



NUINSCO RESOURCES LIMITED

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012 AND 2011

DATED AUGUST 10, 2012

Management's Comments on Unaudited Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements of Nuinsco Resources Limited for the three and six months ended June 30, 2012 and 2011 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

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

Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars)	<i>Notes</i>	June 30, 2012 (unaudited)	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	6	\$ 170	\$ 516
Receivables	7	87	120
Marketable securities	8	820	1,531
Total current assets		1,077	2,167
Non-current assets			
Property and equipment	11, 13	1,145	1,443
Exploration and evaluation projects	12, 13	17,697	15,944
Royalty interest	10	3,000	3,000
Total non-current assets		21,842	20,387
Total Assets		\$ 22,919	\$ 22,554
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	14	\$ 1,857	\$ 1,029
Total current liabilities		1,857	1,029
Non-current liability			
Long-term liability	15	277	266
Total Liabilities		2,134	1,295
Shareholders' equity			
Share capital	17	97,986	97,195
Contributed surplus		5,393	4,985
Accumulated other comprehensive loss		(1,864)	(1,155)
Deficit		(80,730)	(79,766)
Total shareholders' equity		20,785	21,259
Total Liabilities and Shareholders' Equity		\$ 22,919	\$ 22,554

NATURE OF OPERATIONS (Note 1)

CONTINGENCY (Note 26)

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

Condensed Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended June 30,		Six months ended June 30,	
		2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Other income		\$ 118	\$ 100	\$ 118	\$ 100
Other expenses					
General and administrative		(386)	(593)	(803)	(1,130)
Share-based payments:	19				
Options		(253)	(33)	(322)	(522)
Bonus shares		-	(17)	-	(17)
Amortization of property and equipment	11	(2)	(4)	(5)	(7)
Pre-exploration write-offs	12	(3)	(122)	(3)	(127)
Writedown of exploration and evaluation projects	12	-	-	(79)	-
Operating loss		(526)	(669)	(1,094)	(1,703)
Finance income	20	40	1	142	50
Finance costs	20	(6)	(69)	(12)	(67)
Net finance income (costs)		34	(68)	130	(17)
Loss before income taxes		(492)	(737)	(964)	(1,720)
Income tax expense		-	(80)	-	(105)
Net Loss for the Period		\$ (492)	\$ (817)	\$ (964)	\$ (1,825)
Loss per share	18				
Basic loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Diluted loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

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

Condensed Consolidated Statements of Comprehensive Loss

(in thousands of Canadian dollars)	Note	Three months ended June 30,		Six months ended June 30,	
		2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Net loss for the period		\$ (492)	\$ (817)	\$ (964)	\$ (1,825)
Other comprehensive loss					
Net change in fair value of financial assets	8	(727)	(1,171)	(709)	(1,263)
Income tax recovery		-	80	-	105
Other comprehensive loss for the period		(727)	(1,091)	(709)	(1,158)
Total Comprehensive Loss for the Period		\$ (1,219)	\$ (1,908)	\$ (1,673)	\$ (2,983)

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

Condensed Consolidated Statements of Shareholders' Equity

(unaudited) (in thousands of Canadian dollars)		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balances as at January 1, 2011	<i>Notes</i>	\$ 94,340	\$ 4,259	\$ 596	\$ (75,363)	\$ 23,832
Total comprehensive loss for the period						
Net loss for the period					(1,825)	(1,825)
Other comprehensive loss						
Net change in fair value of financial assets				(1,263)		(1,263)
Income tax recovery				105		105
Total other comprehensive loss				(1,158)		(1,158)
Total comprehensive loss for the period						(2,983)
Transactions with owners, recorded directly in equity						
Contributions by owners in the period						
Issue of common shares and warrants		425	68	-	-	493
Options granted and vesting		-	522	-	-	522
Issue of shares under Share Bonus Plan		17	-	-	-	17
Options exercised		5	(2)	-	-	3
Warrants exercised		861	(155)	-	-	706
Total contributions by owners		1,308	433	-	-	1,741
Total transactions with owners		1,308	433	-	-	1,741
Balances as at June 30, 2011		\$ 95,648	\$ 4,692	\$ (562)	\$ (77,188)	\$ 22,590
Balances as at January 1, 2012		\$ 97,195	\$ 4,985	\$ (1,155)	\$ (79,766)	\$ 21,259
Total comprehensive loss for the period						
Net loss for the period					(964)	(964)
Other comprehensive loss						
Net change in fair value of financial assets	8			(709)		(709)
Total other comprehensive loss				(709)		(709)
Total comprehensive loss for the period						(1,673)
Transactions with owners, recorded directly in equity						
Contributions by owners in the period						
Shares issued for property, net	12, 17	288	-	-	-	288
Issue of flow-through common shares and warrants	17	503	86	-	-	589
Options granted and vesting	19	-	322	-	-	322
Total contributions by owners		791	408	-	-	1,199
Total transactions with owners		791	408	-	-	1,199
Balances as at June 30, 2012		\$ 97,986	\$ 5,393	\$ (1,864)	\$ (80,730)	\$ 20,785

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

Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Notes	Six months ended June 30,	
		2012	2011
		(unaudited)	(unaudited)
Cash flows from operating activities			
Net loss for the period		\$ (964)	\$ (1,825)
Adjustments for:			
Share-based payments	19	322	539
Amortization of property and equipment	11	5	7
Writedown of exploration and evaluation projects	12	79	-
Net finance income	20	(129)	(32)
Income tax expense		-	105
Net change in non-cash working capital:			
Change in receivables		17	151
Change in trade and other payables		173	(2)
Net cash used by operating activities		(497)	(1,057)
Cash flows from investing activities			
Proceeds on sale of equipment	11	293	-
Expenditures on exploration and evaluation projects	12	(1,042)	(2,506)
Proceeds on sale of marketable securities		2	1,767
Net cash used by investing activities		(747)	(739)
Cash flows from financing activities			
Issue of common shares and warrants	17	898	1,202
Net cash from financing activities		898	1,202
Net Decrease in Cash and Cash Equivalents		(346)	(594)
Cash and Cash Equivalents, Beginning of the Period		516	628
Cash and Cash Equivalents, End of the Period		\$ 170	\$ 34

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

Notes to the Condensed Consolidated Financial Statements

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

1. REPORTING ENTITY

Nature of Operations

Nuinsco Resources Limited (“Nuinsco” or the “Company”) is a company domiciled in Canada. The address of the Company’s registered office is 80 Richmond St. West, Suite 1802, Toronto, Ontario, M5H 2A4. The condensed consolidated financial statements of the Company as at and for the three and six months ended June 30, 2012 and 2011 comprise the Company and its subsidiaries (together referred to as “Nuinsco” and individually as “Nuinsco entities”) and Nuinsco’s interest in jointly-controlled entities. Nuinsco is primarily engaged in the acquisition, exploration and evaluation of properties for the mining of precious and base metals in Canada and internationally when attractive opportunities arise. The Company conducts its activities on its own or participates with others on a joint venture basis. The Company also makes strategic investments through equity or loan financing to companies engaged in the exploration and development of resource properties. Refer to Notes 12 and 13 to these financial statements.

The Company is listed on the Toronto Stock Exchange (“TSX”) under the symbol “NWI”.

Going Concern

These financial statements have been prepared using generally accepted accounting principles (“GAAP”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at June 30, 2012, the Company had a working capital deficiency of \$780,000 (December 31, 2011 – working capital of \$1,138,000). Working capital is defined as current assets including assets held for sale less current liabilities, excluding restricted cash, if any.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Development of the Company’s current projects to the production stage will require significant financing. Given the current economic climate, the ability to raise funds may prove difficult.

None of the Company’s projects has commenced commercial production and, accordingly, the Company is dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The recoverability of the carrying value of exploration and evaluation projects, and ultimately the Company’s ability to continue as a going concern, is dependent upon exploration results which have the potential for the discovery of economically recoverable reserves and resources, the Company’s ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

The Company continues to examine a number of strategies to maximize the realization of previously written-down amounts due from Campbell Resources Inc. (“Campbell”) presently recorded under *Property and equipment* and *Exploration and evaluation projects* and formerly held under *Interest in Chibougamau* on the consolidated balance sheets and held through CBay Minerals Inc. (“CBay”) a jointly-controlled company with Ocean Partners Investments Limited (“Ocean Partners”). Refer to Notes 11, 12 and 13 to these financial statements. Furthermore, the Company has received reassessments from the Canada Revenue Agency (“CRA”) refer to Note 26.

On August 10, 2012, the Company signed a non-binding indicative term sheet for a \$2,500,000 loan facility (the “Facility”). Refer to Note 27.

Should the Company not be able to continue to achieve favourable exploration results, obtain the necessary financing or 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 financial statements should such adverse events impair the Company’s ability to continue as a going concern as contemplated under GAAP.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

Notes to the Condensed Consolidated Financial Statements

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

These condensed consolidated financial statements reflect the accounting policies described in the Company's Audited Consolidated Financial Statements for the years ended December 31, 2011 and 2010 ("2011 Audited Consolidated Financial Statements") (with the exception of any changes set out in Note 3 below) and accordingly, should be read in conjunction with those financial statements and the notes thereto.

The management of Nuinsco prepares the unaudited condensed consolidated financial statements which are then reviewed by the Audit Committee and the Board of Directors. The unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on August 10, 2012. Shortly thereafter, the financial statements are made available to shareholders and others through filing on SEDAR.

(b) Basis of Measurement

The financial statements have been prepared on the historic cost basis except for the following:

- financial assets at fair value through operations are measured at fair value; and
- financial assets at fair value through Other Comprehensive Income or Loss ("OCI") are measured at fair value.

(c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated. Tabular amounts are shown in thousands of dollars.

(d) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The accompanying unaudited condensed consolidated financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation. The results of operations and cash flows for the current periods as presented are not necessarily indicative of the results to be expected for the full year.

Information regarding significant areas of estimation uncertainty and critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- | | |
|-----------------|--|
| ▪ Notes 8 and 9 | valuation of financial assets at fair value through OCI; |
| ▪ Note 10 | valuation of royalty interest and recoverable amount; |
| ▪ Note 12 | measurement of the recoverable amounts of exploration and evaluation projects; |
| ▪ Note 13 | valuation and allocation of interest in Chibougamau; |
| ▪ Note 19 | measurement of share-based payments; and |
| ▪ Note 26 | contingencies. |

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in detail in Note 3 to the 2011 Audited Consolidated Financial Statements. Such policies have been applied consistently to all periods presented in these financial statements and have been applied consistently by Nuinsco entities.

(a) New Accounting Policies

There have been no new accounting policies adopted by the Company.

(b) New Standards and Interpretations Not Yet Adopted

Since the issuance of the Company's 2011 Audited Consolidated Financial Statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued no additional new and revised standards and interpretations which are applicable to the Company. Refer to Note 3 to those statements.

Notes to the Condensed Consolidated Financial Statements

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

4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT DISCLOSURES

Overview

The Company has exposure to credit risk, liquidity risk, market risk and operational risk from its use of financial instruments. A complete description of the Company's financial risk management and capital management is included in Note 4 to the 2011 Audited Consolidated Financial Statements. This note updates information about the Company's exposure to each of the above risks where there have been material or noteworthy changes. Further quantitative disclosures are included throughout these financial statements.

Credit Risk

Receivables

The Company's receivables consist primarily of amounts due from federal and provincial governments. Amounts due from related parties are settled on a regular basis.

Market Risk

Currency risk

The Company conducts transactions or has balances in the United States and Australian dollars ("US\$" and "A\$", respectively) as well as the European Euro ("Euro" or "€"), the Egyptian Pound ("LE") and Turkish Lira ("TL").

Capital Management Disclosures

	June 30, 2012	December 31, 2011
Shareholders' equity	\$ 20,785	\$ 21,259
Long-term liability	277	266
Balance as at end of period	\$ 21,062	\$ 21,525

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

5. DETERMINATION OF FAIR VALUES

There have been no changes in how the Company determines fair value for both financial and non-financial assets and liabilities from the descriptions included in Note 5 to the Company's 2011 Audited Consolidated Financial Statements. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

6. CASH AND CASH EQUIVALENTS

	June 30, 2012	December 31, 2011
Bank balances	\$ 170	\$ 516
Cash and Cash Equivalents in the Statement of Cash Flows	\$ 170	\$ 516

In 2010, the Company issued a letter of guarantee to support the obligations of its activities in Egypt on its own and its partner's obligations in the amount of US\$200,000; the letter of guarantee expired in the fourth quarter of 2011.

7. RECEIVABLES

	June 30, 2012	December 31, 2011
Other receivables	\$ 64	\$ 83
Prepaid expenses and deposits	23	37
	\$ 87	\$ 120

Notes to the Condensed Consolidated Financial Statements

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

8. MARKETABLE SECURITIES

	<i>Note</i>	June 30, 2012	December 31, 2011
Financial assets at fair value through OCI: Shares	9		
Victory Nickel Inc.		\$ 289	\$ 582
Coventry Resources Limited		517	926
Other		14	23
		\$ 820	\$ 1,531

All of the Company's marketable securities are publicly-listed. All of the Company's shares are valued using Level 1 methodologies. The amount of change in fair value of Coventry shares attributable to the change in foreign exchange rates and included in OCI is a gain of \$4,000 and a net loss of \$3,000 for the three and six months ended June 30, 2012, respectively; and a gain of \$49,000 and a net loss of \$2,000 for the comparative periods in 2011, respectively.

Sensitivity Analysis – Equity Price Risk

All of the Company's financial assets at fair value through OCI are listed on public stock exchanges, including the TSX, the TSX-V and the ASX. During the three months ended June 30, 2012, the markets experienced extreme volatility, therefore a sensitivity analysis is now performed using 15%; the analysis was previously performed using 5%. For such investments, a 15% increase in the equity prices at the reporting date would have increased equity by \$108,000, net of tax effects of \$15,000 (December 31, 2011 using 15% - an increase of \$201,000, net of tax effects of \$29,000); an equal change in the opposite direction would have had the equal but opposite effect on the amounts shown above.

9. FINANCIAL INSTRUMENTS

Credit Risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<i>Notes</i>	June 30, 2012	December 31, 2011
Carrying amount			
Cash and cash equivalents	6	\$ 170	\$ 516
Receivables	7	87	120
Financial assets at fair value through OCI	8	820	1,531
		\$ 1,077	\$ 2,167

Liquidity Risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	Non-derivative financial liabilities		
	Long-term liability	Trade and other payables	Total
As at June 30, 2012			
Carrying amount	\$ 277	\$ 1,505	\$ 1,782
Contractual cash flows	300	1,505	1,805
6 months or less	-	1,505	1,505
2 - 5 years	300	-	300
As at December 31, 2011			
Carrying amount	\$ 266	\$ 1,029	\$ 1,295
Contractual cash flows	300	858	1,158
6 months or less	-	858	858
2 - 5 years	300	-	300

The contractual cash flows reflected in the table above exclude the non-cash flow-through premium liability.

Notes to the Condensed Consolidated Financial Statements

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

Currency Risk

Exposure to currency risk

The Company's exposures to foreign currency risk are as follows based on foreign-denominated amounts translated into Canadian dollars ("C\$") at the respective dates:

(in thousands of Canadian dollars)

As at June 30, 2012	C\$	US\$	A\$
Cash and cash equivalents	\$ 163	\$ 7	\$ -
Receivables	87	-	-
Marketable securities	303	-	517
Trade and other payables	(1,796)	(61)	-
Long-term liability	(277)	-	-
Net exposure	\$ (1,520)	\$ (54)	\$ 517

(in thousands of Canadian dollars)

As at December 31, 2011	C\$	US\$	A\$
Cash and cash equivalents	\$ 468	\$ 48	\$ -
Receivables	120	-	-
Marketable securities	605	-	926
Trade and other payables	(945)	(84)	-
Long-term liability	(266)	-	-
Net exposure	\$ (18)	\$ (36)	\$ 926

Sensitivity analysis

A strengthening of the Canadian dollar, as indicated below, against US\$ and A\$ would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting periods. The analysis assumes that all other variables, in particular interest rates, remain constant.

As at June 30, 2012	Equity	Profit or Loss
US\$ (10 percent strengthening)	\$ (5)	\$ (5)
A\$ (10 percent strengthening)	\$ 52	\$ -
As at December 31, 2011	Equity	Profit or Loss
US\$ (10 percent strengthening)	\$ (4)	\$ (4)
A\$ (10 percent strengthening)	\$ 93	\$ -

A weakening of the Canadian dollar against the above currencies would have had the equal but opposite effect on the amounts shown above. Note that the Company has transactions and balances in the Euro, LE and TL, but the balances as well as the effect of exchange rate differences would not be material.

Fair Value

Fair values versus carrying amounts

The fair values of financial assets and liabilities equal the carrying amounts shown in the balance sheets. The Company has not made any reclassifications between financial assets recorded at cost or amortized cost and fair value.

There have been no transfers of financial assets between Level 1 and Level 2 during the current and previous reporting periods. All of the shares owned by the Company are valued using Level 1 methodologies.

Interest rate used for determining fair value

The interest rate used to discount estimated cash flows, when applicable, is based on the rate charged in the most recent financing obtained by the Company and was 8%.

Notes to the Condensed Consolidated Financial Statements

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

10. ROYALTY INTEREST

On April 20, 2010, pursuant to the sale of Cameron Lake to Coventry Resources Limited ("Coventry"), the Company received a royalty interest in the Cameron Lake property. The royalty interest is a 3% NSR under which Coventry has the right to reduce the royalty to a 1% NSR at any time within five years of April 20, 2010 by making, at Coventry's option, either a cash payment of \$2,000,000 or issuing additional Coventry shares with an equivalent market value. The royalty is accounted for using the cost basis. The royalty has no end date therefore is considered to have an indefinite life. The Company will monitor Coventry's plans to determine whether conditions affecting the royalty change such that it becomes an intangible with a finite life. This is an investment which is subject to the highest degree of measurement uncertainty. Accordingly, future changes in any parameters used in the valuations could give rise to material changes to this asset's carrying values.

The valuation of the royalty interest was based upon cash flow models of the project previously developed by the Company as adjusted for metals prices and expectations of Coventry's plans and discounted using a rate of 8%. The Company will continue to monitor Coventry's progress towards bringing the property into production and will review the royalty for impairment on an annual basis. During 2011, Coventry announced a 17% increase in resources and gold prices continued to rise. The Company considers that the royalty itself is a Cost Generating Unit for the purposes of impairment testing.

Effective the first quarter of 2012, management decided to sell its royalty interest in the Cameron Lake property which is held by Coventry and a marketing strategy was implemented. Due to deteriorating market conditions in the second quarter of 2012, management reassessed its ability to sell the royalty interest at an acceptable price within 12 months; accordingly, while marketing efforts to sell the royalty interest will continue, this asset has been reclassified as a non-current asset. Given the expected financing as described in Note 27, the Company now has more flexibility to secure a satisfactory transaction.

11. PROPERTY AND EQUIPMENT

<u>Equipment</u>	<u>Note</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Balance as at January 1, 2011		\$ 356	\$ 286	70
Transfer from Interest in Chibougamau	13	1,386	-	1,386
Depreciation		-	13	(13)
Balance as at January 1, 2012		1,742	299	1,443
Disposals		(293)	-	(293)
Depreciation		-	5	(5)
Balance as at June 30, 2012		\$ 1,449	\$ 304	\$ 1,145

Effective October 25, 2011, the Company, through CBay, owns a 50% proportionate interest in the mill and related equipment at the Chibougamau camp; in the six months ended June 30, 2012, CBay sold a truck and other equipment, the disposals represent 50% of the effect of those transactions. Refer to Note 13 for additional information.

Notes to the Condensed Consolidated Financial Statements

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

12. EXPLORATION AND EVALUATION PROJECTS

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

	Note	January 1, 2012	Current Expenditures	Writedown of E&E Projects	June 30, 2012
URANIUM AND RARE METALS					
Diabase Peninsula		\$ 8,041	\$ 902	\$ -	\$ 8,943
Prairie Lake		2,886	454	-	3,340
		10,927	1,356	-	12,283
GOLD, COPPER AND ZINC					
Chibougamau camp	13	3,820	396	-	4,216
Berta		1,197	1	-	1,198
Bukari		-	23	(23)	-
J. Tobrar		-	40	(40)	-
		5,017	460	(63)	5,414
		\$ 15,944	\$ 1,816	\$ (63)	\$ 17,697

		January 1, 2011	Current Expenditures	Effect of Dilution	June 30, 2011
URANIUM AND RARE METALS					
				(see below)	
Diabase Peninsula		\$ 6,943	\$ 1,005	\$ -	\$ 7,948
Prairie Lake		2,333	388	-	2,721
		9,276	1,393	-	10,669
GOLD, COPPER AND ZINC					
Berta		1,733	68	(616)	1,185
Elmalaan		1,100	28	-	1,128
Bukari		273	305	-	578
		3,106	401	(616)	2,891
		\$ 12,382	\$ 1,794	\$ (616)	\$ 13,560

Uranium and Rare Metals

Diabase Peninsula

In December, 2004, Nuinsco entered into an agreement with Trend Mining Company ("Trend") to acquire a 50% interest in the Diabase Peninsula property in the Athabasca Basin of northern Saskatchewan upon the expenditure of \$1,000,000. As at March 31, 2012, cumulative expenditures have increased this ownership interest to greater than 90% as Trend did not contribute its share of expenditures. Under the agreement, should a participant's interest drop below 10%, that participant will relinquish its entire participating interest and will have the right to receive a royalty equal to 3% of the net value of all mineral products produced from the property; net value is defined as proceeds less processing and treatment charges, transportation costs, sales, marketing and brokerage costs and taxes. Accordingly, Trend's interest has been converted to a royalty and Nuinsco owns the project in its entirety.

The property consists of ten contiguous claims encompassing 21,949 hectares ("ha"). Three claims are optioned while seven were staked by Nuinsco; all are subject to the option agreement with Trend. Exploration for uranium has been undertaken at Diabase Peninsula since March, 2005 with the most recent work program being completed in the winter of 2011. Trend had a one-time 50% back-in right, subject to certain conditions, which expired upon its conversion to a royalty interest.

In order to maintain the option on one of the claims, the Company was required to make an option payment of approximately \$935,000 by September 2, 2012; in May, 2012, the Company was successful in extending the option terms for a year, with additional extensions being possible, for four quarterly cash payments of \$9,350 and \$37,600 of the Company's shares. This has deferred the option payment of \$935,000 by at least one year. That same claim is

Notes to the Condensed Consolidated Financial Statements

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

subject to a 3% gross production royalty (“GPR”) defined as actual metal/mineral sales with no deduction for refining or transportation expenses. The GPR can be purchased before September 2, 2012 for \$11,000,000 as follows: first percentage - \$1,000,000; second percentage - \$3,000,000; third percentage - \$7,000,000.

Prairie Lake

The Prairie Lake property consists of nine claims, 38 claim units, encompassing 608 ha of mineral claims. Given the presence of an historic uranium resource, as well as strongly anomalous tantalum-niobium and phosphorous, along with widespread rare metals mineralization, diamond drilling, surface sampling and mapping programs were conducted in 2007, 2008 and 2010. A review and analysis of past results took place during 2009 as did metallurgical testing and the completion of an Estimated Tonnage Mineralized Inventory which was announced in early 2010 and updated by the Company in October 2011. The property was subject to a 2% NSR payable on any production from any claim that comprises the property. Up to a maximum of one half of the royalty could be purchased for \$1,000,000 in either cash or common shares of the Company. On January 23, 2012, the Company announced that it had acquired the NSR through issuing 3,157,894 shares with a market value of \$300,000. The property is now royalty-free.

Gold, Copper & Zinc

Chibougamau Camp

The Chibougamau assets represent a very substantial presence in a mining camp which has produced 1.6 billion pounds of copper and 3.4 million ounces of gold from 18 past-producing mines. Nuinsco and Ocean Partners own:

- eight past-producers on the Lac Doré fault and the significant potential to add to the known mineralization at these projects;
- one partially-developed high-grade copper mine - the Corner Bay Mine;
- a permitted 2,772 tonnes per day mill and tailings facility (included in *Property and equipment* on the consolidated balance sheet – Note 11); and,
- in excess of 11,000 ha of highly-prospective exploration property.

The amount of \$3,820,000 was transferred from *Interest in Chibougamau* on the consolidated balance sheet upon completion of the asset transfer agreement (Note 13).

Berta

In October, 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 kilometres south of the Black Sea coast in northeastern Turkey. Pursuant to the agreement, the Company was required to spend US\$350,000 to earn a 50% interest in the project.

As a result of the work programs conducted by Nuinsco during 2005, the Company became vested with 50% of the project. Xstrata participates pro-rata in funding exploration expenditures and is the operator of the project. Discussions with Xstrata have been ongoing, including discussions to buy Xstrata’s share of the joint venture. Xstrata has advised that it is no longer interested in selling its share of Berta. As a result, Nuinsco has allowed itself to be diluted to approximately 36%; the effect of dilution was a \$616,000 reduction in the value of Berta.

In 2006 and 2007, the Company completed airborne geophysics followed by diamond drilling. Drilling intersected a significant, continuous domain of strong sulphide mineralization with copper, gold, silver and zinc values. Three drill holes were completed in 2008 demonstrating further evidence of widespread copper mineralization. The Berta property is subject to a 2% NSR.

Elmalaan

The decision was made in the first quarter of 2012 to not continue with Elmalaan. Accordingly, the Company recorded a writedown of \$1,100,000 to record the carrying value of Elmalaan at \$nil effective December 31, 2011.

Egypt

In February, 2010, the Company announced that it had been successful, along with its Egyptian partner, in the bid process for gold exploration concessions in Egypt – Bukari and Umm Samra. In the first quarter of 2012, the Company announced that it had decided not to pursue tenure of the Egyptian properties and advised EMRA of this on March 27, 2012. Accordingly, effective December 31, 2011, a net writedown of \$803,000 was recorded in *Writedown of exploration and evaluation projects* which comprises \$629,000 expenditures, \$378,000 receivable from Quartz Core for Mineral Resources (“QCC”), the Company’s partner in Egypt, representing its share of expenditures as described

Notes to the Condensed Consolidated Financial Statements

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below offset by \$204,000 reversal of an accrual which is no longer required. The writedown brought the value of the Bukari project to \$nil. Any commitments under the concession agreements for future expenditures are no longer applicable.

The shareholders' agreement between the Company and QCC governing the 50%-owned company contains dilution provisions. Presently, the Company has exceeded its expenditure commitment. Nuinsco recorded an incremental amount of \$16,000 in the first quarter of 2012 with an equal and opposite amount in *Writedown of exploration and evaluation projects* (December 31, 2011 - \$378,000) for the expenditure difference. Should QCC fail to make the required expenditures, its interest in the company will be proportionately reduced and Nuinsco will record an increased proportionate interest in the company.

In the first quarter of 2012, the Company incurred \$23,000 of expenditures on its Egyptian properties before its decision to not pursue tenure, accordingly, these were written off to *Writedown of exploration and evaluation projects*.

Sudan

On July 18, 2011, the Company announced that it had expanded its presence in the Middle East North Africa ("MENA") region by entering into an option agreement with Makaseb Holding LLC ("Makaseb"), to acquire an 85% interest in that company's subsidiary UAE for Gold Minerals and Investment Company Ltd. ("UAE Gold"). UAE Gold owns 100% of the J. Tobrar (Block 64) concession, located in northeastern Sudan that hosts the Hamil Gold Vein System.

On February 7, 2012 the Company announced that it had elected not to exercise the option. Accordingly, expenditures were written down to \$nil effective December 31, 2011. Expenditures of \$40,000 were incurred prior to the decision being made; these were written off to *Writedown of exploration and evaluation projects* in the first quarter of 2012.

Pre-exploration write-offs

Pre-exploration expenditures are written off at the end of each reporting period to *Pre-exploration write-offs* through operations. Exploration costs in the amount of \$3,000 were written off during the three and six months ended June 30, 2012, (three and six months ended June 30, 2011 - \$122,000 and \$127,000 respectively).

The following tables show the pre-exploration expenditures and associated write-offs made immediately through operations:

	Current Pre-exploration		June 30,
	Expenditures	Write-offs	2012
PRE-EXPLORATION EXPENDITURES - Other	\$ 3	\$ (3)	\$ -

	Current Pre-exploration		June 30,
	Expenditures	Write-offs	2011
PRE-EXPLORATION EXPENDITURES - Other	\$ 127	\$ (127)	\$ -

13. INTEREST IN CHIBOUGAMAU

The Company held various investments in and loans to Campbell. Given the nature of the security underlying the loan and convertible debenture, the Company considered these elements together and had recorded them in *Interest in Chibougamau* on the consolidated balance sheet. The Company's security on amounts owing by Campbell included Corner Bay and other exploration and evaluation properties, among other things.

Effective December 31, 2008, the Company determined that its balances with Campbell were impaired and therefore recorded an aggregate impairment allowance against the balances of \$7,923,000 through operations as a provision for writedown of amounts owing from Campbell.

On January 28, 2009, Campbell announced that it had re-entered protection under the CCAA under which a court-appointed monitor was engaged. Since that date, the Company has been actively involved in trying to protect its interests throughout the CCAA proceedings and has held several meetings with the court-appointed monitors as well as attended court sessions.

Notes to the Condensed Consolidated Financial Statements

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In 2010, the Company, along with Ocean Partners, through a jointly-owned company, acquired substantially all of the remaining secured debt and claims of Campbell (that the Company and Ocean Partners did not already own) for aggregate staged payments over a three-year period of \$4,050,000 (including those deposits already made by each of Nuinsco and Ocean Partners). The face value of the aggregate debt acquired by the Company and Ocean Partners was \$24,245,000 excluding interest. Acquisition of all of the secured debt rationalized the number of secured creditors and the complicated security over the Campbell assets including Corner Bay, the Copper Rand mill and other exploration properties in the Chibougamau mining camp in Québec.

The agreements require additional staged payments by the Company of \$200,000 within one year of signing of the asset transfer agreement and \$300,000 by no earlier than April 20, 2013; discounted at 8%, the fair value of the long-term payable was \$241,000 at that time. Such liabilities are included in *Trade and other payables* (Note 14) and *Long-term liability* (Note 15) in the consolidated balance sheet.

The CCAA process concluded on October 25, 2011 with the completion of the asset transfer as described below; accordingly, the Company's share of expenditures incurred in the three and six months ended June 30, 2012 to protect its interest in Campbell assets amounted to \$nil, (three and six months ended June 30, 2011 - \$204,000 and \$341,000, respectively). Such expenditures included legal fees, court-appointed monitor's fees, certain property taxes and other costs and were included in *General and administrative costs* in the consolidated statement of operations.

On June 28, 2011, the Company announced that the Québec Superior Court had accepted the Company's proposal made through its jointly-controlled company, CBay, and directed the receiver to transfer the assets, thereby giving ownership to Nuinsco and Ocean Partners of all exploration, mining and processing and other assets located in and near Chibougamau, Québec. The Company, along with Ocean Partners, completed the asset transfer agreement effective October 25, 2011. Upon completion of the agreement and transfer of legal ownership, the Company commenced capitalization of eligible project expenditures to the *Interest in Chibougamau* and also increased the carrying value of the *Interest in Chibougamau* by an amount of \$870,000; the increase in the carrying value was reflected as *Recovery of provision for Chibougamau* in the consolidated statement of operations. The Company believes that carrying value is fair value and that capitalized costs will be recovered.

Notes		December 31, 2011
Acquisition of debt and claims		\$ 2,055
Less: fair value adjustment		(59)
		1,996
Originated debt	(a)	2,297
		4,293
Revaluation to estimated recoverable amount		870
Project costs		43
		5,206
Transfer to property and equipment	11	(1,386)
Transfer to exploration and evaluation projects	12	(3,820)
		\$ -

(a) The Originated debt is shown net of Québec mining duties of \$203,000.

In order to complete the asset transfer, the Company and Ocean Partners transferred their rights to the originated debt, the acquired debt and claims to CBay. Accordingly, the estimated recoverable amount of the transferred assets can be viewed as the value of the assets or originated debt being given up. This was based upon an analysis of the transactions to acquire claims or debt compared with the gross amount of the debt or claim. The Company determined an appropriate ratio and applied that to the originated debt values to derive a surrogate value.

Furthermore, an alternative value of the estimated recoverable amount (similar to the approach adopted in 2010) was derived based primarily upon a discounted cash flow model of the Corner Bay project, adjusted for other potential claims against the property and taking into account the continuation of the partnership with Ocean Partners. However, additional factors were also taken into account including: the estimated value of a fully-permitted mill, probabilities and risk weightings of outcomes, discussions with potential acquirers and estimated value of possible deals, the length of time of alternatives including time to production and so on.

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There is a high degree of variability in many of the factors used to arrive at an estimated recoverable amount. The Company believes that, absent any acceptable definitive offer, the methodology used is an appropriate, prudent measure of the estimated recoverable amount. The Company is continuing to assess its options to best realize on its interests and will continue to be actively involved in the process with CBay and Ocean Partners until its conclusion.

Given that CBay now owns assets directly, the Company has reclassified the former *Interest in Chibougamau* into its share of direct asset components being *Property and equipment* of \$1,386,000 (Note 11) and *Exploration and evaluation projects* of \$3,820,000 (Note 12) on the consolidated balance sheets. The allocation between components is subject to a high degree of measurement uncertainty.

14. TRADE AND OTHER PAYABLES

<i>Note</i>	June 30, 2012	December 31, 2011
Trade payables		
E&E projects	\$ 617	\$ 162
Non-project related	298	123
Flow-through premium liability	352	171
Other payables	-	5
Due to Victory Nickel Inc.	22 58	20
Accrued liabilities		
E&E projects	79	60
Non-project related	22 453	488
	\$ 1,857	\$ 1,029

The following table shows the continuity of the flow-through premium liability:

<i>Notes</i>	June 30, 2012	December 31, 2011
Balance as at beginning of year	\$ 171	\$ 48
December, 2010 financing:		
Flow-through premium through finance income	20 -	(48)
July and August, 2011 financing:		
Flow-through premium	-	150
Flow-through premium through finance income	(97)	(24)
December, 2011 financing:		
Flow-through premium	-	45
Flow-through premium through finance income	(43)	-
February and March, 2012 financing:		
Flow-through premium	17 321	-
	\$ 352	\$ 171

15. LONG-TERM LIABILITY

Payable from Acquisition of Campbell Debt

The Company, through CBay, has an obligation under a long-term arrangement with respect to the acquisition of debt of Campbell (Note 13). The Company is required to pay \$300,000 on the basis of \$0.25 per ton of ore processed through the CBay mill with any remaining balance due three years after implementation of a mine plan. The mill requires refurbishment, processing is not presently possible and a mine plan has not been determined. The fair value of the amount, using a discount rate of 8%, is \$277,000 as at June 30, 2012 (December 31, 2011 - \$266,000). Nuinsco will accrete the value of the obligation by interest charges through operations. In the three and six months ended June 30, 2012, accretion of \$5,000 and \$11,000 (three and six months ended June 30, 2011 - \$6,000 and \$11,000) was added to long-term obligations and recorded as interest expense.

Notes to the Condensed Consolidated Financial Statements

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

16. OPERATING LEASE

Lease as Lessee

In June, 2011, the Company amended and extended its main lease for premises at 80 Richmond Street West, Toronto. The extension term is for five years terminating on September 30, 2016 and includes basic rent commitments as follows:

	June 30, 2012
Office rental	
Less than 1 year	\$ 98
Between 1 and 5 years	342
Total Minimum Lease Payments Payable	\$ 440

It is not expected that the cash flows reflected in the maturity analysis would occur significantly earlier, or at significantly different amounts. During the three and six months ended June 30, 2012, \$48,000 and \$95,000 was recognized as net rent expense through operations in respect of operating leases including operating costs (three and six months ended June 30, 2011 – \$39,000 and \$69,000). Furthermore, amounts of \$11,000 and \$22,000 were recognized as a contra to rent expense through operations in respect of a sublease in the three and six months ended June 30, 2011; the sublease expired on June 30, 2011.

17. CAPITAL AND OTHER COMPONENTS OF EQUITY

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.

Number of shares issued and outstanding

There are no special shares outstanding. The issued and outstanding common shares during the six months ended June 30, 2012 are as follows:

Notes	Number of Shares	Gross Proceeds/ Consideration	Non-cash Items	Share Issue Costs	Flow-through Premium	Warrants and Options	Share Capital
Balance as at January 1, 2012	280,211,807						\$ 97,195
Shares issued for property (a)	3,157,894	-	300	(12)	-	-	288
Issue of flow-through common shares (b)	7,142,858	1,000	-	(90)	(321)	(86)	503
Balance as at June 30, 2012	290,512,559	\$ 1,000	\$ 300	\$ (102)	\$ (321)	\$ (86)	\$ 97,986

(a) On January 23, 2012, the Company issued 3,157,894 common shares to acquire the royalty on the Prairie Lake property (Note 12).

(b) On March 13, 2012, the Company issued 7,142,858 flow-through units (each a "Unit") at a subscription price of \$0.14 per Unit generating aggregate proceeds of \$1,000,000. Each Unit consisted of one common share and one-half of a warrant.

On July 30, 2012, the Company issued 923,864 common shares to extend the agreement on Diabase Peninsula as described in Note 12.

Share Incentive Plan

The Company has a Share Incentive Plan which includes both a Share Purchase Plan and a Share Bonus Plan. Both are described in the Company's 2011 Audited Consolidated Financial Statements. At the Company's Annual and Special Meeting of Shareholders held on June 18, 2012 (the "ASM"), shareholders approved the maximum number of common shares issuable under the Share Bonus Plan to 8,000,000.

Shareholder Rights Plan

The Company has a Shareholder Rights Plan which is described fully in the Company's 2011 Audited Consolidated Financial Statements.

Notes to the Condensed Consolidated Financial Statements

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

Accumulated Other Comprehensive Income or Loss ("AOCI")

AOCI is comprised of the following separate components of equity:

Net change of financial assets at fair value through OCI

This comprises the cumulative net change in the fair value of financial assets at fair value through OCI until the financial assets are derecognized.

Income tax on OCI

This comprises the amount of income tax determined to be required on the cumulative net change in the fair value of financial assets at fair value through OCI.

18. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share ("EPS") for the three and six months ended June 30, 2012 was based on the losses attributable to common shareholders of \$492,000 and \$964,000 (the three and six months ended June 30, 2011 – losses of \$817,000 and \$1,825,000) and a weighted average number of common shares outstanding as shown below.

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on earnings per share.

Weighted Average Number of Common Shares Basic

	Notes	Three months ended June 30,		Six months ended June 30,	
		2012	2011	2012	2011
Balance as at beginning of period		290,513,000	258,070,000	280,212,000	254,205,000
Effect of share options exercised	19	-	-	-	45,000
Effect of warrants exercised	19	-	4,706,000	-	2,873,000
Effect of shares issued pursuant to private placements	17	-	-	4,317,000	2,952,000
Effect of shares issued for property	17	-	-	2,950,000	-
Effect of shares issued under Share Bonus Plan	20	-	46,000	-	23,000
Weighted average number of common shares basic		290,513,000	262,822,000	287,479,000	260,098,000

Diluted Earnings (Loss) per Share

The effect of adjustments to the weighted average number of common shares would be anti-dilutive because the Company has incurred losses in each respective accounting period.

As at June 30, 2012, 25,865,000 options and 14,893,000 warrants (June 30, 2011 – 22,410,000 options and 21,247,000 warrants) were anti-dilutive.

19. SHARE-BASED PAYMENTS

Description of the Share-based Payment Arrangements

The Company's share-based payment arrangements are described in Note 22 to the Company's 2011 Audited Consolidated Financial Statements.

Stock option plan (equity-settled)

As at June 30, 2012, the Company had 17,712,000 (December 31, 2011 – 21,517,000) common shares available for the granting of future options. Options are exercisable at the market price of the shares on the date preceding the date of grant. The Company does not have any cash-settled transactions.

Share purchase warrants (equity-settled)

Outstanding warrants as at June 30, 2012 consist of warrants issued pursuant to private placements. The Company does not have any cash-settled transactions.

Share Bonus Plan

The terms of the Company's Share Bonus Plan are set out in Note 20 to the Company's 2011 Audited Consolidated Financial Statements; as amended at the ASM as described in Note 17.

Notes to the Condensed Consolidated Financial Statements

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

Terms and Conditions of Share-based Payment Arrangements

The terms of the Company's share-based payment arrangements are set out in Note 22 to the Company's 2011 Audited Consolidated Financial Statements.

Disclosure of Share-based Payment Arrangements

Stock Option Plan

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

	Number of options		Weighted average exercise price	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Outstanding as at beginning of period	20,515,000	17,535,000	\$ 0.14	\$ 0.14
Granted	5,550,000	5,105,000	\$ 0.065	\$ 0.17
Exercised	-	(100,000)	-	\$ 0.06
Expired	(200,000)	(2,025,000)	\$ 0.44	\$ 0.24
Outstanding as at end of period	25,865,000	20,515,000	\$ 0.12	\$ 0.14
Exercisable as at end of period	24,075,000	19,362,500	\$ 0.12	\$ 0.14

For options granted during 2012, the weighted average fair value at the date of grant was \$0.048 (2011 - \$0.15).

Range of exercise prices	Number of options outstanding		Weighted average remaining contractual life (years)	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
\$0.030 to \$0.050	4,600,000	4,600,000	1.70	2.20
\$0.055 to \$0.055	1,100,000	1,100,000	3.12	3.61
\$0.060 to \$0.075	5,680,000	130,000	4.76	4.95
\$0.080 to \$0.100	4,350,000	4,350,000	2.51	3.01
\$0.110 to \$0.150	1,350,000	1,350,000	0.42	0.92
\$0.160 to \$0.170	4,750,000	4,750,000	3.70	4.18
\$0.180 to \$0.210	-	-	-	-
\$0.220 to \$0.260	2,400,000	2,400,000	1.76	2.26
\$0.270 to \$0.350	1,635,000	1,635,000	0.56	1.06
\$0.360 to \$0.488	-	200,000	-	0.28
	25,865,000	20,515,000	2.80	2.74

A total of 5,550,000 options were granted during the second quarter of 2012 (2011 – 5,105,000) to key management personnel, employees and consultants. This resulted in share-based payment expense of \$205,000 and \$234,000 in the three and six months ended June 30, 2012. Furthermore, on June 6, 2012, the Company agreed to extend options granted to a retiring director to their original terms; this resulted in an additional expense of \$48,000 in the period. Aggregate options expense in the three and six months ended June 30, 2011 was \$33,000 and \$522,000, respectively. Of the 25,865,000 options outstanding as at June 30, 2012, 1,790,000 are subject to vesting (as at December 31, 2011 – 20,515,000 options were outstanding of which 1,152,500 were subject to vesting). The aggregate fair value of these unvested options not yet charged to operations is \$65,000 (as at December 31, 2011 - \$32,000). For options exercised during 2011, the weighted average market price was \$0.15; no options have been exercised in 2012 to date.

The Company's jointly-controlled company, CBay, has entered into an arrangement with its CEO to provide options in that company. Nuinsco's share of the cost of the option arrangement is \$40,000. Given that CBay is a private entity and newly-created, there is a high degree of measurement uncertainty associated with this estimate which was derived using an estimated term to expiry of 1 year and a volatility of 68%.

Notes to the Condensed Consolidated Financial Statements

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

Share purchase warrants

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

	Date Issued	Life ⁽¹⁾	Number of warrants		Weighted average exercise price	
			June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Issued pursuant to private placements						
	October 4, 2010	24	5,600,000	5,600,000	\$ 0.10	\$ 0.10
	January 10, 2011	24	1,562,500	1,562,500	\$ 0.22	\$ 0.22
	Expired		(1,562,500)			
	July 29, 2011	24	1,833,315	1,833,315	\$ 0.20	\$ 0.20
	August 3, 2011	24	2,151,533	2,151,533	\$ 0.20	\$ 0.20
	August 29, 2011	24	333,334	333,334	\$ 0.20	\$ 0.20
	August 30, 2011	24	970,984	970,984	\$ 0.20	\$ 0.20
	December 30, 2011	18	22,833	22,833	\$ 0.09	\$ 0.09
	February 24, 2012	18	3,410,750		\$ 0.20	
	February 24, 2012	18	409,290		\$ 0.14	
	March 12, 2012	18	138,250		\$ 0.20	
	March 13, 2012	18	22,429		\$ 0.20	
Outstanding as at end of period			14,892,718	12,474,499	\$ 0.16	\$ 0.16

(1) The life of warrants is stated in months from issue date.

Inputs for Measurement of Grant Date Fair Values

The grant date fair value of share-based payments, including any modifications, was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility.

The inputs used in the measurement of the fair values at grant date of the share-based payments granted, modified or issued during the periods are as follows:

	Options		Warrants	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Fair value at grant/modification date	\$0.001 to \$0.048	\$0.055 to \$0.169	\$0.018 to \$0.031	\$0.041 to \$0.064
Share price at grant/modification date	\$0.055 to \$0.065	\$0.075 to \$0.235	\$0.09 and \$0.095	\$0.08 to \$0.18
Assumptions				
Exercise price	\$0.05 to \$0.065	\$0.075 to \$0.235	\$0.14 and \$0.20	\$0.09 to \$0.22
Expected volatility	82% to 110%	104% and 108%	87% and 93%	88% to 97%
Life (years)	0.58 to 4.83	4	1.5	1 to 2
Expected dividends	-	-	-	-
Risk-free interest rate	0.99% to 1.53%	1.18% and 2.31%	1.12% to 1.20%	0.96% to 1.67%

20. FINANCE INCOME AND FINANCE COSTS

	Notes	Three months ended June 30,		Six months ended June 30,	
		2012	2011	2012	2011
Interest income on bank deposits		\$ 1	\$ 1	\$ 2	\$ 2
Flow-through premium	14	39	-	140	48
Finance income		40	1	142	50
Interest expense on financial liabilities measured at amortized cost	15	5	6	11	11
Net foreign exchange loss		1	63	1	56
Finance costs		6	69	12	67
Net Finance Income (Costs)		\$ 34	\$ (68)	\$ 130	\$ (17)

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21. OPERATING SEGMENT

Reporting Segment

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

Geographic Information

	Notes	June 30, 2012	December 31, 2011
Canada			
Corporate		\$ 1,129	\$ 2,224
Royalty interest	10	3,000	3,000
Chibougamau camp	11, 12, 13	5,309	5,206
Diabase Peninsula	12	8,943	8,041
Prairie Lake	12	3,340	2,886
		21,721	21,357
Turkey			
Berta	12	1,198	1,197
		1,198	1,197
Total Assets		\$ 22,919	\$ 22,554

Revenues in each period are generally attributable to the corporate office in Canada; revenue in 2012 relates to CBay and the Chibougamau camp. There have been no changes in the reportable segments or the treatment of segmented assets and revenues year-over-year.

22. RELATED PARTIES AND MANAGEMENT AGREEMENTS

Transactions and Balances with Victory Nickel, CBay and Related Parties

The Company shares management, administrative assistance and facilities with Victory Nickel and CBay pursuant to separate management agreements. The costs recovered from Victory Nickel and CBay are recorded at the cost to the Company of such services plus 10 per cent. The management agreement for Victory Nickel commenced February 1, 2007 and is terminable by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. The management agreement for CBay commenced February 14, 2012 and is terminable by the Company upon 90 days notice and by CBay upon 60 days notice upon the earlier of February 14, 2013 or listing on a stock exchange.

Balances and transactions with Victory Nickel, CBay and related parties as at June 30, 2012 and December 31, 2011 and for the periods ended June 30, 2012 and 2011 are shown in the following tables:

	June 30, 2012	December 31, 2011
Balances Outstanding		
Payable to Victory Nickel Inc.	\$ 58	\$ 20
Payable to key management personnel	\$ 180	\$ 158
	Three months ended June 30,	Six months ended June 30,
	2012	2011
Transaction Values		
Overhead charges to Victory Nickel Inc.	\$ 157	\$ 215
Overhead charges from Victory Nickel Inc.	\$ 8	\$ -
Project costs charged by Victory Nickel Inc.	\$ 7	\$ 7
Project recoveries charged to Victory Nickel Inc.	\$ 14	\$ 18
Overhead charges to CBay Minerals Inc.	\$ 78	\$ -
Project recoveries charged to CBay Minerals Inc.	\$ 3	\$ -

Notes to the Condensed Consolidated Financial Statements

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

Amounts due to or from Victory Nickel and CBay are unsecured, non-interest bearing and due on demand. Amounts due to or from Victory Nickel and CBay are settled on a regular basis. Payables to key management personnel generally relate to directors' fees, consulting fees and expense reimbursements.

Transactions with Key Management Personnel

Short-term employee benefits provided by the Company include salaries, consulting fees, directors' fees, statutory benefit contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue shares as part of the Share Bonus Plan and the Stock Option Plan (Notes 17 and 19).

Key management personnel compensation comprised:

	Notes	Three months ended June 30,		Six months ended June 30,	
		2012	2011	2012	2011
Short-term employee benefits		\$ 169	\$ 206	\$ 344	\$ 369
Share-based payments - options	19	209	-	209	451
Share-based payments - Share Bonus Plan	17	-	11	-	11
		\$ 378	\$ 217	\$ 553	\$ 831

23. COMPANY ENTITIES

Significant Subsidiaries and Jointly-controlled Entities

		June 30, 2012	December 31, 2011
Ownership Interest	Country of Incorporation		
Lakeport Gold Corporation	Canada	100%	100%
CBay Minerals Inc.	Canada	50%	50%
Nuinsco Madencilik Sanaye Ticaret	Turkey	100%	100%
Nuinsco Exploration Inc.	BVI	50%	50%
Z-Gold Resources Limited (through Nuinsco Exploration Inc.)	Egypt	50%	50%
NuMENA Minerals Corp.	Canada	100%	100%

None of the companies included in the table above is a public company. Lakeport Gold Corporation is inactive; CBay Minerals Inc. is a jointly-controlled entity with Ocean Partners and owns the Chibougamau mining camp; Nuinsco Madencilik Sanaye Ticaret is a wholly-owned subsidiary and was incorporated to hold the Company's Turkish licenses; Nuinsco Exploration Inc. is a jointly-controlled entity with QCC and was pursuing the rights, through Z-Gold Resources Limited to the gold concessions in Egypt; NuMENA Minerals Corp. is presently inactive and was incorporated as a potential vehicle to spin off certain of the Company's assets in the MENA region. This initiative has been put on hold. NuMENA will be inactive until circumstances warrant otherwise.

Notes to the Condensed Consolidated Financial Statements

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

24. JOINTLY-CONTROLLED ENTITIES

The Company has interests in two joint ventures that are jointly-controlled. The joint ventures are proportionately consolidated. Included in the Company's consolidated financial statements are the following items that represent the Company's interests in the assets and liabilities, revenues and expenses of the respective joint ventures:

CBay Minerals Inc.	Notes	June 30, 2012	December 31, 2011
Current assets		\$ 125	\$ 2
Property and equipment	11	\$ 1,093	\$ 1,386
Exploration and evaluation project	12	\$ 4,216	\$ 3,820
Current liabilities		\$ 403	\$ 212
Long-term liability	15	\$ 277	\$ 266
Other income		\$ 118	\$ -
Operating expenses		\$ 182	\$ 4
Writedown of interest in Chibougamau	(a)	\$ -	\$ 3,526
Net finance costs		\$ 11	\$ 25

(a) The writedown of interest in Chibougamau in 2011 is offset by an equal and offsetting adjustment in Nuinsco therefore the writedown is \$nil on consolidation, before taking effect of revaluation of estimated recoverable amount.

Nuinsco Exploration Inc.	June 30, 2012	December 31, 2011
Current assets	\$ 10	\$ 10
Exploration and evaluation project	\$ -	\$ -
Current liabilities	\$ -	\$ -
Operating expenses	\$ 67	\$ 44

25. COMMITMENT

Flow-through Commitments

As at June 30, 2012, the Company had a remaining flow-through commitment outstanding for flow-through share financings in 2011 and 2012 of \$300,000 and \$1,000,000, respectively (December 31, 2011 – financings in 2011 of \$1,668,000). The 2011 and 2012 commitments are required to be satisfied by December 31, 2012 and 2013, respectively.

26. CONTINGENCY

CRA Reassessment

In March, 2011, the Company received notices of reassessment in the aggregate amount of approximately \$4,400,000 from the CRA related to transactions completed in 2006. The Company filed notices of objection on May 19, 2011 and also, on July 22, 2011, filed a request for adjustment to correspondingly adjust its tax pools and losses, in the unlikely event that the Company's appeal is unsuccessful. The appeal process could be lengthy and the Company believes that its position is correct and believes it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.

27. SUBSEQUENT EVENT

There are no subsequent events not already disclosed elsewhere in the financial statements, except as described below.

Loan Facility in Process

On August 10, 2012, the Company signed a non-binding indicative term sheet for a \$2,500,000 loan facility which is subject to customary conditions for a financing of this type; expected conditions are as follows. The Facility is structured in two tranches, the first tranche is up to \$1,500,000, and the entire balance is repayable after 18 months with an additional extension period of six months available upon issuance of 3% of the amount payable in CBay shares owned by Nuinsco. A facility fee of 2% of the tranche is payable in cash at closing along with a 5% equity bonus in the form of the Company's shares; interest of 11.5% per annum is payable quarterly in arrears. The Facility will be secured by a first ranking pledge upon Nuinsco's CBay shares.



NUINSCO RESOURCES LIMITED

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2012**

DATED AUGUST 10, 2012

NUINSCO RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Three and Six Months Ended June 30, 2012

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of August 10, 2012 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2012, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's unaudited condensed consolidated financial statements as at and for the three and six months ended June 30, 2012 and 2011 ("Unaudited Condensed Consolidated Financial Statements") and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

Certain information and discussion included in this Management's Discussion & Analysis ("MD&A") constitutes forward-looking information. Readers are encouraged to refer to the cautionary notes contained in the section Forward-Looking Statements at the end of this MD&A.

Readers are also encouraged to consult the audited consolidated financial statements for the years ended December 31, 2011 and 2010 ("2011 Audited Consolidated Financial Statements"). The Unaudited Condensed Consolidated Financial Statements and the 2011 Audited Consolidated Financial Statements 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. All tabular amounts are in thousands of Canadian dollars.

COMPANY OVERVIEW

Nuinsco is focused on identifying and exploiting mineral investment opportunities worldwide using its exploration programs and operating and financial expertise. The Company currently has gold, uranium, phosphate, rare metals, copper and zinc assets in world-class mineralized belts in Canada's provinces of Saskatchewan, Ontario and Québec and in Turkey. In addition to its property holdings, Nuinsco owns a 50% interest in CBay Minerals Inc. ("CBay"), a private company that has a dominant position in Québec's Chibougamau mining camp with assets including a permitted mill, tailings facility, eight past producing copper/gold mines and a 96,000 acre land position. The Company has also established relationships in Egypt, Sudan and the Middle East North Africa ("MENA") region in general and looks forward to returning to these areas when the political and social situation has stabilized. These areas provide exceptional exploration potential for the future.

The Company continues to achieve positive results from its Diabase Peninsula project and the Prairie Lake complex and in 2011 achieved a milestone along with Ocean Partners Investments Limited ("Ocean Partners") by successfully bidding for the assets of the prolific Chibougamau mining camp in northern Québec through the court-supervised CCAA process. In 2012, a 2,000 metre drill program has been completed at the Diabase Peninsula uranium project in Saskatchewan and additional testing has been performed which has established that a marketable phosphate concentrate can be produced at Prairie Lake. An exploration program at Chibougamau is planned to commence in 2012 and continue in 2013.

In addition to its property holdings, Nuinsco owns common shares of Victory Nickel Inc. ("Victory Nickel") TSX:NI and common shares of Coventry Resources Limited ("Coventry") listed on the Australian Stock Exchange ("ASX") ASX:CVY as well as a 3% royalty on the Cameron Lake gold mine which is owned by Coventry. These assets are available to be monetized to finance the Company's exploration programs, operating costs and reduce equity dilution to shareholders. The royalty interest in the Cameron Lake property is a valuable asset. Management has been approached by a potential buyer and has therefore decided to pursue the sale of this asset to fund cash requirements. Effective the first quarter of 2012, management decided to sell its royalty interest in the Cameron Lake property and a selling program was implemented. Due to severely deteriorating market conditions in the second quarter of 2012, management reassessed its ability to sell the royalty interest at an acceptable price within 12 months; accordingly, while efforts to sell the royalty interest will continue, this asset has been reclassified as a non-current asset.

Shares of Nuinsco trade on the Toronto Stock Exchange ("TSX") under the symbol NWI.

Going Concern

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Advancing the Company's projects through exploration and development to the production stage will require significant financing. Furthermore, the Company has received reassessments from the Canada Revenue Agency ("CRA") as described in Note 26 to the Unaudited Condensed Consolidated Financial Statements. Given the current economic climate, the ability to raise funds may prove difficult. Refer to the Risks and Uncertainties and Liquidity and Capital Resources sections for additional information.

None of the Company's projects has commenced commercial production and, accordingly, the Company is dependent upon debt and/or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The recoverability of the carrying value of exploration and evaluation projects, and ultimately the Company's ability to continue as a going concern, is dependent upon exploration results which indicate the potential for the discovery of economically recoverable reserves and resources, the Company's ability to finance exploration of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets such as royalty interests for its funding.

The Company has made significant progress in its strategy to maximize the realization of previously written-down amounts due from Campbell Resources Inc. ("Campbell"). On June 28, 2011, the Company announced that the Québec Superior Court had approved the joint proposal of Nuinsco and Ocean Partners and as a result directed the receiver to transfer ownership of all exploration, mining, processing and other assets located in and near Chibougamau, Québec. In July, 2010, the Company announced that it, along with Ocean Partners, through a jointly-owned Canadian company CBay, had acquired substantially all of the remaining secured debt of Campbell that Nuinsco and Ocean Partners did not previously own. Additional payments will be made over three years to complete the purchase; the Company's payments are described in Note 13 to the Unaudited Condensed Consolidated Financial Statements. Effective October 25, 2011, ownership of this exceptional suite of assets was transferred to CBay, a jointly-owned company.

The Company's Unaudited Condensed Consolidated Financial Statements have been prepared using the going concern assumption which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. If the going concern assumption were not appropriate, then adjustments to the carrying values of assets and liabilities, reported expenses and balance sheet classifications may be necessary. These adjustments could be material. As at June 30, 2012, the Company had a working capital deficiency of \$780,000 (December 31, 2011 – working capital of \$1,138,000). Working capital is defined as current assets including assets held for sale less current liabilities, excluding restricted cash, if any. As mentioned above, Management decided to sell its royalty interest in the Cameron Lake property effective March 31, 2012. Due to deteriorating market conditions which continue to exist, management reassessed its ability to sell the royalty interest at an acceptable price within 12 months; accordingly, while efforts to sell the royalty interest will continue, this asset has been reclassified as a non-current asset. Given the recent expected financing as described below, the Company now has more flexibility to secure a satisfactory transaction.

On August 10, 2012, the Company signed a non-binding indicative term sheet for a \$2,500,000 loan facility (the "Facility") which is subject to customary conditions for a financing of this type; expected conditions are as follows. The Facility is structured in two tranches, the first tranche is up to \$1,500,000, and the entire balance is repayable after 18 months with an additional extension period of six months available upon issuance of 3% of the extended amount payable in CBay shares owned by Nuinsco. A facility fee of 2% of the tranche is payable in cash at closing along with a 5% equity bonus in the form of the Company's shares; interest of 11.5% per annum is payable quarterly in arrears. The Facility will be secured by a first ranking pledge upon Nuinsco's CBay shares.

SIGNIFICANT EVENTS

During and subsequent to the six months ended June 30, 2012, the Company:

Corporate

- Placed the NuMENA Minerals Corp. ("NuMENA") spinoff initiative on hold due to political uncertainty in the Middle East North Africa ("MENA") region.
- Completed a flow-through financing, raising gross proceeds of \$1,000,000; which is primarily slated for exploration of the Company's new projects in and near Chibougamau, Québec.

- Appointed Roland Horst as CEO of CBay to lead the restructuring and exploitation of the Chibougamau mining assets.
- Commenced efforts to take CBay public before the end of 2012.
- Entered into a management agreement with CBay.
- Participated in the Vancouver mining show.
- Participated in the Prospectors and Developers Association Conference (“PDAC”).
- Signed a non-binding term sheet for the Facility of \$2,500,000.

Gold

- Advised the Egyptian Mineral Resources Agency (“EMRA”) that the Company would not continue to pursue tenure of two concessions in Egypt.
- Elected not to exercise option on the J. Tobrar gold concession in north-eastern Sudan.

Copper

- Announced 2012 drill program and its commencement at Berta in Turkey by its joint venture partner Xstrata Copper Canada (“Xstrata”).
- Elected to surrender its interest in the Elmalaan copper/zinc project in Turkey.

Uranium, Phosphorus and Rare Metals

- Repurchased the 2% royalty interest on Prairie Lake for \$300,000 of Nuinsco shares making the property royalty-free.
- Commenced a 2,000 metre, \$1.2 million drilling program at Diabase Peninsula targeting uranium mineralization indicated by strong uranium anomalies and deposit indicators from past work.
- Diluted Trend Mining Company of Denver (“Trend”) to a royalty interest in Diabase Peninsula with the 2012 drill program.
- Advanced its metallurgical study at Prairie Lake which now indicates the ability to produce a marketable phosphate concentrate grade.
- Announced extension of the Diabase Peninsula Uranium project agreement and option payment for one year with additional extension available.
- Announced drill results at the Diabase Peninsula Uranium project which provide further support for the potential of a significant mineral occurrence.

OUTLOOK

The European financial situation, the pending election in the United States, the perceived slow-down in China and the unrest in the Middle East all continue to cause a lack of confidence in the investment community.

The Oreninc Index (www.oreninc.com), which measures the financing activity by tracking the number of brokered deals completed on a weekly basis, fell in June to the lowest level as well as the lowest point since Oreninc began compiling the index in January 2011. As they put it “this makes life rough for cash-flow constrained junior miners and explorers.”

As we wait for greater certainty and investor confidence to firm up, Nuinsco must continue its business activities, taking into consideration the tightness of funding. We have implemented a program to ensure that only essential expenditures are made. Unless immediate return can be measured, the expenditure is not made.

Chibougamau

The Chibougamau assets represent a very substantial presence in a mining camp which has produced 1.6 billion pounds of copper and 3.4 million ounces of gold from 8 past-producing mines. CBay owns:

- eight past-producers on the Lac Doré fault and the significant potential to add to the known mineralization at these projects;
- one partially-developed high-grade copper mine - the Corner Bay Mine;
- a permitted 2,722 tonnes per day mill and tailings facility; and
- in excess of 96,000 acres of highly-prospective exploration property.

Management has always believed that the Chibougamau properties provide not only production opportunities but also extremely attractive exploration potential. Given the paucity of exploration on these properties in the past 20-30 years the

old adage that “the best place to look for new ore is in the shadow of a head frame” was never more apt than in Chibougamau.

Roland Horst, Chief Executive Officer of CBay, has initiated the preparation of an updated 43-101 report on the Corner Bay mine and a study of the metallurgical facilities to establish the cash requirements to get the mill back into production. With this, a plan on how best to get back into production will be prepared. An exploration program is planned to commence in 2012 and continue into 2013.

Prairie Lake

At Prairie Lake, discussions have started with potential partners in the fertilizer business to establish the viability of taking the project further.

Diabase Peninsula

On the uranium front, the Company's Diabase Peninsula project in the Athabasca Basin of Saskatchewan continues to gain prominence. We recently released results from the 2011/2012 drill program and also announced an extension to the purchase option agreement. Although the drill results were not what we had hoped for, they were not disappointing and continued to support continuation of the program.

Turkey

At the Berta project, Xstrata, our joint venture partner, has started a drill program with a proposed 7,500 metres of drilling to be completed this year. The 2012 program cost is approximately US\$2,672,000 of which Nuinsco's proportionate share is US\$953,000, should the Company agree to participate.

Overall

Nuinsco is fortunate to have always had numerous very attractive projects in a variety of world class locations. While today's confused equity markets persist, management believes that the significant disconnect between share price and asset value cannot last. The recent lack of funding available for the exploration activities required to replace global resources which are being depleted at an exponential rate to fuel growing demand for natural resources will hopefully result in a recovery as the availability of advanced exploration projects disappears due to this lack of funding.

Unfortunately, financing exploration activities during recessionary and unsettled times has always been difficult. Exploration is high-risk and investors are disinclined to participate in such activities when cash is tight.

The Company recognizes that its liquidity is strained due to the lack of cash available from the equity markets. This situation is not unique to Nuinsco, as valuations and trading volumes of junior exploration companies are generally low at the present time. Management will carefully monitor all expenditures and selectively reduce exploration programs if necessary until financing is available. We will consider all funding sources with a view to minimizing dilution to our existing shareholders as we wait for appropriate asset valuations to return to the market.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2012 Compared With Three Months Ended June 30, 2011

In the three months ended June 30, 2012, the Company had a net loss of \$492,000, or \$0.00 per share, compared with a net loss of \$817,000 or \$0.00 per share in the three months ended June 30, 2011. The principal reason for the decrease in loss is lower general and administrative expenses, partly offset by an increase in share-based payments related to options granted and vesting.

Other income in the three months ended June 30, 2012 of \$118,000 is primarily related to the Company's proportionate share of gold sales from a mill clean-up at CBay. In the three months ended June 30, 2011, the Company earned a non-refundable fee of \$100,000 related to due diligence performed by a third party on the Chibougamau assets.

General and administrative expenses in the three months ended June 30, 2012 decreased to \$386,000 from \$593,000 in the three months ended June 30, 2011. There were non-recurring costs in the three months ended June 30, 2011; the Company incurred tax services fees to support the challenge of the CRA reassessment and costs to support the protection of the Company's interests in Chibougamau. Furthermore, Nuinsco entered into a management agreement with CBay in 2012. As a result of this, fixed costs are now spread across an additional party and, due to proportionate consolidation of CBay, 50% of these costs are borne by Ocean Partners. Decreases in costs were partly offset by increases in CBay spending on Chibougamau that is proportionately consolidated. Note that Nuinsco did not implement an across-the-board salary increase for 2012; executive salaries for the Company remained at 2011 levels. Furthermore, effective August 1,

2012, senior management have accepted average 25% salary deferrals until better economic times prevail. This was previously done in 2009.

Overhead recoveries through charges to Victory Nickel and CBay for services under the management agreement and deducted from operating expenses amounted to \$157,000 and \$78,000, respectively, in the three months ended June 30, 2012, compared with \$215,000 and \$nil in the same period of 2011; Victory Nickel charged the Company \$8,000 in the current quarter in 2012; there were no such charges in 2011. Costs allocated to Victory Nickel and CBay pursuant to the management agreements between the Company and Victory Nickel and CBay are activity related. Such amounts are recorded at the cost to the Company of such services plus 10%. The decrease in costs allocated to Victory Nickel is primarily a function of a reduced proportion of fixed costs being allocated because of the allocation to CBay during 2012 that was not in place in 2011. The management agreement with CBay commenced on February 14, 2012.

It is estimated that approximately \$146,000 of general and administrative expenditures were incurred in supporting the Company's public status in the three months ended June 30, 2012 (June 30, 2011 - \$188,000). Such costs are largely non-discretionary and are weighted to the beginning of a financial year because of audit and other compliance requirements.

Share-based payments related to options increased to \$253,000 in the three months ended June 30, 2012, from \$33,000 in the three months ended June 30, 2011. The increase was a result of 5,550,000 options granted during the three months ended June 30, 2012; no options were granted in the second quarter of 2011. Options were granted by the Company to officers, directors and consultants on April 5, 2012 as described in Note 19 to the Unaudited Condensed Consolidated Financial Statements.

In the second quarter of 2011, the Board approved the issuance of 112,000 shares pursuant to the Share Bonus Plan as described in the Company's 2011 Audited Consolidated Financial Statements. The shares were issued to an executive and employee of the Company for completion of the IFRS project at a fair value of \$0.15 per share, which was recorded as other share-based payments of \$17,000. No bonus shares were issued during 2012.

The Company separates its pre-exploration write-offs from its writedowns of exploration and evaluation projects in the consolidated statement of operations. Routine write-offs of pre-exploration expenditures in the three months ended June 30, 2011 aggregated \$122,000 and related primarily to initial work in Sudan. In the three months ended June 30, 2012, pre-exploration expenditures amounted to \$3,000.

Net finance income increased to \$34,000 in the three months ended June 30, 2012 from *Net finance costs* of \$68,000 in the three months ended June 30, 2011. *Finance income* of \$40,000 was earned in the three months ended June 30, 2012, compared with \$1,000 in the same period of 2011. The main reason for the change arises from the amortization of flow-through premium of \$39,000 in the three months ended June 30, 2012 compared with \$nil in the same period of 2011.

As at June 30, 2012, the Company had a remaining flow-through premium liability to be amortized through finance income of \$352,000 from the flow-through financings that were completed in 2011 and 2012. As at June 30, 2011, the Company had a remaining flow-through premium liability of \$nil as the flow-through commitment related to the December 2010 financing had been fulfilled by the end of the first quarter of 2011. Note 14 to the Unaudited Condensed Consolidated Financial Statements includes an analysis of the flow-through premium liability.

Finance costs of \$6,000 were incurred during the three months ended June 30, 2012 compared with \$69,000 in the same period of 2011. The Company recognized a net foreign exchange loss of \$1,000 in the second quarter of 2012 compared to \$63,000 in 2011. As at June 30, 2012, the Company had US\$-denominated net liability balances of approximately \$53,000 (June 30, 2011 - \$83,000). The Company made dilution adjustments in the second quarter of 2011 with respect to the Berta project. As reported in prior MD&As, the dilution adjustment reduced the carrying cost of the Berta project, accounts payable and foreign exchange. As the capitalized expenditures were recorded in periods where the Canadian dollar was weaker relative to the US\$, an exchange loss of \$63,000 was recorded.

The *Income tax expense* in the amount of \$80,000 recorded in the three months ended June 30, 2011 reflects tax expense matching the recovery of taxes recorded through *Other comprehensive income* ("OCI") on the change in value of financial assets at fair value through OCI. The Company has an unrecognized deferred tax asset. When the Company's pool of marketable securities is in excess of its cost, a tax provision is recorded in OCI with an equal tax recovery through operations. As the excess reduces, the tax provision in OCI is reversed as a recovery and an equal tax provision is recorded through operations. No adjustments are made to the unrecognized deferred tax asset and no income tax recovery is recorded through OCI that is not related to a reversal of a previously-recorded provision.

Other comprehensive loss in the three months ended June 30, 2012 of \$727,000 (June 30, 2011 – \$1,091,000) relates to a decrease of \$727,000 (June 30, 2011 – \$1,171,000) in the market value of the Company's financial assets at fair value through OCI, partially offset with an income tax recovery recorded through OCI of \$nil, since all previously-recorded tax through OCI had been reversed (June 30, 2011 – \$80,000).

During the three months ended June 30, 2012, the net change in the fair value of financial assets through OCI comprised decreases in the fair value of the Company's shareholdings in various public companies and sales of securities in the period that generated proceeds of \$2,000 (three months ended June 30, 2011 – sales generated proceeds of \$836,000). Note that the fair value of Coventry shares is impacted by the fluctuation in the value of the Australian Dollar ("A\$"). An approximate gain of \$4,000 of the OCI related to Coventry is attributable to exchange rate fluctuations during the three months ended June 30, 2012 (June 30, 2011 – gain of \$49,000).

The Company has capital loss pools available to it of approximately \$4,942,000 (Note 15 to the 2011 Audited Consolidated Financial Statements). Since the Company has an unrecognized deferred tax asset for such capital losses, any future income taxes with respect to marketable securities and recorded through OCI has an equal and opposite amount recorded through operations. In the three months ended June 30, 2011, an income tax recovery of \$80,000 was recorded with an offsetting amount recorded through operations. In 2012, the pool of marketable securities has been below cost so no income taxes have been recorded.

A discussion of the more significant changes not addressed in other sections of this MD&A is as follows:

Marketable securities as at June 30, 2012 consist of the Company's financial assets at fair value through OCI. The Company presently has no financial assets recorded at fair value through operations. Any volatility in the market value of shares will be recorded through OCI whether generated from sales or unrealized market changes. The value of marketable securities as at June 30, 2012 decreased to \$820,000 from \$1,531,000 as at December 31, 2011 primarily as a result of significant declines in the market value of financial assets.

Property and equipment decreased to \$1,145,000 from \$1,443,000 as at December 31, 2011 mainly due to the disposal by CBay of a truck, backfill plant and other equipment. As described earlier, the Company, through its 50% interest in CBay, now owns significant production, development and exploration assets in the Chibougamau mining camp in northern Québec.

Trade and other payables increased to \$1,857,000 as at June 30, 2012 from \$1,029,000 as at December 31, 2011. The increase is primarily due to increased activity on projects in Nuinsco and CBay during 2012 combined with an increased flow-through premium liability outstanding as at June 30, 2012, as discussed above.

Share capital has increased by \$791,000 to \$97,986,000 as at June 30, 2012. This is primarily as a result of flow-through shares issued pursuant to private placements that generated gross proceeds of \$1,000,000 in February and March 2012 before allocation to warrants and flow-through premium liability. Also, in the first quarter of 2012, shares were issued with a fair value of \$300,000 to acquire the royalty on the Prairie Lake property. Refer also to discussion under Liquidity and Capital Resources.

Six Months Ended June 30, 2012 Compared With Six Months Ended June 30, 2011

In the six months ended June 30, 2012, the Company had a net loss of \$964,000, or \$0.00 per share, compared with \$1,825,000 or \$0.01 per share in the six months ended June 30, 2011. The principal reasons for the decrease in loss are decreased general and administrative expenses combined with decreased share-based payments expense as discussed below.

Other income in the six months ended June 30, 2012 of \$118,000 was primarily related to the Company's proportionate share of CBay's gold sales from a clean-up of the Copper Rand mill. In the six months ended June 30, 2011, the Company earned a non-refundable fee of \$100,000 related to due diligence performed by a third party on the Chibougamau assets.

General and administrative expenses in the six months ended June 30, 2012 decreased to \$803,000 from \$1,130,000 in the six months ended June 30, 2011. In the six months ended June 30, 2011, the Company incurred non-recurring tax services fees to support the challenge of the CRA reassessment and costs to support the protection of the Company's interests in Chibougamau. Furthermore, the Company entered into the management agreement with CBay in 2012 which has enabled a further sharing of fixed costs across an additional party through the joint ownership of CBay. Decreases in costs were partly offset by increases in CBay spending on Chibougamau that is proportionately consolidated, along with increases in

rent and legal fees. Nuinsco did not implement an across-the-board salary increase for 2012; executive salaries for the Company remained at 2011 levels and salary deferrals as described earlier have been accepted by senior management.

Overhead recoveries through charges to Victory Nickel and CBay for services under the management agreement and deducted from operating expenses amounted to \$371,000 and \$114,000, respectively, in the six months ended June 30, 2012, compared with \$412,000 and \$nil in the same period of 2011; Victory Nickel charged the Company \$15,000 in the current period in 2012, there were no such charges in 2011. Costs allocated to Victory Nickel and CBay pursuant to the management agreements between the Company and Victory Nickel and CBay are activity related. Such amounts are recorded at the cost to the Company of such services plus 10%. The decrease in costs allocated to Victory Nickel is primarily a function of a reduced proportion of fixed costs being allocated because of the agreement with CBay during 2012 that was not in place in 2011. The management agreement with CBay commenced on February 14, 2012.

It is estimated that approximately \$381,000 of general and administrative expenditures were incurred in supporting the Company's public status in the six months ended June 30, 2012 (June 30, 2011 - \$399,000). Such costs are largely non-discretionary and are weighted to the beginning of a financial year because of audit and other compliance requirements.

Share-based payments related to options decreased to \$322,000 in the six months ended June 30, 2012, from \$522,000 in the six months ended June 30, 2011, which is a function of the lower fair value of options issued in 2012 compared to 2011. The value assigned to the stock options was calculated using the Black-Scholes option-pricing model as explained in Note 19 to the Unaudited Condensed Consolidated Financial Statements.

In 2011, the Board approved the issuance of 112,000 shares pursuant to the Share Bonus Plan as described in the Company's 2011 Audited Consolidated Financial Statements. The shares were issued to an executive and employee of the Company for completion of the IFRS project at a fair value of \$0.15 per share, which was recorded as other share-based payments of \$17,000. No bonus shares were issued during 2012.

Routine write-offs of pre-exploration expenditures in the six months ended June 30, 2011 aggregated \$127,000 and related primarily to initial work in Sudan. In the six months ended June 30, 2012, pre-exploration expenditures amounted to \$3,000.

In the six months ended June 30, 2012, the Company recorded an aggregate writedown of exploration and evaluation projects of \$79,000. This includes \$39,000 in respect of Egyptian properties and \$40,000 with respect to the J. Tobrar project in Sudan. The writedown for Egypt includes a \$16,000 provision for impairment against amounts due from the Company's Egyptian partner, being the partner's share of expenditures financed by Nuinsco. These amounts relate to expenditures that were incurred in 2012 prior to the decision to write off the respective properties; these are in addition to the main write-offs which were taken in the fourth quarter of 2011 – Egypt \$803,000 and J. Tobrar \$719,000. There were no writedowns in the first half of 2011.

Net finance income increased to \$130,000 in the six months ended June 30, 2012 from *Net finance costs* of \$17,000 in the six months ended June 30, 2011. *Finance income* of \$142,000 was earned in the six months ended June 30, 2012 compared with \$50,000 in the same period of 2011. The main reason for the change arises from the amortization of flow-through premium of \$140,000 in the six months ended June 30, 2012 compared with \$48,000 in the same period of 2011.

Finance costs of \$12,000 were incurred during the six months ended June 30, 2012 compared with \$67,000 in the same period of 2011. The Company recognized a net foreign exchange loss of \$1,000 in 2012 compared to \$56,000 in 2011. The Company made dilution adjustments in 2011 with respect to the Berta project as described above and an exchange loss of \$63,000 was recorded during the second half of 2011.

The *Income tax expense* in the amount of \$105,000 recorded in the six months ended June 30, 2011 reflects tax expense matching the recovery of taxes recorded through OCI on the change in value of financial assets at fair value through OCI. The Company's tax treatment has been described earlier.

Other comprehensive loss in the six months ended June 30, 2012 of \$709,000 (June 30, 2011 – \$1,158,000) relates to a decrease of \$709,000 (June 30, 2011 – \$1,263,000) in the market value of the Company's financial assets at fair value through OCI, partially offset with an income tax recovery recorded through OCI of \$nil (June 30, 2011 – \$105,000).

During the six months ended June 30, 2012, the net change in the fair value of financial assets through OCI comprised decreases in the fair value of the Company's shareholdings in various public companies combined with a low volume of sales of securities in the period that generated proceeds of \$2,000 (six months ended June 30, 2011 – sales generated

proceeds of \$1,767,000). Note that the fair value of Coventry shares is impacted by the fluctuation in the value of the A\$. An approximate net loss of \$3,000 of the OCI related to Coventry is attributable to exchange rate fluctuations during the six months ended June 30, 2012 (June 30, 2011 – net loss of \$2,000).

The Company has capital loss pools available to it of approximately \$4,942,000 (Note 15 to the 2011 Audited Consolidated Financial Statements). Since the Company has an unrecognized deferred tax asset for such capital losses, any future income taxes with respect to marketable securities and recorded through OCI has an equal and opposite amount recorded through operations. In the six months ended June 30, 2011, an income tax recovery of \$105,000 was recorded with an offsetting amount recorded through operations. In 2012, the pool of marketable securities has been below cost so no income taxes have been recorded.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last ten quarters ended June 30, 2012 is as follows:

<u>Fiscal year 2012</u>			<u>2nd Quarter</u>	<u>1st Quarter</u>
Net finance income			\$ 34	\$ 96
Net loss			\$ (492)	\$ (472)
Total comprehensive loss			\$ (1,219) ⁽¹⁾	\$ (454)
Loss per share - basic and diluted			\$ (0.00)	\$ (0.00)
<u>Fiscal year 2011</u>	<u>4th Quarter</u>	<u>3rd Quarter</u>	<u>2nd Quarter</u>	<u>1st Quarter</u>
Net finance income (costs)	\$ 7	\$ (13)	\$ (68)	\$ 51
Net loss	\$ (2,115) ⁽²⁾	\$ (463)	\$ (817) ⁽⁴⁾	\$ (1,008) ⁽⁶⁾
Total comprehensive loss	\$ (2,597) ⁽³⁾	\$ (574)	\$ (1,908) ⁽⁵⁾	\$ (1,075)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<u>Fiscal year 2010</u>	<u>4th Quarter</u>	<u>3rd Quarter</u>	<u>2nd Quarter</u>	<u>1st Quarter</u>
Net finance income (costs)	\$ 366 ⁽⁷⁾	\$ (66)	\$ (182)	\$ 13
Net income (loss)	\$ 58	\$ (1,179) ⁽⁹⁾	\$ (1,404) ⁽¹¹⁾	\$ (1,116) ⁽¹³⁾
Total comprehensive income (loss)	\$ 1,266 ⁽⁸⁾	\$ (155) ⁽¹⁰⁾	\$ (2,535) ⁽¹²⁾	\$ (1,004)
Income (loss) per share - basic and diluted	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.00)

(1) Total comprehensive loss includes a decrease of \$727,000 in the fair value of marketable securities through OCI.

(2) Includes writedown of Sudan of \$719,000, writedown of Egypt of \$803,000 and writedown of Elmalaan of \$1,100,000 offset by a recovery of provision for Chibougamau of \$870,000.

(3) Includes items referred to in (2) as well as decrease in value of marketable securities of \$482,000.

(4) Net loss includes \$122,000 of pre-exploration write-offs.

(5) Total comprehensive loss includes a decrease of \$1,171,000 in the fair value of financial assets at fair value through OCI.

(6) Net loss includes \$489,000 of share-based payments.

(7) Net finance income includes \$356,000 premium on flow-through financing.

(8) Includes an increase of \$1,320,000 in the fair value of financial assets at fair value through OCI, partly offset by incomes taxes of \$85,000.

(9) Includes a writedown of exploration and evaluation projects of \$606,000, related to the Triggs option in the Olympian project.

(10) Includes an increase of \$997,000 in the fair value of financial assets at fair value through OCI.

(11) Reflects a non-cash future income tax provision of \$1,260,000, refer to (12) below and a \$556,000 recovery on exploration and evaluation projects, some of which reverses the writedown described in (13).

(12) Includes a decrease of \$1,131,000 in the fair value of financial assets at fair value through OCI.

(13) Includes \$228,000 of share-based payments, \$298,000 writedown of exploration and evaluation projects and \$158,000 pre-exploration write-offs related to IFRS changes (Note 32 to the 2011 Audited Consolidated Financial Statements).

Variations in the quarterly results of operations are largely a function of the timing of property and other writedowns, gains on sales of properties, income tax recoveries or the recording of flow-through premiums. Variations in comprehensive income are primarily a function of the changes in the fair values of the Company's marketable securities.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2012, the Company had a working capital deficiency of \$780,000 (December 31, 2011 – working capital of \$1,138,000). The Company's working capital is largely made up of marketable securities, the value of which declined significantly in the second quarter of 2012. In the first quarter of 2012, the Company received an indication of interest by a potential buyer of the Cameron Lake royalty and therefore decided to pursue its sale. Accordingly, this asset was reflected as being held for sale effective March 31, 2012 and was reclassified as a current asset. This sale is expected to provide liquidity during this period when equity financings are difficult, portfolios of marketable securities are being undervalued and trading volumes of most junior companies are depressed. With lower trading volumes, marketable securities are not as saleable as they have been in the past. Consequently, management is looking to realize on the sale of the Cameron Lake royalty interest as a mechanism to improve liquidity as well as considering other initiatives.

The Company initiated the sale of the royalty interest in the first quarter. Due to deteriorating market conditions in the second quarter of 2012 (and continuing), management reassessed its ability to sell the royalty interest at an acceptable price within 12 months; accordingly, while efforts to sell the royalty interest will continue, this asset has been reclassified as a non-current asset and is excluded from the working capital figure. Given the expected financing of \$2,500,000 as described earlier, the Company now has more flexibility to secure a satisfactory transaction.

The Company is also investigating the possibility of generating cash through the sale of new royalty arrangements on its other properties. There is no certainty in the present economic environment that the Company's working capital even taking into account the expected Facility will be sufficient to fund the Company's activities including flow through commitments, other project expenditures and corporate costs.

The Company used cash and cash equivalents of \$346,000 during the six months ended June 30, 2012, compared with \$594,000 during the six months ended June 30, 2011.

In the six months ended June 30, 2012, the Company used cash of \$497,000 in operating activities, compared with \$1,057,000 in the previous comparable period. The Company has no recurring sources of revenue and no regular operations and the change in non-cash working capital in the six months ended June 30, 2012 provided \$190,000 compared with \$149,000 in the same period in 2011.

Investing activities in the six months ended June 30, 2012 used funds of \$747,000, compared with \$739,000 in the same period in 2011. During the six months ended June 30, 2012, CBay sold a truck, backfill plant and other equipment; the Company's share of the proceeds on these sales was \$293,000.

Expenditures on exploration and evaluation projects amounted to \$1,042,000 in the six months ended June 30, 2012, compared with \$2,506,000 in the same period of 2011. Refer to the Exploration and Evaluation Activities section for additional discussion.

During the six months ended June 30, 2012, the Company received gross proceeds of \$2,000 on the sale of shares (2011 - \$1,767,000). Shares were sold for liquidity purposes; as described above, the adverse market conditions have impacted the proceeds on sales as well as future potential proceeds. The Company continues to sell marketable securities to generate liquidity.

Cash generated from financing activities was \$898,000 in the six months ended June 30, 2012, compared with \$1,202,000 in the same period of 2011. On January 23, 2012, the Company issued 7,142,858 flow-through units at a subscription price of \$0.14 per unit generating net proceeds of \$910,000. Each unit comprised one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.20 for a period of 18 months from closing. In the first quarter of 2012, the Company also issued 3,157,894 shares to acquire the royalty on the Prairie Lake property and incurred \$12,000 in share issue costs on this transaction.

On January 10, 2011, the Company completed a private placement financing of 3,125,000 units of securities at a price of \$0.16 per unit generating net proceeds of \$493,000. Each unit comprised one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.22 for a period of 24 months from closing. Other cash consideration received in the six months ended June 30, 2011 was from the exercise of warrants and options as follows: 7,062,064 warrants that were issued pursuant to the rights offering in 2009 were exercised for an aggregate consideration of \$706,000 and 50,000 options at exercise prices of \$0.08 and \$0.05 for aggregate consideration of approximately \$3,000 were exercised.

As at June 30, 2012, the Company had a remaining flow-through commitment outstanding for flow-through share financings in 2011 and 2012 of \$300,000 and \$1,000,000, respectively. The 2011 and 2012 flow-through commitments must be fulfilled by the end of 2012 and 2013, respectively.

As described above, management is continuing to actively pursue additional ways to realize on the potential of its assets or secure financing in order to provide funds for operations in light of the current difficult economic circumstances. Flow-through financings do not provide the funding necessary to meet corporate or foreign expenditures which do not qualify for flow-through eligibility. The significant cost to maintain and comply with regulatory requirements for the Company's public listing cannot be financed with flow-through shares. Cash received from the Company's warrants and options as well as from sales of marketable securities are "hard" dollars and can be utilized without restriction; however, most of these are not "in-the-money".

The expected Facility of \$2,500,000 which is under documentation (described more fully earlier) will provide a cure for the Company's working capital deficiency until such time as the royalty interest on Cameron Lake is sold, other royalties are created and monetized or significant funds can be generated from other assets such as the Chibougamau camp or interest in CBay.

The Company does not enter debt arrangements without careful consideration of alternatives and ramifications. We are fortunate to have assets to support short-term debt arrangements until better economic circumstances prevail. Whilst securing funds has been important, the Company and management are mindful of reducing present and future outflows – both large and small. Management has agreed to salary deferrals, cost controls are in place and prospective cash outflows have been eliminated or deferred as described below.

With the acquisition of the royalty on the Prairie Lake property by issuing common shares, the Company has eliminated any future cash royalty obligations on the property, thereby improving its future economics. This could also provide the Company with an opportunity to realize cash through the sale of a new royalty on the property.

In order to maintain the option on one of the Diabase Peninsula claims, the Company must make an option payment of approximately \$935,000. In May, 2012, the Company announced an extension with the option holder on one of the claims, to extend that option for one year in exchange for four quarterly cash payments of \$9,350 plus one payment of \$37,600 in the fair value of the Company's shares. Accordingly, the option payment of approximately \$935,000 originally due by September 2, 2012 has been deferred to September 2, 2013. The terms include an option to extend this agreement and payment further. The shares were issued in July, 2012.

The Company has a corporate policy of investing its available cash in cash equivalents comprising Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise approved by the Board. The portfolio of marketable securities is available to fund the Company's activities. As mentioned above, the Company continues to sell securities where appropriate to maintain liquidity prior to consummation of the Coventry royalty sale or other initiatives. Since June 30, 2012, markets have continued to be difficult but the Company has generated approximately \$64,000 in proceeds from sales of marketable securities.

As at December 31, 2011, the average price of the Company's portfolio of marketable shares was \$0.096 per share. As at March 31, 2012, this had increased by 2.1% to \$0.098 per share. By June 30, 2012, the average price was \$0.052 which represented a decline of 47% from March 31, 2012 values. Whilst this is by no means a statistically valid analysis, it indicates the challenges being faced by the Company. From December 31, 2011 to March 31, 2012 to June 30, 2012, the Company's shares have (based on closing prices) gone from \$0.08 to \$0.08 to \$0.05.

Managing in challenging times takes as much, if not more, senior management effort. However, senior management of Nuinsco has agreed, effective August 1, 2012, to accept salary deferrals of an average of 25% until equity markets improve. This initiative repeats that taken during 2009.

The total market value of the Company's marketable securities as at August 10, 2012, is approximately \$638,000. These are available to fund the Company's ongoing operations. The market value can go down as well as up. Trading volumes have recently declined and it is generally acknowledged that equities are being undervalued.

As described above, exploration companies such as Nuinsco are heavily reliant upon the equity markets to fund their activities as they typically have no short-term sources of revenue other than through monetization of assets. Opportunities available to Nuinsco for financing would normally be through private placements in the equity markets.

However, today's equity markets continue to make this alternative difficult if not impossible without incurring significant dilution to existing shareholders.

The Company is actively involved in advancing the Chibougamau camp in which Nuinsco has a 50% interest through CBay. Taking CBay public by the end of 2012 is expected to generate liquidity for the Company. However, given current market conditions there is no guarantee that a successful going-public transaction will be completed in the time frame contemplated.

The Company closed a flow-through financing in 2012 of \$1,000,000 to provide funds for exploration at the Chibougamau camp. The Company had a 96.3% success on the take-up of warrants from the rights offering in April, 2011, thereby generating \$735,000 and also raised \$1,907,000 in flow-through financings as well as a non-flow-through financing of \$500,000 during 2011. This demonstrated the Company's ability to continue to generate funds albeit under increasingly dilutive terms. However, additional financings will be required to properly exploit the Company's Canadian and foreign assets. This requirement has been reduced significantly with the withdrawal from Egypt and Sudan as well as Elmalaan, Turkey. The Company will consider all alternatives to protect and improve liquidity as described above given appropriate pricing and other market conditions. Such alternatives could include earn-in options with third parties, other partnership arrangements, corporate transactions and further sales of marketable securities or project assets including royalty arrangements.

The Company's monthly expenditures, net of recoveries from Victory Nickel and CBay for ongoing administrative support in 2012 to date, were approximately \$161,000; budgeted net monthly commitments average \$152,000 for the whole of 2012. As described above, the salary deferrals will reduce the pressure on cash; other controls on discretionary expenditures are also in place and non-essential services have been cancelled. The Company's working capital requirements continue to be modest. As at June 30, 2012, the major routine item requiring financing was an HST/GST refund receivable of \$25,000 (expected to be received in August 2012) which averaged approximately \$41,000 per quarter in 2011. The Company estimates that approximately \$663,000 in non-discretionary costs is required on an ongoing annual basis to support the Company as a public entity. Such expenditures are not eligible for flow-through funding and must be financed through other means. Note that the figures above exclude the effect of interest expense on the Facility which will be payable on a quarterly basis.

The Company will continue to make expenditures on Canadian exploration activities to fulfil any flow-through commitments. Partners are also being sought for certain of the Company's projects where significant funding is required for proper exploration programming and fulfilment of option terms. However, in the present market circumstances there is no certainty that the Company's working capital, even after the effect of the \$2,500,000 Facility which is under documentation, will be sufficient to fund the Company's activities.

EXPLORATION AND EVALUATION ACTIVITIES

In the six months ended June 30, 2012, the Company incurred exploration and evaluation ("E&E") expenditures of \$1,816,000 on its mineral interests compared with \$1,794,000 in the six months ended June 30, 2011. The most significant expenditures in the six months ended June 30, 2012 were on the Diabase Peninsula project in the amount of \$902,000 (June 30, 2011 - \$1,005,000). Costs on other programs included: Prairie Lake \$454,000 (June 30, 2011 - \$388,000), Berta \$1,000 (June 30, 2011 - \$68,000) and the Company's share of expenditures on the Chibougamau Camp of \$396,000 (June 30, 2011 - \$nil). In the first quarter of 2012, the Company determined that it would curtail its activity in Egypt, Sudan and Elmalaan, Turkey. Accordingly, effective December 31, 2011, the projects were written down to \$nil. Expenditures incurred on those projects in 2012 prior to the decision being made were also written off in the six months ended June 30, 2012. Such amounts were: Bukari \$23,000 expended and written off (June 30, 2011 - \$305,000 expended), J. Tobrar in Sudan \$40,000 expended and written off (June 30, 2011 - \$nil) and Elmalaan \$nil (June 30, 2011 - \$28,000 expended). In the fourth quarter of 2011, the Company reclassified \$3,820,000 to exploration and evaluation projects with respect to the Chibougamau camp given the transfer of assets to CBay.

Paul Jones, President, is a "qualified person" as defined under NI-43-101, and he has supervised the preparation, and has approved, the information relating to the material mineral projects of the Company described herein.

A synopsis of the Company's properties follows; complete details of the mineral properties are available on the Company's website at www.nuinsco.ca.

URANIUM AND RARE METALS

Diabase Peninsula Property, Saskatchewan

Nuinsco's Diabase Peninsula uranium project is located 150km northwest of La Ronge, Saskatchewan within, and approximately 5km from, the southern boundary of the Athabasca Basin - the region that hosts the world's richest uranium mines. The 21,900ha Diabase Peninsula property is located on the western shore of Cree Lake. The property encompasses a 35km strike length covering a north-easterly-trending graphite-bearing conductive horizon of regional extent lying beneath the Athabasca sandstones, and the sub-parallel off-juxtaposed Cable Bay Shear Zone – a major terrane boundary within the Proterozoic basement sequence which is considered to be an important potential host structure for uranium mineralization in this part of the Athabasca Basin.

The Diabase Peninsula project was a joint venture with Trend. During the first quarter of 2012, cumulative expenditures increased Nuinsco's ownership interest to greater than 90% as Trend did not contribute its share of expenditures. Under the joint venture agreement, should a participant's interest drop below 10% that participant will relinquish its entire participating interest and will have the right to receive a royalty equal to 3% of the net value of all mineral products produced from the property; net value is defined as proceeds less processing and treatment charges, transportation costs, sales, marketing and brokerage costs and taxes. Accordingly, Trend's interest has been converted to a royalty and Nuinsco owns the project in its entirety.

In May, 2012, the Company announced an extension with the option holder on one of the claims, to extend that option for one year in exchange for four quarterly cash payments of \$9,350 plus one payment of \$37,600 in the Company's shares. Accordingly, the option payment of approximately \$935,000 originally due by September 2, 2012 has been deferred to September 2, 2013 with an option to extend the terms and option payment further. That same claim is subject to a 3% gross production royalty ("GPR") defined as actual metal/mineral sales with no deduction for refining or transportation expenses. The GPR can be purchased before September 2, 2012 for \$11,000,000 as follows: first percentage - \$1,000,000; second percentage - \$3,000,000; third percentage - \$7,000,000.

Since acquiring the property in early 2005, when uranium demand began to drive prices into a steep climb from their US\$15-US\$20 per pound historic range, Nuinsco has completed a property-wide deep-penetrating MEGATEM survey which mapped the regional graphite-pyrite conductor the length of the property. This was followed by ground geophysical TEM surveys over two priority target areas (the "Main" and "Rowan Lake" grids) located 8km apart, and has been complemented by both widespread geophysical gravity-survey profiling to map fault structures along the length of the Cable Bay trend and detailed gravity work upon both gridded priority targets.

Initial diamond drilling (10 holes) in 2005-2006 confirmed the highly-prospective nature of the geology and structure present within the Main grid area, and has focused the Company's attention upon a 1.5km length segment of the 6km of strike covered by the Main grid. Geochemical evidence of uranium-related mineralizing processes and significantly anomalous radioactivity and uranium values were encountered in several holes. A radon gas survey in the summer of 2006 revealed a strong anomaly at the northern end of the target area, but thick glaciofluvial esker cover elsewhere along the segment may have obscured additional bedrock sources. A winter 2007-2008 \$2,500,000 drilling program consisted of 17 holes (plus extending a 2006 hole which had failed to reach basement), with five holes devoted to follow-up on the Main grid and the remainder testing four high-ranking gravity survey/fault structure targets scattered the length of the property.

Two of the 2007-2008 holes returned uranium intercepts of particular significance, 707 parts per million ("ppm") Uranium ("U") at the unconformity in hole ND0801 and 410ppm U well below the unconformity in hole ND0807 (total dissolution-ICP methods). Uranium values in excess of 10ppm are generally regarded by the exploration and academic community as representative of the alteration halo surrounding a potential ore-grade deposit. ND0801 is within the core of the main grid target, while ND0807 is 2.8km to the north within a water-covered portion of the Main grid. A further 8km to the north ND0808, the first hole upon the Rowan Lake grid target, encountered evidence of similar alteration processes and encountered a peak value of 247ppm U in a single sample 3.5m above the unconformity. Given that this hole was the first to be directed at a target over 450m below surface, the results are deemed extremely encouraging.

Following completion of this work, which aggregated 28 drill-holes totalling 11,205m, all parts of the project area have sufficient assessment work filed to hold the property 10-12 years without additional work. Key dispositions, where the bulk of the drilling has been undertaken, are in good standing for 15-20 years.

No new field work was conducted at Diabase Peninsula in 2009. In March, 2010, a gravity survey at 100m line-spacing was completed upon the segment of interest on the Main grid, and lake sediment Soil Gas Hydrocarbon (“SGH”) surveys were completed over the water-covered target in the northern Main grid area, and across the Rowan Lake grid, nearly entirely water-covered, with the samples tested by proprietary methods developed by Actlabs of Ancaster, Ontario.

The 2010 gravity survey revealed two 200m long, 100m wide anomalies in the southern portion of the Main grid segment, coincident with the area where Nuinsco’s drilling has found the strongest alteration and highest uranium values in drilling completed to date. The SGH lake sediment work has confirmed the high potential of the Main grid north water-covered target and, as well, identified three areas within the Rowan Lake grid where coincident geophysical and geochemical responses suggest the presence of uranium. To quote Dale Sutherland Ph.D., Organics Manager and Director of Research for Actlabs, “the SGH data is not only indicating redox cell trends, it is indicating trends which have an organic signature associated specifically with uranium mineralization”.

The November-December 2010 2,000m drill program targeted the central portion of the project area on the Diabase Peninsula, an area which demonstrates significantly anomalous uranium mineralization in conjunction with other indicators of a uranium mineralizing event. Results continue to be positive for a combination of geochemistry, geology, alteration and structure and as such provided sufficient reason to conduct a winter drilling program on the project. The March-April 2011 drill program comprised five drill holes totalling approximately 1,800m and additional gravity geophysics to expand upon results and coverage obtained from earlier programs. Analytical results grading up to 92ppm U, in association with a number of other elements at anomalous concentrations continue to highlight the possibility of significantly anomalous uranium mineralization at the Diabase Peninsula project.

A 2012 winter drill program followed from the past exploration programs that have identified all the elements indicative of a uranium mineralizing event. Four holes were collared during the program although only three were completed (the fourth one, ND1202A, was abandoned in overburden at 30m). The total program consisted of 1,598m of drilling, with results peaking at 55.94ppm U over 6.9m in hole ND 1203 including individual intervals grading 134ppm and 181ppm U (analysis by total digestion method). Unseasonably warm weather forced the demobilization of equipment before drilling could be conducted on one of the most prospective uranium anomalies on the project – the Mackenzie Bay area in the central part of the property which is an area of overlapping geophysical, surface and drill hole geochemical anomalies and has favourable geology. The drill testing of this target will be deferred to a later program. Due to the small size of uranium orebodies relative to most other types of economic mineral deposits, tight drill-hole spacing is necessary in order to adequately evaluate prospective targets.

Prairie Lake Property, Ontario

Prairie Lake, located near Marathon, Ontario, is a multi-commodity deposit containing Phosphorus (“P”), Niobium (“Nb”) Tantalum (“Ta”), Uranium and rare earth elements (“REEs”).

On January 13, 2010, the Company announced the results of an ETMI that demonstrated the presence of between 330 million and 360 million tonnes averaging 3.5% to 3.7% P₂O₅ and 0.12% to 0.14% Nb₂O₅. The surface area used for the ETMI covered just 12% of the total project surface area. The ETMI was increased to 515 – 630 million tonnes in October 2011 as described below.

In a substantial backhoe trenching program completed during the summer of 2010, approximately 2km of trenches were excavated. Four trenches, ranging in length from 340m to 685m, were excavated mainly in parts of the Prairie Lake Complex that to date have seen little systematic sampling. More than 1,000 samples were collected from the trenches. Samples were analysed for a suite of elements of economic interest in the complex including P, Ta, Nb, U and REEs. Channel sampling results from the Dragonfly Trench included values of up to 13.67% P₂O₅ and 0.356% Nb₂O₅, and an intersection of 3.03% P₂O₅ and 0.157% Nb₂O₅ over 46.5m.

At the Grouse Trench, one of two trenches excavated in the NE quadrant of the Prairie Lake project, the results include individual analyses of up to 9.89% P₂O₅, 0.423% Nb₂O₅ and 1.1% combined REEs (Lanthanum “La”+Cerium “Ce”+Samarium “Sm”+Neodymium “Nd”+Yttrium “Y”). At the Raspberry Hill Trench, excavated about 200m north of the Grouse Trench in the NE quadrant of the project, of 231 samples collected from the trench, 58% returned assays of greater than 0.1% Nb₂O₅ (14% of all samples ≥ 0.2% Nb₂O₅). Results included individual analyses of up to 6.98% P₂O₅, 0.352% Nb₂O₅ and 0.48% combined REEs. The Wollastonite Trench was excavated in the SE quadrant of the complex and includes two East-West segments which branch out from the Wollastonite Showing. Sampling was completed only on the East branch, known as the Trailside Trench, which extends for 71.5m. Both branches were excavated for the

purpose of defining the extent of the Wollastonite Showing. Results included individual analyses of up to 11.26% P₂O₅, 0.265% Nb₂O₅ and 0.446% combined REEs, and an intersection of 4.352% P₂O₅ and 0.157% combined REEs over 169.5m.

In December, 2010, the Company completed a 4,000m drilling program in the western half of the Prairie Lake complex. The drill program was designed to test the northward extension of the SW target defined in the ETMI and included seven holes, each 500m to 600m in length. Approximately 1,800 core samples were collected. The results from the seven holes continue to demonstrate strong Nb and P mineralization, with REEs and Ta, over very significant sampling lengths. Intervals of elevated assays were obtained from all holes and include 183.88m grading 3.49% P₂O₅ and 0.109% Nb₂O₅ in NP1002 and 294m grading 3.14% P₂O₅ and 0.121% Nb₂O₅ in NP1004. When combined with previous drilling and trenching results they define an enormous domain of rock mineralized with elements of economic interest.

The ETMI was updated in October 2011 and has expanded the ETMI to 515 to 630 million tonnes grading between 0.09 to 0.11% Nb and 3.0 to 4.0% P making it one of the largest deposits of its kind in the world. Only a small percentage of the surface area of the Prairie Lake carbonatite has been explored and is included in the ETMI, meaning the potential for further expansion is high.

A 1,000kg sample was submitted to COREM in Québec City in September 2011 for metallurgical testing. A significant aim of the testwork was to determine whether Prairie Lake material can attain the requirements of the fertilizer industry – namely Phosphorus (P₂O₅) content of >30%, a CaO/P₂O₅ ratio of <1.6 and MgO content <1% - important thresholds for viability. COREM conducted an earlier metallurgical program on Prairie Lake mineralization in which it was demonstrated that the production of high-grade phosphorus concentrates is possible – concentrate containing up to 23.6% P₂O₅ was produced from a non-optimized process with the possibility of concentrate containing greater than 30% P₂O₅ considered realistic.

The most recent results clearly show that Prairie Lake rock is amenable to processing and concentration. The tests confirm the potential to produce a marketable product by meeting and exceeding published specifications for phosphate concentrate and most importantly demonstrating that a concentrate grading greater than 30% P₂O₅ is attainable with thresholds as described above.

Selected results from the Prairie Lake tests are tabulated below and are compared to published specifications of the Bureau of Indian Standards for phosphate concentrate (Type I and II). Test 35 from the Prairie Lake program has produced the best overall concentrate results to date with a P₂O₅ content of 30.6%; other parameters tested are SiO₂ content of 1.37%, F content of 0.62%, MgO content of 0.7%, Cl content of 0.012% and Al₂O₃+Fe₂O₃ of 0.65%. Selected size ranges from Test 35 produced even higher P₂O₅ concentrations with <150 micrometres (“µm”) to >106µm and <106µm to >75µm attaining 38% and 38.1% P₂O₅ content respectively (and with the other tabulated criteria) while Test 27 attained 34.4% P₂O₅ with the use of an HCl acid leach to remove carbonate.

<u>Bureau of Indian Standards (BIS) - IS: 11224-1985, reaffirmed 2003</u>	Type I	Type II	Test 35 Con.	Test 35 Con.	Test 35 Con.	Test 27 Con. after Leach
				-150+106µm	-106+75µm	
Total phosphate (P ₂ O ₅) % by mass	≥ 30	≥ 32	30.6	38	38.1	34.4
Silica (SiO ₂) % by mass	≤ 10	≤ 5	1.37	1.12	1.2	5
Fluoride (F) % by mass	≤ 2	≤ 4	0.62	0.72	0.83	**
Mixed aluminum and iron oxide (Al ₂ O ₃ and Fe ₂ O ₃) % by mass	≤ 3	≤ 3.5	0.65	0.44	0.48	2.99
Magnesium oxide (MgO) % by mass	≤ 0.5	≤ 0.5	0.7	0.32	0.39	2.26
Chloride (Cl) % by mass	≤ 0.015	≤ 0.05	0.012	0.033	0.009	0.043

** Insufficient samples

The Prairie Lake property was subject to a 2% NSR payable on any production from any claim that comprises the property. On January 23, 2012, the Company announced that it had acquired the NSR through issuing 3,157,894 shares with a market value of \$300,000; the property is now royalty-free.

GOLD, COPPER AND ZINC

Chibougamau Camp, Québec

In early 2006, Nuinsco acquired a significant equity interest in Campbell and entered into an agreement to provide consulting services to Campbell for its copper and gold mines in the Chibougamau mining camp. The Company determined that the Chibougamau mining camp had significant undefined exploration potential and agreed to participate with Campbell. The Company also acquired a 50% interest in future cash flows, as defined, from the high-grade Corner Bay copper deposit. In late 2008, the Company acquired a royalty interest in Corner Bay comprising 10% of operating cash flow from the Corner Bay copper deposit from production at the 145-metre level and above.

Campbell experienced significant financial difficulties resulting from production delays, falling metal prices and the demise of the financial markets in 2008; and in January, 2009 Campbell announced that it had re-entered CCAA protection.

With the acquisition of substantially all of the remaining secured debt of Campbell by Nuinsco and Ocean Partners as described earlier, the Company and Ocean Partners, through a jointly-owned company, CBay, made a proposal to the courts to realize on its security and gain ownership of the former Campbell assets in the Chibougamau mining camp. The Québec Superior Court approved the proposal and, effective October 25, 2011, ownership of the assets was transferred to CBay.

On February 15, 2012, Nuinsco and Ocean Partners announced the appointment of Roland Horst as the Chief Executive Officer of CBay which was created to advance the exploration, mining and processing assets located in and near Chibougamau that were jointly acquired late last year.

The Chibougamau assets represent a very substantial presence in a mining camp which has produced 1.6 billion pounds of copper and 3.2 million ounces of gold from 16 past-producing mines on the Lac Doré complex alone. Nuinsco and Ocean Partners now own eight past-producers on the Lac Doré complex and the significant potential to add to the known mineralization at these projects, one partially-developed high-grade copper mine - Corner Bay, a permitted 2,772 tonnes per day mill and tailings facility and in excess of 96,000 acres of highly-prospective exploration property.

Upon transfer of assets to CBay, the Company reclassified its *Interest in Chibougamau* to *Property and equipment* in the amount of \$1,386,000 and \$3,820,000 was transferred to *Exploration and evaluation projects*. The Company expects to develop an exploration program and to capitalize on the huge potential which the Chibougamau camp offers. The program will commence in 2012 and will continue into 2013.

Related to these assets, a restoration fund had been set up between Campbell and the Société de Développement de la Baie-James ("SDBJ"). This fund continues to exist to fund future reclamation work with respect to the Copper Rand assets. An updated reclamation plan is being prepared.

Turkish Properties

Berta

The Berta copper project is located in north-eastern Turkey. Berta was originally a 50:50 joint venture with Xstrata Copper ("Xstrata") one of the commodity business units within Xstrata plc (see below). Exploration began at Berta in 2004.

During 2007, a significant, continuous domain of strong sulphide mineralization grading up to 0.28% copper and 0.07 g/t gold was intersected. Copper and gold values occurred over an interval of 710.90M of Hole SD-07-08, which was drilled adjacent to the interpreted Berta copper porphyry system and ended in mineralization.

Highlights of Hole SD-07-08 include: 710.9m grading 0.28% copper and 0.07g/t gold between 3.80m and 714.7m, including: 6.85m grading 3.79% copper, 0.22g/t gold, 11.6g/t silver and 1.05% zinc; 5.90m grading 2.60% copper, 1.14g/t gold and 8.3g/t silver; and 9.0m grading 1.03% copper. Copper values peaked at 30% over 0.25m between 592.10m and 592.35m down hole.

The results in this spectacularly mineralized hole were followed up by further positive drill results in 2008, including Hole SD-08-09 which returned 459m of continuous copper-gold mineralization starting from only four metres below surface and grades of up to 5.07% copper over 4.5m. Results from this hole include 179.9m grading 0.31% copper and 0.31g/t gold within a longer interval of 459m grading 0.17% copper and 0.17g/t gold.

Of particular note is the presence of mineralization near surface in both drill holes. These results highlight the tremendous potential of the essentially unexplored Berta property.

As noted in the MD&A for March 31, 2011, discussions with Xstrata were underway, including discussions to buy Xstrata's share of the joint venture. Subsequently, Xstrata advised that it was no longer interested in selling its share of Berta. As a result, Nuinsco opted not to pay the full share of the recorded expenditures and allowed itself to be diluted to approximately 36%. Nuinsco continues to accrue for its reduced proportionate share of expenditures incurred on Berta based on work plan budgets provided by Xstrata.

Nuinsco has been advised of a proposed work program, comprising predominantly diamond drilling, to be conducted at Berta during 2012. Drilling was underway as of the date of this MD&A. The principal aim of the work is to assess parts of the Berta Project that to date have seen no drilling. Two drill rigs will be employed in the program and up to 7,500m will be drilled. The 2012 program cost is approximately US\$2,672,000 of which Nuinsco's proportionate interest is US\$953,000, should the Company agree to participate.

Elmalaan

The Elmalaan licence, covering 947ha, is located 6km south of the Black Sea coast in northeastern Turkey and is easily accessible year round. The Company completed its 100% earn-in at Elmalaan in 2007 subject to Xstrata's back-in right to reacquire a 50% interest.

With completion of its earn-in, the Company was in the process of transferring ownership of the Elmalaan property to a wholly-owned Turkish subsidiary, Nuinsco Madencilik. The transfer will not be made based on the decision in early 2012, to not proceed with the project as, under Turkish regulations, commencement of "exploitation" is necessary despite the fact that the project is not technically ready for "exploitation" and the expenditure required for "exploitation" would not advance the project. As such, ownership of the property has been relinquished. Accordingly, a writedown in the amount of \$1,100,000 was made against Elmalaan in 2011.

Egypt

In February, 2010, the Company announced that it had been successful, along with its Egyptian partner, in the bid process for two gold exploration concession areas in the Eastern Desert of Egypt – Bukari and Umm Samra. Both concession agreements still require execution by the Minister of Petroleum and Mines to be passed into law.

The Company completed several programs of field exploration work with positive results, however, political events in Egypt, and elsewhere in the MENA region, have had a negative impact on values and the resulting difficulty of financing projects in the MENA region has forced the Company to make the decision to not proceed with its Egyptian projects at this time. Accordingly, the Company recorded a net writedown of \$803,000 against project expenditures incurred to December 31, 2011 to writedown the value of the project to \$nil. In 2012, additional writedowns of \$23,000 were made against expenditures incurred to date. On March 27, 2012, the Company advised EMRA of its decision not to proceed.

Sudan

On July 18, 2011, the Company announced that it has expanded its presence in the MENA region by entering into an option agreement with Makaseb Holding LLC ("Makaseb"), to acquire an 85% interest in that company's subsidiary UAE for Gold Minerals and Investment Company Ltd. ("UAE Gold"). UAE Gold owns 100% of the J. Tobrar (Block 64) concession, located in northeastern Sudan that hosts the Hamil Gold Vein System ("HGVS"). The terms of the option provided for an initial payment of US\$200,000, half in cash and half in either cash or shares of Nuinsco (at Nuinsco's option), and a commitment to spend approximately €400,000 on due diligence and property evaluation over the next six months. Prior to the end of the option period, Nuinsco was required to deliver US\$4,000,000 in cash or Nuinsco shares or, under certain circumstances, shares of NuMENA. NuMENA was created by the Company as a vehicle to acquire and explore mineral projects in the MENA region.

The Company commenced a field program in September 2011 at the J.Tobrar project. Initially this work consisted of the excavation of trenches in the immediate vicinity of the known gold mineralized HGVS. Results from this program demonstrated that the HGVS remains an attractive target with economic potential for a low-tonnage, high-grade gold deposit. However, the cost of exercising the option and proceeding with delineation and development were considered too high given the potential scale of the mineralization. Additional work to evaluate other gold showings elsewhere on the 3,400 km² licence area also occurred but results were not sufficiently encouraging to warrant further investment by the Company under current market conditions.

On February 7, 2012, the Company announced that it had elected to not exercise its option. The scale of mineralization identified did not justify the option price and continued expenditures under current market conditions. Accordingly, a writedown of \$719,000 was made against the project expenditures incurred to December 31, 2011 to writedown the property to \$nil. In 2012, additional writedowns of \$40,000 were taken against expenditures incurred to February 7, 2012.

INVESTMENTS

Victory Nickel Inc.

As at August 10, 2012, the Company owns 8,253,715 shares, an approximate 2% interest in Victory Nickel, which is held as marketable securities with a fair value of \$289,000.

Coventry Resources Limited

Pursuant to the sale of Cameron Lake, Nuinsco received 12,000,000 shares in Coventry (an approximate 6.9% interest) as well as a 3% NSR royalty over future production from the property. By selling the property but retaining an interest in Coventry, Nuinsco is able to participate in any upside potential of the Cameron Lake property without having to finance additional exploration or the development of the mine. As mentioned earlier, the Company has decided to sell the royalty interest in order to generate funds. Coventry is focussed on acquiring, finding and developing high-quality gold assets in the Superior Province geological region in eastern Canada. Coventry is based in Perth, Western Australia and its principal asset is the 100% interest in Cameron Lake. It also has interests in the Rainy River Greenstone Belt and the Ardeen Gold Project in Northern Ontario. As at August 10, 2012, the Company owns 6.4 million shares with a fair value of \$338,000.

IMPAIRMENT ANALYSIS UPDATE

The Company performed a detailed impairment analysis on each of its E&E projects as at December 31, 2011. Effective that analysis, the Company had determined that it would fully write-down its Egyptian, Sudanese and Elmalaan, Turkey projects. Expenditures incurred in 2012 on those projects prior to the determination of impairment have been written off in the six months ended June 30, 2012; writedowns of \$23,000 and \$40,000 for Bukari, Egypt and J. Tobrar, Sudan, respectively, were therefore made in the first quarter of 2012 bringing the respective projects to \$nil. The Company does not believe that there have been any material changes to date which would adversely affect this analysis on the projects written down or considered unimpaired, or would cause the Company to initiate another recoverability assessment. Furthermore there has been no change in management's plans for the projects which would cause a reassessment.

Management concluded that no additional impairment existed in each of its E&E projects effective June 30, 2012 and that costs incurred to date are recoverable. The Company will continue to monitor developments as they occur in the metals markets and the economy and will update its impairment analysis to take account of any such changes, as appropriate.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of the recoverable value of its E&E projects, assessing the fair value of royalty interests, assessing the impairment of long-lived assets, assessing the allocation of assets into their components and the fair value estimates for share-based payments and warrants and assessing the value of deferred income tax assets. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

For a complete list of the significant accounting policies as well as information concerning the use of estimates and measurement uncertainty, reference should be made to Notes 2 and 3 to the Company's 2011 Audited Consolidated Financial Statements as updated by Note 3 to the Unaudited Condensed Consolidated Financial Statements. The Company's financial statements have been prepared using the going concern assumption; reference should be made to Note 1 to the Company's 2011 Audited Consolidated Financial Statements as well as to Note 1 to the Company's Unaudited Condensed Consolidated Financial Statements.

The Company's recorded value of its E&E projects is based on historic costs that are expected to be recovered in the 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 exposed to a number of risks and uncertainties. Accordingly, there is always the potential for a material adjustment to the value assigned to these assets.

The fair value of the share-based payments, until exercise, is calculated using an option-pricing model that takes into account the exercise price, the expected life of the option/warrant, expected volatility of the underlying shares, expected dividend yield and the risk-free interest rate for the term of the option/warrant.

NEW ACCOUNTING POLICIES

IFRS issued by the International Accounting Standards Board (“IASB”) have been adopted in the Company’s 2011 Audited Consolidated Financial Statements. Note 3 to those statements include the accounting policies that have been applied. Note 3 to the Unaudited Condensed Consolidated Financial Statements includes any new accounting policies – there have been none implemented to date.

FUTURE ACCOUNTING CHANGES

New Standards and Interpretations Not Yet Adopted

Since the issuance of the Company’s 2011 Audited Consolidated Financial Statements, the IASB and International Financial Reporting Interpretations Committee (“IFRIC”) have issued no additional new and revised standards and interpretations which are applicable to the Company. Refer to Note 3 to those statements.

CORPORATE GOVERNANCE

The Company’s Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee, which is comprised of directors, meets with management to review the Unaudited Condensed Consolidated Financial Statements to satisfy itself that management is properly discharging its responsibilities to the directors who approve the financial statements. The Board of Directors has also appointed compensation and corporate governance and nominating committees composed of non-executive directors.

Design of Disclosure Controls and Procedures

The Company’s Chief Executive Officer and Chief Financial Officer, (collectively, the “Certifying Officers”), are responsible for designing a system of disclosure controls and procedures, or causing them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed in reports filed with or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and that material information relating to the Company is made known to them with respect to financial and operational conditions to allow timely decisions regarding required disclosure. For the fiscal quarter ended June 30, 2012, the Certifying Officers have concluded that the design of the Company’s disclosure controls and procedures were effective as at June 30, 2012. Such controls are facilitated by the small size of the Company’s senior management team and their access to material information.

There were no changes to the Company’s disclosure controls and procedures that occurred during the quarter ended June 30, 2012 that materially affected, or are reasonably likely to affect, the Company’s disclosure controls and procedures.

Design of Internal Control over Financial Reporting

The Company’s Certifying Officers are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP. The Company used the COSO control framework. For the fiscal quarter ended June 30, 2012, the Certifying Officers have concluded that the design of the Company’s internal controls over financial reporting and procedures were effective as at June 30, 2012.

The management of the Company was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

There were no changes to the Company’s internal controls over financial reporting that occurred during the quarter ended June 30, 2012 that materially affected, or are reasonably likely to affect, the Company’s internal controls over financial reporting.

TRANSACTIONS WITH RELATED PARTIES AND MANAGEMENT AGREEMENT

Included in accounts payable and accrued liabilities at June 30, 2012 are amounts owing to directors and officers of \$180,000 (December 31, 2011 - \$158,000). The amounts consist primarily of directors’ fees, consulting fees and reimbursement of expenses incurred by officers and directors.

The Company shares management, administrative assistance and facilities with Victory Nickel and CBay pursuant to separate management agreements. The costs recovered from Victory Nickel and CBay are recorded at the cost to the

Company of such services plus 10 per cent. The management agreement for Victory Nickel commenced February 1, 2007 and is terminable by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. The management agreement for CBay commenced February 14, 2012 and is terminable by the Company upon 90 days notice and by CBay upon 60 days notice upon the earlier of February 14, 2013 or listing on a stock exchange.

Transactions with Victory Nickel and CBay for the three and six months ended June 30, 2012 and 2011 are shown in the following table:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Transaction Values				
Overhead charges to Victory Nickel Inc.	\$ 157	\$ 215	\$ 371	\$ 412
Overhead charges from Victory Nickel Inc.	\$ 8	\$ -	\$ 15	\$ -
Project costs charged by Victory Nickel Inc.	\$ 7	\$ 7	\$ 16	\$ 14
Project recoveries charged to Victory Nickel Inc.	\$ 14	\$ 18	\$ 19	\$ 34
Overhead charges to CBay Minerals Inc.	\$ 78	\$ -	\$ 114	\$ -
Project recoveries charged to CBay Minerals Inc.	\$ 3	\$ -	\$ 6	\$ -

Amounts due to or from Victory Nickel and CBay are unsecured, non-interest bearing and due on demand. Amounts due to or from Victory Nickel and CBay are settled on a regular basis.

OUTSTANDING SHARE DATA

As at June 30, 2012, the Company had 290,512,559 common shares outstanding. As at August 10, 2012, the Company had 291,436,423 common shares issued and outstanding. In addition, there were 25,865,000 stock options outstanding as at August 10, 2012, as well as 14,892,718 warrants, which if exercised and issued would bring the fully diluted issued common shares to a total of 332,194,141 and would generate approximately \$5,481,000. However, not all of the options and warrants are "in the money".

RECENT DEVELOPMENTS

There are no recent developments for the Company, not covered elsewhere in this MD&A.

CONTINGENCY

CRA Reassessment

In March, 2011, the Company received notices of reassessment in the aggregate amount of approximately \$4,400,000 from the CRA related to transactions completed in 2006. The Company filed notices of objection on May 19, 2011 and also, on July 22, 2011, filed a request for adjustment to correspondingly adjust its tax pools and losses, in the unlikely event that the Company's appeal is unsuccessful. The appeal process could be lengthy and the Company believes that its position is correct and believes it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.

RISKS AND UNCERTAINTIES

The exploration and development of natural resources are speculative activities that involve a high degree of financial risk. The risk factors which should be taken into account in assessing Nuinsco's activities and an investment in its securities include, but are not necessarily limited to, those set out below.

The relative significance of each risk described below will vary as a function of several factors including, but not limited to, the state of the economy, the stage of Nuinsco's projects, the availability of financing on acceptable terms and other matters.

Any one or more of these risks could have a material adverse effect on the value of any investment in Nuinsco and the business, financial condition or operating results or prospects of Nuinsco and should be taken into account in assessing Nuinsco's activities.

Industry Risks

Speculative Nature of Mineral Exploration

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that Nuinsco's exploration efforts will be successful. No assurance can be given that Nuinsco's exploration programs will result in the establishment or expansion of resources or reserves. Furthermore, Nuinsco cannot give any

assurance that its current and future exploration activities will result in the discovery of mineral deposits containing mineral reserves.

Development Projects

In general, development projects have no operating history upon which to base estimates of future cash operating costs. For development projects such as those projects that Nuinsco has an interest in, estimates of proven and probable reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies.

Competition

The mineral exploration business is highly competitive in all of its phases. Nuinsco competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Nuinsco, in the search for and acquisition of exploration and development rights on attractive mineral properties.

Operational Risks

Limited History of Operations

Nuinsco has a limited history of earnings and limited financial resources. Nuinsco currently has no operating mines and its ultimate success will depend on its ability to generate cash flow from sales of resource-related assets, any active mining operations in the future, as well as its ability to access capital markets for its development requirements.

Development Targets, Permitting and Operational Delays

There can be no assurance that Nuinsco will be able to complete any planned development of the projects on time or on budget due to, among other things, delays in receiving required consents, permits and registrations, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support Nuinsco's operations.

Resources and Reserves

Figures relating to mineral resources and mineral reserves are estimates and no assurance can be given that the anticipated level of recovery and/or grades of mineral reserves or mineral resources will be realized.

Title Risks

Nuinsco's ability to hold various mineral rights require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental and quasi-governmental authorities. However, Nuinsco's ability to obtain, sustain or renew such licences, permits and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies.

Insurance Risk

Nuinsco faces all of the hazards and risks normally incidental to the exploration of precious and base metals, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all such damage caused. Not all such risks are insurable.

Financial and Investment Risks

Capital Requirements

As an exploration company, Nuinsco must make expenditures for the maintenance and exploration of its mineral properties. Such expenditures do not generate cash flow and, as such, the Company is reliant on the equity markets and asset sales to generate cash for ongoing operations. There can be no assurance that any equity financing or cash generated through asset sales will be available or sufficient to meet these requirements. The inability of Nuinsco to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. Flow-through financing cannot be used to fund the Company's corporate costs or foreign projects. The expected Facility of \$2,500,000 may not be consummated or may not be completed under the expected terms.

Market Perception

Market perception of junior exploration, development and mining companies may shift such that these companies are viewed less favourably. This factor could impact the value of investors' holdings and Nuinsco's ability to raise further funds by issue of additional securities or debt.

Metal and Mineral Prices

There is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Metal prices fluctuate on a daily basis and are affected by numerous factors beyond Nuinsco's control – including factors which are influenced by worldwide circumstances.

Areas of Investment Risk

Nuinsco's common shares are listed on the TSX. The share prices of publicly traded companies can be volatile as the price of shares is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to Nuinsco. The market for shares in small public companies is less liquid than for large public companies. Investors should be aware that the value of the Company's common shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Company's common shares may not reflect the underlying value of Nuinsco's net assets. The price at which investors may dispose of their securities may be influenced by a number of factors, some of which may pertain to Nuinsco and others of which are extraneous. On any disposal of their common shares, investors may realize less than the original amount invested.

Regulatory Risks

Government Regulation

Existing and possible future environmental and social impact legislation, regulations and actions, including the regulation of air and water quality, mining reclamation, solid and hazardous waste handling and disposal, the promotion of occupational health and safety, the protection of wildlife and ecological systems and the protection of the societies and communities of indigenous peoples, could cause significant expense, capital expenditures, restrictions and delays in the Company's activities, the extent of which cannot be predicted and which may well be beyond Nuinsco's capacity to fund.

Economic, Political, Judicial, Administrative, Taxation or Other Regulatory Factors

Nuinsco may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors in the areas in which Nuinsco does or will operate and holds its interests, as well as unforeseen matters. As referred to above, the Company has received notices of assessment from the CRA and is in the process of defending what it and its advisors believe to have been a correct filing position.

Other Risks

Environmental and Health Risks

The Company has no significant exposure to environmental or health risks, although this will change should any of the Company's projects approach production (a normal characteristic of mineral industry projects).

Key Personnel

Nuinsco relies on a limited number of key consultants and there is no assurance that Nuinsco will be able to retain such key consultants or other senior management. The loss of one or more of such key consultants or members of senior management, if not replaced, could have a material adverse effect on Nuinsco's business, financial condition and prospects. Directors and management had previously and, once more, have accepted deferrals of remuneration in order to assist the Company through the economic turmoil; however, this potentially adds to the risk of losing experienced personnel.

Conflicts of Interest

Certain of Nuinsco's directors and officers are also directors and officers of other natural resource companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict.

Foreign Operations

In 2004, the Company initiated exploration work in Turkey. While the Company believes that the risks associated with operating in Turkey are very acceptable, most investors would attribute a higher degree of risk to operating in Turkey as compared to operating in Canada. In early 2010, the Company commenced exploration work in Egypt and in July, 2011, the Company, along with a partner, acquired interests in north-eastern Sudan. While the Company has terminated its activity in Sudan and Egypt and has reduced activity in Turkey, it remains open to appropriate opportunities in the MENA region.

Nuinsco's investments in foreign countries carry certain risks associated with different political, business, social and economic environments. The ability to carry on business in any country can be affected by possible political or economic instability in that country. Changes in mining or investment policies or shifts in political attitude may adversely affect

private business. The effect of these factors cannot be accurately predicted. Should the respective government later seek to control any aspect of production, distribution or pricing of gold or precious metals, Nuinsco runs the risk that, at any time, its operations may be terminated for failure to comply with any permit, rule or regulation; or that its operations may prove to be unprofitable if the costs of compliance with such governmental regulations prove to be excessive.

There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, project development or mining may not be obtained under conditions, or within time frames, that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

As with Canadian projects, the acquisition and retention of title to mineral rights is a detailed and time consuming process. Title to, and the area of, mineral resource claims may be disputed or challenged. Nuinsco's right to explore for, mine, produce and sell metals will be based on the respective governing agreement. Should Nuinsco's rights under any agreement not be honoured or be unenforceable for any reason, or if any material term of the agreements is unilaterally changed or not honoured, including any boundaries of properties, Nuinsco's ability to explore and produce metals in the future would be materially and adversely affected.

Nuinsco regularly and routinely considers the risks inherent in foreign jurisdictions and weighs such risks when evaluating continued, enhanced, reduced or renewed involvement in foreign projects.

Investments and Other Agreements with Resource Companies

In addition, Nuinsco makes, from time-to-time, investments in the common shares of publicly-traded companies in the junior natural resources sector or may enter into option or other agreements therewith. These companies are subject to similar risks and uncertainties as is Nuinsco, and Nuinsco's investments in and agreements with these companies are subject to similar areas of risk as noted above. Nuinsco seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations.

Summary

The future success of the Company is subject to a number of risk factors that are common to the junior natural resources sector. These include the extent to which it can outline natural resources on its properties and establish the economic viability of developing those properties and the political, economic and legislative stability of the territories in which the Company's interests are located. Another significant factor is the ability of the Company to obtain necessary financing, complete expected financing under anticipated terms or to find strategic partners to fund expenditure commitments as they fall due, as the Company currently has limited funds. Furthermore, the development of any natural resource interest may take years to complete and the resulting income, if any, from the sale of any natural resources produced by the Company is largely dependent upon factors that are beyond its control, such as costs of development, operating costs and the market value of the end product. Such risks are likely to be more extensive in foreign jurisdictions.

FORWARD-LOOKING STATEMENTS

Forward-Looking Information: This MD&A contains forward-looking information. All statements, other than statements of historic fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of production, revenue, cash flow, financing, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production and the Company's development plans and objectives) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company.

Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from estimates and assumptions; uncertainties relating to the availability and costs of financing expected or needed in the future; failure to establish estimated mineral resources; fluctuations in commodity prices and currency exchange rates; inflation; recoveries being less than those indicated by the testwork carried out to date (there can be no assurance that recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production); changes in equity or debt markets; operating performance of facilities; environmental and safety risks; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; unavailability of plant, equipment or labour; inability to retain key management and personnel; changes to regulations or policies affecting the Company's activities; the uncertainties involved in interpreting geological data; and the other risks disclosed under the heading "Risks and Uncertainties" and elsewhere. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

August 10, 2012