



## **NUINSCO RESOURCES LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED  
MARCH 31, 2013**

**DATED MAY 10, 2013**

# **NUINSCO RESOURCES LIMITED**

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

### **For the Three Months ended March 31, 2013**

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of May 10, 2013 consolidates management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2013, 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 months ended March 31, 2013 ("Unaudited Condensed Consolidated Financial Statements") and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

Certain information and discussion included in this Management's Discussion & Analysis ("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.

Readers are also encouraged to consult the audited consolidated financial statements for the years ended December 31, 2012 and 2011 ("2012 Audited Consolidated Financial Statements"). The Unaudited Condensed Consolidated Financial Statements and the 2012 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.

### **NATURE OF OPERATIONS**

Nuinsco is focused on identifying and exploiting mineral investment opportunities worldwide using its exploration programs and operating and financial expertise. The Company currently has gold, uranium, phosphate, rare metals and copper assets in world-class mineralized belts in Canada's provinces of Saskatchewan, Ontario and Québec and in Turkey. In addition to its property holdings, Nuinsco owns a 50% interest in CBay Minerals Inc. ("CBay"), a private company that has a dominant position in Québec's Chibougamau mining camp with assets including a permitted mill, tailings facility, eight past-producing copper/gold mines and a 96,000 acre land position. Shares of Nuinsco trade on the Toronto Stock Exchange ("TSX") under the symbol NWI.

The Company continues to achieve positive results from its Diabase Peninsula project and the Prairie Lake complex and in 2011 achieved a milestone along with Ocean Partners Investments Limited ("Ocean Partners") by successfully bidding for the assets of the prolific Chibougamau mining camp in northern Québec through the court-supervised CCAA process. In 2012, a 2,000 metre drill program was completed at the Diabase Peninsula uranium project in Saskatchewan and additional testing has been performed which has established that a marketable phosphate concentrate can be produced at Prairie Lake. An exploration program at Chibougamau commenced in 2012 and is continuing in 2013.

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 Toronto Venture Exchange ("TSX-V") and Australian Stock Exchange ("ASX") both under the symbol CYY. These assets are available to be monetized to finance the Company's exploration programs, operating costs and reduce equity dilution to shareholders. On September 27, 2012, the Company sold its royalty interest in the Cameron Gold project for US\$5,100,000.

Notwithstanding the significant improvement in the Company's financial condition, it 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. Advancing the Company's projects through exploration and development to the production stage will require significant financing. Furthermore, the Company has received reassessments from the Canada Revenue Agency ("CRA") as described in Note 29 to the 2012 Audited Consolidated Financial Statements. Given the current economic climate, the ability to raise funds may prove difficult. Refer to the Risks and Uncertainties and Liquidity and Capital Resources sections for additional information.

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. As at March 31, 2013, the Company had working capital of \$2,550,000 (December 31, 2012 – working capital of \$2,197,000). Working capital is defined as current assets less current liabilities.

On December 18, 2012, the Company entered into a loan agreement with a third party for a \$2,500,000 loan facility (the "Facility"). The terms of the Facility are described in the Liquidity and Capital Resources section. As at March 31, 2013,

the Facility was drawn down by \$1,000,000; refer to Note 14 to the Unaudited Condensed Consolidated Financial Statements.

## **SIGNIFICANT EVENTS**

During and subsequent to the three months ended March 31, 2013, the Company:

### **Corporate**

- Entered into a loan agreement with Victory Nickel Inc. ("Victory Nickel") to advance up to \$3 million. The loan is secured by Victory Nickel's assets and the bulk of the funds are to be used to finance capital expenditures on its frac sand processing facility in Medicine Hat, Alberta. The loan bears interest at 12% per annum and is convertible at Nuinsco's option into a limited participating interest in cash flow from Victory Nickel's frac sand business.

### **Gold**

- Announced positive drill results , including multiple intercepts grading greater than 20.0g/T gold, with the highest grade core-length intercept – 93.20g/T over 0.25 metres, coming from a newly-identified geophysical target, on CBay's Chibougamau gold properties.
- Followed up the very encouraging drill results noted above with ground geophysics on CBay's Portage Island properties.

### **Copper**

- Announced drill results with intercepts up to 12.65m grading 1.59% copper that further indicate large scale of copper mineralization at the Berta property in Turkey.
- Announced the option of the advanced-stage Perch River copper project in the Chibougamau mining camp in Northern Québec through CBay. Perch River is a shallow, flat-lying, ramp-accessible copper deposit with the potential to be a feed source for CBay's Copper Rand mill in the near-term.
- Announced the acquisition by CBay of the high-grade Devlin copper project. Also located in the Chibougamau mining camp, near CBay's high-grade Corner Bay copper project, Devlin also has the potential to be a feed source for CBay's Copper Rand mill in the near-term.

### **Uranium, Phosphorus and Rare Metals**

- Announced the production of additional phosphorous concentrate from Prairie Lake for evaluation of agricultural and industrial applications of Prairie lake mineralization.
- Commenced a radon gas survey on the Diabase Peninsula property to follow up on drill results showing widespread anomalous uranium mineralization, peaking at 707 ppm. Radon surveys were instrumental in the recent discovery of high-grade uranium mineralization on the Patterson Lake South JV in the southwestern part of the Athabasca Basin.

## **OUTLOOK**

The market continues to impose very low valuations on junior exploration companies. As a result, financing of Nuinsco's activities continues to be extremely dilutive if this is accomplished with the traditional equity issues. We continue to conserve cash while finding less dilutive sources of funding. We highlight our differences and distinctiveness and take advantage of opportunities created by the market.

As we wait for greater certainty and investor confidence to firm up, Nuinsco must continue to differentiate itself. Like all, we have implemented a program to ensure that only essential expenditures are made. Unless immediate return can be measured, the expenditure is not allowed. The Company will mainly focus on cash-generating opportunities in the short-term to provide the funding necessary to continue our exploration activities. Exploration programs will be developed to best utilize the flow-through financing commitments to be spent before the end of 2013.

To this end, Nuinsco recently announced a loan to Victory Nickel which should result in generating up to \$10 million of cash in the near term. Specifics of the loan are available elsewhere in this MD&A. This transaction at first glance appears to change Nuinsco's business direction but it does not. This is a short-term investment with the potential of providing the much needed cash to advance Nuinsco's very attractive projects.

The majority of exploration companies are one project companies. Nuinsco is different; it could be termed a conglomerate of the exploration world. Just read further and you will soon see what we see; a sound future.

## **Chibougamau**

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 18 past-producing mines. CBay owns:

- 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 2,722 tonnes per day mill and tailings facility; and
- in excess of 96,000 acres (38,000 ha) of highly-prospective exploration property.

Management has always believed that the Chibougamau properties provide 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. As such, Nuinsco has initiated an exploration program in the Chibougamau mining camp, initially focused on gold prospects. Recently announced results would, at any other time, cause investors to take notice. Not in this market, however.

An updated NI 43-101 report on CBay's Corner Bay mine has been completed along with an independent study of the metallurgical facilities to establish the cash requirements to get the mill back into production. The next step will be to prepare a report on the cost to complete the development of Corner Bay and to quantify the cost of reopening past-producers, with initial consideration going to the Cedar Bay gold mine. With this, a plan on how best to get back into production will be prepared.

A significant asset in the Chibougamau mining camp is the 2,722 tonnes per day concentrator. The plan is to fill the mill as soon as possible and, to that end, Nuinsco recently announced the acquisition of two projects in Chibougamau which could supply feed in the near term: the Perch River project and the Devlin project.

## **Prairie Lake**

At Prairie Lake, already one of the largest deposits of its type in the world with only 12% of the property evaluated, discussions have started with potential partners in the fertilizer business to establish the viability of advancing the project. Indications are that the quality of the phosphate concentrate could also be attractive to the higher-value industrial market. In addition, aspects of niobium-tantalum mineralization and metallurgy continue to be examined.

## **Diabase Peninsula**

On the uranium front, the Company's Diabase Peninsula project in the Athabasca Basin of Saskatchewan continues to gain prominence. We released results from the 2011/2012 drill program and also announced an extension to the option agreement and purchased the royalty held by Trend Mining Company of Denver (“Trend”). Although the drill results were not the discovery we had hoped for, they were not disappointing, support continuation of the program and speak to the impressive potential of this project.

## **Turkey**

At the Berta project, Xstrata Copper Canada (“Xstrata”), our joint venture partner, has completed a six-hole 4,720m drill program. Every hole, even though very widely spaced, has returned anomalous copper mineralization indicating the huge scale and continuity of the anomaly. Nuinsco has always been promoting for more aggressive exploration with its partner and operator, Xstrata. The 2012 program was a step in the right direction but still not to the extent that Nuinsco would implement. Xstrata has indicated that they are prepared to resign as operator and Nuinsco is considering its options.

## **Overall**

Nuinsco is fortunate to have always had numerous very attractive projects in a variety of world class locations. While today's confused equity markets persist, management believes that the significant disconnect between share price and asset value cannot last. The recent lack of funding available for the exploration activities required to replace global resources which are being depleted at an exponential rate 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.

The Company recognizes that its liquidity is constrained due to the lack of cash available from the equity markets. However, given the royalty sales and recently-announced credit facility, Nuinsco is in considerably better financial shape than many of its peers. Management will continue to carefully monitor all expenditures and selectively reduce exploration programs, if necessary, until financing is available. We will consider all funding sources with a view to minimizing dilution to our existing shareholders as we wait for appropriate asset valuations to return to the market.

## RESULTS OF OPERATIONS

### **Three Months Ended March 31, 2013 Compared with Three Months Ended March 31, 2012**

In the three months ended March 31, 2013, the Company had a net loss of \$345,000, or \$0.00 per share, compared with a net loss of \$472,000, or \$0.00 per share, in the three months ended March 31, 2012. The principal reasons for the change are decreased general and administrative expenses and share-based payments and a reduction in the writedown of exploration and evaluation projects.

*General and administrative* expenses (“G&A”) in the three months ended March 31, 2013 decreased to \$385,000 from \$417,000 in the three months ended March 31, 2012. Audit fees were higher in 2012 due to additional work being required on the valuation of CBay assets acquired during the year; further, the Company cancelled certain discretionary work effective the first quarter of 2012. In addition, expenditures on technology and conventions was lower in 2013 compared with 2012.

G&A expenses are shown net of recoveries under management agreements; Nuinsco entered into a management agreement with CBay in 2012 and the Victory Nickel agreement continues. As a result of the CBay agreement, fixed costs are now spread across an additional party and, due to proportionate consolidation of CBay, 50% of these costs are borne by Ocean Partners. Decreases in costs in general were partly offset by increases in CBay spending related to Chibougamau that is also proportionately consolidated; in the three months ended March 31, 2013, Nuinsco’s share of CBay’s G&A expenses amounted to \$102,000; in the comparative period of 2012 these were \$46,000. CBay’s expenses increased because of the hiring of a dedicated CEO for that business partway through the first quarter of 2012.

Overhead recoveries through charges to Victory Nickel and CBay for services under the management agreements and deducted from operating expenses amounted to \$158,000 and \$82,000 respectively in the three months ended March 31, 2013, compared with \$214,000 and \$36,000 for 2012. Victory Nickel charged the Company \$6,000 and \$7,000 in 2013 and 2012. The management agreement with CBay commenced on February 14, 2012 thus charges in 2012 were for a part-period only. Costs allocated to Victory Nickel and CBay pursuant to the management agreements between the Company and Victory Nickel and the Company and CBay are activity related. Such amounts are recorded at the cost to the Company of such services plus 10%. The decrease in costs allocated to Victory Nickel is primarily a function of a reduced proportion of fixed costs being allocated to Victory Nickel because of the agreement with CBay.

It is estimated that approximately \$218,000 of general and administrative expenditures were incurred in supporting the Company’s public status in the three months ended March 31, 2013 (March 31, 2012 - \$235,000). Such costs are largely non-discretionary and are weighted to the beginning of a financial year because of audit and other compliance requirements. The change is mainly related to the decreased spending on audit services and in investor and public relations costs.

Share-based payments related to options decreased to \$21,000 in the three months ended March 31, 2013, from \$69,000 in the comparative period. This is primarily a function of the options issued to the CEO of CBay in 2012 the proportionate cost of which amounted to \$40,000 for Nuinsco.

The Company separates its pre-exploration write-offs from its writedowns of exploration and evaluation projects in the condensed consolidated statement of operations. In the three months ended March 31, 2013, pre-exploration expenditures amounted to \$16,000; there were no pre-exploration expenditures in the comparative period.

In the three months ended March 31, 2012, the Company recorded an aggregate writedown of exploration and evaluation projects of \$79,000 (including \$16,000 writedown of a receivable related to Egypt). These writedowns relate to expenditures that were incurred in 2012 prior to the decision to write off the respective properties and are in addition to the main write-offs which were taken in the fourth quarter of 2011 against Egypt, J. Tobrar in Sudan and Elmalaan in Turkey. There have been no impairment adjustments in 2013 to date.

*Net finance income* decreased to \$83,000 in the three months ended March 31, 2013 from \$96,000 in the comparative period. *Finance income* of \$135,000 was earned in the period, compared with \$102,000 in the same period of 2012. This is primarily due to amortization of the flow-through premium of \$92,000 in the three months ended March 31, 2013, compared with \$101,000 in 2012. The Company entered into finance agreements in late 2012 and early 2013 which resulted in interest income of \$32,000 and interest expense of \$46,000 in the three months ended March 31, 2013. Both include non-cash amortization of loan fees using the effective interest method as described in the Unaudited Condensed Consolidated Financial Statements.

As at March 31, 2013, the Company had a remaining flow-through premium liability to be amortized through finance income of \$173,000 from the flow-through financing that was completed in 2012. Note 13 to the Unaudited Condensed Consolidated Financial Statements includes an analysis of the flow-through premium liability.

Other comprehensive loss in the three months ended March 31, 2013 of \$213,000 (March 31, 2012 – income of \$18,000) relate to changes in the market value of the Company’s financial assets at fair value through OCI. The main changes in

market values in the quarter were in Victory Nickel shares of a gain of \$142,000 offset by a loss of \$354,000 in Coventry shares; for 2012, the primary decrease was in Victory Nickel shares of \$83,000 offset by an increase in the market value of Coventry shares of \$109,000.

The Company has capital loss pools available to it of approximately \$6,536,000 (Note 15 to the 2012 Audited Consolidated Financial Statements). Since the Company has an unrecognized deferred tax asset for such capital losses, any future income taxes with respect to marketable securities and recorded through OCI has an equal and opposite amount recorded through operations. In 2012 and to date in 2013, the pool of marketable securities has been below cost so no income taxes have been recorded.

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

*Cash and cash equivalents* as at March 31, 2013 was \$2,433,000 compared with \$2,275,000 as at December 31, 2012. Refer to the Liquidity and Capital Resources section for discussion of periodic cash flows in more detail.

*Marketable securities* as at March 31, 2013 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. The value of marketable securities as at March 31, 2013 increased to \$865,000 from \$828,000 as at December 31, 2012 as a result of declines in the market value of financial assets offset by the receipt of shares during the quarter as consideration for fees on the loan entered into in March 2013.

The *Loan receivable* of \$752,000 as at March 31, 2013 (December 31, 2012 - \$1,009,000) relates to an advance paid by the Company to Victory Nickel and is due on January 31, 2015. The loan was amended and extended in March 2013 (the "Amended Loan") to up to \$3,000,000 under certain circumstances as described in Liquidity and Capital Resources below. The loan is disclosed net of unamortized loan fees which are being accounted for on the effective interest rate method. The Amended Loan is subject to a conversion right into a limited participating interest in cash flow based on results of Victory Nickel's frac sand business. Presently, the frac sand business is not in operation and cash is not being generated; Nuinsco has not exercised its conversion right. Therefore, the Company has not recognized the conversion right. Nuinsco will re-evaluate the probability of conversion and will reassess the value of that right as circumstances warrant.

*Other assets* as at December 31, 2012 are loan fees paid with respect to the Facility entered into in the fourth quarter of 2012 and were netted against the advances under the Facility as at March 31, 2013 and included in *Long-term liabilities*.

*Long-term liabilities* as at March 31, 2013 have increased due to a \$1,000,000 drawdown of the Facility in February, partly offset by the unamortized loan fees formerly included in *Other assets* as at December 31, 2012.

## SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last nine quarters ended March 31, 2013 is as follows:

<u>Fiscal year 2013</u>	<u>1<sup>st</sup> Quarter</u>			
Net finance income				\$ 83
Net loss				\$ (345)
Total comprehensive loss				\$ (558)
Loss per share - basic and diluted				\$ (0.00)
<u>Fiscal year 2012</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	\$ 216 <sup>(1)</sup>	\$ 14	\$ 34	\$ 96
Net (loss) income	\$ (226)	\$ 1,717 <sup>(2)</sup>	\$ (492)	\$ (472)
Total comprehensive (loss) income	\$ (452)	\$ 2,054 <sup>(3)</sup>	\$ (1,219) <sup>(4)</sup>	\$ (454)
(Loss) earnings per share - basic and diluted	\$ (0.00)	\$ 0.01	\$ (0.00)	\$ (0.00)
<u>Fiscal year 2011</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)	\$ 7	\$ (13)	\$ (68)	\$ 51
Net loss	\$ (2,115) <sup>(5)</sup>	\$ (463)	\$ (817) <sup>(7)</sup>	\$ (1,008) <sup>(9)</sup>
Total comprehensive loss	\$ (2,597) <sup>(6)</sup>	\$ (574)	\$ (1,908) <sup>(8)</sup>	\$ (1,075)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)

(1) Net finance income includes the effect of a \$75,000 remeasurement of a financial liability and \$77,000 amortization of flow-through premium related to expenditures in the fourth quarter of 2012.

(2) Net income includes the gain on sale of royalty interest of \$1,992,000.

- (3) Total comprehensive income includes the gain in (2) as well as a net increase in the value of marketable securities of \$337,000.
- (4) Total comprehensive loss includes a decrease of \$727,000 in the value of marketable securities.
- (5) Net loss includes writedown of Sudan of \$719,000, writedown of Egypt of \$803,000 and writedown of Elmalaan of \$1,100,000 offset by a recovery of provision for Chibougamau of \$870,000.
- (6) Total comprehensive loss includes items referred to in (5) as well as decrease in value of marketable securities of \$482,000.
- (7) Net loss includes \$122,000 of pre-exploration write-offs.
- (8) Total comprehensive loss includes a decrease of \$1,171,000 in the value of marketable securities.
- (9) Net loss includes \$489,000 of share-based payments.

Variations in the quarterly results of operations are largely a function of the timing of property and other writedowns, gains on sales of properties, income tax recoveries or the recording of amortization of flow-through premiums. Variations in comprehensive income are primarily a function of the changes in the fair values of the Company's marketable securities.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at March 31, 2013, the Company had working capital of \$2,550,000 (December 31, 2012 – working capital of \$2,197,000); being defined as current assets less current liabilities.

The Company generated cash and cash equivalents of \$158,000 during the three months ended March 31, 2013, compared with cash used of \$157,000 during the three months ended March 31, 2012.

In the three months ended March 31, 2013, the Company used cash of \$355,000 in operating activities, compared with \$344,000 in 2012. The Company has no recurring sources of revenue and no regular operations and the change in non-cash working capital in the period provided \$21,000, compared with providing cash of \$72,000 in 2012.

Investing activities in the period ended March 31, 2013 used funds of \$471,000, compared with funds used of \$711,000 in 2012. The primary cash outflows in each period were for exploration and evaluation projects.

Expenditures on exploration and evaluation projects ("E&E") amounted to \$424,000 in the period ended March 31, 2013, compared with \$771,000 in 2012. Refer to the Exploration and Evaluation Activities section for additional discussion.

Cash generated from financing activities was \$984,000 in the three months ended March 31, 2013, compared with \$898,000 in the same period of 2012. The nature of the financing in each period indicates the difficulties being experienced in securing equity financing in the difficult markets. On January 23, 2012, the Company issued 7,142,858 flow-through units at a subscription price of \$0.14 per unit generating net proceeds of \$910,000. 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 18 months from closing; the market for flow-through financing deteriorated significantly over the period.

In the first quarter of 2012, the Company also issued 3,157,894 shares to acquire the royalty on the Prairie Lake property and incurred \$12,000 in share issue costs on this transaction. Issuing shares for property and other services is a means to conserve cash in cash-constrained times.

As described earlier and in Note 17 to the 2012 Audited Consolidated Financial Statements, Nuinsco entered into the Facility in December of 2012. On February 1, 2013, the Company drew down \$1,000,000 on the Facility and paid loan-related legal fees of \$16,000. Additional amounts can be drawn down on the Facility in minimum amounts of \$500,000, with \$1,500,000 immediately available and the balance available six months from closing. The Facility matures in 18 months with the availability of one six-month extension period upon issuance of 3% of the amount payable in CBay shares owned by Nuinsco. A facility fee of \$50,000 was paid in cash at closing along with a 5% equity bonus in the form of 3,634,777 of the Company's shares; interest of 11.5% per annum is payable quarterly in arrears. The Facility is secured by a first ranking pledge upon Nuinsco's CBay shares.

The transactions described above resulted in an increase in cash of \$158,000 over December 31, 2012 and resulted in aggregate cash and cash equivalents of \$2,433,000 which, along with other current assets and other resources is available to fund future activities.

The table below summarizes Nuinsco's contractual commitments as at March 31, 2013 and December 31, 2012.

**Table of Contractual Commitments**

\$'000's	Due Date		March 31, 2013	December 31, 2012
Flowthrough expenditures outstanding	December 31, 2013	\$	539	\$ 792
Diabase extended option payment	Within one year	\$	19	\$ 28
Diabase option payment <sup>(1)</sup>	September 2, 2013	\$	935	\$ 935
Perch River aggregate option payments - Nuinsco's share	To July 14, 2017	\$	85	\$ -
Long-term liability		\$	300	\$ 300
Long-term loan <sup>(2)</sup>	June 18, 2014	\$	1,000	\$ -
Operating lease - premises	Refer to Note 18 in the 2012 Audited Consolidated Financial Statements			

(1) Additional extension is provided for in the extension agreement

(2) Additional extension of six months is provided for in the agreement

As described above, management is continuing to actively pursue additional ways to realize on the potential of its assets or secure financing in order to continue to provide funds for operations in light of the current difficult economic circumstances. 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; however, most of the options and warrants are not "in-the-money".

The Facility of \$2,500,000 will provide the Company with additional financial and strategic flexibility. The Company does not enter debt arrangements without careful consideration of alternatives and ramifications. That the Company can find and support such debt arrangements speaks to the quality of the Company's assets. Whilst securing funds has been important, the Company and management continue to be mindful of reducing present and future outflows.

In order to maintain the option on one of the Diabase Peninsula claims, the Company must make an option payment of approximately \$935,000. In May 2012, the Company announced an agreement to extend that option for one year in exchange for four quarterly cash payments of \$9,350 plus one payment of \$37,600 in the fair value of the Company's shares. Accordingly, the option payment of approximately \$935,000 originally due by September 2, 2012 has been deferred to September 2, 2013. The terms include an option to extend this agreement and payment further. The shares were issued in July, 2012 and one quarterly payment was made in 2012 with an additional one on March 2, 2013.

Managing in challenging times takes as much, if not more, senior management effort. However, senior management of Nuinsco had agreed, effective August 1, 2012, to accept salary deferrals of an average of 25% until financial conditions improve. As a result of the improvement in the Company's financial condition, because of the sale of the royalty interest, salary deferrals were paid in October 2012 and senior management cash salaries returned to pre-deferral levels. Directors had also accepted deferral of directors' fees until circumstances improved. Such fees aggregating \$191,000 were also paid in October 2012. Nuinsco had agreed to defer the payment of a portion of its salary-related charges allocated under the management agreement with Victory Nickel; as at December 31, 2012 this amounted to approximately \$36,000; due to improvement in that Company's circumstances, the deferrals are now being settled regularly.

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.

The total market value of the Company's marketable securities as at March 31, 2013, is approximately \$865,000; as at May 10, 2013 the approximate value is \$589,000. These are available to fund the Company's ongoing operations. The market value can go down as well as up. Trading volumes continue to be suppressed and it is generally acknowledged that equities are being undervalued.

As described above, exploration companies such as Nuinsco have historically been 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.

Despite experiencing some improvements during 2011, circumstances have toughened during 2012 and today's equity markets continue to make this alternative difficult if not impossible without incurring significant dilution to existing shareholders. For this reason, until the sale of the royalty interest, the Company has recently chosen to liquidate portions of its securities holdings rather than raise equity financing. However, the results of this are also dependent upon market conditions which are outside the control of the Company, and market circumstances have also impacted the Company's investees and their market values. The Company will continue to balance its financing choices as a function of availability and market activity.

The Company closed flow-through financings in 2012 of \$1,000,000, a portion of which is to provide funds for exploration at the Chibougamau camp. While flow-through financings appear to continue to be available for exploration in certain provinces, prices make the financing under increasingly prohibitively dilutive terms. However, despite the funds generated from the royalty sale in 2012, additional financings will be required to properly exploit the Company's Canadian and foreign assets. This requirement has been reduced significantly with the withdrawal from Egypt and Sudan as well as Elmalaan, Turkey. The Company will consider all alternatives to protect and further improve liquidity as described above 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 including royalty arrangements.

Management hopes that the financing markets will return, however, it is preparing for what may be a more permanent shift in the historic model of project exploration and development financing. Maintaining a healthy evaluation and development junior mining sector continues to be important to the Canadian economy and Nuinsco plans to be around to be part of that industry for years to come.

On September 27, 2012, the Company sold its royalty interest in Coventry's Cameron Gold Project for US\$5,100,000. The proceeds from this sale will help fund ongoing operations and commitments. Furthermore, the Facility has improved the Company's flexibility and ability to participate in potential cash-generating activities. To this end, the Company loaned \$2.5 million and up to \$3 million, under certain circumstances, to Victory Nickel for use in developing its frac sand business (the "Amended Loan"). The loan is secured and contains a convertibility option which would, at Nuinsco's option, convert the loan to a limited participating interest in net cash flows of an operating business. This is intended to provide Nuinsco with a cash flow stream which would be available to fund operations or exploration programs in the future.

The Company is actively involved in advancing the Chibougamau camp in which Nuinsco has a 50% interest through CBay. Given current market conditions there is no guarantee that a going-public transaction or other structure will be completed in the near term. The Company, along with its partner, Ocean Partners, continues to be active in discussions with potential financiers or partners.

The Company's average monthly expenditures on a cash basis, net of recoveries from Victory Nickel and the net proportion from CBay for ongoing administrative support in 2012, were approximately \$123,000; budgeted net monthly commitments for expenses average \$158,000 for the whole of 2013; including salaries capitalized to projects, increases the monthly budgeted commitment to \$179,000 or approximately \$2,150,000 on an annual basis. In the first quarter of 2013, average monthly expenditures on a cash basis, including salaries capitalized to projects were \$172,000 compared with budget for the same period of \$185,000. Expenditures are higher than average at the beginning of a year due to compliance requirements such as audit.

These figures assume that the management agreements remain in place throughout 2013; no notification of intention to cancel the arrangements has been received or made. Note that these figures exclude the effect of both interest expense on the Facility which is payable on a quarterly basis and interest income on the loan receivable.

As described above, the salary deferral mechanism has been used when required to reduce the pressure on cash; other controls on discretionary expenditures are also in place and non-essential services have been cancelled. The Company estimates that approximately \$623,000 was incurred in 2012 (2011 - \$663,000) in non-discretionary costs on an ongoing annual basis to support the Company as a public entity; \$203,000 has been incurred in 2013 to date – such costs are generally biased towards the first half of a year. Such expenditures are not eligible for flow-through funding (even when available) and must be financed through other means. The 2012 budgeted program cost on Berta was approximately US\$2,672,000 of which Nuinsco's proportionate interest would be US\$953,000. The Company chose to not fund its proportionate share. In April 2013, Xstrata indicated that it is prepared to resign as operator and Nuinsco is considering its options for going forward.

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.

Overall, given the working capital of \$2,550,000 and the available Facility, the Company expects to be able to fulfil its operating requirements and flow-through commitments for 2013.

## **EXPLORATION AND EVALUATION ACTIVITIES**

In the three months ended March 31, 2013, the Company incurred E&E expenditures of \$411,000 on its mineral interests compared with \$1,208,000 in the three months ended March 31, 2012. The most significant expenditures in the period were on the Chibougamau Camp in the amount of \$327,000 (March 31, 2012 - \$133,000). Costs on other programs in 2012 included: Diabase Peninsula \$601,000 and Prairie Lake \$410,000.

In the first quarter of 2012, the Company determined that it would cease its activity in Egypt, Sudan and Elmalaan, Turkey. Accordingly, effective December 31, 2011, the projects were written down to \$nil. Expenditures incurred on those projects in 2012 prior to the decision being made were also written off in the quarter ended March 31, 2012. Such amounts were: Bukari, Egypt \$23,000 expended and written off, J. Tobrar in Sudan \$40,000 expended and written off.

**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 the south-central Athabasca Basin - the region that hosts the world's richest uranium mines. The 21,900ha Diabase Peninsula property extends from the southern limit of the basin 35km north-easterly, atop the strike of a graphite-bearing conductive "basement" horizon beneath the basin sandstones, intertwined with the sub-parallel terrane bounding the Cable Bay Shear Zone - a major deformation structure within the Proterozoic sub-Athabaskan 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 was initially a joint venture with Trend. During the first quarter of 2012, cumulative expenditures increased Nuinsco's ownership interest to greater than 90% as Trend did not contribute its proportionate share of expenditures. Under the joint venture 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. Accordingly, Trend's interest was converted to a royalty and Nuinsco owns the project in its entirety. Effective December 19, 2012, the Company acquired that royalty through a one-time cash payment of \$15,000. Accordingly, Trend has no interest in the Diabase Peninsula property.

In May, 2012, the Company announced an extension with the option holder on one of the claims, to extend that option for one year in exchange for four quarterly cash payments for an aggregate amount of \$37,000 and \$38,000 in the Company's shares; as at March 31, 2013, the shares have been issued and two of the cash payments have been made. The shares were issued in July, 2012. Accordingly, the option payment of approximately \$935,000 originally due by September 2, 2012 has been deferred to September 2, 2013 with an option to extend the terms and option payment further. That same claim is subject to a 3% gross production royalty defined as actual metal/mineral sales with no deduction for refining or transportation expenses.

A 2012 winter drill program followed from the past exploration programs that have identified all the elements indicative of a uranium mineralizing event. Four holes were collared during the program although only three were completed (the fourth one, ND1202A, was abandoned in overburden at 30m). The total program consisted of 1,598m of drilling, with results peaking at 55.94ppm U over 6.9m in hole ND 1203 including individual intervals grading 134ppm and 181ppm U (analysis by total digestion method). Unseasonably warm weather forced the demobilization of equipment before drilling could be conducted on one of the most prospective uranium anomalies on the project - the Mackenzie Bay area to the north-west of previous hole ND801, in the central part of the property which is an area of overlapping geophysical, surface and drill hole geochemical anomalies and has favourable geology. The drill testing of this target will be deferred to a later program. 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.

During the winter of 2013, a modest program of geochemical sampling was planned and initiated over several parts of the Diabase Peninsula property. The survey, consisting of sampling for detection of radon gas (an indicator of uranium mineralization), is underway at time of writing and results are pending.

### Prairie Lake Property, Ontario

Prairie Lake, located near Marathon, Ontario, is a multi-commodity deposit containing Phosphorus (“P”), Niobium (“Nb”) Tantalum (“Ta”), Uranium and rare earth elements (“REEs”).

On January 13, 2010, the Company announced the results of an NI 43-101-compliant Exploration Target Mineralization Inventory (“ETMI”) that demonstrated the presence of between 330 million and 360 million tonnes averaging 3.5% to 3.7% P<sub>2</sub>O<sub>5</sub> and 0.12% to 0.14% Nb<sub>2</sub>O<sub>5</sub>. 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.

The most recent results clearly show that Prairie Lake rock is amenable to processing and concentration. The tests confirm the potential to produce a marketable fertilizer product by meeting and exceeding published specifications for phosphate concentrate and most importantly demonstrating that a concentrate grading greater than 30% P<sub>2</sub>O<sub>5</sub> is attainable with appropriate thresholds. Current work is continuing to assess the viability of phosphorus concentration and to optimize a processing flow sheet. Additional work will evaluate the potential to concentrate niobium and to develop an optimized flow sheet for such. Investigations into the possibility of exploiting other elements such as rare earths and iron are also contemplated.

Selected results from the Prairie Lake tests are tabulated below and are compared to published specifications of the Bureau of Indian Standards for phosphate concentrate (Type I and II). Test 35 from the Prairie Lake program has produced the best overall concentrate results to date with a P<sub>2</sub>O<sub>5</sub> content of 30.6%: other parameters tested are SiO<sub>2</sub> content of 1.37%, F content of 0.62%, MgO content of 0.7%, Cl content of 0.012% and Al<sub>2</sub>O<sub>3</sub>+Fe<sub>2</sub>O<sub>3</sub> of 0.65%. Selected size ranges from Test 35 produced even higher P<sub>2</sub>O<sub>5</sub> concentrations with <150 micrometres (“µm”) to >106µm and <106µm to >75µm attaining 38% and 38.1% P<sub>2</sub>O<sub>5</sub> content respectively (and with the other tabulated criteria) while Test 27 attained 34.4% P<sub>2</sub>O<sub>5</sub> with the use of an HCl acid leach to remove carbonate.

<b>Bureau of Indian Standards (BIS) - IS: 11224-1985, reaffirmed 2003</b>	Type I	Type II	Test 35 Con.	Test 35 Con.	Test 35 Con.	Test 27 Con. after Leach
				-150+106µm	-106+75µm	
Total phosphate (P <sub>2</sub> O <sub>5</sub> ) % by mass	≥ 30	≥ 32	30.6	38	38.1	34.4
Silica (SiO <sub>2</sub> ) % by mass	≤ 10	≤ 5	1.37	1.12	1.2	5
Fluoride (F) % by mass	≤ 2	≤ 4	0.62	0.72	0.83	**
Mixed aluminium and iron oxide (Al <sub>2</sub> O <sub>3</sub> and Fe <sub>2</sub> O <sub>3</sub> ) % by mass	≤ 3	≤ 3.5	0.65	0.44	0.48	2.99
Magnesium oxide (MgO) % by mass	≤ 0.5	≤ 0.5	0.7	0.32	0.39	2.26
Chloride (Cl) % by mass	≤ 0.015	≤ 0.05	0.012	0.033	0.009	0.043

\*\* Insufficient samples

The Prairie Lake property is royalty-free. Indications are that the quality of the phosphate concentrate could be attractive to the more lucrative industrial market. Further metallurgical testing is underway to refine the processing and concentration flow sheet and to produce several kilograms of concentrate for analytical and testing purposes.

### GOLD AND COPPER

#### Chibougamau Camp, Québec

With the acquisition of substantially all of the remaining secured debt of Campbell by Nuinsco and Ocean Partners, the Company and Ocean Partners, through a jointly-owned company, CBay, made a proposal to the courts to realize on its security and gain ownership of the former Campbell assets in the Chibougamau mining camp. The Québec Superior Court approved the proposal and, effective October 25, 2011, ownership of the assets was transferred to CBay. On February 15, 2012, Nuinsco and Ocean Partners announced the appointment of Roland Horst as the Chief Executive Officer of CBay.

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 18 past-producing mines on the Lac Doré complex alone. Nuinsco and Ocean Partners now own eight past-producers on the Lac Doré complex and the significant potential to add to the known mineralization at these projects, one partially-developed high-grade copper mine - Corner Bay, a permitted 2,722 tonnes

per day mill and tailings facility and in excess of 96,000 acres (38,000 hectares) of highly-prospective exploration property.

The Company has developed an initial exploration program to begin to capitalize on the huge potential which the Chibougamau copper-gold camp offers. The program commenced in September 2012 with an initial site visit and field examination. Subsequently, grid control has been established and ground geophysics conducted on the Portage Island part of the land package with the aim of assessing near-surface land targets that have not been explored in at least 20 years. Diamond drilling began in November on targets developed from the geophysical surveys and from historic work. The program will continue into 2013.

Related to these assets, a restoration fund had been set up between Campbell and the Société de Développement de la Baie-James. This fund continues to exist to fund future reclamation work with respect to the Copper Rand assets. An updated reclamation plan has been prepared and filed with the Québec government.

In 2012, the Company entered into an option agreement with CBay to make expenditures on its Portage and Corner Bay properties in exchange for an undivided interest in each property as follows: \$300,000 incurred on Portage up to December 31, 2012 earns a 30% undivided interest with the option to incur up to an additional \$500,000 in \$100,000 increments each earning a 5% additional undivided interest; \$1,000,000 in expenditures incurred on Corner Bay in \$250,000 increments each earning a 5% undivided interest in the property. Expenditures on the Chibougamau camp amount to \$440,000 incurred pursuant to that agreement. Substantially all of the expenditures are on the Portage property and are described below.

In the fourth quarter of 2012, an 18-hole, 1,683m drilling program tested a number of gold targets, including a portion of the McKenzie Vein above where it was mined as part of the Portage Mine between 1959 and 1997 as well as new targets acquired from an induced polarization geophysical survey that was also completed during the autumn of 2012. The Portage Mine is only one of three past-producing copper/gold mines that are 100%-owned by CBay and located on Portage Island. The results obtained demonstrate the presence of widespread, near-surface gold mineralization and warrant additional work in follow-up programs. During the winter of 2013, additional geophysical surveys were conducted on Portage Island – a continuous east-west corridor of geophysical coverage across the island now exists (results from the most recent surveys are pending). In conjunction with the fieldwork, a data review is being conducted of extensive and very valuable historic information – this is to assess and unlock the potential of the other underexplored CBay-owned assets within the camp. Further compilation and modelling of the past-producing Cedar Bay and Jaculet mines is also underway in order to develop order-of-magnitude” estimates of targets, provide “scoping” for possible future drilling and allow visualization of the mineralization.

During the first quarter of 2013, CBay entered into an agreement to option the Perch River copper project for a total cost of \$200,000 payable over four years. CBay paid \$30,000 in the first quarter of 2013. In early May 2013, CBay announced the acquisition of the Devlin copper project for \$363,000. Both transactions provide for 2% NSRs to be retained by the vendors and are intended to provide near-term feed for the Copper Rand mill.

## **Turkish Properties**

### ***Berta***

The Berta copper project is located in north-eastern Turkey. Berta was originally a 50:50 joint venture with Xstrata one of the commodity business units within Xstrata plc. Exploration began at Berta in 2004.

As noted historically, discussions with Xstrata were underway, including discussions to buy Xstrata’s share of the joint venture. Subsequently, Xstrata advised that it was no longer interested in selling its share of Berta. As a result, Nuinsco opted not to pay the full share of the recorded expenditures and allowed itself to be diluted to approximately 36%. Nuinsco continues to accrue for its reduced proportionate share of expenditures incurred on Berta based on work plan budgets provided by Xstrata and where the Company has agreed to participate.

Most recently, a total of six diamond drill holes were completed in a work program conducted in the third and fourth quarters of 2012 that follows-up on the widespread and very anomalous copper mineralization identified in previous work programs. The principal aim of the work was to assess parts of the Berta Project that, to date, have seen no drilling but which are overlain by very strong copper-in-soil anomalies located at the centre, east and north of the Berta porphyry system. Results from past drill programs conducted between 2005 and 2008 returned very positive results, including the results from DDH SD-07-08 (reported above) and DDH SD-08-10 (collared 500m south of SD-07-08) which returned 164.0m grading 0.20% copper and 0.06g/t gold between 250.5m and 414.5m. All of the holes drilled to date, including those from the most recent program at Berta, have returned copper mineralization with variable alteration associated with porphyry copper mineralization and thus the drilling indicates the huge scale and continuity of the anomaly in the Berta porphyry system. The wide spacing of the drill holes and the long anomalous and altered intercepts obtained continue to demonstrate the scope of the copper mineralization at Berta. The property remains a very large and very prospective

exploration opportunity. Nuinsco has not agreed to participate in the funding of the recent program. The Company is discussing the possible implications of this non-participation on its interest in Berta with Xstrata. Xstrata has recently indicated that it is prepared to resign as operator and Nuinsco is considering its options for going forward.

## **INVESTMENTS**

### **Victory Nickel Inc.**

As at May 10, 2013, the Company owns 13,935,533 shares, an approximate 3% interest in Victory Nickel, which is held as marketable securities, with a fair value of \$413,000.

### **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 the 3% NSR royalty over future production from the property, which was sold in September 2012. By selling the property but retaining an interest in Coventry, 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 focused 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 Rainy River Greenstone Belt and the Ardeen Gold Project in Northern Ontario. In early 2013, Coventry completed a corporate transaction with Crescent Resources Inc. which resulted in a merged corporation trading under the name Coventry Resources Inc. on the TSX-V – CYY as well as the ASX. As at May 10, 2013, the Company owns 1,458,528 shares post-reorganization with a fair value of \$168,000.

## **IMPAIRMENT ANALYSIS UPDATE**

The Company performed a detailed impairment analysis on each of its E&E projects as at December 31, 2012. The Company does not believe that there have been any material changes to date which would adversely affect this analysis. Furthermore, there has been no change in management's plans which would cause a reassessment. All projects have had recent expenditures or are otherwise considered to be active.

Management concluded that no impairment existed in each of its projects effective March 31, 2013 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 AND JUDGEMENTS**

Critical accounting estimates used in the preparation of the consolidated financial statements include determining the carrying value of investments and its E&E projects, assessing the impairment and classification of long-lived assets, assessing the allocation of assets into their components, the recognition of the convertibility feature of the loan and the valuation of share-based payments and warrants, assessing the value of deferred income tax assets and the disclosure of contingencies and going concern matters. 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, judgements and measurement uncertainty, reference should be made to Notes 2 and 3 to the Company's 2012 Audited Consolidated Financial Statements as updated by Note 3 to the Unaudited Condensed Consolidated Financial Statements. The Company's financial statements have been prepared using the going concern assumption.

The recorded value of the Company's E&E 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 and 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 the Black-Scholes 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.

The Company has determined that it is not highly probable that it will generate returns sufficient to utilize its taxable losses prior to their expiry. This is a significant judgement that, dependent upon future events, may turn out to be incorrect. Presently, since CBay is in its pre-operating phase, a full valuation allowance has been recorded against losses incurred in that 50%-owned subsidiary.

## **NEW ACCOUNTING POLICIES**

IFRS issued by the International Accounting Standards Board (“IASB”) have been adopted in the Company’s 2012 Audited Consolidated Financial Statements. Note 3 to those statements include the accounting policies that have been applied. Note 3 to the Unaudited Condensed Consolidated Financial Statements includes any new accounting policies – there have been none implemented to date. The joint operation in CBay continues to be accounted for on a proportionate consolidation basis which is in accordance with IFRS 11 which came into effect on January 1, 2013.

## **FUTURE ACCOUNTING CHANGES**

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

Since the issuance of the Company’s 2012 Audited Consolidated Financial Statements the IASB and International Financial Reporting Interpretations Committee (“IFRIC”) have issued no new and revised standards and interpretations which are applicable to the Company. Refer to Note 3 to those statements.

## **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 of directors, none of whom are employees or officers of the Company, 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 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 March 31, 2013, the Certifying Officers have concluded that the design of the Company’s disclosure controls and procedures were effective as at March 31, 2013. 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 March 31, 2013 that materially affected, or are reasonably likely to affect, the Company’s disclosure controls and procedures.

### **Design of Internal Control 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 consolidated financial statements for external purposes in accordance with Canadian GAAP. The Company used the COSO control framework. For the fiscal quarter ended March 31, 2013, the Certifying Officers have concluded that the design of the Company’s internal controls over financial reporting and procedures were effective as at March 31, 2013.

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 March 31, 2013 that materially affected, or are reasonably likely to affect, the Company’s internal controls over financial reporting.

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

### **Related Party Balances and Transactions**

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 19 and 21 to the 2012 Audited Consolidated Financial Statements).

Balances and transactions with related parties as at March 31, 2013 and December 31, 2012 and for the periods ended March 31, 2013 and 2012 are shown in the following tables:

	March 31, 2013	December 31, 2012
<b>Balances Outstanding</b>		
Payable to key management personnel	\$ 54	\$ 57

Key management personnel compensation comprised:

	Three months ended March 31,	
	2013	2012
Short-term employee benefits	\$ 185	\$ 175
	<b>\$ 185</b>	<b>\$ 175</b>

### Balances and Transactions with Victory Nickel and CBay under the Management Agreements

The Company shares management, administrative assistance and facilities with Victory Nickel and CBay pursuant to separate management agreements; management operates under the supervision of the respective board of directors of each respective company; there is only one common director. 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.

Balances and transactions with Victory Nickel and CBay under the management agreements as at March 31, 2013 and December 31, 2012 and for the periods ended March 31, 2013 and 2012 are shown in the following tables:

	March 31, 2013	December 31, 2012
<b>Balances Outstanding under Management Agreements</b>		
Receivable from CBay Minerals Inc.	\$ 13	\$ -
Receivable from Victory Nickel Inc.	\$ 25	\$ -
Payable to Victory Nickel Inc.	\$ -	\$ 43

	Three months ended March 31,	
	2013	2012
<b>Transaction Values under Management Agreements</b>		
Overhead charges to Victory Nickel Inc.	\$ 158	\$ 214
Overhead charges from Victory Nickel Inc.	\$ 6	\$ 7
Project costs charged by Victory Nickel Inc.	\$ 8	\$ 9
Project recoveries charged to Victory Nickel Inc.	\$ -	\$ 5
Overhead charges to CBay Minerals Inc.	\$ 82	\$ 36
Project recoveries charged to CBay Minerals Inc.	\$ -	\$ 3

Amounts due to or from Victory Nickel and CBay under the management agreements are unsecured, non-interest bearing and due on demand. Amounts due to or from Victory Nickel and CBay are settled on a regular basis. Nuinsco had agreed to defer the payment by Victory Nickel of a portion of its charges related to management salaries consistent with deferrals accepted by Victory Nickel's executive employees; these charges will be settled in the second quarter. Payables to key management personnel generally relate to directors' fees, consulting fees and expense reimbursements.

### OUTSTANDING SHARE DATA

As at May 10, 2013, the Company had 295,525,745 common shares issued and outstanding. In addition, there were 23,230,000 stock options outstanding as at May 10, 2013, as well as 9,292,718 warrants, which if exercised and issued would bring the fully diluted issued common shares to a total of 328,048,463 and would generate approximately \$4,372,000. However, most of the options and warrants are not "in the money".

## **RECENT DEVELOPMENTS**

There have been no additional developments not already discussed elsewhere in this MD&A.

## **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 in detail in the Company's 2012 MD&A. A summary is provided 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 results 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.

#### ***Evaluation and Development Projects***

In general, evaluation and development projects have no operating history upon which to base estimates of future cash operating costs. For evaluation and 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 and Reserves**

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 or foreign projects.

#### ***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 and Mineral 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 assessment 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. While the Company has terminated its activity in Sudan and Egypt and has reduced activity in Turkey, it remains open to appropriate opportunities in the Middle East North Africa ("MENA") region.

Nuinsco's investments in foreign countries carry certain risks associated with different political, business, social and economic environments. The ability to carry on business in any country can be affected by possible political or economic instability in that country. Changes in mining or investment policies or shifts in political attitude may adversely affect private business. The effect of these factors cannot be accurately predicted. Should the respective government later seek to control any aspect of production, distribution or pricing of gold or precious metals, Nuinsco runs the risk that, at any time, its operations may be terminated for failure to comply with any permit, rule or regulation; or that its operations may prove to be unprofitable if the costs of compliance with such governmental regulations prove to be excessive.

There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, project development or mining may not be obtained under conditions, or within time frames, that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

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 metals will be based on the respective governing agreement. Should Nuinsco's rights under any agreement not be honoured or be unenforceable for any reason, or if any material term of the agreements is unilaterally changed or not honoured, including any boundaries of properties, Nuinsco's ability to explore and produce metals in the future would be materially and adversely affected.

Nuinsco regularly and routinely considers the risks inherent in foreign jurisdictions and weighs such risks when evaluating continued, enhanced, reduced or renewed involvement in foreign projects.

### ***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, complete expected financing under anticipated terms 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, financing, 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 expected or 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 or debt 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.

**May 10, 2013**