

**DATE OF REPORT:**                      **October 19, 2012**

## **INTRODUCTION**

This Management's Discussion and Analysis ("MD&A") of the operations of Resinco Capital Partners Inc. ("Resinco" or the "the Company") for the nine months ended September 30, 2012, and subsequent activity up to October 19, 2012, should be read in conjunction with the annual financial statements for the year ended December 31, 2011, as prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All amounts presented in this MD&A are in accordance with GAAP except as otherwise indicated, and are presented in thousands of Canadian dollars except for earnings and loss per share numbers or unless otherwise indicated.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

The forward-looking information in this MD&A and in the Company's ongoing disclosure, including its press releases, is based on the conclusions of Management and is often identified by such words as "anticipate", "budget", "plan", "should", "expect", "may", "believe", "potential", "intend" and similar expressions. Actual results may differ materially from those expressed or implied by such forward-looking statements. When reviewing the Company's forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These include risks relating to market fluctuations, investee performance and valuation, national and global economic trends, foreign exchange fluctuations, natural disasters and other risks. These forward-looking statements speak only as of the date hereof. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update these forward-looking statements and cautions investors from placing undue reliance on forward-looking statements. The Company has an ongoing obligation to disclose material information as it becomes available.

## **NATURE OF OPERATIONS**

Resinco is a global investment company which specializes in providing early-stage financing to private and public exploration and mining companies in the hard rock minerals, precious metals, rare-earth minerals, oil, gas, water and renewable energy sectors.

The Company changed its name to Resinco Capital Partners Inc. on November 24, 2009. It began trading as a Tier 1 listed issuer on the TSX Venture Exchange ("TSXV") on March 6, 2006. The Company graduated to the Toronto Stock Exchange ("TSX") on September 24, 2007, and trades under the ticker symbol: "RIN". The Company's head office is in Vancouver, Canada.

## **OVERALL PERFORMANCE**

- ▶ For the nine months ended September 30, 2012 TSX Venture index recorded a decrease of 10% compared with a 36% decrease in the same period of 2011. During the same period the Company's portfolio experienced a 20% value increase compared to a 59% value decrease in 2011.
- ▶ For the nine months ended September 30, 2012, the Company realized net loss on the disposal of investments of \$(9,859) (which includes \$6,509 which was recorded in unrealized loss on investments in prior periods) compared to a net gain of \$2,040 for the nine months ended September 30, 2011. The Company also recorded net unrealized gains on investments of \$12,194 (which includes the adjustment of \$6,509 which was recorded in realized loss in the current period) compared to an unrealized loss of \$(16,713) for the nine month period ended September 30, 2011.
- ▶ For the nine months ended September 30, 2012, the Company recorded net income of \$1,033 or \$0.01 per share, compared to net loss of \$(15,905) or \$(0.13) per share, for the same period in 2011.

## **OUTLOOK**

Resinco is focused on early-stage investment opportunities and is primarily focused on mineral resources. The Company recognizes two enterprise value enhancers; (1) the transition from private to public assets, and; (2) investing in assets which have been over-looked and have not realized their latent potential. This strategy resulted in increases in the value of the Company's portfolio between 2009 and 2010, and reflected the general rise in commodity prices in 2009 and 2010. Though the global economy was showing increased signs of strength in the first quarter of 2012, the ongoing global financial issues led by the European Union insolvency, United States recessionary trends and the third quarter compression on all commodity streams due to conflicting predictions for long-term natural resource demand from China and India, have continued to adversely affect all publicly traded entities, specifically those in the natural resource sector into the third quarter of 2012. Capital raising activity in the global resource exploration sector increased in 2010 over 2009, but significantly declined in 2011 versus 2010. Throughout first nine months of 2012, capital raising activities have continued to be very constrained for the early stage mining companies resulting in minimal fundings being fully and successfully subscribed.

The TSX Venture Exchange, being the representative equities market on which most of the Company's publicly traded early-stage resource investments are listed, in 2011 declined 35% as compared to 2010 and declined a further 10% in the first nine months of 2012.

The Company is relatively well positioned to continue providing corporate services to some of its early stage investee companies and expects its overall overhead costs to reduce slightly in the fourth quarter of 2012 and reduced when compared to 2011 as there is not expected to be the need for duplicate costs associated with transitioning staff positions which took place in 2011. Given the market attitude to early stage exploration investments the Company has curtailed new project evaluation in favour of working its current portfolio. Travel and associated project evaluation costs have been aggressively reduced in this current climate.

With the exception of Woulfe Mining Corporation, one of the Company's largest investments, there has been a significant downturn in project advancement in Resinco's portfolio companies as junior natural resource companies protect their cash reserves.

## **INVESTMENTS SUMMARY**

	September 30, 2012		December 31, 2011		September 30, 2011	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Public Company Investments	\$ 15,489	\$ 10,495	\$ 21,810	\$ 9,177	\$ 21,761	\$ 11,656
Private Company Investments	2,497	525	6,547	20	7,307	101
Total	\$ 17,986	\$ 11,020	\$ 28,357	\$ 9,197	\$ 29,068	\$ 11,757

- ▶ As at September 30, 2012, the Company held public company investments with a fair value of \$10,495 compared to \$9,177 at the end of 2011, an increase of 14%. In the first nine months of 2012, the Company sold investments for proceeds of \$1,607 compared to \$5,042 in the same nine month period ending September 30, 2011 and purchased investments totaling \$368 for the nine months ended September 30, 2012 compared to \$2,794 during the period ended September 30, 2011.

- ▶ As at September 30, 2012, the Company held investments in private companies with a fair value of \$525, compared to \$20 at the end of 2011. During the quarter ended June 30, 2012 the Company received 320,000 shares in Pembroke Mining Corp. in conjunction with the settlement of the related party debt (see Note 11 of Financial Statements). Management continues to closely monitor the private company investments and has recorded fair value adjustments where considered appropriate.
- ▶ At September 30, 2012, the cost base of all the public and private investments was \$17,986, compared to \$28,357 at the end of 2011. The excess of cost over fair value at quarter end was \$6,966, representing a 39% unrealized loss, whereas at December 31, 2011, the excess of cost over fair value was \$19,160 representing a 68% unrealized loss.
- ▶ As at March 30, 2012, Cue Resources, Inc. ("Cue") (one of the Company's investee companies) was sold to Uranium Energy Corp ("UEC") in a share-for-share transaction. The Company received 516,614 shares in UEC, with Cue becoming a wholly owned subsidiary of UEC. Additionally, the Company received repayment in cash of a \$260 loan made to Cue on closing of the UEC/Cue transaction. Cue shareholders received 0.0195 of one share of UEC common stock for each share of Cue. The cost bases used for these shares were based upon the total weighted average cost of all CUE pre-transaction.

## **RESULTS FROM OPERATIONS**

The Company's selected financial information for the past three fiscal years is as follows:

	Year ended December 31, 2011	Year ended December 31, 2010	Year ended December 31, 2009
Net realized investment gains (losses)	\$ 1,526	\$ (3,730)	\$ (1,115)
Net unrealized investment (losses) gains	(18,563)	16,911	6,584
(Losses) income for the year	(18,761)	10,141	4,677
(Losses) income per share - basic	(0.15)	0.08	0.04
(Losses) income per share - diluted	(0.15)	0.08	0.04
Total assets	10,606	29,439	17,973
Total liabilities	1,166	1,746	784
Shareholders' equity	\$ 9,440	\$ 27,693	\$ 17,189

The Company's net realized investment gain in 2011 was \$1,526 compared to a net realized investment loss of \$(3,730) in 2010 an increase in realized gains of \$5,256 in 2011 over prior year. Included in 2011 and 2010 the Company recognized a write off of investments made in prior years totaling \$760 and \$5,104 respectively. After adjusting the net realized investment loss for the write off then the net realized gain in 2011 would have been \$2,286 and \$1,374 in 2010, an increase of \$912 over prior year. In 2011, the Company received \$5,413 (compared to \$3,606 in 2010) from the sales of its investments, and acquired investments of \$2,847 (compared to \$1,647 in 2010). The Company's performance mirrored the general sentiment of the commodities market in 2011, which saw commodity prices fluctuate throughout the year and fundraising for junior resource companies became very constricted.

Operational re-engineering in 2008 and early in 2009 had reduced the Company's overheads to a level that has not changed materially through 2011 and through the first nine months of 2012. Overall total operating expenses in 2011 were \$2,281 compared to \$3,574 in 2010. The expenses in 2010 include an incentive compensation accrual to the Company's President and Chief Executive Officer of \$964 (nil in 2011). The accrual is based on year-end operating results, equal to 6.67% of the increase in net assets of the Company in excess of a 20% increase over the period commencing August 31, 2010, and is payable in three equal installments after 4, 12 and 24 months. Interest at prime plus 2% applies on any amounts unpaid by April 30, 2011. Further interest applies if any installment is not paid by the date payable, at a rate of prime plus 10% per annum for the first six months, prime plus 15% for the next six months and prime plus 20% for any period thereafter. As at December 31, 2011, the amounts still outstanding to the CEO for the 2010 incentive compensation was \$750 compared to \$712 as at September 2012. The expenses in 2009 included a recovery from a loan that had previously been impaired. Consequently, with the exception of the 2010 incentive compensation accrual and the 2009 recovery, total operating expenses were \$2,610 in 2010 and \$3,794 in 2009, indicating an overall decrease of 31% in 2010. This decrease is consistent with the cost control initiatives, such as reducing staff and other overheads, undertaken in 2008 and 2009.

Total liabilities of the Company decreased in 2011 to \$1,166 from \$1,746 in 2010, a 33% decrease compared to 2010. Included in accounts payable and accrued liabilities is the incentive compensation accrual noted above.

### **ANNUAL GENERAL AND ADMINISTRATIVE EXPENSES**

	2011	2010	2009
Advertising	\$ -	\$ 22	\$ 9
Consulting fees	617	1,374	515
Investor relations	144	114	62
Office expenses	333	374	473
Professional fees	370	254	487
Regulatory & filing fees	45	34	45
Sponsorships	-	10	65
Travel	151	134	223
Wages and benefits	438	306	599
Other	(143)	464	246
	<u>\$ 1,955</u>	<u>\$ 3,086</u>	<u>\$ 2,724</u>

Total G&A expenses decreased 37% in 2011 over 2010. In 2011 there was a 51% increase in Consulting fees (excluding the incentive compensation accrual of \$964 in 2010) and a 43% increase in Wages and benefits, due to duplication of staff due to transition. The 46% increase in Professional fees was associated with the required advice to support additional corporate activities. These increases were offset by the decrease in Other G&A expenses of \$143 as a result of an adjustment pursuant to an assessment by the Canada Revenue Agency ("CRA") in respect of a 2008 GST audit the Company and the CRA reached agreements on the 2007 and 2008 assessments and the Company reduced the GST liability.

Total G&A expenses rose 13% in 2010 over 2009. However, included in Consulting fees is an incentive compensation accrual of \$964 (nil for years ended December 31, 2009 and December 31, 2011), and therefore all other consulting fees declined 20% to \$410 from \$515 in 2009. Office expenses declined 21%, professional fees declined 48%, travel declined 40% and wages and benefits declined 49%. Other G&A expenses of \$464 (compared to \$246 in 2009) rose 89%, or \$218, primarily due to an adjustment pursuant to an assessment by the CRA as mentioned in the paragraph above.

### **SUMMARY OF QUARTERLY RESULTS**

	Three months ended			
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Realized gain/(loss) on disposal of investments	\$ (6,656)	\$ (3,447)	\$ 244	\$ (514)
Net unrealized investment (loss)/gains	9,154	(2,961)	6,001	(1,849)
Net (loss)/income for the period	1,987	(6,849)	5,895	(2,856)
(Loss)/Income per share – basic	0.02	(0.06)	0.05	(0.02)
(Loss)/Income per share – diluted	0.02	(0.06)	0.05	(0.02)

	Three months ended			
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Realized (loss)/gain on disposal of investments	\$ 547	\$ 425	\$ 1,068	\$ (4,525)
Net unrealized investment gain/(loss)	(2,653)	(5,896)	(8,165)	20,446
Net income/(loss) for the period	(2,383)	(5,919)	(7,063)	14,203
Income/ (loss) per share – basic	(0.02)	(0.05)	(0.06)	0.11
Income/ (loss) per share – diluted	(0.02)	(0.05)	(0.06)	0.11

***Three months ended September 30, 2012, compared to three months ended September 30, 2011***

During the third quarter of 2012, the Company continues to be affected by the current significant fluctuations in the world commodity markets, weighed down by the evolving European debt crisis, the slow recovery of the US economy, along with the current period compression on all commodities due to conflicting projections on natural resource demand from China and India. The Company recorded realized losses on the sale of investments of \$(6,656) compared to a net gain of \$547 as at September 30, 2011, and recorded unrealized gains of \$9,154 compared to realized losses of \$(2,653) at September 30, 2011. The current quarter recognizes the reclassification of \$6,509 of previously recorded "unrealized losses" as "realized losses" as the Company formally wound up the investments (there is no net impact to the results of the Company as a result of this reclassification). The value of the investment portfolio decreased from \$11,757 at September 30, 2011 to \$11,020 at September 30, 2012, a decrease of 6%.

***Three months ended September 30, 2012, compared to three months ended June 30, 2012***

During the third quarter the Company had unrealized gains of \$9,154 compared to unrealized losses of \$(2,961) in the prior quarter; the company saw the unrealized value of the investments increase 27%. During the quarter the Company received proceeds of \$186 compared to proceeds of \$1,008 in the second quarter of 2012.

The Company reported net income of \$1,987 in the third quarter, compared to a net loss of \$(6,849) in the prior quarter. The Company's investment portfolio increased in the third quarter after experiencing a 67% increase in the first quarter of 2012, and a decline of 19% in the second quarter, netting to an overall nine month increase in 2012 of 20%.

Total G&A expenses in the current quarter were \$521 compared to \$450 in the prior quarter. Professional fees increased during the quarter due to the settlement of the legal dispute emanating from 2008 in the amount of \$140 AUD (\$143 CAD) plus associated legal fees. Adjusting for this \$140 AUD settlement, G&A expenses declined by \$72 to \$378, or a 16% decrease, from prior quarter. (See Note 15 to the financial statements for details.)

***Nine months ended September 30, 2012, compared to nine months ended September 30, 2011***

For the nine months ended September 30, 2012, when compared to the nine months ended September 30, 2011, the Company had a decrease of its portfolio value from \$11,757 to \$11,020 (a decrease of 6%), while the unrealized loss decreased in the nine months from \$(15,905) in 2011 to \$12,194 in 2012, during the same period the TSX Venture exchanges saw a decline of 9%. The realized loss for the nine months ended September 30, 2012 was \$(9,859) compared to a realized gain of \$2,040 for the same period of 2011 due to the sale of shares with a high cost value.

**GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Three Months Ended</b>		
	September 30, 2012	June 30, 2012	September 30, 2011
Consulting	\$ 156	\$ 165	\$ 166
Investor relations	-	5	31
Office expenses	63	68	71
Professional fees	189*	36	63
Regulatory & filing fees	4	20	9
Share based compensation	-	-	50
Travel	1	32	22
Wages and benefits	93	99	97
Other	15	25	(215)
	<u>\$ 521</u>	<u>\$ 450</u>	<u>\$ 294</u>

\*Includes \$143 associated with settlement of a historical legal dispute from 2008 (Note 15 of the Financial Statements).

**LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2012, the Company had cash and cash equivalents (including restricted cash) of \$59, compared to \$76 at December 31, 2011 (as of the date of this report \$163), and had investments valued at \$11,020, compared to \$9,197 at December 31, 2011. In the last quarter of 2012 the market has started to show some meager recovery although the

improvement has been arduous. Net cash used in operating activities for the nine months ended September 30 was \$1,307 compared to \$1,765 in 2011 and the net cash received from investing activities was \$1,290 compared to \$1,805 in 2011. Funding for the Company's operations is generated from the sale of investments from its portfolio and, to a lesser extent, from fees earned by providing certain corporate services to public and private companies. Total service revenues for the nine months ended September 30 decreased in 2012 to \$155 from \$303 in 2011, as the total revenues increased from \$(14,276) in 2011 to \$2,584 in 2012. Most of the value of the portfolio of investments is comprised of publicly traded companies, offering greater liquidity than investments in private companies. The Company holds significant positions in several public companies and their average trading volumes determine the individual liquidities of the investments. As a whole, the Company's diverse investments provide sufficient liquidity to support the continuing operations of the Company.

The 2008 global financial crisis reduced investors' willingness, in general, to provide funding and support to development-stage companies and to the companies that invest in them. Accordingly, the Company reduced operating overheads and was therefore able to maintain liquidity through that extremely weak market from the summer of 2008 to the spring of 2009. As a result, Management has not sought to raise funds through the issuance of securities, thus protecting shareholders from dilution. Management believes its resources are more than sufficient to meet the Company's ongoing overhead and investment requirements. The Company has no material payment obligations except the long term portion of the incentive compensation accrual and an office lease ending in 2016 (with total estimated obligation of \$194) and at the date of this report, held cash of approximately \$163. Should much larger investments be undertaken, additional financings may be required to expand the portfolio of investments beyond the Company's internal ability to finance investment growth.

As of the date of this report, the Company had 123,019,885 common shares issued and outstanding. Total outstanding stock options as of the date of this report were 8,268,000 exercisable at prices between \$0.035 and \$0.155 per share.

There were no outstanding warrants as of the date of this report.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with Canadian GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates are based upon historical experience and various other assumptions that are believed to be reasonable under the prevailing circumstances. These estimates, as described below, are evaluated on a regular basis and provide the foundation for making judgments regarding the carrying values of assets and liabilities and the reported amount of revenue and expenses. Actual results could differ materially from those estimates.

#### *Stock-based compensation*

Management uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. The value of stock options granted to employees, directors and consultants is recorded as stock-based compensation expense and credited to contributed surplus. The value of any stock options issued as compensation for private placements and other financings is recorded as share issue costs and credited to contributed surplus. Any consideration received from the exercise of stock options is credited to share capital and the appropriate amount of the options' fair value is reallocated from contributed surplus to share capital.

#### *Future Income Taxes*

The Company follows the asset and liability method of accounting for income taxes. Under this method, the estimated income taxes payable for the current period are recognized. Future income tax assets and liabilities are recognized when a temporary difference between the tax basis and the accounting basis of an asset and/or liability exists. Future income tax assets and liabilities are recorded using substantively-enacted tax rates.



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### *Investments*

At the end of each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and records such valuations in the financial statements.

#### (i) Public Investments

Investments in shares of public companies traded on an active market are recorded at fair values based upon the closing bid prices at the balance sheet date. If an active market does not exist the investments are recorded at fair value using a valuation technique based upon Management's estimates which consider reliable, observable market inputs.

The amounts at which investments in public companies could be disposed of may differ from fair values based upon market bid prices, as the value at which significant ownership positions are sold is often different from a quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to a lack of liquidity.

#### (ii) Private Investments

All investments in private companies are initially recorded at cost, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation indicators described below.

The determinations of fair value of the Company's investments in private companies at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available or, if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on Management's judgment and any value estimated from these techniques may not be realized or realizable.

The following circumstances are used to determine if the fair value of an investment in a private company should be adjusted upward or downward at the end of each reporting period. In addition to the events described below, which may affect a specific investment, Management will take into account general market conditions when valuing the Company's investments. Absent the occurrence of any of these events or any significant change in general market conditions, the fair value of the investment is left unchanged.

The fair value of an investment in a private company may be adjusted upward if:

- 1) There has been a significant subsequent equity financing provided by outside investors at a valuation above the current fair value of the investee company. In this instance, the fair value of the investment is adjusted to the value at which the financing took place; or
- 2) There has been significant corporate, political, operating and/or economic events affecting the investee company that, in Management's opinion, have a positive impact on the investee company's prospects and, therefore, its fair value.

In the circumstances where general market conditions so warrant, an adjustment to the fair value of an investment will be based on Management's judgment and any value estimated may not be realized and may differ from values that might be determined if a ready market existed.

The fair value of an investment in a private company may be adjusted downward if:

- 1) There has been a significant subsequent equity financing provided by outside investors at a valuation below the current fair value of the investee company. In this instance, the fair value of the investment is adjusted to the value at which the financing took place; or
- 2) The investee company is placed into receivership or bankruptcy; or
- 3) Based on financial information received from the investee company it is apparent to Management that the investee company is unlikely to be able to continue as a going concern; or

- 4) There has been significant corporate, political, operating and/or economic events affecting the investee company that, in Management's opinion, have a negative impact on the investee company's prospects and, therefore, its fair value.

In the circumstances where general market conditions so warrant, an adjustment to the fair value of an investment will be based on Management's judgment and any value estimated may not be realized and may differ from values that might be determined if a ready market existed. Warrants and options not traded on a recognized securities exchange are recorded at fair value using a valuation technique that considers the exercise price, the closing bid price of the underlying shares, time value adjustment, volatility and liquidity.

Accordingly, the amounts at which investments in privately-held companies could be disposed of may differ from the carrying value determined due to the uncertain reliability of information available to, and determinations reached by, Management. Any fair value determined by these techniques may or may not be realized in the future.

The fair value of any options or warrants that the Company holds, for both private and publicly traded companies, is calculated each reporting period using the Black-Scholes pricing model.

Transaction costs incurred in the purchase and sale of investments, such as brokerage commissions, are recorded as an expense in the statements of operations. Purchases and sales of securities are accounted for on a trade-date basis.

The Company also incurs costs to investigate certain early stage projects and other potential investment opportunities to determine whether an investment will be made. These costs are expensed as incurred.

#### *Revenue recognition*

Security transactions are recorded on a trade-date basis. Realized gains and losses on the disposal of investments and unrealized gains and losses in the fair value of investments are reflected in the statement of operations and are calculated on an average-cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. Interest is recorded on an accrual basis when reasonable assurance exists regarding measurement and collectability. Revenue for corporate administration and advisory services is recognized when persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured.

#### *Loan impairment*

Loans are accounted for at their face value net of any allowance for loan impairment. When a loan is deemed to be impaired, its carrying amount is reduced to its estimated realizable amount which is measured by discounting expected future cash flows at the effective interest rate inherent in the loans, if such future cash flows can be reasonably estimated. Otherwise the net realizable amount is measured as the net recoverable value of any security pledged as collateral for the loan. The amount initially recognized as impairment, together with any subsequent change, is charged to the allowance for loan impairment. A write-off of the loan will occur when the loan is believed to have no reasonable expectation of collectability. Loan impairments are reversed if the conditions that gave rise to the impairment are no longer present and it is determined that the loan is no longer impaired as a result.



## **ADOPTION OF NEW ACCOUNTING STANDARDS**

### **New Accounting Pronouncements**

#### *International Financial Reporting Standards*

Canadian publicly listed enterprises were required to adopt IFRS in replacement of Canadian GAAP on January 1, 2011. This transition would have required the Company to present its financial statements under IFRS starting with its first quarterly report dated March 31, 2011, with restated comparative information for the comparative quarter of March 31, 2010, also under IFRS. The Company has elected to defer adoption of IFRS until no later than January 1, 2014. This election is permitted by the Canadian Accounting Standards Board ("AcSB") and applies to Investment Companies and Segregated Accounts of Life Insurance Enterprises. The decision is in response to the International Accounting Standards Board's announcement in late 2010 that its Investment Company project is delayed. The current rules under IFRS are inconsistent with the rules followed by the Company pursuant to Accounting Guideline 18. The conversion to IFRS will impact the Company's accounting policies, information technology processes and financial reporting systems, including internal controls over financial reporting, data systems and disclosure controls and procedures. The transition may also impact certain business processes, accounting for contractual agreements, debt covenants and compensation arrangements.

In respect of IFRS work done to date, and with the exception of the IASB investment accounting policies, management believes that the differences will not have a material impact on the Company's reported results and financial position. Adjustments required upon transition to IFRS will be made retrospectively against opening retained earnings, and shown on the first comparative balance sheet. IFRS 1, "First Time Adoption of International Financial Reporting Standards" provides entities which are adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to certain of the IFRS requirements for retrospective application of IFRS. The Company is analyzing the various choices and will implement those which are determined to be most appropriate to the Company's particular circumstances. Once these decisions are finalized, and their expected impact on the Company's reported results and financial position are able to be quantified, those impacts will be described in a future MD&A.

## **RELATED PARTY TRANSACTIONS**

- (a) For the nine months ended September 30, 2012, the Company received or accrued revenue from related companies for rent, administrative and accounting services, loan fees and interest totaling \$235 (September 30, 2011 – \$212).
- (b) At September 30, 2012, the Company was owed \$254 compared to \$845 as at December 31, 2011 from related parties, comprised of three components: 1) service fees earned as noted in Note 11(a) in Financial Statements, in the current and prior periods totaling \$243 compared to 357 as at December 31, 2011, 2) interest related to loans receivable noted in Note 11(d) of the Financial Statements totaling \$11 compared to \$14 as at December 31, 2011 and 3) an amount of \$Nil compared to \$474 as at December 31, 2011, due from the former CEO and Chairman of the Company. On December 31, 2009 the Company and the former CEO and Chairman signed a Debt Agreement in respect of the total amount owing for the recovery of personal indebtedness to the Company. The amount was due on demand, unsecured, and accrued interest at 5% as of December 1, 2010 and increased five percentage points each six months thereafter, until the interest rate is 60% per annum.

During the nine months ended September 30, 2012, the Company received final payment from Damien Reynolds (a related party and former CEO) against a loan balance of \$492 (principal and interest) by way of \$200 cash and 320,000 shares in Pembroke Mining Corp. (a private company) valued at \$409. Within the same transaction Resinco has agreed to settle Damien Reynolds' outstanding loan balance with Coral Rapids Minerals Inc., in which the Company is the majority shareholder.

- (c) Companies where a director or officer of the investee company is or was also a director, officer or a member of management of the Company, and the Company holds greater than 10% of the outstanding share capital of the investee company, are as follows: Lions Gate Metals Inc., Terreno Resources Corp. and Teslin River Resources Corp.

(d) Loans Receivable

At September 30, 2012, the Company had related party loans receivable as follows:

Related party	Balance December 31, 2011	New loans provided	Loans repaid in shares	Loans repaid or settled	Impairment	Balance September 30, 2012
Cue Resources Ltd.*	\$ 260	-	-	\$ 260	-	-
Teslin River Resources Corp.**	-	\$ 250	-	-	-	\$ 250
	\$ 260	\$ 250	\$ -	\$ 260	\$ -	\$ 250

\* The loan receivable from Cue was repaid in cash; the accumulated interest at prime + 4%, compounded annually and one-time administration fee of \$25 settled by issuance of shares in Uranium Energy Corporation ("UEC") upon its acquisition of Cue. 1,000,000 bonus shares relating to the loan were also issued in the first quarter and converted to UEC shares.

\*\* The loan receivable from Teslin is unsecured, due on December 31, 2014 and bears interest at prime + 4%, compounded annually with a one-time administration fee of \$25 and 300,000 bonus shares.

At December 31, 2011, the Company had related party loans receivable as follows:

Related party	Balance December 31, 2010	New loans provided	Loans repaid in shares	Loans repaid or settled	Impairment	Balance December 31, 2011
Teslin River Resources Corp. *	\$ 75	\$ 375	\$ -	\$ (450)	\$ -	\$ -
Cue Resources Ltd.**	-	260	-	-	-	260
	\$ 75	\$ 635	\$ -	\$ (450)	\$ -	\$ 260

\* During the year, the initial \$75 loan with Teslin was settled and a new loan was extended for a total of \$375. A payment of \$375 was received in cash prior to the end of the year.

\*\* The loan receivable from Cue is unsecured, due on July 31, 2012 and bears interest at prime + 4%, compounded annually with a one-time administration fee of \$25 and 1,000,000 bonus shares.

- (e) During the year ended December 31, 2011 the Company provided \$250 of advances to Cue as an irrevocable commitment towards the exercise of warrants. These warrants were exercised in the nine months ended September 30, 2012 and subsequently converted to UEC shares upon its acquisition of Cue.
- (f) The Company has a committed obligation, effective January 1, 2008, whereby the Board of Directors and corporate officers have the option to collectively participate in up to 20% of any founding stock in all new private company investments.

Transactions with related parties were conducted and recorded at the exchange amount at the time of the transaction.

## **FINANCIAL INSTRUMENTS**

### *Classification*

Financial instruments of a company are classified into one of five categories: "Held-for-trading", "Held-to-maturity", "Loans and receivables", "Available-for-sale" financial assets and "Other financial liabilities". All financial instruments are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and accounting for changes in the value of these instruments will depend on their initial classification as follows: a) "Held-for-trading" financial assets are measured at fair value with changes in fair value recognized in the statement of operations, and b) "Available-for-sale" financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the change in value is realized or the instrument is derecognized or permanently impaired. The Company has classified its cash and cash equivalents as "Held-for-trading". The accounting method for the Company's investments under AcG-18 is consistent with a classification as "Held-for-trading", as investments are accounted for at fair value with changes in fair value recognized in the statement of operations. Accounts receivable, amounts due from related parties and loans receivable are classified as "Loans and receivables" and are initially measured at amortized cost with a subsequent measurement reduction for an allowance for doubtful accounts or a provision for impairment. Accounts payable and accrued liabilities are classified as "Other financial liabilities".

### *Fair value*

The Company has determined the fair value of its financial instruments as follows:

- (i) The carrying values of cash and cash equivalents, amounts due from related parties, accounts receivable, and accounts payable and accrued liabilities in the balance sheets approximate their fair values due to the short-term nature of these instruments.
- (ii) The carrying value of loans receivable approximates their fair value as the amounts presented are stated net of an impairment provision.
- (iii) Fair value of investments is determined as disclosed in Note 2(a) of the Financial Statements.
- (iv) The Company does not have any "Other Comprehensive Income (Loss)" components and, as such, comprehensive income (loss) is equal to net income (loss).

The financial instruments measured at fair value on the Company's balance sheet were classified as follows (refer to Notes 2 and 4 of the financial statements):

<b>September 30, 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Investments	\$10,448	\$47	\$525	\$11,020
<b>December 31, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Investments	\$8,775	\$402	\$20	\$9,197

During the nine months ended September 30, 2012, there was no transfer between level 2 and level 1 compared to \$NIL as at September 30, 2011.

The following table reconciles the Company's Level 3 fair value measurements from December 31, 2011, to September 30, 2012:

	<b>Level 3 Investments</b>	
	2012	2011
Balance at beginning of the year	\$ 20	\$ 108
Acquired	409	50
Realized losses	(4,409)	(764)
Unrealized losses	3,505	626
Transferred out to level 2	(50)	-
Balance at end of the year	\$ 525	\$ 20

During the nine months ended September 30, 2012, there was no transfer between level 3 and level 2 compared to \$NIL at September 30, 2011.

#### Risk management

The Company is or may be subject to certain risks including interest rate risk, currency risk, credit risk and market risk. Risk management strategies may expose the Company to further gains or losses, but serve to stabilize future cash flows, reduce the volatility of operating results and increase overall financial strength.

#### Interest rate risk

The Company has loans receivable and therefore may be subject to interest rate risk. With respect to loans based on prevailing market interest rates, management believes the interest rate risk is not material given the size of the loans outstanding and the current low global interest rate environment. This risk is further mitigated by fixing interest rates at the inception of the loans where possible.

#### Currency risk

The Company has foreign investments and is therefore subject to currency risk. Management believes these investment and transaction amounts are not significant and there are no material foreign currency commitments. The currency risk is therefore manageable and not significant. The Company does not currently use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

#### Credit risk

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe money or securities in connection with services provided, or for other purposes, will default on their underlying obligations.

Credit risk from accounts receivable and loans receivable encompasses the default risk of the customers. Prior to accepting any service engagement or providing any loan, the Company assesses future recoverability by examining the entities' financial conditions, properties and assets, business development activities and management. The Company manages its exposure to credit risk by reviewing the outstanding balances on an ongoing basis, monitoring the amount attributable to each customer and the length of time taken for amounts to be settled. Where necessary, Management takes appropriate action to follow up on those balances considered overdue.

The Company is also exposed, in the normal course of business, to credit risk from the sale of its investments and on accounts receivable and loans receivable. Management has determined that the maximum exposure to losses is equal to \$505 in 2012 and \$1,171 at September 30, 2011.

#### Liquidity risk

Liquidity risk is the risk that the Company will have insufficient cash resources to meet its financial obligations as they become due. The Company's liquidity and operating results may be adversely affected if the Company does not have access to the capital markets, whether as a result of a downturn in general market conditions or related to matters specific to the Company, or if the value of the Company's investments decline, resulting in lower proceeds and/or losses on disposition. The Company generates cash flows primarily from the disposition of its investments and from its financing activities. The Company's investments focus on early-stage natural resource and renewable energy companies which can at times be relatively illiquid and if the Company decides to dispose of certain securities, it may not be able to do so at favourable prices at that time, or at all. However, the Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions such that, in the absence of overall market disruptions or exceptional circumstances, liquidity risk can be minimized.

#### Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Company's investments are primarily concentrated in the natural resource industry, which results in exposure to higher volatility than broader market investments and indexes. The Company's investments are accounted for at estimated fair values and are sensitive to changes in market bid prices, such that changes in market prices result in a proportionate change in the carrying value of the Company's investments. A 10% change in the fair values of the Company's investments at September 30, 2012, would have a \$1,102 impact on income compared to \$1,205 as at September 30, 2011.

#### Concentration risk

The Company is subject to concentration risk due to the nature of the Company's operations as an investment company and the number of investments held in the portfolio which consists primarily of early-stage natural resource and renewable energy companies and their related technologies. As a result, the investment portfolio is directly exposed to the risks associated with companies operating in this industry sector.

As at September 30, 2012, approximately 98% of the fair value of the Company's investment portfolio consisted of investments in six companies compared to 95% as at December 31, 2011 with the largest single investment comprising 72% of the total portfolio value compared to 53% as at December 31, 2011.

## **OUTSTANDING SHARE DATA**

As of the date of this report, October 19, 2012, the Company had the following outstanding securities:

Common shares - issued and outstanding	123,019,885
Stock options (including unvested options)	8,268,000
Share purchase warrants	-
<b>Total fully diluted shares outstanding</b>	<b>131,287,885</b>

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

### *Disclosure Controls and Procedures*

The Company is required to review and report on the effectiveness of its disclosure controls and procedures ("DC&P") in accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", ("NI 52-109") issued by the Canadian Securities Administrators. NI 52-109 requires a Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to certify that they are responsible for establishing and maintaining DC&P for the issuer, that DC&P have been designed and are effective in providing reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's DC&P and that their conclusions about the effectiveness of those DC&P at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

Management, including the CEO and CFO, has evaluated the design of the Company's DC&P as at September 30, 2012, and has concluded that the DC&P are effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the period then ended.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues within a company have been detected. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Accordingly, the Company's DC&P are effective in providing reasonable, not absolute, assurance that the objectives of its disclosure control system have been met.

### *Internal Controls over Financial Reporting*

NI 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR") for the issuer, that the ICFR have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its ICFR.

The design and operating effectiveness of the Company's ICFR were evaluated by Management in accordance with "Internal Controls over Financial Reporting – Guidance for Smaller Public Companies", as published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and NI 52-109, as at September 30, 2012. The Company's management has not identified in their review any weaknesses that have materially affected, or are reasonably likely to materially affect, Resinco's ICFR. Based on this evaluation, Management has concluded that the Company's ICFR are effective in providing reasonable assurance that its financial reporting is reliable and its financial statements are prepared in accordance with GAAP.

There were no changes in the Company's ICFR that, in the view of the Company's management, occurred during the nine months ended September 30, 2012 or up to the date of this report that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.



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## **RISK FACTORS**

The business of investing primarily in resource exploration and development companies involves a high degree of risk. The Company's portfolio is highly concentrated in this sector, which is exposed to above average cyclical fluctuations due to economic conditions, commodity supply/demand imbalances and global political factors. Development stage companies in this sector focus on early-stage resource properties, and few of those properties explored are ultimately developed into commercial operations. At present, none of the Company's investments are in companies that are in commercial operations, and therefore do not internally generate any cash flows to support their operations. Thus, they are reliant on raising additional financing through debt or equity issuances to continue their operations and develop their properties.

The Company's investments are also exposed to title risks, environmental and insurance risks, as well as political and environmental instability. The business of investing in public companies exposes the Company to the inherent risk of unusual market fluctuations.

Other risks facing the Company include competition, which can either increase costs or reduce the number of attractive opportunities, reliance on third parties (such as brokerage houses and securities clearing houses), statutory and regulatory requirements and uncertainty of additional financing. As the Company generates the majority of its income from the proceeds of disposition of its investments, the volatility of the sector could impact the availability and quantity of cash flows available. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

The Company undertakes no obligation to update forward-looking statements if circumstances or Management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

## **SUBSEQUENT EVENTS**

Subsequent to September 30, 2012, the Company had 58,000 options with strike prices between \$0.035 and \$0.11 expire unexercised.

Subsequent to September 30, 2012 the Company paid \$70 AUD (\$71 CAD) as partial payment of the legal dispute that was settled through mediation without admittance of guilt (Note 15 of the Financial Statements). Upon the second and final payment of \$70 AUD the Company will receive complete release from the claimant.

## **ADDITIONAL INFORMATION**

Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com), or by contacting the Company's head office at Suite 1430 - 800 West Pender Street, Vancouver BC, Canada V6C 2V6, by telephone at 604.696.6515 or toll-free at 1.877.687.5755 or by emailing the Company at [info@resincocp.com](mailto:info@resincocp.com).