NUINSCO RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

DATED MARCH 31, 2014

MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

All of the information in the annual report and accompanying consolidated financial statements of Nuinsco Resources Limited is the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for public companies, being international financial reporting standards. Where necessary, management has made judgements and estimates in preparing the consolidated financial statements, and such statements have been prepared within acceptable limits of materiality. The financial information contained elsewhere in the annual report has been reviewed to ensure that it is consistent with the consolidated financial statements.

Management maintains appropriate systems of internal control to give reasonable assurance that its assets are safeguarded, and the financial records are properly maintained.

The 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 independent non-executive Directors, meets with management and the external auditor to review the auditor's report and the consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the consolidated financial statements.

A firm of independent Chartered Accountants, appointed by the shareholders, audits the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provides an independent professional opinion thereon. The external auditors have free and full access to the Audit Committee with respect to their findings regarding the fairness of financial reporting and the adequacy of internal controls.

Paul L. Jones	Alison J. Sutcliffe
CEO and Director	Vice-President, Finance and CFO
March 31, 2014	March 31, 2014

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NUINSCO RESOURCES LIMITED

We have audited the accompanying consolidated financial statements of Nuinsco Resources Limited which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012, and the consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for the years ended December 31, 2013 and December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nuinsco Resources Limited as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has not commenced commercial production and accordingly the Company is dependent upon debt or equity financing and the optioning and/or sale of resource or resource-related assets for its funding. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

(signed) BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
March 31, 2014

Consolidated Balance Sheets

As at (in thousands of Canadian dollars)	Notes		December 31, 2013		December 31, 2012 (Note 30)		January 1, 2012 (Note 30)
ASSETS							
Current assets							
Cash and cash equivalents	*6*	**$**	**249**	$	2,223	$	516
Receivables	*7*		**109**		84		118
Marketable securities	*8*		**3,656**		828		1,531
Total current assets			**4,014**		3,135		2,165
Non-current assets							
Property and equipment	*10*		**93**		102		57
Exploration and evaluation projects	*11*		**12,982**		14,060		12,124
Interest in CBay Minerals Joint Venture	*12,30*		**6,331**		4,779		4,728
Loan receivable	*13*		**4,100**		1,009		-
Royalty interest	*14*		**-**		-		3,000
Other assets	*17*		**-**		210		-
Total non-current assets			**23,506**		20,160		19,909
Total Assets		**$**	**27,520**	$	23,295	$	22,074
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities							
Trade and other payables	*16*	**$**	**338**	$	682	$	815
Loan payable	*17*		**2,427**		-		-
Total current liabilities			**2,765**		682		815
Total Liabilities			**2,765**		682		815
Shareholders' equity							
Share capital	*19*		**98,169**		98,169		97,195
Contributed surplus			**5,560**		5,436		4,985
Accumulated other comprehensive loss			**(1,458)**		(1,753)		(1,155)
Deficit			**(77,516)**		(79,239)		(79,766)
Total shareholders' equity			**24,755**		22,613		21,259
Total Liabilities and Shareholders' Equity		**$**	**27,520**	$	23,295	$	22,074

NATURE OF OPERATIONS (Note 1)

CONTINGENCY (Note 28)

Approved by the Board of Directors

(signed)
René R. Galipeau
Director

(signed)
Ed Guimaraes
Director

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

Consolidated Statements of Operations

Years ended December 31, (in thousands of Canadian dollars, except per share amounts)	Notes		2013		2012 (Note 30)
Other expenses					
General and administrative		**$**	**(872)**	$	(1,167)
Share-based payments:	21				
Options			**(124)**		(325)
Bonus shares			**-**		(25)
Amortization of property and equipment	10		**(20)**		(11)
Pre-exploration write-offs	11		**(80)**		(15)
Writedown of exploration and evaluation projects	11		**(1,171)**		(79)
Operating loss			**(2,267)**		(1,622)
Finance income	22		**4,703**		307
Finance costs	22		**(326)**		-
Net finance income			**4,377**		307
Income (loss) before the undernoted			**2,110**		(1,315)
Gain on sale of royalty interest	14		**-**		1,992
Interest in CBay Minerals Joint Venture	12,30		**(467)**		(180)
Recovery of provision for Chibougamau	12		**-**		30
Income before income taxes			**1,643**		527
Income tax recovery	8,23		**80**		-
Net Income for the Year		**$**	**1,723**	$	527
Earnings per share	20				
Basic earnings per share		**$**	**0.01**	$	0.00
Diluted earnings per share		**$**	**0.01**	$	0.00

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

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31, (in thousands of Canadian dollars)	Notes		2013		2012 (Note 30)
Net Income for the year		**$**	**1,723**	$	527
Other comprehensive income (loss)					
Net change in fair value of financial assets	8		**375**		(598)
Income tax expense	23		**(80)**		-
Other comprehensive income (loss) for the year			**295**		(598)
Total Comprehensive Income (Loss) for the Year		**$**	**2,018**	$	(71)

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

Consolidated Statements of Shareholders' Equity

(Note 30) (in thousands of Canadian dollars)		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balances as at January 1, 2012	***Notes***	$ 97,195	$ 4,985	$ (1,155)	$ (79,766)	$ 21,259
Total comprehensive loss for the year						
Net income for the year					527	527
Other comprehensive loss						
Net change in fair value of financial assets	*8*			(598)		(598)
Total other comprehensive loss				(598)		(598)
Total comprehensive loss for the year						(71)
Transactions with owners, recorded directly in equity						
Contributions by owners in the year						
Issue of common shares and warrants	*19*	-	-	-	-	-
Issue of flow-through common shares and warrants	*19*	503	86	-	-	589
Shares issued for property	*11,19*	321	-	-	-	321
Options granted and vesting	*21*	-	365	-	-	365
Issue of shares under Share Bonus Plan	*19*	25	-	-	-	25
Shares issued for loan fee	*17,19*	125	-	-	-	125
Total contributions by owners		974	451	-	-	1,425
Total transactions with owners		974	451	-	-	1,425
Balances as at December 31, 2012		$ 98,169	$ 5,436	$ (1,753)	$ (79,239)	$ 22,613
Balances as at January 1, 2013		$ 98,169	$ 5,436	$ (1,753)	$ (79,239)	$ 22,613
Total comprehensive income for the year						
Net income for the year					1,723	1,723
Other comprehensive income						
Net change in fair value of financial assets	*8*			375		375
Income tax expense				(80)		(80)
Total other comprehensive income				295		295
Total comprehensive income for the year						2,018
Transactions with owners, recorded directly in equity						
Contributions by owners in the year						
Options granted and vesting	*21*	-	124	-	-	124
Total contributions by owners		-	124	-	-	124
Total transactions with owners		-	124	-	-	124
Balances as at December 31, 2013		**$ 98,169**	**$ 5,560**	**$ (1,458)**	**$ (77,516)**	**$ 24,755**

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

Consolidated Statements of Cash Flows

Years ended December 31 (in thousands of Canadian dollars)	Notes		**2013**		2012 (Note 30)
Cash flows from operating activities					
Net income for the year		**$**	**1,723**	$	527
Adjustments for:					
Gain on sale of royalty	*14*		**-**		(1,992)
Share-based payments	*21*		**124**		350
Amortization of property and equipment	*10*		**20**		11
Writedown of exploration and evaluation projects	*11*		**1,171**		79
Recovery of provision for Chibougamau	*12*		**-**		(30)
Interest in CBay Minerals Joint Arrangement	*12*		**467**		180
Net finance income	*22*		**(4,354)**		(240)
Income tax expense	*23*		**(80)**		-
Net change in non-cash working capital:					
Change in receivables			**(25)**		18
Change in trade and other payables			**34**		(232)
Net cash used by operating activities			**(920)**		(1,329)
Cash flows from investing activities					
Expenditures on exploration and evaluation projects	*11*		**(1,184)**		(1,758)
Funding to CBay Minerals Joint Venture	*12*		**(995)**		(191)
Advance under Amended Loan	*13*		**(1,207)**		(1,000)
Proceeds on sale of marketable securities	*8*		**22**		135
Purchase of marketable securities	*8*		**(84)**		-
Proceeds on sale of Cameron Lake royalty	*14*		**-**		5,003
Net purchase of equipment	*10*		**(46)**		-
Loan interest received	*13*		**129**		-
Net cash (used by) from investing activities			**(3,365)**		2,189
Cash flows from financing activities					
Issue of common shares and warrants	*19*		**-**		893
Loan fee paid	*17*		**(7)**		(50)
Interest paid	*17*		**(182)**		-
Net proceeds of loan	*17*		**2,500**		-
Net cash from financing activities			**2,311**		843
Net (Decrease) Increase in Cash and Cash Equivalents			**(1,974)**		1,703
Unrealized foreign exchange gain on cash			**-**		4
Cash and Cash Equivalents, Beginning of the Year			**2,223**		516
Cash and Cash Equivalents, End of the Year		**$**	**249**	$	2,223

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

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 consolidated financial statements of the Company as at and for the years ended December 31, 2013 and 2012 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 (Note 24). The Company conducts its activities on its own or participates with others on a joint venture basis. The Company also makes strategic investments through equity or loan financing to companies engaged in the exploration and development of resource properties. Refer to Notes 11, 12, 13, 24 and 26 to these consolidated financial statements.

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

Going Concern

These consolidated 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 December 31, 2013, the Company had working capital of $1,249,000 (December 31, 2012 – working capital of $2,453,000). Working capital is defined as current assets including assets held for sale less current liabilities, excluding restricted cash, if any. Marketable securities comprise investments in other resource companies the markets for which are not always liquid. The loan payable is due in June 2014 and is classified as a current liability; it can be extended for a six-month period as described in Note 17.

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, realization on its marketable securities as required 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. 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.

In an effort to generate cash from the Company's available assets, the Company has entered into a secured loan agreement with Victory Nickel Inc. ("Victory Nickel") which has a conversion feature which, pursuant to contractual terms, could generate cash flows as described in Note 13. The loan has provided the initial funding required by Victory Nickel to implement a three-phase business plan to enter the frac sand business with first sales expected to commence in March 2014.

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 as part of *Interest in CBay Minerals Joint Arrangement* on the consolidated balance sheets and held through CBay Minerals Inc. ("CBay") a joint venture with Ocean Partners Investments Limited ("Ocean Partners"). Refer to Note 12 to these financial statements. Furthermore, the Company has received reassessments and a notice of confirmation from the Canada Revenue Agency ("CRA") - refer to Note 28.

Should the Company not be able to continue to achieve favourable exploration results, obtain the necessary financing, achieve future profitable production or sale of properties or realize timely cash flows from the conversion of the loan with Victory Nickel, 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. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The 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"). This is GAAP for a Canadian public company.

These consolidated financial statements reflect the accounting policies described in Note 3. The Company has changed its accounting policy for its investment in the CBay Minerals Joint Arrangement to accord with the stipulations of IFRS 11 Joint Arrangements ("IFRS 11") which came into effect on January 1, 2013. This requires the Company to account for its interest in CBay using the equity method of accounting rather than recognizing the Company's proportionate share of individual assets, liabilities, revenues and expenses.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") requires the Company to treat this as a retrospective adjustment. Accordingly, the Company has restated its Consolidated Financial Statements as at and for the years ended December 31, 2012 as if the accounting policy was in force throughout that period and has provided a consolidated balance sheet as at January 1, 2012 also in accordance with requirements in IAS 8. The effect of this change is reflected in the notes to the consolidated financial statements and a summary reconciliation of individual financial statements is reflected in Note 30.

The management of Nuinsco prepares the consolidated financial statements which are then reviewed by the Audit Committee and the Board of Directors. The consolidated financial statements were authorized for issue by the Board of Directors on March 31, 2014. 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 derivative financial instruments such as warrants which are measured at fair value with changes through operations and financial assets such as marketable securities which are measured at fair value with changes recorded through other comprehensive income or loss ("OCI").

(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 stated in thousands of dollars.

(d) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgements 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.

The accompanying consolidated financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation.

Significant estimates and assumptions

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.

Information regarding significant areas of estimation uncertainty 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 11 measurement of the recoverable amounts of exploration and evaluation projects;
- Note 13 valuation of loan receivable;
- Note 15 valuation of deferred tax asset; and
- Note 21 measurement of share-based payments.

Significant Judgements
Judgements are reviewed on an ongoing basis. Changes resulting from the effects of amended judgements are recognized in the period in which the change occurs and in any future periods presented.

Information regarding significant areas of 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:

- Note 1 going concern assessment;
- Note 11 classification of expenditures as exploration and evaluation projects or operating expenses;
- Note 11 impairment of exploration and evaluation projects;
- Note 15 recoverability of deferred tax assets; and
- Note 28 disclosure of contingencies.

3. SIGNIFICANT ACCOUNTING POLICIES
The accounting policies of the Company are set out in detail below. Such policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Nuinsco entities.

(a) New Accounting Policies
There have been no new accounting policies adopted by the Company, with the exception of IFRS 11 as described below and in Notes 12 and 30. The Company has also adopted IFRS 12 – Disclosure of Interest in other Entities (“IFRS 12”) and IFRS 13 – Fair Value Measurement (“IFRS 13”); refer to Notes 12, 26 and 5 respectively.

(b) Basis of Consolidation
(i) Subsidiaries
Subsidiaries are entities controlled by Nuinsco. Control exists when Nuinsco has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by Nuinsco. Significant Company entities are listed in Note 26.

(ii) Jointly-controlled operations
Effective January 1, 2013, the Company adopted IFRS 11. The standard is applicable to the Company’s interest in CBay which is considered a joint venture and must be accounted for using the equity method of accounting.

This shows the interest in CBay as one-line item in each of the consolidated balance sheets and statements of operations. In accordance with the transition requirements of IFRS 11, this is treated as a retrospective change in accounting policy which re-measures the interest using the carrying amounts of the assets and liabilities at the beginning of the immediately-preceding period. Note 12 contains more detail and Note 30 provides reconciliations of current basis disclosures with previously-reported information.

(iii) Transactions eliminated on consolidation
Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of Nuinsco’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Foreign Currency
(i) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Nuinsco entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized through

operations, except for differences arising on the retranslation of financial assets at fair value, which are recognized directly in OCI. Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

(d) Financial Instruments
IFRS 9 Financial Instruments ("IFRS 9"), which impacts the classification and measurement of financial assets, has been adopted by the Company.

(i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity securities, receivables, cash and cash equivalents, restricted cash, borrowings, other long-term liability and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through operations, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits.

Receivables and borrowings are financial instruments with fixed or determinable payments that are not quoted in an active market. Such assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables and borrowings are measured at amortized cost using the effective interest method, less any impairment losses. Receivables and borrowings comprise trade and other payables, loan payable or receivables.

Accounting for finance income and expenses is discussed in Note 3(n).

Financial assets at fair value through OCI
Nuinsco's investments in equity securities are classified as financial assets at fair value through OCI. Subsequent to initial recognition, they are measured at fair value and changes therein, other than foreign currency differences on monetary items (which do not include equity investments) are recognized directly in OCI.

Financial assets at amortized cost
Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments
Financial assets at fair value through operations
Nuinsco may hold warrants as part of its portfolio of marketable securities which are classified as financial assets at fair value through operations.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized through operations when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognized immediately through operations.

(e) Assets Classified as Held for Sale
Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with Nuinsco's accounting policies. Thereafter, the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets or deferred tax assets, which continue to be measured in accordance with Nuinsco's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized through operations. Gains are not

recognized in excess of any cumulative impairment loss until ultimate realization.

(f) Property and Equipment
(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes any expenditure that is directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within *Other income* in the consolidated statement of operations.

(ii) Depreciation
Depreciation is calculated as a function of the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation commences when assets are available for use.

Depreciation is recognized through operations as follows over the estimated useful lives of each part of an item of property and equipment.

The estimated depreciation rate or useful lives for the current and comparative periods are as follows:

Item	**Method**	**2013**	2012
Equipment	Declining-balance	**20%**	20%

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(g) Exploration and Evaluation Projects
(i) Exploration and Evaluation expenditures
Exploration and Evaluation ("E&E") expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves and include costs related to the following: acquisition of exploration rights; conducting geological studies; exploratory drilling and sampling and evaluating the technical feasibility and commercial viability of extracting a mineral resource.

E&E expenditures, including costs of acquiring licenses, are capitalized as E&E assets on an "area of interest basis" which generally is defined as a project. The Company considers a project to be an individual geological area whereby the presence of a mineral deposit is considered favourable or has been proved to exist and, in most cases, comprises a single mine or deposit.

E&E assets are recognized if the rights to the project are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the project, or alternatively by its sale; or
- activities on the project have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or other otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the project are continuing.

E&E expenditures are initially capitalized as intangible E&E assets. Such E&E expenditures may include costs of licence acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, materials and fuels used, rentals and payments made to contractors and consultants. To the extent that a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in a project are demonstrable and permitted, E&E assets attributable to that project are first tested for impairment and then reclassified to *Mine property and development projects* on the consolidated balance sheet. Currently, Nuinsco does not hold any assets classified as *Mine property and development projects*.

(ii) Pre-E&E expenditures
Pre-E&E expenditures are incurred on activities that precede exploration for an evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area. Pre-E&E expenditures are expensed immediately as *Pre-exploration write-offs* through the consolidated statement of operations.

(iii) Impairment
E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and any impairment loss is recognized as *Writedown of exploration and evaluation projects* through the consolidated statement of operations. The following facts and circumstances, among other things, indicate that E&E assets must be tested for impairment:

- the term of exploration license for the project has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the project area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the project area have not led to the discovery of commercially viable quantities of mineral resources and the Company plans to discontinue activities in the specific area; or
- sufficient data exists to indicate that while development activity is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full through such activity.

E&E assets are tested for impairment on an individual project (area of interest) basis. As noted above, a project would also be tested for impairment before being transferred to *Mine property and development projects* on the consolidated balance sheet.

(h) Borrowing Costs
The Company's policy is to capitalize project-related borrowing costs related to qualifying assets as incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Company presently does not have any project-related borrowings on qualifying assets.

(i) Government Grants
Government grants that compensate Nuinsco for expenses incurred are recognized through operations on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate Nuinsco for the cost of an asset are recognized through operations on a systematic basis over the useful life of the asset. For assets which are not being amortized, such as E&E assets or mine property and development projects, the government grant is deducted from the related asset.

(j) Royalty Interest
Royalty interests with indefinite lives are measured initially at fair value under the cost basis less accumulated impairment losses. The fair value is determined using estimated net cash flows discounted at management's best estimate of a discount rate taking into account project risk factors. Acquisition costs of development and exploration stage mineral royalty interests are not depleted until such time as royalty-generating production begins.

(k) Impairment
(i) Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized through operations.

(ii) Non-financial assets
The carrying amounts of Nuinsco's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit ("CGU") (see definition below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates, or has the potential to generate, cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, the CGU. Generally, a CGU is analogous to an individual project. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized through operations. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Employee Benefits

(i) Termination benefits

Termination benefits are recognized as an expense when Nuinsco is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if Nuinsco has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be reliably estimated.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if Nuinsco has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

(iii) Share-based payments

The grant-date fair value of options granted to employees, directors and consultants is recognized as an employee expense, with a corresponding increase in equity, over the period that the individuals become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

Share-based payment arrangements in which the Company receives properties, goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by Nuinsco.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

In accordance with the Company's environmental policy and applicable legal requirements, a provision for site restoration or decommissioning in respect of land restoration, and the related expense, is recognized when the land is contaminated and there is a legal obligation to restore the site. The Company presently has no decommissioning liabilities.

(n) Finance Income and Finance Costs
Finance income comprises interest income on funds invested (including financial assets at fair value), dividend income, gains on the disposal of financial assets, amortization of flow-through premiums and changes in the fair value of financial assets at fair value through operations. Interest income is recognized as it accrues through operations, using the effective interest method. Dividend income is recognized through operations on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Gains on the disposal of financial assets are recognized on the settlement date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through operations and impairment losses recognized on financial assets. All borrowing costs are recognized through operations using the effective interest method, except for those amounts capitalized as part of the cost of qualifying assets.

Foreign currency gains and losses are reported on a net basis.

(o) Income Taxes
Income tax expense comprises current and deferred tax. Income tax expense is recognized through operations except to the extent that it relates to items recognized either in OCI or directly in equity, in which case it is recognized in OCI or in equity respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Nuinsco has unrecorded deferred tax assets equal to the full amount of the deferred income tax benefit. The likelihood of utilizing the remaining unused tax losses and other tax deductions cannot be determined at this time.

(p) Share Capital
Common shares
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

The Company has financed a portion of its exploration and evaluation activities through the issue of flow-through shares. Under the terms of these share issues, the tax attributes of the related expenditures are renounced to subscribers. Common shares issued on a flow-through basis typically include a premium because of the tax benefits associated therewith ("Flow-through Premium"). Flow-through shares may also be issued with a warrant feature. At the time of issue, the Company estimates the proportion of proceeds attributable to the Flow-through Premium, the common share and the warrant with reference to closing market prices and such techniques as the Black-Scholes option-pricing model. The flow-through premium is estimated as the excess of the subscription price over the market value of the share and is recorded as a liability in *Trade and other payables* on the consolidated balance sheet (Note 16). The proceeds attributable to the warrants are also treated as equity and recorded in *Contributed surplus* on the consolidated balance sheet until exercise, when the associated proportion is transferred to share capital along with the cash proceeds received on exercise.

The effect of renunciation of the tax benefits to holders of such shares is recognized pro rata with the associated expenditures being incurred by the Company. This could occur either before or after the formal renunciation of expenditures to the tax authorities have been made. When the eligible expenditures are incurred, the tax value of the renunciation is recorded as a deferred tax liability and charged against operations as a deferred tax expense. At the same time, where the Company has unrecognized deferred tax assets, they are reduced and a deferred tax recovery is recorded in the consolidated statement of operations, thereby offsetting the renunciation entries.

Furthermore, as eligible expenditures are incurred, the Company recognises a pro rata amount of the Flow-through Premium through *Finance income* in the consolidated statement of operations (Note 22) with a decrement to the liability in *Trade and other payables* on the consolidated balance sheet (Note 16).

Share-based payment arrangements
Stock Option Plan
The Company has a stock option plan (the “Stock Option Plan”) which is described in Note 21. Awards to non-employees are measured at the fair value of the goods or services received. Awards made to employees are measured at the grant date. All share-based awards made to employees and non-employees are recognized at the date of grant using a fair-value-based method to calculate the share-based payment. The share-based payment is charged to operations over the vesting period of the options or service period, whichever is shorter. Stock options vest either immediately or over a 12-month period.

Share Incentive Plan
The Company has a share incentive plan (the “Share Incentive Plan”), which includes both a share purchase plan (the “Share Purchase Plan”) and a share bonus plan (the “Share Bonus Plan”). The Share Incentive Plan is administered by the Directors of the Company. The Share Incentive Plan provides that eligible persons thereunder include Directors, senior officers and employees of the Company and its designated affiliates and consultants who are primarily responsible for the management and growth of the business.

The Share Incentive Plan is described in Note 19. The Company uses the fair value method of accounting for, and to recognize as its share-based payments for employees. Shares issued under the Share Incentive Plan are valued based on the quoted market price on the date of the award. This amount is expensed over the vesting period.

(q) Revenue Recognition
Consulting fees are recognized when services are rendered which includes amounts amortized over the non-cancellable term of the agreement. Other income is recognized on an accrual basis using the effective interest rate method.

(r) Earnings (Loss) per Share
The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the results of operations attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the results of operations attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise warrants and share options.

(s) New Standards and Interpretations Not Yet Adopted
The IASB and International Financial Reporting Interpretations Committee (“IFRIC”) have issued several new and revised standards and interpretations which are not yet effective for the year ended December 31, 2013 and have not been applied in preparing these consolidated financial statements unless stated otherwise. However, the revised standards and interpretations are not applicable to the Company or are expected to have minimal impact.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT DISCLOSURES
Overview
The Company has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework
The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board fulfils its responsibility through the Audit Committee which is responsible for overseeing the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has an established code of conduct which sets out the control environment within which framework all directors' and employees' roles and obligations are outlined. The Company's risk and control framework is facilitated by the small-sized and hands-on executive team.

Credit Risk
Credit risk is the risk of an unexpected financial loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, receivables, loan receivable and marketable securities.

Cash and cash equivalents
The Company's cash and cash equivalents are held through large Canadian financial institutions. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board.

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

When necessary, the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Further, when the Company engages in corporate transactions, it seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations.

Loan receivable
The loan receivable bears interest at a fixed rate and is secured on equipment of the borrower through registered security agreements. Failure of the borrower to meet contractual obligations will result in seizure of the borrower's assets.

Marketable securities
The Company limits its exposure to credit risk by investing only in securities which are listed on public stock exchanges. Such strategic investments are approved by the Board of Directors of the Company. Management actively monitors changes in the markets and management does not expect any counterparty to fail to meet its obligations. The Company's investments are generally in the junior natural resources sector and these companies are subject to similar areas of risk as the Company itself.

Guarantees
The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries or under business arrangements where the benefit of the guarantee will enure to the Company. As at December 31, 2013 and 2012, the Company had no guarantees outstanding.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when

due without incurring unacceptable losses or risking undue damage to the Company's reputation.
The Company's objective is to maintain sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents and marketable securities. This is accomplished by budgets and forecasts which are updated on a periodic basis to understand future cash needs and sources. When possible, spending plans are adjusted accordingly to provide for liquidity.

The Company manages its liquidity risk through the mechanisms described above and as part of Capital Disclosures below. The Company has historically relied on issuances of shares to develop projects and to finance day-to-day operations and may do so again in the future.

The Company has no significant long-term liabilities. All other contractually-obligated cash flows are payable within the next fiscal year with the exception of the Company's lease commitment described in Note 18.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Company's income, the value of its E&E properties or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk
The Company is exposed to currency risk on purchases, certain marketable securities and other payables that are denominated in a currency other than the respective functional currencies of Company entities, primarily the Canadian dollar. The currencies in which these transactions primarily are denominated are the United States dollars ("US$"). The Company does not actively hedge its foreign currency exposure.

The Company incurs expenditures related to the Berta project in Turkey, and certain general and administrative expenses, in US$ and occasionally in the Euro. The Company also has had marketable securities denominated in A$; in January 2013, these securities became listed on the TSX-V which has eliminated the A$ currency risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash equivalents earn interest at variable short-term rates. The Company's loan receivable (Note 13) and debt (Note 17) bear interest at fixed rates. Accordingly, the estimated effect of a 50bps change in interest rate would not have a material effect on the Company's results of operations. None of the Company's other financial instruments are interest-bearing. Consequently, the Company is not exposed to any significant interest rate risk which could be caused by a sudden change in market interest rates.

Other market price risk
The Company's marketable securities and strategic investments are subject to equity price risk. The values of these investments will fluctuate as a result of changes in market prices, the price of metals or other factors affecting the value of the investments.

Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The value of the Company's mineral resource properties is related to the price of, and outlook for, base and precious metals. Historically, such prices have fluctuated and are affected by numerous factors outside of the Company's control, including, but not limited to: industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities and other factors such as significant mine closures. The Company does not have any hedging or other commodity-based risks respecting its operations. The value of the Company's strategic investments is also related to the price of, and outlook for, base and precious metals.

Operational Risk
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

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

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The Company has a small but hands-on and experienced executive team which facilitates communication across the Company. This expertise is supplemented, when necessary, by the use of experienced consultants in legal, compliance and industry-related specialties. The Company also has standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- development of contingency plans;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective and available.

Compliance with Company standards is supported by a code of conduct which is provided to employees, officers and directors. The Company requires sign-off of compliance with the code of conduct.

Capital Management Disclosures

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support continued project development and corporate activities. Capital is defined by the Company as the aggregate of its shareholders' equity as well as any long-term debt, equipment-based and/or project-based financing.

As at December 31,	*Notes*	**December 31, 2013**	December 31, 2012 (Note 30)	January 1, 2012 (Note 30)
Shareholders' equity		**$ 24,755**	$ 22,613	$ 21,259
Loan payable	*17*	**2,427**	-	-
Available loans and borrowings	*17*	**-**	2,500	-
		$ 27,182	$ 25,113	$ 21,259

The Company manages its capital structure and makes adjustments to it based on the level of funds available to the Company to manage its operations. In order to maintain or adjust the capital structure, the Company expects that it will be able to obtain equity, long-term debt, equipment-based financing and/or project-based financing sufficient to maintain and expand its operations. There are no assurances that these initiatives will be successful. In order to achieve these objectives, the Company invests its unexpended cash in highly-liquid, rated financial instruments.

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

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Royalty Interest

The fair value of a royalty interest upon initial recognition is based on the discounted cash flows expected to be derived from the use of or eventual sale of the assets.

(b) Marketable Securities

The fair value of financial assets at fair value through operations or OCI is determined by reference to their quoted closing bid price at the reporting date.

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

Fair value hierarchy

The different levels of valuation are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs).

(c) Receivables

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes only.

(d) Warrants

The fair value of investments in warrants is based upon the Black-Scholes option-pricing model. Measurement inputs include: share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly-available information), weighted average expected life of the instruments (based on historic experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds).

(e) Non-derivative Financial Assets

Financial assets at fair value through operations include the Company's loan to Nuinsco – the Amended Loan. The fair value of the Amended Loan is based on the net present value of expected cash flows taking into account the probability of conversion of the loan into a participating interest (Note 13).

(f) Non-derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(g) Share-based Payment Transactions

The fair value of employee share options is measured using the Black-Scholes option-pricing model. The measurement inputs are described above under Note 5(d). Any service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012 (Note 30)	January 1, 2012 (Note 30)
Bank balances	**$ 249**	$ 2,223	$ 516
Cash and Cash Equivalents in the Statements of Cash Flows	**$ 249**	$ 2,223	$ 516

7. RECEIVABLES

	Notes	**December 31, 2013**	December 31, 2012 (Note 30)	January 1, 2012 (Note 30)
Receivables from Victory Nickel Inc.				
Due under management agreement	*25*	**$ 56**	$ -	$ -
Commitment fees receivable	*13*	**11**	-	-
Other receivables		**5**	48	81
Prepaid expenses and deposits		**37**	36	37
		$ 109	$ 84	$ 118

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

8. MARKETABLE SECURITIES

	December 31, 2013	December 31, 2012 (Note 30)	January 1, 2012 (Note 30)
Financial assets at fair value through OCI			
Victory Nickel Inc. - shares	**$ 2,701**	$ 165	$ 582
Coventry Resources Limited	**87**	660	926
Other	**7**	3	23
	2,795	828	1,531
Financial assets at fair value through operations			
Victory Nickel Inc. - warrants	**861**	-	-
	$ 3,656	$ 828	$ 1,531

All of the Company's marketable securities are in companies which are publicly-listed; financial assets at fair value through OCI are valued using Level 1 methodologies, financial assets at fair value through operations are valued using Level 3 methodologies as described below.

On July 30, 2013, Nuinsco significantly increased its shareholding in Victory Nickel through its agreement to backstop an equity issue under the loan agreement described in Note 13. Under the agreement, Nuinsco subscribed for 50,316,018 Units for cash of $1,207,584 or $0.024 per Unit. Each Unit comprises one common share and one common share purchase warrant. Nuinsco also exercised its basic rights under its prior shareholding of Victory Nickel which amounted to 3,483,882 additional Units for $83,613.

Nuinsco has valued the shares and warrants acquired under its participation in the rights offering at an aggregate amount of $1,937,000 at closing using the closing price of Victory Nickel shares of $0.025 along with an estimated fair value of $0.011 per warrant valued as described in the table below. IFRS 13 provided clarification that the Black-Scholes option-pricing model is considered to be a Level 3 valuation methodology. IFRS 13 further states that, at inception, the fair value of an asset made using a Level 3 methodology cannot be recognized, therefore $592,000 of that amount was not recorded. However, future changes from that recognition value must be recorded through operations even when a Level 3 valuation methodology is used.

Accordingly, the excess fair value over the cash paid of $0.012 per Unit can only be recognized to the extent of $0.001 per Unit or $54,000 at inception which has been recorded in *Finance income* as *Gain on investment*. The increase in fair value of the warrants from recognition of $0.016 per warrant or $861,000 has also been recorded in *Finance income* as *Net change in fair value of financial assets at fair value through operations*.

Additional shares were received in consideration for the top-up advance with a value of $20,758.

The subscription under the rights offering brings Nuinsco's interest in Victory Nickel's shares to approximately 12.24% at July 30, 2013 on a non-diluted basis and, accordingly, Nuinsco became a related party of Victory Nickel at that time. The Company continues to account for its investment in Victory Nickel as marketable securities and any changes in the value of shares will be accounted for through OCI with changes in the value of warrants from recognition date being accounted for through *Finance income* or *Finance costs* in the consolidated statement of operations.

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

The fair value of warrants is based upon the Black-Scholes option-pricing model with assumptions described in the table below:

	July 30, 2013 (recognition date)	December 31, 2013	December 31, 2012
Fair value	$ 0.011	$ 0.027	n/a
Share price at valuation date	$ 0.025	$ 0.045	n/a
Assumptions			
Exercise price	$ 0.035	$ 0.035	n/a
Expected volatility	101%	115%	n/a
Expected remaining term (years)	2.0	1.58	n/a
Expected dividends	-	-	n/a
Risk-free interest rate	1.15%	1.12%	n/a

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 (until early 2013). Recently, the markets have experienced extreme volatility, therefore a sensitivity analysis is performed using 15%. For such investments, a 15% increase in the equity prices at the reporting date would have increased net income by $364,000, net of tax effects of $56,000 (December 31, 2012 - an increase of $108,000, net of tax effects of $16,000); an equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above. For warrants, a 15% increase in value would have increased net income by $112,000, net of tax effects of $17,000 (there were no warrants as at December 31, 2012).

9. FINANCIAL INSTRUMENTS

Credit Risk

Exposure to credit risk

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

	Notes	December 31, 2013	December 31, 2012 (Note 30)
Carrying amount			
Cash and cash equivalents	*6*	$ 249	$ 2,223
Receivables	*7*	109	84
Financial assets at fair value through OCI	*8*	2,795	828
Financial assets at fair value through operations	*8*	861	-
Loan receivable	*13*	4,100	1,009
		$ 8,114	$ 4,144

Liquidity Risk

The following tables show the contractual maturities of financial assets and liabilities, including estimated interest payments. The loan receivable is a financial asset at fair value through operations and is recorded at fair value. Since the loan has not been converted, the contractual cash flows are shown based on the maturity of the loan. Note 13 describes the factors taken into account in arriving at the fair values which includes estimated cash flows.

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

(Note 30)		Financial assets: Loan receivable	Financial assets: Receivables	Total
As at December 31, 2013				
Carrying amount	(Note 13)	$ 4,100	$ 109	$ 4,209
Contractual cash flows		1,130	61	1,191
6 months or less		60	61	121
6 - 12 months		60	-	60
1 - 2 years		1,010	-	1,010
As at December 31, 2012	(Note 30)			
Carrying amount		$ 1,009	$ 84	$ 1,093
Contractual cash flows		1,250	47	1,297
6 months or less		60	47	107
6 - 12 months		60	-	60
1 - 2 years		120	-	120
2 - 5 years		1,010	-	1,010
As at January 1, 2012	(Note 30)			
Carrying amount		$ -	$ 118	$ 118
Contractual cash flows		-	81	81
6 months or less		-	81	81

(Note 30)		Non-derivative financial liabilities: Loan payable	Non-derivative financial liabilities: Trade and other payables	Total
As at December 31, 2013				
Carrying amount		$ 2,427	$ 338	$ 2,765
Contractual cash flows		2,634	338	2,972
6 months or less		2,634	338	2,972
2 - 5 years		-	-	-
As at December 31, 2012	(Note 30)			
Carrying amount		$ -	$ 682	$ 682
Contractual cash flows		-	417	417
6 months or less		-	417	417
2 - 5 years		-	-	-
As at January 1, 2012	(Note 30)			
Carrying amount		$ -	$ 815	$ 815
Contractual cash flows		-	644	644
6 months or less		-	644	644
2 - 5 years		-	-	-

The contractual cash flows reflected in the tables above exclude the non-cash prepaid expenses and flow-through premium liability.

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 December 31, 2013		US$		A$(see note)
Cash and cash equivalents	$	15	$	-
Receivables		-		-
Marketable securities		-		-
Loan receivable		-		-
Trade and other payables		-		-
Net exposure	$	15	$	-

(in thousands of Canadian dollars) As at December 31, 2012 (Note 30)		US$		A$(see note)
Cash and cash equivalents	$	288	$	-
Receivables		-		-
Marketable securities		-		660
Loan receivable		-		-
Trade and other payables		-		-
Net exposure	$	288	$	660

(in thousands of Canadian dollars) As at January 1, 2012 (Note 30)		US$		A$(see note)
Cash and cash equivalents	$	48	$	-
Receivables		-		-
Marketable securities		-		926
Trade and other payables		(35)		-
Net exposure	$	13	$	926

Note: Effective January 8, 2013, the Company eliminated its exposure to the A$ since Coventry shares are now quoted on the TSX-V.

Sensitivity analysis
A strengthening of the C$ of 10% against the US$ and A$ 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 consolidated 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. All of the warrants owned by the Company are valued using Level 3 methodologies.

10. PROPERTY AND EQUIPMENT

Equipment (Note 30)		Cost		Accumulated Depreciation		Carrying Amount
Balance as at January 1, 2012	**$**	**357**	**$**	**300**	**$**	**57**
Additions		56		-		56
Amortization		-		11		(11)
Balance as at December 31, 2012		**413**		**311**		**102**
Additions		11		-		11
Amortization		-		20		(20)
Balance as at December 31, 2013	**$**	**424**	**$**	**331**	**$**	**93**

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

11. EXPLORATION AND EVALUATION PROJECTS

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

(Note 30)	January 1, 2013	Current Expenditures	Effect of Recoveries	Writedown of E&E Projects	December 31, 2013
URANIUM AND RARE METALS			(see below)		
Diabase Peninsula	$ 9,046	$ 262	$ -	$ -	**$ 9,308**
Prairie Lake	3,372	302	-	-	**3,674**
	12,418	564	-	-	**12,982**
GOLD AND COPPER					
Chibougamau camp	440	604	(1,024)	(20)	**-**
Berta	1,202	13	(64)	(1,151)	**-**
	1,642	617	(1,088)	(1,171)	**-**
	$ 14,060	$ 1,181	$ (1,088)	$ (1,171)	**$ 12,982**

(Note 30)	January 1, 2012	Current Expenditures	Effect of Recoveries	Writedown of E&E Projects	December 31, 2012
URANIUM AND RARE METALS					
Diabase Peninsula	$ 8,041	$ 1,005	$ -	$ -	**$ 9,046**
Prairie Lake	2,886	486	-	-	**3,372**
	10,927	1,491	-	-	**12,418**
GOLD AND COPPER					
Chibougamau camp	-	440	-	-	**440**
Berta	1,197	5	-	-	**1,202**
Bukari	-	23	-	(23)	**-**
J. Tobrar	-	40	-	(40)	**-**
	1,197	508	-	(63)	**1,642**
	$ 12,124	$ 1,999	$ -	$ (63)	**$ 14,060**

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 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 (as defined). 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 remaining interest whatsoever in the Diabase Peninsula property.

The property consists of ten contiguous claims encompassing 21,949 hectares ("ha"). Three claims were optioned while seven were staked by Nuinsco. Exploration for uranium has been undertaken at Diabase Peninsula since March, 2005, with the most recent drill program being completed in the winter of 2011 to 2012. During the winter of 2013 a modest program of geochemical sampling was initiated which included a survey consisting of sampling for detection of radon gas which is an indicator of uranium mineralization.

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 deferred the option payment of $935,000 by at least one year. The shares were issued in the third quarter of 2012 and all quarterly cash payments have been made.

In September, 2013, the Company negotiated a further extension whereby it is required to make payments totalling $1,028,500 as follows: an aggregate sum of $400,000 payable in quarterly instalments of $25,000 up to and including June 2, 2017 and a lump sum of $628,500 on or before September 2, 2017. The Company made two instalments of $25,000 on each of September 2, 2013 and December 2, 2013. A further $25,000 was paid on March 2, 2014.

The claims are subject to a 3% gross production royalty payable to the vendor of the original Diabase Peninsula claim; the royalty is defined as actual metal/mineral sales with no deduction for refining or transportation expenses.

Prairie Lake

The Prairie Lake property consists of nine claims comprising 38 claim units, encompassing 608 ha. Given the presence of an historic uranium resource, as well as strongly-anomalous tantalum, niobium and phosphorus, 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. The property was subject to a 2% NSR payable on any production. 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 entire 2% NSR through issuing 3,157,894 shares with a market value of $300,000. The property is now royalty-free.

Gold & Copper

Chibougamau Camp

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. In the second quarter of 2013, the option agreement was amended to allow the Company to more freely determine on which properties the expenditure commitments may be made. Aggregate expenditures incurred on the Chibougamau camp amounted to $1,024,000 when Nuinsco exercised its rights under the option agreement in December ($440,000 was expended in 2012). Pursuant to the option agreement, Nuinsco acquired interests in the Chibougamau camp aggregating that amount; subsequently, an additional $20,000 was spent and written off to *Writedown of exploration and evaluation projects* in the consolidated statement of operations.

On December 19, 2013, CBay exercised its right to reacquire the acquired interests through issuing 1,024,263 shares in CBay Ocean Partners also acquired 1,024,263 shares at the same time in order to maintain the 50:50 ownership interest in CBay.

Berta

In October, 2003, the Company entered into the Berta Joint Venture Agreement with Falconbridge Limited, now Glencore Xstrata plc (“Glencore”). The Berta property is located approximately 50 km south of the Black Sea coast in north-eastern 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. Glencore participates pro rata in funding exploration expenditures. Discussions with Glencore have been ongoing, including discussions to buy Glencore’s share of the joint venture. 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 during 2011. 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.

In 2012, Glencore commenced a 7,500 metre drilling program with budgeted expenditures of US$2,672,000 to the end of December 2012 of which US$1,491,000 was spent by Glencore. Full results and accounting for the work program have now been received. 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 Glencore. Subsequent to the end of the 2012 drilling program, Glencore informed Nuinsco that it would resign as operator of the project. Nuinsco has been examining the options with regard to additional exploration and/or diamond drilling on the property taking into account the existing challenges and protracted timing presently associated with permitting in Turkey. Due to the uncertainty of the aforementioned challenges, the Company recorded a writedown of $1,151,000 on this project as well as a reversal of an accrual of $64,000 no longer considered necessary.

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

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 $80,000 were written off during the year ended December 31, 2013, (December 31, 2012 - $15,000).

12. INTEREST IN CBAY MINERALS JOINT VENTURE

	Note	December 31, 2013	December 31, 2012	January 1, 2012
Balance as at beginning of year		$ 4,779	$ 4,728	$ 1,125
Equity interest in loss of CBay		(365)	(180)	(3,554)
Other loss		(102)	-	-
Share of CBay contributed surplus		-	40	-
Funding to CBay		995	191	7,157
Effect of conversion of debt to equity in CBay		-	(5,823)	-
Investment in CBay equity	11	1,024	5,823	-
Balance as at end of year		$ 6,331	$ 4,779	$ 4,728

Nuinsco owns a 50% interest in CBay and jointly controls the company with Ocean Partners; this interest is the culmination of the lengthy process jointly undertaken by both companies to gain control over significant assets which had secured loans to Campbell formerly originated by both parties. Effective January 1, 2013, IFRS significantly restricted the use of proportionate consolidation to account for joint arrangements. Accordingly, Nuinsco changed its accounting for CBay to equity accounting. In accordance with the transition requirements of IFRS 11, this change in accounting policy is required to be done on a retrospective basis. Accordingly, Nuinsco has provided information on the same basis as at and for the year ended December 31, 2012 as well as at January 1, 2012. Further, where relevant, additional information has been provided in notes where previously-disclosed amounts have changed. In particular, Note 30 provides various reconciliations which indicate the impact of the accounting policy change on previously-reported information.

CBay's 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 located on the Lac Doré Complex. Through CBay, 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;
- three partially-developed copper projects - Corner Bay, Devlin and the Perch River option;
- a permitted 2,722 tonnes per day mill and tailings facility; and,
- in excess of 38,000 ha of highly-prospective exploration property.

During the third quarter of 2012, the Company recovered approximately $30,000 on its investment in Campbell shares; this is recorded as a *Recovery of provision for Chibougamau* through operations.

CBay's assets, liabilities, revenues and expenses are as follows:

As at December 31,	2013	2012
CBay Minerals Inc.		
Cash and cash equivalents	$ 354	$ 104
Receivables	42	52
Property and equipment	1,874	1,950
Exploration and evaluation project	11,082	8,546
Current liabilities	(212)	(668)
Long-term liability	(478)	(426)
Net assets of CBay Minerals Inc.	12,662	9,558
Nuinsco's interest in CBay Minerals at 50%	$ 6,331	$ 4,779

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

Years ended December 31,		**2013**		2012
Other income	**$**	**-**	$	240
General and administrative		**(678)**		(622)
Share-based payments: options expense		**-**		(80)
Pre-exploration write-offs		**-**		(4)
Net finance (costs) income		**(52)**		106
Other loss		**(204)**		-
Net loss of CBay Minerals		**(934)**		(360)
Nuinsco's interest in CBay Minerals at 50%	**$**	**(467)**	$	(180)

13. LOAN RECEIVABLE

	Notes		**December 31, 2013**		December 31, 2012 (Note 30)		January 1, 2012 (Note 30)
Advance for working capital		**$**	**1,000**	$	1,000	$	-
Advance under Amended Loan for standby commitment	*8*		**1,207**		-		-
Aggregate advances			**2,207**		1,000		-
Accrued interest receivable			**-**		9		-
			2,207		1,009		-
Less: settled in Units of Victory Nickel	*8*		**(1,207)**		-		-
Less: unamortized loan fees			**(161)**		-		
Change in fair value	*22*		**3,261**		-		-
		$	**4,100**	$	1,009	$	-

The Company entered into a loan agreement in November 2012 with Victory Nickel that provided an advance for $1,000,000. The Loan bears interest at 12% per annum and matures on January 31, 2015; it is secured by equipment and a general security agreement over the borrower's assets.

On March 26, 2013, the Company announced that it had amended and restated the loan agreement to increase the secured loan facility to up to $3,000,000 under certain circumstances (the "Amended Loan"). As with the original loan, the Amended Loan bears interest at 12% per annum, payable quarterly in arrears, and matures on January 31, 2015. Upon the earlier of June 1, 2014 or notification that the frac sand plant is at commercial production, the Company has the right to convert the outstanding balance of the Amended Loan into a participating interest (the "Conversion") whereby the Company is entitled to receive a share of cash flows earned from the sale of frac sand from the borrower's frac sand business. The Company's participation is based on a range of a maximum of $10,000,000, with a minimum of $7,500,000, and is subject to adjustment under certain circumstances which could increase or decrease this range. On Conversion, the Amended Loan would be considered paid in full. The Company had also agreed to backstop an equity issue with cash or by converting a portion of the Amended Loan into shares, at the Company's option to an amount up to $1,500,000 under certain circumstances. The borrower announced a rights offering on June 14, 2013.

Under the terms of the Amended Loan, Nuinsco agreed to provide a standby commitment for any equity offering initiated by Victory Nickel. This commitment was triggered for the rights offering of Victory Nickel which closed on July 30, 2013. Under the agreement, Nuinsco subscribed for 50,316,018 units for cash of $1,207,584 (Note 8). Each Unit comprises one common share and one common share purchase warrant. This brings cumulative advances under the Amended Loan to Victory Nickel to $2,207,584 and caps the Amended Loan amount at $2,707,584 (from a maximum possible $3,000,000) with $500,000 remaining for draw down and to be used to develop Victory Nickel's frac sand business. The subscription under the standby commitment, among other things, is included in the calculation of Nuinsco's potential participation under the Conversion of the Amended Loan.

The borrower was to pay, with shares, an arrangement fee of up to $300,000 plus a commitment fee of 1.5% per annum on unutilized balances. Aggregate arrangement fees of $270,758 in shares (included in marketable securities) have been received based on advances of $2,207,584; this satisfies the arrangement fee in full. Interest income has been received in cash of $129,000 in the year ($9,000 of which related to 2012). Commitment fees amount to $11,000 in the year ended December 31, 2013 and will be paid in shares upon the final advance under the Amended Loan.

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

On February 4, 2014, both Nuinsco and Victory Nickel agreed to cancel the amount available to be drawn down under the Amended Loan. This fixed the commitment fee to be paid in shares at $12,000 and also amended the range of the Company's participation in the net cash flows earned from the sale of frac sand to a maximum of $10,222,831 with a minimum of $7,667,124 on the basis of a sharing percentage of 52.16%. This range could be decreased should Victory Nickel repay some or all of the $1,000,000 balance outstanding before Conversion.

The Conversion feature requires the classification of the loan as a financial asset at fair value through the statement of operations. From initial recognition until the fourth quarter, the Company considered that the fair value of the loan was equal to its amortized cost since the Company has not converted its loan and the 7P Plant was under construction with significant parts to be completed and there were other significant uncertainties. During the fourth quarter, the plant construction was well underway and the probability of Conversion increased substantially. Accordingly, the Company has revalued the loan using an effective interest rate of 22% (equivalent to a discount rate of 14%) and a probability-weighted average estimation of future expected cash flow scenarios of approximately 55% of the ceiling maximum of $10,222,831 based on current expectations of business results, capital costs and pre-operating expenditures. These cash flows were on the basis of Phase 1 completion only.

As described earlier, the percentage participation in net cash flows is 52.16% and the applicable ceiling for Phase 1 is $10,222,831. Based on the estimated cash flows, payments could commence as early as mid-2015. These assumptions resulted in an estimated fair value of the loan of $4,100,000 and, accordingly $3,261,000 was recorded as a *change in the fair value of a financial asset* through the statement of operations. This is a Level 3 methodology and is subject to the highest level of uncertainty. The Company will review and revise its estimates of fair value as the expectations of payments of the participating interest change. Changes in that estimate will be recorded through the statement of operations with appropriate adjustment for actual cash flows received.

The discounted cash flow model was tested for sensitivity which could result from changes in key inputs used in the estimation model. The effect of any change is discrete unless otherwise stated.

Change in Model Key Input	**Fair Value of Loan**	**Change in Fair Value of Loan**
Carrying value of loan	**$ 4,100**	$ -
Effect of:		
Decrease in sales price per ton of $5	**3,962**	(138)
Increase discount rate by 1%	**4,011**	(89)
Decrease volumes by 5%	**4,064**	(36)
Increase discount rate by 1% and decrease sales price per ton of $5	**3,861**	(239)

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

14. ROYALTY INTEREST

On April 20, 2010, pursuant to the sale of Cameron Lake to Coventry, the Company retained a royalty interest in the Cameron Lake property. The royalty interest was a 3% NSR under which Coventry had 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 was accounted for using the cost basis and recorded at $3,000,000.

Effective the first quarter of 2012, the Company decided to sell its royalty interest in the Cameron Lake property which is held by Coventry and a marketing strategy was implemented. In September 2012, the Company sold the royalty interest for $5,003,000, being US$5,100,000, and recorded a net gain on sale of $1,992,000 after expenses.

15. DEFERRED TAX ASSETS

Deferred tax assets and liabilities are recognized for temporary differences between the carrying value of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are considered probable to be realized.

Significant components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	December 31, 2013	December 31, 2012 (Note 30)	January 1, 2012 (Note 30)
Deferred Tax Assets			
Property and equipment	**$ 32**	$ 42	$ 58
Share issue costs	**58**	65	72
Net tax losses carried forward	**1,519**	1,536	1,443
Eligible capital property and other	**286**	258	262
Capital losses, net	**465**	1,075	947
	2,360	2,976	2,782
Unrecognized deferred tax assets	**(1,906)**	(2,255)	(2,288)
	454	721	494
Deferred tax liability			
Exploration and development	**(454)**	(721)	(494)
Deferred Tax Assets, Net	**$ -**	$ -	$ -

Unrecognized deferred tax assets equal the full amount of the available deferred tax benefit, as the likelihood of utilizing the remaining unused tax losses and other tax deductions is not probable; it cannot be determined at this time.

Non-capital losses expire as follows:

	Amount
2027	**$ 59**
2028	**1,317**
2029	**2,078**
2031	**2,275**
2032	**3**
	$ 5,732

The Company also has realized capital losses available for carryforward of approximately $7,377,000 (December 31, 2012 - $6,536,000). These losses do not expire and may be utilized to reduce future capital gains, if any.

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

Movement in Deferred Tax Assets and Liability during the Year

	As at January 1, 2013 (Note 30)	Recognized in operations	Recognized in OCI	Recognized in share capital	As at December 31, 2013
Property and equipment	$ 42	$ (10)	$ -	$ -	**$ 32**
Share issue costs	65	(7)	-	-	**58**
Net tax losses carried forward	1,536	(17)	-	-	**1,519**
Eligible capital property and other	258	28	-	-	**286**
Capital losses (net)	1,075	(480)	(130)	-	**465**
	2,976	(486)	(130)	-	**2,360**
Unrecognized deferred tax assets	(2,255)	299	50	-	**(1,906)**
	721	(187)	(80)	-	**454**
Deferred tax liability					
Exploration and evaluation projects	(721)	267	-	-	**(454)**
Deferred tax assets, net	$ -	$ 80	$ (80)	$ -	**$ -**

	As at January 1, 2012 (Note 30)	Recognized in operations	Recognized in OCI	Recognized in share capital	As at December 31, 2012 (Note 30)
Property and equipment	$ 58	$ (16)	$ -	$ -	$ 42
Share issue costs	72	(36)	-	29	65
Net tax losses carried forward	1,443	93	-	-	1,536
Eligible capital property and other	262	(4)	-	-	258
Capital losses (net)	947	-	128	-	1,075
	2,782	37	128	29	2,976
Unrecognized deferred tax assets	(2,288)	190	(128)	(29)	(2,255)
	494	227	-	-	721
Deferred tax liability					
Exploration and evaluation projects	(494)	(227)	-	-	(721)
Deferred tax assets, net	$ -	$ -	$ -	$ -	$ -

16. TRADE AND OTHER PAYABLES

	Note	**December 31, 2013**	December 31, 2012 (Note 30)	January 1, 2012 (Note 30)
Trade payables				
E&E projects		**$ 55**	$ 38	$ 162
Non-project related		**49**	99	123
Flow-through premium liability		**-**	265	171
Other payables		**18**	9	5
Due to Victory Nickel Inc.	*25*	**-**	38	20
Accrued liabilities				
E&E projects		**4**	88	60
Non-project related		**212**	145	274
		$ 338	$ 682	$ 815

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

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

As at and for the years ended December 31,	Note		2013		2012
Balance as at beginning of year		**$**	**265**	$	171
July and August, 2011 financing:					
Flow-through premium through finance income			**-**		(126)
December, 2011 financing:					
Flow-through premium through finance income			**-**		(45)
February and March, 2012 financing:					
Flow-through premium	*19*		**-**		321
Flow-through premium through finance income	*19*		**(265)**		(56)
Balance as at end of year		**$**	**-**	$	265

17. LONG-TERM LIABILITIES

		December 31, 2013		December 31, 2012 (Note 30)		January 1, 2012 (Note 30)
Advances	**$**	**2,500**	$	-	$	-
Unamortized loan fees		**(73)**		(210)		-
		2,427		(210)		-
Reclassification to current liability		**(2,427)**		-		-
	$	**-**	$	(210)	$	-

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 Facility can be drawn down in minimum amounts of $500,000, with $1,500,000 immediately available and the balance available six months from closing. The Facility matures on June 18, 2014 with the availability of a one-time extension period of six months upon issuance of 3% of the principal amount extended payable in CBay shares owned by Nuinsco; this represents 112,538 shares at an agreed value of $0.666 per share which represents approximately 0.375% of the outstanding shares of CBay. 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 Facility was drawn down by $1,000,000 on February 1, 2013 with three additional draws of $500,000 being received on May 1, 2013, August 1, 2013 and October 21, 2013. The aggregate fees and expenses related to the Facility of $216,000 (December 31, 2012 - $210,000 included as *Other assets* on the consolidated balance sheet) are amortized through operations as interest expense using the effective interest rate method over the life of the loan; amortization of $144,000 was charged during the year ended December 31, 2013 and interest of $182,000 was paid in cash.

18. OPERATING LEASE

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:

		December 31, 2013
Office rental		
Less than 1 year	**$**	**102**
Between 1 and 5 years		**190**
Total Minimum Lease Payments Payable	**$**	**292**

It is not expected that the cash flows reflected in the maturity analysis would occur significantly earlier, or at significantly different amounts. During the year ended December 31, 2013, $208,000 was recognized as rent expense through operations in respect of operating leases including operating costs (December 31, 2012 – $191,000).

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

19. CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value. 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; all shares are fully paid. The issued and outstanding common shares during the years ended December 31, 2013 and 2012 are in the table below. There were no shares issued in 2013.

	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
Shares issued for property	*(c)*	923,864	-	38	(5)	-	-	33
Issue of shares under Share Bonus Plan	*(d)*	454,545	-	25	-	-	-	25
Shares issued for loan fee	*(e)*	3,634,777	-	125	-	-	-	125
Balance as at December 31, 2012 and 2013		**295,525,745**	**$ 1,000**	**$ 488**	**$ (107)**	**$ (321)**	**$ (86)**	**$ 98,169**

(a) On January 23, 2012, the Company issued common shares to acquire the royalty on the Prairie Lake property as described in Note 11.

(b) In February and March 2012, the Company issued 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 share purchase warrant. The Company apportioned proceeds of $321,000 to the flow-through premium and $86,000 was attributed to the share purchase warrants recorded through contributed surplus.

(c) On July 30, 2012, the Company issued 923,864 common shares to extend the agreement on Diabase Peninsula as described in Note 11.

(d) In November 2012, the Company issued common shares to an officer as a discretionary bonus pursuant to the Company's Share Bonus Plan.

(e) In December 2012, the Company issued common shares as part of a loan fee with respect to the Facility as described in Note 17.

Share Incentive Plan

The Company has a Share Incentive Plan which includes both a Share Purchase Plan and a Share Bonus Plan. The purpose of the Share Incentive Plan is to encourage ownership of common shares by directors, senior officers and employees of the Company and its designated affiliates and consultants who are primarily responsible for the management and profitable growth of its business, to advance the interests of the Company by providing additional incentive for superior performance by such persons and to enable the Company and its designated affiliates to attract and retain valued directors, officers, employees and consultants.

Share Purchase Plan

Under the Share Purchase Plan, eligible directors, senior officers and employees of the Company and its designated affiliates and consultants can contribute up to 10% of their annual basic salary before deductions to purchase common shares. The Company matches each participant's contribution. The purchase price per common share is the volume-weighted average of the trading prices of the common shares on the TSX for the calendar quarter in respect of which the common shares are issued. Common shares acquired are held in safekeeping and delivered to employees as soon as practicable following March 31, June 30, September 30 and December 31 in each calendar year. No common shares were issued pursuant to the Share Purchase Plan during 2012 or 2011. The maximum number of common shares issuable under the Share Purchase Plan is the lesser of: (i) that number of common shares that can be purchased with a dollar amount equal to 20% of the gross annual salary of the Participants (as defined in the Share Incentive Plan); and (ii) 1% of the aggregate number of issued and outstanding common shares (calculated on a non-diluted basis) from time to time.

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

Share Bonus Plan

The Share Bonus Plan permits common shares to be issued as a discretionary bonus to eligible directors, senior officers and employees of the Company and its designated affiliates, and consultants from time to time. At the Company's Annual and Special Meeting of Shareholders held on June 18, 2012 (the "ASM"), shareholders approved an increase in the maximum number of common shares issuable under the Share Bonus Plan to 8,000,000.

In 2013, no common shares were issued under the Share Bonus Plan (2012 – 454,545). The entitlement to shares issued under the Share Bonus Plan in 2012 and 2011 vested immediately. The fair value of common share entitlements granted under the Share Bonus Plan is determined using the quoted market value on the date of grant for an aggregate fair value that was charged immediately.

Shareholder Rights Plan

In April, 2007, the Company adopted a shareholder rights plan ("Shareholder Rights Plan") which was subsequently confirmed by its shareholders at its 2007 Annual Meeting and the term extended to 2013 at the Annual Meeting held on June 2, 2010. At the Annual and Special Meeting held on June 28, 2013, extension of the Shareholder Rights Plan was not submitted to shareholders and it duly expired.

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.

20. EARNINGS PER SHARE

The calculation of basic and diluted EPS for the years ended December 31, 2013 and 2012 was based on the information in the table below.

Years ended December 31,	2013	2012
Balance as at beginning of year	**295,526,000**	280,212,000
Effect of shares issued pursuant to private placements	**-**	5,738,000
Effect of shares issued for property	**-**	3,445,000
Effect of shares issued under Share Bonus Plan	**-**	70,000
Effect of shares issued for loan fee	**-**	109,000
Weighted average number of common shares - basic	**295,526,000**	289,574,000
Effect of options granted and outstanding	**100,000**	732,000
Effect of warrants issued and outstanding	**-**	-
Weighted average number of common shares - diluted	**295,626,000**	290,306,000
Number of options excluded	**31,775,000**	23,498,000
Number of warrants excluded	**-**	9,292,718
Net income attributable to shareholders	**$ 1,723**	$ 527
Basic earnings per share	**$ 0.01**	$ 0.00
Diluted earnings per share	**$ 0.01**	$ 0.00

The effect of adjustments to the weighted average number of common shares would be anti-dilutive when the Company incurs losses. The table above provides the weighted average number of shares on a dilutive basis for periods when losses are incurred for information only. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options is based on quoted market prices for the respective periods during which the options were outstanding.

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.

21. SHARE-BASED PAYMENTS

Description of the Share-based Payment Arrangements

The Company's share-based payment arrangements are as follows:

Stock option plan (equity-settled)

The Company has a Stock Option Plan to encourage ownership of its shares by key management personnel (directors and executive management), employees and consultants, and to provide compensation for certain services. The terms of the Stock Option Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant. No compensation is recognized when options are exercised. The number of shares reserved for issuance is not to exceed 15% of the aggregate number of common shares issued and outstanding (calculated on a non-diluted basis) from time to time.

As at December 31, 2013, the Company had 12,454,000 (December 31, 2012 – 21,099,000) 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)

There are no outstanding warrants as at December 31, 2013. 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 19.

Terms and Conditions of Share-based Payment Arrangements

Stock Option Plan

The terms and conditions relating to the grants of the Stock Option Plan are as follows:

- Options issued during the period and granted to executive management, employees and consultants have a maximum term of five years and are equity-settled. Of the options granted, 50% vest immediately, while the remaining options are exercisable after one year.
- Options issued during the period and granted to directors have a maximum term of five years and are equity-settled. All options granted to directors vest immediately.
- Certain options issued prior to August 2006, had a maximum term of 10 years.
- All options are to be settled by physical delivery of shares.

Share purchase warrants

The terms and conditions relating to the grants of the share purchase warrants are as follows; all warrants are to be settled by physical delivery of shares and as such, are equity-settled. Warrants issued are generally exercisable for a period of 12 to 24 months from issue date; the warrants issued under the rights offering were not exercisable until 12 months from issue and expired 12 months thereafter.

Notes to the Consolidated Financial Statements

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

Disclosure of Share-based Payment Arrangements

Stock Option Plan

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

	Number of options		Weighted average exercise price	
Years ended December 31,	**2013**	2012	**2013**	2012
Outstanding as at beginning of year	**24,230,000**	20,515,000	**$ 0.11**	$ 0.14
Granted	**9,395,000**	5,550,000	**$ 0.02**	$ 0.06
Forfeit	**(350,000)**	-	**$ 0.10**	$ -
Expired	**(1,400,000)**	(1,835,000)	**$ 0.18**	$ 0.29
Outstanding as at end of year	**31,875,000**	24,230,000	**$ 0.08**	$ 0.11
Exercisable as at end of year	**28,528,000**	22,505,000	**$ 0.09**	$ 0.11

For options granted during 2013, the weighted average fair value at the date of grant was $0.014 (2012 - $0.048).

	Number of options outstanding		Weighted average remaining contractual life (years)	
As at December 31,	**2013**	2012	**2013**	2012
Range of exercise prices				
$0.015 to $0.015	5,800,000	-	4.96	-
$0.020 to $0.020	120,000	-	4.36	-
$0.030 to $0.050	8,075,000	4,600,000	1.71	1.19
$0.055 to $0.055	1,100,000	1,100,000	1.61	2.61
$0.060 to $0.075	5,430,000	5,680,000	3.25	4.25
$0.080 to $0.100	4,350,000	4,350,000	1.01	2.01
$0.110 to $0.150	-	1,000,000	-	0.01
$0.160 to $0.170	4,650,000	4,750,000	2.20	3.20
$0.220 to $0.260	2,350,000	2,400,000	0.27	1.26
$0.270 to $0.350	-	350,000	-	0.48
	31,875,000	24,230,000	**2.50**	2.49

Additional disclosures relating to the Company's options are as follows:

As at and for the years ended December 31,	**2013**	2012
Number of options granted during the year	**9,395,000**	5,550,000
Weighted average fair value of options granted at grant date	**$ 0.014**	$ 0.048
Number of options subject to vesting as at end of year	**3,347,000**	1,725,000
Share-based payment expense - vesting options	**$ 124**	$ 277
Share-based payment expense - extended options	**$ -**	$ 48
Unvested options not yet charged to operations	**$ 29**	$ 22

(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:

As at and for the years ended December 31,	Date Issued	Life (1)	Number of warrants 2013	Number of warrants 2012	Weighted average exercise price 2013	Weighted average exercise price 2012
Issued pursuant to private placements						
	October 4, 2010	24		5,600,000		$ 0.10
	Expired			(5,600,000)		
	January 10, 2011	12		1,562,500		$ 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
	Expired Quarter ended June 30, 2013		**(22,833)**			
	February 24, 2012	18	**3,410,750**	3,410,750	**$ 0.20**	$ 0.20
	February 24, 2012	18	**409,290**	409,290	**$ 0.14**	$ 0.14
	March 12, 2012	18	**138,250**	138,250	**$ 0.20**	$ 0.20
	March 13, 2012	18	**22,429**	22,429	**$ 0.20**	$ 0.20
	Expired Quarter ended September 30, 2013		**(9,269,885)**			
Outstanding as at end of year			**-**	9,292,718	**n/a**	$ 0.20

(1) The life of warrants is generally stated in months from issue date; for warrants issued pursuant to the rights offering, the warrants were exercisable 12 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 years are as follows:

Years ended December 31,	Options 2013	Options 2012	Warrants 2013	Warrants 2012
Fair values at grant/modification date	**$0.011 to $0.019**	$0.001 to $0.048	**n/a**	$0.018 to $0.031
Share prices at grant/modification date	**$0.015 to $0.03**	$0.055 to $0.065	**n/a**	$0.09 and $0.095
Assumptions				
Exercise prices	**$0.015 to $0.03**	$0.05 to $0.31	**n/a**	$0.14 and $0.20
Expected volatilities	**86% to 102%**	82% to 110%	**n/a**	87% and 93%
Life (years)	**4**	0.58 to 4.83	**n/a**	1.5
Expected dividends	**-**	-	**n/a**	-
Risk-free interest rates	**1.19% to 1.56%**	0.99% to 1.53%	**n/a**	1.12% to 1.20%

On April 4, 2013, 3,475,000 options were issued to employees, consultants and directors at an exercise price of $0.03. Of these options, 2,337,500 vested immediately and 1,137,500 vest in one year. On May 10, 2013, 120,000 options were granted to an employee at an exercise price of $0.02; half vested immediately and half vest in one year. On December 17, 2013, 5,800,000 options were issued to employees, consultants and directors at an exercise price of $0.015. Of these options, 3,650,000 vested immediately and 2,150,000 vest in one year.

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

22. FINANCE INCOME AND FINANCE COSTS

Years ended December 31,	Notes		2013		2012
Interest income on bank deposits		$	14	$	7
Interest income on loan receivable	13		230		9
Commitment fee	13		11		-
Flow-through premium	16		265		227
Net foreign exchange gain			7		64
Gain on investment	8		54		-
Net change in fair value of financial assets at fair value through operations					
Warrants	8		861		-
Loan receivable	13		3,261		-
Finance income			4,703		307
Interest expense on loan payable	17		326		-
Finance costs			326		-
Net Finance Income		$	4,377	$	307

23. INCOME TAXES

The income tax amount in the year ended December 31, 2013 is a recovery of $80,000 and relates to income taxes on the change in value of marketable securities recorded through OCI; in 2012, there was no income tax amount.

The income tax expense differs from the amount computed by applying the statutory federal and provincial income tax rates for each of the years ended December 31, 2013 and 2012, of 26.5% to the income before income taxes.

The differences are summarized as follows:

Years ended December 31,		2013		2012
Statutory rate applied to income before income taxes	$	423	$	140
Non-taxable income		-		-
Non-taxable portion of capital gain		(547)		-
Non-deductible items, net		300		81
Effect of rate change		-		(79)
Effect of change through OCI		(80)		-
Non-deductible loss on interest in CBay Minerals Joint Venture		123		48
Unrecognized deferred tax assets		(299)		(190)
Income tax recovery	$	(80)	$	-

24. 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 25). 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.

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

Geographic Information

As at December 31,	Notes		2013		2012
Canada					
Corporate		$	**8,207**	$	4,896
Interest in CBay Minerals Joint Venture	12		**6,331**		4,779
Diabase Peninsula	11		**9,308**		9,046
Prairie Lake	11		**3,674**		3,372
			27,520		22,093
Turkey					
Berta	11		**-**		1,202
			-		1,202
Total Assets		$	**27,520**	$	23,295

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

25. RELATED PARTIES AND MANAGEMENT AGREEMENTS

Related Party Balances and Transactions

Short-term employee benefits provided by the Company to key management personnel 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).

Balances and transactions with related parties as at and for the years ended December 31, 201 and 2012 are shown in the following tables:

As at December 31,		2013		2012
Balances Outstanding				
Payable to key management personnel	$	**99**	$	57

Key management personnel compensation comprised:

Years ended December 31,		2013		2012
Short-term employee benefits	$	**679**	$	749
Share-based payments - options		**39**		209
Share-based payments - Share Bonus Plan		**-**		25
	$	**718**	$	983

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 being Mr. René Galipeau. 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.

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

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

As at December 31,		**2013**		2012
Balances Outstanding under Management Agreements				
Receivable from Victory Nickel Inc.	**$**	**56**	$	-
Payable to Victory Nickel Inc.	**$**	**-**	$	38

Years ended December 31,		**2013**		2012
Transaction Values under Management Agreements				
Overhead charges to Victory Nickel Inc.	**$**	**755**	$	654
Overhead charges from Victory Nickel Inc.	**$**	**18**	$	27
Project costs charged by Victory Nickel Inc.	**$**	**37**	$	22
Project recoveries charged to Victory Nickel Inc.	**$**	**30**	$	31
Overhead charges to CBay Minerals Inc.	**$**	**273**	$	247
Project recoveries charged to CBay Minerals Inc.	**$**	**25**	$	35

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. Payables to key management personnel generally relate to directors' fees, consulting fees and expense reimbursements.

Balances and Transactions with Victory Nickel under the Amended Loan
The terms of the Amended Loan with Victory Nickel and the balances and transactions related thereto are described in Note 13.

26. COMPANY ENTITIES

Significant Subsidiaries and Jointly-controlled Entities

Years ended December 31,		**2013**	2012
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.

27. COMMITMENT

Flow-through Commitment
As at December 31, 2013, the Company had fulfilled its expenditure obligations for flow-through share financings in 2012 and 2011.

28. 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; this amount does not include interest and penalties which could be substantial. The Company filed notices of objection on May 19, 2011. On March 7, 2014, the Company received a notice of confirmation with respect to one entity for which a notice of reassessment had been received in March 2011. In the notice of confirmation, the CRA denied the Company's notice of objection and confirmed the reassessment. The Company has a 90 day period within which to launch an appeal to the Tax Court of Canada and will do so within the time frame allowed. On July 22, 2011, the Company 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 that it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.

29. SUBSEQUENT EVENT

There have been no other additional developments not already discussed elsewhere in these consolidated financial statements.

30. EXPLANATION OF ACCOUNTING POLICY CHANGE FOR JOINT ARRANGEMENTS

As described in Notes 2, 3 and 12, the Company has changed its accounting policy for its interest in CBay to the equity method of accounting. The Company continues to jointly manage and operate CBay along with its partner, Ocean Partners under a shareholders' agreement which guides funding and other operational and strategic matters.

The change has had no effect on the operating results of the Company and has had a minor improvement on the Company's working capital.

The following tables explain the adjustments necessary to effect such change which reclassified balances from several individual balance sheet classifications into one line item named *Interest in CBay Minerals Joint Venture*; similarly, several individual statement of operations items were reclassified into one line item also named *Interest in CBay Minerals Joint Venture.*

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

Reconciliation of Equity – Comparative and Transition Consolidated Balance Sheets

	December 31, 2012			January 1, 2012		
	As previously reported	Effect of Change	As restated	As previously reported	Effect of Change	As restated
ASSETS						
Current assets						
Cash and cash equivalents	$ 2,275	$ (52)	$ 2,223	$ 516	$ -	$ 516
Receivables	110	(26)	84	120	(2)	118
Marketable securities	828	-	828	1,531	-	1,531
Total current assets	3,213	(78)	3,135	2,167	(2)	2,165
Non-current assets						
Property and equipment	1,077	(975)	102	1,443	(1,386)	57
Exploration and evaluation projects	18,333	(4,273)	14,060	15,944	(3,820)	12,124
Interest in CBay Minerals Joint Venture	-	4,779	4,779	-	4,728	4,728
Loan receivable	1,009	-	1,009	-	-	-
Royalty interest	-	-	-	3,000	-	3,000
Other assets	210	-	210	-	-	-
Total non-current assets	20,629	(469)	20,160	20,387	(478)	19,909
Total Assets	$ 23,842	$ (547)	$ 23,295	$ 22,554	$ (480)	$ 22,074
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Trade and other payables	$ 1,016	$ (334)	$ 682	$ 1,029	$ (214)	$ 815
Total current liabilities	1,016	(334)	682	1,029	(214)	815
Non-current liability						
Long-term liability	213	(213)	-	266	(266)	-
Total Liabilities	1,229	(547)	682	1,295	(480)	815
Shareholders' equity						
Share capital	98,169	-	98,169	97,195	-	97,195
Contributed surplus	5,436	-	5,436	4,985	-	4,985
Accumulated other comprehensive income (loss)	(1,753)	-	(1,753)	(1,155)	-	(1,155)
Deficit	(79,239)	-	(79,239)	(79,766)	-	(79,766)
Total shareholders' equity	22,613	-	22,613	21,259	-	21,259
Total Liabilities and Shareholders' Equity	$ 23,842	$ (547)	$ 23,295	$ 22,554	$ (480)	$ 22,074

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

Reconciliation of Income or Loss for the Year Ended December 31, 2012

	Year ended December 31, 2012		
	As previously reported	Effect of Change	As restated
Revenues			
Other income	$ 120	$ (120)	$ -
Other expenses			
General and administrative	(1,478)	311	(1,167)
Share-based payments:			
Options	(365)	40	(325)
Bonus shares	(25)	-	(25)
Amortization of property and equipment	(11)	-	(11)
Pre-exploration write-offs	(17)	2	(15)
Writedown of exploration and evaluation projects	(79)	-	(79)
Operating loss	(1,855)	233	(1,622)
Finance income	360	(53)	307
Finance costs	-	-	-
Net finance income (costs)	360	(53)	307
Loss before the undernoted	(1,495)	180	(1,315)
Gain on sale of royalty interest	1,992	-	1,992
Interest in CBay Minerals Joint Venture	-	(180)	(180)
Recovery of provision for Chibougamau	30	-	30
Income before income tax	527	-	527
Income tax expense	-	-	-
Net Income for the Year	$ 527	$ -	$ 527
Earnings (loss) per share			
Basic earnings (loss) per share	$ 0.00	$ 0.00	$ 0.00
Diluted earnings (loss) per share	$ 0.00	$ 0.00	$ 0.00

Reconciliation of Comprehensive Loss for the Year Ended December 31, 2012

	Year ended December 31, 2012		
	As previously reported	Effect of Change	As restated
Net income for the year	$ 527	$ -	$ 527
Other comprehensive loss			
Net change in fair value of financial assets	(598)	-	(598)
Income tax recovery	-	-	-
Other comprehensive loss for the year	(598)	-	(598)
Total Comprehensive Loss for the Year	$ (71)	$ -	$ (71)