



NUINSCO RESOURCES LIMITED

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012 AND 2011

DATED AUGUST 10, 2012

Management's Comments on Unaudited Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements of Nuinsco Resources Limited for the three and six months ended June 30, 2012 and 2011 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

(in thousands of Canadian dollars)	<i>Notes</i>	June 30, 2012 (unaudited)	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	6	\$ 170	\$ 516
Receivables	7	87	120
Marketable securities	8	820	1,531
Total current assets		1,077	2,167
Non-current assets			
Property and equipment	11, 13	1,145	1,443
Exploration and evaluation projects	12, 13	17,697	15,944
Royalty interest	10	3,000	3,000
Total non-current assets		21,842	20,387
Total Assets		\$ 22,919	\$ 22,554
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	14	\$ 1,857	\$ 1,029
Total current liabilities		1,857	1,029
Non-current liability			
Long-term liability	15	277	266
Total Liabilities		2,134	1,295
Shareholders' equity			
Share capital	17	97,986	97,195
Contributed surplus		5,393	4,985
Accumulated other comprehensive loss		(1,864)	(1,155)
Deficit		(80,730)	(79,766)
Total shareholders' equity		20,785	21,259
Total Liabilities and Shareholders' Equity		\$ 22,919	\$ 22,554

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

(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended June 30,		Six months ended June 30,	
		2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Other income		\$ 118	\$ 100	\$ 118	\$ 100
Other expenses					
General and administrative		(386)	(593)	(803)	(1,130)
Share-based payments:	19				
Options		(253)	(33)	(322)	(522)
Bonus shares		-	(17)	-	(17)
Amortization of property and equipment	11	(2)	(4)	(5)	(7)
Pre-exploration write-offs	12	(3)	(122)	(3)	(127)
Writedown of exploration and evaluation projects	12	-	-	(79)	-
Operating loss		(526)	(669)	(1,094)	(1,703)
Finance income	20	40	1	142	50
Finance costs	20	(6)	(69)	(12)	(67)
Net finance income (costs)		34	(68)	130	(17)
Loss before income taxes		(492)	(737)	(964)	(1,720)
Income tax expense		-	(80)	-	(105)
Net Loss for the Period		\$ (492)	\$ (817)	\$ (964)	\$ (1,825)
Loss per share	18				
Basic loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Diluted loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

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

Condensed Consolidated Statements of Comprehensive Loss

(in thousands of Canadian dollars)	Note	Three months ended June 30,		Six months ended June 30,	
		2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Net loss for the period		\$ (492)	\$ (817)	\$ (964)	\$ (1,825)
Other comprehensive loss					
Net change in fair value of financial assets	8	(727)	(1,171)	(709)	(1,263)
Income tax recovery		-	80	-	105
Other comprehensive loss for the period		(727)	(1,091)	(709)	(1,158)
Total Comprehensive Loss for the Period		\$ (1,219)	\$ (1,908)	\$ (1,673)	\$ (2,983)

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

Condensed Consolidated Statements of Shareholders' Equity

(unaudited) (in thousands of Canadian dollars)		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balances as at January 1, 2011	<i>Notes</i>	\$ 94,340	\$ 4,259	\$ 596	\$ (75,363)	\$ 23,832
Total comprehensive loss for the period						
Net loss for the period					(1,825)	(1,825)
Other comprehensive loss						
Net change in fair value of financial assets				(1,263)		(1,263)
Income tax recovery				105		105
Total other comprehensive loss				(1,158)		(1,158)
Total comprehensive loss for the period						(2,983)
Transactions with owners, recorded directly in equity						
Contributions by owners in the period						
Issue of common shares and warrants		425	68	-	-	493
Options granted and vesting		-	522	-	-	522
Issue of shares under Share Bonus Plan		17	-	-	-	17
Options exercised		5	(2)	-	-	3
Warrants exercised		861	(155)	-	-	706
Total contributions by owners		1,308	433	-	-	1,741
Total transactions with owners		1,308	433	-	-	1,741
Balances as at June 30, 2011		\$ 95,648	\$ 4,692	\$ (562)	\$ (77,188)	\$ 22,590
Balances as at January 1, 2012		\$ 97,195	\$ 4,985	\$ (1,155)	\$ (79,766)	\$ 21,259
Total comprehensive loss for the period						
Net loss for the period					(964)	(964)
Other comprehensive loss						
Net change in fair value of financial assets	8			(709)		(709)
Total other comprehensive loss				(709)		(709)
Total comprehensive loss for the period						(1,673)
Transactions with owners, recorded directly in equity						
Contributions by owners in the period						
Shares issued for property, net	12, 17	288	-	-	-	288
Issue of flow-through common shares and warrants	17	503	86	-	-	589
Options granted and vesting	19	-	322	-	-	322
Total contributions by owners		791	408	-	-	1,199
Total transactions with owners		791	408	-	-	1,199
Balances as at June 30, 2012		\$ 97,986	\$ 5,393	\$ (1,864)	\$ (80,730)	\$ 20,785

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

Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Notes	Six months ended June 30,	
		2012	2011
		(unaudited)	(unaudited)
Cash flows from operating activities			
Net loss for the period		\$ (964)	\$ (1,825)
Adjustments for:			
Share-based payments	19	322	539
Amortization of property and equipment	11	5	7
Writedown of exploration and evaluation projects	12	79	-
Net finance income	20	(129)	(32)
Income tax expense		-	105
Net change in non-cash working capital:			
Change in receivables		17	151
Change in trade and other payables		173	(2)
Net cash used by operating activities		(497)	(1,057)
Cash flows from investing activities			
Proceeds on sale of equipment	11	293	-
Expenditures on exploration and evaluation projects	12	(1,042)	(2,506)
Proceeds on sale of marketable securities		2	1,767
Net cash used by investing activities		(747)	(739)
Cash flows from financing activities			
Issue of common shares and warrants	17	898	1,202
Net cash from financing activities		898	1,202
Net Decrease in Cash and Cash Equivalents		(346)	(594)
Cash and Cash Equivalents, Beginning of the Period		516	628
Cash and Cash Equivalents, End of the Period		\$ 170	\$ 34

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 six months ended June 30, 2012 and 2011 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 and internationally when attractive opportunities arise. 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 12 and 13 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 June 30, 2012, the Company had a working capital deficiency of \$780,000 (December 31, 2011 – working capital of \$1,138,000). Working capital is defined as current assets including assets held for sale less current liabilities, excluding restricted cash, if any.

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”) presently recorded under *Property and equipment* and *Exploration and evaluation projects* and formerly held under *Interest in Chibougamau* on the consolidated balance sheets and held through CBay Minerals Inc. (“CBay”) a jointly-controlled company with Ocean Partners Investments Limited (“Ocean Partners”). Refer to Notes 11, 12 and 13 to these financial statements. Furthermore, the Company has received reassessments from the Canada Revenue Agency (“CRA”) refer to Note 26.

On August 10, 2012, the Company signed a non-binding indicative term sheet for a \$2,500,000 loan facility (the “Facility”). Refer to Note 27.

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.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the International Accounting Standards Board (“IASB”) and in accordance with IAS 34, *Interim Financial Reporting* (“IAS 34”). This is GAAP for a Canadian public company.

Notes to the Condensed Consolidated Financial Statements

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

These condensed consolidated financial statements reflect the accounting policies described in the Company's Audited Consolidated Financial Statements for the years ended December 31, 2011 and 2010 ("2011 Audited Consolidated Financial Statements") (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 management of Nuinsco prepares 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 August 10, 2012. Shortly thereafter, the financial statements are made available to shareholders and others through filing on SEDAR.

(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 financial statements is included in the following notes:

- | | |
|-----------------|--|
| ▪ Notes 8 and 9 | valuation of financial assets at fair value through OCI; |
| ▪ Note 10 | valuation of royalty interest and recoverable amount; |
| ▪ Note 12 | measurement of the recoverable amounts of exploration and evaluation projects; |
| ▪ Note 13 | valuation and allocation of interest in Chibougamau; |
| ▪ Note 19 | measurement of share-based payments; and |
| ▪ Note 26 | contingencies. |

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in detail in Note 3 to the 2011 Audited Consolidated Financial Statements. Such policies have been applied consistently to all periods presented in these 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

Since the issuance of the Company's 2011 Audited Consolidated Financial Statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued no additional new and revised standards and interpretations which are applicable to the Company. Refer to Note 3 to those statements.

Notes to the Condensed Consolidated Financial Statements

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

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 2011 Audited Consolidated Financial Statements. 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.

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").

Capital Management Disclosures

	June 30, 2012	December 31, 2011
Shareholders' equity	\$ 20,785	\$ 21,259
Long-term liability	277	266
Balance as at end of period	\$ 21,062	\$ 21,525

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 year.

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 2011 Audited Consolidated Financial Statements. 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

	June 30, 2012	December 31, 2011
Bank balances	\$ 170	\$ 516
Cash and Cash Equivalents in the Statement of Cash Flows	\$ 170	\$ 516

In 2010, the Company 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 expired in the fourth quarter of 2011.

7. RECEIVABLES

	June 30, 2012	December 31, 2011
Other receivables	\$ 64	\$ 83
Prepaid expenses and deposits	23	37
	\$ 87	\$ 120

Notes to the Condensed Consolidated Financial Statements

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

8. MARKETABLE SECURITIES

	<i>Note</i>	June 30, 2012	December 31, 2011
Financial assets at fair value through OCI: Shares	9		
Victory Nickel Inc.		\$ 289	\$ 582
Coventry Resources Limited		517	926
Other		14	23
		\$ 820	\$ 1,531

All of the Company's marketable securities are publicly-listed. All of the Company's shares are valued using Level 1 methodologies. The amount of change in fair value of Coventry shares attributable to the change in foreign exchange rates and included in OCI is a gain of \$4,000 and a net loss of \$3,000 for the three and six months ended June 30, 2012, respectively; and a gain of \$49,000 and a net loss of \$2,000 for the comparative periods in 2011, respectively.

Sensitivity Analysis – Equity Price Risk

All of the Company's financial assets at fair value through OCI are listed on public stock exchanges, including the TSX, the TSX-V and the ASX. During the three months ended June 30, 2012, the markets experienced extreme volatility, therefore a sensitivity analysis is now performed using 15%; the analysis was previously performed using 5%. For such investments, a 15% increase in the equity prices at the reporting date would have increased equity by \$108,000, net of tax effects of \$15,000 (December 31, 2011 using 15% - an increase of \$201,000, net of tax effects of \$29,000); 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:

	<i>Notes</i>	June 30, 2012	December 31, 2011
Carrying amount			
Cash and cash equivalents	6	\$ 170	\$ 516
Receivables	7	87	120
Financial assets at fair value through OCI	8	820	1,531
		\$ 1,077	\$ 2,167

Liquidity Risk

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

	Non-derivative financial liabilities		
	Long-term liability	Trade and other payables	Total
As at June 30, 2012			
Carrying amount	\$ 277	\$ 1,505	\$ 1,782
Contractual cash flows	300	1,505	1,805
6 months or less	-	1,505	1,505
2 - 5 years	300	-	300
As at December 31, 2011			
Carrying amount	\$ 266	\$ 1,029	\$ 1,295
Contractual cash flows	300	858	1,158
6 months or less	-	858	858
2 - 5 years	300	-	300

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 June 30, 2012	C\$	US\$	A\$
Cash and cash equivalents	\$ 163	\$ 7	\$ -
Receivables	87	-	-
Marketable securities	303	-	517
Trade and other payables	(1,796)	(61)	-
Long-term liability	(277)	-	-
Net exposure	\$ (1,520)	\$ (54)	\$ 517

(in thousands of Canadian dollars)

As at December 31, 2011	C\$	US\$	A\$
Cash and cash equivalents	\$ 468	\$ 48	\$ -
Receivables	120	-	-
Marketable securities	605	-	926
Trade and other payables	(945)	(84)	-
Long-term liability	(266)	-	-
Net exposure	\$ (18)	\$ (36)	\$ 926

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 June 30, 2012	Equity	Profit or Loss
US\$ (10 percent strengthening)	\$ (5)	\$ (5)
A\$ (10 percent strengthening)	\$ 52	\$ -
As at December 31, 2011	Equity	Profit or Loss
US\$ (10 percent strengthening)	\$ (4)	\$ (4)
A\$ (10 percent strengthening)	\$ 93	\$ -

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. ROYALTY INTEREST

On April 20, 2010, pursuant to the sale of Cameron Lake to Coventry Resources Limited ("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. 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 to this asset's 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 an annual basis. During 2011, Coventry announced a 17% increase in resources and gold prices continued to rise. The Company considers that the royalty itself is a Cost Generating Unit for the purposes of impairment testing.

Effective the first quarter of 2012, management decided to sell its royalty interest in the Cameron Lake property which is held by Coventry and a marketing strategy was implemented. Due to deteriorating market conditions in the second quarter of 2012, management reassessed its ability to sell the royalty interest at an acceptable price within 12 months; accordingly, while marketing efforts to sell the royalty interest will continue, this asset has been reclassified as a non-current asset. Given the expected financing as described in Note 27, the Company now has more flexibility to secure a satisfactory transaction.

11. PROPERTY AND EQUIPMENT

<u>Equipment</u>	<u>Note</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Balance as at January 1, 2011		\$ 356	\$ 286	70
Transfer from Interest in Chibougamau	13	1,386	-	1,386
Depreciation		-	13	(13)
Balance as at January 1, 2012		1,742	299	1,443
Disposals		(293)	-	(293)
Depreciation		-	5	(5)
Balance as at June 30, 2012		\$ 1,449	\$ 304	\$ 1,145

Effective October 25, 2011, the Company, through CBay, owns a 50% proportionate interest in the mill and related equipment at the Chibougamau camp; in the six months ended June 30, 2012, CBay sold a truck and other equipment, the disposals represent 50% of the effect of those transactions. Refer to Note 13 for additional information.

Notes to the Condensed Consolidated Financial Statements

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

12. 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:

	Note	January 1, 2012	Current Expenditures	Writedown of E&E Projects	June 30, 2012
URANIUM AND RARE METALS					
Diabase Peninsula		\$ 8,041	\$ 902	\$ -	\$ 8,943
Prairie Lake		2,886	454	-	3,340
		10,927	1,356	-	12,283
GOLD, COPPER AND ZINC					
Chibougamau camp	13	3,820	396	-	4,216
Berta		1,197	1	-	1,198
Bukari		-	23	(23)	-
J. Tobrar		-	40	(40)	-
		5,017	460	(63)	5,414
		\$ 15,944	\$ 1,816	\$ (63)	\$ 17,697

		January 1, 2011	Current Expenditures	Effect of Dilution	June 30, 2011
URANIUM AND RARE METALS					
				(see below)	
Diabase Peninsula		\$ 6,943	\$ 1,005	\$ -	\$ 7,948
Prairie Lake		2,333	388	-	2,721
		9,276	1,393	-	10,669
GOLD, COPPER AND ZINC					
Berta		1,733	68	(616)	1,185
Elmalaan		1,100	28	-	1,128
Bukari		273	305	-	578
		3,106	401	(616)	2,891
		\$ 12,382	\$ 1,794	\$ (616)	\$ 13,560

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. As at March 31, 2012, cumulative expenditures have increased this ownership interest to greater than 90% as Trend did not contribute its share of expenditures. Under the agreement, 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. Accordingly, Trend's interest has been converted to a royalty and Nuinsco owns the project in its entirety.

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 the winter of 2011. Trend had a one-time 50% back-in right, subject to certain conditions, which expired upon its conversion to a royalty interest.

In order to maintain the option on one of the claims, the Company was required to make an option payment of approximately \$935,000 by September 2, 2012; in May, 2012, the Company was successful in extending the option terms for a year, with additional extensions being possible, for four quarterly cash payments of \$9,350 and \$37,600 of the Company's shares. This has deferred the option payment of \$935,000 by at least one year. That same claim is

Notes to the Condensed Consolidated Financial Statements

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

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 was 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 could be purchased for \$1,000,000 in either cash or common shares of the Company. On January 23, 2012, the Company announced that it had acquired the NSR through issuing 3,157,894 shares with a market value of \$300,000. The property is now royalty-free.

Gold, Copper & Zinc

Chibougamau Camp

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 own:

- eight past-producers on the Lac Doré 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 2,772 tonnes per day mill and tailings facility (included in *Property and equipment* on the consolidated balance sheet – Note 11); and,
- in excess of 11,000 ha of highly-prospective exploration property.

The amount of \$3,820,000 was transferred from *Interest in Chibougamau* on the consolidated balance sheet upon completion of the asset transfer agreement (Note 13).

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. 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 has allowed itself to be diluted to approximately 36%; the effect of dilution was a \$616,000 reduction in the value of Berta.

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 decision was made in the first quarter of 2012 to not continue with Elmalaan. Accordingly, the Company recorded a writedown of \$1,100,000 to record the carrying value of Elmalaan at \$nil effective December 31, 2011.

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. In the first quarter of 2012, the Company announced that it had decided not to pursue tenure of the Egyptian properties and advised EMRA of this on March 27, 2012. Accordingly, effective December 31, 2011, a net writedown of \$803,000 was recorded in *Writedown of exploration and evaluation projects* which comprises \$629,000 expenditures, \$378,000 receivable from Quartz Core for Mineral Resources (“QCC”), the Company’s partner in Egypt, representing its share of expenditures as described

Notes to the Condensed Consolidated Financial Statements

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below offset by \$204,000 reversal of an accrual which is no longer required. The writedown brought the value of the Bukari project to \$nil. Any commitments under the concession agreements for future expenditures are no longer applicable.

The shareholders' agreement between the Company and QCC governing the 50%-owned company contains dilution provisions. Presently, the Company has exceeded its expenditure commitment. Nuinsco recorded an incremental amount of \$16,000 in the first quarter of 2012 with an equal and opposite amount in *Writedown of exploration and evaluation projects* (December 31, 2011 - \$378,000) for the expenditure difference. Should QCC fail to make the required expenditures, its interest in the company will be proportionately reduced and Nuinsco will record an increased proportionate interest in the company.

In the first quarter of 2012, the Company incurred \$23,000 of expenditures on its Egyptian properties before its decision to not pursue tenure, accordingly, these were written off to *Writedown of exploration and evaluation projects*.

Sudan

On July 18, 2011, the Company announced that it had 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.

On February 7, 2012 the Company announced that it had elected not to exercise the option. Accordingly, expenditures were written down to \$nil effective December 31, 2011. Expenditures of \$40,000 were incurred prior to the decision being made; these were written off to *Writedown of exploration and evaluation projects* in the first quarter of 2012.

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 \$3,000 were written off during the three and six months ended June 30, 2012, (three and six months ended June 30, 2011 - \$122,000 and \$127,000 respectively).

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

	Current Pre-exploration		June 30,
	Expenditures	Write-offs	2012
PRE-EXPLORATION EXPENDITURES - Other	\$ 3	\$ (3)	\$ -

	Current Pre-exploration		June 30,
	Expenditures	Write-offs	2011
PRE-EXPLORATION EXPENDITURES - Other	\$ 127	\$ (127)	\$ -

13. INTEREST IN CHIBOUGAMAU

The Company held various investments in and loans to Campbell. Given the nature of the security underlying the loan and convertible debenture, the Company considered these elements together and had recorded them in *Interest in Chibougamau* on the consolidated balance sheet. The Company's security on amounts owing by Campbell included 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 balances 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.

Notes to the Condensed Consolidated Financial Statements

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In 2010, the Company, along with Ocean Partners, through a jointly-owned company, acquired substantially all of the remaining secured debt and claims 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.

The agreements require additional staged payments by the Company of \$200,000 within one year of signing of the asset transfer agreement 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 liabilities are included in *Trade and other payables* (Note 14) and *Long-term liability* (Note 15) in the consolidated balance sheet.

The CCAA process concluded on October 25, 2011 with the completion of the asset transfer as described below; accordingly, the Company's share of expenditures incurred in the three and six months ended June 30, 2012 to protect its interest in Campbell assets amounted to \$nil, (three and six months ended June 30, 2011 - \$204,000 and \$341,000, respectively). Such expenditures included legal fees, court-appointed monitor's fees, certain property taxes and other costs and were included in *General and administrative costs* in the consolidated statement of operations.

On June 28, 2011, the Company announced that the Québec Superior Court had accepted the Company's proposal made through its jointly-controlled company, CBay, 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 effective October 25, 2011. Upon completion of the agreement and transfer of legal ownership, the Company commenced capitalization of eligible project expenditures to the *Interest in Chibougamau* and also increased the carrying value of the *Interest in Chibougamau* by an amount of \$870,000; the increase in the carrying value was reflected as *Recovery of provision for Chibougamau* in the consolidated statement of operations. The Company believes that carrying value is fair value and that capitalized costs will be recovered.

Notes		December 31, 2011
Acquisition of debt and claims		\$ 2,055
Less: fair value adjustment		(59)
		1,996
Originated debt	(a)	2,297
		4,293
Revaluation to estimated recoverable amount		870
Project costs		43
		5,206
Transfer to property and equipment	11	(1,386)
Transfer to exploration and evaluation projects	12	(3,820)
		\$ -

(a) The Originated debt is shown net of Québec mining duties of \$203,000.

In order to complete the asset transfer, the Company and Ocean Partners transferred their rights to the originated debt, the acquired debt and claims to CBay. Accordingly, the estimated recoverable amount of the transferred assets can be viewed as the value of the assets or originated debt being given up. This was based upon an analysis of the transactions to acquire claims or debt compared with the gross amount of the debt or claim. The Company determined an appropriate ratio and applied that to the originated debt values to derive a surrogate value.

Furthermore, an alternative value of the estimated recoverable amount (similar to the approach adopted in 2010) was derived 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.

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There is a high degree of variability in many of the factors used to arrive at an estimated recoverable amount. The Company believes that, absent any acceptable definitive offer, the methodology used is an appropriate, prudent measure of the estimated recoverable amount. The Company is continuing to assess its options to best realize on its interests and will continue to be actively involved in the process with CBay and Ocean Partners until its conclusion.

Given that CBay now owns assets directly, the Company has reclassified the former *Interest in Chibougamau* into its share of direct asset components being *Property and equipment* of \$1,386,000 (Note 11) and *Exploration and evaluation projects* of \$3,820,000 (Note 12) on the consolidated balance sheets. The allocation between components is subject to a high degree of measurement uncertainty.

14. TRADE AND OTHER PAYABLES

<i>Note</i>	June 30, 2012	December 31, 2011
Trade payables		
E&E projects	\$ 617	\$ 162
Non-project related	298	123
Flow-through premium liability	352	171
Other payables	-	5
Due to Victory Nickel Inc.	22 58	20
Accrued liabilities		
E&E projects	79	60
Non-project related	22 453	488
	\$ 1,857	\$ 1,029

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

<i>Notes</i>	June 30, 2012	December 31, 2011
Balance as at beginning of year	\$ 171	\$ 48
December, 2010 financing:		
Flow-through premium through finance income	20 -	(48)
July and August, 2011 financing:		
Flow-through premium	-	150
Flow-through premium through finance income	(97)	(24)
December, 2011 financing:		
Flow-through premium	-	45
Flow-through premium through finance income	(43)	-
February and March, 2012 financing:		
Flow-through premium	17 321	-
	\$ 352	\$ 171

15. LONG-TERM LIABILITY

Payable from Acquisition of Campbell Debt

The Company, through CBay, has an obligation under a long-term arrangement with respect to the acquisition of debt of Campbell (Note 13). The Company is required to pay \$300,000 on the basis of \$0.25 per ton of ore processed through the CBay mill with any remaining balance due three years after implementation of a mine plan. The mill requires refurbishment, processing is not presently possible and a mine plan has not been determined. The fair value of the amount, using a discount rate of 8%, is \$277,000 as at June 30, 2012 (December 31, 2011 - \$266,000). Nuinsco will accrete the value of the obligation by interest charges through operations. In the three and six months ended June 30, 2012, accretion of \$5,000 and \$11,000 (three and six months ended June 30, 2011 - \$6,000 and \$11,000) was added to long-term obligations and recorded as interest expense.

Notes to the Condensed Consolidated Financial Statements

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

16. OPERATING LEASE

Lease 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:

	June 30, 2012
Office rental	
Less than 1 year	\$ 98
Between 1 and 5 years	342
Total Minimum Lease Payments Payable	\$ 440

It is not expected that the cash flows reflected in the maturity analysis would occur significantly earlier, or at significantly different amounts. During the three and six months ended June 30, 2012, \$48,000 and \$95,000 was recognized as net rent expense through operations in respect of operating leases including operating costs (three and six months ended June 30, 2011 – \$39,000 and \$69,000). Furthermore, amounts of \$11,000 and \$22,000 were recognized as a contra to rent expense through operations in respect of a sublease in the three and six months ended June 30, 2011; the sublease expired on June 30, 2011.

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 six months ended June 30, 2012 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, 2012	280,211,807						\$ 97,195
Shares issued for property (a)	3,157,894	-	300	(12)	-	-	288
Issue of flow-through common shares (b)	7,142,858	1,000	-	(90)	(321)	(86)	503
Balance as at June 30, 2012	290,512,559	\$ 1,000	\$ 300	\$ (102)	\$ (321)	\$ (86)	\$ 97,986

(a) On January 23, 2012, the Company issued 3,157,894 common shares to acquire the royalty on the Prairie Lake property (Note 12).

(b) On March 13, 2012, the Company issued 7,142,858 flow-through units (each a "Unit") at a subscription price of \$0.14 per Unit generating aggregate proceeds of \$1,000,000. Each Unit consisted of one common share and one-half of a warrant.

On July 30, 2012, the Company issued 923,864 common shares to extend the agreement on Diabase Peninsula as described in Note 12.

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 in the Company's 2011 Audited Consolidated Financial Statements. At the Company's Annual and Special Meeting of Shareholders held on June 18, 2012 (the "ASM"), shareholders approved the maximum number of common shares issuable under the Share Bonus Plan to 8,000,000.

Shareholder Rights Plan

The Company has a Shareholder Rights Plan which is described fully in the Company's 2011 Audited 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)

Accumulated Other Comprehensive Income or Loss ("AOCI")

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.

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

The calculation of basic and diluted earnings (loss) per share ("EPS") for the three and six months ended June 30, 2012 was based on the losses attributable to common shareholders of \$492,000 and \$964,000 (the three and six months ended June 30, 2011 – losses of \$817,000 and \$1,825,000) and a weighted average number of common shares outstanding as shown below.

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 June 30,		Six months ended June 30,	
		2012	2011	2012	2011
Balance as at beginning of period		290,513,000	258,070,000	280,212,000	254,205,000
Effect of share options exercised	19	-	-	-	45,000
Effect of warrants exercised	19	-	4,706,000	-	2,873,000
Effect of shares issued pursuant to private placements	17	-	-	4,317,000	2,952,000
Effect of shares issued for property	17	-	-	2,950,000	-
Effect of shares issued under Share Bonus Plan	20	-	46,000	-	23,000
Weighted average number of common shares basic		290,513,000	262,822,000	287,479,000	260,098,000

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.

As at June 30, 2012, 25,865,000 options and 14,893,000 warrants (June 30, 2011 – 22,410,000 options and 21,247,000 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 2011 Audited Consolidated Financial Statements.

Stock option plan (equity-settled)

As at June 30, 2012, the Company had 17,712,000 (December 31, 2011 – 21,517,000) common shares available for the granting of future options. Options are exercisable at the market price of the shares on the date preceding the date of grant. The Company does not have any cash-settled transactions.

Share purchase warrants (equity-settled)

Outstanding warrants as at June 30, 2012 consist of 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 2011 Audited Consolidated Financial Statements; as amended at the ASM as described in Note 17.

Notes to the Condensed Consolidated Financial Statements

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

Terms and Conditions of Share-based Payment Arrangements

The terms of the Company's share-based payment arrangements are set out in Note 22 to the Company's 2011 Audited Consolidated Financial Statements.

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	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Outstanding as at beginning of period	20,515,000	17,535,000	\$ 0.14	\$ 0.14
Granted	5,550,000	5,105,000	\$ 0.065	\$ 0.17
Exercised	-	(100,000)	-	\$ 0.06
Expired	(200,000)	(2,025,000)	\$ 0.44	\$ 0.24
Outstanding as at end of period	25,865,000	20,515,000	\$ 0.12	\$ 0.14
Exercisable as at end of period	24,075,000	19,362,500	\$ 0.12	\$ 0.14

For options granted during 2012, the weighted average fair value at the date of grant was \$0.048 (2011 - \$0.15).

Range of exercise prices	Number of options outstanding		Weighted average remaining contractual life (years)	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
\$0.030 to \$0.050	4,600,000	4,600,000	1.70	2.20
\$0.055 to \$0.055	1,100,000	1,100,000	3.12	3.61
\$0.060 to \$0.075	5,680,000	130,000	4.76	4.95
\$0.080 to \$0.100	4,350,000	4,350,000	2.51	3.01
\$0.110 to \$0.150	1,350,000	1,350,000	0.42	0.92
\$0.160 to \$0.170	4,750,000	4,750,000	3.70	4.18
\$0.180 to \$0.210	-	-	-	-
\$0.220 to \$0.260	2,400,000	2,400,000	1.76	2.26
\$0.270 to \$0.350	1,635,000	1,635,000	0.56	1.06
\$0.360 to \$0.488	-	200,000	-	0.28
	25,865,000	20,515,000	2.80	2.74

A total of 5,550,000 options were granted during the second quarter of 2012 (2011 – 5,105,000) to key management personnel, employees and consultants. This resulted in share-based payment expense of \$205,000 and \$234,000 in the three and six months ended June 30, 2012. Furthermore, on June 6, 2012, the Company agreed to extend options granted to a retiring director to their original terms; this resulted in an additional expense of \$48,000 in the period. Aggregate options expense in the three and six months ended June 30, 2011 was \$33,000 and \$522,000, respectively. Of the 25,865,000 options outstanding as at June 30, 2012, 1,790,000 are subject to vesting (as at December 31, 2011 – 20,515,000 options were outstanding of which 1,152,500 were subject to vesting). The aggregate fair value of these unvested options not yet charged to operations is \$65,000 (as at December 31, 2011 - \$32,000). For options exercised during 2011, the weighted average market price was \$0.15; no options have been exercised in 2012 to date.

The Company's jointly-controlled company, CBay, has entered into an arrangement with its CEO to provide options in that company. Nuinsco's share of the cost of the option arrangement is \$40,000. Given that CBay is a private entity and newly-created, there is a high degree of measurement uncertainty associated with this estimate which was derived using an estimated term to expiry of 1 year and a volatility of 68%.

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	Life ⁽¹⁾	Number of warrants		Weighted average exercise price	
			June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Issued pursuant to private placements						
	October 4, 2010	24	5,600,000	5,600,000	\$ 0.10	\$ 0.10
	January 10, 2011	24	1,562,500	1,562,500	\$ 0.22	\$ 0.22
	Expired		(1,562,500)			
	July 29, 2011	24	1,833,315	1,833,315	\$ 0.20	\$ 0.20
	August 3, 2011	24	2,151,533	2,151,533	\$ 0.20	\$ 0.20
	August 29, 2011	24	333,334	333,334	\$ 0.20	\$ 0.20
	August 30, 2011	24	970,984	970,984	\$ 0.20	\$ 0.20
	December 30, 2011	18	22,833	22,833	\$ 0.09	\$ 0.09
	February 24, 2012	18	3,410,750		\$ 0.20	
	February 24, 2012	18	409,290		\$ 0.14	
	March 12, 2012	18	138,250		\$ 0.20	
	March 13, 2012	18	22,429		\$ 0.20	
Outstanding as at end of period			14,892,718	12,474,499	\$ 0.16	\$ 0.16

(1) The life of warrants is stated in months from issue date.

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, modified or issued during the periods are as follows:

	Options		Warrants	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Fair value at grant/modification date	\$0.001 to \$0.048	\$0.055 to \$0.169	\$0.018 to \$0.031	\$0.041 to \$0.064
Share price at grant/modification date	\$0.055 to \$0.065	\$0.075 to \$0.235	\$0.09 and \$0.095	\$0.08 to \$0.18
Assumptions				
Exercise price	\$0.05 to \$0.065	\$0.075 to \$0.235	\$0.14 and \$0.20	\$0.09 to \$0.22
Expected volatility	82% to 110%	104% and 108%	87% and 93%	88% to 97%
Life (years)	0.58 to 4.83	4	1.5	1 to 2
Expected dividends	-	-	-	-
Risk-free interest rate	0.99% to 1.53%	1.18% and 2.31%	1.12% to 1.20%	0.96% to 1.67%

20. FINANCE INCOME AND FINANCE COSTS

	Notes	Three months ended June 30,		Six months ended June 30,	
		2012	2011	2012	2011
Interest income on bank deposits		\$ 1	\$ 1	\$ 2	\$ 2
Flow-through premium	14	39	-	140	48
Finance income		40	1	142	50
Interest expense on financial liabilities measured at amortized cost	15	5	6	11	11
Net foreign exchange loss		1	63	1	56
Finance costs		6	69	12	67
Net Finance Income (Costs)		\$ 34	\$ (68)	\$ 130	\$ (17)

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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 and CBay (Note 22). The projects are currently located in Canada and Turkey. 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 consolidated balance sheets.

Geographic Information

	Notes	June 30, 2012	December 31, 2011
Canada			
Corporate		\$ 1,129	\$ 2,224
Royalty interest	10	3,000	3,000
Chibougamau camp	11, 12, 13	5,309	5,206
Diabase Peninsula	12	8,943	8,041
Prairie Lake	12	3,340	2,886
		21,721	21,357
Turkey			
Berta	12	1,198	1,197
		1,198	1,197
Total Assets		\$ 22,919	\$ 22,554

Revenues in each period are generally attributable to the corporate office in Canada; revenue in 2012 relates to CBay and the Chibougamau camp. There have been no changes in the reportable segments or the treatment of segmented assets and revenues year-over-year.

22. RELATED PARTIES AND MANAGEMENT AGREEMENTS

Transactions and Balances with Victory Nickel, CBay and Related Parties

The Company shares management, administrative assistance and facilities with Victory Nickel and CBay pursuant to separate management agreements. The costs recovered from Victory Nickel and CBay are recorded at the cost to the Company of such services plus 10 per cent. The management agreement for Victory Nickel commenced February 1, 2007 and is terminable by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. The management agreement for CBay commenced February 14, 2012 and is terminable by the Company upon 90 days notice and by CBay upon 60 days notice upon the earlier of February 14, 2013 or listing on a stock exchange.

Balances and transactions with Victory Nickel, CBay and related parties as at June 30, 2012 and December 31, 2011 and for the periods ended June 30, 2012 and 2011 are shown in the following tables:

	June 30, 2012	December 31, 2011
Balances Outstanding		
Payable to Victory Nickel Inc.	\$ 58	\$ 20
Payable to key management personnel	\$ 180	\$ 158
	Three months ended June 30, 2012	2011
	Six months ended June 30, 2012	2011
Transaction Values		
Overhead charges to Victory Nickel Inc.	\$ 157	\$ 215
Overhead charges from Victory Nickel Inc.	\$ 8	\$ -
Project costs charged by Victory Nickel Inc.	\$ 7	\$ 7
Project recoveries charged to Victory Nickel Inc.	\$ 14	\$ 18
Overhead charges to CBay Minerals Inc.	\$ 78	\$ -
Project recoveries charged to CBay Minerals Inc.	\$ 3	\$ -

Notes to the Condensed Consolidated Financial Statements

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

Amounts due to or from Victory Nickel and CBay are unsecured, non-interest bearing and due on demand. Amounts due to or from Victory Nickel and CBay 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 and the Stock Option Plan (Notes 17 and 19).

Key management personnel compensation comprised:

	Notes	Three months ended June 30,		Six months ended June 30,	
		2012	2011	2012	2011
Short-term employee benefits		\$ 169	\$ 206	\$ 344	\$ 369
Share-based payments - options	19	209	-	209	451
Share-based payments - Share Bonus Plan	17	-	11	-	11
		\$ 378	\$ 217	\$ 553	\$ 831

23. COMPANY ENTITIES

Significant Subsidiaries and Jointly-controlled Entities

		June 30, 2012	December 31, 2011
Ownership Interest	Country of Incorporation		
Lakeport Gold Corporation	Canada	100%	100%
CBay Minerals Inc.	Canada	50%	50%
Nuinsco Madencilik Sanaye Ticaret	Turkey	100%	100%
Nuinsco Exploration Inc.	BVI	50%	50%
Z-Gold Resources Limited (through Nuinsco Exploration Inc.)	Egypt	50%	50%
NuMENA Minerals Corp.	Canada	100%	100%

None of the companies included in the table above is a public company. Lakeport Gold Corporation is inactive; CBay Minerals Inc. is a jointly-controlled entity with Ocean Partners and owns the Chibougamau mining camp; Nuinsco Madencilik Sanaye Ticaret is a wholly-owned subsidiary and was incorporated to hold the Company's Turkish licenses; Nuinsco Exploration Inc. is a jointly-controlled entity with QCC and was pursuing the rights, through Z-Gold Resources Limited to the gold concessions in Egypt; NuMENA Minerals Corp. is presently inactive and was incorporated as a potential vehicle to spin off certain of the Company's assets in the MENA region. This initiative has been put on hold. NuMENA will be inactive until circumstances warrant otherwise.

Notes to the Condensed Consolidated Financial Statements

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

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 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:

CBay Minerals Inc.	Notes	June 30, 2012	December 31, 2011
Current assets		\$ 125	\$ 2
Property and equipment	11	\$ 1,093	\$ 1,386
Exploration and evaluation project	12	\$ 4,216	\$ 3,820
Current liabilities		\$ 403	\$ 212
Long-term liability	15	\$ 277	\$ 266
Other income		\$ 118	\$ -
Operating expenses		\$ 182	\$ 4
Writedown of interest in Chibougamau	(a)	\$ -	\$ 3,526
Net finance costs		\$ 11	\$ 25

(a) The writedown of interest in Chibougamau in 2011 is offset by an equal and offsetting adjustment in Nuinsco therefore the writedown is \$nil on consolidation, before taking effect of revaluation of estimated recoverable amount.

Nuinsco Exploration Inc.	June 30, 2012	December 31, 2011
Current assets	\$ 10	\$ 10
Exploration and evaluation project	\$ -	\$ -
Current liabilities	\$ -	\$ -
Operating expenses	\$ 67	\$ 44

25. COMMITMENT

Flow-through Commitments

As at June 30, 2012, the Company had a remaining flow-through commitment outstanding for flow-through share financings in 2011 and 2012 of \$300,000 and \$1,000,000, respectively (December 31, 2011 – financings in 2011 of \$1,668,000). The 2011 and 2012 commitments are required to be satisfied by December 31, 2012 and 2013, respectively.

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.

27. SUBSEQUENT EVENT

There are no subsequent events not already disclosed elsewhere in the financial statements, except as described below.

Loan Facility in Process

On August 10, 2012, the Company signed a non-binding indicative term sheet for a \$2,500,000 loan facility which is subject to customary conditions for a financing of this type; expected conditions are as follows. The Facility is structured in two tranches, the first tranche is up to \$1,500,000, and the entire balance is repayable after 18 months with an additional extension period of six months available upon issuance of 3% of the amount payable in CBay shares owned by Nuinsco. A facility fee of 2% of the tranche is payable in cash at closing along with a 5% equity bonus in the form of the Company's shares; interest of 11.5% per annum is payable quarterly in arrears. The Facility will be secured by a first ranking pledge upon Nuinsco's CBay shares.