



## **NUINSCO RESOURCES LIMITED**

# **UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 AND 2014**

**DATED AUGUST 26, 2015**

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

The accompanying unaudited condensed consolidated financial statements of Nuinsco Resources Limited for the three and six months ended June 30, 2015 and 2014 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

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

## Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars)	<i>Notes</i>	June 30, 2015 (unaudited)	December 31, 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	6	\$ 24	\$ 14
Receivables	7	86	92
Marketable securities	8	62	957
<b>Total current assets</b>		<b>172</b>	<b>1,063</b>
<b>Non-current assets</b>			
Property and equipment	9	71	79
Exploration and evaluation projects	10	13,250	13,204
Interest in CBay Minerals	11	452	452
Participating Interest	12	2,913	4,119
<b>Total non-current assets</b>		<b>16,686</b>	<b>17,854</b>
<b>Total Assets</b>		<b>\$ 16,858</b>	<b>\$ 18,917</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	13	\$ 797	\$ 736
<b>Total current liabilities</b>		<b>797</b>	<b>736</b>
<b>Total Liabilities</b>		<b>797</b>	<b>736</b>
<b>Shareholders' equity</b>			
Share capital	16	98,169	98,169
Contributed surplus		5,589	5,589
Accumulated other comprehensive loss		(2,180)	(1,720)
Deficit		(85,517)	(83,857)
<b>Total shareholders' equity</b>		<b>16,061</b>	<b>18,181</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 16,858</b>	<b>\$ 18,917</b>

### NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

### CONTINGENCY (Note 23)

Approved by the Board of Directors

(signed)

**René R. Galipeau**

Director

(signed)

**Bob Wardell**

Director

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

## Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended June 30,		Six months ended June 30,	
		2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
<b>Other expenses</b>					
General and administrative		\$ (204)	\$ (293)	\$ (401)	\$ (530)
Share-based payments:	18				
Options		-	(6)	-	(18)
Depreciation of property and equipment	9	(4)	(5)	(8)	(10)
Pre-exploration write-offs	10	(1)	(43)	(45)	(91)
Writedown of exploration and evaluation projects	10	-	(26)	-	(26)
<b>Operating loss</b>		<b>(209)</b>	<b>(373)</b>	<b>(454)</b>	<b>(675)</b>
Finance income	19	-	207	-	715
Finance costs	19	(187)	(383)	(1,206)	(225)
<b>Net finance (costs) income</b>		<b>(187)</b>	<b>(176)</b>	<b>(1,206)</b>	<b>490</b>
<b>Loss before the undernoted</b>		<b>(396)</b>	<b>(549)</b>	<b>(1,660)</b>	<b>(185)</b>
Interest in CBay Minerals	11	-	(46)	-	(108)
<b>Loss before income taxes</b>		<b>(396)</b>	<b>(595)</b>	<b>(1,660)</b>	<b>(293)</b>
Income tax (expense) recovery		-	(23)	-	(30)
<b>Net Loss for the Period</b>		<b>\$ (396)</b>	<b>\$ (618)</b>	<b>\$ (1,660)</b>	<b>\$ (323)</b>
<b>Loss per share</b>	17				
Basic loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

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

## Consolidated Statements of Comprehensive (Loss) Income

(in thousands of Canadian dollars)	Notes	Three months ended June 30,		Six months ended June 30,	
		2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
<b>Net Loss for the Period</b>		<b>\$ (396)</b>	<b>\$ (618)</b>	<b>\$ (1,660)</b>	<b>\$ (323)</b>
<b>Other comprehensive (loss) income</b>					
Net change in fair value of financial assets	8	(138)	(6)	(512)	1,316
Income tax recovery (expense)		-	23	-	30
<b>Other comprehensive (loss) income for the period</b>		<b>(138)</b>	<b>17</b>	<b>(512)</b>	<b>1,346</b>
<b>Total Comprehensive Loss for the Period</b>		<b>\$ (534)</b>	<b>\$ (601)</b>	<b>\$ (2,172)</b>	<b>\$ 1,023</b>

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

## Consolidated Statements of Shareholders' Equity

(Unaudited) (in thousands of Canadian dollars)	<i>Notes</i>	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
<b>Balances as at January 1, 2014</b>		\$ 98,169	\$ 5,560	\$ (1,458)	\$ (77,516)	\$ 24,755
<b>Total comprehensive income for the period</b>						
Net income for the period		-	-	-	(323)	(323)
<b>Other comprehensive income</b>						
Net change in fair value of financial assets	8	-	-	1,316	-	1,316
Income tax expense		-	-	30	-	30
<b>Total other comprehensive income</b>		-	-	1,346	-	1,346
<b>Total comprehensive income for the period</b>		-	-	-	-	1,023
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by owners in the period</b>						
Options granted and vesting	18	-	18	-	-	18
<b>Total contributions by owners</b>		-	18	-	-	18
<b>Total transactions with owners</b>		-	18	-	-	18
<b>Balances as at June 30, 2014</b>		<b>\$ 98,169</b>	<b>\$ 5,578</b>	<b>\$ (112)</b>	<b>\$ (77,839)</b>	<b>\$ 25,796</b>
<b>Balances as at January 1, 2015</b>		\$ 98,169	\$ 5,589	\$ (1,720)	\$ (83,857)	\$ 18,181
<b>Total comprehensive income for the period</b>						
Net loss for the period		-	-	-	(1,660)	(1,660)
<b>Other comprehensive loss</b>						
Net change in fair value of financial assets	8	-	-	(460)	-	(460)
Income tax recovery		-	-	-	-	-
<b>Total other comprehensive loss</b>		-	-	(460)	-	(460)
<b>Total comprehensive loss for the period</b>		-	-	-	-	(2,120)
<b>Balances as at June 30, 2015</b>		<b>\$ 98,169</b>	<b>\$ 5,589</b>	<b>\$ (2,180)</b>	<b>\$ (85,517)</b>	<b>\$ 16,061</b>

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

## Consolidated Statements of Cash Flows

Six months ended June 30, 2015 and June 30, 2014 (in thousands of Canadian dollars)	Notes	2015 (unaudited)	2014 (unaudited)
<b>Cash flows from operating activities</b>			
Net loss for the period		\$ (1,660)	\$ (323)
Adjustments for:			
Share-based payments	18	-	18
Depreciation of property and equipment	9	8	10
Interest in CBay Minerals	11	-	108
Net finance costs (income)	19	1,206	(490)
Income tax expense (recovery)		-	30
Change in receivables		6	71
Change in trade and other payables		61	276
<b>Net cash used by operating activities</b>		<b>(379)</b>	<b>(300)</b>
<b>Cash flows from investing activities</b>			
Expenditures on exploration and evaluation projects	10	(46)	(184)
Funding to CBay Minerals	11	-	(121)
Proceeds on sale of marketable securities	8	435	658
Net purchase of property and equipment	9	-	(5)
Interest received		-	50
<b>Net cash from investing activities</b>		<b>389</b>	<b>398</b>
<b>Cash flows from financing activities</b>			
Interest paid	14	-	(145)
Net proceeds of loan	14	-	(75)
<b>Net cash (used by) from financing activities</b>		<b>-</b>	<b>(220)</b>
<b>Net Increase (Decrease) in Cash</b>		<b>10</b>	<b>(122)</b>
<b>Cash, Beginning of the Period</b>		<b>14</b>	<b>249</b>
<b>Cash, End of the Period</b>		<b>\$ 24</b>	<b>\$ 127</b>

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

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

### Nature of Operations

Nuinsco Resources Limited (“Nuinsco” or the “Company”) is a company domiciled in Canada. The address of the Company’s registered office is 80 Richmond St. West, Suite 1802, Toronto, Ontario, M5H 2A4. The condensed unaudited consolidated financial statements of the Company as at and for the three and six months ended June 30, 2015 and 2014 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 20). 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 10, 11, 12, 21 and 22 to these condensed consolidated financial statements.

### Going Concern

These unaudited consolidated financial statements have been prepared using generally accepted accounting principles (“GAAP” “IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at June 30, 2015, the Company had working capital deficiency of \$625,000 (December 31, 2014 – working capital of \$327,000). Working capital is defined as current assets less current liabilities. Marketable securities comprise investments in other resource companies the markets for which are not always liquid.

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: the ability to settle accounts as they come due, 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 has been and may continue to be difficult.

None of the Company’s projects have commenced commercial production and, accordingly, the Company is dependent upon the sale of marketable securities, 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 decrease the Company’s reliance on equity markets for financing to advance the Company’s existing projects and/or take advantage of new project opportunities, the Company entered into a secured loan agreement with Victory Nickel Inc. (“Victory Nickel”) which was converted on April 22, 2014 to an unsecured participating interest in the cash flows generated from the sale of frac sand (the “Participating Interest”) as described in Note 12. The loan provided the initial funding required by Victory Nickel to implement a three-phase business plan to enter the frac sand business which began generating sales in March 2014. Victory Nickel’s frac sand business has experienced a decline in demand, and downward pressure on pricing, for its frac sand products due to the rapid decline in oil price that began in 2014 and continues in 2015 and resulting drop in drilling activity. In addition, Victory Nickel announced a deferral of its previous decision, made in late 2014, to proceed with Phase 2 of its three-phased frac sand business plan. Presently, the Company anticipates receiving any cash flows from the Participating Interest no sooner than the fourth quarter of 2017. On July 1, 2015, Victory Nickel announced that it was not able to make the quarterly interest payment due June 30, 2015 on its outstanding secured and unsecured debt, and that it was in discussion with its lenders and other potential financiers to restructure that Company’s debt and recapitalize Victory Nickel. On July 30, 2015, Victory Nickel announced it had not repaid the principal amounts due under its secured debt. Victory Nickel has stated that it is continuing with discussions among its existing lenders and other potential financing sources to restructure the debt and recapitalize that company. There can be no assurance that Victory Nickel will be able to restructure its debt and/or recapitalize and there is no certainty as to what steps the lenders may take in light of these defaults and how any such actions will impact the value of, and timing of payments under, Nuinsco’s Participating Interest.

The Company paid off its facility from Ocean Partners (note 14) in December 2014 through relinquishing shares representing a 42.5% interest in CBay Minerals Inc. (“CBay”) formerly recorded as part of *Interest in CBay Minerals*

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

*Joint Arrangement* on the consolidated balance sheets, and formerly a joint venture with Ocean Partners Investments Limited ("Ocean Partners"). Refer to Note 11 to these financial statements. Furthermore, the Company has received reassessments and a notice of confirmation from the Canada Revenue Agency ("CRA") - refer to Note 23.

Presently, the Company is facing a significant shortfall in liquidity before it expects any cash flows from the Participating Interest. The Company presently has no specific plans in place to secure this funding although management continues to hold discussions on securing financing or potential sale of assets. There are no assurances that the Company will be successful in obtaining any financing or selling assets, or in accomplishing that on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, it will be unable to fund continuing operations and corporate administration costs without an additional infusion of capital. In an effort to preserve cash and property assets, effective June 29, 2015 the Company terminated the employment of most personnel. Paul Jones will continue as CEO, in the capacity of a consultant, and oversee administration, maintenance of exploration projects and the ongoing initiatives to advance them. The Company has also retained as a part-time employee one administrator. Subject to available funding, the Company will engage other personnel on a consultancy basis as needed in order to continue to manage its affairs and obligations. Effective May 11, 2015, the Company voluntarily delisted its shares from the Toronto Stock Exchange. The Company intends to remain at its corporate office and maintain website, telephones and email communication with shareholders, subject to having sufficient funds. .

Although Nuinsco has continued to conduct project exploration and development over the past six months at a time of very low levels of activity in the mining and minerals sector it now faces severe challenges over the coming months that stem from the prolonged period of difficult equity markets and lack of available risk capital. Further, the Company had been using sales of its equity position in Victory Nickel to fund its activities; however Victory Nickel's share price significantly declined over the past year or more which decreased the value of Nuinsco's equity holdings. At the date of this report, the Company had no shares remaining in Victory Nickel and Nuinsco's ability to continue to fund operations so as to continue as a going concern has been seriously compromised.

If the Company is unable to obtain additional financing it will be required to curtail all of its operations and may be required to liquidate its assets.

Should the Company not be able to continue to obtain the necessary financing, achieve favourable exploration results, achieve future profitable production or the sale of properties or improve its liquidity sufficient to enable it to fund operations until it can realize cash flows from the Participating Interest with Victory Nickel, the carrying value of the Company's assets would 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. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going-concern basis.

## **2. BASIS OF PREPARATION**

### **(a) Statement of Compliance**

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

These unaudited condensed consolidated financial statements reflect the accounting policies described in Note 3 to the Company's Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013 ("2014 Audited Consolidated Financial Statements") (with the exception of any changes set out in Note 3 below) and accordingly, should be read in conjunction with those financial statements and the notes thereto.

The management of Nuinsco prepares the unaudited condensed consolidated financial statements which are then reviewed by the Audit Committee and the Board of Directors. The unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on August 26, 2015 and are made available to shareholders and others through filing on SEDAR shortly thereafter.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## (b) Basis of Measurement

The financial statements have been prepared on the historic cost basis except for derivative financial instruments such as warrants and the Participating Interest 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 valuation of financial assets at fair value through OCI and operations;
- Note 10 measurement of the recoverable amounts of exploration and evaluation projects;
- Note 11 valuation of Interest in CBay Minerals;
- Note 12 valuation of Participating Interest;
- Note 18 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 10 classification of expenditures as exploration and evaluation projects or operating expenses;
- Note 10 impairment of exploration and evaluation projects;
- Note 11 assessment of influence over CBay Minerals and the resulting change in accounting for this investment;
- Note 23 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.

### **(b) New Standards and Interpretations Not Yet Adopted**

Since the issuance of the Company's 2014 Audited Consolidated Financial Statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued several new and revised standards and interpretations. However, the revised standards and interpretations are not applicable to the Company or are expected



# Notes to the Unaudited Condensed Consolidated Financial Statements

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

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, receivables, loan receivable and marketable securities.

### Cash

The Company's cash is 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

Amounts due 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.

### Participating Interest

The loan receivable bore interest at a fixed rate and was secured on equipment of the borrower through registered security agreements. Failure of the borrower to meet contractual obligations would have resulted in seizure of the borrower's assets. Upon Conversion, as described in Note 12, the loan receivable became unsecured and is now referred to as the "Participating Interest".

### 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.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## **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 June 30, 2015 and December 31, 2014, 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.

Presently, the Company is facing a significant shortfall in liquidity before it expects any cash flows from the Participating Interest. The Company continues to hold discussions on securing financing or potential sale of assets. There are no assurances that the Company will be successful in obtaining any financing or selling assets, or in accomplishing that on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, it will be unable to fund continuing operations and corporate administration costs.

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 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 15.

## **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.

## **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 earns interest at variable short-term 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. The fair value of the Participating Interest includes a discount rate; any significant changes in interest rates would be taken into account in selecting an appropriate discount rate. However, the Company is not exposed to any significant interest rate risk on other significant assets or liabilities 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

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

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.

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.

	June 30, 2015	December 31, 2014
Shareholders' equity	\$ 16,061	\$ 18,181

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 period.

## Notes to the Unaudited Condensed Consolidated Financial Statements

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

### 5. DETERMINATION OF FAIR VALUES

There have been no changes in how the Company determines fair value for both financial and non-financial assets and liabilities from the descriptions included in Note 5 to the Company's 2014 Audited Consolidated Financial Statements. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### 6. CASH

	June 30, 2015	December 31, 2014
Bank balances	\$ 24	\$ 14
<b>Cash in the Statements of Cash Flows</b>	<b>\$ 24</b>	<b>\$ 14</b>

### 7. RECEIVABLES

	<i>Notes</i>	June 30, 2015	December 31, 2014
Receivables from Victory Nickel Inc.			
Due under management agreement	21	\$ 10	\$ 52
Sales tax receivable		20	-
Due from CBay Minerals	21	30	-
Other receivables		4	3
Prepaid expenses and deposits		22	37
		<b>\$ 86</b>	<b>\$ 92</b>

### 8. MARKETABLE SECURITIES

	June 30, 2015	December 31, 2014
Financial assets at fair value through OCI		
Victory Nickel Inc. - shares	\$ 1	\$ 947
Coventry Resources Inc.	59	8
Other	2	2
	<b>62</b>	<b>957</b>

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. IFRS 13 provided clarification that the Black-Scholes option-pricing model is considered to be a Level 3 valuation methodology since it uses historic volatility. IFRS 9 states that, at inception, the fair value of an asset made using a Level 3 methodology cannot be recognized in excess of the transaction value paid using a Level 1 methodology, 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. As at June 30, 2015, the fair value of the warrants was below that amount (being approximately \$nil), therefore the warrants are recorded at \$nil in the financial statements.

The subscription under the rights offering brought 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. As at June 30, 2015, the interest on a non-diluted basis is 0% (December 31, 2014 – 6.99%). 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.

## Notes to the Unaudited Condensed Consolidated Financial Statements

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The fair value of warrants, before taking effect of any unrecognized amount, is based upon the Black-Scholes option-pricing model with assumptions described in the table below and is disclosed after the retroactive effect of Victory Nickel's one-for-ten share consolidation:

	June 30, 2015	December 31, 2014
Fair value	\$ -	\$ 0.029
Share price at valuation date	\$ 0.050	\$ 0.235
<b>Assumptions</b>		
Exercise price	\$ 0.350	\$ 0.35
Expected volatility	84%	84%
Expected remaining term (years)	0.08	0.58
Expected dividends	-	-
Risk-free interest rate	0.55%	1.00%

### 9. PROPERTY AND EQUIPMENT

Equipment	Cost	Accumulated Depreciation	Carrying Amount
<b>Balance as at January 1, 2014</b>	<b>\$ 424</b>	<b>\$ 331</b>	<b>\$ 93</b>
Additions	4	-	4
Depreciation	-	18	(18)
<b>Balance as at December 31, 2014</b>	<b>428</b>	<b>349</b>	<b>79</b>
Additions	-	-	-
Depreciation	-	8	(8)
<b>Balance as at June 30, 2015</b>	<b>\$ 428</b>	<b>\$ 357</b>	<b>\$ 71</b>

Equipment	Cost	Accumulated Depreciation	Carrying Amount
<b>Balance as at January 1, 2013</b>	<b>\$ 413</b>	<b>\$ 311</b>	<b>\$ 102</b>
Additions	11	-	11
Depreciation	-	20	(20)
<b>Balance as at December 31, 2013</b>	<b>424</b>	<b>331</b>	<b>93</b>
Additions	4	-	4
<b>Balance as at December 31, 2014</b>	<b>\$ 428</b>	<b>\$ 349</b>	<b>\$ 79</b>

### 10. EXPLORATION AND EVALUATION PROJECTS

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

	January 1, 2015	Current Expenditures	Effect of Recoveries	Writedown of E&E Projects	June 30, 2015
<b>URANIUM AND RARE METALS</b>					
Diabase Peninsula	\$ 9,431	\$ 2	\$ -	\$ -	\$ 9,433
Prairie Lake	3,772	44	-	-	3,816
Other	1	-	-	-	1
	13,204	46	-	-	13,250

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

	January 1, 2014	Current Expenditures	Effect of Recoveries	Writedown of E&E Projects	December 31, 2014
<b>URANIUM AND RARE METALS</b>					
Diabase Peninsula	\$ 9,308	\$ 123	\$ -	\$ -	\$ 9,431
Prairie Lake	3,674	98	-	-	3,772
Other	-	1	-	-	1
	12,982	222	-	-	13,204
<b>GOLD AND COPPER</b>					
Berta	-	45	-	(45)	-
	-	45	-	(45)	-
	\$ 12,982	\$ 267	\$ -	\$ (45)	\$ 13,204

## Uranium and Rare Metals

### **Diabase Peninsula**

Nuinsco acquired its 100% interest in the Diabase Peninsula property in the Athabasca Basin of northern Saskatchewan.

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 were 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 \$100,000 was paid on a quarterly basis throughout 2014 in accordance with the contract.

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 and 2013. An Exploration Target of between 515 and 630 million tonnes grading between 3.0-4.0 P<sub>2</sub>O<sub>5</sub>, 0.009-0.11% Nb<sub>2</sub>O<sub>5</sub>, and 18-21ppm Ta<sub>2</sub>O<sub>5</sub>, 280-340ppm La, 650-790ppm Ce, 55-70ppm Sm, 300-360ppm Nd, 85-100ppm Y was estimated in 2011. Metallurgical and process testing are ongoing. 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

## Notes to the Unaudited Condensed Consolidated Financial Statements

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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 in 2013.

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.

In 2014, the Company committed to spend \$75,000 on the Chibougamau Camp as part of the agreement to extend the loan (Note 14). The \$75,000 was written off as interest expense in 2014.

In December 2014, Nuinsco used a significant piece of its equity position in CBay to extinguish \$2.6 million in debt and accrued interest. Nuinsco retains a 7.5% interest in CBay and continues to manage the operation on behalf of Ocean Partners (Note 11).

### **Berta**

In October, 2003, the Company entered into the Berta Joint Venture Agreement with Falconbridge Limited, now Glencore 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. Nuinsco has allowed itself to be diluted to approximately 36%. 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 actually 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, in 2013, 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.

The current permitting regime in Turkey remains, accordingly, expenditures are written off as they are incurred. Although written off to \$nil, the Company continues to believe in the prospective nature of the Berta property.

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

Pre-exploration expenditures are written off at the end of each reporting period to *Pre-exploration write-offs* through operations. Pre-exploration costs relate to expenses on evaluating projects not owned by the Company. Pre-exploration costs in the amount of \$45,000 were written off during the six months ended June 30, 2015 (six months ended June 30, 2014 - \$91,000).

# Notes to the Unaudited Condensed Consolidated Financial Statements

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## 11. INTEREST IN CBay MINERALS

	<i>Notes</i>	June 30, 2015	December 31, 2014
Balance as at beginning of year		\$ 452	\$ 6,331
Equity interest in loss of CBay Minerals		-	(202)
Funding to CBay Minerals		-	399
Investment in CBay Minerals equity		-	191
Extinguishment of loan and accrued interest	14	-	(2,562)
Loss on disposition of Interest in CBay Minerals		-	(3,705)
<b>Balance as at end of period</b>		<b>\$ 452</b>	<b>\$ 452</b>

Until December 18, 2014, Nuinsco owned a 50% interest in CBay and jointly controlled the company with Ocean Partners. Effective that date, Nuinsco gave up 42.5% of its interest in CBay in satisfaction of amounts payable under a loan facility, including accrued interest as of that date. Accordingly, on December 18, 2014, the Company recorded a loss on disposition of \$3,705,000 on its interests in CBay Minerals.

## 12. PARTICIPATING INTEREST

	<i>Note</i>	June 30, 2015	December 31, 2014
Advance for working capital		\$ 1,000	\$ 1,000
Advance under Amended Loan for standby commitment		1,207	1,207
Aggregate advances		2,207	2,207
Accrued interest receivable		-	-
		2,207	2,207
Less: settled in Units of Victory Nickel		(1,207)	(1,207)
Less: unamortized loan fees		(124)	(124)
Change in fair value	19	2,037	3,243
		<b>\$ 2,913</b>	<b>\$ 4,119</b>

The Company entered into a loan agreement in November 2012 with Victory Nickel that provided an advance for \$1,000,000. The Loan bore interest at 12% per annum and was to mature on January 31, 2015; it was 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 bore interest at 12% per annum, payable quarterly in arrears, and was to mature on January 31, 2015. Upon the earlier of June 1, 2014 or notification that the frac sand plant is at commercial production, the Company had 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 was 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.

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. Each Unit comprised one common share and one common share purchase warrant. This brought cumulative advances under the Amended Loan to Victory Nickel to \$2,207,584 and capped the Amended Loan amount at \$2,707,584 (from a maximum possible \$3,000,000) with \$500,000 remaining for drawdown 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.



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Interest income has been received in cash of \$50,000 in the year ended December 31, 2014 (December 31, 2013 - \$129,000). Nuinsco also received a commitment fee of \$12,000 in Victory Nickel shares in 2014.

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%.

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 of 2013, the Company considered that the fair value of the loan was equal to its amortized cost since the Company had not converted its loan and Victory Nickel's frac sand processing plant near Medicine Hat, Alberta (the "7P Plant") was under construction with significant parts to be completed and there were other significant uncertainties. During the fourth quarter of 2013, the plant construction was well underway and the probability of Conversion increased substantially. Accordingly, the Company revalued the loan using 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 One completion only.

On April 22, 2014, the Company announced that it had converted its secured loan into a participation in net cash flows – the "Participating Interest". As described earlier, the percentage participation in net cash flows is 52.16% and the applicable ceiling for Phase One is \$10,222,831; should Victory Nickel enter Phase Two, then the applicable ceiling for cash flows is \$7,667,124. The probability of payment is reassessed each reporting period along with other key assumptions, including the appropriate ceiling. As at June 30, 2015, the probability-weighted average estimation of future expected cash flow scenarios is approximately 73% (December 31, 2014 – 73%). Based on estimated cash flows, payments could commence in the fourth quarter of 2017.

Effective December 31, 2014, certain adjustments were made to the expected cash flows to reflect more current business expectations, including the time to reach the 7P Plant's rated capacity of 500,000 tpa and the expected commencement of Phase Two which has been deferred. In particular, because of unanticipated effects from winter conditions and the effects of the subsequent spring break-up at the site, additional capital expenditures will be required. In February, 2015 Victory Nickel announced first quarter 2015 frac sand production of 47,515 tons at its Seven Persons frac sand plant (the "7P Plant") near Medicine Hat, AB, whereas expected production during the quarter was 114,384 tons. At the same time, Victory Nickel announced that it was experiencing a decline in demand, and downward pressure on pricing, for its frac sand products, which is expected to further delay the receipt of anticipated cash flows by the Company. In addition, Victory Nickel announced a deferral of its previous decision, made in late 2014, to proceed with Phase 2 of its three-phased frac sand business plan.

In April, 2015, Victory Nickel announced that frac sand sales in the first quarter of 2015 were slower than anticipated, totalling 9,327 tons. This compares with sales of 44,529 tons sold in the fourth quarter of 2014. As a result, Victory Nickel temporarily suspended frac sand production at the 7P Plant. In May 2015, spot sales of frac sand from the 7P Plant resumed and the 7P Plant operates on an as-needed basis only.

The effect of these adjustments has changed the expected date of future payment of the net participation in cash flows. In addition to the delay, additional items resulted in the reduction of the fair value such as falling oil prices and the estimated decrease in sales price per ton, from \$140 to \$130. These assumptions resulted in an estimated fair value of the Participating Interest as at June 30, 2015 of \$2,913,000 (December 31, 2014 - \$4,119,000) and, accordingly \$1,206,000 was recorded as a *change in the fair value of a financial asset* through the statement of operations for the six months ended June 30, 2015. Refer to Note 19.

As noted earlier (see Note 1), on July 1 and July 30, Victory Nickel announced defaults under its loan facilities, creating further uncertainty as to if or when Nuinsco would receive any cash flows from the Participating Interest. The Company will continue to monitor this situation and assess the impact to determine if any further impairment of the value of the Participating Interest is required.

This is a Level 3 methodology and is subject to the highest level of uncertainty. The Company will continue to review and revise its estimates of fair value as the expectations of payments of the participating interest change. Changes in

## Notes to the Unaudited Condensed Consolidated Financial Statements

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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 Participating Interest	Change in Fair Value of Participating Interest
Carrying value of Participating Interest	\$ 2,913	\$ -
Effect of:		
Decrease in sales price per ton of US\$5	2,782	(131)
Increase discount rate by 1%	2,814	(99)
Decrease volumes by 5%	2,814	(99)
Increase discount rate by 1% and decrease sales price per ton of US\$5	2,679	(234)
Change to Phase One ceiling of \$10,222,831	2,913	-
Change exchange rate from 0.85 to 0.80	2,940	27

### 13. TRADE AND OTHER PAYABLES

Consist of trade payables and accrued liabilities incurred in normal operations. Included in accrued liabilities is \$255,000 in directors' fees of which the directors have agreed to defer until such time as the ongoing viability of the Company can be assured.

### 14. LOAN PAYABLE

	Note	June 30, 2015	December 31, 2014
Advances		\$ -	\$ 2,500
Accrued interest		-	62
Extinguished	11	-	(2,562)
		\$ -	\$ -

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 was able to 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's original term matured on June 18, 2014 and had 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 represented 112,538 shares at an agreed value of \$0.666 per share which represented 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 was payable quarterly in arrears. The Facility was 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 \$217,000 were amortized through operations as interest expense using the effective interest rate method over the life of the loan; amortization of \$73,000 was charged during the year ended December 31, 2014 and interest of \$218,000 was paid in cash (in the year ended December 31, 2013, \$144,000 and \$182,000 respectively). The Facility was extended to December 18, 2014 under amended terms from the original agreement. The Company paid a cash fee of \$75,000 as well as committing to \$75,000 in expenditures on the Chibougamau Camp (Note 10).

On December 18, 2014, the loan plus accrued interest was settled in exchange for 42.5% of the Company's interest in CBay (Note 11).

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### 15. 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:

	June 30, 2015
<b>Office rental</b>	
Less than 1 year	\$ 55
Between 1 and 5 years	81
<b>Total Minimum Lease Payments Payable</b>	<b>\$ 136</b>

### 16. 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 Company has 295,525,745 issued and outstanding common shares. No shares were issued during the six months ended June 30, 2015 and the year ended December 31, 2014.

##### **Share Incentive Plan**

The Company has a Share Incentive Plan which includes both a Share Purchase Plan and a Share Bonus Plan. Both are described fully in the Company's 2014 Audited Consolidated Financial Statements.

##### **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.

##### **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.

## Notes to the Unaudited Condensed Consolidated Financial Statements

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### 17. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted EPS for the three and six months ended June 30, 2015 and 2014 was based on the information in the table below.

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Balance as at beginning of year	295,526,000	295,526,000	295,526,000	295,526,000
Effect of shares issued	-	-	-	-
<b>Weighted average number of common shares - basic</b>	<b>295,526,000</b>	295,526,000	<b>295,526,000</b>	295,526,000
Effect of options granted and outstanding	19,400,000	1,929,000	19,400,000	1,929,000
<b>Weighted average number of common shares - diluted</b>	<b>314,926,000</b>	297,455,000	<b>314,926,000</b>	297,455,000
Number of options excluded	19,400,000	23,337,000	19,400,000	23,221,000
<b>Net loss attributable to shareholders</b>	<b>\$ (396)</b>	\$ (618)	<b>\$ (1,660)</b>	\$ (323)
<b>Basic loss per share</b>	<b>\$ (0.00)</b>	\$ (0.00)	<b>\$ (0.00)</b>	\$ (0.00)
<b>Diluted loss per share</b>	<b>\$ (0.00)</b>	\$ (0.00)	<b>\$ (0.00)</b>	\$ (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.

### 18. 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 June 30, 2015, the Company had 24,928,000 (December 31, 2014 – 19,179,000) 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 June 30, 2015. 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 18 to the Company's 2014 Audited Consolidated Financial Statements.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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## Terms and Conditions of Share-based Payment Arrangements

### Stock Option Plan

The terms of the Company's share-based payment arrangements are set out in Note 18 to the Company's 2014 Audited Consolidated Financial Statements.

### 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.

## Disclosure of Share-based Payment Arrangements

### Stock Option Plan

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

	Number of options		Weighted average exercise price	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Outstanding as at beginning of year	25,150,000	31,875,000	\$ 0.07	\$ 0.08
Granted	-	-	\$ -	-
Forfeit	(1,400,000)	-	\$ 0.06	-
Expired	(4,350,000)	(6,725,000)	\$ 0.08	\$ 0.11
<b>Outstanding as at end of period</b>	<b>19,400,000</b>	<b>25,150,000</b>	<b>\$ 0.07</b>	<b>\$ 0.07</b>
<b>Exercisable as at end of period</b>	<b>19,400,000</b>	<b>25,150,000</b>	<b>\$ 0.07</b>	<b>\$ 0.07</b>

There were no options granted during the six months ended June 30, 2015 and the year ended December 31, 2014.

The number and weighted average remaining contractual life are as follows:

Range of exercise prices	Number of options outstanding		Weighted average remaining contractual life (years)	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
\$0.015 to \$0.015	5,550,000	5,800,000	3.46	3.96
\$0.020 to \$0.020	120,000	120,000	2.86	3.36
\$0.030 to \$0.050	3,925,000	4,575,000	2.32	2.62
\$0.060 to \$0.075	5,130,000	5,430,000	1.76	2.26
\$0.080 to \$0.100	-	4,350,000	-	0.01
\$0.110 to \$0.350	4,675,000	4,875,000	0.70	1.20
	<b>19,400,000</b>	<b>25,150,000</b>	<b>2.12</b>	<b>2.23</b>

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

	Six months ended June 30	
	2015	2014
Number of options granted during the year	-	-
Weighted average fair value of options granted at grant date	n/a	n/a
Number of options subject to vesting as at end of year	-	2,150,000
Share-based payment expense - vesting options	\$ -	\$ 18
Unvested options not yet charged to operations	\$ -	\$ 11

### Share purchase warrants

There are no warrants outstanding as at June 30, 2015 and at December 31, 2014.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 19. FINANCE INCOME AND FINANCE COSTS

	Notes	Six months ended June 30,	
		2015	2014
Interest income on bank deposits		\$ -	\$ 1
Interest income on loan receivable	12	-	87
Commitment fee	12	-	1
Net change in fair value of financial assets at fair value through operations			
Warrants	8	-	377
Participating Interest	12	-	249
<b>Finance income</b>		<b>-</b>	<b>715</b>
Interest expense on loan payable	14	-	225
Net change in fair value of financial assets at fair value			
Participating Interest	13	<b>1,206</b>	-
<b>Finance costs</b>		<b>1,206</b>	<b>225</b>
<b>Net Finance (Costs) Income</b>		<b>\$ (1,206)</b>	<b>\$ 490</b>

## 20. OPERATING SEGMENT

### Reporting Segment

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

### Geographic Information

	Notes	June 30,		December 31	
		2015		2014	
<b>Canada</b>					
Corporate		\$ 3,155	\$	5,262	
Interest in CBay Minerals	11	452		452	
Diabase Peninsula	10	9,435		9,431	
Prairie Lake	10	3,816		3,772	
<b>Total Assets</b>		<b>\$ 16,858</b>	<b>\$</b>	<b>18,917</b>	

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.

## 21. 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 16 and 18).

Balances and transactions with related parties as at June 30, 2015 and December 31, 2014 and for the six months ended June 30, 2015 and 2014 are shown in the following tables:

## Notes to the Unaudited Condensed Consolidated Financial Statements

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

Key management personnel compensation comprised:

	June 30, 2015	December 31, 2014
<b>Balances Outstanding</b>		
Payable to key management personnel	\$ 348	\$ 213
<hr/>		
	Six months ended June 30, 2015	2014
Short-term employee benefits	\$ 274	\$ 333
Share-based payments - options	-	-
	<b>\$ 274</b>	<b>\$ 333</b>

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

The Company shares management, administrative assistance and facilities with Victory Nickel and CBay pursuant to separate management agreements; management operates under the supervision of the respective board of directors of each respective company; there is only one common director 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. Victory Nickel served notice of termination on September 5, 2014; accordingly, that management agreement ceased on March 5, 2015. The Company continues to share resources and costs with Victory Nickel under a cost sharing arrangement.

Balances with Victory Nickel and CBay under the management agreement and cost sharing arrangement as at June 30, 2015 and December 31, 2014 are shown in the following tables:

	June 30, 2015	December 31, 2014
<b>Balances Outstanding under Management Agreements</b>		
Receivable from Victory Nickel	\$ 10	\$ 52
Receivable from CBay Minerals	\$ 30	\$ 117

Amounts due to or from Victory Nickel and CBay under the management and cost sharing 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 Participating Interest

The terms of the Participating interest with Victory Nickel and the balances and transactions related thereto are described in Note 12.

# Notes to the Unaudited Condensed Consolidated Financial Statements

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

## 22. COMPANY ENTITIES

### Significant Subsidiaries and Jointly-controlled Entities

		June 30, 2015	December 31, 2014
<b>Ownership Interest</b>	<b>Country of Incorporation</b>		
Lakeport Gold Corporation	Canada	100%	100%
CBay Minerals Inc.	<i>refer below</i>	7.5%	50%
Nuinsco Madencilik Sanaye Ticaret	Turkey	100%	100%
Nuinsco Exploration Inc.	BVI	70%	50%
Z-Gold Resources Limited (through Nuinsco Exploration Inc.)	Egypt	70%	50%
NuMENA Minerals Corp.	Canada	100%	100%

Following the disposition of 42.5% of the Company's Interest in CBay Minerals (Notes 11 and 14), and the continued inactivity in other entities, the Company no longer has any significant subsidiaries or jointly-controlled entities.

## 23. 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 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. On March 7, 2014, the Company received a notice of confirmation with respect to one entity whereby the CRA denied that entity's notice of objection and confirmed the reassessment. The Company has sought, and is following the advice of its tax counsel in this matter.

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.