NUINSCO RESOURCES LIMITED

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

DATED MARCH 6, 2007

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The following discussion of the results of operations and financial condition of Nuinsco Resources Limited prepared as of March 6, 2007 consolidates management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2006, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and compliment the Company's 2006 audited consolidated financial statements and the notes thereto. Readers are encouraged to consult the financial statements which are available at www.sedar.com and at the Company's website www.nuinsco.ca. All amounts disclosed are in Canadian dollars, unless otherwise stated.

Nuinsco is 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, in the Lac Rocher area of Quebec, in the Athabasca Basin of Saskatchewan and in northeastern Turkey.

HIGHLIGHTS

Uranium

- Increased the size of the Diabase Peninsula uranium property in Saskatchewan's Athabasca Basin to approximately 21,900 hectares and completed two drill programs that returned uranium values as well as key indicator minerals associated with uranium deposits in the Basin which, combined with past drilling and other studies, points toward the local presence of unconformity style mineralization.
- Began a surface uranium exploration program at the Prairie Lake property located near Marathon, Ontario, in preparation for at least 1,500 metres of drilling planned for 2007.

Gold, Copper and Zinc

- Confirmed through drilling the presence of one of the region's largest porphyry copper alteration anomalies, covering 15 square kilometres at surface and at least 1,000 metres of vertical extent at the Berta copper property in northeastern Turkey.
- Completed airborne geophysics at the Berta property in northeastern Turkey and began phase-two drilling with joint venture partner Xstrata Copper Canada.
- Completed ground geophysics and began drilling at the Elmalaan copper-zinc property in northeastern Turkey.
- Entered into a transaction with Campbell Resources Inc. ("Campbell"), a gold-copper producer with operations in Chibougamau, Quebec. Under terms of the agreement the Company entered into an Operating Consulting Agreement, appointed two representatives to the Campbell board of directors, acquired an approximate 10% equity interest in Campbell and warrants to acquire a further approximate 20% equity interest in Campbell; and will receive a 50% carried interest in the advanced Corner Bay copper deposit. Corner Bay has measured and indicated resources of 446,000 tonnes grading 5.58% copper and an additional 1,400,000 tonnes inferred grading 6.76% copper.
- Commissioned Wardrop Engineering Inc. to obtain the permits required for the dewatering of the underground workings at the Cameron Lake gold project in northwestern Ontario as a first step toward production.

Nickel

- Amended the Mel option agreement to extend, to February 28, 2008, the date to complete the earn-in of 100% interest in the Mel property from CVRD Inco Limited.
- Began baseline environmental studies and carried out metallurgical drilling which returned some of the highest nickel grades to date from the Minago nickel deposit in Manitoba's Thompson nickel belt.
- Completed metallurgical tests confirming that one of the highest-grade nickel concentrates in the world, up to 35% nickel, can be produced from Minago mineralization.
- Completed a positive scoping study on Minago which indicated a pre-tax net present value of $334,000,000 using an 8% discount rate and US$7.43 nickel price and internal rate of return of 23.1%.
- Completed a drill program at the Lac Rocher project which returned an intercept of 6.04% nickel over 1.14 metres.
- Completed a resource estimate at Lac Rocher. Using a 0.5% nickel cutoff, the measured and indicated resource totals 1,190,288 tonnes grading 0.91% nickel for approximately 25,000,000 pounds of in-situ nickel.
- Completed preparations to effect the spin-off of Mel, Minago and Lac Rocher nickel assets to create Victory Nickel Inc. ("Victory Nickel") by Plan of Arrangement (the "Arrangement"), which was effective February 1, 2007.

Financial and Corporate

- Implemented new management structure and added depth to management team.
- Generated net income of $2,200,000, or $0.02 per share during the year.
- At December 31, 2006, cash and cash equivalents totaled $20,000,000.
- Raised $5,600,000 though fully-subscribed rights offering to shareholders.
- Completed a bought deal equity issue for gross proceeds of $15,000,000 in December 2006.

OUTLOOK

2006 was a milestone year for Nuinsco. In 2007, the Company plans to remain very active on all of its projects and early in the year completed the spin out of its nickel assets to create a new Canadian pure play nickel company, Victory Nickel Inc. (TSX:Ni). This was made possible by the continuing strength of the metal markets, the successful completion of a positive scoping study of the Minago project and the completion of 43-101 resource estimates on the Mel and Lac Rocher projects. At the end of 2006, the Company was advancing all of its projects with eight drills turning on Minago, Mel, Elmalaan and Berta, more than ever in Nuinsco's history. The Company expects to sustain an aggressive exploration program during 2007 which, in addition to the programs noted above, will include uranium surface work and drilling at the Diabase Peninsula uranium property in the Athabasca Basin and the Prairie Lake uranium property in northern Ontario. The metal price super cycle continues and this significantly enhances the Company's ability to advance its high-quality projects. Access to capital markets continues to be better than ever and debt markets are abundant.

Diabase continues to provide all of the key indicators to lead us to a uranium super deposit, as discussed above. Prairie Lake shows that uranium exists and needs only to be drilled to expand the near-surface historical resource.

The Berta copper property in Turkey continues to show promise and drilling was underway at year end, following the completion in late 2006 of an airborne electromagnetic and magnetic survey (AEM and AMAG) to identify the most favourable drill targets.

At the Elmalaan property located west of Berta, the first drill hole completed in February 2007 intersected massive and stringer sulphides, and drilling continues. The Company considers Turkey a very favourable environment with geology that offers the potential for significant mineral discoveries. This is supported by the fact that Turkey is witnessing an extremely rapid expansion of mineral exploration.

Nuinsco's involvement with Campbell Resources has opened opportunities in the prolific mining camp of Chibougamau Quebec, and offers exciting prospects for the future. The high-grade Corner Bay copper deposit in which Nuinsco will receive a 50% carried interest is expected to be the Company's first operating mine and should provide cash flow in the near future.

Nickel prices recently broke the US$20.00 per pound mark and all indications are that the robust nickel market will continue. The need for nickel concentrates grows as sulphide deposits become fewer and smelters continue to demand feed. The creation of Victory Nickel, with three sulphide deposits in Minago, Mel and Lac Rocher, places it in a very enviable position. The Minago feasibility study has commenced and is expected to be completed in early 2008 with a view to production in 2010. Economic evaluations of Mel and Lac Rocher are in progress and could result in earlier production than at Minago. Management is confident that all three of these projects will reach production and will provide the base to build a major player in the nickel industry.

While there is no assurance that favourable economic conditions will prevail, metal prices are expected to remain buoyant with the continuing need for virtually all metals generated by increasing demand in both China and India. The Company is very optimistic about its properties and that market conditions will remain favourable. Nuinsco, and now Victory Nickel, are well positioned to develop into mining companies with significant financial resources that will be recognized as important contributors in the exploration and mining sectors. In summary, Nuinsco is more active, is better financed, has greater depth of management and is in more robust metals market than ever before in its long history, and management expects further positive developments in 2007 and beyond.

SELECTED ANNUAL INFORMATION

Summary Operating Results Data	2006	2005	2004
('000$ except per share amounts)			
Consulting fees	715	-	-
Interest and other income	311	8	18
Gain on sale of marketable securities	2,567	400	-
Operating expenses	2,796	1,360	1,504
Income (Loss)	2,213	(5,010)	(8,706)
Income (Loss) per share	0.02	(0.05)	(0.11)

Summary Balance Sheet Data ($)	2006	2005	2004
Cash and cash equivalents	20,045	2,650	998
Other current assets	3,280	1,541	1,065
Exploration and development projects (including exploration advances)	9,851	4,926	7,124
Long-term receivable	-	-	1,000
Total assets	33,614	9,158	10,237
Current liabilities	1,631	714	583
Long-term debt	-	200	200
Total shareholders' equity	31,983	8,244	9,454

RESULTS OF OPERATIONS

Year Ended December 31, 2006, Compared With Year Ended December 31, 2005

In 2006, the Company had net income of $2,213,000, or $0.02 per share, compared to a net loss of $5,010,000, or $0.05 per share in 2005. As explained in more detail below under Liquidity and Capital Resources, on May 1, 2006 the Company commenced providing operating consulting services to Campbell, which resulted in consulting fees totalling $715,000 being earned in 2006.

Aggregate gains on the sale of marketable securities in 2006 were $2,567,000, compared with $400,000 in 2005. Tax recoveries in 2006 totaled $1,854,000, compared with $211,000 in 2005. The Company recognized current tax recoveries of $778,000 in 2006. Net proceeds of this amount were received as a result of transactions entered into which resulted in the realization of the benefit of previously unrecognized tax loss carry forwards available and exploration and development deductions. The realization of similar tax benefits is not expected to recur in the future. The Company also recognized future income tax recoveries in the first quarters of 2006 and 2005 of $1,076,000 and $211,000, respectively. These income tax recoveries represent the tax benefits realized from the renunciation of Canadian exploration expenses to the investors in flow-through share financings.

Interest income was higher in 2006, $178,000 versus $8,000 in 2005 as a result of interest earned on the proceeds from equity financings and on loans made to Campbell during the year. Other income of $133,000 in 2006 included amounts earned from Campbell in connection with loan set-up fees and income resulting from the reversal of prior years' tax-related accruals.

During the second quarter of 2006, the Company restructured its management team and hired several individuals to meet the increased requirements evolving from the Company's growth. Nuinsco has never had more activity than it has at present and expects corporate costs to increase accordingly in the future as it develops its existing assets and pursues additional opportunities for growth.

General and administrative expenses totaled $2,282,000 in 2006, versus $987,000 in 2005. General and administrative expenses in 2006 include an amount of $294,000 (including issue costs) ascribed to 1,400,000 common shares issued to the estate of a former Chief Executive Officer of the Company for services rendered over many years. The 2006 general and administrative expense amount also includes $380,000 ascribed to 500,000 common shares issued to a director and former employee. These shares were granted under the Company's Share Bonus Plan in recognition of this individual's past services, including his assistance in obtaining the Diabase Peninsula uranium project.

Excluding the stock-based compensation referred to above, general and administrative expenses increased by $621,000 in 2006, compared with 2005. This increase is primarily the result of the increase in personnel mentioned above, and is a trend that is likely to continue as the Company's activities expand. Going forward, the Company will recoup some of its increased administrative costs as it will be receiving management fees from Victory Nickel. Following completion of the Arrangement, Victory Nickel entered into a Management Agreement with Nuinsco. Under this agreement, Nuinsco provides administrative assistance and facilities, for a fee, to Victory Nickel. The fee is equal to the cost to Nuinsco of providing such services plus 10%. It is anticipated that the fee will not exceed $100,000 per month.

The 2006 results of operations include stock compensation expense of $499,000, representing the fair value of 3,100,000 options issued to directors, officers, employees and consultants during the year. The 2005 results include $364,000 of stock compensation expense with respect to 4,275,000 options issued in 2005. The fair market value of the options issued was determined using the Black-Scholes option pricing model, as explained more fully in Note 10 to the Company's 2006 consolidated financial statements.

The 2006 results also include a writedown of marketable securities of $168,000. As explained more fully in Note 5 to the consolidated financial statements, in May and June 2006, the Company received 2,400,000 shares of Campbell, which were initially valued at the then market value of $0.17 per share. The carrying value of those shares was written down in the third quarter to the approximate quoted market value at the end of the period of $0.10 per share. A further 1,200,000 Campbell shares received in the third and fourth quarters of 2006 were valued at $0.10 per share and therefore did not require a writedown.

In the third quarter of 2006, the Company decided not to undertake further exploration on the Muriel Lake property, and accordingly wrote off exploration costs associated with this project totaling $174,627. Other exploration costs relating to discontinued projects in the amount of $95,225 were also written off in 2006. In 2005, the Prairie Lake project was written down by $325,000, to nil. The Timmins project costs amounting to $536,000, along with other project costs totaling $57,000, were also written off in 2005.

The balance of the writedown of exploration and development projects in 2005 was the writeoff of the carrying value of the Mel project of $3,906,000, effective December 31, 2005, because the Company had not completed the $6,000,000 in required expenditures prior to year end and did not anticipate doing so prior to the expiry of the option agreement with Inco Limited on February 28, 2006. During the second quarter of 2006 and following the issuance of the 2005 financial statements, the option agreement was extended to February 28, 2008, and accordingly costs on the Mel project incurred after the option agreement extension are being capitalized.

Year Ended December 31, 2005, Compared With Year Ended December 31, 2004

The Company's net loss for 2005 was $5,010,000, or $0.05 per share, compared with a net loss for 2004 of $8,706,000, or $0.11 per share. The lower loss for 2005 was primarily the result of the lower property writedowns in 2005. In 2005, the writedown of $4,824,000 included $3,906,000 for the Mel property as discussed above. In 2004, a loss of $7,226,000 was recognized on the sale of the Rainy River property and writedowns of exploration projects totalled $1,166,000. In 2005, expenses were offset in part by the recognition of tax recoveries of $211,000, versus $1,182,000 in 2004. The tax recoveries were recognized as a result of the renunciation of the tax benefits of the flow-through share expenditures in 2005 and 2004 in the amount of $211,000 and $1,182,000, respectively.

Administrative expenses, excluding the stock option compensation increased to $987,000 in 2005 from $723,000 in 2004, in step with the increasing cost of compliance for public companies. During 2005, approximately $500,000 was spent on compliance and shareholder costs compared to $200,000 during 2004. These costs do not include salaries of the individuals involved in compliance activities. Stock option compensation decreased by $417,000 to $364,000 in 2005. Prior to 2006, the Company paid minimal salaries to senior executives and directors and had to provide stock options to attract highly experienced management and directors.

On an ongoing basis, the Company evaluates its priority projects and non-core properties are either being sold or abandoned. As a result, property writedowns are recognized. In 2005, the Company wrote down the carrying value of exploration properties by $4,824,000, as described earlier. During 2004 the Company also recognized a loss of $7,226,000 from the sale of its Rainy River property. In 2005, the Company received 2,197,380 shares of Rainy River Resources Ltd. ("Rainy River") as additional payment for the sale of the Rainy River property and recognized a recovery of $555,000. The shares received were included in marketable securities at $0.25 per share, the fair market value at the time of receipt. In addition to the $555,000 of shares received in 2005, the Company recognized a gain of $400,000 from the sale of a portion of the shares received.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eight quarters ended December 31, 2006 is as follows (unaudited):

	2006				2005			
($'000s except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue and other income	755	873	895	1,070	404	2	2	-
Net income (Loss) for the period	(493)	34	928	1,744	(3,798)	(1,064)	247	(395)
Income (loss) per share – basic and diluted	(0.01)	0.00	0.01	0.02	(0.04)	(0.01)	0.00	0.00

Variations in the quarterly results of operations are largely a function of the timing of property writedowns, tax recoveries and gains on the sale of marketable securities described above.

EXPLORATION AND DEVELOPMENT ACTIVITIES

In 2006, the Company incurred exploration expenditures (excluding exploration advances) of $3,908,000 on mineral interests, compared with $2,876,000 in 2005. Significant expenditures of $1,183,000 and $1,525,000 were made in 2006 on the Minago nickel project and Diabase Peninsula uranium property, respectively where drilling and analytical work was undertaken. The Company also spent $1,151,000 (including exploration advances) on its Mel property, $729,000 (including exploration advances) on its Berta and Elmalaan properties in Turkey and $423,000 on its Lac Rocher nickel property in Quebec. Complete details of the mineral properties are included in the 2006 Annual Report and on the Company's website at www.nuinsco.ca.

Uranium

Diabase Peninsula

In December 2004, Nuinsco announced an agreement with Trend Mining Company to option the Diabase Peninsula property in the Athabasca Basin of northern Saskatchewan. During 2005 fieldwork commenced at the property in preparation for drilling.

Diamond drilling began on the property in early December 2005, which intersected local anomalous uranium mineralization of up to 57.7ppm U308 at and near the unconformity beneath the sediments of the Athabasca basin. The drilling also intersected other enrichments indicating the passage of high-temperature fluids through the rock that are typical of unconformity type uranium mineralization.

A further four-hole 2,800 metre drill program was undertaken in mid-2006. This program also returned uranium values as well as key indicator minerals associated with uranium deposits in the Basin which, combined with past drilling and other studies, indicates that uranium mineralizing processes have been active on the property and points toward the local presence of unconformity style mineralization. With these positive results, an expanded drill program is scheduled for 2007. In November 2006, Nuinsco was named as a leader in the race to find the next uranium "Super Deposit" in Saskatchewan's Athabasca Basin by the *Northern Prospector* magazine published by the Manitoba-Saskatchewan Prospectors and Developers' Association.

Prairie Lake

Located about 45 kilometres northwest of Marathon, Ontario, Nuinsco's Prairie Lake property covers the entire Prairie Lake Carbonatite intrusion. The property is easily accessible from the TransCanada Highway along an all weather forest access road. At about 8.8 square kilometres at surface, the Prairie Lake Carbonatite intrusion is a huge exploration target that forms a prominent circular hill elevated up to 75 metres above the surrounding terrain.

Prairie Lake hosts a near-surface historic (non-NI-43-101-compliant) resource of over 180,000 tonnes grading 0.09% U3O8 reported by Nuinsco in the 1970s. Nuinsco most recently conducted exploration in 2002-2003 when trench sampling provided a peak assay of 0.64% uranium from the "High-Grade Zone."

In late 2006, Nuinsco began a program of surface exploration which returned uranium values ranging up to 0.08% U308 (1.656 lb/tonne). With this positive result, an initial 2,000 metres of exploration drilling is planned for 2007.

Nickel

Minago

The area of the Minago project has been significantly enhanced with the addition of an exploration lease of 7,062 hectares to the north and contiguous with the existing property package and 29 claims to the east, west and south. The Minago sulphide nickel project now encompasses 14,496 hectares, which represents an eight-fold increase over the original project area. The project is 100% owned by Nuinsco. In 2006, the Company conducted diamond drilling to provide samples for metallurgical sampling as part of a scoping study on the project. Hole DDH NM-06-02 intersected wide zones of strong nickel mineralization, including assays at depth among the highest recorded to date. The drill hole ended at 855.6 metres and returned 1.91% nickel over 3.93 metres between 825.92-829.85 metres.

Metallurgical testing confirmed that the Minago deposit can produce one of the world's highest grade nickel concentrates – up to 35% nickel. For the purpose of the Minago scoping study, SGS Mineral Services (Lakefield) ("SGS") produced a concentrate grading 27% nickel with a 57% recovery using conventional milling processes.

The identification of the potential for "frac" sand production from the Minago project was incorporated into the scoping study by Wardrop Engineering Inc. Within the cap rock over the projected open pit there is an estimated 4,000,000 tonnes of fracturing or hydraulic "frac" sand, a specialized product used to increase well production in the oil and gas industry. The unique properties of frac sand, combined with limited supply, have created a tight market for the product, a market that Wardrop estimates will grow by 7% annually to US$1.2 billion in 2008 in the United States alone. The frac sand market in western Canada is estimated to be between 200,000 and 1,000,000 tonnes per year.

In November, the Company announced the results of the scoping study on the Minago deposit. Highlights of the scoping study included:

- An IRR of 23.1% using the three-year trailing average nickel price of US$7.43/ lb;

- Net present value of $334,000,000 calculated using an 8% discount rate;
- Total cash flow of $953,000,000;
- Average life-of-mine operating costs, net of by-product credits, of $3.82/lb nickel (US$3.09/lb);
- Excellent potential to add significantly to the current resource, to expand the higher grade zones, and to reduce operating and capital costs prior to the commencement of production;
- Of the 44,600,000 tonnes to be produced, 31,000,000 tonnes currently come from the measured and indicated resource category, with only 13,600,000 tonnes coming from the inferred category;
- Potential for an increased mine production rate;
- Conventional mining and processing combining a 10,000 tonne per day open pit and 3,000 tonne per day underground operation;
- Initial capital of $286,000,000 and sustaining capital of $155,000,000 for total capital costs of $441,000,000, including a $41,000,000 contingency and $9,000,000 for the frac sand processing facility;
- 16-year mine life producing approximately 314,000,000 pounds of nickel, 15,000,000 pounds of copper, 4,000,000 pounds of cobalt, 4,000,000 tonnes of frac sand along with platinum, palladium, rhodium, gold and silver;
- Potential to improve smelter terms due to the extremely high nickel content of the concentrate; and,
- Potential for optimizing recoveries and concentrate grade and quality through further metallurgical testing at SGS Mineral Services (Lakefield) ("SGS").

Mel

As discussed above, Nuinsco is required to spend a total of $6,000,000 on this project by February 28, 2008 to earn a 100% interest in the Mel project, which consists of two components: the Mel Claims encompassing 14,700ha and the Mel Lease of 750ha. The entire Mel resource is located on the Mel Lease.

In late 2006, the Company began planning for an approximate $2,000,000 winter drilling and exploration program in 2007; should conditions permit full execution of the plan the Company would complete its earn-in of 100% of the project. CVRD Inco Limited ("CVRD Inco") has a back-in right to earn back a 51% interest in the project.

Lac Rocher

Located in the Lac Rocher area of northwestern Québec, the Lac Rocher project hosts a nickel deposit with grades in massive sulphide of up to 10.8% nickel. In 2006, the Company completed a program consisting of 16 drill holes, totalling 2,087 metres, intersecting up to 6.03% nickel over 1.14 metres and 2.04% nickel over 17 metres. This drilling was done to supplement drilling conducted in 1998 and 1999 when the Company intersected massive sulphide grading up to 10.8% nickel over 3.2 metres. With this work complete, the Company had The Mining Innovation, Rehabilitation and Applied Research Corporation (MIRARCO) complete a NI-43-101-compliant resource estimate on Lac Rocher. Based on all of the drilling done through 2006, and using a 0.5% nickel cutoff, the measured and indicated resource totals 1,190,288 tonnes grading 0.91% nickel for approximately 25,000,000 pounds of in-situ nickel, and is located between surface and 125 vertical metres. Mineralization remains open to the southwest, and untested potential remains within the intrusion hosting the existing resource. Additional work is planned for 2007 to continue to examine the extent of mineralization, evaluate near-term production potential and assess other targets in the local area.

Gold, Copper and Zinc

Berta

The Berta joint venture (with Noranda Inc., subsequently Falconbridge Limited, now Xstrata Copper Canada) was announced in 2003, and by year-end 2005 the Company had become vested with 50% of the project. The

Berta property is located approximately 50 kilometres south of the Black Sea in northeastern Turkey, within the prolifically mineralized Tethyan-Eurasian Metallogenic Belt which hosts numerous ore deposits in several countries including Iran's Sar Cheshmeh Mine, one of the world's largest copper mines at 1.2 billion tonnes grading about 1% copper.

Results obtained during 2006 from the 2005 drilling program confirmed the presence of a large scale porphyry copper system, reputed to be the largest copper anomaly in the Turkish Pontides, covering 15 square kilometres and 1,000 metres of vertical elevation. With this positive result Xstrata Copper Canada elected to participate on a 50-50 basis and an expanded exploration program was scheduled for 2006.

A state-of-the-art Geotech airborne magnetic and VTEM electromagnetic survey, undertaken in 2006, was the first such survey flown over the area, and identified broad conductive domains in the centre and north of the Berta mineralized system that occur in conjunction with anomalous copper and gold mineralization from earlier soil sampling. Combined they provide ample reason to continue to explore the area and identify numerous drill targets. A diamond drill program commenced in December 2006.

Elmalaan

Located approximately six kilometres south of the Black Sea coast and 20 kilometres southeast of the large regional population centre of Trabzon, the Elmalaan high-grade copper-zinc-gold property covers 947 hectares. Nuinsco is earning 100% of Elmalaan from Xstrata Copper. The Company is required to spend U.S.$250,000 to earn its interest. Xstrata has back-in rights to reacquire a 50% interest in the project upon incurring expenditures equal to 200% of the aggregate expenditures incurred by the Company and a further 20% interest by incurring additional expenditures of U.S.$20,000,000. Nuinsco completed a program of ground geophysics in 2006 to identify targets for an initial 2,500 metre drilling program that began in December 2006. On February 28, 2007, the Company announced that the first hole drilled at Elmalaan intersected massive and stringer sulphide mineralization and strongly altered volcanic rock. Nuinsco is earning 100% of Elmalaan from Xstrata Copper. Drill hole EKD-06-01 intersected two zones of massive and semi-massive sulphide within an interval of sulphide mineralized and altered dacite volcanic rock. The upper interval returned 10.1% zinc, 1.12% lead, 0.28% copper, 50.2g/t silver and 0.731g/t gold over 1.0 metre between 149.6 metres and 150.6 metres. The second intersection, a 1.0 metre interval between 230.4 metres and 231.4 metres, returned 1.64% zinc, 1.88% copper, 25.2g/t silver and 4.57g/t gold. These intersections are located some 200 metres east of a massive sulphide occurrence at surface in outcrop that has returned assays of up to 30.8% copper, 5.13g/t gold and 226g/t silver. Results from the balance of the holes are pending.

Cameron Lake: The Cameron Lake Project consists of one mining lease encompassing 979ha, contiguous mining claims totalling 3,728ha and mineral rights connected to mineral patents at Rowan Lake of 95.7ha. The surface rights to the Rowan Lake mineral patents were sold during 2005. During the mid 1980s approximately $24,000,000 was spent by a former partner of Nuinsco to develop the mine by ramp to the 865 foot (263.7 metre) level. A milling facility is required to bring this property to production.

In December 2005, the Company entered into an agreement whereby a third-party company refurbished the 28 kilometre road to the Cameron Lake deposit with the addition of drainage, culverts and resurfacing, significantly improving access to the site. In April 2006, the Company announced that Wardrop Engineering Inc. had been commissioned to obtain the permits required for the dewatering of the underground workings. Numerous positive meetings were held with local native bands during the year in respect of the granting of dewatering permits, and the process is ongoing. On receipt of the permit, dewatering will be completed and a diamond drill program will be implemented to test the deposit at depth.

Campbell Resources Inc.

In April 2006, the Company reached an agreement with Campbell which outlined the principles upon which the two entities would enter into various proposed transactions to be set out in definitive consulting, operating and financing agreements (the "Campbell Transaction"). During 2006, Campbell undertook a reorganization of its affairs under the Companies Creditors Arrangement Act (the "CCAA") and the

Campbell Transaction forms part of the Plan of Arrangement proposed by Campbell under its CCAA proceedings. The Campbell Transaction includes the following:

Under the Operating Consulting Agreement, the Company is providing operating consulting services for Campbell's development and mining activities, including development of the Copper Rand copper mine, development of Campbell's Corner Bay copper deposit and optimization of its Joe Mann gold mine.

In consideration for providing these services, the Company has received or is entitled to receive:

- a 50% interest in Campbell's Corner Bay copper deposit;
- warrants exercisable at $0.10 per share for a two year period to purchase up to 20% of the issued and outstanding common shares of Campbell, on a fully diluted basis;
- 2,000,000 common shares of Campbell which were received upon commencement of the provision of services under the Operating Consulting Agreement;
- 1,000,000 common shares of Campbell which were received upon completion by Campbell of all of the financings described below; and,
- fees of $25,000 plus 200,000 common shares of Campbell per month, in advance (up to a maximum of 4,000,000 common shares).

The Company has also appointed two representatives to the Board of Directors of Campbell.

LIQUIDITY AND CAPITAL RESOURCES

The Company's activities, principally the acquisition, exploration and development of mineral properties, are financed principally by proceeds from equity financings and the sale of properties or property-related assets.

At December 31, 2006, the Company had working capital of $21,694,000, compared with $3,477,000 at December 31, 2005. Working capital included cash and cash equivalents of $20,045,000 and marketable securities of $2,976,000.

In 2006, the Company generated cash of $78,000 from operating activities, compared with the use of cash totaling $1,019,000 in the same period in 2005. The increase in cash from operations reflects the receipt of cash tax recoveries and cash consulting fees in the current year of $778,000 and $200,000, respectively (none received in 2005), offset by increased general and administrative expenses, net of the increase in accounts payable.

Cash provided by financing activities in 2006 totaled $20,987,000 mostly as a consequence of the issuance of approximately 44,000,000 common shares in various financings (including a rights offering and the exercise of warrants) described in detail in Note 10 to the Company's 2006 consolidated financial statements, for net proceeds of $21,344,000. In the same period in 2005, the Company raised $3,135,000 through the issuance of common shares and flow-through share units comprising flow-through shares and warrants. Cash from financing activities in 2006 was reduced by $377,000 in costs incurred in connection with the Arrangement, discussed below.

Investing activities in 2006 used cash of $3,670,000. Cash inflows included proceeds from the sale of marketable securities of $2,867,000 plus $1,000,000 in payments received on the Company's long-term receivable from Rainy River Resources Ltd., less expenditures on exploration and development projects of $5,002,000, purchase of marketable securities of $2,500,000 and additions to equipment of $35,000. In 2005, investing activities comprised expenditures of $2,876,000 on exploration and development projects, less receipt of $1,000,000 with respect to the long-term receivable and proceeds from the sale of marketable securities of $650,000.

As discussed under Plan of Arrangement and Formation of Victory Nickel Inc., effective February 1, 2007, cash in the amount of approximately $12,100,000, along with the Company's nickel projects were transferred to Victory Nickel.

Given its current working capital position reduced by the cash transferred to Victory Nickel under the Plan of Arrangement discussed below, the Company is sufficiently financed to fund its anticipated future administration and exploration costs unless a decision is made to advance one or more of its projects to production.

Note 5 to the Company's consolidated financial statements describes in detail the various agreements entered into with Campbell, described collectively as the "Campbell Transaction." As part of the Campbell Transaction, the Company purchased 31,250,000 units of Campbell at $0.08 per unit (each a "Campbell Unit") for $2,500,000. Each Campbell Unit consists of a Campbell common share and one-half of one Campbell common share purchase warrant. Each Campbell common share purchase warrant is exerciseable at any time for one Campbell share at a price of $0.15 per share until May 26, 2008 and an earlier date should Campbell shares trade above $0.30 for 20 consecutive days. As a result of this purchase and the other Campbell shares acquired for services rendered, the Company currently owns approximately 10.4% of Campbell.

The Campbell Transaction also provides Nuinsco with an option to purchase an additional 20% interest in Campbell at a price of $0.10 per share. The option is valid for a two-year period to May 2008, and would require an investment of approximately $7,700,000 should the Company exercise its option in full. As part of the Campbell Transaction, Nuinsco has entered into an Operating Consulting Agreement whereby Nuinsco is providing consulting services with respect to the operation of Campbell's Joe Mann gold mine and Copper Rand copper mine for a fee of $25,000 per month plus 200,000 Campbell common shares per month to a maximum of 4,000,000 shares. The Company also received 2,000,000 Campbell common shares on commencement of the Operating Consulting Agreement and received a further 1,000,000 shares on completion of certain financings by Campbell. The Company commenced providing consulting services on May 1, 2006 pursuant to this arrangement. Accordingly, the Company has recorded the consulting fees earned since the beginning of May 2006.

Nuinsco is entitled to receive a 50% interest from Campbell in the Corner Bay copper deposit in Chibougamau, Quebec. The Company expects this transaction will be completed in the first quarter of 2007.

OUTSTANDING SHARE DATA

At March 1, 2007, the Company had 154,170,597 common shares issued and outstanding. In addition, there were 12,250,000 stock options outstanding, and 7,200,818 warrants, compensation units and underlying warrants issued and outstanding which if exercised would bring the diluted issued common shares to a total of 173,621,415 and would generate proceeds of approximately $3,530,000.

At the Annual and Special Meeting of Shareholders held June 14, 2006, shareholders passed a special resolution approving amendment of the Company's articles of continuance to provide for creation of five classes of special shares ("Tracking Shares"). Each class of Tracking Share would track and reflect the economic performance of a particular division or part of the Company's business. Potential divisions for Nuinsco at present could be one or more of: gold assets, uranium assets and Turkish assets. The amended articles of continuance have been filed, however no tracking shares have yet been issued. Management and the Board of Directors are continuing to evaluate the implementation of the Tracking Share structure, including the receipt of favourable tax rulings.

PLAN OF ARRANGEMENT AND FORMATION OF VICTORY NICKEL INC.

Plan of Arrangement

The Company restructured its assets with the objectives of (a) unlocking unrecognized values, including the value of its significant sulphide nickel projects, and (b) facilitating a financing to accelerate the development of the nickel projects. In order to achieve these objectives, the Company completed the Arrangement, which was subject to regulatory, court and shareholder approval. Under the terms of the Arrangement, approximately $12,100,000 along with the Company's Lac Rocher, Mel and Minago nickel projects were, effective February 1, 2007, transferred to a new company, Victory Nickel. Holders of shares of the Company were entitled to receive new common shares of the Company and common shares of Victory Nickel proportionate to their current shareholdings. Upon completion of the Arrangement, Nuinsco held a 25% equity interest in Victory Nickel, and the Company's shareholders held a 100% interest in the transferred assets through their combined shareholdings in the Company and their 75% interest in Victory Nickel.

Victory Nickel will reimburse the Company for all costs incurred in connection with the Arrangement. Approximately $377,000 of such costs incurred prior to December 31, 2006 was deferred pending reimbursement on finalization of the Arrangement.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2006, the Company incurred fees in respect of services and consulting activities provided by directors and corporations controlled by them of $71,330 (2005 - $42,800).

In May and June, 2002, two directors advanced amounts totalling $200,000 to the Company by way of convertible notes. In January, 2007, the two directors exercised their conversion rights and accordingly received 833,333 common shares of the Company upon conversion of the notes. Interest expense on the notes (and unpaid interest) amounted to $24,542 in 2006 and $22,516 in 2005, respectively. Included in accounts payable and accrued charges at December 31, 2006 are amounts (primarily related to accrued interest) owing to the two directors of $132,221 (December 31, 2005 - $104,499).

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 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 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.

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 expenditures 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

At December 31, 2006, the Company had cash and cash equivalents of $20,045,000, of which approximately $12,100,000 was transferred to Victory Nickel on February 1, 2007. The Company has limited operating cash flow and there is no assurance that sufficient funding will continue to be available to it for corporate and administration expenses, for property acquisitions and 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 acquisition and 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.

CONTROLS AND PROCEDURES

As of December 31, 2006, an evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer who is also acting as Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Multilateral Instrument 52-109. Based on that evaluation, the Chief Executive Officer concluded that the design and operation of these disclosure controls and procedures were effective as of December 31, 2006 and appropriate given the size of the Company.

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.

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 consolidated 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 consolidated financial statements, and such statements have been prepared within acceptable limits of materiality. The financial information contained elsewhere in the annual report has been reviewed to ensure that it is consistent with the 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 consolidated financial statements in accordance with Canadian generally accepted auditing standards and provides an independent professional opinion thereon.

W. Warren Holmes
Chairman
March 6, 2007

René R. Galipeau
Vice Chairman, CEO and acting CFO
March 6, 2007

AUDITORS’ REPORT

TO THE SHAREHOLDERS OF NUINSCO RESOURCES LIMITED

We have audited the consolidated balance sheets of Nuinsco Resources Limited as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
March 6, 2007

Flabbi & Associates
Chartered Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

As at December 31, (in thousands of Canadian dollars)	**2006**	2005
ASSETS		
Current		
Cash and cash equivalents	**$ 20,045**	$ 578
Cash for exploration expenditures	**-**	2,072
Marketable securities (Note 4)	**2,976**	316
Accounts receivable (Note 5)	**105**	46
Current portion of long-term receivable (Note 4)	**-**	1,000
Prepaid expenses and deposits	**199**	179
Total Current Assets	**23,325**	4,191
Exploration Advances (Note 6)	**1,368**	-
Exploration and Development Projects (Note 7)	**8,483**	4,926
Property and Equipment (Note 8)	**61**	41
Other Deferred Costs (Note 3)	**377**	-
	$ 33,614	$ 9,158
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Deferred revenue (Note 5)	**$ 113**	$ -
Accounts payable and accrued liabilities	**1,318**	714
Convertible notes – current portion (Note 9)	**200**	-
Total Current Liabilities	**1,631**	714
Convertible Notes (Note 9)	**-**	200
	1,631	914
Shareholders' Equity (Note 10)		
Share capital	**83,887**	62,768
Stock option compensation	**1,458**	1,177
Share purchase warrants	**348**	406
Contributed surplus	**1,233**	1,049
Deficit	**(54,943)**	(57,156)
Net Shareholders' Equity	**31,983**	8,244
	$ 33,614	$ 9,158

NATURE OF OPERATIONS (Note 1)
CORPORATE REORGANIZATION AND FORMATION OF VICTORY NICKEL INC. (Note 3)

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 Canadian dollars, except per share amounts)	**2006**	2005
Revenue and Other Income		
Consulting fees (Note 5)	**$ 715**	$ -
Interest income	**178**	8
Gain on sale of marketable securities (Note 4)	**2,567**	400
Other (Note 5)	**133**	-
Total revenue and other income	**3,593**	408
Costs and Expenses		
General and administrative	**2,282**	987
Stock option compensation (Note 10)	**499**	364
Amortization	**15**	9
Writedown of marketable securities (Note 5)	**168**	-
Recovery on sale of exploration and development project (Note 7)	**-**	(555)
Writedown of exploration and development projects (Note 7)	**270**	4,824
Total costs and expenses	**3,234**	5,629
Income (loss) before income taxes	**359**	(5,221)
Income tax recoveries (Note 11)	**(1,854)**	(211)
Net Income (Loss) for the Year	**2,213**	(5,010)
Deficit, Beginning of Year	**(57,156)**	(52,146)
Deficit, End of Year	**$ (54,943)**	$ (57,156)
Income (Loss) Per Share – Basic and Diluted (Note 2)	**$ 0.02**	$ (0.05)
Weighted Average Common Shares Outstanding	**111,383,684**	93,585,190

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, (in thousands of Canadian dollars)	**2006**	**2005**
CASH FROM (USED BY):		
Operating Activities		
Net income (loss) for the year	**$ 2,213**	$ (5,010)
Items not affecting cash		
Expenses settled though issuance of shares or warrants	**674**	-
Consulting fees received in marketable securities (Note 5)	**(515)**	-
Gain on sale of marketable securities	**(2,567)**	(400)
Writedown of marketable securities	**168**	-
Stock option compensation	**499**	364
Recovery on sale of exploration and development project (Note 7)	**-**	(550)
Writedown of exploration and development projects	**270**	4,824
Amortization	**15**	9
Income tax recoveries (Note 11)	**(1,076)**	(211)
Changes in non-cash working capital (Note 12)	**397**	(45)
Cash from (used by) operating activities	**78**	(1,019)
Financing Activities		
Other deferred costs (Note 3)	**(377)**	-
Issue of common shares and warrants (Note 10)	**21,364**	3,647
Cash from financing activities	**20,987**	3,647
Investing Activities		
Purchase of marketable securities (Note 5)	**(2,500)**	-
Sale of marketable securities (Note 4)	**2,867**	650
Loans to Campbell Resources Inc. (Note 5)	**(4,000)**	-
Repayment of loans to Campbell Resources Inc. (Note 5)	**4,000**	-
Exploration advances	**(1,368)**	-
Additions to exploration development projects	**(3,634)**	(2,876)
Sale of exploration and development property	**-**	250
Long-term receivable	**1,000**	1,000
Additions to equipment	**(35)**	-
Cash used by investing activities	**(3,670)**	(976)
Net Increase in Cash During the Year	**17,395**	1,652
Cash and Cash Equivalents, Beginning of Year	**2,650**	998
Cash and Cash Equivalents, End of Year	**$ 20,045**	$ 2,650
Cash and Cash Equivalents		
Cash and cash equivalents	**$ 20,045**	$ 578
Cash for exploration expenditures	**-**	2,072
	$ 20,045	$ 2,650

1. NATURE OF OPERATIONS

The Company is primarily engaged in the acquisition, exploration and development of properties for the mining of precious and base metals in Canada and Turkey. The Company conducts its activities on its own or participates with others on a joint venture basis.

At December 31, 2006, the Company had working capital of $21,694,000 available to fund ongoing operations. However, as a development stage enterprise, none of the Company's exploration or development projects has commenced commercial production and accordingly the Company historically has been dependent upon debt or equity financings and the optioning and/or sale of resource or resource related assets for its funding. The recoverability of the carrying value of exploration and development projects, and ultimately the Company's ability to continue as a going concern, is dependent upon the discovery of economically recoverable reserves and resources, the Company's ability to finance development of its projects through debt or equity financings and achieving future profitable production, or alternatively upon the profitable disposal of projects.

Should the Company not be able to discover economically recoverable reserves, obtain the necessary financings and achieve future profitable production or sale of properties, the carrying value of the Company's assets could be subject to material adjustment and, in addition, other adjustments may be necessary to these consolidated financial statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under Canadian generally accepted accounting principles.

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 three inactive subsidiaries.

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 amounts which require management to make significant estimates and assumptions include determining carrying values of exploration and development projects and the valuation of stock option compensation.

Cash and Cash Equivalents
Cash and cash equivalents consist of balances with banks and investments in money market instruments. These investments are carried at cost, which approximates market value and have maturities within 90 days from the date of purchase.

Cash raised for exploration activities through the issuance of flow-through shares is restricted and is shown on the balance sheet as "Cash for exploration expenditures." There was no restricted cash at December 31, 2006 as exploration expenditures in 2006 were in excess of that required to be expended pursuant to flow-through share agreements.

Marketable Securities
Short-term investments in marketable securities are recorded at the lower of cost and market value. The market values of investments are determined based on the closing prices reported on recognized securities exchanges. Such individual market values do not necessarily represent the realizable value of the total holding of any security, which may be more or less than that indicated by market quotations. When there has been a loss in the value of an investment in marketable securities that is determined to be other than a temporary decline, the investment is written down to recognize the loss.

Financial Instruments
Financial instruments are initially recorded at historical cost. The Company's financial instruments consist of cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities and convertible notes. The fair value of financial assets and liabilities, excluding marketable securities and convertible notes, approximates their recorded amounts because of the short period to receipt or payment of cash. The fair values of marketable securities and convertible notes are discussed in Notes 4 and 9, respectively.

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 costs net of any recoveries. These costs are capitalized and accumulated on a property-by-property basis and will be amortized as operating expenses against 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 is recognized when the carrying amount of a project 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 and/or sale.

Property and Equipment
Property 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 property and 20% for equipment.

Asset Retirement Obligations
The fair value of liabilities for asset retirement obligations will be recognized in the period in which they are incurred. Currently there are no asset retirement obligations. However, as the development of any project progresses, the Company will assess whether an asset retirement obligation liability ("ARO") has arisen. At the point where such a liability arises, the financial statement adjustment required will be to increase the project's carrying value and ARO obligation by the discounted value of the total liability. Thereafter, the Company will be required to record a charge to income each year to accrete the discounted ARO obligation amount to the final expected liability.

Stock-based Compensation Plans
Stock Option Plan
The Company has a stock option plan which is described in Note 10 and which is accounted for using the recommendations in the Canadian Institute of Chartered Accountants Handbook, Section 3870 "Stock-based Compensation and Other Stock-based Payments." This 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.

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

The Share Incentive Plan is described in Note 10. The Company uses the fair value method of accounting for, and to recognize as compensation expense, its stock-based compensation for employees. Shares issued under the Share Incentive Plan are recorded at the issue price, which is equal to the quoted market price on the date of the award.

Flow-Through Shares
The Company has financed a portion of its exploration and development activities through the issue of flow-through shares. Under the terms of these share issues, the tax attributes of the related expenditures are renounced to subscribers. When the renunciation is made, the tax value of the renunciation is recorded as a liability and charged against share capital. Where the Company has a valuation allowance, which reduces future income tax assets, the valuation allowance is reduced and an income tax recovery is recorded in the statement of operations.

Revenue Recognition
Revenue is principally composed of consulting fees which are recognized when services are rendered which, in the case of the Operating Consulting Agreement described in Note 5, is the non-cancellable term of the agreement. Other income, including interest income, is recognized on an accrual basis; gains on the sale of marketable securities are recognized at the time of sale.

Income Taxes
The Company accounts for income taxes using the asset and liability method. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates enacted is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Income (Loss) Per Share
The Company uses the treasury stock method in determining the diluted income (loss) per share. The diluted income (loss) per share data assumes the exercise of all outstanding warrants and options except when the assumed exercise is anti-dilutive. Income (loss) per share amounts are calculated using the weighted average number of common shares outstanding during the year.

2005 Figures
Certain of the 2005 figures have been reclassified to conform to the 2006 presentation.

3. CORPORATE REORGANIZATION AND FORMATION OF VICTORY NICKEL INC.

Pursuant to a Plan of Arrangement which became effective February 1, 2007, the Company completed a series of transactions which resulted in the transfer of the following assets to a newly-listed public company, Victory Nickel Inc. ("Victory Nickel"):

a. The Company's interest in three mineral resource projects, namely the Minago and Mel sulphide nickel projects on the Thompson Nickel Belt in Manitoba and the Lac Rocher sulphide nickel project in Quebec (collectively the "Nickel Properties"); and,
b. Unexpended cash from the proceeds of the December private placement from which the Company raised net proceeds of $14,045,317.

Pursuant to the Plan of Arrangement, Victory Nickel acquired the Nickel Properties and cash in exchange for the issuance of common shares. Of the common shares issued, 75% were initially held by the Company's shareholders and 25% initially retained by the Company. Accordingly, the Company's shareholders continued to own 100% of the transferred assets by virtue of their holdings of Victory Nickel shares and common shares of the Company. As a consequence, this related party transaction was recorded by Victory Nickel at the carrying value of the Nickel Properties and the cash transferred to it.

Under generally accepted accounting principles, the difference between the carrying value of the Nickel Properties transferred, the cash transferred and the 25% ownership interest in Victory Nickel retained by the Company is treated as a capital transaction. Accordingly in the case of the Company, this resulted in a charge to deficit on the effective date of the transfer. For purposes of the pro forma presentation described below, the charge to deficit has been computed as $14,006,000.

The following pro forma presentation gives effect to the Plan of Arrangement as if it had occurred on December 31, 2006:

	Actual	Pro Forma Adjustments	Pro Forma
Cash and cash equivalents	$ 20,045	$ (13,067) (a) 377 (c)	$ 7,355
Other current assets	3,280	-	3,280
Total current assets	23,325	(12,690)	10,635
Exploration advances	1,368	(979) (a)	389
Exploration and development projects	8,483	(4,629) (a)	3,854
Investment in Victory Nickel	-	4,669 (d)	4,669
Property and equipment	61	-	61
Other deferred costs	377	(377) (c)	-
	$ 33,614	$ (14,006)	$ 19,608
Current liabilities	$ 1,631	$ -	$ 1,631
Shareholders' equity	31,983	(14,006)	17,977
	$ 33,614	$ (14,006)	$ 19,608

The pro forma adjustments reflect:

a. The cash transferred from the Company to Victory Nickel, which was calculated as follows:

Proceeds from the private placement completed December 21, 2006, net of issue costs and out-of-pocket expenses	$14,045,317
Less:	
Exploration advances relating to the Mel project	978,524
Net cash transferred for purposes of pro forma presentation (see (c) below)	$13,066,793

b. The transfer of exploration advances relating to the Mel project amounting to $978,524.

c. The transfer of the Nickel Properties at their carrying values at December 31, 2006 of $4,629,000. This carrying value excludes further expenditures on the Nickel Properties between January 1, 2007 and February 1, 2007, the effective date of the Plan of Arrangement, of approximately $600,000, which will reduce the cash actually transferred to Victory Nickel.

d. As Victory Nickel was responsible for all costs relating to the Plan of Arrangement, the reimbursement of such costs incurred by the Company as of December 31, 2006 in the amount of $377,216.

e. The retention of a 25% equity interest in Victory Nickel recorded at $4,669,000 based on 25% of the aggregate of the carrying value of the Nickel Properties, exploration advances and cash transferred to Victory Nickel.

4. MARKETABLE SECURITIES AND LONG-TERM RECEIVABLE

Marketable securities comprise:

	2006		2005	
	Cost	Market Value	Cost	Market Value
Campbell Resources Inc.	$ 2,960	$ 3,764	$ -	$ -
Rainy River Resources Ltd.	-	-	300	1,521
Other	16	23	16	22
	$ 2,976	$ 3,787	$ 316	$ 1,543

In December 2004, the Company sold its Rainy River property to a private company which later went public under the name Rainy River Resources Ltd. ("Rainy River"). The terms of the sale included 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 was set up as a "Long-Term Receivable" and was receivable in quarterly amounts of $250,000 commencing on March 15, 2005. The $2,000,000 was received in 2005 and 2006. 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 also be received.

In 2005, pursuant to the sales agreement, the Company received 2,197,380 common shares of Rainy River which were valued at $0.25 per share. This was recorded as "Recovery on the sale of exploration and development project" in the 2005 consolidated statement of operations and deficit. The Rainy River shares were sold in 2005 and 2006 resulting in gains on sale of marketable securities of $2,567,000 in 2006 and $400,000 in 2005, respectively.

The Campbell Resources Inc. shares ("Campbell shares") were acquired pursuant to various transactions with Campbell Resources Inc. These transactions include a writedown of such shares of $168,000. In addition to the Campbell shares, the Company acquired warrants to acquire additional Campbell shares totalling 67,807,429 shares at $0.10 per share, and 15,625,000 Campbell shares at $0.15 per share. No separate value has been ascribed to these warrants as their market value is not readily determinable.

5. TRANSACTIONS WITH CAMPBELL RESOURCES INC.

In April 2006, the Company reached an agreement with Campbell Resources Inc. ("Campbell") which outlined the principles upon which the two entities would enter into various proposed transactions to be set out in definitive consulting, operating and financing agreements (the "Campbell Transaction"). Campbell is currently undertaking a reorganization of its affairs under the Companies Creditors Arrangement Act (the "CCAA") and the Campbell Transaction forms part of the Plan of Arrangement proposed by Campbell under its CCAA proceedings. The Campbell Transaction includes the following:

Under the Operating Consulting Agreement, the Company is providing operating consulting services for Campbell's development and mining activities, including completing development of Campbell's Copper Rand copper mine, development of Campbell's Corner Bay copper deposit and optimization of its Joe Mann gold mine.

In consideration for providing these services, the Company has received or is entitled to receive:

- a 50% interest in Campbell's Corner Bay copper deposit as consideration for assisting Campbell in obtaining financing to complete the above activates and repay secured debt of approximately $4,000,000;
- 67,807,429 warrants exercisable for a two year period to purchase up to 20% of the issued and outstanding common shares of Campbell, on a fully diluted basis. The exercise price of the warrants will be $0.10 per share;
- 2,000,000 common shares of Campbell upon commencement of the provision of services under the Operating Consulting Agreement;

- 1,000,000 common shares of Campbell upon completion by Campbell of all of the financings described below; and,
- fees of $25,000 plus 200,000 common shares of Campbell per month, in advance (up to a maximum of 4,000,000 common shares).

The Company has also appointed two individuals as directors of Campbell.

Campbell Financings
Campbell's financing agreements are as follows:

- The Company has subscribed for 31,250,000 units of Campbell (the "Nuinsco Placement") at a price of $0.08 per unit, for gross proceeds to Campbell of $2,500,000.
- Sprott Securities Inc. (the "Agent") completed a private placement of 125,000,000 units of Campbell at a price of $0.08 per unit, for gross proceeds of $10,000,000 (the "Brokered Placement").
- Concurrent with the Brokered Placement and the Nuinsco Placement, Campbell completed a rights offering (the "Rights Offering") to its shareholders of 69,966,264 units at a price of $0.08 per unit, for gross proceeds of $5,400,000.

Each unit of all three financings consists of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant shall be exercisable at any time for one common share at a price of $0.15 for a period of two years following closing. Campbell shall have the right, 12 months after closing, to call the outstanding warrants should Campbell common shares trade above $0.30 for 20 consecutive trading days.

The net proceeds of the Nuinsco Placement, the Brokered Placement and the Rights Offering will be used by Campbell to fund development of the Copper Rand mine, to finance development of the Corner Bay deposit and for general working capital. Except for $4,000,000 to repay a secured credit facility, no proceeds of the financing agreements will be used under Campbell's Plan of Arrangement to pay its creditors. The Plan of Arrangement was approved by Campbell's creditors on June 26, 2006 and by the court on June 27, 2006.

In July 2006, the Company entered into a loan agreement with Campbell, whereby it agreed to lend Campbell up to $2,000,000. The advances under the loan bore interest at 12% per annum, and were secured by all of Campbell's resource properties. An aggregate of $2,000,000 was advanced to Campbell in July and August 2006. Campbell repaid the $2,000,000 in September 2006 upon the closing of its $10,000,000 Brokered Placement referred to above. A further $2,000,000 was advanced to Campbell in October 2006, which amount was repaid in December 2006. The Company earned interest of $72,546 on these loans and also earned loan set-up fees of $50,000 in the third quarter of 2006.

As part of the Campbell Transaction, the Company announced its intention, subject to receipt of all required regulatory approvals, to complete a rights offering to its shareholders. This rights offering was completed in December 2006 (see Note 10).

Upon the commencement of provision of the operating consulting services on May 1, 2006 as contemplated in the agreement with Campbell referred to above, the Company began earning the monthly consulting fee of $25,000 and 200,000 Campbell common shares, and received the additional 2,000,000 Campbell common shares. The Company also received the 1,000,000 Campbell common shares to which it was entitled upon completion of the Nuinsco and Brokered Placement in December 2006.

Revenue related to the value of the 2,000,000 Campbell common shares valued at $340,000 was initially deferred and is being included in consulting fee income over the minimum non-cancelable contractual term of the agreement of one year commencing May 1, 2006. Consulting fee income in 2006 also includes the cash and share consideration due for consulting services rendered by the Company commencing May 1, 2006 and the value of the 1,000,000 Campbell common shares received in December 2006.

The 2,400,000 Campbell shares received in May and June 2006 pursuant to these arrangements were initially recorded at the then quoted market price of $0.17 per share. The carrying value of these shares was written down in the three months ended September 30, 2006 to the approximate quoted market value at the end of the period of $0.10 per share, resulting in a writedown of $168,000. A further 2,200,000 Campbell shares received in the third and fourth quarters were valued at $0.10 per share and therefore did not require a writedown.

Included in accounts receivable at December 31, 2006 are amounts totaling $17,943 owing to the Company with respect to reimbursable costs incurred with respect to the Campbell transaction.

6. EXPLORATION ADVANCES

Prior to December 31, 2006, three of the Company's exploration projects were managed by third parties, namely the Mel sulphide nickel project which was managed by CVRD Inco Limited, and the Berta and Elmalaan properties in Turkey which were managed by Xstrata Copper Canada (formerly Falconbridge Limited). Pursuant to contractual arrangements, in the fourth quarter of 2006, cash was advanced to these third parties in excess of exploration costs incurred to December 31, 2006. The unexpended advances at December 31, 2006 totalled $979,000 in the case of the Mel sulphide nickel project and $389,000 in the case of the Berta and Elmalaan projects. Accordingly, $1,368,000 has been shown separately on the consolidated balance sheet as Exploration Advances at December 31, 2006 (December 31, 2005 – $nil).

7. 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:

	Balance December 31, 2005	Current Expenditures	Writedowns, Losses and Recoveries	Balance December 31, 2006
NICKEL				
Lac Rocher	$ 1,693	$ 423	$ -	**$ 2,116**
Mel	-	172	-	**172**
Minago	1,158	1,183	-	**2,341**
	2,851	1,778	-	**4,629**
URANIUM				
Diabase Peninsula	769	1,525	-	**2,294**
Prairie Lake	-	4	-	**4**
	769	1,529	-	**2,298**
GOLD, COPPER & ZINC				
Cameron Lake	531	140	-	**671**
Berta and Elmalaan	534	340	-	**874**
Other	241	121	(1)351	**11**
	1,306	601	351	**1,556**
	$ 4,926	$ 3,908	$ 351	**$ 8,483**

	Balance December 31, 2004	Current Expenditures	Writedowns, Losses and Recoveries	Balance December 31, 2005
NICKEL				
Lac Rocher	$ 1,686	$ 23	$ 16	**$ 1,693**
Mel	3,431	475	3,906	**-**
Minago	434	724	-	**1,158**
	5,551	1,222	3,922	**2,851**
URANIUM				
Diabase Peninsula	22	747	-	**769**
Prairie Lake	325	-	325	**-**
	347	747	325	**769**
GOLD, COPPER & ZINC				
Cameron Lake	662	119	(2)250	**531**
Berta and Elmalaan	65	469	-	**534**
Other	499	319	577	**241**
	1,226	907	827	**1,306**
	$ 7,124	$ 2,876	$ 5,074	**$ 4,926**

(1) Includes recoveries of costs of $81,000.
(2) Represents a recovery of $250,000 from the sale of surface rights.

Both the provinces of Saskatchewan and Manitoba provide incentive programs to encourage mineral exploration
in their respective provinces. Exploration costs incurred on the Diabase property in Saskatchewan and the Minago and Mel properties in Manitoba in 2006 are net of government assistance received pursuant to such programs of $45,518 and $80,212, respectively (2005 – nil and $71,318, respectively).

NICKEL

Minago
The Minago project consists of two mining leases, ML-002 (247.23ha) and ML-003 (176.85ha), and ten mineral claims encompassing 1,324 hectares. The project is 100% owned by the Company. During 2006 and 2005 Nuinsco conducted significant work including drilling to support metallurgical test that confirmed the continuity and strength of nickel mineralization at depth. Metallurgical testing confirmed that conventional milling produces an extremely high-grade concentrate, grading up to 35% nickel, and formed part of a comprehensive scoping study completed in November 2006. Due to the positive outcome of this economic assessment and continued strong pricing for nickel and other by-product metals, the Company has engaged an engineering firm to proceed with a bankable feasibility study. This study is expected to be completed by mid-2008.

Mel
Effective August 27, 1999, the Company entered into an agreement with Inco Limited ("Inco") (predecessor to CVRD Inco Limited) for the exploration and development of Inco's Mel properties (the "Mel Properties") located in the Thompson area of northern Manitoba. The terms of the agreement, prior to its extension, provided the Company with an option to earn a 100% interest in the Mel Properties by incurring qualified expenditures of $6,000,000 in the five-year period ended August 31, 2005. Subject to

the Company incurring the required expenditures and exercising its option, Inco has the right to earn back a 51% interest in the Mel Properties by incurring expenditures of $6,000,000 over a four-year period following the date of exercise of the Company's option. In late 2004, the agreement was amended so that the earn-in period was extended to February 28, 2006. To December 31, 2005, $3,906,000 had been spent towards the expenditure requirement.

The option agreement initially expired on February 28, 2006. Accordingly, at December 31, 2005, generally accepted accounting principles required a writeoff of the carrying value of the Mel Properties in the amount of $3,906,000 because the Company had not completed the required $6,000,000 expenditure prior to the expiry of the option agreement. During the second quarter of 2006, and following the issuance of the 2005 financial statements, the option was extended to February 28, 2008 and accordingly costs on the Mel Properties incurred after the option agreement extension are being capitalized.

CVRD Inco is the manager of the exploration phase. Under the agreement, CVRD Inco is required to mill ore mined from the Mel deposit at cost plus 5%, provided that the product meets CVRD Inco specifications and that CVRD Inco has sufficient mill capacity. The Company has the option to manage the development and operation of any mines developed on the Mel Properties. Subject to the Company earning its 100% interest in the Mel 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 Mel Properties, the other party has a right of first refusal.

Lac Rocher
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 on any ores mined and milled from the property; any revenues from this project are also subject to the 2% net smelter royalty discussed in Note 13(b).

In 2005, the Company wrote off $15,575 relating to prior expenditures incurred on areas of the property where the Company is no longer focusing.

URANIUM

Diabase Peninsula
In December 2004, Nuinsco entered into an agreement with Trend Mining Company to option the Diabase Peninsula property in the Athabasca Basin of northern Saskatchewan. The property consists of ten contiguous claims encompassing 21,949ha. Three claims are optioned while seven were staked by Nuinsco; all are subject to the option agreement with Trend Mining. Exploration for uranium has been ongoing at Diabase Peninsula since March 2005.

Prairie Lake
The Prairie Lake property consists of nine claims encompassing 600ha of mineral claims. No work was conducted by Nuinsco during 2005 and none was contemplated for 2006. Accordingly, the carrying value of the property, amounting to $325,000, was written off in 2005. Given the rising market price of uranium and the presence of an historical uranium resource, the Company re-evaluated the Prairie Lake property's potential during 2006 and is planning to re-commence exploration activities during fiscal 2007 with a drill program targeting promising uranium showings.

GOLD, COPPER & ZINC

Cameron Lake
The Cameron Lake project consists of one mining lease encompassing 979ha, contiguous mining claims totalling 3,728ha and mineral patents at Rowan Lake of 95.7ha. The surface rights to the Rowan lake property were sold in 2005. A NI 43-101 compliant report and resource estimate was completed in April 2004. During the mid 1980s approximately $24,000,000 was spent on the project by a former shareholder to develop the property by ramp to the 860ft level. In 2006, Wardrop Engineering Inc. was commissioned

to obtain the permits required for the dewatering of the underground workings; as at December 31, 2006 the granting of that permit was still pending.

Berta

On October 13, 2003, the Company entered into the Berta Joint Venture Agreement with Falconbridge Limited, now Xstrata Copper Canada ("Xstrata"). The Berta property is located approximately 50 km from the Black Sea coast in northeastern Turkey. Pursuant to the agreement, the Company was required to spend U.S.$350,000 to earn a 50% interest in the project.

As a result of the work programs conducted by Nuinsco during 2005, the Company became vested with 50% of the project. Xstrata participates prorata in funding exploration expenditures and is the operator of the project.

Elmalaan

The Company finalized an agreement (the "Elmalaan Agreement") in August 2006 to acquire 100% of the Elmalaan copper-zinc property from Xstrata. The Company is required to spend U.S.$250,000 to earn its interest. Xstrata has back-in rights to reacquire a 50% interest in the project upon incurring expenditures equal to 200% of the aggregate expenditures incurred by the Company and a further 20% interest by incurring additional expenditures of U.S.$20,000,000. The Company has completed geological mapping, geochemical sampling and ground geophysics to define targets for diamond drilling which began in the fourth quarter of 2006.

OTHER

Other properties included Muriel Lake which consisted of seven contiguous claims comprising 825 hectares. In the third quarter of 2006 the Company decided not to undertake further exploration on the Muriel Lake property, and accordingly wrote off exploration costs associated with this project totaling $174,627.

The writedown of exploration projects in 2005 includes $537,000 of costs relating to the Fednor/Halliday joint venture in Timmins, Ontario following a decision not to participate in ongoing exploration.

Exploration costs relating to other discontinued projects in the amount of $95,225 were also written off in 2006 (2005 - $40,000).

The recovery on sale of the exploration and development project in 2005 includes $550,000, representing the value of 2,197,380 common shares of Rainy River (valued at $0.25 per share) received pursuant to the sale agreement whereby the Company sold its Rainy River property (see Note 4).

8. PROPERTY AND EQUIPMENT

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Property	$ 20	$ 18	$ 2	$ 3
Equipment	284	225	59	38
	$ 304	$ 243	$ 61	$ 41

9. CONVERTIBLE NOTES

In May and June 2002, two directors advanced funds to the Company by way of convertible notes. The notes, with a maturity date of July 9, 2007, bore interest at 9% per annum, payable annually, and were convertible into common shares of the Company based on $0.24 per share. The notes were secured by a pledge of the Minago property leases. Interest expense on the principal and unpaid interest amounted to $24,542 in 2006 and $22,516 in 2005, respectively.

In January 2007, the holders of the notes exercised their conversion rights, resulting in the issuance of 833,333 common shares which, on the date of conversion, had a quoted market value of approximately $1,100,000.

10. SHARE CAPITAL

Authorized:

The Company is authorized to issue an unlimited number of common shares. The Company is also authorized to issue an unlimited number of Class A special shares, issuable in series, an unlimited number of Class B special shares, issuable in series, an unlimited number of Class C special shares, issuable in series, an unlimited number of Class D special shares, issuable in series, and an unlimited number of Class E special shares, issuable in series.

Issued and Outstanding:

There are no special shares outstanding.

The issued and outstanding common shares are as follows:

Common Shares

	Number of shares	Amount
Balance – December 31, 2004	86,715,402	$ 59,832
Options exercised	-	-
Issued for property	50,000	12
Private placements (i)	18,962,010	3,135
Flow-through share renunciation (g)	-	(211)
Balance – December 31, 2005	105,727,412	62,768
Issued for services rendered (a)	1,400,000	292
Issued in settlement of accounts payable (b)	212,500	34
Options exercised (c)	500,000	134
Issued for property	50,000	11
Private placements (d)	22,981,000	15,373
Rights offering (e)	18,649,061	5,322
Warrants exercised (f)	2,208,914	649
Flow-through share renunciation (g)	-	(1,076)
Outstanding December 31, 2006	151,728,887	83,507
Shares to be issued under the Share Bonus Plan (h)	500,000	380
Balance – December 31, 2006	**152,228,887**	**$ 83,887**

(a) In April 2006, the Company issued 1,400,000 common shares to the estate of a former Chief Executive Officer of the Company for services that he rendered as an officer of the Company. The issuance of the shares followed the receipt of approval of the transaction by the Toronto Stock Exchange.

(b) Included in accounts payable at December 31, 2005 was an amount of $43,750 owing to Trend Mining Company in connection with the Company's December 31, 2004 acquisition of its interest in the Diabase Peninsula property. In April, 2006, $34,325 of this obligation was settled through the issuance of 212,500 common shares. The balance of the obligation of $9,375 will be settled in cash.

(c) In December 2006, the Company issued 500,000 common shares for gross proceeds of $100,000 upon the exercise of 500,000 options with an exercise price of $0.20 per share. This resulted in an increase in share capital of $100,000 plus the carrying value of the options exercised of $34,000.

(d) The following shares were issued pursuant to private placements during 2006:
    i. In May 2006, the Company issued 1,280,000 common shares at $0.32 per share and 2,470,000 flow-through shares at $0.40 per share for gross proceeds of $409,600 and $988,000, respectively, before costs of issue of $70,164.
    ii. In December 2006, the Company completed a private placement financing pursuant to which it issued 19,231,000 common shares at a price of $0.78 per share for gross proceeds of $15,000,180 before costs of issue of $954,863.

(e) In November 2006, the Company issued 18,649,061 shares at $0.30 per share pursuant to a rights offering to its shareholders for gross proceeds of $5,594,718 before costs of issue of $273,512.

(f) In 2006, 2,208,914 common shares were issued upon the exercise of warrants at an average price of $0.26 per share. This resulted in an increase in share capital in the amount of the proceeds of $570,950 plus the carrying value of the warrants in the amount of $78,851.

(g) In February 2006, the Company renounced $3,154,977 (2005 -$618,000) in Canadian Exploration Expenditures to investors of flow-through shares in 2005. The tax value of these renunciations amounts to $1,076,000 (2005-$211,000) and has been recorded as a future tax liability and charged against share capital. Since the Company has a valuation allowance which reduces the future income tax assets, the valuation allowance was reduced and income tax recoveries were recognized in the consolidated statement of operations in the amount of $1,076,000 (2005 - $211,000).

(h) In December 2006, the Compensation Committee of the Board of Directors agreed to issue 500,000 common shares as a discretionary bonus pursuant to the Company's Share Bonus Plan to a director and former employee for past services, including his assistance in obtaining the Diabase Peninsula uranium project. The 500,000 shares were issued in January 2007.

(i) In December 2005, the Company issued 2,512,118 flow-through common shares at $0.17 per share for gross proceeds of $427,060. Directors and officers of the Company purchased approximately 83% of the issue.

In December 2005, the Company completed two flow-through common share financings and issued 5,360,000 flow-through share units at $0.20 per unit, for gross proceeds of $1,072,000 to finance part of the 2005 and 2006 exploration programs. Each unit comprised one flow-through common share and one half common share purchase warrant. The holder of a full warrant is entitled to purchase one common share at $0.25 for a period of two years. In addition, the Company issued 2,875,568 common share units at $0.15 per unit for gross proceeds of $431,335. Each unit comprises one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one common share for $0.25 for a period of two years.

As part of the above two financings in December 2005, the agents were granted 658,845 compensation warrants (the "Compensation Warrants"). The holder is entitled to purchase one common share for $0.17 for each Compensation Warrant held for a period of two years.

In April 2005, the Company issued 6,368,914 flow-through share units at $0.26 per unit for gross proceeds of $1,655,918. Each flow-through share unit is comprised of one flow-through share and one flow-through share purchase warrant. Each flow-through share purchase warrant is exercisable to purchase one flow-through share at $0.40 per share until December 2005. The warrants were not exercised.

The Company also issued 1,145,410 common share units at $0.22 per share for gross proceeds of $251,990. Each common share unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable to purchase one common share at $0.40 per share until April 2007. As part of the financing, the agents were granted 751,432 compensation warrants ("Compensation Warrants") which entitle the holder to purchase one common share and one common share purchase warrant for $0.26 until April 2007 for each Compensation Warrant held. Each warrant entitles the holder to purchase one common share for $0.40 until April 2007

In January 2005, the Company issued 700,000 common shares at $0.20 per share for gross proceeds of $140,000. As part of the financing, investors were granted 700,000 half share purchase warrants. Each whole warrant entitles the holder to purchase one common share at $0.30 until January 2007. As part of the financing, the agents were granted 19,500 compensation warrants (the "Compensation Warrants"). Until January 2007, the Compensation Warrants entitle the holder to purchase one common share for $0.20 and receive an equivalent number of half warrants. Each whole warrant entitles the holder to purchase one common share at $0.30 per share until January, 2007.

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 common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to 10 years. No compensation is recognized when options are exercised. The number of shares reserved for issuance is not to exceed 15% of the aggregate number of common shares issued and outstanding (calculated on a non-diluted basis) from time to time. At December 31, 2006, the Company had 10,084,333 common shares available for the granting of future options.

A summary of the status of the plan and changes during 2006 and 2005 are presented below:

	Number of Options	**Average Exercise Price**	**Amount**
Outstanding, December 31, 2004	8,800,000	$ 0.47	$ 926,000
Options granted	4,275,000	0.20	364,000
Options expired or cancelled	(1,250,000)	0.72	(113,000)
Outstanding, December 31, 2005	11,825,000	0.40	1,177,000
Options granted	3,100,000	0.37	499,000
Options exercised	(500,000)	0.20	(34,000)
Options expired or cancelled	(1,750,000)	0.69	(184,000)[1]
Outstanding, December 31, 2006	**12,675,000**	**$ 0.33**	**$1,458,000**

[1] The $184,000 value related to options which expired or were cancelled during the year resulting in a corresponding increase in contributed surplus.

The outstanding options, 12,240,000 of which are currently exercisable, expire at various dates through to January 2014 at prices ranging from $0.165 per share to $1.44 per share.

The following table summarizes further information about the stock options outstanding at December 31, 2006:

Range of Exercise Prices	Options Outstanding	Years to Expiry [1]	Price [1]
$0.165 - $0.25	5,825,000	4.48	$0.21
$0.31 - $0.38	3,450,000	2.70	$0.32
$0.42 - $0.50	2,775,000	6.65	$0.43
$0.82-$1.44	625,000	3.30	$1.00
$0.165 - $1.44	12,625,000	4.41	$0.33

[1] In this table, "years to expiry" and "price" have been calculated on a weighted average basis.

The weighted average grant date fair value of options granted during 2006 was $0.16 (2005 - $0.085) per share. The grant of the 3,100,000 options during 2006 to employees, directors and consultants resulted in a compensation expense totalling $499,000 compared to 4,275,000 options resulting in compensation expense totalling $364,000 during 2005. The fair value of options granted has been estimated at the date of grant using the Black-Scholes option-pricing model, with the following assumptions:

Option Assumptions	**2006**	**2005**
Dividend Yield	-	-
Expected volatility	65.0%	67.0%
Risk free interest rate	4.2-4.5%	3.5%
Expected option term – years	3	3
Fair value per share of options granted	$0.142- $0.419	$0.0078 - $0.0085

Share Purchase Warrants:

	Number of Warrants	**Weighted Average Exercise Price**	**Amount** ($'000s)
Balance – December 31, 2004	11,125,602	$ 0.42	81
Issued in common share private placements	7,050,978	0.28	267
Issued in flow-through share issues	6,368,914	0.40	108
Compensation Warrants	1,429,777	0.22	92
Underlying warrants	761,182	0.40	31
Expired	(16,629,863)	0.42	(173)
Balance – December 31, 2005	10,106,590	0.28	406
Issued for services rendered	200,000	0.35	20
Exercised	(2,208,914)	0.26	(78)
Expired	(213,481)	0.30	-
Balance – December 31, 2006	7,884,195	$ 0.28	348

At December 31, 2006 the following shares are reserved for issuance on the exercise of share purchase warrants:

Exercise Price	Number	Expiry
$0.30	143,285	Jan. 2007
$0.35	200,000	Jan. 2007
$0.40	1,054,410	Apr. 2007
$0.26	751,432	Apr. 2007
$0.40	751,432	Apr. 2007
$0.25	1,830,000	Nov. 2007
$0.17	494,685	Dec. 2007
$0.25	2,658,951	Dec. 2007
	7,884,195	

Share Incentive Plan:

The Company has a share incentive plan ("Share Incentive Plan") which includes both a share purchase plan (the "Share Purchase Plan") and a share bonus plan (the "Share Bonus Plan").

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

Under the Share Purchase Plan, eligible directors, senior officers and employees of the Company and its designated affiliates and consultants can contribute up to 10% of their annual basic salary before deductions to purchase common shares. The Company matches each participant's contribution. The purchase price per common share is the volume weighted-average of the trading prices of the common shares on The Toronto Stock Exchange for the calendar quarter in respect of which the common shares are issued. Common shares acquired are held in safekeeping and delivered to employees as soon as practicable following March 31, June 30, September 30 and December 31 in each calendar year. No common shares were issued pursuant to the Share Purchase Plan during 2005 or 2006. The maximum number of common shares issuable under the Share Purchase Plan is the lesser of: (i) that number of common shares that can be purchased with a dollar amount equal to 20% of the annual gross annual salary of the Participants (as defined in the Share Incentive Plan); and (ii) 1% of the aggregate number of issued and outstanding common shares (calculated on a non-diluted basis) from time to time.

The Share Bonus Plan permits common shares to be issued as a discretionary bonus to eligible directors, senior officers and employees of the Company and its designated affiliates, and consultants from time to time. For the year ended December 31, 2006, 500,000 common shares were issued under the Share Bonus Plan (2005- nil). The maximum number of common shares issuable under the Share Bonus Plan is the lesser of: (i) 2,000,000 common shares; and (ii) 2% of the aggregate number of issued and outstanding common shares (calculated on a non-diluted basis) from time to time.

11. INCOME TAXES

The income tax recovery differs from the amount computed by applying the statutory federal and provincial income tax rates for the years ended December 31, 2006 and 2005 to the income (loss) before income taxes. The differences are summarized as follows:

	2006	2005
Current income taxes		
Statutory rate applied to income (loss) before income taxes	$ 122,000	$ (1,781,000)
(Non-taxable) non-deductible items - net	(12,000)	63,000
Taxes otherwise payable from realization of future tax assets	4,403,000	-
Temporary differences (primarily exploration and development deductions)	(3,348,000)	1,718,000
Benefit of prior years' losses carried forward	(1,165,000)	-
Net proceeds received on realization of future tax assets (see below)	(778,000)	-
Current tax recovery	(778,000)	-
Future income taxes		
Share issue costs	541,000	-
Expiry of prior years' losses	(7,000)	65,000
Valuation allowance	(534,000)	(65,000)
Flow-through share renunciation	(1,076,000)	(211,000)
Future tax recovery	(1,076,000)	(211,000)
Total income tax recovery	$ (1,854,000)	$ (211,000)

In addition to the income tax recoveries resulting from the renunciation of the flow-through share tax value in the amount of $1,076,000 as explained in Note 10, the Company realized further income tax recoveries in 2006 of $778,000. This amount represents the proceeds received (net of fees and out-of-pocket expenses) as a result of certain transactions entered into which resulted in the realization of the benefit of previously unrecognized tax losses carried forward and exploration and development deductions totaling approximately $13,000,000.

The income tax recovery in 2005 of $211,000 also relates to a flow-through share renunciation.

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:

	2006	2005
Future income tax assets		
Temporary differences		
Equipment	$ 53,000	$ 69,000
Exploration and development	692,000	4,976,000
Share issue costs	434,000	102,000
Net tax losses carried forward	-	1,172,000
Eligible capital property and other	393,000	308,000
	1,572,000	6,627,000
Valuation allowance for future income tax assets	(1,572,000)	(6,627,000)
Future income tax assets, net	$ -	$ -

A valuation allowance has been recorded in an amount equal to the full amount of the future income tax benefit as the likelihood of utilizing unused tax losses and other tax deductions cannot be determined at this time.

12. CHANGES IN NON-CASH WORKING CAPITAL

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

	2006	2005
Accounts receivable, prepaid expenses and deposits	$ 17	$ (160)
Accounts payable and accrued liabilities	380	115
	$ 397	$ (45)

13. RELATED PARTY TRANSACTIONS

Related party transactions not described elsewhere in these consolidated financial statements include the following:

(a) The aggregate of amounts in respect of services and consulting fees paid or payable by the Company for the years ended December 31, 2006 and 2005 to directors and corporations controlled by them was $71,330 and $42,800, respectively. Included in accounts payable and accrued charges at December 31, 2006 are amounts (primarily accrued interest) owing to two directors of $132,221 (2005 - $104,499).

(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 prior to April 26, 2005. 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 in production, no royalties are currently payable.

14. LEASE COMMITMENT

The Company is committed under the terms of an operating lease for office premises which commenced in September 2006 to make future minimum lease payments as follows:

	Minimum Lease Payments
2007	$ 50,666
2008	60,341
2009	62,106
2010	63,871
2011	48,169
Thereafter	4,761
	$ 289,914

15. SEGMENT DISCLOSURE –GEOGRAPHIC INFORMATION

The Company operates in two geographic areas, Canada and Turkey. The Company's six major exploration and development projects are in Canada, namely Lac Rocher, Mel, Minago, Diabase Peninsula, Prairie Lake and Cameron Lake. Two exploration projects are in Turkey, namely Berta and Elmalaan.

Geographic Location	**Assets**		**Revenue**	
	2006	**2005**	**2006**	**2005**
Canada	$ 32,740	$ 8,623	$ 3,593	$ 408
Turkey	$ 874	$ 534	$ -	$ -