b>355</b>	<b>285</b>	<b>70</b>
Depreciation	-	10	10
<b>Balance as at September 30, 2011</b>	<b>\$ 355</b>	<b>\$ 295</b>	<b>\$ 60</b>

## 11. EXPLORATION AND EVALUATION PROJECTS

Cumulative costs relating to the acquisition of mineral properties and exploration and evaluation ("E&E") expenditures have been incurred on the following projects:

	December 31, 2010	Current Expenditures	Effect of Dilution	September 30, 2011
<b>URANIUM AND RARE METALS</b>			(see below)	
Diabase Peninsula	\$ 6,943	\$ 1,071	\$ -	\$ 8,014
Prairie Lake	2,333	469	-	2,802
	9,276	1,540	-	10,816
<b>GOLD, COPPER AND ZINC</b>				
Berta	1,733	68	(616)	1,185
Elmalaan	1,100	28	-	1,128
Bukari	273	342	-	615
J. Toobar	-	499	-	499
	3,106	937	(616)	3,427
	\$ 12,382	\$ 2,477	\$ (616)	\$ 14,243

	January 1, 2010	Current Expenditures	Writedown of E&E Projects	September 30, 2010
<b>URANIUM AND RARE METALS</b>				
Diabase Peninsula	\$ 5,772	\$ 186	\$ -	\$ 5,958
Prairie Lake	1,542	260	-	1,802
	7,314	446	-	7,760
<b>GOLD, COPPER AND ZINC</b>				
Berta	1,595	4	-	1,599
Elmalaan	1,071	3	-	1,074
Bukari	-	188	-	188
Olympian	-	638	(606)	32
	2,666	833	(606)	2,893
	\$ 9,980	\$ 1,279	\$ (606)	\$ 10,653

### Uranium and Rare Metals

#### Diabase Peninsula

In December, 2004, Nuinsco entered into an agreement with Trend Mining Company ("Trend") to acquire a 50% interest in the Diabase Peninsula property in the Athabasca Basin of northern Saskatchewan upon the expenditure of \$1,000,000. Expenditures as at September 30, 2011 have increased this ownership interest to approximately 89.87% (December 31, 2010 – 88.67%). Should a participant's interest drop below 10%, that participant will relinquish its entire participating interest and will have the right to receive a royalty equal to 3% of the net value of all mineral products produced from the property; net value is defined as proceeds less processing and treatment charges,

## Notes to the Condensed Consolidated Financial Statements

*(all tabular amounts in thousands of Canadian dollars, except common share and per share information)*

transportation costs, sales, marketing and brokerage costs and taxes. It is expected that Trend's interest will drop to a royalty upon an additional \$129,000 of expenditures by the Company.

The property consists of ten contiguous claims encompassing 21,949 hectares ("ha"). Three claims are optioned while seven were staked by Nuinsco; all are subject to the option agreement with Trend. Exploration for uranium has been undertaken at Diabase Peninsula since March, 2005 with the most recent work program being completed in autumn of 2010 and winter of 2011. If the project progresses to a development stage, before its interest drops below 10% as described above, then Trend has a one-time 50% back-in right upon reimbursing Nuinsco for 140% of its total expenditures to that date. In order to maintain the option on one of the claims, the Company must make an option payment of approximately \$935,000 by September 2, 2012. That same claim is subject to a 3% gross production royalty ("GPR") defined as actual metal/mineral sales with no deduction for refining or transportation expenses. The GPR can be purchased before September 2, 2012 for \$11,000,000 as follows: first percentage - \$1,000,000; second percentage - \$3,000,000; third percentage - \$7,000,000.

### **Prairie Lake**

The Prairie Lake property consists of nine claims, 38 claim units, encompassing 608 ha of mineral claims. Given the presence of an historic uranium resource, as well as strongly anomalous tantalum-niobium and phosphorous, along with widespread rare metals mineralization, diamond drilling, surface sampling and mapping programs were conducted in 2007, 2008 and 2010. A review and analysis of past results took place during 2009 as did metallurgical testing and the completion of an Estimated Tonnage Mineralized Inventory which was announced in early 2010 and updated by the Company in October 2011. The property is subject to a 2% NSR payable on any production from any claim that comprises the property. Up to a maximum of one half of the royalty can be purchased for \$1,000,000 in either cash or common shares of the Company.

### **Gold, Copper & Zinc**

#### **Berta**

In October, 2003, the Company entered into the Berta Joint Venture Agreement with Falconbridge Limited, now Xstrata Copper Canada ("Xstrata"). The Berta property is located approximately 50 kilometres south of the Black Sea coast in northeastern Turkey. Pursuant to the agreement, the Company was required to spend US\$350,000 to earn a 50% interest in the project.

As a result of the work programs conducted by Nuinsco during 2005, the Company became vested with 50% of the project. Xstrata participates pro-rata in funding exploration expenditures and is the operator of the project. Nuinsco recorded an amount owing to Xstrata of US\$468,000, primarily in 2008, in trade and other payables, for its share of expenditures on Berta work programs. Expenditures in 2009 and 2010 include estimates for the Company's share of expenditures on Berta. Discussions with Xstrata have been ongoing, including discussions to buy Xstrata's share of the joint venture. Xstrata has advised that it is no longer interested in selling its share of Berta. As a result, Nuinsco will not be paying the full share of the recorded expenditures and has allowed itself to be diluted to approximately 36%. In the second quarter of 2011, the Company made adjustments to the carrying value of the project by \$517,000, reduced trade and other payables by \$454,000 and recorded a foreign exchange loss of \$63,000 to effect the dilution. The Company also adjusted the amounts previously accrued for 2010 and 2011 based on the reduced share of Xstrata work programs, bringing the aggregate adjustment in the carrying value of Berta to \$616,000.

In 2006 and 2007, the Company completed airborne geophysics followed by diamond drilling. Drilling intersected a significant, continuous domain of strong sulphide mineralization with copper, gold, silver and zinc values. Three drill holes were completed in 2008 demonstrating further evidence of widespread copper mineralization. The Berta property is subject to a 2% NSR.

#### **Elmalaan**

The Company finalized an agreement (the "Elmalaan Agreement") in August 2006 to acquire 100% of the Elmalaan copper-zinc property from Xstrata. The Company has spent US\$250,000 to earn its interest. Xstrata has back-in rights to reacquire a 50% interest in the project upon incurring expenditures equal to 200% of the aggregate expenditures incurred by the Company and a further 20% interest by incurring additional expenditures of US\$20,000,000. In the event that Xstrata elects not to exercise its back-in right, it will be entitled to a 2% NSR which can be reduced to 1% on the payment by the Company of US\$1,000,000. Mapping, sampling and diamond drilling programs have identified strongly anomalous copper-zinc-gold-silver mineralization on the property. The Elmalaan licenses have been converted to exploitation status and will be transferred to a Turkish subsidiary of Nuinsco. In 2011,



## Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

the licenses are in the process of being transferred to Nuinsco Madencilik, the Company's Turkish subsidiary.

### **Egypt**

In February, 2010, the Company announced that it had been successful, along with its Egyptian partner, in the bid process for gold exploration concessions in Egypt – Bukari and Umm Samra. The receipt of final title is subject to negotiating a suitable production sharing agreement with the Egyptian Mineral Resources Authority ("EMRA"). Negotiations have been completed with EMRA for the Bukari gold concession and, despite recent turmoil, the Egyptian State Council recently advised that it had recommended the agreement be passed into law by the Egyptian People's Assembly. While final approval is pending, the Company has received legal authority to conduct certain exploration programs on the property. Among other terms, the production sharing agreement sets out the rights and responsibilities of the Company, through a 50%-owned subsidiary, and EMRA, terms of production sharing and cost recovery as well as exploration programs. The first-year expenditure commitment is US\$2,000,000 which is required to be supported by a letter of guarantee upon ratification of the agreement.

The shareholders' agreement between the Company and its partner, Quartz Core for Mineral Resources ("QCC") governing the 50%-owned subsidiary contains dilution provisions. Presently, the Company has exceeded its expenditure commitment. Nuinsco has recorded \$366,000 (December 31, 2010 - \$171,000) in *Receivables* for the expenditure difference. Should QCC fail to make the required expenditures, its interest in the subsidiary will be proportionately reduced and Nuinsco will record an increased proportionate interest in the subsidiary.

During the fourth quarter of 2010, the Company finalized a letter of guarantee to EMRA in the amount of US\$200,000 to support initial exploration activities on the Bukari project. The letter of guarantee is supported by an equal amount of cash included as restricted cash on the balance sheet. This initial letter of guarantee which expires in November 2011 was expected to be replaced by the one pertaining to the first-year expenditure commitment. However, due to current uncertainties in Egypt, extension of the initial letter of guarantee for US\$200,000 is under consideration.

### **Sudan**

On July 18, 2011, the Company announced that it has expanded its presence in the Middle East North Africa ("MENA") region by entering into an option agreement with Makaseb Holding LLC ("Makaseb"), to acquire an 85% interest in that company's subsidiary UAE for Gold Minerals and Investment Company Ltd. ("UAE Gold"). UAE Gold owns 100% of the J. Tobrar (Block 64) concession, located in northeastern Sudan that hosts the Hamil Gold Vein System. The terms of the option provide for an initial payment of US\$200,000, half in cash and half in either cash or shares of Nuinsco (at Nuinsco's option), and a commitment to spend approximately €400,000 on due diligence and property evaluation over the next six months. Prior to the end of the option period, Nuinsco must deliver US\$4,000,000 in cash or Nuinsco shares or, under certain circumstances, shares of NuMENA Minerals Corporation ("NuMENA").

NuMENA, which will initially own the Company's MENA assets including Turkey, Egypt and Sudan, was recently created by the Company as a vehicle to acquire and explore mineral projects in the MENA region. Nuinsco intends to complete a spin-out of NuMENA to its shareholders as soon as practicable.

### **Olympian**

In March, 2010, the Company announced that it had optioned a claim package collectively referred to as the Olympian Project. In October, 2010, the Company determined that the results to date on the Triggs option did not support the expenditures to date and accordingly, decided to writedown the property to \$nil effective September 30, 2010. Subsequently, the Company decided that it would not maintain the remaining options comprising the Olympian Project. Accordingly, the Olympian Project was written down to \$nil in 2010 and no option commitments are outstanding. A writedown of \$679,000 was recorded through operations in 2010.

### **Pre-exploration write-offs**

Pre-exploration expenditures are written off at the end of each reporting period to *Pre-exploration write-offs* through operations. Exploration costs in the amount of \$12,000 and \$139,000 were written off during the three and nine months ended September 30, 2011, (three and nine months ended September 30, 2010 - \$76,000 and \$316,000).

The following table shows the pre-exploration expenditures and associated write-offs made immediately through operations:



## Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

	Current Expenditures	Pre-exploration Write-offs	September 30, 2011
<b>PRE-EXPLORATION EXPENDITURES - Other</b>	<b>\$ 139</b>	<b>\$ (139)</b>	<b>\$ -</b>
	Current Expenditures	Pre-exploration Write-offs	September 30, 2010
<b>PRE-EXPLORATION EXPENDITURES</b>			
Bukari	\$ 207	\$ (207)	\$ -
Other	109	(109)	-
	<b>\$ 316</b>	<b>\$ (316)</b>	<b>\$ -</b>

### 12. INTEREST IN CAMPBELL RESOURCES INC.

The Company holds various investments in and loans to Campbell. Given the nature of the security underlying the loan and convertible debenture, the Company considers these elements together and has recorded them in *Interest in Campbell Resources Inc.* on the balance sheet. The Company's security on amounts owing by Campbell includes Corner Bay and other exploration and evaluation properties, among other things.

Effective December 31, 2008, the Company determined that its balances with Campbell were impaired and therefore recorded an aggregate impairment allowance against the *Interest in Campbell Resources Inc.* of \$7,923,000 through operations as a provision for writedown of amounts owing from Campbell.

On January 28, 2009, Campbell announced that it had re-entered protection under the CCAA under which a court-appointed monitor was engaged. Since that date, the Company has been actively involved in trying to protect its interests throughout the CCAA proceedings and has held several meetings with the court-appointed monitors as well as attended court sessions. The Company is continuing to assess its options to best realize on its interests including the debenture and revolving credit facility (collectively, the "loan") and will continue to be actively involved in the process until its conclusion.

In 2010, the Company, along with Ocean Partners Holdings Limited ("Ocean Partners"), through a jointly-owned subsidiary, acquired substantially all of the remaining secured debt of Campbell (that the Company and Ocean Partners did not already own) for aggregate staged payments over a three-year period of \$4,050,000 (including those deposits already made by each of Nuinsco and Ocean Partners). The face value of the aggregate debt acquired by the Company and Ocean Partners was \$24,245,000 excluding interest. Acquisition of all of the secured debt rationalized the number of secured creditors and the complicated security over the Campbell assets including Corner Bay, the Copper Rand mill and other exploration properties in the Chibougamau mining camp in Québec.

Accordingly, the deposits previously made in the second quarter of 2010 of \$465,000, along with additional cash payments made in the third quarter of \$1,060,000, have been reclassified as acquisition of debt to *Interest in Campbell Resources Inc.* The agreements require additional staged payments by the Company of \$200,000 within one year and \$300,000 by no earlier than April 20, 2013; discounted at 8%, the fair value of the long-term payable was \$241,000 at that time. Such amounts are included in *Interest in Campbell Resources Inc.*, *Trade and other payables* (Note 14) and *Long-term liability* (Note 15) in the balance sheet.

The Company's share of expenditures incurred in the three and nine months ended September 30, 2011 to protect its interest in Campbell assets amounted to approximately \$119,000 and \$460,000, (three and nine months ended September 30, 2010 - \$76,000 and \$193,000). Such expenditures included legal fees, court-appointed monitor's fees, certain property taxes and other costs and are included in *General and administrative costs*.

On June 28, 2011, the Company announced that the Québec Superior Court had accepted the Company's proposal made through its jointly-owned subsidiary and directed the receiver to transfer the assets, thereby giving ownership to Nuinsco and Ocean Partners of all exploration, mining and processing and other assets located in and near Chibougamau, Québec. The Company, along with Ocean Partners, completed the asset transfer agreement subsequent to the end of the period (Note 27). Until such agreements are completed and legal ownership is transferred, the Company believes that carrying value is fair value.

## Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

	<b>Note</b>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Acquisition of debt		\$ 2,055	\$ 2,025
Less: fair value adjustment		(59)	(59)
		1,996	1,966
Interest in Campbell	(a)	2,297	2,297
		\$ 4,293	\$ 4,263

(a) The Interest in Campbell is shown net of Québec mining duties of \$203,000.

The value of the estimated recoverable amount is based primarily upon a discounted cash flow model of the Corner Bay project, adjusted for other potential claims against the property and taking into account the continuation of the partnership with Ocean Partners. However, additional factors were also taken into account including: the estimated value of a fully-permitted mill, probabilities and risk weightings of outcomes, discussions with potential acquirers and estimated value of possible deals, the length of time of alternatives including time to production and so on. There is a high degree of variability in many of those factors.

### 13. ROYALTY INTEREST

On April 20, 2010, pursuant to the sale of Cameron Lake to Coventry, the Company received a royalty interest in the Cameron Lake property. The royalty interest is a 3% NSR under which Coventry has the right to reduce the royalty to a 1% NSR at any time within five years of April 20, 2010 by making, at Coventry's option, either a cash payment of \$2,000,000 or issuing additional Coventry shares with an equivalent market value. The royalty is accounted for using the cost basis. The royalty has no end date therefore is considered to have an indefinite life. The Company will monitor Coventry's plans to determine whether conditions affecting the royalty change such that it becomes an intangible with a finite life. As described above, this is an investment which is subject to the highest degree of measurement uncertainty. Accordingly, future changes in any parameters used in the valuations could give rise to material changes in asset carrying values.

The valuation of the royalty interest was based upon cash flow models of the project previously developed by the Company as adjusted for metals prices and expectations of Coventry's plans and discounted using a rate of 8%. The Company will continue to monitor Coventry's progress towards bringing the property into production and will review the royalty for impairment on a regular basis. The Company considers that the royalty itself is a Cost Generating Unit for the purposes of impairment testing. It is not allocated.

### 14. TRADE AND OTHER PAYABLES

	<b>Notes</b>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Trade payables			
E&E projects		\$ 95	\$ 1,069
Non-project related	22	82	236
Flow-through premium liability		138	48
Other payables	12	222	212
Due to Victory Nickel Inc.	22	13	-
Accrued liabilities			
E&E projects		334	684
Non-project related	22	219	352
		\$ 1,103	\$ 2,601

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

The following table shows the continuity of the flow-through premium liability:

	<b>Notes</b>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
<b>Balance as at beginning of period</b>		<b>\$ 48</b>	<b>\$ 369</b>
December, 2009 financing:			
Flow-through premium through finance income		-	(369)
October, 2010 financing:			
Flow-through premium		-	143
Flow-through premium through finance income		-	(143)
December, 2010 financing:			
Flow-through premium		-	97
Flow-through premium through finance income	20	(48)	(49)
July and August, 2011 financing:			
Flow-through premium	17	150	-
Flow-through premium through finance income	20	(12)	-
		<b>\$ 138</b>	<b>\$ 48</b>

## 15. LONG-TERM LIABILITIES

### Payable from Acquisition of Campbell Debt

The Company has an obligation under a long-term arrangement with respect to the acquisition of debt of Campbell (Note 12). The Company is required to pay \$300,000 no earlier than April, 2013. The fair value of the amount, using a discount rate of 8%, is \$261,000 as at September 30, 2011 (December 31, 2010 - \$246,000). Nuinsco will accrete the value of the obligation by interest charges through operations until its payment. In the three and nine months ended September 30, 2011, accretion of \$5,000 and \$15,000 respectively was added to long-term obligations and recorded as interest expense.

## 16. OPERATING LEASES

### Leases as Lessee

In June 2011, the Company amended and extended its main lease for premises at 80 Richmond Street West, Toronto. The extension term is for five years terminating on September 30, 2016 and includes basic rent commitments as follows:

	<b>September 30, 2011</b>
<b>Office rental</b>	
Less than 1 year	\$ 82
Between 1 and 5 years	414
<b>Total Minimum Lease Payments Payable</b>	<b>\$ 496</b>

It is not expected that the cash flows reflected in the maturity analysis would occur significantly earlier, or at significantly different amounts. The Company leases its head office under operating leases and has a lease term of five years and expires on September 30, 2016. During the three and nine months ended September 30, 2011 amounts of \$34,000 and \$104,000 respectively (three and nine months ended September 30, 2010 - \$30,000 and \$88,000), were recognized as net rent expense through operations in respect of operating leases including operating costs. Furthermore, amounts of \$nil and \$22,000 were recognized as a contra to rent expense through operations in respect of a sublease in the same periods (2010 - \$11,000 and \$33,000, respectively). The sublease expired on June 30, 2011.

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## 17. CAPITAL AND OTHER COMPONENTS OF EQUITY

### Share Capital

#### Authorized

The Company is authorized to issue an unlimited number of common shares. The Company is also authorized to issue an unlimited number of Class A special shares, issuable in series, an unlimited number of Class B special shares, issuable in series, an unlimited number of Class C special shares, issuable in series, an unlimited number of Class D special shares, issuable in series, and an unlimited number of Class E special shares, issuable in series.

#### Number of shares issued and outstanding

There are no special shares outstanding. The issued and outstanding common shares during the period are as follows:

	Notes	Number of Shares	Gross Proceeds/ Consideration	Non-cash Items	Share Issue Costs	Flow-Through Premium	Warrants and Options	Share Capital
Balance as at January 1, 2011		254,205,292						\$ 94,340
Issue of common shares	(a)	3,125,000	\$ 500	\$ -	\$ (7)	\$ -	\$ (68)	425
Options exercised	(b)	75,000	6	-	-	-	5	11
Warrants exercised	(c)	7,062,064	706	-	-	-	(155)	551
Issue of shares under Share Bonus Plan	(d)	112,000	-	17	-	-	-	17
Issue of flow-through common shares	(e)	10,000,000	1,500	-	(65)	(150)	(230)	1,055
Shares issued for property	(f)	674,578	-	95	-	-	-	95
		275,253,934	\$ 2,712	\$ 112	\$ (72)	\$ (150)	\$ (448)	\$ 96,494

- (a) On January 10, 2011, the Company completed a private placement financing of securities at a price of \$0.16 per unit. The units included a half share purchase warrant as described below. The Company apportioned proceeds to the cost of the warrants in contributed surplus as indicated in the table above.
- (b) In January and August, 2011, common shares were issued upon the exercise of options. The aggregate consideration plus the aggregate amount previously recorded through contributed surplus is reflected as an increase in share capital.
- (c) During 2011, common shares were issued upon the exercise of warrants. The aggregate consideration plus the aggregate amount previously recorded through contributed surplus is reflected as an increase in share capital.
- (d) On May 25, 2011, the Company issued common shares to an employee and officer as discretionary bonuses pursuant to the Company's Share Bonus Plan.
- (e) In July and August 2011, the Company issued flow-through common shares at a price of \$0.15 per unit. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.20 for a period of 24 months from closing. Upon closing, the Company issued 289,165 finder's warrants that entitle the holder to purchase one common share at an exercise price of \$0.15 for a period of 24 months. The Company apportioned proceeds of \$150,000 to the flow-through premium, \$212,000 was attributed to the share purchase warrants and \$18,000 to the cost of the finder's warrants recorded through contributed surplus.
- (f) In August 2011, the Company issued common shares pursuant to the option agreement entered into with respect to the J. Tobrar property in Sudan.

#### Share Incentive Plan

The Company has a Share Incentive Plan which includes both a Share Purchase Plan and a Share Bonus Plan. Both are described fully in the Company's First Quarterly Consolidated Financial Statements of 2011.

#### Shareholder Rights Plan

The Company has a Shareholder Rights Plan which is described fully in the Company's First Quarterly Consolidated Financial Statements of 2011.

#### Accumulated Other Comprehensive Income or Loss

AOCI is comprised of the following separate components of equity:

#### Net change of financial assets at fair value through OCI

This comprises the cumulative net change in the fair value of financial assets at fair value through OCI until the financial assets are derecognized.

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## Income tax on OCI

This comprises the amount of income tax determined to be required on the cumulative net change in the fair value of financial assets at fair value through OCI.

## 18. EARNINGS (LOSS) PER SHARE

### Basic Earnings (Loss) per Share

The calculation of basic earnings (loss) per share ("EPS") for the three and nine months ended September 30, 2011 was based on the loss attributable to common shareholders of \$463,000 and \$2,288,000 (2010 – loss of \$1,179,000 and \$3,699,000), and a weighted average number of common shares outstanding of 270,847,000 and 263,707,000, respectively (2010 – 233,432,000 and 232,120,000).

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on earnings per share.

### Weighted Average Number of Common Shares (Basic)

	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2011	2010	2011	2010
Balance as at beginning of period		264,554,000	233,432,000	254,205,000	230,936,000
Effect of share options exercised	19	24,000	-	55,000	-
Effect of warrants exercised	19	-	-	4,282,000	-
Effect of shares issued pursuant to private placements	17	5,836,000	-	4,966,000	320,000
Effect of shares issued for property	17	433,000	-	146,000	-
Effect of shares issued under Share Bonus Plan	17	-	-	53,000	864,000
		270,847,000	233,432,000	263,707,000	232,120,000

### Diluted Earnings (Loss) per Share

The effect of adjustments to the weighted average number of common shares would be anti-dilutive because the Company has incurred losses in each respective accounting period.

For the three and nine months ended September 30, 2011, 20,735,000 options and 26,536,397 warrants (2010 – 18,310,000 options and 17,259,441 warrants) were anti-dilutive.

## 19. SHARE-BASED PAYMENTS

### Description of the Share-based Payment Arrangements

The Company's share-based payment arrangements are described in Note 22 to the Company's First Quarterly Consolidated Financial Statements of 2011.

### Stock option plan (equity-settled)

As at September 30, 2011, the Company had 20,557,000 (December 31, 2010 – 20,596,000) common shares available for the granting of future options. Options are exercisable at the market price of the shares at the date of grant. The Company does not have any cash-settled transactions.

### Share purchase warrants (equity-settled)

Outstanding warrants as at September 30, 2011 consist of warrants issued pursuant to the rights offering and warrants issued pursuant to private placements. The Company does not have any cash-settled transactions.

### Share Bonus Plan

The terms of the Company's Share Bonus Plan are set out in Note 20 to the Company's First Quarterly Consolidated Financial Statements of 2011.

### Terms and Conditions of Share-based Payment Arrangements

The terms of the Company's share-based payment arrangements are set out in Note 20 to the Company's First Quarterly Consolidated Financial Statements of 2011.

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## Disclosure of Share-based Payment Arrangements

### Stock Option Plan

The number and weighted average exercise prices of options are as follows:

	Number of options		Weighted average exercise price	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Outstanding as at beginning of period	17,535,000	15,985,000	\$ 0.14	\$ 0.16
Granted	4,975,000	5,850,000	\$ 0.17	\$ 0.08
Cancelled	-	(200,000)	\$ -	\$ 0.25
Exercised	(100,000)	(575,000)	\$ 0.06	\$ 0.07
Expired	(1,675,000)	(3,525,000)	\$ 0.18	\$ 0.13
<b>Outstanding as at end of period</b>	<b>20,735,000</b>	<b>17,535,000</b>	<b>\$ 0.14</b>	<b>\$ 0.14</b>
<b>Exercisable as at end of period</b>	<b>19,647,500</b>	<b>16,410,000</b>	<b>\$ 0.14</b>	<b>\$ 0.14</b>

  

	Number of options outstanding		Weighted average remaining contractual life (years)	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
<b>Range of exercise prices</b>				
\$0.030 to \$0.050	4,600,000	4,625,000	2.45	3.19
\$0.055 to \$0.055	1,100,000	1,150,000	3.87	4.61
\$0.060 to \$0.100	4,350,000	4,375,000	3.26	4.01
\$0.110 to \$0.150	1,350,000	1,350,000	1.17	1.91
\$0.160 to \$0.170	4,750,000	-	4.43	-
\$0.180 to \$0.210	-	1,675,000	-	0.62
\$0.220 to \$0.260	2,400,000	2,175,000	2.51	3.06
\$0.270 to \$0.350	1,635,000	1,635,000	1.31	2.06
\$0.360 to \$0.488	550,000	550,000	0.32	1.07
	<b>20,735,000</b>	<b>17,535,000</b>	<b>2.93</b>	<b>2.96</b>

For options granted during 2011, the weighted average fair value at the date of grant was \$0.124 (2010 - \$0.053). A total of nil and 4,975,000 options were granted during the three and nine months ended September 30, 2011 (the three and nine months ended September 30, 2010 - 1,150,000 and 5,850,000) to key management personnel, employees and consultants. This resulted in share-based payment expenses of \$35,000 and \$557,000 in the three and nine months ended September 30, 2011, respectively (2010 - \$87,000 and \$331,000). Of the 20,735,000 options outstanding as at September 30, 2011, 1,087,500 are subject to vesting in the following year (as at December 31, 2010 - 17,535,000 options were outstanding of which 1,125,000 were subject to vesting in the following year). The aggregate fair value of these unvested options not yet charged to operations is \$63,000 (as at December 31, 2010 - \$2,000). For options exercised during the first nine months of 2011, the weighted average market price was \$0.17; during the year ended December 31, 2010, the weighted average market price was \$0.14.



# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## Share purchase warrants

The number and weighted average exercise prices of warrants are as follows:

	Date Issued	Number of warrants		Weighted average exercise price	
		September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Issued for services rendered	July 17, 2008		233,000	\$	0.22
	September 10, 2008		100,000	\$	0.20
Expired in 2010			(333,000)		
Issued pursuant to rights offering	April 22, 2009	7,629,996	7,629,996	\$ 0.10	\$ 0.10
Exercised in 2011 and 2010		(7,350,829)	(288,765)		
Expired in 2011		(279,167)			
Issued pursuant to private placements	December 21, 2009	9,445,020	9,445,020	\$ 0.15	\$ 0.15
	December 31, 2009	185,000	185,000	\$ 0.15	\$ 0.15
Exercised in 2010		(333,333)	(333,333)		
Issued pursuant to private placements	October 4, 2010	3,571,429	3,571,429	\$ 0.10	\$ 0.10
	October 4, 2010	5,600,000	5,600,000	\$ 0.10	\$ 0.10
	December 31, 2010	1,216,615	1,216,615	\$ 0.25	\$ 0.25
Issued pursuant to private placement	January 10, 2011	1,562,500		\$ 0.22	
Issued pursuant to private placements	July 29, 2011	1,666,650		\$ 0.20	
	July 29, 2011	166,665		\$ 0.15	
	August 3, 2011	2,029,033		\$ 0.20	
	August 3, 2011	122,500		\$ 0.15	
	August 29, 2011	333,334		\$ 0.20	
	August 30, 2011	970,984		\$ 0.20	
<b>Outstanding as at end of period</b>		<b>26,536,397</b>	<b>27,025,962</b>	<b>\$ 0.15</b>	<b>\$ 0.12</b>

Warrants generally expire 12 to 24 months from issue date. The warrants issued in December 2010 and January 2011 expire 12 months from issue date. The 3,571,429 warrants issued in October, 2010, expire in 12 months; the 5,600,000 warrants expire in 24 months. Warrants issued pursuant to the rights offering were exercisable for a period of twelve months commencing April 23, 2010; all other warrants are exercisable upon issue for 24 months.

## Inputs for Measurement of Grant Date Fair Values

The grant date fair value of share-based payments, including any modifications, was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility.

The inputs used in the measurement of the fair values at grant date of the share-based payments granted during the periods are as follows:

	Options		Warrants	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
<b>Granted, modified or issued during the period</b>				
Fair value at grant or modification date	\$0.122 to \$0.169	\$0.037 to \$0.057	\$0.041 to \$0.064	\$0.035 to \$0.063
Share price at grant or modification date	\$0.170 to \$0.235	\$0.055 and \$0.080	\$0.12 to \$0.18	\$0.10 and \$0.17
<b>Assumptions</b>				
Exercise price	\$0.170 to \$0.235	\$0.050 to \$0.080	\$0.15 to \$0.22	\$0.10 and \$0.25
Expected volatility	104% and 105%	100% to 104%	88% to 97%	90% to 126%
Life (years)	4	3.75 to 4.5	1 and 2	1 and 2
Expected dividends	-	-	-	-
Risk-free interest rate	2.25% and 2.31%	2.0% and 2.5%	1.25% to 1.67%	1.37% to 1.67%



# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## 20. FINANCE INCOME AND FINANCE COSTS

Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Interest income on bank deposits	\$ 1	\$ -	\$ 3	\$ 2
Loan fee	-	33	-	33
Flow-through premium	14 12	71	60	205
Net foreign exchange gain	-	13	-	146
<b>Finance income</b>	<b>13</b>	<b>117</b>	<b>63</b>	<b>386</b>
Interest expense on financial liabilities measured at amortized cost	1,15 (8)	-	(19)	(218)
Net change in fair value of financial assets through operations	-	(183)	-	(403)
Net foreign exchange loss	(18)	-	(74)	-
<b>Finance costs</b>	<b>(26)</b>	<b>(183)</b>	<b>(93)</b>	<b>(621)</b>
<b>Net Finance Costs</b>	<b>\$ (13)</b>	<b>\$ (66)</b>	<b>\$ (30)</b>	<b>\$ (235)</b>

## 21. OPERATING SEGMENT

### Reporting Segment

The Company is engaged in the exploration and evaluation of properties for the mining of precious and base metals. The Company does not have formal operating segments and does not have operating revenues, products or customers. The corporate office operates to support the Company's projects as well as providing administrative support to Victory Nickel (Note 22). The projects are located in Canada, Turkey, Egypt and Sudan. Senior management makes decisions by considering exploration potential and results on a project basis. Any applicable amounts relating to projects are capitalized to the relevant project as *Exploration and evaluation projects* on the balance sheets.

### Geographical Information

Notes	September 30, 2011	December 31, 2010
<b>Canada</b>		
Corporate	\$ 3,262	\$ 7,034
Interest in Campbell	12 4,293	4,263
Royalty interest	13 3,000	3,000
Diabase	11 8,014	6,943
Prairie Lake	11 2,802	2,333
	<b>21,371</b>	<b>23,573</b>
<b>Turkey</b>		
Berta	11 1,185	1,733
Elmalaan	11 1,128	1,100
	<b>2,313</b>	<b>2,833</b>
<b>Egypt</b>		
Bukari	11 615	273
	<b>615</b>	<b>273</b>
<b>Sudan</b>		
J. Tobrar	11 499	-
	<b>499</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 24,798</b>	<b>\$ 26,679</b>

Revenues in each period are all attributable to the corporate office in Canada. There have been no changes in the reportable segments or the treatment of segmented assets and revenues period-over-period.

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## 22. RELATED PARTIES & MANAGEMENT AGREEMENT

### Transactions and Balances with Victory Nickel and Related Parties

The Company shares management, administrative assistance and facilities with Victory Nickel pursuant to a management agreement. The costs recovered from Victory Nickel are recorded at the cost to the Company of such services plus 10 per cent. The management agreement commenced February 1, 2007 and is terminable by the Company upon 90 days notice and by Victory Nickel upon 180 days notice.

Balances and transactions with Victory Nickel and related parties as at and for the three and nine months ended September 30, 2011 are shown in the following tables:

				September 30, 2011		December 31, 2010
<b>Balances Outstanding</b>						
Receivable from Victory Nickel Inc.				\$	-	\$ 21
Payable to Victory Nickel Inc.				\$	13	\$ -
Payable to key management personnel				\$	108	\$ 111

Transaction Values			Three Months Ended September 30,			Nine Months Ended September 30,	
			2011	2010		2011	2010
Overhead charges to Victory Nickel Inc.	\$	197	\$	192	\$ 609	\$ 529	
Project costs charged by Victory Nickel Inc.	\$	10	\$	5	\$ 24	\$ 19	
Project recoveries charged to Victory Nickel Inc.	\$	21	\$	4	\$ 55	\$ 29	

Amounts due to or from Victory Nickel are unsecured, non-interest bearing and due on demand. Amounts due to or from Victory Nickel are settled on a regular basis. Payables to key management personnel generally relate to directors' fees, consulting fees and expense reimbursements.

### Transactions with Key Management Personnel

Short-term employee benefits provided by the Company include salaries, consulting fees, directors' fees, statutory benefit contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue shares as part of the Share Bonus Plan (Note 17).

Key management personnel compensation comprised:

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Notes	2011	2010	2011	2010
Short-term employee benefits		\$ 164	\$ 149	\$ 533	\$ 479
Share-based payments - options	19	-	43	451	294
Share-based payments - Share Bonus Plan	17	-	-	11	116
		\$ 164	\$ 192	\$ 995	\$ 889

The outstanding balances as at September 30, 2011 and December 31, 2010 relating to key management personnel are included in the tables above.

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## 23. COMPANY ENTITIES

### Significant Subsidiaries

Ownership Interest	Country of Incorporation	September 30, 2011	December 31, 2010
Lakeport Gold Corporation	Canada	100%	100%
7591802 Canada Inc.	Canada	50%	50%
Nuinsco Madencilik Sanaye Ticaret	Turkey	100%	100%
Nuinsco Exploration Inc.	BVI	50%	50%
Z-Gold Corporation (through Nuinsco Exploration)	Egypt	50%	50%
NuMENA Minerals Corp.	Canada	100%	n/a

None of the companies included in the table above is a public company. Lakeport Gold Corporation is inactive; 7591802 Canada Inc. is a jointly-controlled entity with Ocean Partners and owns certain loan balances related to Campbell; Nuinsco Madencilik Sanaye Ticaret is a wholly-owned subsidiary and was incorporated to hold the Company's Turkish licenses which are in the process of being transferred; Nuinsco Exploration Inc. is a jointly-controlled entity with QCC and has the rights, through Z-Gold Corporation to the gold concessions in Egypt; NuMENA Minerals Corp. is presently inactive and has been incorporated as a potential vehicle to spin off certain of the Company's assets in the MENA region.

## 24. JOINTLY-CONTROLLED ENTITIES

The Company has interests in two joint ventures that are jointly-controlled. The joint ventures are proportionately consolidated. Included in the Company's condensed consolidated financial statements are the following items that represent the Company's interests in the assets and liabilities, revenues and expenses of the respective joint ventures:

	September 30, 2011	December 31, 2010
<b>7591802 Canada Inc.</b>		
Interest in Campbell	\$ 1,125	\$ 1,125
<b>Nuinsco Exploration Inc.</b>		
Current assets	\$ 366	\$ 171
Exploration and evaluation projects	\$ 370	\$ 237
Current liabilities	\$ -	\$ 6
Other expenses	\$ 37	\$ 16

## 25. COMMITMENT

### Flow-through Commitment

As at September 30, 2011, the Company had a remaining flow-through commitment outstanding for flow-through share financings in 2011 of \$1,380,000 (December 31, 2010 - \$217,000 for flow-through share financings in 2010). The 2011 commitment is required to be satisfied by December 31, 2012; the 2010 commitment has been fulfilled.

## 26. CONTINGENCY

### CRA Reassessment

In March, 2011, the Company received notices of reassessment in the aggregate amount of approximately \$4,400,000 from the CRA related to transactions completed in 2006. The Company filed notices of objection on May 19, 2011 and also, on July 22, 2011, filed a request for adjustment to correspondingly adjust its tax pools and losses, in the unlikely event that the Company's appeal is unsuccessful. The appeal process could be lengthy and the Company believes that its position is correct and believes it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.

## Notes to the Condensed Consolidated Financial Statements

*(all tabular amounts in thousands of Canadian dollars, except common share and per share information)*

### **27. SUBSEQUENT EVENT**

Subsequent to the end of the period, the Company and Ocean Partners completed the documentation necessary to acquire the assets of Campbell. The transaction was completed as an exercise of its security on debt and payments of care and maintenance costs to the monitor.

### **28. EXPLANATION OF TRANSITION TO IFRS**

As stated in Note 2(a), these unaudited condensed consolidated financial statements are prepared in accordance with IFRS.

The accounting policies set out in Note 3 to the Company's First Quarterly Consolidated Financial Statements of 2011 have been applied in preparing the unaudited condensed consolidated financial statements for the period ended September 30, 2011, the comparative information presented in these condensed consolidated financial statements for the year ended December 31, 2010 and the opening IFRS consolidated balance sheet as at January 1, 2010 (Nuinsco's date of transition). The First Quarterly Consolidated Financial Statements of 2011 included detailed information and reconciliations as at the transition date, December 31, 2010 and March 31, 2010; supplemental information as at and for the three and nine months ended September 30, 2010 is included below and should be read in conjunction with Note 32 to the First Quarterly Consolidated Financial Statements of 2011.

In preparing its IFRS financial information, Nuinsco has adjusted amounts reported previously in financial statements prepared in accordance with predecessor Canadian GAAP in effect for the Company prior to the transition date ("pre-transition Canadian GAAP"). An explanation of how the transition from pre-transition Canadian GAAP to IFRS has affected Nuinsco's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The Company did not identify any material errors in its application of pre-transition Canadian GAAP.

Concurrent with the work performed for transition to IFRS, the Company took the opportunity to consider its financial disclosures and decided to make additional reclassifications. While these are not as a direct result of the IFRS transition, the Company has identified such reclassifications in order to assist the reader in making comparisons with historic financial information which has previously been published. These reclassifications are identified as being non-IFRS reclassifications in the notes to the reconciliations.

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## Reconciliation of Equity – Interim Balance Sheet

		September 30, 2010		
	Notes	Pre-transition Canadian GAAP	Effect of Transition	IFRS
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		\$ 409	\$ -	\$ 409
Receivables	b	359	67	426
Marketable securities		4,348	-	4,348
Prepaid expenses and deposits	b	67	(67)	-
<b>Total current assets</b>		<b>5,183</b>	<b>-</b>	<b>5,183</b>
<b>Non-current assets</b>				
Property and equipment		72	-	72
Exploration and evaluation projects	d,e	10,537	116	10,653
Interest in Campbell Resources Inc.		4,263	-	4,263
Royalty interest		3,000	-	3,000
<b>Total non-current assets</b>		<b>17,872</b>	<b>116</b>	<b>17,988</b>
<b>Total Assets</b>		<b>\$ 23,055</b>	<b>\$ 116</b>	<b>\$ 23,171</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Trade and other payables	b,f	\$ 1,454	\$ 186	\$ 1,640
Due to Victory Nickel Inc.	b	22	(22)	-
<b>Total current liabilities</b>		<b>1,476</b>	<b>164</b>	<b>1,640</b>
<b>Non-current liability</b>				
Other long-term liability		241	-	241
<b>Total Liabilities</b>		<b>1,717</b>	<b>164</b>	<b>1,881</b>
<b>Shareholders' equity</b>				
Share capital	f	93,051	234	93,285
Contributed surplus		4,038	-	4,038
Accumulated other comprehensive loss	g	(423)	(189)	(612)
Deficit	h	(75,328)	(93)	(75,421)
<b>Total shareholders' equity</b>		<b>21,338</b>	<b>(48)</b>	<b>21,290</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 23,055</b>	<b>\$ 116</b>	<b>\$ 23,171</b>

# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

## Reconciliation of Profit or Loss for the Three and Nine Months Ended September 30, 2010

Three months ended September 30, 2010					Nine months ended September 30, 2010				
(unaudited)	Notes	Pre-transition Canadian GAAP	Effect of Transition	IFRS	Pre-transition Canadian GAAP	Effect of Transition	IFRS		
<b>Revenues</b>									
Interest income	g	\$ -	\$ -	\$ -	\$ 2	\$ (2)	\$ -		
Net (loss) gain on disposal of financial assets transferred from equity	g	(215)	215	-	(215)	215	-		
Loan fee	g	33	(33)	-	33	(33)	-		
<b>Expenses</b>									
General and administrative costs		(313)	-	(313)	(1,011)	-	(1,011)		
Share-based payments - options		(87)	-	(87)	(331)	-	(331)		
Share-based payments - Share Bonus Plan		-	-	-	(121)	-	(121)		
Amortization of property and equipment		(4)	-	(4)	(10)	-	(10)		
Accretion of decommissioning		-	-	-	(3)	-	(3)		
Interest expense	g	-	-	-	(218)	218	-		
Pre-exploration write-offs	d	-	(76)	(76)	-	(316)	(316)		
(Writedown) recovery of exploration and evaluation projects	c,e	(635)	29	(606)	(715)	367	(348)		
Net foreign exchange gain	g	13	(13)	-	146	(146)	-		
<b>Operating (loss) profit</b>		(1,208)	122	(1,086)	(2,443)	303	(2,140)		
Finance income	g	-	117	117	-	386	386		
Finance costs	g	-	(183)	(183)	-	(621)	(621)		
<b>Net finance costs</b>		-	(66)	(66)	-	(235)	(235)		
Gain on sale of Cameron Lake	c	-	-	-	10,108	(10,108)	-		
Provision for writedown of investment	g	-	-	-	(1)	1	-		
Net change in fair value of financial assets at fair value through operations	g	(183)	183	-	(403)	403	-		
<b>(Loss) Income before income tax</b>		(1,391)	239	(1,152)	7,261	(9,636)	(2,375)		
Income tax expense	f,g,i	-	(27)	(27)	(797)	(527)	(1,324)		
<b>Net (Loss) Income for the Period</b>		\$ (1,391)	\$ 212	\$ (1,179)	\$ 6,464	\$ (10,163)	\$ (3,699)		
<b>Earnings (loss) per share</b>									
Basic earnings (loss) per share		\$ (0.01)	\$ 0.00	\$ (0.01)	\$ 0.03	\$ (0.05)	\$ (0.02)		
Diluted earnings (loss) per share		\$ (0.01)	\$ 0.00	\$ (0.01)	\$ 0.03	\$ (0.05)	\$ (0.02)		

## Reconciliation of Comprehensive (Loss) Income for the Three and Nine Months Ended September 30, 2010

Three months ended September 30, 2010					Nine months ended September 30, 2010				
(unaudited)	Notes	Pre-transition Canadian GAAP	Effect of Transition	IFRS	Pre-transition Canadian GAAP	Effect of Transition	IFRS		
<b>Net (loss) income for the period</b>		\$ (1,391)	\$ 212	\$ (1,179)	\$ 6,464	\$ (10,163)	\$ (3,699)		
<b>Other comprehensive income (loss)</b>									
Net change in fair value of financial assets		997	-	997	(22)	-	(22)		
Net change in fair value of financial assets transferred to profit or loss	g	215	(215)	-	215	(215)	-		
Change in the fair value as "other-than-temporary" and reclassification through operations	g	-	-	-	1	(1)	-		
Income tax expense	g	-	27	27	-	27	27		
<b>Other comprehensive income (loss) for the period</b>		1,212	(188)	1,024	194	(189)	5		
<b>Total Comprehensive (Loss) Income for the Period</b>		\$ (179)	\$ 24	\$ (155)	\$ 6,658	\$ (10,352)	\$ (3,694)		

## Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

### Notes to the Reconciliations

#### a) *Adjustments to the Statement of Cash Flows for 2010*

Consistent with the Company's accounting policy choice under IAS 7, Statement of Cash Flows, there were several reclassifications required as a result of the requirements for reporting finance income and finance costs. There are no material differences between the cash flows presented under IFRS and the cash flows presented under pre-transition Canadian GAAP.

#### b) *Non-IFRS reclassifications*

While not specifically related to IFRS changes, the Company determined that it would reclassify certain elements on the face of the balance sheets; these elements are now included in the notes to the financial statements. Such reclassifications are summarized as follows:

	September 30, 2010
<b>Consolidated Balance Sheet</b>	
Increase in receivables	\$ 67
Decrease in prepaid expenses and deposits	(67)
Increase in trade and other payables	22
Decrease in due to Victory Nickel Inc.	(22)
	\$ -

#### c) *Assets classified as held for sale*

Under IFRS, upon management's determination of a plan to divest assets, such assets should be classified as current assets. As at the transition date, a binding agreement had been reached with Coventry to sell the Cameron Lake project and mill.

The Cameron Lake project had been written down in 1999 by \$17,705,000 and a further \$250,000 in 2005. Under IFRS, reversals of writedowns are permitted and required where the recoverable value of the project is supported. Accordingly, because terms of the sales agreement had been reached, the Company had increased the value of the Cameron Lake project which is included in exploration and evaluation projects to reflect the then-fair-value of the sales consideration. As at the date of transition, the IFRS adjustment was to reduce deficit by \$9,850,000. This represented a timing difference; under IFRS, the gain on sale of Cameron Lake has been eliminated in the June 30, 2010 comparative financial statements with a net effect of increasing the period's net loss by \$9,850,000. Therefore, the net effect of these adjustments on the Company's deficit by June 30, 2010 was \$nil.

The effect of the above is summarized as follows:

	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2010
<b>Consolidated Statements of Operations</b>		
Increase in recovery of exploration and evaluation projects - Cameron Lake	\$ -	\$ 258
Eliminate gain on sale of Cameron Lake	-	(10,108)
<b>Increase in net loss</b>	\$ -	\$ (9,850)

#### d) *Expenditures on exploration and evaluation projects*

The Company has elected to continue to capitalize exploration costs; furthermore, the Company believes that the value of exploration and evaluation costs does not contain any material costs which were incurred prior to securing the legal right to explore the properties, except for certain expenditures incurred in Egypt prior to the terms of the concession agreement being reached with EMRA. Furthermore, the Company previously recorded all write-offs of project generation costs within writedown of exploration and development projects, under IFRS these are now reclassified as pre-exploration write-offs; there was no impact on deficit from these reclassifications.



# Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

The impact arising from the change in capitalization of exploration costs is summarized as follows:

	<b>September 30, 2010</b>	
<b>Consolidated Balance Sheet</b>		
Decrease in exploration and evaluation projects - Bukari Egypt	\$	(209)
<b>Increase in deficit</b>	\$	(209)
	<b>Three months ended Sept 30, 2010</b>	<b>Nine months ended Sept 30, 2010</b>
<b>Consolidated Statements of Operations</b>		
Increase in pre-exploration write-offs - Bukari Egypt	\$ (47)	\$ (207)
Increase in pre-exploration write-offs - Other	(29)	(109)
Increase in pre-exploration write-offs	(76)	(316)
Decrease in writedown of exploration and evaluation projects	29	109
<b>Increase in operating loss</b>	\$ (47)	\$ (207)

## e) Impairment of exploration and evaluation projects

In the year ended December 31, 2005, Nuinsco recorded a writedown of its Prairie Lake property in the amount of \$325,000 due to a change in recoverable value at that time. Under IFRS, reversals of writedowns are permitted and required where the recoverable value of the project is supported. Accordingly, given the inherent value in the property, the Company has increased the value of the Prairie Lake project which is included in exploration and evaluation projects by the amount of the previous writedown.

The impact arising from the reversal of the writedown is summarized as follows:

	<b>September 30, 2010</b>	
<b>Consolidated Balance Sheet</b>		
Increase in exploration and evaluation projects - Prairie Lake	\$	325
<b>Decrease in deficit</b>	\$	325

The net effect of reclassifications to pre-exploration write-offs and adjustments to the carrying values of Cameron Lake on writedown/recovery of exploration and evaluation projects is as follows:

	<b>Three months ended Sept 30, 2010</b>	<b>Nine months ended Sept 30, 2010</b>
<b>Consolidated Statements of Operations</b>		
Increase from change in value of Cameron Lake	\$ -	\$ 258
Decrease from reclassification to pre-exploration write-offs	29	109
<b>Net effect on writedown of exploration and evaluation projects</b>	\$ 29	\$ 367

Refer to Notes (c) and (d) for discussion of the items above.

## f) Flow-through share financing

Under pre-transition Canadian GAAP, the Company accounted for the tax effects of renouncing expenditures in favour of its investors upon formal renunciation to the CRA on its deadline of February 28 in each year. Furthermore, the Company recorded the entire amount of financing received, net of issue expenses and any related taxes, as equity in share capital with an appropriate apportionment of proceeds to any warrants issued. In accordance with interpretations of IFRS, the Company's selected accounting treatment requires recognition of the tax effects of renunciation upon incurring expenditures related to the flow-through shares, as well as an identification of the premium associated with the tax benefits passed on to the subscribers of the flow-through shares and amortization thereof to operations upon incurring expenditures related to the flow-through shares. Flow-through expenditures are sometimes made in different reporting periods than the one in which formal renunciation to the CRA takes place.

The accounting policy determined by the Company is reflected in Note 3 to the Company's First Quarterly Consolidated Financial Statements of 2011.

## Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

There is no applicable exemption available to the Company and the cumulative impact of the bifurcation of the flow-through premium as well as the different treatment of renunciation must be made. The Company made a best-efforts attempt to calculate the historic impact of renunciation and premium recognition based upon the presently-available information; given that historic differences would represent a reclassification between share capital and deficit upon transition, both of which are components of equity, the Company considers that any differences are not material.

The impact arising from the change is summarized as follows:

	<b>September 30, 2010</b>	
<b>Consolidated Balance Sheet</b>		
Increase in trade and other payables - set up flow-through premium liability	\$	(369)
Increase in deficit - reverse historic renunciation		5,362
Decrease in income tax recovery - reverse renunciation		500
Decrease in deficit - set up premium		(5,259)
<b>Increase in share capital</b>	\$	234
Decrease in share capital - set up flow-through premium liability	\$	369
Decrease in deficit - adjust flow-through premium liability		(205)
<b>Increase in trade and other payables</b>	\$	164
	<b>Three months ended Sept 30, 2010</b>	<b>Nine months ended Sept 30, 2010</b>
<b>Consolidated Statements of Operations</b>		
Increase in finance income - record premium upon flow-through spending	\$ 71	\$ 205
<b>Increase in net income - adjust flow-through premium liability</b>	\$ 71	\$ 205

### g) IFRS 9, finance income and finance costs

Under IFRS there are several reclassifications required to report components of finance income and finance costs. Furthermore, the Company chose to early-adopt the provisions of IFRS 9 and determined that changes in the value of the shares in its marketable securities portfolio would be accounted for as financial assets through OCI; there are also income tax effects with respect to this.

The impact arising from the change on the Consolidated Balance Sheet as at September 30, 2010 is as follows:

	<b>September 30, 2010</b>	
<b>Consolidated Balance Sheet</b>		
Decrease in AOCI - (loss) gain on marketable securities	\$	(216)
Increase in AOCI - tax effect thereon		27
Net decrease in AOCI		(189)
Decrease in deficit - (loss) gain on marketable securities		215
Decrease in deficit - provision for writedown of investment		1
Increase in deficit - tax effect thereon		(27)
Net decrease in deficit		189
	\$	-

## Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of Canadian dollars, except common share and per share information)

	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2010
<b>Consolidated Statements of Operations</b>		
Decrease in interest income	\$ -	\$ 2
Decrease in loan fee	33	33
Decrease in net foreign exchange gain	13	146
Record premium on flow-through spending	71	205
<b>Finance income</b>	<b>\$ 117</b>	<b>\$ 386</b>

	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2010
<b>Consolidated Statements of Operations</b>		
Decrease in interest expense	\$ -	\$ 218
Decrease in fair value of financial assets at fair value through operations	183	403
<b>Finance costs</b>	<b>\$ 183</b>	<b>\$ 621</b>

### h) Deficit

The above changes (increased) decreased deficit as follows:

	September 30, 2010
<b>Consolidated Balance Sheet</b>	
Gain on sale of Cameron Lake	\$ (10,108)
Adjustment to fair value of Cameron Lake	9,850
Adjustment to fair value of Cameron Lake proceeds	258
Pre-exploration write-offs - Egypt	(209)
Adjustment to fair value of Prairie Lake	325
IFRS 9 - reclassify loss through OCI	216
IFRS 9 - tax effects	(27)
Flow-through share premium - transition	5,209
Flow-through share renunciation - transition	(5,362)
Adjust premium on flow-through upon spending	255
Adjust renunciation on flow-through	(500)
<b>Increase in deficit</b>	<b>\$ (93)</b>

### i) Income tax

The above changes affected income taxes recorded through the statements of operations as follows:

	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2010
<b>Consolidated Statements of Operations</b>		
Decrease in income tax recovery - reverse renunciation of flow-through expenditures	\$ -	\$ 500
Record income taxes on changes in fair values through OCI	27	27
<b>Net increase in income tax expense</b>	<b>\$ 27</b>	<b>\$ 527</b>



## **NUINSCO RESOURCES LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2011**

**DATED NOVEMBER 4, 2011**

# **NUINSCO RESOURCES LIMITED**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the Three and Nine Months Ended September 30, 2011**

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of November 4, 2011 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2011, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's Unaudited Condensed Consolidated Financial Statements as at and for the three and nine months ended September 30, 2011 and 2010 ("Unaudited Condensed Consolidated Financial Statements") and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

Nuinsco's first consolidated financial statements prepared in accordance with IFRS wherein IFRS 1, First time adoption of International Financial Reporting Standards ("IFRS 1"), was applied were the unaudited interim consolidated financial statements as at and for the three months ended March 31, 2011 and 2010 ("First Quarterly Consolidated Financial Statements of 2011"). Note 32 to those statements included reconciliations to assist the reader in understanding the effects that the transition to IFRS has had on the Company's financial statements. The reconciliations include a reconciliation of equity as at January 1, 2010, December 31, 2010 and March 31, 2010. As described in previously-filed management's discussion and analysis ("MD&A's"), the Company had an IFRS implementation project plan which involved its advisers; this plan is essentially complete. However, it should be noted that, because of the nature of IFRS being principles-based, accounting practice under IFRS will continue to develop and evolve in Canada and in the junior mining sector. While the Company has been diligent in its selection of appropriate accounting policies and methodologies and has been guided by the anticipated papers of the Mining Industry Task Force on IFRS (the "Mining Industry Task Force"), it may later choose to amend those selections. Any changes will be accounted for in accordance with the accounting and disclosure requirements under IFRS, including any concessions made to first-time adopters.

Readers are encouraged to consult the audited consolidated financial statements for the years ended December 31, 2010 and 2009 ("2010 Audited Consolidated Financial Statements"), which were prepared in accordance with predecessor Canadian generally accepted accounting principles prior to the transition date to IFRS ("pre-transition Canadian GAAP"). Certain information and discussion included in this MD&A constitutes forward-looking information. Readers are encouraged to refer to the cautionary notes contained in the section Forward-Looking Statements at the end of this MD&A.

The Unaudited Condensed Consolidated Financial Statements, the First Quarterly Consolidated Financial Statements of 2011 and the 2010 Audited Consolidated Financial Statements are available at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.nuinsco.ca](http://www.nuinsco.ca). All amounts disclosed are in Canadian dollars, unless otherwise stated. All tabular amounts are in thousands of Canadian dollars.

## **COMPANY OVERVIEW**

Nuinsco is focused on identifying and exploring mineral investment opportunities worldwide using its exploration programs and operating and financial expertise. The Company currently has gold, uranium, phosphate, rare metals, copper and zinc assets in world-class mineralized belts in Canada, Turkey, Egypt and Sudan. In 2010, the Company, in conjunction with an Egyptian-based partner, was the winning bidder on two gold exploration concessions in Egypt for which tenure has yet to be granted. In July, 2011, the Company announced that it had secured exploration interests in northeastern Sudan. In addition to its property holdings, Nuinsco owns common shares of Victory Nickel Inc. ("Victory Nickel") TSX:NI and common shares of Coventry Resources Limited ("Coventry") listed on the Australian Securities Exchange ("ASX") ASX:CVY. These investments are available to be monetized to finance the Company's exploration programs and minimize equity dilution to shareholders. Shares of Nuinsco trade on the Toronto Stock Exchange ("TSX") under the symbol NWI.

## **Going Concern**

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully

complete its projects and fund other operating expenses. Development of the Company's current projects to the production stage will require significant financing. Furthermore, the Company has received reassessments from the Canada Revenue Agency ("CRA") as described in Note 26 to the Unaudited Condensed Consolidated Financial Statements. Given the current economic climate, the ability to raise funds may prove difficult. Refer to the Risks and Uncertainties section for additional information.

None of the Company's projects has commenced commercial production and, accordingly, the Company is dependent upon debt and/or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The recoverability of the carrying value of exploration and evaluation projects, and ultimately the Company's ability to continue as a going concern, is dependent upon exploration results which indicate the potential for the discovery of economically recoverable reserves and resources, the Company's ability to finance exploration of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

The Company has made significant progress in its strategy to maximize the realization of previously written-down amounts due from Campbell Resources Inc. ("Campbell"). In July, 2010, the Company announced that it, along with Ocean Partners Holdings Limited ("Ocean Partners"), through a jointly-owned Canadian subsidiary, had acquired substantially all of the remaining secured debt of Campbell that Nuinsco and Ocean Partners did not previously own. Nuinsco and Ocean Partners will make additional payments over three years to complete the purchase; the Company's payments are described in Note 12 to the Unaudited Condensed Consolidated Financial Statements. The Company, along with Ocean Partners realized that the variety of individual secured creditors and the complexity of security structures would take a very long time to resolve, if ever. This was not in the best interest of the Company or any other stakeholder, especially the people of Chibougamau. As a result of buying the majority of Campbell's secured debt, the two companies, through a jointly-owned company, were able to make a proposal to the court which did not offend other secured lenders. On June 28, 2011, the Company announced that the Québec Superior Court had approved the proposal and as a result directed the receiver to transfer ownership of all exploration, mining, processing and other assets located in and near Chibougamau, Québec. Effective October 25, 2011, ownership of this outstanding suite of assets was transferred to CBAY Minerals Inc. (the new name of 7591802 Canada Inc.), the jointly-owned company. The process was complicated and took too long, however, the Company can now put in place a strategy to recognize the value of these assets.

The Company's Unaudited Condensed Consolidated Financial Statements have been prepared using the going concern assumption which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. If the going concern assumption were not appropriate, then adjustments to the carrying values of assets and liabilities, reported expenses and balance sheet classifications may be necessary. These adjustments could be material.

#### **Sale of Cameron Lake Property to Coventry Resources Limited**

On December 23, 2009, the Company announced that it had entered into a binding agreement with Coventry to sell its Cameron Lake property and mill ("Cameron Lake"). The transaction was completed on April 20, 2010 and involved the receipt of consideration as follows:

- Cash of \$100,000 received in December 2009;
- Cash of \$5,900,000 received on April 20, 2010;
- 12 million Coventry shares, representing 17% of the then-outstanding shares of that company. Coventry shares had a closing price of A\$0.265 (\$0.247) on April 20, 2010; and
- A 3% net smelter return ("NSR") royalty under which Coventry will have the right to reduce the NSR to 1% at any time within five years of April 20, 2010 by making, at Coventry's option, either a cash payment of \$2,000,000 or issuing additional Coventry shares with an equivalent market value. (Note 13 to the Company's Unaudited Condensed Consolidated Financial Statements.)

The following table illustrates the components of the net loss on sale of Cameron Lake property, after adjustments in accordance with IFRS as outlined in Note 28 to the Company's Unaudited Condensed Consolidated Financial Statements:

<b>Consideration received</b>		
Cash	\$	6,000
Coventry shares		2,958
Royalty interest		3,000
<b>Aggregate consideration</b>		<u>11,958</u>
<b>Net book value of assets sold (liabilities assumed) and expenses of sale</b>		
Cameron Lake property	\$	11,904
Mill		54
Asset retirement obligation ("ARO") assumed		(114)
		<u>11,844</u>
Transaction expenses		<u>114</u>
		<u>11,958</u>
<b>Gain on sale of Cameron Lake</b>		-
Income tax expense (drawdown of previously recorded deferred tax asset)		1,297
<b>Net after-tax loss</b>	\$	<u><u>(1,297)</u></u>

The provision for income taxes was a non-cash item and offset the recovery for income taxes recognized in the fourth quarter of 2009. Upon completion of the sale of Cameron Lake, the Company repaid its interest-bearing promissory note (the "Note") with Jien International Investment, Ltd., along with accrued interest thereon. Refer to Liquidity and Capital Resources section. Further note that the loss on sale under IFRS arises because of the reversal of previously-made write-downs upon transition to IFRS. Accordingly, the cumulative impact on the deficit for this transaction at the sale date was identical under IFRS and pre-transition Canadian GAAP.

## SIGNIFICANT EVENTS

During and subsequent to the nine months ended September 30, 2011, the Company:

### Corporate

- Added Dr. J.M. Franklin as an independent Director; Dr. Franklin has over 40 years' experience as a geologist, having held many senior positions in mineral exploration, government and academia.
- Received, and commenced an appeal of, notices of reassessment from the CRA.
- Moved ahead with the creation of NuMENA Minerals Corp. ("NuMENA") in preparation for the spin-out of the Company's projects in the Middle East North Africa ("MENA") region to shareholders.
- Completed a flow-through financing totalling 10,000,000 units, raising aggregate gross proceeds of \$1,500,000.

### Gold

- Continued field exploration at the Bukari gold concession.
- Announced that the Egyptian State Council had approved the Bukari Concession Agreement.
- More than doubled the known strike length of the Bukari One gold showing and confirmed the existence of a previously-unknown gold vein system, Bukari North, with a strike length of five km.
- Confirmed a four km strike length at the Talat Gadalla gold showing on the Bukari concession.
- Announced assays from surface sampling on the Bukari concession grading up to 135.0 g/t (4.34 oz/t).
- Expanded its presence in the MENA region by entering into an option agreement to acquire 85% of the high-grade J. Tobrar gold concession in northeastern Sudan.
- Announced positive results from surface sampling at the J. Tobrar gold concession, with anomalous gold results returned from all 12 veins sampled, including a 324m interval averaging 16.07 g/t gold and a width of 1.34m.
- Commenced and completed a second field exploration program, including trenching, at J. Tobrar.
- Finalized, with the Egyptian Mineral Resources Authority ("EMRA"), a concession agreement on the Umm Samra gold concession, the Company's second project in Egypt's Eastern Desert.

### Copper

- Received a favourable decision from the Québec Superior Court allowing 50:50 joint ownership, between the Company and Ocean Partners, of an impressive suite of exploration, mining, processing and other assets in Québec's Chibougamau Mining Camp.



- Completed the documentation transferring the ownership of the Chibougamau assets formerly held by Campbell to CBAY Minerals Inc. a company jointly-owned by Nuinsco and Ocean Partners.

### **Uranium and Rare Metals**

- Announced trenching results from Prairie Lake grading up to 6.14% phosphorous, 1.08% combined rare earth elements, 0.27% niobium and 13ppm tantalum.
- Announced results from the first hole of the 4,000m diamond drilling program at Prairie Lake: grades up to 0.957% niobium ( $\text{Nb}_2\text{O}_5$ ) and 8.68% phosphorous ( $\text{P}_2\text{O}_5$ ) as part of a 246m interval grading 0.118%  $\text{Nb}_2\text{O}_5$  and 3.41%  $\text{P}_2\text{O}_5$ .
- Incorporated all recent drilling and trenching results from Prairie Lake into an updated Exploration Target Mineralization Inventory ("ETMI"), making Prairie Lake one of the ten largest carbonatite-hosted niobium deposits in the world, and the second largest in North America with 515 – 630 million tonnes.
- Announced that all holes in the 2,321m December 2010 drill program at the Diabase Peninsula property returned uranium values.
- Began and completed an additional 2,000m of diamond drilling at the Diabase Peninsula property, with results grading up to 92 parts per million ("ppm") uranium, suggesting the potential for a lens of uranium mineralization in the immediate vicinity of the drilling.

### **OUTLOOK**

The global economy continues to suffer from lack of confidence. As we wait for greater certainty and investor confidence to firm up, Nuinsco must continue its business activities, taking into consideration the tightness of funding. Nuinsco continues to be very active, with exploration programs at its Diabase uranium project, its Prairie Lake rare metals project, its copper/zinc/gold projects in Turkey, its Egyptian concessions and its new gold project in Sudan.

### **Chibougamau**

Of great significance is the acquisition of a pool of assets in Chibougamau, Québec, a historically prolific mining camp. On June 27, 2011, the Company received notice that the Superior Court of Québec had approved its proposal to have the former Campbell assets transferred to Nuinsco and its partner Ocean Partners under our debt security. The asset transfer agreement has now been completed and the plan is to highlight the substantial value of these assets and realize on this value for shareholders.

The Chibougamau assets represent a very substantial presence in a mining camp which has produced 1.6 billion pounds of copper and 3.4 million ounces of gold from 18 past-producing mines. Nuinsco and Ocean Partners have the rights to:

- eight past-producers on the Lac Dore fault and the significant potential to add to the known mineralization at these projects;
- one partially-developed high-grade copper mine - the Corner Bay Mine;
- a permitted 3,000 tonne per day mill and tailings facility; and,
- in excess of 11,000 ha of highly-prospective exploration property.

Management has always believed that the Chibougamau properties present not only production opportunities but also extremely attractive exploration potential. Given the paucity of exploration on these properties in the past 20-30 years the old adage that "the best place to look for new ore is in the shadow of a head frame" was never more apt than in Chibougamau.

### **Prairie Lake**

At Prairie Lake, drill results from last year's program have been incorporated into a revised ETMI and the property now ranks as one of the largest deposits of its kind in the world with 515 – 630 million tonnes, and the size is only constrained by drilling, or the lack thereof. Process testing is ongoing with the objective of producing two separate marketable concentrates of phosphate and niobium. Laboratories continue to be very busy and as a result this program is not expected to be completed until the first quarter of 2012.

### **Diabase Peninsula**

On the uranium front, our Diabase Peninsula project in the Athabasca Basin of Saskatchewan continues to gain prominence as Rio Tinto increases its bid for Hathor Exploration Limited's Roughrider project to a value of approximately \$578 million. Recent diamond drilling returned uranium values up to 92ppm and, as stated in our press

release: "uranium values exceeding 10ppm suggest the presence of an alteration zone and the distinct possibility of a lens of uranium mineralization in the immediate vicinity." We intend to keep drilling.

### **MENA (Egypt, Turkey and Sudan)**

Nuinsco's efforts to create a new company focused on the MENA region are being temporarily slowed pending resolution of tenure in Egypt. The Egyptian properties have passed all the required steps other than the final blessing of the agreements by parliament. In the absence of a formal government, this approval has been delayed. However, the election process has commenced with anticipated completion around March 2012. Once the new government is formed, we are confident that the agreements will be approved. Egypt needs to show that the country is open for business.

Nuinsco has completed another round of exploration including trenching at its new project in Sudan, J. Tobrar, which lies in the Nubian Shield, the same geological setting as our properties in the Eastern Desert of Egypt. Results will be announced as soon as assays are received. Previous surface work sampled 12 veins. All veins returned strongly anomalous results and include one vein with a 324m interval averaging a grade of 16.07 g/t and a width of 1.34m.

These results are not dissimilar to those of the three surface programs completed in Egypt on the Bukari Concession, which provide clear evidence of the very promising potential for gold discovery in the Eastern Desert. Additional projects in other MENA countries are being evaluated and we will provide information as discussions advance.

The extraordinary exploration potential of Berta and Elmalaan in Turkey first gave Nuinsco its entry into the MENA region in 1995.

Drill results at Berta have been exceptional, but the property is significantly underexplored. Berta remains a joint venture with Xstrata Copper Canada ("Xstrata") which, as operator, has proposed an approximate \$1.4 million work program. This has been a long time coming but is scheduled now for 2012 and we eagerly anticipate the results. Given our other commitments in the region, we envision at best a small exploration program at Elmalaan in 2012 which could include geophysics, mapping, stream sampling and, possibly, a small drilling program, but this is to be determined.

### **Overall**

Nuinsco is fortunate to have very attractive projects in world class locations and therefore hopes to have increased investment interest over the next year. While today's confused equity markets persist, we believe that the significant disconnect between share price and asset value cannot last. The recent lack of funding available for the exploration activities that are required to replace depleting global resources and to fuel growing demand for natural resources will hopefully result in a recovery as the availability of advanced exploration projects disappears due to this lack of funding.

Unfortunately, financing exploration activities during recessionary and unsettled times has always been difficult. Exploration is high-risk and investors are disinclined to participate in such activities when cash is tight. The existence of flow-through equity financing in Canada is of vital importance to the exploration industry. It has allowed exploration to continue at unprecedented rates and has kept Canada at the global forefront of mineral exploration and mining.

Exploration companies must find creative ways to fund their activities. The sale of assets has been an important source of funding for Nuinsco. As a result of prior asset sales, Nuinsco is in a relatively strong financial position for a junior exploration company.

We continue to believe MENA countries are significantly underexplored and will provide excellent opportunities in the future. That's why we are establishing our presence now. In addition, creation of a MENA-focussed company enables direct funding of programs on these projects which will not dilute Nuinsco's other projects, and vice-versa.

Nuinsco is in the exploration business and value can only be generated through vigorous exploration programs, good exploration results and increasing opportunities for discovery. Nuinsco follows this approach as shown by its recent activities to create value through exploration in a growing list of countries with the potential of more to come.

Historically, Nuinsco has raised significant funds over its life. We expect that our ability to raise funds in Canada will continue and our growing international presence has opened up additional international sources of funding to us.

As mentioned earlier, we are in the exploration business and all of our projects are active. It is through systematic programs that we will generate the exploration results and the market reaction that all shareholders including management are looking for. We are doing this in Canada, where Nuinsco has had six prominent discoveries, and at

the same time positioning the company for future growth through discovery in the MENA region. As an early mover we have given Nuinsco a competitive advantage in this highly prospective and misunderstood part of the world where we are confident many discoveries are yet to come.

## RESULTS OF OPERATIONS

*All of the information described below is accounted for in accordance with IFRS. The reader is encouraged to refer to Notes 3 and 28 of the Company's Unaudited Condensed Consolidated Financial Statements and Notes 3 and 32 of the Company's First Quarterly Consolidated Financial Statements of 2011 for the Company's IFRS accounting policies and a complete analysis and reconciliation of the Company's accounting under pre-transition Canadian GAAP and IFRS. Furthermore, the Company's Unaudited Condensed Consolidated Financial Statements also include information pertinent to the three and nine months ended September 30, 2010. The discussion below includes certain references to some of the main effects of the changes under IFRS where it is considered helpful.*

### **Three Months Ended September 30, 2011, Compared With Three Months Ended September 30, 2010**

In the three months ended September 30, 2011, the Company generated a net loss of \$463,000 or \$0.00 per share, compared with a net loss of \$1,179,000 or \$0.00 per share in the three months ended September 30, 2010. The main contributing factor to the loss in 2011 was general and administrative costs of \$400,000. The loss in 2010 was primarily a result of general and administrative costs of \$313,000 combined with a writedown of exploration and evaluation projects of \$606,000 as described below.

General and administrative expenses increased by \$87,000. The main contributing factors to increases in general and administrative expenditures are: investor and public relations expenses, tax services to support the challenge of the CRA reassessment and additional costs due to increased overseas activity. Expenses in 2010 included recruitment fees and a provision for Part XII.6 tax on unexpended flow-through amounts combined with a one-time credit for WSIB costs; there were no such items in 2011.

Overhead recoveries through charges to Victory Nickel for services under the management agreement and deducted from operating expenses amounted to \$197,000 in the three months ended September 30, 2011, compared with \$192,000 in the same period of 2010. Costs allocated to Victory Nickel pursuant to the management agreement between the Company and Victory Nickel are activity related. Such amounts are recorded at the cost to the Company of such services plus 10%.

It is estimated that approximately \$121,000 of general and administrative expenditures were incurred on supporting the Company's public status in the three months ended September 30, 2011 (September 30, 2010 - \$115,000). Such costs are non-discretionary and are weighted to the beginning of a financial year because of audit and other compliance requirements. Costs are comparable year-over-year.

Share-based payments related to options decreased from \$87,000 in 2010 to \$35,000 in 2011. The Company's primary award of options to directors, employees and consultants occurred in the first quarters of 2011 and 2010. An additional 1,150,000 options were issued in the third quarter of 2010, primarily to new directors that vested immediately, resulting in a higher share-based payment in the third quarter of 2010.

The Company separates its pre-exploration write-offs from its writedowns of exploration and evaluation projects in the consolidated statements of operations. Routine write-offs of pre-exploration expenditures in the three months ended September 30, 2011 aggregated \$12,000 and primarily related to initial work in Sudan. In 2010, pre-exploration write-offs of \$76,000 were made. This comprised routine write-offs of \$29,000 combined with write-offs of \$47,000 related to pre-exploration and evaluation expenditures incurred on the Bukari project prior to the terms of the concession agreement being reached with EMRA (IFRS does not allow capitalization of such expenditures when they are incurred prior to a legal right being granted to explore the property). The decrease from 2010 to 2011 is a function of lower research activity into new project possibilities during the period.

In the third quarter of 2010, a writedown of exploration and evaluation projects of \$606,000 was made. The Company determined that it would not proceed with the Triggs option, part of the Olympian project, as a result of unsatisfactory drill results received in November, 2010.

Management determined that no significant events had been experienced during the period that would prompt an impairment review of its exploration and evaluation projects. Metals prices and other market factors continue to remain stable. This conclusion is summarized under Impairment Analysis Update below.

Net finance costs decreased from \$66,000 in the third quarter of 2010 to \$13,000 in 2011 and are primarily a function of the premium recorded on flow-through spending and the net change in fair value of warrants. The premium on flow-through spending is recorded through income as applicable expenditures related to the flow-through financings are incurred. In the third quarter of 2010, \$71,000 was recorded through finance income. The Company completed its obligations under the flow-through financing from December 2009 during the fourth quarter of 2010. The premium on flow-through spending in the third quarter of 2011 of \$12,000 related to the flow-through financings from July and August, 2011. As at September 30, 2011, the Company had a remaining flow-through commitment outstanding under that flow-through financing of \$1,380,000 to be spent by December 31, 2012. The flow-through premium concept is one of the more significant changes to the Company's accounting as a result of the transition to IFRS. Note 14 to the Company's Unaudited Condensed Consolidated Financial Statements includes a continuity of the flow-through premium liability.

Finance income in the third quarter of 2010 also included \$33,000 related to fee and interest expense charged by Nuinsco to Victory Nickel for an advance prepayment for the exercise of warrants. The warrants were exercised by Nuinsco in September, 2010.

Finance costs decreased from \$183,000 in the third quarter of 2010 to \$26,000 in 2011; the decrease is primarily a function of the net change in fair value of financial assets through operations that was recorded in the third quarter of 2010 of an \$183,000 decrease. The warrants were exercised in the third quarter of 2010. The Company no longer holds any financial assets at fair value through operations.

The Company also has a significant holding of marketable securities which is denominated in Australian dollars ("A\$"); A\$1,530,000 as at September 30, 2011 (September 30, 2010 - A\$2,760,000). Consequently, fluctuations in the Australian dollar impact the fair value of the securities, any changes in which are recorded through other comprehensive income or loss ("OCI").

OCI in the third quarter of 2011 of a loss of \$111,000 (2010 – income of \$1,024,000) relates to a decrease of \$111,000 (2010 – increase of \$997,000) in the market value of the Company's financial assets at fair value through OCI partially offset with an income tax expense recorded through OCI of \$nil (2010 - \$27,000). Note that under IFRS 9, Financial Instruments ("IFRS 9"), all changes in market value on financial assets at fair value through OCI (along with related tax effects) are reflected in OCI; this includes realized gains which, under pre-transition Canadian GAAP, were formerly reflected through operations. This is further discussed in the IFRS reconciliations in Note 28 to the Company's Unaudited Condensed Consolidated Financial Statements.

In the third quarter of 2011, the net change in the fair value of financial assets through OCI was mainly comprised of a decline in fair value of Victory Nickel shares partially offset by the increase in fair value of Coventry shares. The fair value of Victory Nickel and Coventry shares was \$0.075 and \$0.183, respectively, as at September 30, 2011. Note that the fair value of Coventry shares is impacted by the fluctuation in the value of the A\$. A loss of approximately \$30,000 of OCI is attributable to a weaker exchange rate during the three months ended September 30, 2011. In the third quarter of 2010, OCI was comprised of \$805,000 related to the improvement in the fair value of Coventry shares and the A\$, \$234,000 was attributable to an improvement in the fair value of Gold Hawk shares, offset by a \$42,000 decline in the value of Victory Nickel shares.

A discussion of the more significant changes not addressed in other sections of this MD&A is as follows:

Receivables have decreased from \$674,000 as at December 31, 2010 to \$473,000 as at September 30, 2011. The decrease is primarily due to the receipt in the first quarter of 2011 of Québec mining duties in the amount of \$203,000.

Marketable securities as at September 30, 2011 consist of the Company's financial assets at fair value through OCI. The Company presently has no financial assets recorded at fair value through operations. Any volatility in the market value of shares will be recorded through OCI whether generated from sales or unrealized market changes. Marketable Securities decreased from \$5,463,000 as at December 31, 2010 to \$2,214,000 as at September 30, 2011. The decrease is primarily a result of the decline in the market value of Victory Nickel and Coventry shares, as well as the sale of a portion of the portfolio of Coventry shares and the sale of the remaining holdings of Gold Hawk shares for liquidity purposes as discussed above. The shares of Coventry and Victory Nickel had a market value of \$1,552,000 and \$624,000, respectively, as at September 30, 2011.

Trade and other payables decreased from \$2,601,000 as at December 31, 2010 to \$1,103,000 as at September 30, 2011. The decrease is primarily due to less activity on projects during the three months ended September 30, 2011 as



well as the adjustments relating to the dilution of Nuinsco's interest in Berta recorded in the second quarter of 2011 and as discussed below.

Share capital has increased by \$2,463,000 from December 31, 2010 to September 30, 2011. This is as a result of the shares issued pursuant to private placements that generated gross proceeds of \$500,000 in January, 2011 and \$1,500,000 in July and August, 2011, the exercise of warrants and options for consideration of \$706,000 and \$6,000, respectively, the issuance of shares pursuant to the Share Bonus Plan and to the option agreement entered into with respect to the J. Tobrar property in Sudan; some of which are discussed under Liquidity and Capital Resources. The conversion to IFRS also had significant impact on the components of shareholders' equity. In particular, this related to accounting changes in flow-through accounting and the reversal of previously-recorded impairment. Refer to Note 32 in the Company's First Quarterly Consolidated Financial Statements of 2011.

***Nine Months Ended September 30, 2011, Compared With Nine Months Ended September 30, 2010***

In the nine months ended September 30, 2011, the Company had a net loss of \$2,288,000 or \$0.01 per share, compared with a net loss of \$3,699,000 or \$0.01 per share in the nine months ended September 30, 2010. The principal reason for the reduction in loss was because of income tax expense recorded in 2010 related to the Cameron Lake sale; this was effectively a reversal of a future tax asset set up at the end of 2009.

Other revenue in the nine months ended September 30, 2011 of \$100,000 was a non-refundable fee related to due diligence on the Chibougamau assets. No such revenue was received during 2010.

General and administrative expenses in the first nine months of 2011 increased from \$1,011,000 in 2010 to \$1,530,000 in 2011. The main contributing factors to increases in general and administrative expenditures are: investor and public relations expenses, fees with respect to the ongoing monitor and legal costs with respect to Campbell assets, the IFRS engagement with the Company's advisors, tax services to support the challenge of the CRA reassessment and increased staff costs. The Board of Directors approved salary increases for 2011 plus the current period includes a full nine months of the controller who was hired July, 2010, as well as an IFRS-project-related bonus. Expenses in 2010 included legal fees related to the terminated acquisition of Gold Hawk, recruitment fees and a provision for Part XII.6 tax on unexpended flow-through amounts; there were no similar amounts in 2011.

Overhead recoveries through charges to Victory Nickel for services under the management agreement and deducted from operating expenses amounted to \$609,000 in the nine months ended September 30, 2011, compared with \$529,000 in the same period of 2010. Costs allocated to Victory Nickel pursuant to the management agreement between the Company and Victory Nickel are activity related. Such amounts are recorded at the cost to the Company of such services plus 10%. The increase in costs allocated is primarily a function of salary increases in 2011 and the effects of hiring an extra staff member in July 2010 to support additional compliance requirements.

It is estimated that approximately \$520,000 of general and administrative expenditures were incurred on supporting the Company's public status in the nine months ended September 30, 2011 (2010 - \$430,000). Such costs are largely non-discretionary and are weighted to the beginning of a financial year because of audit and other compliance requirements. The increase from 2010 to 2011 is mainly due to increased salaries as discussed earlier and higher investor and public relations costs.

Share-based payments related to options increased from \$331,000 in 2010 to \$557,000 in 2011 which is a function of the higher fair value of options issued in 2011 compared with 2010. In 2011, the Board of Directors granted 4,975,000 stock options to directors, officers, employees and consultants with a weighted average exercise price of \$0.17 per share and a weighted average fair value of \$0.124 per share. Of the options granted, 3,887,500 vested immediately and 1,087,500 vest over one year. In 2010, the Board of Directors granted 5,850,000 stock options with a weighted average exercise price of \$0.08 per share and a weighted average fair value of \$0.053 per share. Of the options granted, 4,725,000 vested immediately and 1,125,000 vested over one year.

The Company also issued shares under the Share Bonus Plan in 2011 and 2010 and therefore recorded other share-based payments of \$17,000 and \$121,000, respectively, as described above. The issuances in 2011 were related to the completion of the IFRS project, whereas the issuances in 2010 were more general and to a larger number of recipients.

Routine write-offs of pre-exploration expenditures in the nine months ended September 30, 2011 aggregated \$139,000 and related primarily to preliminary work in Sudan. In 2010, pre-exploration write-offs of \$316,000 were made that were a result of routine write-offs of \$109,000 combined with write-offs of \$207,000 related to pre-exploration and

evaluation expenditures incurred on the Bukari project prior to the terms of the concession agreement being reached with EMRA. IFRS does not allow capitalization of such expenditures when they are incurred prior to a legal right being granted to explore the property.

In 2010, writedown of exploration and evaluation projects of \$348,000 was related to a write-off of the Triggs option of \$606,000 as described earlier, partly offset by an adjustment to the fair value of the Coventry shares received upon sale of Cameron Lake of \$258,000 (refer to Note 32 to the Company's First Quarterly Consolidated Financial Statements of 2011). Note that there was a significant IFRS difference related to the value of Cameron Lake. A transition adjustment was made of \$9,850,000 which related to the reversal of prior writedowns which are required if there is an improvement in the recoverable value of a project. The adjustment was calculated by reference to the proceeds of sale of the project, the terms of which were determined in December 2009. Those terms included marketable securities the value of which changed until the completion of the sale in April 2010 by an aggregate of \$258,000, the adjustment referred to above. Adjustments to Cameron Lake values were timing differences, upon completion of the sale in the second quarter of 2010, all differences in accounting were offset through deficit.

Net finance costs decreased from \$235,000 in 2010 to \$30,000 in 2011. The premium on flow-through spending in 2010 was \$205,000. The Company completed its obligations under the flow-through financing from December 2009 during the fourth quarter of 2010. The Company completed approximately half of its obligations under the flow-through financing from December 2010 by the end of 2010. The remaining flow-through premium of \$48,000 was reflected through operations by the end of the first quarter of 2011. An additional premium on flow-through spending in 2011 of \$12,000 was recorded. As at September 30, 2011, the Company had a remaining flow-through commitment outstanding under the flow-through financing from July and August, 2011 of \$1,380,000 and a remaining flow-through premium liability to be amortized through finance income of \$138,000. The flow-through premium concept is one of the more significant changes to the Company's accounting as a result of the transition to IFRS. Note 14 to the Unaudited Condensed Consolidated Financial Statements includes an analysis of the flow-through premium liability.

Finance income in 2010 also included \$33,000 related to fee and interest expense charged by Nuinsco to Victory Nickel for an advance prepayment for the exercise of warrants. The warrants were exercised by Nuinsco in September, 2010.

The Company recognized a net foreign exchange gain of \$146,000 in 2010 and a net foreign exchange loss of \$74,000 in 2011. The net foreign exchange gain in 2010 was primarily a function of the US\$-denominated loan repaid in early 2010. As at September 30, 2011, the Company had US\$-denominated net liability balances of approximately US\$92,000 (September 30, 2010 - US\$475,000). Accordingly, the impact of US\$ foreign exchange fluctuations has been reduced. However, the Company made dilution adjustments in the period with respect to the Berta project. As reported in prior financial statements, the dilution adjustment reduced the carrying cost of the Berta project, accounts payable and foreign exchange. As the capitalized expenditures were recorded in periods where the Canadian dollar was weaker relative to the US\$, an exchange loss of \$63,000 was recorded, which is the most significant element of the total loss of \$74,000.

The finance costs incurred in 2010 include interest expense of \$218,000, including amortization of loan fees, on the US\$-denominated loan that was outstanding combined with the net change of \$403,000 in the fair value of financial assets at fair value through operations being the Victory Nickel warrants, as discussed earlier. The Company no longer has significant debt and no longer has any warrants with changes in fair value through operations.

The income tax expense in the amount of \$105,000 recorded in 2011 reflects tax expense on the change in value of financial assets at fair value through OCI. In 2010, income tax expense of \$27,000 was related to the change in value of financial assets at fair value through OCI and \$1,297,000 was related to the sale of Cameron Lake as described above.

OCI in 2011 of a loss of \$1,269,000 (2010 – income of \$5,000) relates to a decrease of \$1,374,000 (2010 – increase of \$22,000) in the market value of the Company's financial assets at fair value through OCI, partially offset with an income tax expense recorded through OCI of \$105,000 (2010 - \$27,000). Note that under IFRS 9, Financial Instruments ("IFRS 9"), all changes in market value on financial assets at fair value through OCI (along with related tax effects) are reflected in OCI; this includes realized gains which, under pre-transition Canadian GAAP, were formerly reflected through operations. This is further discussed in the IFRS reconciliations in Note 28 to the Company's Unaudited Condensed Consolidated Financial Statements.

In 2011, the net change in the fair value of financial assets through OCI was comprised of the decreases in fair value of Gold Hawk, Coventry and Victory Nickel shares. During 2011, the Company sold its remaining holdings of Gold Hawk shares and a portion of its holdings of Coventry shares for liquidity purposes. Note that the fair value of Coventry shares is impacted by the fluctuation in the value of the A\$. Approximately a loss of \$33,000 of the OCI related to Coventry is attributable to exchange rate fluctuations during the nine months ended September 30, 2011. OCI in 2010 of a loss of \$22,000 represented a \$218,000 decline in the value of Coventry since its acquisition, \$497,000 related to an improvement in Gold Hawk with the balance of \$301,000 being attributable to a decline in the fair value of Victory Nickel.

The Company has capital loss pools available to it of approximately \$5,000,000 (Note 15 to the Company's First Quarterly Consolidated Financial Statements of 2011). Since the Company has unrecognized deferred tax assets for such capital losses, a future income tax recovery of \$105,000 with respect to marketable securities was recorded through OCI with an equal and opposite amount being recorded through operations.

## SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eleven quarters ended September 30, 2011 is as follows:

### The information for 2011 and 2010 is accounted for in accordance with IFRS

<u>Fiscal year 2011</u>		<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
Net finance (costs) income		\$ (13)	\$ (68)	\$ 51
Net loss		\$ (463)	\$ (817) <sup>(1)</sup>	\$ (1,008) <sup>(3)</sup>
Total comprehensive loss		\$ (574)	\$ (1,908) <sup>(2)</sup>	\$ (1,075)
Loss per share - basic and diluted		\$ (0.00)	\$ (0.00)	\$ (0.00)
<u>Fiscal year 2010</u>	<u>4<sup>th</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
Net finance income (costs)	\$ 366 <sup>(4)</sup>	\$ (66)	\$ (182)	\$ 13
Net income (loss)	\$ 58	\$ (1,179) <sup>(6)</sup>	\$ (1,404) <sup>(8)</sup>	\$ (1,116) <sup>(10)</sup>
Total comprehensive income (loss)	\$ 1,266 <sup>(5)</sup>	\$ (155) <sup>(7)</sup>	\$ (2,535) <sup>(9)</sup>	\$ (1,004)
Income (loss) per share - basic and diluted	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.00)

### The information for 2009 is accounted for in accordance with pre-transition Canadian GAAP

<u>Fiscal year 2009</u>	<u>4<sup>th</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
		(Restated) <sup>(12)</sup>		
Revenue and other income	\$ (46)	\$ -	\$ 297	\$ -
Net income (loss)	\$ 429 <sup>(11)</sup>	\$ 1,798 <sup>(13)</sup>	\$ 194 <sup>(14)</sup>	\$ (745) <sup>(15)</sup>
Total comprehensive income	\$ 610	\$ 956	\$ 751	\$ 136
Income (loss) per share - basic and diluted	\$ 0.00	\$ 0.01	\$ 0.00	\$ (0.00)

### The information for 2011 and 2010 is accounted for in accordance with IFRS and the notes thereto are as follows:

- (1) Net loss includes \$122,000 of pre-exploration write-offs.
- (2) Total comprehensive loss includes a decrease of \$1,171,000 in the fair value of financial assets at fair value through OCI.
- (3) Net loss includes \$489,000 of share-based payments.
- (4) Net finance income includes \$356,000 premium on flow-through financing.
- (5) Includes an increase of \$1,320,000 in the fair value of financial assets at fair value through OCI, partly offset by incomes taxes of \$85,000.
- (6) Includes a writedown of exploration and evaluation projects of \$606,000, related to the Triggs option in the Olympian project.
- (7) Includes an increase of \$997,000 in the fair value of financial assets at fair value through OCI.
- (8) Reflects a non-cash future income tax provision of \$1,260,000, refer to (11) below and a \$556,000 recovery on exploration and evaluation projects, some of which reverses the writedown described in (10).
- (9) Includes a decrease of \$1,131,000 in the fair value of financial assets at fair value through OCI.
- (10) Includes \$228,000 of share-based payments, \$298,000 writedown of exploration and evaluation projects and \$158,000 pre-exploration write-offs related to IFRS changes (Note 32 to the First Quarterly Consolidated Financial Statements of 2011).



**The information for 2009 is accounted for in accordance with pre-transition Canadian GAAP and the notes thereto are as follows:**

- (11) Includes recognition of a future income tax recovery of \$1,297,000 related to tax benefits that were expected to be realized upon the closing of the sale of Cameron Lake to Coventry in April 2010.
- (12) Restated in the fourth quarter to include a gain on warrants of \$333,000 in net income which had previously been included in other comprehensive income.
- (13) Includes \$1,360,000 gain on sale of Victory Nickel as well as \$493,000 foreign exchange gain primarily on the Company's loan-related balances.
- (14) Includes \$538,000 net foreign exchange gain primarily on the Company's loan payable as well as \$296,000 gain on sale of Rainy River Resources shares.
- (15) Includes \$606,000 of income tax recoveries on flow-through share renunciations offset by a dilution loss of \$322,000 on the share of Victory Nickel's flow-through share renunciations.

Variations in the quarterly results of operations are largely a function of the timing of property and other writedowns, gains on sales of properties and tax recoveries or provisions. Variations in comprehensive income are primarily a function of the changes in the fair values of the Company's financial assets recorded through OCI.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at September 30, 2011, the Company had working capital of \$1,889,000 (excluding restricted cash of \$210,000) (December 31, 2010 - \$4,164,000, excluding restricted cash of \$199,000).

The Company required cash and cash equivalents of \$323,000 during the nine months ended September 30, 2011 compared with \$1,081,000 during the same period in 2010.

In the nine months ended September 30, 2011, the Company used cash of \$1,768,000 in operating activities, compared with cash used of \$1,679,000 in the nine months ended September 30, 2010. The Company has no recurring sources of revenue and no regular operations and the change in non-cash working capital in the nine months ended September 30, 2011 used cash of \$63,000 compared with \$353,000 in the same period in 2010. The main reason for the change in non-cash working capital relates to a decrease in receivables due to the receipt of Québec mining duties combined with a reduction in trade and other payables.

Investing activities in the nine months ended September 30, 2011 used funds of \$1,195,000, compared with funds generated of \$3,574,000 in the same period in 2010. During the nine months ended September 30, 2010, aggregate payments of \$1,525,000 were made by the Company throughout the fiscal year of 2010 with respect to Campbell debt acquisition. The Company, along with Ocean Partners, through a jointly-controlled Canadian subsidiary, acquired substantially all of the remaining secured debt of Campbell that Nuinsco and Ocean Partners did not previously own. Nuinsco expects to make a further payment of \$200,000 within one year (which is included in trade and other payables) and \$300,000 no earlier than April 2013 (which is included in long-term liabilities at a fair value of \$261,000 using a discount rate of 8%). In 2011, Nuinsco paid \$30,000 to settle a claim made against the Campbell assets.

As a result, the two companies effectively gained control over a significant Canadian mining camp. On June 28, 2011, the Company announced the Québec Superior Court's decision to allow the receiver to transfer ownership of all exploration, mining, processing and other assets that were formerly owned by Campbell to CBAY Minerals Inc., a company jointly-owned by the Company and Ocean Partners. Effective October 25, 2011, the transfer of ownership was completed. The Chibougamau mining camp in Québec historically has produced over 40 million tonnes of ore, 3 million ounces of gold and 1.5 billion pounds of copper. As discussed, there are several alternatives available to Nuinsco and Ocean Partners to ensure that the value of these assets is recognized.

Expenditures on exploration and evaluation projects amounted to \$3,090,000 in the nine months ended September 30, 2011, compared with \$1,113,000 in the same period in 2010. Refer to the Exploration and Evaluation Activities section for additional discussion.

During the nine months ended September 30, 2011, the Company received gross proceeds of \$1,925,000 on the sale of Gold Hawk and Coventry shares as discussed earlier. Shares are being sold for liquidity purposes and the entire Gold Hawk portfolio was liquidated in 2011. In 2010, the Company received \$684,000 gross proceeds on the sale of Gold Hawk shares.

In 2010, the Company received the remaining cash proceeds from the sale of Cameron Lake totalling \$5,900,000; no projects have been sold in 2011.

The purchase of marketable securities used funds of \$366,000 in 2010. The purchase represented the cash cost of exercising the warrants which were acquired in 2009 along with Victory Nickel shares.

Cash generated from financing activities was \$2,640,000 in the nine months ended September 30, 2011, compared with cash used of \$2,976,000 in the same period in 2010. On January 10, 2011, the Company completed a private placement financing of 3,125,000 units of securities at a price of \$0.16 per unit generating net proceeds of \$493,000. In July and August, 2011, the Company completed another private placement financing of 10,000,000 units of securities at a price of \$0.15 per unit generating net proceeds of \$1,435,000. Each unit comprised one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.20 for a period of 24 months from closing.

Other cash consideration received in the nine months ended September 30, 2011 was from the exercise of warrants and options. In 2009, the Company completed a rights offering. During the nine months ended September 30, 2011, 7,062,064 warrants that were issued pursuant to the rights offering were exercised for an aggregate consideration of approximately \$706,000. The number of warrants from the rights offering that remained unexercised amounted to 279,167 and these consequently expired in April 2011. Other financing activities in the nine months ended September 30, 2011 included the exercise of 75,000 options at exercise prices of \$0.080, \$0.055 and \$0.050 for aggregate consideration of approximately \$6,000.

In 2010, the Company repaid its loan from the cash proceeds received from the sale of Cameron Lake in April 2010. Including interest, this amounted to \$2,972,000.

As at September 30, 2011, the Company had a remaining flow-through commitment outstanding for flow-through share financings in 2011 of \$1,380,000 which must be completed by the end of 2012. Note that flow-through renunciation under IFRS is recognized as eligible expenditures are made and, since Nuinsco has unrecognized deferred tax assets, there effectively is no accounting entry required as renunciation merely adjusts the amount of the unrecognized deferred tax assets.

Management is continuing to actively pursue additional ways to realize on the potential of its assets or secure financing in order to provide funds for operations. Flow-through financings do not provide the funding necessary to meet corporate or foreign expenditures which do not qualify for flow-through eligibility. The significant cost to maintain and comply with regulatory requirements for the Company's public listing cannot be financed with flow-through shares. Cash received from the Company's warrants and options as well as from sales of marketable securities are "hard" dollars and can be utilized without restriction.

In order to facilitate exploration on the Bukari project in Egypt in 2010, the Company was required to issue a letter of guarantee supported by US\$200,000. Accordingly, the Company deposited funds with its bank supporting the guarantee. Such funds are restricted until either one year from issue date of the letter of guarantee or upon EMRA providing official notification that the concession agreement has been ratified by the Egyptian People's Assembly. Upon ratification of the Bukari concession agreement by the Egyptian People's Assembly, Nuinsco will have a commitment of US\$2,000,000 of expenditures in the first year of exploration on the Bukari concession. The present letter of guarantee expires in November, 2011. The Company is discussing its extension with EMRA.

The Company has also announced that it has executed a concession agreement with EMRA for the Umm Samra property in Egypt. The first year expenditure commitment is approximately US\$1,500,000. Further, the commitment with respect to the northeastern Sudan property announced in July, 2011 is approximately \$800,000 by the end of the option period. If the option is exercised, US\$4,000,000 will be required to be made in either cash or shares. The Company is actively considering financing alternatives to fund these foreign commitments including completing a spin-off of MENA region assets as soon as practicable.

Due to the decision to not pursue the projects collectively known as the Olympian project shortly after the end of the third quarter of 2010, the Company no longer has any expenditure commitment for that option.

In order to maintain the option on one of the Diabase Peninsula claims, the Company must make an option payment of approximately \$935,000 by September 2, 2012.

The Company has a corporate policy of investing its available cash in cash equivalents comprising Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise approved by the Board. The portfolio of marketable securities is available to fund the Company's activities.

As mentioned above, the Company sold the remainder of its Gold Hawk shares in April, 2011 and continues to sell securities where appropriate.

The total market value of the Company's marketable securities as at November 4, 2011, is approximately \$2,212,000. These are available to fund the Company's ongoing operations. The market value can go down as well as up.

As described above, exploration and evaluation companies such as Nuinsco are heavily reliant upon the equity markets to fund their activities as they typically have no short-term sources of revenue other than through monetization of assets. Opportunities available to Nuinsco for financing would normally be through private placements in the equity markets. However, today's equity markets continue to make this alternative difficult if not impossible without incurring significant dilution to existing shareholders.

The Company closed a financing in January 2011 of \$500,000, had a 96.3% success on the take-up of warrants from the rights offering in April, 2011, thereby generating \$735,000 and also has raised an additional \$1,500,000 in flow-through financing in July and August, 2011. However, additional financings will be required to properly exploit the Company's Canadian and foreign assets. Only 415,050 warrants issued pursuant to the October, 2010 flow-through financing were exercised and the remaining 3,156,379 warrants expired unexercised. The Company will consider all alternatives given appropriate pricing and other market conditions. Such alternatives could include earn-in options with third parties, other partnership arrangements, corporate transactions and further sales of marketable securities or project assets.

The Company's estimated monthly commitments, net of recoveries from Victory Nickel for ongoing administrative support in 2011, are approximately \$136,000. The Company's working capital requirements continue to be modest. At September 30, 2011, the major routine item requiring financing was an HST/GST receivable of \$20,000 (received in October 2011) which averaged approximately \$50,000 per quarter in 2010. We estimate that approximately \$600,000 in non-discretionary costs is required on an ongoing annual basis to support the Company as a public entity. Such expenditures are not eligible for flow-through funding and must be financed through other means.

Given its current cash and marketable securities position with no significant debt, the Company is in a relatively strong financial position for a junior exploration company. The Company will continue to make expenditures on Canadian exploration activities to fulfil any flow-through commitments. Partners are also being sought for certain of the Company's projects where significant funding is required for proper exploration programming and fulfilment of option terms.

The Company has created a new company focussed on the MENA region which will include the Company's Turkish, Egyptian and Sudanese interests. Nuinsco believes the MENA region is underexplored and this makes it an interesting proposition for the Company and should attract prospective investors.

## **EXPLORATION AND EVALUATION ACTIVITIES**

In the nine months ended September 30, 2011, the Company incurred exploration and evaluation expenditures of \$2,477,000 on its mineral interests, compared with \$1,279,000 in the same period in 2010. Expenditures were higher during the nine months ended September 30, 2011 mainly due to activity on the Diabase Peninsula, Prairie Lake, Bukari and J. Tobrar projects. The most significant expenditures in the nine months ended September 30, 2011 were on the Diabase Peninsula project in the amount of \$1,071,000 (September 30, 2010 - \$186,000), Prairie Lake expenditures in the amount of \$469,000 (September 30, 2010 - \$260,000), the Bukari project in the amount of \$342,000 (September 30, 2010 - \$188,000), and the J. Tobrar project in the amount of \$499,000 (September 30, 2010 - \$nil). Costs on other programs were: Olympian \$nil (September 30, 2010 - \$638,000), Berta \$68,000 (September 30, 2010 - \$4,000) and Elmalaan \$28,000 (September 30, 2010 - \$3,000).

Paul Jones, President, is a "qualified person" as defined under NI-43-101, and he has supervised the preparation, and has approved, the information relating to the material mineral projects of the Company described herein.

A synopsis of the Company's properties follows; complete details of the mineral properties are available on the Company's website at [www.nuinsco.ca](http://www.nuinsco.ca).

## **URANIUM AND RARE METALS**

### **Diabase Peninsula Property, Saskatchewan**

Nuinsco's Diabase Peninsula uranium project is located 150km northwest of La Ronge, Saskatchewan within, and approximately 5km from, the southern boundary of the Athabasca Basin; the region that hosts the world's richest

uranium mines. The 21,900ha Diabase Peninsula property is located on the western shore of Cree Lake. The property encompasses a 35km strike length covering a north-easterly-trending graphite-bearing conductive horizon of regional extent lying beneath the Athabasca sandstones, and the sub-parallel oft-juxtaposed Cable Bay Shear Zone – a major terrane boundary within the Proterozoic basement sequence which is considered to be an important potential host structure for uranium mineralization in this part of the Athabasca Basin.

The Diabase Peninsula project is a joint venture with Trend Mining Company of Denver (“Trend”) whose interest approximates 10.13%. Should a participant’s interest drop below 10%, that participant will relinquish its entire participating interest and will have the right to receive a royalty equal to 3% of the net value of all mineral products produced from the property; net value is defined as proceeds less processing and treatment charges, transportation costs, sales, marketing and brokerage costs and taxes. The Company estimates that an additional \$129,000 of expenditures would reduce Trend’s interest to a royalty. If the project progresses to a development stage before its interest drops below 10% as described above, Trend has a one-time 50% back-in right upon reimbursing Nuinsco for 140% of its total expenditures to that date. It is extremely unlikely that this could occur. In order to maintain the option on one of the claims, the Company must make an option payment of approximately \$935,000 by September 2, 2012. That same claim is subject to a 3% gross production royalty (“GPR”) defined as actual metal/mineral sales with no deduction for refining or transportation expenses. The GPR can be purchased before September 2, 2012 for \$11,000,000 as follows: first percentage - \$1,000,000; second percentage - \$3,000,000; third percentage - \$7,000,000.

Since acquiring the property in early 2005, as uranium demand began to drive prices into a steep climb from their US\$15-US\$20 per pound historic range, Nuinsco has completed a property-wide deep-penetrating MEGATEM survey which mapped the regional graphite-pyrite conductor the length of the property. This was followed by ground geophysical TEM surveys over two priority target areas (the Main and Rowan Lake grids) located 8km apart, and has been complemented by both widespread geophysical gravity-survey profiling to map fault structures along the length of the Cable Bay trend and detailed gravity work upon both gridded priority targets.

Initial diamond drilling (10 holes) in 2005-2006 confirmed the highly-prospective nature of the geology and structure present within the Main grid area, and has focussed the Company’s attention upon a 1.5km length segment of the 6km of strike covered by the Main grid. Geochemical evidence of uranium-related mineralizing processes and significantly anomalous radioactivity and uranium values were encountered in several holes. A radon gas survey in summer 2006 revealed a strong anomaly at the northern end of the 1.5km target area, but thick glaciofluvial esker cover elsewhere along the segment may have obscured additional bedrock sources. A winter 2007-2008 \$2,500,000 drilling program consisted of 17 holes (plus extending a 2006 hole which had failed to reach basement), with five holes devoted to follow-up on the Main grid and the remainder testing four high-ranking gravity survey/fault structure targets scattered the length of the property.

Two of the 2007-2008 holes returned sub-ore grade uranium intercepts of particular significance, 707ppm Uranium (“U”) at the unconformity in hole ND0801 and 410ppm U well below the unconformity in hole ND0807 (total dissolution-ICP methods). Uranium values in excess of only 10ppm are generally regarded by the exploration and academic community as representative of the alteration halo surrounding a potential ore-grade deposit. ND0801 is within the core of the main grid target, while ND0807 is 2.8km to the north within a water-covered portion of the Main grid. A further 8km to the north ND0808, the first upon the Rowan Lake grid target, encountered evidence of similar alteration processes and encountered a peak value of 247ppm U in a single sample 3.5m above the unconformity. Given that this hole was the first to be directed at a target over 450m below surface, the results are deemed extremely encouraging.

Following completion of this work, which aggregated 28 drill-holes totalling 11,205m, all parts of the project area have sufficient assessment work filed to hold the property 10-12 years without additional work. Key dispositions, where the bulk of the drilling has been undertaken, are in good standing for 15-20 years.

No new field work was conducted at Diabase Peninsula in 2009. In March, 2010, a gravity survey at 100m line-spacing was completed upon the segment of interest on the Main grid, and lake sediment Soil Gas Hydrocarbon (“SGH”) surveys were completed over the water-covered target in the northern Main grid area, and across the Rowan Lake grid, nearly entirely water-covered, with the samples tested by proprietary methods developed by Actlabs of Ancaster, Ontario.

The 2010 gravity survey revealed two 200m long, 100m wide anomalies in the southern portion of the Main grid segment, coincident with the area where Nuinsco’s drilling has found the strongest alteration and highest uranium



values in drilling completed to date. The SGH lake sediment work has confirmed the high potential of the Main grid north water-covered target and, as well, identified three areas within the Rowan Lake grid where coincident geophysical and geochemical responses suggest the presence of uranium. To quote Dale Sutherland Ph.D., Organics Manager and Director of Research for Actlabs, "the SGH data is not only indicating redox cell trends, it is indicating trends which have an organic signature associated specifically with uranium mineralization".

The November-December 2010 2,000m drill program targeted the central portion of the project area on the Diabase Peninsula, an area which demonstrates significantly anomalous uranium mineralization in conjunction with other indicators of a uranium mineralizing event. Results continue to be positive for a combination of geochemistry, geology, alteration and structure and as such provided sufficient reason to conduct a winter drilling program on the project. The March-April 2011 drill program comprised five drill holes totalling approximately 1,800m and additional gravity geophysics to expand upon results and coverage obtained from earlier programs. The field component was completed in mid-April. Analytical results grading up to 92 parts per million (ppm) U, in association with a number of other elements at anomalous concentrations continue to highlight the possibility of significantly anomalous uranium mineralization at the Diabase Peninsula project. Due to the small size of uranium orebodies relative to most other types of economic mineral deposits, tight drill-hole spacing is necessary in order to adequately evaluate prospective targets.

### **Prairie Lake Property, Ontario**

Prairie Lake, located near Marathon, Ontario, hosts a near-surface historic (non-NI-43-101-compliant) uranium resource of over 180,000 tonnes grading 0.09%  $U_3O_8$  (and 0.25% niobium) identified in exploration dating from the mid-1960s.

On January 13, 2010, the Company announced the results of an ETMI that demonstrated the presence of between 330 million and 360 million tonnes averaging 3.5% to 3.7%  $P_2O_5$  and 0.12% to 0.14%  $Nb_2O_5$ . The surface area used for the ETMI covered just 12% of the total project surface area. The ETMI was increased to 515 – 630 million tonnes in October 2011 as described below.

In a substantial backhoe trenching program completed during the summer of 2010, approximately 2km of trenches were excavated. Four trenches, ranging in length from 340m to 685m, were excavated mainly in parts of the Prairie Lake complex that to date have seen little systematic sampling. More than 1,000 samples were collected from the trenches. Samples were analyzed for a suite of elements of economic interest in the complex including phosphorus, tantalum, niobium, uranium and rare metals. Channel sampling results from the Dragonfly Trench, included values of up to 13.67%  $P_2O_5$  and 0.356%  $Nb_2O_5$ , and an intersection of 3.03%  $P_2O_5$  and 0.157%  $Nb_2O_5$  over 46.5m.

At the Grouse Trench, one of two trenches excavated in the NE quadrant of the Prairie Lake project, the results include individual analyses of up to 9.89%  $P_2O_5$ , 0.423%  $Nb_2O_5$  and 1.1% combined rare earth elements ("REEs") (La+Ce+Sm+Nd+Y). At the Raspberry Hill Trench, excavated about 200m north of the Grouse Trench in the NE quadrant of the project, of 231 samples collected from the trench, 58% returned assays of greater than 0.1%  $Nb_2O_5$  (14% of all samples  $\geq 0.2\%$   $Nb_2O_5$ ). Results included individual analyses of up to 6.98%  $P_2O_5$ , 0.352%  $Nb_2O_5$  and 0.48% combined REEs. The Wollastonite Trench was excavated in the SE quadrant of the complex and includes two East-West segments which branch out from the Wollastonite Showing. Sampling was completed only on the East branch, known as the Trailside Trench, which extends for 71.5m. Both branches were excavated for the purpose of defining the extent of the Wollastonite Showing. Results included individual analyses of up to 11.26%  $P_2O_5$ , 0.265%  $Nb_2O_5$  and 0.446% combined REEs, and an intersection of 4.352%  $P_2O_5$  and 0.157% combined REEs over 169.5m.

In December, 2010, the Company completed a 4,000m drilling program in the western half of the Prairie Lake complex. The drill program was designed to test the northward extension of the SW target defined in the ETMI and included 7 holes, each 500m to 600m in length. Approximately 1,800 core samples were collected. The results from the seven holes continue to demonstrate strong niobium and phosphorus mineralization, with REEs and tantalum (Ta), over very significant sampling lengths. Intervals of elevated assays were obtained from all holes and include 183.88m grading 3.49%  $P_2O_5$  and 0.109%  $Nb_2O_5$  in NP1002 and 294m grading 3.14%  $P_2O_5$  and 0.121%  $Nb_2O_5$  in NP1004. When combined with previous drilling and trenching results they define an enormous domain of rock mineralized with elements of economic interest.

The ETMI was updated in October 2011 and has expanded the ETMI to 515 to 630 million tonnes grading between 0.09 to 0.11% niobium and 3.0 to 4.0% phosphorous making it one of the largest deposits of its kind in the world.

Only a small percentage of the surface area of the Prairie Lake carbonatite has been explored and is included in the ETML, meaning the potential for further expansion is high.

The property is subject to a 2% NSR payable on any production from any claim that comprises the property. Up to a maximum of one half of the royalty can be purchased for \$1,000,000 in either cash or common shares of the Company.

## **GOLD, COPPER AND ZINC**

### **Turkish Properties**

Nuinsco has two properties in northeastern Turkey: the Berta copper project and the Elmalaan copper-zinc project. Berta was originally a 50:50 joint venture with Xstrata one of the commodity business units within Xstrata plc (see below). Exploration began at Berta in 2004. The Company completed its 100% earn-in at Elmalaan in 2007 subject to Xstrata's back-in right to reacquire a 50% interest. Xstrata's back-in right is exercisable upon, among other things, incurring expenditures equal to 200% of the aggregate expenditures incurred by the Company. In addition, Xstrata is entitled to acquire a further 20% interest in the property by incurring an additional US\$20,000,000 in expenditures. In the event that Xstrata elects not to exercise its back-in right, it will be entitled to a 2% NSR which can be reduced to 1% on payment by the Company of US\$1,000,000. Under the terms of the joint venture agreement, Xstrata is the operator.

At Berta during 2007, the Company intersected a significant, continuous domain of strong sulphide mineralization grading up to 30.0% copper and 7.19% zinc. Copper, gold, silver and zinc values occurred over the entire 771.5m length of Hole SD-07-08, which was drilled adjacent to the interpreted Berta copper porphyry system and ended in mineralization.

Highlights of Hole SD-07-08 include: 710.9m grading 0.28% copper and 0.07g/t gold between 3.80m and 714.7m, including: 6.85m grading 3.79% copper, 0.22g/t gold, 11.6g/t silver and 1.05% zinc; 5.90m grading 2.60% copper, 1.14g/t gold and 8.3g/t silver; and 9.0m grading 1.03% copper. Copper values peaked at 30% over 0.25m between 592.10m and 592.35m down hole.

The results in this spectacularly mineralized hole were followed up by further positive drill results in 2008, including Hole SD-08-09 which returned 459m of continuous copper-gold mineralization starting from only four metres below surface and grades of up to 5.07% copper over 4.5m. Results from this hole include 179.9m grading 0.31% copper and 0.31g/t gold within a longer interval of 459m grading 0.17% copper and 0.17g/t gold.

Of particular note is the presence of mineralization near surface in both drill holes. These results highlight the tremendous potential of the essentially unexplored Berta property.

Nuinsco recorded an amount owing to Xstrata of approximately \$454,000, primarily in 2008, in trade and other payables, for its share of expenditures on Berta work programs. Expenditures in 2009 and 2010 include estimates for the Company's share of expenditures on Berta. As advised in the MD&A for March 31, 2011, discussions with Xstrata have been ongoing, including discussions to buy Xstrata's share of the joint venture. Subsequently, Xstrata advised that it is no longer interested in selling its share of Berta. As a result, Nuinsco will not be paying the full share of the recorded expenditures and has allowed itself to be diluted to approximately 36%. In the second quarter, the Company made adjustments to the carrying value of the project of \$616,000, trade and other payables of \$553,000 and recorded a foreign exchange loss of \$63,000. Nuinsco continues to accrue for its reduced proportionate share of expenditures on Berta based on budgets provided by Xstrata.

The Elmalaan licence, covering 947ha, is located 6km south of the Black Sea coast and is easily accessible year round. Previous work identified massive sulphide in outcrop and locally-derived boulders that graded up to 3.38% copper and 6.30% zinc. Drilling during the second quarter of 2007 continued to return high-grade polymetallic mineralization over significant widths. For example, drill hole EKD-07-06 intersected 2.43% zinc, 0.50g/t gold and 31.07g/t silver over 10.10m between 98.9m-109.0m; between 102.6m-103.2m, zinc values peaked at 9.25%, gold at 2.85g/t and silver at 211g/t. With completion of its earn-in, the Company is in the process of transferring ownership of the Elmalaan property to a wholly-owned Turkish subsidiary, Nuinsco Madencilik.

### **Egypt**

In February, 2010, the Company announced that it had been successful, along with its Egyptian partner, in the bid process for two gold exploration concession areas in Egypt. The receipt of final title is subject to initially negotiating suitable production sharing agreements (individually the "Agreement" and collectively the "Agreements") with the

government of Egypt through EMRA. Among other terms, the Agreements set out the rights and responsibilities of the Company and EMRA, tax implications (as a result of the provisions of the Agreements, no tax is incurred on activities related to the concession areas), terms of production sharing and cost recovery.

On February 19, 2011, the Company announced that the Egyptian State Council has reviewed and approved the Agreement covering the Bukari Concession Area, Eastern Desert, Egypt. Approval by the State Council signifies that the Agreement is in compliance with Egyptian law and with Egypt's regulatory framework. The Agreement will now be advanced for passage into law followed by execution by the Minister of Petroleum and Mines. At that time, formal title will be granted to Z-Gold, Nuinsco's Egyptian subsidiary, and tax-free status in Egypt will be attained. Nuinsco will also be able to proceed with its full exploration program. Given recent events in Egypt, State Council approval of the Agreement demonstrates that Egypt's civil service is functioning and indicates that Egypt is open for business and remains committed to developing a modern mining sector and to foreign investment in general.

In anticipation of the Bukari Agreement's passage into law, a third program of field work was completed in late January 2011 in preparation for a systematic and comprehensive exploration program that will begin as soon as possible. The results obtained from the sampling and mapping to date provide ample reason for the Company to consider the Bukari and Umm Samra licences to be very prospective; three occurrences have now been evaluated, with a combined total of at least 11km of strike, comprising a system of gold-mineralized quartz veins within sheared and altered host rock.

In July, 2011, the Umm Samra agreement was agreed and initialled with EMRA. Umm Samra, which covers 790km<sup>2</sup> and hosts at least seven gold occurrences, is the second Concession Agreement signed by Z-Gold since winning bids on the Bukari and Umm Samra gold concessions were announced in February 2010. As with Bukari, the Umm Samra Concession Agreement incorporates a production-sharing agreement and exempts the Company from payment of all taxes. It will now be reviewed by the Egyptian State Council before being passed into law.

There continues to be uncertainty as to when the Bukari Agreement will be presented to the People's Assembly for final approval and when the Umm Samra concession agreement will progress to the next stage which is review by the Egyptian State Council. However, recent news articles indicate that this is receiving support from high-level officials in Egypt. As described above, the process for parliamentary elections in Egypt has been announced and is anticipated to be complete by March 2012. Other possible avenues to approval of mineral tenure are being investigated with considerable help from Egyptian authorities.

## **Sudan**

On July 18, 2011, the Company announced that it has expanded its presence in the MENA region by entering into an option agreement with Makaseb Holding LLC ("Makaseb"), to acquire an 85% interest in that company's subsidiary UAE for Gold Minerals and Investment Company Ltd. ("UAE Gold"). UAE Gold owns 100% of the J. Tobrar (Block 64) concession, located in northeastern Sudan that hosts the Hamil Gold Vein System. The terms of the option provide for an initial payment of US\$200,000, half in cash and half in either cash or shares of Nuinsco (at Nuinsco's option), and a commitment to spend approximately €400,000 on due diligence and property evaluation over the next six months. Prior to the end of the option period, Nuinsco must deliver US\$4,000,000 in cash or Nuinsco shares or, under certain circumstances, shares of NuMENA. NuMENA was recently created by the Company as a vehicle to acquire and explore mineral projects in the MENA region. Nuinsco intends to complete a spin-out of NuMENA to its shareholders as soon as tenure is ensured for the Egyptian assets and financing is arranged.

A field program commenced in September 2011 at the J.Tobrar project. Initially this work has consisted of the excavation of trenches in the immediate vicinity of the known gold mineralized Hamel Vein system. Results from this program are currently pending. Additional work to evaluate other gold showings elsewhere on the 3,400 km<sup>2</sup> licence area is also planned.

## **Olympian Project Option**

In March, 2010, the Company announced that it had optioned a claim package hosting significant, high-grade, gold occurrences collectively referred to as the "Olympian Project". In October 2010, the Company determined that the results on the Triggs option did not support the expenditures and, accordingly, decided to writedown the property to \$nil effective September 30, 2010. Subsequently, the Company decided that it would not maintain the remaining options comprising the Olympian Project. Accordingly, the Olympian Project was written down to \$nil in 2010 and no option commitments are outstanding. A writedown of \$679,000 was recorded through operations in 2010.



### **Cameron Lake Project, Ontario**

Cameron Lake was sold effective April 20, 2010. Refer to Note 1 to the Unaudited Condensed Consolidated Financial Statements for a description of this transaction.

### **Other Projects**

The Company, on an ongoing basis, evaluates exploration and development projects for possible acquisition. In particular, the Company is currently examining several projects in the MENA region.

## **INVESTMENTS**

### **Interest in Campbell (Chibougamau mining camp)**

In early 2006, Nuinsco acquired a significant equity interest in Campbell and entered into an agreement to provide consulting services to Campbell for its copper and gold mines in the Chibougamau mining camp. The Company also acquired a 50% interest in future cash flows, as defined, from the high-grade Corner Bay copper deposit. In late 2008, the Company acquired a royalty interest in Corner Bay comprising 10% of operating cash flow from the Corner Bay copper deposit from production at the 145-metre level and above.

Campbell experienced significant financial difficulties resulting from production delays, falling metal prices and the inability to obtain financing and in January, 2009 Campbell announced that it had re-entered CCAA protection.

As a result of acquiring substantially all of the remaining secured debt of Campbell by Ocean Partners and Nuinsco as described earlier, the Company and Ocean Partners, through a jointly-owned company, CBAY Minerals Inc., made a proposal to the courts to realize on its security and gain ownership of the Chibougamau mining camp. The Québec Superior Court approved the proposal and, effective October 25, 2011, ownership of the assets was transferred to CBAY Minerals Inc.

As described in the Outlook, the Chibougamau assets represent a very substantial presence in a mining camp which has produced 1.6 billion pounds of copper and 3.2 million ounces of gold from 16 past-producing mines on the Lac Dore complex alone. Nuinsco and Ocean Partners now own eight past-producers on the Lac Dore complex and the significant potential to add to the known mineralization at these projects, one partially-developed high-grade copper mine - the Corner Bay Mine, a permitted 3,000 tonne per day mill and tailings facility and in excess of 11,000 ha of highly-prospective exploration property.

Related to these assets, a restoration fund had been set up between Campbell and the Société de développement de la Baie-James ("SDBJ"). This fund continues to exist to fund future reclamation work with respect to the Copper Rand assets. An updated reclamation plan is in the process of being prepared.

### **Gold Hawk Resources Inc.**

In July, 2008, the Company acquired 1,196,800 shares (post-consolidation) in Gold Hawk, an approximate 13% interest, with a view to a possible combination of Gold Hawk's mine with Cameron Lake. Gold Hawk has since sold its mine therefore the Company's ownership of Gold Hawk is no longer considered strategic. As referred to above, the Company sold the remaining holdings of its shares in Gold Hawk in April, 2011.

### **Victory Nickel Inc.**

As described in Note 1 to the Company's 2010 Audited Consolidated Financial Statements, the approximate 15% interest in Victory Nickel which the Company then owned was sold effective July 31, 2009. Additional information on Victory Nickel's Minago, Lynn Lake and Mel projects in Manitoba and Lac Rocher project in Québec can be obtained from Nuinsco's previous financial reports and regulatory filings and directly from Victory Nickel at [www.victorynickel.ca](http://www.victorynickel.ca). The Company presently owns 8,313,715 shares, an approximate 2% interest in Victory Nickel, which is held as marketable securities.

### **Coventry Resources Limited**

Pursuant to the sale of Cameron Lake, Nuinsco received 12,000,000 shares in Coventry (an approximate 6.9% interest) as well as a 3% NSR royalty over future production from the property. By selling the asset but retaining an interest in Coventry, as well as the royalty, Nuinsco is able to participate in any upside potential of the Cameron Lake property without having to finance additional exploration or the development of the mine. Coventry is focussed on acquiring, finding and developing high-quality gold assets in the Superior Province geological region in eastern Canada. Coventry is based in Perth, Western Australia and its principal asset is the 100% interest in Cameron Lake. It also has interests in the Ardeen Gold Project in Northern Ontario. The Company presently owns approximately 8.3 million shares with an estimated fair value of \$1.5 million.

## **IMPAIRMENT ANALYSIS UPDATE**

While the metals markets and other general economic factors have improved or stabilized over the prior year, the Company performed a detailed impairment analysis, which considered factors pertinent to IFRS such as the reversals of prior writedowns, on each of its exploration and evaluation projects as at December 31, 2010. The Company does not believe that there have been any material changes to date which would adversely affect this analysis or would cause the Company to initiate another recoverability assessment. Furthermore there has been no change in management's plans for the projects which would cause a reassessment.

Management concluded that no impairment existed in each of its projects effective September 30, 2011 and that costs incurred to date are recoverable. The Company will continue to monitor developments as they occur in the metals markets and the economy and will update its impairment analysis to take account of any such changes, as appropriate.

Despite recent turmoil being experienced in Egypt, approval by the State Council was received in February 2011 and the Company remains confident that the Bukari Agreement will be ratified by the Egyptian People's Assembly. Similarly, progress has been made with respect to the Umm Samra concession area. The benefits of both of the agreements enure both to Egypt and to the Company and this remains unchanged. However, the Company, along with its Egyptian-based partner, will continue to monitor developments and will respond appropriately.

Management concluded that no impairment existed in each of its projects effective September 30, 2011, and that costs incurred to date on all projects are recoverable. The Company will continue to monitor developments as they occur in the metals markets and the economy and will update its impairment analysis to take account of any such changes, as appropriate.

## **CRITICAL ACCOUNTING ESTIMATES**

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of the recoverable value of its exploration and evaluation projects, assessing the fair value of royalty interests, assessing the impairment of long-lived assets and the fair value estimates for share-based payments and warrants and assessing the value of deferred income tax assets. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

For a complete list of the significant accounting policies as well as information concerning the use of estimates and measurement uncertainty, reference should be made to Notes 2 and 3 to the Company's Unaudited Condensed Consolidated Financial Statements and Notes 2 and 3 to the Company's First Quarterly Consolidated Financial Statements of 2011. The reader may also choose to review Notes 2 and 3 to the Company's 2010 Audited Consolidated Financial Statements however, the reader is cautioned that these were prepared under pre-transition Canadian GAAP and are no longer directly comparable to the present basis of accounting under IFRS. Note 28 to the Unaudited Condensed Consolidated Financial Statements and Note 32 to the First Quarterly Consolidated Financial Statements of 2011 provide the reader with information, analyses and reconciliations of historic information from pre-transition Canadian GAAP to IFRS. The Company's financial statements have been prepared using the going concern assumption; reference should be made to Note 1 to the Company's 2010 Audited Consolidated Financial Statements as well as Note 1 to the Company's Unaudited Condensed Consolidated Financial Statements.

The Company's recorded value of its exploration and evaluation projects is based on historic costs that are expected to be recovered in the underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is exposed to a number of risks and uncertainties. Accordingly, there is always the potential for a material adjustment to the value assigned to these assets.

The fair value of the share-based payments, until exercise, is calculated using an option-pricing model that takes into account the exercise price, the expected life of the option/warrant, expected volatility of the underlying shares, expected dividend yield and the risk-free interest rate for the term of the option/warrant.

## **NEW ACCOUNTING POLICIES**

IFRS issued by the International Accounting Standards Board ("IASB") have been adopted in the Company's Unaudited Condensed Consolidated Financial Statements. Note 3 to the Company's First Quarterly Consolidated

Financial Statements of 2011 includes the accounting policies that have been applied in preparing the consolidated financial statements as at and for the periods ended September 30, 2011 and 2010. The comparative information presented in the financial statements as at December 31, 2010 and as at September 30, 2010 were also compiled using IFRS. Note 32 to the First Quarterly Consolidated Financial Statements of 2011 and Note 28 to the Unaudited Condensed Consolidated Financial Statements detail the adjustments made and the reconciliations between pre-transition Canadian GAAP and IFRS.

## SUMMARY OF IFRS IMPLEMENTATION

### Overview

As discussed above and in the Company's previous MD&As, the Company implemented a project plan to guide its transition to IFRS. The project plan is essentially complete. However, the Company will continue to monitor the publications of the Mining Industry Task Force and how practice develops with respect to some of the more industry-specific matters such as accounting for flow-through financings.

Note 28 to the Unaudited Condensed Consolidated Financial Statements includes detailed reconciliations of the effects of IFRS on the Company's previously-published financial statements issued under pre-transition Canadian GAAP as at and for the three and nine months ended September 30, 2010. The reader is encouraged to refer to that information for a full description of matters summarized below. Furthermore, the Company has identified the more significant adjustments to IFRS throughout this MD&A in places where it was considered helpful.

The Company's guiding principle during the transition was to manage the number of changes and to minimize the effect of implementation of IFRS unless there was a compelling reason for change. Where pre-transition Canadian GAAP was consistent with IFRS, the Company generally made no change to its accounting policies. Certainly the volume of disclosure has increased. At present, the Company has taken a more conservative approach to disclosure but it expects to streamline future disclosures as part of its post-implementation review and ongoing monitoring of industry practice.

The following sections summarize the effects of IFRS as at and for the three and nine months ended September 30, 2010. Information on IFRS 1 Elections and information impacting previously disclosed accounting periods are included in the MD&A for the three months ended March 31, 2010 and are not repeated here.

### Summary of Significant Accounting Policy Differences and/or Choices under IFRS

#### **Assets classified as held for sale**

Under IFRS, upon management's determination of a plan to divest assets, such assets should be classified as current assets. As at the transition date, a binding agreement had been reached with Coventry to sell the Cameron Lake project and mill.

The Cameron Lake project had been written down in 1999 by \$17,705,000 and a further \$250,000 in 2005. Under IFRS, reversals of writedowns are permitted and required where the recoverable value of the project is supported. Accordingly, because terms of the sales agreement had been reached, the Company had increased the value of the Cameron Lake project which is included in exploration and evaluation projects to reflect the then-fair-value of the sales consideration. As at the date of transition, the IFRS adjustment was to reduce deficit by \$9,850,000. This represented a timing difference; under IFRS, the gain on sale of Cameron Lake has been eliminated in the June 30, 2010 comparative financial statements with a net effect of increasing the period's net loss by \$9,850,000. Therefore, the net effect of these adjustments on the Company's deficit by June 30, 2010 were \$nil.

The effect of the above is summarized as follows:

	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2010
<b>Consolidated Statements of Operations</b>		
Increase in recovery of exploration and evaluation projects - Cameron Lake	\$ -	\$ 258
Eliminate gain on sale of Cameron Lake	-	(10,108)
<b>Increase in net loss</b>	<b>\$ -</b>	<b>\$ (9,850)</b>

#### **Expenditures on exploration and evaluation projects**

The Company has chosen to continue to capitalize exploration costs. Under IFRS, certain expenditures incurred on the Bukari project in Egypt occurred before the terms of the concession agreement were reached and were therefore written off. Accordingly, pre-exploration write-offs against that project were made of \$209,000 as at

September 30, 2010. The Company also reclassified certain amounts formerly included in writedown of exploration projects to pre-exploration write-offs in the consolidated statements of operations.

#### ***Impairment of exploration and evaluation projects***

Under IFRS, impairment provisions must be reversed where there is evidence supporting the recoverable value. Accordingly, the value of the Prairie Lake project as at each of the reported dates has been increased by \$325,000.

#### ***Flow-through share financing***

In accordance with interpretations of IFRS, the Company's selected accounting treatment requires recognition of the tax effects of renunciation upon incurring expenditures related to the flow-through shares, as well as an identification of the premium associated with the tax benefits passed on to the subscribers of the flow-through shares and amortization thereof to operations upon incurring expenditures related to the flow-through shares. The Company has chosen to record the flow-through premium as an element of finance income.

The accounting treatment has impacts upon trade and other payables, share capital, contributed surplus, deficit as well as finance income. Since there is no applicable exemption, the Company made a best-efforts attempt to calculate the historic impact of renunciation and premium recognition; given that historic differences would represent a reclassification between share capital and deficit upon transition, the Company considers that any differences are not material. The following table summarizes the effects on the balance sheet of flow-through accounting.

<b>Consolidated Balance Sheet</b>	<b>September 30, 2010</b>
Increase in trade and other payables	\$ 164
Increase in share capital	234
Net increase in deficit	(398)
	<b>\$ -</b>

#### ***Finance income and finance costs***

Under IFRS there are several reclassifications required to report the components of finance income and finance costs. The Company has chosen to record the premium on flow-through as a component of finance income. The components are reported in Note 28 to the Unaudited Condensed Consolidated Financial Statements.

#### ***IFRS 9 – Financial Instruments***

The Company has chosen to early-adopt the provisions of IFRS 9 in order to avoid a subsequent change to IFRS. This means that all gains and losses on marketable securities selected as being financial assets through OCI are recorded through OCI including realized gains. Accordingly, the Company has reclassified its applicable gains or losses through OCI. This is applicable from January 1, 2010 onwards with no historic adjustment required. There was an impact as at September 30, 2010 where a net reclassification was required of \$189,000 to increase net profit through operations and to decrease OCI.

#### ***Deficit***

The combined effects of the matters discussed above on deficit are as follows:

<b>Consolidated Balance Sheet</b>	<b>September 30, 2010</b>
Adjust gain on sale of Cameron Lake	\$ (10,108)
Adjust fair value of Cameron Lake	10,108
Pre-exploration write-offs Bukari Egypt	(209)
Adjust fair value of Prairie Lake	325
IFRS 9 reclassify loss through OCI, net of tax	189
Effects of flow-through accounting	(398)
<b>Net increase in deficit</b>	<b>\$ (93)</b>

#### ***Involvement by Advisers***

The Company engaged its auditors, BDO Canada LLP, to conduct a special consultation with respect to its IFRS transition project. While the consultation was neither an audit nor a review, as such terms are formally defined and therefore cannot and should not be relied upon, it was undertaken to assist the Company in ensuring that its IFRS adjustments were complete and appropriate and that its Unaudited Condensed Consolidated Financial Statements,

in particular Note 28 thereto, contain materially complete and appropriate disclosures. The IFRS consultation is complete.

## **FUTURE ACCOUNTING CHANGES**

### **New Standards and Interpretations Not Yet Adopted**

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following new and revised standards and interpretations which are applicable to the Company but which are not yet effective for the year ended December 31, 2011 and have not been applied in preparing these financial statements.

#### ***IFRS 10 - Consolidated Financial Statements***

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements.

#### ***IFRS 11 - Joint Arrangements***

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IFRS 11 provides a new definition of joint arrangement focusing on the rights and obligations of the arrangement, rather than its legal form. The IFRS classifies joint arrangements into two types, joint operations and joint ventures.

#### ***IFRS 12 – Disclosure of Interests in Other Entities***

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IFRS 12 requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows.

Early adoption of these standards is only permitted if IFRS 10, 11, 12 and the consequential amendments to IAS 17 and IAS 18 are adopted at the same time, with the exception of early adopting only the disclosure provisions for IFRS 12 without the other new standards.

#### ***IFRS 13 – Fair Value Measurement***

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IFRS 13 provides a definition of fair value, a single framework for measuring fair value and disclosure requirements about fair value measurements.

#### ***IAS 28 – Investments in Associates and Joint Ventures***

Effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, IAS 28 makes consequential amendments to IAS 28 – Investments in Associates, to describe the application of the equity method to investments in joint ventures in addition to associates.

These standards, amendments and interpretations have not been early adopted by the Company. Furthermore, the Company is currently assessing the impact that the application of these standards or amendments may have on the consolidated financial statements of the Company.

## **CORPORATE GOVERNANCE**

The Company's Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee, which is comprised entirely of independent directors, meets with management to review the Unaudited Condensed Consolidated Financial Statements to satisfy itself that management is properly discharging its responsibilities to the directors who approve the Unaudited Condensed Consolidated Financial Statements. The Board of Directors has also appointed compensation and corporate governance and nominating committees composed of non-executive directors.

### **Design of Disclosure Controls and Procedures**

The Company's Chief Executive Officer and Chief Financial Officer, (collectively, the "Certifying Officers"), are responsible for designing a system of disclosure controls and procedures, or causing them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed in reports filed with or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time



periods specified under Canadian securities laws and that material information relating to the Company is made known to them with respect to financial and operational conditions to allow timely decisions regarding required disclosure. For the fiscal quarter ended September 30, 2011, the Certifying Officers have concluded that the design of the Company's disclosure controls and procedures were effective as at September 30, 2011. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

There were no changes to the Company's disclosure controls and procedures that occurred during the quarter ended September 30, 2011 that materially affected, or are reasonably likely to affect, the Company's disclosure controls and procedures.

### **Design of Internal Controls over Financial Reporting**

The Company's Certifying Officers are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company used the COSO control framework. For the fiscal quarter ended September 30, 2011, the Certifying Officers have concluded that the design of the Company's internal controls over financial reporting and procedures were effective as at September 30, 2011.

The management of the Company was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

There were no changes to the Company's internal controls over financial reporting that occurred during the quarter ended September 30, 2011 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

### **TRANSACTIONS WITH RELATED PARTIES AND MANAGEMENT AGREEMENT**

Included in trade and other payables at September 30, 2011 are amounts owing to directors and officers of \$108,000 (December 31, 2010 - \$111,000). The amounts consist primarily of directors' fees and reimbursement of expenses incurred by officers and directors.

The Company shares management, administrative assistance and facilities with Victory Nickel pursuant to a management agreement. The costs recovered from Victory Nickel are recorded at the cost to the Company of such services plus 10 per cent. The management agreement commenced February 1, 2007 and is terminable by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. Costs recovered from Victory Nickel in the three and nine months ended September 30, 2011 total \$197,000 and \$609,000, respectively, (September 30, 2010 - \$192,000 and \$529,000) and have been deducted from general and administrative expenses. In addition, project-related costs aggregating \$21,000 and \$55,000 have been charged by the Company to Victory Nickel during the three and nine months ended September 30, 2011, respectively (September 30, 2010 - \$4,000 and \$29,000). Furthermore, project-related costs aggregating \$10,000 and \$24,000 have been charged to the Company by Victory Nickel during the three and nine months ended September 30, 2011, respectively, and are included in exploration and evaluation costs on the balance sheet (September 30, 2010 - \$5,000 and \$19,000).

Amounts due to or from Victory Nickel are unsecured, non-interest bearing and due on demand. Amounts due to or from Victory Nickel are settled on a regular basis.

### **OUTSTANDING SHARE DATA**

As at September 30, 2011, the Company had 275,253,934 common shares outstanding. As at November 4, 2011, the Company had 275,693,984 common shares issued and outstanding. In addition, there were 20,735,000 stock options outstanding as at November 4, 2011 as well as 22,964,968 warrants, which if exercised and issued would bring the fully diluted issued common shares to a total of 319,393,952 and would generate additional cash proceeds of approximately \$6,549,000.

### **SUBSEQUENT EVENT**

Subsequent to the end of the period, the Company and Ocean Partners completed the documentation necessary to acquire the assets of Campbell. The transaction was completed effective October 25, 2011 through an exercise of security on debt and payments of care and maintenance costs to the monitor.

## **CONTINGENCY**

### **CRA Reassessment**

In March, 2011, the Company received notices of reassessment in the aggregate amount of approximately \$4,400,000 from the CRA related to transactions completed in 2006. The Company filed notices of objection on May 19, 2011 and also, on July 22, 2011, filed a request for adjustment to correspondingly adjust its tax pools and losses, in the unlikely event that the Company's appeal is unsuccessful. The appeal process could be lengthy and the Company believes that its position is correct and believes it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.

## **RISKS AND UNCERTAINTIES**

The exploration and development of natural resources are speculative activities that involve a high degree of financial risk. The risk factors which should be taken into account in assessing Nuinsco's activities and an investment in its securities include, but are not necessarily limited to, those set out below.

The relative significance of each risk described below will vary as a function of several factors including, but not limited to, the state of the economy, the stage of Nuinsco's projects, the availability of financing on acceptable terms and other matters.

Any one or more of these risks could have a material adverse effect on the value of any investment in Nuinsco and the business, financial condition or operating results or prospects of Nuinsco and should be taken into account in assessing Nuinsco's activities.

### **Industry Risks**

#### ***Speculative Nature of Mineral Exploration***

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that Nuinsco's exploration efforts will be successful. No assurance can be given that Nuinsco's exploration programs will result in the establishment or expansion of resources or reserves. Furthermore, Nuinsco cannot give any assurance that its current and future exploration activities will result in the discovery of mineral deposits containing mineral reserves.

#### ***Development Projects***

In general, development projects have no operating history upon which to base estimates of future cash operating costs. For development projects such as those projects that Nuinsco has an interest in, estimates of proven and probable reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies.

#### ***Competition***

The mineral exploration business is highly competitive in all of its phases. Nuinsco competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Nuinsco, in the search for and acquisition of exploration and development rights on attractive mineral properties.

### **Operational Risks**

#### ***Limited History of Operations***

Nuinsco has a limited history of earnings and limited financial resources. Nuinsco currently has no operating mines and its ultimate success will depend on its ability to generate cash flow from active mining operations in the future, as well as its ability to access capital markets for its development requirements.

#### ***Development Targets, Permitting and Operational Delays***

There can be no assurance that Nuinsco will be able to complete the planned development of the projects on time or on budget due to, among other things, delays in receiving required consents, permits and registrations, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support Nuinsco's operations.

#### ***Resources, Reserves and Production***

Figures relating to mineral resources and mineral reserves are estimates and no assurance can be given that the anticipated level of recovery and/or grades of mineral reserves or mineral resources will be realized.



### ***Title Risks***

Nuinsco's ability to hold various mineral rights require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental and quasi-governmental authorities. However, Nuinsco's ability to obtain, sustain or renew such licences, permits and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies.

### ***Insurance Risk***

Nuinsco faces all of the hazards and risks normally incidental to the exploration of precious and base metals, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all such damage caused. Not all such risks are insurable.

### **Financial and Investment Risks**

#### ***Substantial Capital Requirements***

Nuinsco will have to make substantial capital expenditures for the development of and to achieve production from the projects. There can be no assurance that any debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Nuinsco. Moreover, future activities may require Nuinsco to alter its capitalization significantly. The inability of Nuinsco to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. Flow-through financing cannot be used to fund the Company's corporate costs.

#### ***Market Perception***

Market perception of junior exploration, development and mining companies may shift such that these companies are viewed less favourably. This factor could impact the value of investors' holdings and Nuinsco's ability to raise further funds by issue of additional securities or debt.

#### ***Metal Prices***

There is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Metal prices fluctuate on a daily basis and are affected by numerous factors beyond Nuinsco's control – including factors which are influenced by worldwide circumstances.

#### ***Areas of Investment Risk***

Nuinsco's Common Shares are listed on the TSX. The share prices of publicly traded companies can be volatile as the price of shares is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to Nuinsco. The market for shares in small public companies is less liquid than for large public companies. Investors should be aware that the value of the Company's common shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Company's common shares may not reflect the underlying value of Nuinsco's net assets. The price at which investors may dispose of their securities may be influenced by a number of factors, some of which may pertain to Nuinsco and others of which are extraneous. On any disposal of their common shares, investors may realize less than the original amount invested.

### **Regulatory Risks**

#### ***Government Regulation***

Existing and possible future environmental and social impact legislation, regulations and actions, including the regulation of air and water quality, mining reclamation, solid and hazardous waste handling and disposal, the promotion of occupational health and safety, the protection of wildlife and ecological systems and the protection of the societies and communities of indigenous peoples, could cause significant expense, capital expenditures, restrictions and delays in the Company's activities, the extent of which cannot be predicted and which may well be beyond Nuinsco's capacity to fund.

#### ***Economic, Political, Judicial, Administrative, Taxation or Other Regulatory Factors***

Nuinsco may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors in the areas in which Nuinsco does or will operate and holds its interests, as well as unforeseen matters. As referred to above, the Company has received notices of reassessment from the CRA and is in the process of defending what it and its advisors believe to have been a correct filing position.

## **Other Risks**

### ***Environmental and Health Risks***

The Company has no significant exposure to environmental or health risks, although this will change should any of the Company's projects approach production (a normal characteristic of mineral industry projects).

### ***Key Personnel***

Nuinsco relies on a limited number of key consultants and there is no assurance that Nuinsco will be able to retain such key consultants or other senior management. The loss of one or more of such key consultants or members of senior management, if not replaced, could have a material adverse effect on Nuinsco's business, financial condition and prospects. Directors and management have previously accepted deferrals of remuneration in order to assist the Company through the economic turmoil; however, this potentially adds to the risk of losing experienced personnel.

### ***Conflicts of Interest***

Certain of Nuinsco's directors and officers are also directors and officers of other natural resource companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict.

### ***Foreign Operations***

In 2004, the Company initiated exploration work in Turkey. While the Company believes that the risks associated with operating in Turkey are very acceptable, most investors would attribute a higher degree of risk to operating in Turkey as compared to operating in Canada. In early 2010, the Company announced that it has, with its Egyptian partner, been successful in the bid process for gold exploration concessions in Egypt. In July, 2011, the Company announced it has, along with a partner, acquired interests in northeastern Sudan. A similar caveat to that expressed for Turkey is appropriate for activity in both Egypt and Sudan.

Egypt and Sudan continue to experience states of civil unrest and political transition, the consequences of which are difficult to determine with certainty at this time and which may adversely affect the ability of Nuinsco to obtain tenure to its projects and may negatively affect the Company's exploration activities. There is no assurance that future political and economic conditions in those countries will not result in their governments adopting different policies respecting foreign development and ownership of mineral resources.

Economic and political conditions in Egypt, Sudan and Turkey could adversely affect the business activities of the Company. These conditions are beyond Nuinsco's control, and there can be no assurances that any mitigating actions by Nuinsco will be effective. Any potential adverse impacts as a result of political volatility in foreign countries cannot be predicted. The enforcement by Nuinsco of its legal rights to exploit its properties may not be recognized by the respective foreign governments or by their respective court systems.

Other risks include, but are not limited to: terrorist acts, corruption attempts, military repression, extreme fluctuations in currency exchange rates and high rates of inflation.

As with Canadian projects, the acquisition and retention of title to mineral rights is a detailed and time-consuming process. Title to, and the area of, mineral resource claims may be disputed or challenged. Nuinsco's right to explore for, mine, produce and sell gold from the Bukari Concession will be based on the Bukari Concession Agreement. Should Nuinsco's rights under the Agreements not be honoured or be unenforceable for any reason, or if any material term of the Agreements is unilaterally changed or not honoured, including the boundaries of the property, Nuinsco's ability to explore and produce gold in the future would be materially and adversely affected.

### ***Investments and Other Agreements with Resource Companies***

In addition, Nuinsco makes, from time-to-time, investments in the common shares of publicly-traded companies in the junior natural resources sector or may enter into option or other agreements therewith. These companies are subject to similar risks and uncertainties as is Nuinsco, and Nuinsco's investments in and agreements with these companies are subject to similar areas of risk as noted above. Nuinsco seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations.

## **Summary**

The future success of the Company is subject to a number of risk factors that are common to the junior natural resources sector. These include the extent to which it can outline natural resources on its properties and establish the economic viability of developing those properties and the political, economic and legislative stability of the territories in which the Company's interests are located. Another significant factor is the ability of the Company to

obtain necessary financing or to find strategic partners to fund expenditure commitments as they fall due, as the Company currently has limited funds. Furthermore, the development of any natural resource interest may take years to complete and the resulting income, if any, from the sale of any natural resources produced by the Company is largely dependent upon factors that are beyond its control, such as costs of development, operating costs and the market value of the end product. Such risks are likely to be more extensive in foreign jurisdictions.

#### **FORWARD-LOOKING STATEMENTS**

**Forward-Looking Information:** This MD&A contains forward-looking information. All statements, other than statements of historic fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of production, revenue, cash flow, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production and the Company's development plans and objectives) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company.

Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from estimates and assumptions; uncertainties relating to the availability and costs of financing needed in the future; failure to establish estimated mineral resources; fluctuations in commodity prices and currency exchange rates; inflation; recoveries being less than those indicated by the testwork carried out to date (there can be no assurance that recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production); changes in equity markets; operating performance of facilities; environmental and safety risks; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; unavailability of plant, equipment or labour; inability to retain key management and personnel; changes to regulations or policies affecting the Company's activities; the uncertainties involved in interpreting geological data; and the other risks disclosed under the heading "Risks and Uncertainties" and elsewhere. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

**November 4, 2011**