2004

ANNUAL REPORT

nuinsco
RESOURCES LIMITED

PROFILE

Nuinsco Resources Ltd. is a Canadian based exploration company, which lists on the Toronto Stock Exchange (TSX). The company has established exposure to base metals, uranium and gold through properties held in Canada and Turkey.

During 2004, Nuinsco saw expansion into Turkey, entry into the uranium sector, the sale of its Rainy River gold-base metal exploration property and the redefinition of the Minago project as a potential, high tonnage, bulk mineable deposit.

Progress in its nickel properties in the world-renowned Thompson Nickel Belt of Manitoba has resulted in the completion of significant analysis and the compilation of historic work on the Minago deposit. Additionally, the Mel property also yielded significant intersections during 2004 exploration. A further discussion of these exploration results will be found in the Annual Report.

While the Nuinsco story is familiar to many in the financial community, the Company has evolved significantly over the past year. It has expanded into Turkey (copper-gold porphyry), and into Saskatchewan (uranium) to capitalize on current global supply-demand issues for base metals and uranium. A multi-commodity focus serves shareholders well as it allows the company to follow a solid path of risk-weighted exploration and, ultimately development.

The overall value of the Nuinsco management team is also underscored by their entry into a joint-venture with Noranda in 2004 (for exploration on their Berta property in Turkey); and a recently disclosed joint-venture agreement on the Diabase Peninsula uranium property in Saskatchewan.

During the year to come, Nuinsco will continue to evolve and expand through its established projects, while continuing evaluation of late stage properties for possible acquisition. We encourage you to follow the Nuinsco Resources story throughout the year to come.

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nuinsco RESOURCES LIMITED

TO OUR SHAREHOLDERS

The strong commodity price environment that began in 2003 continued into 2004. Many expect this environment to continue for a number of years because of strong growth on the demand side (due to the Chinese economy) and slow response on the supply side (due to lack of investment in new mining projects over the long period of low metal prices). This bodes well for Nuinsco as we move strong projects forward towards production.

2004 has been a year of significant change for Nuinsco:

1. The Company expanded into Turkey, a highly prospective and underdeveloped geological environment.
2. The Company entered into uranium exploration in the Saskatchewan Athabasca Basin.
3. The Company sold its Rainy River gold-base metal exploration property.
4. The Company redefined the Minago project as a high potential high tonnage bulk mineable deposit.

In the Manitoba Thompson Nickel Belt, Nuinsco has completed significant analysis and compilation of historic work on the Minago deposit. This work has highlighted the importance of drill intersections on the property such as 63ft grading 1.55% Ni in serpentinites at a depth of 700-l,000 feet and 69.9ft grading 1.50% Ni at a depth of 1800 feet in peridotites.

A 43-101 report on Minago estimates the presence of a measured and indicated resource of 29,840,000 tons grading 0.64% nickel using a 0.40% nickel cut-off grade, plus an additional inferred resource of 27,230,000 tons grading 0.67% nickel. This clearly has potential as a large low-grade nickel deposit. Historic metallurgical test work on samples from the property indicated the potential to make a high grade nickel concentrate with quite reasonable recoveries. This will positively impact the economics of this project. Our work in 2005 will be focused on expanding and upgrading the resource, and completing a full evaluation of the deposit.

On the Mel property, drilling in the early part of 2004 yielded a number of significant nickel intersections such as 24.2 feet of 1.36% nickel, 18 feet of 2.33% nickel, 14 feet of 2.08% nickel, and 10.8 feet of 2.3% nickel. Based on the combination of historic and new data Nuinsco completed a resource estimate that indicated the potential for a small open pit. During the first quarter of 2005 geotechnical studies of the overlying soil conditions were completed. These studies indicate some issues resulting from saturated low stability soils overlying the deposit, which negatively impact the economics of the project. These are currently being reviewed in detail to determine options for developing the project.

Nuinsco has held its Rainy River Project since 1993. The work done to date has outlined a significant tonnage, low-grade, gold resource and a good grade, small tonnage, base metal resource. However, it has been very difficult to develop the on-going investor interest required to further fund the investment required in the property. For this reason, Nuinsco decided to sell this project to a new Vancouver based company for a combination of cash, shares in a new company, and ongoing consideration that will benefit Nuinsco when the project is taken to production. This decision was difficult given Nuinsco's history in

this area, however, it is best that the project be put in the hands of a company with shareholders who are excited about carrying the project forward. While Nuinsco is recording a $7.2 million loss on the sale of the project, this loss will be more than recovered when the project comes into production. In the interim period the sale results in positive influx of hard dollars through 2004 to 2006 and possibly into the future.

While a small amount of work was carried out on the Cameron Lake property in 2004, management is of the view that this project no longer fits the long term objectives of the Company and we are anticipating a sale of this asset in 2005 as gold markets continue to improve.

During the latter part of 2004, Nuinsco embarked on two projects in Turkey:

1. We entered an agreement with Noranda to explore its Berta project in northeastern Turkey. The project lies within the prolifically mineralized Pontide Mountains metallogenic belt. A large alteration system has already been outlined by an extensive soil sampling program over the 15 km^2 anomalous domain. Three areas of exceptionally anomalous copper, (greater than <450 ppm) and gold (greater than <300 ppb) have been identified with many samples exceeding 1,000 ppm copper and up to 3.5 g/t gold. These values, along with azurite staining on surface exposures lead us to anticipate good results from a planned 2005 drilling program. Nuinsco must spend $US350,000 to earn a 50% interest in the project.

2. Secondly, we formed a strategic alliance with Eastmed Minerals to develop additional mineral properties in Turkey. This alliance has not yet lived up to our expectations, but we continue to believe in its potential.

Drilling in the Timmins area on our joint venture with Falconbridge/Noranda and Wallbridge Mining continues but despite drilling many anomalies, there have been no economic intersections to date. It is expected that Nuinsco will be fully vested in this program by the end of the first quarter of 2005.

Late in 2004, Nuinsco entered an agreement to explore the Athabasca Basin Diabase Peninsula uranium property in Saskatchewan. This is a diversion for Nuinsco from our normal focus on base metals and gold. However, we were encouraged to become involved in this project by George Archibald, a director of Nuinsco and our former Vice-President-Exploration. Mr. Archibald recognized the characteristics on this property as highly prospective. Early in 2005, Nuinsco staked additional ground in the area adjoining our claims to put together a 21,040 hectares land package. A 43-101 report has been commissioned, and grid control is being established in preparation for the geophysical survey, necessary to define drill targets.

In our 2003 Annual Report, Nuinsco announced it was undertaking a significant reorganization. This is clearly in progress and we are very optimistic about the potential of our Minago, Berta, and Diabase Peninsula projects, and while we have not had great news on our Mel, Eastmed or Timmins projects we continue to move these forward. We have also sold our Rainy River project and anticipate the sale of Cameron Lake in 2005. The significance of the sale of these projects is that the proceeds reduce the requirement to issue equity to fund administration and other costs. Proceeds from the sale of Rainy River alone equates to the issue of approximately 7,500,000 common shares of the Company in the first year of the agreement.

We congratulate Brian Robertson on his appointment as President of Nuinsco. Brian has brought a wealth of experience to Nuinsco, and has already made a significant contribution in championing the Minago and Mel projects, and strongly supporting Nuinsco's entry into uranium exploration in Saskatchewan.

We have also had a number of changes at the Board level. We regret the resignation of Jim Ashcroft in late 2004, but appreciate his significant input over a number of years. We welcome David Lewis – a well known financial expert with senior executive experience, with Altamira Securities and Jovian Capital, Mike Young – a metallurgical engineer with global mining experience at the operations and the executive level, and Howard Stockford, who has recently retired as Executive Vice President of Aur Resources. Howard's experience in exploration geology will strengthen our mine finding ability. David, Mike and Howard will serve to strengthen your Board, and contribute significantly to Nuinsco's success.

Unfortunately, at our Annual Meeting, Oyvind Hushovd will not be standing for re-election. Oyvind is returning to live in Norway. Nuinsco has very much benefited from his advice over the past two and a half years.

These changes are all part of the ongoing transformation of your Company. Some would suggest that Nuinsco is changing too many things, getting into Turkey, and into Uranium, and selling older assets. However, these changes are necessary we believe in order:

1. attract additional equity capital with new projects, and
2. reduce the need to issue equity by selling or optioning non-core assets.

In doing so, we intend to improve shareholder value and increase investor interest by focusing on new activities. 2005 will be an exciting year with possible new success.

We are grateful to have such a loyal shareholder base and appreciate your continued support as a participant in Nuinsco's future prosperity.

On behalf of the Board of Directors

W. Warren Holmes

Toronto, Canada
March 10, 2005

THE YEAR IN REVIEW

GROWTH STRATEGY

Nuinsco is working in Canada and Turkey. Both countries have abundant mineral wealth, stable mining laws and a history of strong government. Nuinsco will continue to use the available Canadian capital pool, and exploration and mining expertise to quickly assess its projects and advance them through the various stages of exploration, evaluation and development.

Nuinsco has a focus on finding high potential properties. While we focus on base metals, we have been prepared to venture into other areas when excellent properties are presented. Our entry this year into the Turkish market and into uranium exploration in Saskatchewan are examples of this. While our properties typically range from grass roots through to advanced projects (with a calculated resource and near term development opportunities), we are being very selective in those projects we take on, and spinoff those that we are unable to advance.

TOWARDS MINE DEVELOPMENT AND PRODUCTION

Engineering and economic studies will continue on both Minago and Mel projects, as more data becomes available and, while it is unrealistic to use currently high prices for long term projects, our confidence in reasonable long term prices has certainly increased. This environment not only adds shareholder value by improving the economics of projects such as Mel and Minago, it also increases the probability of success with exploration programs on Berta, Diabase Peninsula, and Timmins.

CURRENT PROJECTS

BERTA PORPHYRY COPPER-GOLD

NORTHEASTERN TURKEY

The Berta Porphyry Project, located approximately 50 km south of the Black Sea coast in northeastern Turkey, lies within the prolific Pontide Mountains metallogenic belt. It comprises three licenses that, combined, total about 6,000 hectares. The licenses encompass a very significant domain of altered dacite volcanic and intrusive rocks occurring in rugged terrain displaying approximately 1,500 m of vertical relief.

Nuinsco has entered into an agreement with Noranda Inc. to acquire an option to explore the Berta copper-gold project. Under the terms of the agreement Nuinsco will earn a 50% interest in the project by spending US$350,000 on exploration prior to October 31, 2005. Nuinsco has undertaken a firm commitment to conduct at least 1,000 metres of diamond drilling.

The Berta Porphyry Project contains widespread potassic, phyllic, silicic, and propylitic alteration exposed over a broad area. The widespread sulphide mineralisation is shown by extensive rusty exposures formed from oxidation of the sulphides. Widespread and anomalous copper has been identified from soil and rock sampling. Evidence of near-surface copper mineralisation occurs in the form of intense blue and green deposits of copper oxides in numerous road cuts.

CURRENT PROJECTS

Gold values are also very impressive across the property with numerous values greater than 1g/t gold and with a single value as high as 12.8g/t Au.

The total volume of rock affected by the alteration and mineralisation within the Berta system is considerable: the surface area is approximately 15 square km and mineralised exposures have been observed through approximately 1,000 m of vertical elevation.

The Pontide metallogenic belt forms part of the Tethyian belt which hosts numerous porphyry copper deposits including the immense Sarchesmeh deposit being mined in Iran. The results of the 2004 fieldwork will be compiled and analysed in preparation for the more ambitious exploration program planned for 2005.

DIABASE PENINSULA

NORTHERN SASKATCHEWAN

The Diabase Peninsula Property is composed of eight mining claims that encompass approximately 21,040ha. The claims are located approximately 150 km northwest of LaRonge on the western shore of Cree Lake, approximately five kilometres north of the southern margin of the Athabasca Basin in northern Saskatchewan.

The property was acquired because of geochemical signatures which indicate the possibility of unconformity-type uranium mineralisation. The claim group is underlain by approximately 200m-400m of Proterozoic age sandstone of the Athabasca Group that has been intruded by Mackenzie diabase dykes. The sandstone is underlain by the Archean basement. The contact between the predominantly granitoid rocks of the Mudjatik Domain and meta-sedimentary Virgin River Domain is interpreted to occur in the basement beneath the claim group. This contact is marked by the northeast trending Cable Bay Shear Zone, a major, graphite bearing structure believed to control the location of uranium occurrences in this part of the Athabasca Basin.

The property was previously explored in the late 1970s – early 1980s. This work included lake sediment and drift sampling geochemistry, airborne and ground geophysics and some diamond drilling. On surface the geology consists of Athabasca sediments intruded by the curved trace of a radioactive diabase dyke. Northeasterly trending electro-magnetic conductors are interpreted to reflect the presence of graphite in the Archean basement rocks.

CURRENT PROJECTS

In the central part of the property three drill holes were collared that intersected the Athabasca basal unconformity with abundant, strong, clay and chlorite alteration within the basal sandstone unit– an indication of hydrothermal activity. Subsequent analysis of the drill core identified significant zones of kaolinisation, illitisation, dravitisation and chloritisation, generally related spatially to the diabase. Uranium, lead, vanadium, and yttrium occur in anomalous values within the sandstones.

Boulder and outcrop surveys, conducted across the claim group also exhibit strong evidence of hydrothermal alteration of the sandstone beds. Trends identified include: a northeast zone of chloritisation; zones of illitisation flanking the chlorite zone to the northwest and southeast; enrichment of dravite, lead, yttrium and local arsenic and uranium enrichment. Alteration of this type and pattern has been observed close to unconformity-type uranium mineralisation in the Athabasca Basin (e.g. McArthur River, Key Lake, Cigar Lake and Dawn Lake).

This property has several indicators that suggest the presence of uranium mineralisation: hydrothermal alteration (zones of clay and chlorite), trace element anomalies known to be associated with uranium mineralisation found elsewhere in the Athabasca Basin, and EM conductors interpreted to be from graphitic sources. Field work commenced in the winter of 2005 and no results are yet available.

MEL DEPOSIT

THOMPSON NICKEL BELT – MANITOBA

The Mel Project is located in northern Manitoba 25 kilometres north of the city of Thompson. The properties are owned by Inco, with Nuinsco earning a 100% interest by spending $6.0 million in exploration expenditures.

The Mel deposit is located on the Mel Lease and consists of 3.03 million tons of measured and indicated nickel mineralization grading 0.77 % nickel between the depths of 150 and 600 feet.

The Mel claims are actively being explored. Past drill programs have tested numerous geophysical anomalies associated with known nickel bearing geology. Most recently, in 2005, diamond drill holes have been completed in tests of prospective stratigraphy and electromagnetic anomalies, as part of an ongoing assessment of this very large property with confirmed nickel potential – the Mel Deposit, and an attractive location near the infrastructure of Thompson.

In addition to the 2005 winter exploration program, a preliminary evaluation has been carried out to determine the potential of open pit or underground mining methods for the Mel Deposit. Geotechnical studies have been completed to evaluate the overburden cover and metallurgical test work carried out. Options for development of the deposit are being evaluated.

CURRENT PROJECTS

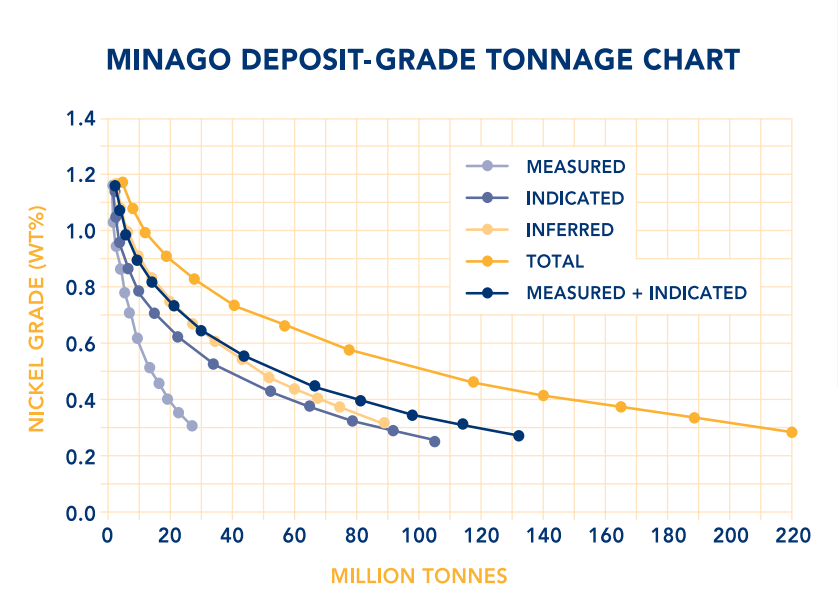
MINAGO

THOMPSON NICKEL BELT – MANITOBA

The Minago nickel deposit is located in Manitoba along the southern portion of the Thompson Nickel Belt about 225 kilometres south of city of Thompson. The deposit is wholly-owned by Nuinsco subject to certain escalating royalties tied to the price of nickel.

In 1991, a resource estimate was set at 10.6 million tonnes grading 1.19% nickel. A recent 43-101 report estimated a measured resource of 7.33 million tons grading 0.70% nickel and an indicated resource of 22.51 million tons grading 0.62% nickel (totaling 29.84 million tons averaging 0.64% nickel). An estimated inferred mineral resource was calculated to be a further 27.23 million tons grading 0.67% nickel.The graph below shows the resource estimate of various cut-off grades.

A drill program is currently underway to explore geophysical anomalies in the deposit and evaluate the applicability of open pit or bulk underground mining methods in view of the deposit's tonnage potential and a high nickel price environment.



MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

The following is a discussion of the results of operations and financial condition of Nuinsco Resources Limited for the years ended December 31, 2004 and 2003. This report is dated March 10, 2005.

As Nuinsco Resources Limited is an exploration stage mineral resource company, it presently has no revenue generating mining projects, and its ability to carry out its business plan is conditional upon it being able to secure equity, debt financings or through the sale of assets. This discussion contains forward-looking statements that involve risks and uncertainties. Exploration expenditures are deferred and included on the balance sheet unless the value is impaired or the projects are abandoned which results in such expenditures being written off.

OVERALL PERFORMANCE

Nuinsco is a Canadian exploration stage mineral resource company engaged in the acquisition, exploration and development of precious and base metal properties. Property interests are located in northwestern Ontario, on the Thompson Nickel Belt in northern Manitoba and in the Lac Rocher area of Quebec. In 2004, the Company also acquired a uranium property in Saskatchewan and optioned a copper/gold property in Turkey. The Company must spend an additional $2,500,000 to acquire its interest in the Mel property.

During 2004, the Company conducted significant exploration programs on the Cameron Lake and Fednor/Halliday projects in Ontario, on the Mel and Minago properties in Manitoba and commenced some uranium exploration in Saskatchewan and estimated copper/gold exploration in Turkey. In addition, the Company agreed to sell the Rainy River property for cash payments, a royalty and shares of a new public company.

The Company's financial position improved during 2004 with equity financing and receipt of the initial payment for the sale of the Rainy River project. The Company had a working capital of $862,000 (excluding cash for exploration expenditures). Additional financing for operating activities and further exploration is required. The working capital position includes $1 million of the expected proceeds of $2,000,000 from the sale of the Rainy River project which should be sufficient to fund administration costs over the next two years but not sufficient to fund exploration at the Berta project in Turkey. At December 31, 2004, the Company had cash of $998,000 of which $618,000 will fund exploration in 2005.

SELECTED ANNUAL INFORMATION

Summary Operating Results ($)	**2004**	2003	2002
Interest income	**18,000**	10,000	1,000
Operating costs	**1,514,000**	826,000	571,000
Loss	**8,706,000**	3,515,000	2,128,000
Loss per share	**0.11**	0.05	0.04

Summary Balance Sheets ($)	**2004**	2003	2002
Current assets	**2,063,000**	3,217,000	401,000
Exploration and development projects	**7,124,000**	14,914,000	16,296,000
Long-term receivable	**1,000,000**	–	–
Total assets	**10,237,000**	18,173,000	16,842,000
Long-term liabilities	**200,000**	200,000	200,000
Total shareholders equity	**9,454,000**	17,420,000	16,011,000

Operating costs have largely increased during the three-year period due to stock option compensation valuations which were $31,000 in 2002, $124,000 in 2003 and $781,000 in 2004. Losses during the three–year period have increased due to the stock options discussed above plus the losses, write-downs and recoveries of exploration and development properties which amounted to $1,691,000 in 2002, $2,627,000 in 2003 and $8,392,000 in 2004 of which $7,226,000 was due to the loss on sale of the Rainy River property. These changes also are reflected in the lower asset value for exploration and development projects and the reduction in shareholders equity.

RESULTS OF OPERATIONS

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

The Company's net loss for 2004 was $8,706,000 or $0.11 per share compared to a net loss for 2003 of $3,515,000 or $0.05 per share. The increased loss for 2004 was primarily the result of the loss on sale of the Rainy River property amounting to $7,226,000 million and write-downs of exploration projects which totalled $1,166,000 in 2004, compared to $2,627,000 in 2003. In 2004, the latter amounts were due to the sale of the Rainy River project at less than the carrying value and the write-off of the non-strategic parts of the Lac Rocher project. In 2004, expenses were offset in part by the recognition of previously unrecorded tax assets amounting to $1,191,000 which was recognized with the renunciation of the tax benefits of the flow-through share expenditures. General and administrative expenses totalled $729,000 in 2004 compared to $692,000 in 2003. The slightly higher costs in 2004 resulted from consultants and travel costs incurred to review potential new mining projects. Other expenses include a charge of $781,000 for the fair value attributed to 4,825,000 stock options granted in 2004 compared to $124,000 in 2003. The CEO of the Company continues to take salary in the form of stock options as he did in 2003.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

The Company's net loss for 2003 was $3,515,000 or $0.05 per share compared to a net loss for 2002 of $2,128,000 or $0.04 per share. The increased loss for 2003 was primarily the result of higher write-downs of exploration projects, which aggregated $2,627,000, compared to $1,691,000 in 2002. Exploration write-offs were mainly on the Rainy River project in 2003 and on Lac Rocher in 2002. General and administrative expenses totalled $692,000 in 2003 compared to $528,000 in 2002. These higher costs resulted from hiring new personnel and included compensation and travel costs to review potential mining projects as well as a provision of $94,000 against a note receivable to the former chairman of the Company as it may not seek repayment of the debt. In addition, regulatory fees for listing of new shares issued were substantially higher. Also in 2003, the value of stock options granted increased as new personnel were granted sizable stock options. The President of the Company took salary in the form of stock options.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eight quarters ending December 31, 2004 is as follows (unaudited):

	4th Quarter Ended December 31, 2004	3rd Quarter Ended September 30, 2004	2nd Quarter Ended June 30, 2004	1st Quarter Ended March 31, 2004
Revenue	**$ –**	**$ 1,000**	**$ 6,000**	**$ 11,000**
Loss (profit) for period	**7,380,000**	**705,000**	**765,000**	**(144,000)**
Loss per share	**0.09**	**0.01**	**0.01**	**–**

	4th Quarter Ended December 31, 2003	3rd Quarter Ended September 30, 2003	2nd Quarter Ended June 30, 2003	1st Quarter Ended March 31, 2003
Revenue	$ 9,000	$ –	$ 1,000	$ –
Loss for period	3,041,000	138,000	145,000	191,000
Loss per share	0.05	–	–	–

In 2004, the loss in the fourth quarter was in large part due to the loss on sale of the Rainy River project at less than book value. The profit in the first quarter of 2004 was due to the recognition of tax benefits from the renunciation of the 2003 flow-through share expenses.

The loss in the fourth quarter of 2003 was increased by the write-off of $2,627,000 of deferred exploration expenditures and a provision for a note receivable of $94,000.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Exploration activities accelerated during 2004. The financing completed towards the end of 2003 allowed the Company to advance several projects. A total of $3,102,000 was incurred on exploration during 2004 compared to $1,245,000 in 2003 of which $1,372,000 was spent on the Mel Property in 2004 compared to $572,000 in 2003. Complete details of the mineral properties can be reviewed in the 2004 Annual Report.

Mel Project Nuinsco has spent a total of $3.5 million to date on this project and must spend a total of $6.0 million by February 28, 2006 to earn a 100% interest. Inco has the right to earn back a 51% interest in the project, by investing a further $6.0 million in the project.

The Mel Project consists of two components, the Mel Claims encompassing 14,700ha and the Mel Lease of 750ha. During 2004 a continuation of the UTEM geophysics was conducted on the Mel Claims in conjunction with diamond drilling to test geophysical responses. Several geophysical anomalies remain to be tested. On the Mel Lease diamond drilling was conducted to better define the resource in the Mel Deposit – data produced from this drilling was used to produce an updated resource estimate, compliant to 43-101 standards. Engineering, metallurgical and geotechnical studies were also conducted to further assess the deposit.

Rainy River The Rainy River Project is composed of one mining lease (873ha), 1500ha of purchased mining patents and 7000ha of staked mining claims. During the winter of 2004, five diamond drill holes were collared to attempt to identify additional Ni-Cu-PGE resources at the 34 Zone. As well a magnetotelluric geophysical survey was conducted in November and December 2004 to attempt to further define deep responses near the 34 Zone, identified in earlier surveys. In December 2004, the Company agreed to sell the Rainy River project as described below under the Liquidity and Capital Resources section.

Cameron Lake The Cameron Lake Project consists of one mining lease encompassing 979ha, contiguous mining claims totalling 1900ha and mineral patents at Rowan Lake of 240ha. Fieldwork at Cameron Lake in 2004 consisted of two diamond drill holes, collared to continue to test the down-plunge trend of the mineralized zone to depth below 300m. In addition a report and resource estimate, 43-101 compliant, was completed.

Minago The Minago Project consists of a mining lease totalling 1239ha and contiguous mineral claims encompassing 1324ha. During 2004 Nuinsco conducted a significant sampling program using historic drill core in order to validate historic assays. A 43-101 compliant report and resource estimate was also completed.

Muriel Lake The project at Muriel Lake consists of 864ha of contiguous mineral claims. During 2004 a program of line cutting and ground geophysics was conducted over a portion of the property.

Fednor/Halliday In January 2004, the Company and Wallbridge Mining Company Limited formed a joint venture with Falconbridge/Noranda to explore the Abitibi belt near Timmins, Ontario. While results of diamond drilling have not identified anything of economic interest, the program is still in its early stages with many high priority anomalies to test. The Company spent $414,000 on exploration during 2004. An additional $600,000 must be spent during 2005 to maintain its interest.

Turkey The Berta Joint Venture Agreement was signed and announced in a press release, dated October 13, 2004. The Berta project is a newly acquired property located approximately 50 km from the Black Sea coast in northeastern Turkey. Noranda is the operator of the project and conducted the work reported in a press release dated November 9, 2004. An extensive alteration system, outlined by a total of 720 soil samples in a 15km^2 area within the 59.5km^2 project featured three areas of exceptionally anomalous copper and gold. These target areas are defined by copper greater than 450ppm and by 300 ppb gold from samples taken at 100 metre spacings. Numerous samples, however, exceeded 1,000ppm copper and up to 3.5 g/t gold have been obtained (including one exceptional value of 12.8 g/t gold). Assay results from rock chips are pending. Nuinsco is committed to spending US$300,000 on the project in 2005.

LIQUIDITY AND CAPITAL RESOURCES

The Company's activities, principally the acquisition and exploration of mineral properties, are financed principally by proceeds from the sale of shares, sale of properties and debt provided by insiders.

Year ended December 31, 2004

At December 31, 2004, the Company had a working capital of $862,000 compared to a working capital deficiency of $249,000 at the end of 2003. This amount includes the current portion of the Long-term Receivable from the sale of the Rainy River property but excludes the cash on hand at December 31, 2004 of $618,000 which was received from the sale of flow-through shares in 2004 and must be used to fund exploration activities in 2005. In the year ended December 2004, cash used for operating activities amounted to $669,000 compared to $614,000 in 2003 and for exploration activities amounted to $2,617,000 compared to $1,411,000 in 2003. During 2004, equity financing activities provided $1,150,000 compared to $4,800,000 in 2003. In December 2004, the Company sold the Rainy River project and received an initial payment of $500,000. The sales agreement calls for further payments of $2,000,000 payable in quarterly payments of $250,000 commencing on March 15, 2005. Additional amounts of $2,500,000 is payable on the date commercial production commences and a royalty of $1 per ton of ore produced is also payable to the Company. Also under the agreement terms, if the private company creates a public company whose shares trade on a Canadian stock exchange, Nuinsco would be granted 7% of the fully diluted capital of such public company and, for a period of five years, have the right to maintain its 7% interest in the public company by participating in any subsequent financings. All of the amounts receivable will be secured by a mortgage on the property. In February 2005, Collingwood Capital Corporation announced that it had signed an agreement to acquire the rights of the private company for the Rainy River property.

Year ended December 31, 2003

At December 31, 2003, the Company had a working capital deficiency of $249,000 compared to a working capital deficiency of $507,000 at the end of 2002. This deficiency amount excludes the cash on hand at December 31, 2003 of $2,913,000 which was received from the sale of flow-through shares in 2003 and was used to fund exploration activities in 2004. In the year ended December 2003, cash used for operating activities amounted to $614,000 compared to $351,000 in 2002 and for exploration activities amounting to $1,411,000 compared to $374,000 in 2002. During 2003, financing activities provided $4,800,000 approximately 72% of which was flow-through equity.

Contractual Obligations		Payments/expenditures due by period ($,000)			
	Total	2005	2006-8	2009-10	After 2010
Exploration and development	3,487	3,446	25	8	8
Convertible notes	200	–	200	–	–
	3,687	3,446	225	8	8

OUTLOOK

The Company was very active during 2004 as its exploration activities more than doubled from 2003. Several new highly prospective projects were added to the Company's asset base and existing projects were upgraded. The Company broke from its historical focus in Canada to take on a project in Turkey. This was a significant move for the Company and recognizes that it must explore where the highest potential for success exists. The improved metal environment that occurred in the latter part of 2003 and 2004, significantly changed the Company's ability to finance projects, and considerably changed the value of the nickel and gold property assets that the Company holds.

While there is no guarantee that favourable economic conditions will prevail long term, this has certainly been the most buoyant period experienced by the industry for many years, and we at Nuinsco are very optimistic that the current conditions will continue, allowing the Company to develop into an excellent junior mining company with exploration projects financed by cash flow from mining activities.

CHANGE IN ACCOUNTING PRINCIPLES

During the years ended December 31, 2004 and 2003 there has been one change in accounting policies. In 2004 the Company adopted the new recommendations of Canadian Institute of Chartered Accountants ("CICA") handbook section 3110, Asset Retirement Obligations ("HB3110"). Under this standard, future costs of asset retirement have been recognized and recorded as a liability at the fair value. There was no effect in the financial statements for the change in the method of accounting for asset retirement obligations.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2004, the Company incurred an aggregate amount in respect of services and consulting fees to directors and corporations controlled by them, of $43,000 (2003 - $58,000).

Certain of the Company's properties are subject to a discovery incentive plan (the "DIP") to reward a certain director and former officer of the Company with a 2% net smelter royalty (the "NSR") for the discovery of new mines on the properties during the period to April 26, 2004. The NSR is payable only on revenues earned after recovery of all development costs for any mine on the property. The terms of the DIP provide the Company with a right of first refusal on any proposed disposition of the NSR. In addition, the DIP contains put/call provisions in which the Company may be required to purchase, or may exercise an option to purchase, the NSR at the value of its discounted cash flows, as defined therein. As none of the Company's properties subject to the royalty are being developed or in production, no royalties are currently payable.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred exploration expenditures as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's shares and financial objectives of the stock-based instrument holders. The future volatility is also uncertain and the model has its limitations.

The Company's recoverability of the recorded value of its mineral properties and associated deferred exploration and development expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization

through mining operations or by sale. The Company is in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Company and its subsidiaries to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

OUTSTANDING SHARE DATA

At March 10, 2005, the Company had 87,465,402 common shares issued and outstanding. In addition, there were 1,052,632 reserved as security on the convertible debt, 8,800,000 stock options granted, 10,760,949 share purchase warrants and 243,102 compensation units issued and outstanding which, in total, would bring the fully diluted issued common shares to a total of 108,322,085.

RISKS AND UNCERTAINTIES

Exploration and Development Risks

The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties have a known body of commercial ore. The mineral resource estimates made public by the Company are not mineral reserves and do not have demonstrated economic viability. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

The capitalized expenditures related to the exploration and development of mineral properties will be amortized over the estimated economic life of a property once commercial production commences. If the value of a property is impaired or abandoned the related project cost balances would be written off.

Financing Risks

The Company has limited financial resources, has no operating cash flow and has no assurance that sufficient funding will be available to it for corporate and administration expenses, for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require additional financing for corporate and administration expenses and for exploration and development if ongoing exploration of its properties is warranted.

Environmental Matters

All phases of the Company's operations are subject to environmental regulations in the jurisdiction in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and

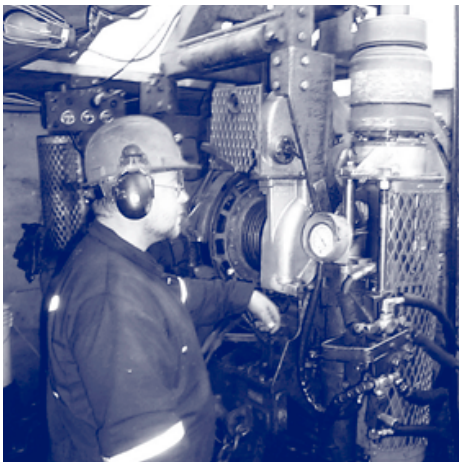
enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties or by illegal mining activities.

Government approvals and permits are sometimes required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be delayed or prohibited from proceeding with planned exploration or development of mineral properties.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in development of new mining properties.

FORWARD LOOKING STATEMENTS

These consolidated financial statements and management's discussion and analysis contain certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.



Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee, which is comprised of Directors, none of whom are employees or officers of the Company, meets with management and the external auditors to review the auditors' report and the consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the consolidated financial statements.

A firm of independent Chartered Accountants, appointed by the shareholders, audits the financial statements in accordance with Canadian generally accepted auditing standards and provides an independent professional opinion thereon.

W. Warren Holmes, CEO
March 10, 2005

René R. Galipeau, Chairman and CFO
March 10, 2005

AUDITORS' REPORT

TO THE SHAREHOLDERS OF NUINSCO RESOURCES LIMITED

We have audited the consolidated balance sheet of Nuinsco Resources Limited as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit, and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Flabbi & Elder LLP, Chartered Accountants
Toronto, Canada March 8, 2005

CONSOLIDATED BALANCE SHEETS

As at December 31 (in thousands of dollars)	2004 $	2003 $
ASSETS		
Current		
Cash	380	239
Cash for exploration expenditures (note 6(a))	618	2,913
Accounts receivable	41	44
Current portion of long-term receivable (note 3(a))	1,000	–
Prepaid expenses	24	21
Total current assets	2,063	3,217
Long-term Receivable (note 3(a))	1,000	–
Exploration and Development Projects (note 3)	7,124	14,914
Buildings and Equipment (note 4)	50	42
	10,237	18,173
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	583	553
Convertible Notes (note 5)	200	200
	783	753
Shareholders' Equity (Note 6)		
Share capital	59,832	59,881
Stock option compensation	926	155
Share purchase warrants	81	65
Contributed surplus	761	759
Deficit	(52,146)	(43,440)
Net shareholders' equity	9,454	17,420
	10,237	18,173

GOING CONCERN (note 1(b))

Approved by the Board of Directors

W. Warren Holmes, Director

René R. Galipeau, Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Years ended December 31 (in thousands of dollars, except per share amounts)	2004 $	2003 $
Income – Interest	18	10
Costs and Expenses		
General and administrative	723	692
Stock option compensation	781	124
Amortization	10	10
Loss on sale of exploration and development project (note 3(a))	7,226	–
Write-down of exploration and development projects (note 3)	1,166	2,627
Total costs and expenses	9,906	3,453
Loss before income taxes	9,888	3,443
Income taxes (recovery) (note 7)	(1,182)	72
Net loss for the year	8,706	3,515
Deficit, beginning of year	43,440	39,925
Deficit, end of year	52,146	43,440
Loss per share (note 2)	$0.11	$0.05
Weighted average shares outstanding	81,694,406	64,662,497

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 (in thousands of dollars)	2004 $	2003 $
CASH PROVIDED FROM (USED BY):		
Operating activities		
Loss for the year	(8,706)	(3,515)
Items not affecting cash		
Stock option compensation	781	124
Provision for recovery of note	–	94
Reduction of future income taxes	(1,191)	–
Loss on sale of exploration and development project	7,226	–
Write-down of exploration and development projects	1,166	2,627
Amortization	10	10
Changes in non-cash working capital (note 8)	45	46
Cash used by operating activities	(669)	(614)
Financing activities		
Issue of Common Shares	1,150	4,800
Cash provided from financing activities	1,150	4,800
Investing activities		
Additions to exploration and development projects	(2,617)	(1,411)
Increase in buildings and equipment	(18)	–
Cash used by investing activities	(2,635)	(1,411)
Net (decrease) increase in cash during the year	(2,154)	2,775
Cash and Cash Equivalents, beginning of year	3,152	377
Cash and Cash Equivalents, end of year	998	3,152
Cash and Cash Equivalents		
Cash	380	239
Cash for exploration expenditures	618	2,913
	998	3,152

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

1 NATURE OF OPERATIONS AND GOING CONCERN

a) Nature of Operations

Nuinsco Resources Limited (the "Company") is continued under the laws of the Province of Ontario and is engaged in the business of exploring for and developing precious and base metal properties in Canada and Turkey. The Company may conduct its activities on its own or participate with others on a joint venture basis. The recoverability of the cost of projects is dependent upon the discovery of economically recoverable reserves, the Company's ability to finance the development of a project, and its future profitable operation or, alternatively, upon the profitable disposal of the project.

b) Going Concern

These consolidated financial statements have been prepared using accounting principles applicable to a going concern entity, which assume that the entity will continue operating in the future and be able to realize its assets and discharge its liabilities in the normal course of its business. The Company's exploration and development projects are in their early stages and, consequently, the Company, having no operating revenues to sustain its activities, has been wholly dependent on debt and equity financings and the optioning of resource properties for its funds.

Several adverse conditions cast substantial doubt on the validity of the Company's application of the going concern principle. During the years ended December 31, 2004 and December 31, 2003, the Company incurred losses of $8,706,000 and $3,515,000, respectively. These losses included non-cash loss on sale of the Rainy River property of $7,226,000 in 2004 and write-downs of exploration and development projects of $1,166,000 and $2,627,000 for the years ended December 31, 2004 and December 31, 2003, respectively. As at December 31, 2004, the Company had working capital of $862,000 (excluding the cash on hand for exploration expenditures) which amount is largely made up of the current portion of a long-term receivable. However, during the year ended December 31, 2004 the Company was able to raise equity financings and sell a major exploration property which will bring in additional funds during the next two years.

Should the Company not be able to obtain additional financing and should the Company not be able to continue as a going concern, then adjustments would be required with respect to the carrying value of the Company's assets and liabilities, reported net loss for the year, and the balance sheet classifications used.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of the Company, and those of its subsidiaries, Lakeport Gold Mines Limited, which is 91% owned, Cameron Lake JEX Corporation, which is 99% owned, and Confederation Minerals Ltd., which is wholly owned. All of the subsidiaries are inactive.

Exploration and development projects

Exploration and development projects include the direct costs related to the various mineral properties, including cost of acquisition of the properties and deferred exploration and development expenses net of any recoveries. These costs are capitalized and accumulated on a property by property basis and will be amortized as operating expenses against such future revenue using a unit of production method based upon estimated proven and probable mineral reserves.

On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration and development activities that are warranted in the future or if there is any impairment in the carrying value. An impairment loss would be recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.

The carrying values of exploration and development projects represent unamortized net costs incurred to date and do not necessarily reflect present or future values. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, upon the Company's ability to obtain the necessary financing to complete the development and upon future profitable production.

Buildings and equipment

Buildings and equipment are recorded at cost. Amortization is provided over the related assets' estimated useful life using the declining-balance method at an annual rate of 10% for buildings and 20% for equipment.

Stock-based compensation plans

The Company has in effect a stock option plan which is described in Note 6(b) and which is accounted for using the recommendations issued by the Canadian Institute of Chartered Accountants, handbook section 3870 "Stock-based compensation and other stock-based payments". The standard requires that all stock-based awards made to employees and non-employees be measured and recognized, at the date of grant using a fair value-based method to calculate compensation expense. Compensation expense is charged to income over the vesting period of the options or service period, whichever is shorter.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of the revenues and expenses during the reporting year. Actual results could differ from those estimates. Management believes those estimates are reasonable. The assets which requires management to make significant estimates and assumptions in determining carrying values includes exploration and development projects.

Financial instruments

Financial instruments are initially recorded at historical cost. The Company's financial instruments consist of cash equivalents, accounts receivable, accounts payable and accrued liabilities and convertible notes. The fair value of financial assets and liabilities approximates their recorded amounts because of the short period to receipt or payment of cash.

Income taxes

The Company uses the asset and liability method of accounting for income taxes as recommended by The Canadian Institute of Chartered Accountants. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. The Company records a valuation allowance against any portion of future income tax assets that it believes will, more likely than not, fail to be realized.

Loss per share

The Company uses the treasury stock method in assessing the diluted earnings (loss) per share. Due to reported losses, diluted loss per share data is the same as loss per share as the assumed exercise of stock options and warrants are anti-dilutive. Loss per share amounts is calculated using the weighted average number of shares outstanding during the year.

Guarantees

The Company has examined the scope of CICA Accounting Guideline AcG-14, "Disclosure of Guarantees" that was issued in February 2003. As the Company does not provide guarantees contemplated by the Guideline, the implementation of this Guideline has no impact on these financial statements.

3 EXPLORATION AND DEVELOPMENT PROJECTS

Cumulative costs relative to the acquisition of mineral properties, and deferred exploration and development expenditures, have been incurred on the following projects (in thousands of $):

	Balance December 31 2003	Current Expenditures	Write-downs, Losses and Recoveries	**Balance December 31 2004**
Rainy River (Note 3(a))	$ 9,355	$ 371	$ (9,726)	**$ –**
Lac Rocher	2,726	32	(1,072)	**1,686**
Mel Properties	2,059	1,372	–	**3,431**
Cameron Lake	390	272	–	**662**
Minago	69	365	–	**434**
Prairie Lake	309	16	–	**325**
Fednor/Halliday	3	414	–	**417**
Berta	–	64	–	**64**
Other	3	196	(94)	**105**
	$ 14,914	$ 3,102	$ (10,892)	**$ 7,124**

	Balance December 31 2002	Current Expenditures	Write-downs	Balance December 31 2003
Rainy River	$ 11,786	$ 174	$ (2,605)	$ 9,355
Lac Rocher	2,712	14	–	2,726
Mel Properties	1,487	572	–	2,059
Cameron Lake	108	282	–	390
Minago	47	22	–	69
Prairie Lake	143	166	–	309
Fednor/Halliday	–	3	–	3
Other	13	12	(22)	3
	$ 16,296	$ 1,245	$ (2,627)	$ 14,914

(a) Rainy River Project

In 1993, the Company acquired the rights to explore certain mineral properties located in the Rainy River District of northwestern Ontario, and subsequently acquired the rights to additional properties in the area. Certain of the claims carry a 3% net smelter royalty payable to the prospectors after payout of

pre-production costs; the Company has the right to buy back one-third of the net smelter royalty interest for $125,000 and holds the first right of refusal on any proposed sale of the royalty interest. In addition, the vendors of certain properties have retained a 10% net profits royalty, and any revenues from this project would be subject to the 2% net smelter royalty discussed in note 10(b).

In December 2004, the Company signed an agreement to sell the Rainy River property to a private company. The terms of the sale include cash payments totalling $2,500,000 over two years of which $500,000 was paid on execution of the agreement. The balance of $2,000,000, which has been set up in Long-term Receivable, is receivable in quarterly amounts of $250,000 commencing on March 15, 2005. An additional amount of $2,500,000 will be received on the date commercial production commences and a royalty of $1 per ton of ore produced will be received. In addition, if the private company creates a public company whose shares trade on a Canadian stock exchange, Nuinsco would be granted 7% of the fully diluted capital of such public company and, for a period of five years, have the right to maintain its 7% interest in the public company by participating in any subsequent financings. All of the amounts receivable when the sale closes will be secured by a mortgage on the property. In February 2005, a public company announced that it had signed an agreement to acquire the rights of the private company for the Rainy River property.

As a result of the sales agreement in December 2004, the Company recorded a loss on the sale of the property of $7,226,000. Only the Long-term receivable has been set up in the accounts, as the recoverability of the other amounts under the sales agreements could not be determined at the date of sale.

Long-term Receivable	$	2,000,000
Less current portion		1,000,000
	$	1,000,000

(b) Lac Rocher Project

In 1998, the Company entered into an option agreement to earn a 100% interest in certain mining claims in north- western Quebec. The optionors retained a royalty of $0.50 per ton of any ores mined and milled from the property; any revenues from this project would also be subject to the 2% net smelter royalty discussed in Note 10(b).

In 2004, the Company wrote off $1,072,000 for prior expenditures incurred on areas of the property where the Company is no longer focusing.

(c) Mel Project

Effective August 27, 1999, the Company entered into an agreement with Inco Limited ("Inco") for the exploration and development of Inco's Mel properties (the "Properties") located in the Thompson area of northern Manitoba. The terms of the agreement provide the Company with an option to earn a 100% interest in the Properties by incurring qualified expenditures of $6 million in the five-year period ending August 31, 2004. Subject to the Company incurring the required expenditures and exercising its option, Inco has the right to earn back a 51% interest in the Properties by incurring expenditures of $6 million over a four-year period following the date of exercise of the Company's option. In late 2003, the agreement was amended so that the earn-in period was extended to February 28, 2006. To December 31, 2004, $3,545,000 has been spent towards the expenditure requirement.

Inco is the manager of the exploration phase and has the right to purchase any ores produced from the Properties. The Company has the option to manage the development and operation of any mines developed on the Properties. Subject to the Company earning its 100% interest in the Properties, either party may elect not to participate further and have its interest reduced to a 10% net profits royalty. In addition, should either party wish to sell its interest in the Properties, the other party has a right of first refusal.

(d) Cameron Lake

The Cameron Lake Project consists of one mining lease encompassing 979ha, contiguous mining claims totalling 1900ha and mineral patents at Rowan Lake of 240ha. Fieldwork at Cameron Lake in 2004 consisted of two diamond drill holes, collared to continue to test the down-plunge trend of the mineralized zone to depth below 300m. In addition a report and resource estimate, 43-101 compliant, was completed.

(e) Minago

The Minago Project consists of a mining lease totalling 1239ha and contiguous mineral claims encompassing 1324ha. During 2004 Nuinsco conducted a significant sampling program using historic drill core in order to validate historic assays. A 43-101 compliant report and resource estimate was also completed.

(f) Prairie Lake

The property consists of 600ha of mineral claims. No work was conducted on the property during 2004.

(f) Fednor/Halliday

In January 2004, the Company and Wallbridge Mining Company Limited formed a joint venture with Falconbridge/Noranda to explore the Abitibi belt near Timmins, Ontario. The Company spent $414,000 on exploration during 2004. An additional $600,000 must be spent during 2005 to maintain its interest.

(g) Berta

The Berta options venture agreement was signed on October 13, 2004. The Berta project is located approximately 50 km from the Black Sea coast in northeastern Turkey. Noranda is the operator of the project. Nuinsco is committed to spending US$300,000 on the project in 2005, in order to earn a 50% interest in the project.

(h) Other

Other properties include Muriel Lake which consists of 864ha of contiguous mineral claims. During 2004 a program of line cutting and ground geophysics was conducted over a portion of the property.

4 BUILDINGS AND EQUIPMENT

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	$ 20,730	$ 17,287	$ 3,443	$ 3,825
Equipment	247,880	201,034	46,846	38,008
	$ 268,610	$ 218,321	$ 50,289	$ 41,833

5 CONVERTIBLE NOTES

In May and June 2002, two directors advanced funds to the Company by way of convertible notes. The notes, which mature July 9, 2007, bear interest at 9% per annum, payable annually, and are convertible into common shares of the Company based on $0.19 per share. The notes are secured by a pledge of the Minago property leases. Interest expense amounted to $21,462 in 2004 and $18,591 in 2003. There are 1,052,632 common shares of the Company reserved for the conversion of the convertible notes.

6 SHARE CAPITAL

(a) Issued and Outstanding Shares

The Company is authorized to issue an unlimited number of common shares without par value. The following changes occurred in the Company's issued share capital in the years 2004 and 2003:

	Number of Shares		Amount (in thousands)
Balance – December 31, 2002	60,029,323	$	55,146
Warrants exercised	375,000		75
Private placements	6,941,091		1,299
Issue of flow-through shares	13,697,084		3,361
Balance – December 31, 2003	81,042,498		59,881
Options exercised	200,000		48
Private placement	3,000,000		526
Issue of flow-through shares	2,472,904		568
Renunciation of flow-through share value	–		(1,191)
Balance – December 31, 2004	**86,715,402**	**$**	**59,832**

(i) During the year ended December 31, 2004, the Company completed a flow-through common share financing for gross proceeds of $618,226 to finance part of the 2005 exploration program. At December 31, 2004, none of the exploration expenditures of the flow-through shares issued had been incurred and that amount has been set-aside on the balance sheet.

(ii) During the year ended December 31, 2004, the Company completed a private placement of 3,000,000 shares at $0.20 per share for gross proceeds of $600,000. As part of the financing, investors who were not insiders of the Company were granted 1,000,000 half share purchase warrants. Each whole warrant entitles the holder to purchase one share at $0.30 until December 2006.

As part of the above two financings the agents were granted 243,102 compensation warrants (the Compensation Warrants"). On exercise, the holder is entitled to purchase one common share for $0.20 per share and receive an equivalent number of half warrants. Each whole warrant entitles the holder to purchase one share at $0.30. The Compensation Warrants and underlying warrants expire December 2006.

(iii) In February 2004, the Company renounced $3,489,000 in Canadian Exploration Expenditures to investors of flow-through shares in 2003. The tax value of this renunciation amounting to $1,190,000 has been recorded as a liability and charged against share capital. Since the Company has a valuation allowance which reduces the future income tax assets, the valuation allowance has been reduced and an income tax recovery has been recognized in the statement of operations.

(b) Stock Options

The Company has a stock option plan (the "Plan") to encourage ownership of its shares by directors, officers, employees and others, and to provide compensation for certain services. The terms of the Plan provide that the directors have the right to grant options to acquire shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms up to 10 years. No compensation is recognized when options are exercised. At December 31, 2004, the Company has available 1,762,500 common shares for the granting of future options.

A summary of the status of the plan and changes during 2004 and 2003 are presented below:

	Number of Options	Average Exercise Price	Amount
Outstanding December 31, 2002	3,345,400	$ 0.95	31,000
Options granted	1,500,000	0.24	124,000
Outstanding, December 31, 2003	4,845,400	0.56	155,000
Options granted	4,825,000	0.41	781,000
Options exercised	(200,000)	0.20	(8,000)
Options expired	(670,400)	0.93	(2,000)
Outstanding, December 31, 2004	**8,800,000**	**$ 0.47**	**926,000**

The unexercised options, all of which are currently exercisable, expire at various dates through to November 2014 at prices ranging from $0.20 per share to $2.20 per share.

The following table summarizes further information about the stock options outstanding at December 31, 2004:

Range of Exercise Prices	Options Outstanding	Years to Expiry (1)	Price (1)
$0.20 – $0.50	8,025,000	7.7	$0.36
$0.82 – $0.82	100,000	4.7	$0.82
$1.27 – $1.44	425,000	1.4	$1.34
$2.20 – $2.20	250,000	2.3	$2.20
$0.20 – $2.20	8,800,000	7.3	$0.47

(1) In this table, data with respect to "years to expiry" and "price" have been calculated on a weighted average basis.

The fair value of the 4,825,000 options granted during 2004 to employees, directors and consultants has been estimated on the date of grant at $781,000 using the Black-Scholes option-pricing model, using the following assumptions:

Option Assumptions	**2004**	2003
Dividend Yield	**–**	–
Expected volatility	**30.0%**	22.0%
Risk free interest rate	**4.2%**	4.3%
Expected option term – years	**8**	8
Fair value per share of options granted	**$nil – $0.20**	$0.06 - $0.09

(c) Share Purchase Warrants

At December 31, 2004 the following shares are reserved for issuance for share purchase warrants:

Price	Number	Expiry
$0.50	275,000	May 2005
$0.40	7,198,991	April 2005
$0.50	2,786,958	June 2005
$0.30	500,000	Dec. 2006
$0.20	243,102	Dec. 2006 (Note 6(a)(ii))
	11,004,051	

7 INCOME TAXES

The Company's 2004 income tax recovery amount of $1,182,000 relates to a renunciation of flow-through shares (Note 6(a)(iii)) less an amount paid for large corporations tax. For 2003, the income tax amount of $72,000 relates to a provision for large corporations tax.

The Company has accumulated losses for tax purposes of approximately $2,462,000 which expire in various years to 2012 as follows:

2005	$ 200,000
2006	19,000
2007	245,000
2008	221,000
2009	308,000
2010	90,000
2011	679,000
2012	700,000
	$ 2,462,000

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

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

	2004	2003
Future income tax assets		
Temporary differences		
Eligible capital property	$ 361,000	$ 361,000
Equipment	77,000	72,000
Exploration and development	4,341,000	2,149,000
Share issue costs	115,000	–
Net tax losses carried forward	985,000	831,000
	5,879,000	3,413,000
Valuation allowance for future income tax assets	(5,879,000)	(3,413,000)
Future income tax assets, net	$ –	$ –

A valuation allowance has been recorded equal to the full amount of the future income tax benefit as the likelihood of utilizing unused tax losses cannot be determined at this time, and accordingly, the Company has no income tax recoveries.

The reconciliation of the combined Canadian federal and provincial statutory income tax rate aggregating to 40% (2003 -40%) to the effective tax rate is as follows:

	2004	2003
Statutory rate applied to loss for year	$ 3,953,000	$ 1,377,000
Non taxable items	(3,673,000)	(1,109,000)
Valuation allowance	(280,000)	(268,000)
	$ –	$ –

8 CHANGES IN NON-CASH WORKING CAPITAL

Changes in non-cash working capital balances related to operations are as follows (in thousands):

	2004	2003
Accounts receivable and prepaid expenses	$ (35)	$ (7)
Accounts payable and accrued liabilities	80	53
	$ 45	$ 46

9 RELATED PARTY TRANSACTIONS

(a) The aggregate of amounts in respect of services and consulting fees paid or payable by the Company for the years ended December 31, 2004 and 2003 to directors and corporations controlled by them was $43,000 and $58,000, respectively.

(b) Certain of the Company's properties are subject to a discovery incentive plan (the "DIP") to reward certain directors and officers of the Company with a 2% net smelter royalty (the "NSR") for the discovery of new mines on the properties during the period to April 26, 2004. The NSR is payable only on revenues earned after recovery of all development costs for any mine on the property. The terms of the DIP provide the Company with a right of first refusal on any proposed disposition of the NSR. In addition, the DIP contains put/call provisions where under the Company may be required to purchase, or may exercise an option to purchase, the NSR at the value of its discounted cash flows, as defined therein. As none of the Company's properties subject to the royalty are being developed or in production, no royalties are currently payable.

10 SUBSEQUENT EVENTS

In January 2005, the Company (a) closed a private placement of 700,000 Units for gross proceeds of $140,000. Each Unit consisted of one common share and half a share purchase warrant exercisable for two years at $0.30 each, and (b) issued 50,000 common shares as its initial share payment on the Muriel Lake property.

CORPORATE INFORMATION

OFFICERS

W. Warren Holmes
C.E.O.

René R. Galipeau
Chairman & C.F.O.

Frank J. Crothers
Vice Chairman

Brian E. Robertson
President

Paul L. Jones
Vice President, Exploration

DIRECTORS

George F. Archibald

Frank J. Crothers

René R. Galipeau

W. Warren Holmes

Oyvind Hushovd

Tom W. Judson

David M. Lewis

Howard R. Stockford

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Flabbi & Elder LLP
Chartered Accountants
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LEGAL COUNSEL

Marvin J. Singer
Goodman and Carr LLP
Toronto Ontario

Shareholders are cordially invited to attend the Annual General Meeting on Friday, May 27, 2005 beginning at 10:00 a.m. in the Ridout Room at the Toronto Board of Trade, First Canadian Place, Toronto.

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RESOURCES LIMITED