



**NUINSCO RESOURCES LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2015 AND 2014**

**DATED AUGUST 3, 2016**

## Independent Auditors' Report

To the Shareholders of Nuinsco Resources Limited

We have audited the accompanying consolidated financial statements of Nuinsco Resources Limited, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, comprehensive loss, shareholders' (deficiency) equity, and cash flows for the year then ended, 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 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 judgment, 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 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 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Nuinsco Resources Limited's ability to continue as a going concern.

### Other matters

The consolidated financial statements as at December 31, 2014 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their audit report dated March 30, 2015.

*MNP* LLP

**Chartered Professional Accountants**

**Licensed Public Accountants**

Toronto, Ontario

August 3, 2016

**MNP**  
LLP

## Consolidated Statements of Financial Position

		December 31, 2015	December 31, 2014
(in thousands of Canadian dollars)	<i>Notes</i>		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	6	\$ 33	\$ 14
Receivables	7	55	92
Marketable securities	8	-	957
<b>Total current assets</b>		<b>88</b>	<b>1,063</b>
<b>Non-current assets</b>			
Property and equipment	9	64	79
Exploration and evaluation projects	10	1	13,204
Interest in CBay Minerals	11	-	452
Participating Interest	12	-	4,119
<b>Total non-current assets</b>		<b>65</b>	<b>17,854</b>
<b>Total Assets</b>		<b>\$ 153</b>	<b>\$ 18,917</b>
<b>LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 420	\$ 736
<b>Total current liabilities</b>		<b>420</b>	<b>736</b>
<b>Non-current liability</b>			
Long-term liability	13	429	-
<b>Total Liabilities</b>		<b>849</b>	<b>736</b>
<b>Shareholders' (deficiency) equity</b>			
Share capital	16	98,169	98,169
Contributed surplus		5,589	5,589
Accumulated other comprehensive loss		(2,148)	(1,720)
Deficit		(102,306)	(83,857)
<b>Total shareholders' (deficiency) equity</b>		<b>(696)</b>	<b>18,181</b>
<b>Total Liabilities and Shareholders' (Deficiency) Equity</b>		<b>\$ 153</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)

**Paul Jones**

Director

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

## Consolidated Statements of Operations

Years ended December 31, 2015 and 2014

(in thousands of Canadian dollars, except per share amounts)	<i>Notes</i>	2015	2014
<b>Other expenses</b>			
General and administrative		\$ (642)	\$ (788)
Share-based payments:	18		
Options		-	(29)
Depreciation of property and equipment	9	(15)	(18)
Pre-exploration write-offs	10	(30)	(197)
Writedown of exploration and evaluation projects	10	(13,191)	(45)
<b>Operating loss</b>		<b>(13,878)</b>	<b>(1,077)</b>
Finance income	19	-	89
Finance costs	19	(4,119)	(1,386)
<b>Net finance costs</b>		<b>(4,119)</b>	<b>(1,297)</b>
<b>Loss before the undernoted</b>		<b>(17,997)</b>	<b>(2,374)</b>
Write down of Interest in CBay Minerals	11	(452)	(202)
Loss on disposition of Interest in CBay Minerals	11	-	(3,705)
<b>Loss before income taxes</b>		<b>(18,449)</b>	<b>(6,281)</b>
Income tax (expense) recovery	24	-	(60)
<b>Net Loss for the Year</b>		<b>\$ (18,449)</b>	<b>\$ (6,341)</b>
<b>Loss per share</b>			
	17		
Basic loss per share		\$ (0.06)	\$ (0.02)
Diluted loss per share		\$ (0.06)	\$ (0.02)

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

## Consolidated Statements of Comprehensive Loss

Years ended December 31, 2015 and 2014

(in thousands of Canadian dollars)	<i>Notes</i>	2015	2014
<b>Net Loss for the Period</b>		<b>\$ (18,449)</b>	<b>\$ (6,341)</b>
<b>Other comprehensive (loss) income</b>			
Net change in fair value of financial assets	8	(428)	(322)
Income tax recovery (expense)		-	60
<b>Other comprehensive loss for the year</b>		<b>(428)</b>	<b>(262)</b>
<b>Total Comprehensive Loss for the Year</b>		<b>\$ (18,877)</b>	<b>\$ (6,603)</b>

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

## Consolidated Statements of Shareholders' (Deficiency) Equity

(in thousands of Canadian dollars)	<i>Notes</i>	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total (Deficiency) 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 year</b>						
Net income for the year		-	-	-	(6,341)	(6,341)
<b>Other comprehensive income</b>						
Net change in fair value of financial assets		-	-	(322)	-	(322)
Income tax expense		-	-	60	-	60
<b>Total other comprehensive income</b>		-	-	(262)	-	(262)
<b>Total comprehensive income for the year</b>		-	-	-	-	(6,603)
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by owners in the year</b>						
Options granted and vesting	18	-	29	-	-	29
<b>Total contributions by owners</b>		-	29	-	-	29
<b>Total transactions with owners</b>		-	29	-	-	29
<b>Balances as at December 31, 2014</b>		<b>\$ 98,169</b>	<b>\$ 5,589</b>	<b>\$ (1,720)</b>	<b>\$ (83,857)</b>	<b>\$ 18,181</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 year</b>						
Net loss for the year		-	-	-	(18,449)	(18,449)
<b>Other comprehensive loss</b>						
Net change in fair value of financial assets		-	-	(428)	-	(428)
Income tax recovery		-	-	-	-	-
<b>Total other comprehensive loss</b>		-	-	(428)	-	(428)
<b>Total comprehensive loss for the year</b>		-	-	-	-	(18,877)
<b>Balances as at December 31, 2015</b>		<b>\$ 98,169</b>	<b>\$ 5,589</b>	<b>\$ (2,148)</b>	<b>\$ (102,306)</b>	<b>\$ (696)</b>

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

## Consolidated Statements of Cash Flows

Years ended December 31, 2015 and 2014

(in thousands of Canadian dollars)	<i>Notes</i>	2015	2014
<b>Cash flows from operating activities</b>			
Net loss for the year		\$ (18,449)	\$ (6,341)
Adjustments for:			
Share-based payments	18	-	29
Depreciation of property and equipment	9	15	18
Writedown of exploration and evaluation projects	10	13,190	45
Interest in CBay Minerals	11	452	202
Loss on disposition of Interest in CBay Minerals	11	-	3,705
Net finance costs (income)	19	4,119	1,294
Income tax expense (recovery)		-	60
Change in receivables		37	6
Change in trade and other payables		113	98
<b>Net cash used by operating activities</b>		<b>(523)</b>	<b>(884)</b>
<b>Cash flows from investing activities</b>			
Expenditures on exploration and evaluation projects	10	(30)	(233)
Funding to CBay Minerals	11	-	(399)
Proceeds on insurance claim		44	-
Proceeds on sale of marketable securities	8	528	1,528
Net purchase of property and equipment	9	-	(4)
Interest received		-	50
<b>Net cash from investing activities</b>		<b>542</b>	<b>942</b>
<b>Cash flows from financing activities</b>			
Loan fee paid	14		(75)
Interest paid	14	-	(218)
<b>Net cash (used by) from financing activities</b>		<b>-</b>	<b>(293)</b>
<b>Net Increase (Decrease) in Cash</b>		<b>19</b>	<b>(235)</b>
<b>Cash, Beginning of the Year</b>		<b>14</b>	<b>249</b>
<b>Cash, End of the year</b>		<b>\$ 33</b>	<b>\$ 14</b>

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

# Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

*(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 incorporated 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, 2015 and 2014 comprise the Company and its subsidiaries (together referred to as “Nuinsco” and individually as “Nuinsco entities”). Nuinsco is primarily engaged in the acquisition, exploration and evaluation of properties for precious and base metals. The Company conducts its activities on its own or participates with others on an investment basis. The Company also makes strategic investments through equity or loan financing to companies engaged in the exploration and development of resource properties.

### Going Concern

The Company’s Consolidated Financial Statements have been prepared using the going concern assumption, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at December 31, 2015, the Company had a working capital deficiency of \$331,000 (December 31, 2014 – working capital of \$327,000). Working capital (deficiency) is defined as current assets less current liabilities. Marketable securities comprise investments in other resource companies, in which the markets 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: 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. Refer to Note 4 on Financial Risk Management and Capital Management to these consolidated financial statements for additional information.

None of the Company’s projects are currently in 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 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 continued in 2015 and resulted in a 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 is uncertain as to receiving any cash flows from the Participating Interest, and as at December 31, 2015 had written the asset down to nil.

# Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

The Company presently has no specific plans in place to secure 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. 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 a part-time CFO and a part-time administrator. Subject to available funding, the Company will engage other personnel 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.

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, the Company's ability to continue as a going concern as contemplated under GAAP will be compromised. 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"). These pronouncements are GAAP for a Canadian public company.

These consolidated financial statements reflect the accounting policies described in Note 3.

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 August 3, 2016. 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 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.



# Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

## **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; and
- 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;
- Note 23 disclosure of contingencies;
- Note 24 recoverability of deferred income tax assets.

## **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) 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 22.

# Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

## **(ii) 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 early-adopted by the Company.

### **(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity securities, receivables, cash, 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.

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(k).

#### *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.

# Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

## *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) 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:

<b>Item</b>	<b>Method</b>	<b>Rate</b>
Equipment	Declining balance	20%
Computer	Straight-line	30%
Leasehold improvements	Straight-line over 31 months	N/A

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

## **(f) 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.

# Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

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, geophysical surveys, 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.

## **(g) 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.

## **(h) 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.

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.

# Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

## **(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.

## **(i) 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 recognized 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.

## **(j) 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

# Notes to the Consolidated Financial Statements

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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.

## **(k) Finance Income and Finance Costs**

Finance income comprises interest income on funds invested (including financial assets at fair value), 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. 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.

## **(l) 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 (deficiency) equity, in which case it is recognized in OCI or in (deficiency) 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 probability of utilizing the remaining unused tax losses and other tax deductions cannot be determined at this time.

## **(m) Share Capital**

### **(i) 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.

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## **(ii) Share-based payment arrangements**

### **Stock Option Plan**

The Company has a stock option plan (the "Stock Option Plan") which is described in Note 18. 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 16. 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.

## **(n) 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.

## **(o) 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, 2015 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**

### **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 analyse 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.

# Notes to the Consolidated Financial Statements

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## **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.

## **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 (Note 1).

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.

All contractually-obligated cash flows are payable within the next fiscal year with the exception of the Company's deferred director and management fees.

## **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.



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### **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.

### **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 included a discount rate in 2014; 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 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.

# Notes to the Consolidated Financial Statements

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Compliance with Company standards is supported by a code of conduct which is provided to employee, 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' (deficiency) equity as well as any long-term debt, equipment-based and/or project-based financing.

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's objectives are 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.

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

## **5. DETERMINATION OF FAIR VALUES**

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.

### ***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).

### **(a) 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.

### **(b) 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.

### **(c) 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 the terms under which the instruments were issued, historic experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on Government of Canada bonds).

### **(d) Non-derivative Financial Assets**

Financial assets at fair value through operations include the Company's Participating Interest. The fair value of the Participating Interest is based on the net present value of expected cash flows taking into account the probability of cash flows as described in Note 12.

### **(e) 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.

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### (f) 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(c). Any service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

### 6. CASH

	December 31, 2015	December 31, 2014
Bank balances	\$ 33	\$ 14
<b>Cash in the Statements of Cash Flows</b>	<b>\$ 33</b>	<b>\$ 14</b>

### 7. RECEIVABLES

	<i>Notes</i>	December 31, 2015	December 31, 2014
Receivables from Victory Nickel Inc.			
Due under management agreement	21	\$ 16	\$ 52
Sales tax receivable		6	-
Due from CBay Minerals	21	21	-
Other receivables		12	40
		<b>\$ 55</b>	<b>\$ 92</b>

### 8. MARKETABLE SECURITIES

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

### 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	-	15	(15)
<b>Balance as at December 31, 2015</b>	<b>\$ 428</b>	<b>\$ 364</b>	<b>\$ 64</b>

## Notes to the Consolidated Financial Statements

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### 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	Effects of Recoveries	Writedown of E&E Projects	December 31, 2015
<b>URANIUM AND RARE METALS</b>					
Diabase Peninsula	\$ 9,431	\$ (6)	\$ (43)	\$ (9,382)	\$ -
Prairie Lake	3,772	35	-	(3,807)	-
Other	1	-	-	(1)	-
	13,204	29	(43)	(13,190)	-
<b>GOLD, COPPER AND ZINC</b>					
Berta	-	1	-	(1)	-
	-	1	-	(1)	-
	\$ 13,204	\$ 30	\$ (43)	\$ (13,191)	\$ -

	January 1, 2014	Current Expenditures	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, COPPER AND ZINC</b>				
Berta	-	45	(45)	-
	-	45	(45)	-
	\$ 12,982	\$ 267	\$ (45)	\$ 13,204

As at December 31, 2015, all projects were written down due to the lack of funding of the Company and related uncertainty as to future spending on the properties. IFRS requires a write-down of the carrying value of assets to the net recoverable amount. Given the current market uncertainties, the valuation of resources properties is difficult and management cannot reliably estimate any recoverable amount. As a result the Company has chosen to write down the value of the property assets. The Company will revisit the valuation of these assets at the end of every reporting period and will recognize a recovery if the fair value of these assets can be reliably determined. As a result the Company has chosen to write down the value of the property assets, with only \$1,000 remaining on the consolidated balance sheet.

On June 1, 2014, the Company made an insurance claim for approximately \$72,900 plus taxes for damaged core boxes. The Company received a cheque for \$43,500, as the damages were capped at that amount (as per the insurance policy limit).

#### 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.

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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. In 2015, the Company has reached a further agreement with the option holder to defer the payments of \$25,000 originally due March 2, June 2, September 2 and December 2, 2015 to year-end 2015. In April 2016, the Company re-negotiated to extend the remaining payments on the Diabase property to the end of 2016.

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, 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 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.

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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.

Currently the permitting regime in Turkey is challenging, accordingly, expenditures are written off as they are incurred.

### 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 \$30,000 were written off during the year ended December 31, 2015 (2014 - \$197,000).

## 11. INTEREST IN CBay MINERALS

	<i>Notes</i>	December 31, 2015	December 31, 2014
Balance as at beginning of year		\$ 452	\$ 6,331
Equity interest in loss of CBay Minerals		-	(202)
Impairment		(452)	-
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>\$ -</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. As at December 31, 2015, the Company wrote down the investment to \$nil due to the uncertainty around the recoverability of costs.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

### 12. PARTICIPATING INTEREST

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

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%.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

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 December 31, 2014, the probability-weighted average estimation of future expected cash flow scenarios is approximately 73%.

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. Due to the uncertainty, as at December 31, 2015, the Company recorded an impairment of this participating interest and has recorded the value at \$nil (December 31, 2014 - \$4,119,000) and, accordingly \$4,119,000 was recorded as a *change in the fair value of a financial asset* through the statement of operations for the year ended December 31, 2015. Refer to Note 19.

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 that estimate will be recorded through the statement of operations with appropriate adjustment for actual cash flows received.

### 13. LONG-TERM LIABILITIES

Long term liabilities consist of accrued directors and consulting fees. The directors have agreed to defer these fees until such time as the ongoing viability of the Company can be assured.



## Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

### 14. LOAN PAYABLE

	<i>Note</i>	December 31, 2015	December 31, 2014
Advances		\$ -	\$ 2,500
Accrued interest		-	62
Extinguished	11	-	(2,562)
		<b>\$ -</b>	<b>\$ -</b>

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. 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).

### 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:

	December 31 2015
<b>Office rental</b>	
Less than 1 year	\$ 159
Between 1 and 5 years	-
<b>Total Minimum Lease Payments Payable</b>	<b>\$ 159</b>

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, 2015, the Company recovers more than half of its rent by subleasing its rent premises, as such total rent (net of recoveries) of \$86,000 was recognized as rent expense through operations (December 31, 2014 - \$197,000).

# Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

## **16. CAPITAL AND OTHER COMPONENTS OF (DEFICIENCY) 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 years ended December 31, 2015 and 2014.

#### **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 employee 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 personnel 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 2015 or 2014. 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.

#### **Share Bonus Plan**

The Share Bonus Plan permits common shares to be issued as a discretionary bonus to eligible directors, senior officers and employee 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 2015 and 2014, no common shares were issued under the Share Bonus Plan. 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.

#### **Accumulated Other Comprehensive Income or Loss ("AOCI")**

AOCI is comprised of the following separate components of (deficiency) 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 Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

### 17. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted EPS for the years ended December 31, 2015 and 2014 was based on the information in the table below.

Years ended December 31, 2015 and 2014

	2015	2014
Balance as at beginning of year	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
Effect of options granted and outstanding	18,750,000	1,169,000
<b>Weighted average number of common shares - diluted</b>	<b>314,276,000</b>	296,695,000
Number of options excluded	18,750,000	23,981,000
<b>Net loss attributable to shareholders</b>	<b>\$ (18,449)</b>	<b>\$ (6,341)</b>
<b>Basic loss per share</b>	<b>\$ (0.06)</b>	<b>\$ (0.02)</b>
<b>Diluted loss per share</b>	<b>\$ (0.06)</b>	<b>\$ (0.02)</b>

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 December 31, 2015, the Company had 25,579,000 (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 Bonus Plan**

The terms of the Company's Share Bonus Plan are set out in Note 16.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

### 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, employee 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.
- All options are to be settled by physical delivery of shares.

### 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	
	December 31, 2015	December 31, 2014	December 31, 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	(5,000,000)	(6,725,000)	\$ 0.08	\$ 0.11
<b>Outstanding as at end of year</b>	<b>18,750,000</b>	<b>25,150,000</b>	<b>\$ 0.07</b>	<b>\$ 0.07</b>
<b>Exercisable as at end of year</b>	<b>18,750,000</b>	<b>25,150,000</b>	<b>\$ 0.07</b>	<b>\$ 0.07</b>

There were no options granted during 2015 and 2014.

Range of exercise prices	Number of options outstanding		Weighted average remaining contractual life (years)	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
\$0.015 to \$0.015	5,550,000	5,800,000	2.96	3.96
\$0.020 to \$0.020	120,000	120,000	2.36	3.36
\$0.030 to \$0.050	3,275,000	4,575,000	1.62	2.62
\$0.060 to \$0.075	5,130,000	5,430,000	1.26	2.26
\$0.080 to \$0.100	-	4,350,000	-	0.01
\$0.110 to \$0.350	4,675,000	4,875,000	0.20	1.20
	<b>18,750,000</b>	<b>25,150,000</b>	<b>1.57</b>	<b>2.23</b>

#### Share purchase warrants

There are no warrants outstanding as at December 31, 2015 or 2014.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

### 19. FINANCE INCOME AND FINANCE COSTS

	Notes	December 31, 2015	December 31, 2014
Interest income on bank deposits		\$ -	\$ 1
Interest income on loan receivable	12	-	87
Commitment fee	12	-	1
<b>Finance income</b>		<b>-</b>	<b>89</b>
Interest expense on loan payable		-	503
Net change in fair value of financial assets at fair value through operations			
Warrants	8	-	861
Participating Interest	12	4,119	18
<b>Finance costs</b>		<b>4,119</b>	<b>1,386</b>
<b>Net Finance Costs</b>		<b>\$ (4,119)</b>	<b>\$ (1,297)</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 CBay (Note 21). The projects are currently located in Canada. 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	December 31, 2015	December 31, 2014
<b>Canada</b>			
Corporate		\$ 153	\$ 5,262
Interest in CBay Minerals	11	-	452
Diabase Peninsula	10	-	9,431
Prairie Lake	10	-	3,772
<b>Total Assets</b>		<b>\$ 153</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).

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

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

	December 31, 2015	December 31, 2014
Short-term employee benefits	\$ 581	\$ 612
Share-based payments - options	-	-
	<b>\$ 581</b>	<b>\$ 612</b>

As at December 31, 2015, approximately \$527,000 (December 31, 2014 - \$213,000) in liabilities were payable to key management and directors.

### 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 of each of Victory Nickel and CBay being Mr. René Galipeau and Mr. Paul Jones, respectively. 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.

As at December 31, 2015, Victory Nickel and CBAY are no longer considered a related parties.

As at December 31, 2014, Victory Nickel and Cbay were considered related parties and had the following transactions:

Years ended December 31,	2014
<b>Transaction Values under Management Agreements</b>	
Overhead charges to Victory Nickel	\$ 730
Overhead charges from Victory Nickel	\$ -
Project costs charged by Victory Nickel	\$ 23
Project recoveries charged to Victory Nickel	\$ 76
Overhead charges to CBay Minerals	\$ 226
Project recoveries charged to CBay Minerals	\$ 56

Balances with Victory Nickel and CBay (not related as at December 31, 2015) under the management agreements as at and for the years ended December 31, 2014 are shown in the following tables:

As at December 31,	2014
<b>Balances Outstanding under Management Agreements</b>	
Receivable from Victory Nickel	\$ 52
Payable to CBay Minerals	\$ 117

Amounts due to or from Victory Nickel and CBay under the management agreements were unsecured, non-interest bearing and due on demand.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

### 22. COMPANY ENTITIES

#### Significant Subsidiaries and Jointly-controlled Entities

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

### 24. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2014 - 26.5%) to the effective tax rate is as follows:

	2015	2014
Net Income (Loss) before recovery of income taxes	\$ (18,449)	\$ (6,341)
Expected income tax (recovery) expense	\$ (4,889)	\$ (1,680)
Difference in foreign tax rates	-	-
Tax rate changes and other adjustments	734	-
Permanent differences	668	214
Change in tax benefits not recognized	3,487	1,526
Income tax (recovery) expense	\$ -	\$ 60

The Company's income tax (recovery) is allocated as follows:

Current tax (recovery) expense	\$ -	\$ -
Deferred tax (recovery) expense	-	60
	\$ -	\$ 60

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

### Deferred Tax

The following table summarizes the components of deferred tax:

#### Deferred Tax Assets

Non-capital losses carried forward	\$	-	\$	422
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#### Deferred Tax Liabilities

Mineral properties	\$	-	\$	(422)
Net deferred tax liabilities	\$	-	\$	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

		2015		2014
Balance at the beginning of the year	\$	-	\$	-
Recognized in profit/loss		-		60
Recognized in OCI		-		(60)
Balance at the end of the year	\$	-	\$	-

### Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Property, plant and equipment	\$	153	\$	140
Mineral properties		10,492		0
Eligible capital property		906		1,219
Participating Interest		2,207		-
Share issuance costs		183		366
Non-capital losses carried forward		9,958		6,853
Net capital losses carried forward		15,530		11,932
Other temporary differences		65		-

The Canadian non-capital loss carry forwards expire between 2027 and 2035. The non-capital losses of the foreign subsidiaries have not been disclosed as the Company no longer has any significant subsidiaries. The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2018. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.



## Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

### **25. SUBSEQUENT EVENTS**

On May 2, 2016 a cease trade order (the "Cease Trade Order") was issued by the Ontario Securities Commission due to the Company failing to file consolidated financial statements for its financial year ended December 31, 2015, and management's discussion and analysis for the period ended December 31, 2015, as required under Part 5 of National Instrument 51-102. Under the terms of the Cease Trade Order, all trading in the Company's securities has ceased.

On April 18, 2016, the Company granted 33,178,862 stock options exercisable for 5 years at a price of \$0.01.

In April 2016, the Company negotiated to extend the remaining payments on the Diabase property to the end of 2016.