



## **NUINSCO RESOURCES LIMITED**

# **UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

**DATED MAY 14, 2015**

### **Management's Comments on Unaudited Condensed Consolidated Financial Statements**

The accompanying unaudited condensed consolidated financial statements of Nuinsco Resources Limited for the three months ended March 31, 2015 and 2014 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>	March 31, 2015 (unaudited)	December 31, 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	6	\$ 27	\$ 14
Receivables	7	87	92
Marketable securities	8	317	957
<b>Total current assets</b>		<b>431</b>	<b>1,063</b>
<b>Non-current assets</b>			
Property and equipment	9	75	79
Exploration and evaluation projects	10	13,240	13,204
Interest in CBay Minerals	11	452	452
Participating Interest	12	3,100	4,119
<b>Total non-current assets</b>		<b>16,867</b>	<b>17,854</b>
<b>Total Assets</b>		<b>\$ 17,298</b>	<b>\$ 18,917</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	13	\$ 755	\$ 736
<b>Total current liabilities</b>		<b>755</b>	<b>736</b>
<b>Total Liabilities</b>		<b>755</b>	<b>736</b>
<b>Shareholders' equity</b>			
Share capital	16	98,169	98,169
Contributed surplus		5,589	5,589
Accumulated other comprehensive loss		(2,094)	(1,720)
Deficit		(85,121)	(83,857)
<b>Total shareholders' equity</b>		<b>16,543</b>	<b>18,181</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 17,298</b>	<b>\$ 18,917</b>

### NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

### CONTINGENCY (Note 23)

Approved by the Board of Directors

(signed)

**René R. Galipeau**

Director

(signed)

**Bob Wardell**

Director

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

## Consolidated Statements of Operations

Three months ended March 31, (in thousands of Canadian dollars, except per share amounts)	<i>Notes</i>	2015 (unaudited)	2014 (unaudited)
<b>Other expenses</b>			
General and administrative		\$ (197)	\$ (237)
Share-based payments:	18		
Options		-	(12)
Depreciation of property and equipment	9	(4)	(5)
Pre-exploration write-offs	10	(44)	(48)
<b>Operating loss</b>		<b>(245)</b>	<b>(302)</b>
Finance income	19	-	777
Finance costs	19	(1,019)	(111)
<b>Net finance (costs) income</b>		<b>(1,019)</b>	<b>666</b>
<b>(Loss) income before the undernoted</b>		<b>(1,264)</b>	<b>364</b>
Interest in CBay Minerals	11	-	(62)
<b>(Loss) income before income taxes</b>		<b>(1,264)</b>	<b>302</b>
Income tax (expense) recovery		-	(7)
<b>Net (Loss) Income for the Period</b>		<b>\$ (1,264)</b>	<b>\$ 295</b>
<b>(Loss) earnings per share</b>			
Basic (loss) earnings per share	17	\$ (0.00)	\$ 0.00
Diluted (loss) earnings per share		\$ (0.00)	\$ 0.00

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

## Consolidated Statements of Comprehensive (Loss) Income

Three months ended March 31, (in thousands of Canadian dollars)	<i>Notes</i>	2015 (unaudited)	2014 (unaudited)
<b>Net (Loss) Income for the Period</b>		<b>\$ (1,264)</b>	<b>\$ 295</b>
<b>Other comprehensive (loss) income</b>			
Net change in fair value of financial assets	8	(374)	1,322
Income tax recovery (expense)		-	7
<b>Other comprehensive (loss) income for the period</b>		<b>(374)</b>	<b>1,329</b>
<b>Total Comprehensive (Loss) Income for the Period</b>		<b>\$ (1,638)</b>	<b>\$ 1,624</b>

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

## Consolidated Statements of Shareholders' Equity

(Unaudited) (in thousands of Canadian dollars)	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
<b>Balances as at January 1, 2014</b>		\$ 98,169	\$ 5,560	\$ (1,458)	\$ (77,516)	\$ 24,755
<b>Total comprehensive income for the period</b>						
Net income for the period		-	-	-	295	295
<b>Other comprehensive income</b>						
Net change in fair value of financial assets	8	-	-	1,322	-	1,322
Income tax expense		-	-	7	-	7
<b>Total other comprehensive income</b>		-	-	1,329	-	1,329
<b>Total comprehensive income for the period</b>		-	-	-	-	1,624
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by owners in the period</b>						
Options granted and vesting	18	-	12	-	-	12
<b>Total contributions by owners</b>		-	12	-	-	12
<b>Total transactions with owners</b>		-	12	-	-	12
<b>Balances as at March 31, 2014</b>		<b>\$ 98,169</b>	<b>\$ 5,572</b>	<b>\$ (129)</b>	<b>\$ (77,221)</b>	<b>\$ 26,391</b>
<b>Balances as at January 1, 2015</b>		\$ 98,169	\$ 5,589	\$ (1,720)	\$ (83,857)	\$ 18,181
<b>Total comprehensive income for the period</b>						
Net loss for the period		-	-	-	(1,264)	(1,264)
<b>Other comprehensive loss</b>						
Net change in fair value of financial assets	8	-	-	(374)	-	(374)
Income tax recovery		-	-	-	-	-
<b>Total other comprehensive loss</b>		-	-	(374)	-	(374)
<b>Total comprehensive loss for the period</b>		-	-	-	-	(1,638)
<b>Balances as at March 31, 2015</b>		<b>\$ 98,169</b>	<b>\$ 5,589</b>	<b>\$ (2,094)</b>	<b>\$ (85,121)</b>	<b>\$ 16,543</b>

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

## Consolidated Statements of Cash Flows

Three months ended March 31,

(in thousands of Canadian dollars)

	<b>Notes</b>	<b>2015</b> (unaudited)	<b>2014</b> (unaudited)
<b>Cash flows from operating activities</b>			
Net (loss) income for the period		\$ (1,264)	\$ 295
Adjustments for:			
Share-based payments	18	-	12
Depreciation of property and equipment	9	4	5
Interest in CBay Minerals	11	-	62
Net finance costs (income)	19	1,019	(666)
Income tax expense (recovery)		-	7
Change in receivables		5	(56)
Change in trade and other payables		20	96
<b>Net cash used by operating activities</b>		<b>(216)</b>	<b>(245)</b>
<b>Cash flows from investing activities</b>			
Expenditures on exploration and evaluation projects	10	(36)	(95)
Funding to CBay Minerals	11	-	(47)
Proceeds on sale of marketable securities	8	265	417
Net purchase of property and equipment	9	-	(5)
Interest received		-	31
<b>Net cash from investing activities</b>		<b>229</b>	<b>301</b>
<b>Cash flows from financing activities</b>			
Interest paid	14	-	(72)
<b>Net cash (used by) from financing activities</b>		<b>-</b>	<b>(72)</b>
<b>Net Increase (Decrease) in Cash</b>		<b>13</b>	<b>(16)</b>
<b>Cash, Beginning of the Period</b>		<b>14</b>	<b>249</b>
<b>Cash, End of the Period</b>		<b>\$ 27</b>	<b>\$ 233</b>

The accompanying notes are an integral part of these 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. NATURE OF OPERATIONS AND GOING CONCERN

### 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 months ended March 31, 2015 and 2014 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 (Note 20). 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 10, 11, 12, 21 and 22 to these condensed consolidated financial statements.

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

### Going Concern

These consolidated 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 March 31, 2015, the Company had working capital deficiency of \$324,000 (December 31, 2014 – working capital of \$327,000). Working capital is defined as current assets less current liabilities. Marketable securities comprise investments in other resource companies the markets for which are not always liquid.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to: the ability to settle accounts as they come due, continuing losses, dependence on key individuals, realization on its marketable securities as required and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Advancing the Company’s projects through exploration and development to the production stage will require significant financing. Given the current economic climate, the ability to raise funds has been and may continue to be difficult.

None of the Company’s projects have commenced commercial production and, accordingly, the Company is dependent upon the sale of marketable securities, 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.

In an effort to decrease the Company’s reliance on equity markets for financing to advance the Company’s existing projects and/or take advantage of new project opportunities, the Company entered into a secured loan agreement with Victory Nickel Inc. (“Victory Nickel”) which was converted on April 22, 2014 to an unsecured participating interest in the cash flows generated from the sale of frac sand (the “Participating Interest”) as described in Note 12. The loan provided the initial funding required by Victory Nickel to implement a three-phase business plan to enter the frac sand business which began generating sales in March 2014. Victory Nickel’s frac sand business has experienced a decline in demand, and downward pressure on pricing, for its frac sand products due to the rapid decline in oil price that began in the fourth quarter of 2014 and continues in 2015 and resulting drop in drilling activity. In addition, Victory Nickel announced a deferral of its previous decision, made in late 2014, to proceed with Phase 2 of its three-phased frac sand business plan. Presently, the Company does not anticipate receiving any cash flows from the Participating Interest until the second quarter of 2017.

The Company extinguished its loan in December 2014 through relinquishing shares representing a 42.5% interest in CBay Minerals Inc. (“CBay”) formerly recorded as part of *Interest in CBay Minerals Joint Arrangement* on the consolidated balance sheets, and formerly a joint venture with Ocean Partners Investments Limited (“Ocean Partners”). Refer to Note 11 to these financial statements. Furthermore, the Company has received reassessments and a notice of confirmation from the Canada Revenue Agency (“CRA”) - refer to Note 23.

The Company’s only source of liquidity is its marketable securities, the price of which has declined since December

# Notes to the Condensed Consolidated Financial Statements

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

31, 2014. Presently, the Company is facing a significant shortfall in liquidity before it expects any cash flows from the Participating Interest. The Company presently has no specific plans in place to secure this funding although management continues to hold discussions on securing financing or potential sale of assets. There are no assurances that the Company will be successful in obtaining any financing or selling assets, or in accomplishing that on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, then the Company's treasury will be depleted by July 31, 2015 and it will be unable to fund continuing operations and corporate administration costs without an additional infusion of capital. In an effort to preserve capital, the Company began a restructuring of staff and administration in March 2015. If the Company is unable to complete this restructuring and obtain additional financing prior to July 31, 2015, the Company will be required to curtail all of its operations and may be required to liquidate its assets.

Should the Company not be able to continue to obtain the necessary financing, achieve favourable exploration results, achieve future profitable production or the sale of properties or improve its liquidity sufficient to enable it to fund operations until it can realize cash flows from the Participating Interest with Victory Nickel, the carrying value of the Company's assets would 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. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

## 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.

These unaudited condensed consolidated financial statements reflect the accounting policies described in Note 3 to the Company's Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013 ("2014 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 May 14, 2015 and are made available to shareholders and others through filing on SEDAR shortly thereafter.

### (b) Basis of Measurement

The financial statements have been prepared on the historic cost basis except for derivative financial instruments such as warrants and the Participating Interest which are measured at fair value with changes through operations and financial assets such as marketable securities which are measured at fair value with changes recorded through other comprehensive income or loss ("OCI").

### (c) Functional and Presentation Currency

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

### (d) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

The accompanying consolidated financial statements include all adjustments that are, in the opinion of management,

# Notes to the Condensed Consolidated Financial Statements

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

necessary for fair presentation.

## **Significant estimates and assumptions**

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

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

- Notes 8 valuation of financial assets at fair value through OCI and operations;
- Note 10 measurement of the recoverable amounts of exploration and evaluation projects;
- Note 11 valuation of Interest in CBay Minerals;
- Note 12 valuation of Participating Interest;
- Note 18 measurement of share-based payments.

## **Significant Judgements**

Judgements are reviewed on an ongoing basis. Changes resulting from the effects of amended judgements are recognized in the period in which the change occurs and in any future periods presented.

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

- Note 1 going concern assessment;
- Note 10 classification of expenditures as exploration and evaluation projects or operating expenses;
- Note 10 impairment of exploration and evaluation projects;
- Note 11 assessment of influence over CBay Minerals;
- Note 23 disclosure of contingencies.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Company are set out in detail below. Such policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Nuinsco entities.

### **(a) New Accounting Policies**

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

### **(b) New Standards and Interpretations Not Yet Adopted**

Since the issuance of the Company's 2014 Audited Consolidated Financial Statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued several new and revised standards and interpretations. However, the revised standards and interpretations are not applicable to the Company or are expected to have minimal impact.

## **4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT DISCLOSURES**

### **Overview**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

### **Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board fulfils its responsibility through the Audit Committee which is responsible for overseeing the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to



# Notes to the Condensed Consolidated Financial Statements

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

set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has an established code of conduct which sets out the control environment within which framework all directors' and employees' roles and obligations are outlined. The Company's risk and control framework is facilitated by the small-sized and hands-on executive team.

## **Credit Risk**

Credit risk is the risk of an unexpected financial loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash, receivables, loan receivable and marketable securities.

## **Cash**

The Company's cash is held through large Canadian financial institutions. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board.

## **Receivables**

Amounts due are settled on a regular basis.

When necessary, the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Further, when the Company engages in corporate transactions, it seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations.

## **Participating Interest**

The loan receivable bore interest at a fixed rate and was secured on equipment of the borrower through registered security agreements. Failure of the borrower to meet contractual obligations would have resulted in seizure of the borrower's assets. Upon Conversion, as described in Note 12, the loan receivable became unsecured and is now referred to as the "Participating Interest".

## **Marketable securities**

The Company limits its exposure to credit risk by investing only in securities which are listed on public stock exchanges. Such strategic investments are approved by the Board of Directors of the Company. Management actively monitors changes in the markets and management does not expect any counterparty to fail to meet its obligations. The Company's investments are generally in the junior natural resources sector and these companies are subject to similar areas of risk as the Company itself.

## **Guarantees**

The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries or under business arrangements where the benefit of the guarantee will enure to the Company. As at March 31, 2015 and December 31, 2014, the Company had no guarantees outstanding.

## **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking undue damage to the Company's reputation.

The Company's only source of liquidity is its marketable securities, the price of which has declined since December 31, 2014. Presently, the Company is facing a significant shortfall in liquidity before it expects any cash flows from the Participating Interest. The Company continues to hold discussions on securing financing or potential sale of assets. There are no assurances that the Company will be successful in obtaining any financing or selling assets, or in accomplishing that on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, then the Company's treasury will be depleted by July 31, 2015 and it will be unable to fund continuing operations and corporate administration costs.

# Notes to the Condensed Consolidated Financial Statements

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

The Company's objective is to maintain sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and marketable securities. This is accomplished by budgets and forecasts which are updated on a periodic basis to understand future cash needs and sources. When possible, spending plans are adjusted accordingly to provide for liquidity.

The Company manages its liquidity risk through the mechanisms described above and as part of Capital Disclosures below. The Company has historically relied on issuances of shares to develop projects and to finance day-to-day operations and may do so again in the future.

The Company has no significant long-term liabilities. All other contractually-obligated cash flows are payable within the next fiscal year with the exception of the Company's lease commitment described in Note 15.

## **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Company's income, the value of its E&E properties or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

## **Currency risk**

The Company is exposed to currency risk on purchases, certain marketable securities and other payables that are denominated in a currency other than the respective functional currencies of Company entities, primarily the Canadian dollar. The currencies in which these transactions primarily are denominated are the United States dollars ("US\$"). The Company does not actively hedge its foreign currency exposure.

The Company incurs expenditures related to the Berta project in Turkey, and certain general and administrative expenses, in US\$ and occasionally in the Euro.

## **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash earns interest at variable short-term rates. Accordingly, the estimated effect of a 50bps change in interest rate would not have a material effect on the Company's results of operations. None of the Company's other financial instruments are interest-bearing. The fair value of the Participating Interest includes a discount rate; any significant changes in interest rates would be taken into account in selecting an appropriate discount rate. However, the Company is not exposed to any significant interest rate risk on other significant assets or liabilities which could be caused by a sudden change in market interest rates.

## **Other market price risk**

The Company's marketable securities and strategic investments are subject to equity price risk. The values of these investments will fluctuate as a result of changes in market prices, the price of metals or other factors affecting the value of the investments.

Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The value of the Company's mineral resource properties is related to the price of, and outlook for, base and precious metals. Historically, such prices have fluctuated and are affected by numerous factors outside of the Company's control, including, but not limited to: industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities and other factors such as significant mine closures. The Company does not have any hedging or other commodity-based risks respecting its operations. The value of the Company's strategic investments is also related to the price of, and outlook for, base and precious metals.

## **Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict

# Notes to the Condensed Consolidated Financial Statements

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

initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The Company has a small but hands-on and experienced executive team which facilitates communication across the Company. This expertise is supplemented, when necessary, by the use of experienced consultants in legal, compliance and industry-related specialties.

The Company also has standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- development of contingency plans;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective and available.

Compliance with Company standards is supported by a code of conduct which is provided to employees, officers and directors. The Company requires sign-off of compliance with the code of conduct.

## Capital Management Disclosures

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support continued project development and corporate activities. Capital is defined by the Company as the aggregate of its shareholders' equity as well as any long-term debt, equipment-based and/or project-based financing.

	March 31, 2015	December 31, 2014
Shareholders' equity	\$ 16,543	\$ 18,181

The Company manages its capital structure and makes adjustments to it based on the level of funds available to the Company to manage its operations. In order to maintain or adjust the capital structure, the Company expects that it will be able to obtain equity, long-term debt, equipment-based financing and/or project-based financing sufficient to maintain and expand its operations. There are no assurances that these initiatives will be successful. In order to achieve these objectives, the Company invests its unexpended cash in highly-liquid, rated financial instruments.

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 2014 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

	March 31, 2015	December 31, 2014
Bank balances	\$ 27	\$ 14
<b>Cash in the Statements of Cash Flows</b>	<b>\$ 27</b>	<b>\$ 14</b>

## Notes to the Condensed Consolidated Financial Statements

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

### 7. RECEIVABLES

	<i>Notes</i>	March 31, 2015	December 31, 2014
Receivables from Victory Nickel Inc.			
Due under management agreement	21	\$ 51	\$ 52
Other receivables		7	3
Prepaid expenses and deposits		29	37
		<b>\$ 87</b>	<b>\$ 92</b>

### 8. MARKETABLE SECURITIES

	March 31, 2015	December 31, 2014
Financial assets at fair value through OCI		
Victory Nickel Inc. - shares	\$ 307	\$ 947
Other	10	10
	<b>317</b>	<b>957</b>

All of the Company's marketable securities are in companies which are publicly-listed; financial assets at fair value through OCI are valued using Level 1 methodologies, financial assets at fair value through operations are valued using Level 3 methodologies as described below.

On July 30, 2013, Nuinsco significantly increased its shareholding in Victory Nickel through its agreement to backstop an equity issue. IFRS 13 provided clarification that the Black-Scholes option-pricing model is considered to be a Level 3 valuation methodology since it uses historic volatility. IFRS 9 states that, at inception, the fair value of an asset made using a Level 3 methodology cannot be recognized in excess of the transaction value paid using a Level 1 methodology, therefore \$592,000 of that amount was not recorded. However, future changes from that recognition value must be recorded through operations even when a Level 3 valuation methodology is used. As at March 31, 2015, the fair value of the warrants was below that amount (being approximately \$16,000), therefore the warrants are recorded at \$nil in the financial statements.

The subscription under the rights offering brought Nuinsco's interest in Victory Nickel's shares to approximately 12.24% at July 30, 2013 on a non-diluted basis and, accordingly, Nuinsco became a related party of Victory Nickel at that time. As at March 31, 2015, the interest on a non-diluted basis is 3.78% (December 31, 2014 – 6.99%). The Company continues to account for its investment in Victory Nickel as marketable securities and any changes in the value of shares will be accounted for through OCI with changes in the value of warrants from recognition date being accounted for through *Finance income* or *Finance costs* in the consolidated statement of operations.

The fair value of warrants, before taking effect of any unrecognized amount, is based upon the Black-Scholes option-pricing model with assumptions described in the table below and is disclosed after the retroactive effect of Victory Nickel's one-for-ten share consolidation:

	March 31, 2015	December 31, 2014
Fair value	\$ 0.003	\$ 0.029
Share price at valuation date	\$ 0.140	\$ 0.235
<b>Assumptions</b>		
Exercise price	\$ 0.350	\$ 0.35
Expected volatility	84%	84%
Expected remaining term (years)	0.33	0.58
Expected dividends	-	-
Risk-free interest rate	0.55%	1.00%

## Notes to the Condensed Consolidated Financial Statements

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

### 9. PROPERTY AND EQUIPMENT

Equipment	Cost	Accumulated Depreciation	Carrying Amount
<b>Balance as at January 1, 2014</b>	\$ 424	\$ 331	\$ 93
Additions	4	-	4
Depreciation	-	18	(18)
<b>Balance as at December 31, 2014</b>	<b>428</b>	<b>349</b>	<b>79</b>
Additions	-	-	-
Depreciation	-	4	(4)
<b>Balance as at March 31, 2015</b>	<b>\$ 428</b>	<b>\$ 353</b>	<b>\$ 75</b>

### 10. EXPLORATION AND EVALUATION PROJECTS

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

	January 1, 2015	Current Expenditures	Effect of Recoveries	Writedown of E&E Projects	March 31, 2015
<b>URANIUM AND RARE METALS</b>					
Diabase Peninsula	\$ 9,431	\$ 2	\$ -	\$ -	\$ 9,433
Prairie Lake	3,772	34	-	-	3,806
Other	1	-	-	-	1
	13,204	36	-	-	13,240

	January 1, 2014	Current Expenditures	Effect of Recoveries	Writedown of E&E Projects	December 31, 2014
<b>URANIUM AND RARE METALS</b>					
Diabase Peninsula	\$ 9,308	\$ 123	\$ -	\$ -	\$ 9,431
Prairie Lake	3,674	98	-	-	3,772
Other	-	1	-	-	1
	12,982	222	-	-	13,204
<b>GOLD AND COPPER</b>					
Berta	-	45	-	(45)	-
	-	45	-	(45)	-
	\$ 12,982	\$ 267	\$ -	\$ (45)	\$ 13,204

#### 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 December 31, 2012, Trend had no remaining interest whatsoever in the Diabase Peninsula property.

The property consists of ten contiguous claims encompassing 21,949 hectares ("ha"). Three claims were optioned while seven were staked by Nuinsco. Exploration for uranium has been undertaken at Diabase Peninsula since March, 2005, with the most recent drill program being completed in the winter of 2011 to 2012. During the winter of 2013 a modest program of geochemical sampling was initiated which included a survey consisting of sampling for detection of radon gas which is an indicator of uranium mineralization.

## Notes to the Condensed Consolidated Financial Statements

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

In September, 2013, the Company negotiated a further extension whereby it is required to make payments totalling \$1,028,500 as follows: an aggregate sum of \$400,000 payable in quarterly instalments of \$25,000 up to and including June 2, 2017 and a lump sum of \$628,500 on or before September 2, 2017. The Company made two instalments of \$25,000 on each of September 2, 2013 and December 2, 2013. A further \$100,000 was paid on a quarterly basis throughout 2014 in accordance with the contract.

The claims are subject to a 3% gross production royalty payable to the vendor of the original Diabase Peninsula claim; the royalty is defined as actual metal/mineral sales with no deduction for refining or transportation expenses.

### **Prairie Lake**

The Prairie Lake property consists of nine claims comprising 38 claim units, encompassing 608 ha. Given the presence of an historic uranium resource, as well as strongly-anomalous tantalum, niobium and phosphorus, along with widespread rare metals mineralization, diamond drilling, surface sampling and mapping programs were conducted in 2007, 2008 and 2010 and 2013. An Exploration Target of between 515 and 630 million tonnes grading between 3.0-4.0 P<sub>2</sub>O<sub>5</sub>, 0.009-0.11% Nb<sub>2</sub>O<sub>5</sub>, and 18-21ppm Ta<sub>2</sub>O<sub>5</sub>, 280-340ppm La, 650-790ppm Ce, 55-70ppm Sm, 300-360ppm Nd, 85-100ppm Y was estimated in 2011. Metallurgical and process testing are ongoing. . The property was subject to a 2% NSR payable on any production. Up to a maximum of one-half of the royalty could be purchased for \$1,000,000 in either cash or common shares of the Company. On January 23, 2012, the Company announced that it had acquired the entire 2% NSR through issuing 3,157,894 shares with a market value of \$300,000. The property is now royalty-free.

### **Gold & Copper**

#### **Chibougamau Camp**

In 2012, the Company entered into an option agreement with CBay to make expenditures on its Portage and Corner Bay properties in exchange for an undivided interest in each property as follows: \$300,000 incurred on Portage up to December 31, 2012 earns a 30% undivided interest with the option to incur up to an additional \$500,000 in \$100,000 increments each earning a 5% additional undivided interest; \$1,000,000 in expenditures incurred on Corner Bay in \$250,000 increments each earning a 5% undivided interest in the property. In the second quarter of 2013, the option agreement was amended to allow the Company to more freely determine on which properties the expenditure commitments may be made. Aggregate expenditures incurred on the Chibougamau camp amounted to \$1,024,000 when Nuinsco exercised its rights under the option agreement in December (\$440,000 was expended in 2012). Pursuant to the option agreement, Nuinsco acquired interests in the Chibougamau camp aggregating that amount; subsequently, an additional \$20,000 was spent and written off to *Writedown of exploration and evaluation projects* in the consolidated statement of operations in 2013.

On December 19, 2013, CBay exercised its right to reacquire the acquired interests through issuing 1,024,263 shares in CBay. Ocean Partners also acquired 1,024,263 shares at the same time in order to maintain the 50:50 ownership interest in CBay.

In 2014, the Company committed to spend \$75,000 on the Chibougamau Camp as part of the agreement to extend the loan (Note 14). The \$75,000 was written off as interest expense in 2014.

In December 2014, Nuinsco used a significant piece of its equity position in CBay to extinguish \$2.6 million in debt and accrued interest. Nuinsco retains a 7.5% interest in CBay and continues to manage the operation on behalf of Ocean Partners (Note 11).

### **Berta**

In October, 2003, the Company entered into the Berta Joint Venture Agreement with Falconbridge Limited, now Glencore plc ("Glencore"). The Berta property is located approximately 50 km south of the Black Sea coast in north-eastern Turkey. Pursuant to the agreement, the Company was required to spend US\$350,000 to earn a 50% interest in the project.



## Notes to the Condensed Consolidated Financial Statements

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

As a result of the work programs conducted by Nuinsco during 2005, the Company became vested with 50% of the project. Glencore participates pro rata in funding exploration expenditures. Discussions with Glencore have been ongoing, including discussions to buy Glencore's share of the joint venture. Nuinsco has allowed itself to be diluted to approximately 36%. In 2006 and 2007, the Company completed airborne geophysics followed by diamond drilling. Drilling intersected a significant, continuous domain of strong sulphide mineralization with copper, gold, silver and zinc values. Three drill holes were completed in 2008 demonstrating further evidence of widespread copper mineralization. The Berta property is subject to a 2% NSR.

In 2012, Glencore commenced a 7,500 metre drilling program with budgeted expenditures of US\$2,672,000 to the end of December 2012 of which US\$1,491,000 was actually spent by Glencore. Full results and accounting for the work program have now been received. Nuinsco has not agreed to participate in the funding of the recent program. The Company is discussing the possible implications of this non-participation on its interest in Berta with Glencore. Subsequent to the end of the 2012 drilling program, Glencore informed Nuinsco that it would resign as operator of the project. Nuinsco has been examining the options with regard to additional exploration and/or diamond drilling on the property taking into account the existing challenges and protracted timing presently associated with permitting in Turkey. Due to the uncertainty of the aforementioned challenges, in 2013, the Company recorded a writedown of \$1,151,000 on this project as well as a reversal of an accrual of \$64,000 no longer considered necessary.

The current permitting regime in Turkey remains, accordingly, expenditures are written off as they are incurred. Although written off to \$nil, the Company intends to continue to fund its obligations while awaiting changes to the current permitting challenges and it continues to believe in the prospective nature of the Berta property.

### Pre-exploration write-offs

Pre-exploration expenditures are written off at the end of each reporting period to *Pre-exploration write-offs* through operations. Pre-exploration costs relate to expenses on evaluating projects not owned by the Company. Pre-exploration costs in the amount of \$44,000 were written off during the three months ended March 31, 2015 (March 31, 2014 - \$48,000).

## 11. INTEREST IN CBay MINERALS

	<i>Notes</i>	March 31, 2015	December 31, 2014
Balance as at beginning of year		\$ 452	\$ 6,331
Equity interest in loss of CBay Minerals		-	(202)
Funding to CBay Minerals		-	399
Investment in CBay Minerals equity	11	-	191
Extinguishment of loan and accrued interest	14	-	(2,562)
Loss on disposition of Interest in CBay Minerals		-	(3,705)
<b>Balance as at end of period</b>		<b>\$ 452</b>	<b>\$ 452</b>

Until December 18, 2014, Nuinsco owned a 50% interest in CBay and jointly controlled the company with Ocean Partners; this interest was the culmination of the lengthy process jointly undertaken by both companies to gain control over significant assets which had secured loans to previous owners formerly originated by both parties. Effective that date, Nuinsco gave up 42.5% of its interest in CBay in satisfaction of amounts payable under a loan facility, including accrued interest as of that date. Accordingly, on December 18, 2014, the Company recorded a loss on disposition of \$3,705,000 on its interests in CBay Minerals.

CBay's assets, liabilities, revenues and expenses are as follows:

## Notes to the Condensed Consolidated Financial Statements

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

	March 31, 2014
<b>CBay Minerals Inc.</b>	
Cash	\$ 47
Receivables	69
Property and equipment	1,874
Exploration and evaluation project	11,258
Current liabilities	(124)
Long-term liability	(492)
Net assets of CBay Minerals Inc.	12,632
<b>Nuinsco's interest in CBay Minerals at 50%</b>	<b>\$ 6,316</b>

### 12. PARTICIPATING INTEREST

<i>Note</i>	March 31, 2015	December 31, 2014
Advance for working capital	\$ 1,000	\$ 1,000
Advance under Amended Loan for standby commitment	1,207	1,207
Aggregate advances	2,207	2,207
Accrued interest receivable	-	-
	2,207	2,207
Less: settled in Units of Victory Nickel	(1,207)	(1,207)
Less: unamortized loan fees	(124)	(124)
Change in fair value	2,224	3,243
	<b>\$ 3,100</b>	<b>\$ 4,119</b>

The Company entered into a loan agreement in November 2012 with Victory Nickel that provided an advance for \$1,000,000. The Loan bore interest at 12% per annum and was to mature on January 31, 2015; it was secured by equipment and a general security agreement over the borrower's assets.

On March 26, 2013, the Company announced that it had amended and restated the loan agreement to increase the secured loan facility to up to \$3,000,000 under certain circumstances (the "Amended Loan"). As with the original loan, the Amended Loan bore interest at 12% per annum, payable quarterly in arrears, and was to mature on January 31, 2015. Upon the earlier of June 1, 2014 or notification that the frac sand plant is at commercial production, the Company had the right to convert the outstanding balance of the Amended Loan into a participating interest (the "Conversion") whereby the Company is entitled to receive a share of cash flows earned from the sale of frac sand from the borrower's frac sand business. The Company's participation is based on a range of a maximum of \$10,000,000, with a minimum of \$7,500,000, and is subject to adjustment under certain circumstances which could increase or decrease this range. On Conversion, the Amended Loan would be considered paid in full.

Under the terms of the Amended Loan, Nuinsco agreed to provide a standby commitment for any equity offering initiated by Victory Nickel. This commitment was triggered for the rights offering of Victory Nickel which closed on July 30, 2013. Under the agreement, Nuinsco subscribed for 50,316,018 units for cash of \$1,207,584. Each Unit comprised one common share and one common share purchase warrant. This brought cumulative advances under the Amended Loan to Victory Nickel to \$2,207,584 and capped the Amended Loan amount at \$2,707,584 (from a maximum possible \$3,000,000) with \$500,000 remaining for drawdown to be used to develop Victory Nickel's frac sand business. The subscription under the standby commitment, among other things, is included in the calculation of Nuinsco's potential participation under the Conversion of the Amended Loan.

Interest income has been received in cash of \$50,000 in the year ended December 31, 2014 (December 31, 2013 - \$129,000). Nuinsco also received a commitment fee of \$12,000 in Victory Nickel shares in 2014.



## Notes to the Condensed Consolidated Financial Statements

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On February 4, 2014, both Nuinsco and Victory Nickel agreed to cancel the amount available to be drawn down under the Amended Loan. This fixed the commitment fee to be paid in shares at \$12,000 and also amended the range of the Company's participation in the net cash flows earned from the sale of frac sand to a maximum of \$10,222,831 with a minimum of \$7,667,124 on the basis of a sharing percentage of 52.16%.

The Conversion feature requires the classification of the loan as a financial asset at fair value through the statement of operations. From initial recognition until the fourth quarter of 2013, the Company considered that the fair value of the loan was equal to its amortized cost since the Company had not converted its loan and Victory Nickel's frac sand processing plant near Medicine Hat, Alberta (the "7P Plant") was under construction with significant parts to be completed and there were other significant uncertainties. During the fourth quarter of 2013, the plant construction was well underway and the probability of Conversion increased substantially. Accordingly, the Company revalued the loan using a discount rate of 14% and a probability-weighted average estimation of future expected cash flow scenarios of approximately 55% of the ceiling maximum of \$10,222,831 based on current expectations of business results, capital costs and pre-operating expenditures. These cash flows were on the basis of Phase One completion only.

On April 22, 2014, the Company announced that it had converted its secured loan into a participation in net cash flows – the "Participating Interest". As described earlier, the percentage participation in net cash flows is 52.16% and the applicable ceiling for Phase One is \$10,222,831; should Victory Nickel enter Phase Two, then the applicable ceiling for cash flows is \$7,667,124. The probability of payment is reassessed each reporting period along with other key assumptions, including the appropriate ceiling. As at March 31, 2015, the probability-weighted average estimation of future expected cash flow scenarios is approximately 73% (December 31, 2014 – 73%). Based on estimated cash flows, payments could commence in the second quarter of 2017.

Effective December 31, 2014, certain adjustments were made to the expected cash flows to reflect more current business expectations, including the time to reach the 7P Plant's rated capacity of 500,000 tpa and the expected commencement of Phase Two which has been deferred. In particular, because of unanticipated effects from winter conditions and the effects of the subsequent spring break-up at the site, additional capital expenditures will be required. In February, 2015 Victory Nickel announced first quarter 2015 frac sand production of 47,515 tons at its Seven Persons frac sand plant (the "7P Plant") near Medicine Hat, AB, whereas expected production during the quarter was 114,384 tons. At the same time, Victory Nickel announced that it was experiencing a decline in demand, and downward pressure on pricing, for its frac sand products, which is expected to further delay the receipt of anticipated cash flows by the Company. In addition, Victory Nickel announced a deferral of its previous decision, made in late 2014, to proceed with Phase 2 of its three-phased frac sand business plan.

In April, 2015, Victory Nickel announced that frac sand sales in the first quarter of 2015 were slower than anticipated, totalling 9,327 tons. This compares with sales of 44,529 tons sold in the fourth quarter of 2014. As a result, Victory Nickel temporarily suspended frac sand production at the 7P Plant.

The effect of these adjustments has changed the expected date of future payment of the net participation in cash flows. In addition to the delay, additional items resulted in the reduction of the fair value such as falling oil prices and the estimated decrease in sales price per ton, from \$140 to \$130. These assumptions resulted in an estimated fair value of the Participating Interest as at March 31, 2015 of \$3,100,000 (December 31, 2014 - \$4,119,000) and, accordingly \$1,019,000 was recorded as a *change in the fair value of a financial asset* through the statement of operations for the three months ended March 31, 2015. Refer to Note 19.

This is a Level 3 methodology and is subject to the highest level of uncertainty. The Company will continue to review and revise its estimates of fair value as the expectations of payments of the participating interest change. Changes in that estimate will be recorded through the statement of operations with appropriate adjustment for actual cash flows received.

The discounted cash flow model was tested for sensitivity which could result from changes in key inputs used in the estimation model. The effect of any change is discrete unless otherwise stated.

## Notes to the Condensed Consolidated Financial Statements

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

Change in Model Key Input	Fair Value of Participating Interest	Change in Fair Value of Participating Interest
Carrying value of Participating Interest	\$ 3,100	\$ -
Effect of:		
Decrease in sales price per ton of US\$5	2,936	(164)
Increase discount rate by 1%	3,009	(91)
Decrease volumes by 5%	2,814	(286)
Increase discount rate by 1% and decrease sales price per ton of US\$5	3,748	648
Change to Phase One ceiling of \$10,222,831	3,100	-
Change exchange rate from 0.85 to 0.80	3,134	34

### 13. TRADE AND OTHER PAYABLES

	March 31, 2015	December 31, 2014
Trade payables		
E&E projects	\$ 112	\$ 134
Non-project related	171	86
Other payables	12	21
Accrued liabilities		
E&E projects	2	-
Non-project related	400	378
Due to CBay Minerals	58	117
	<b>\$ 755</b>	<b>\$ 736</b>

### 14. LOAN PAYABLE

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

On December 18, 2012, the Company entered into a loan agreement with a third party for a \$2,500,000 loan facility (the "Facility"). The Facility was able to be drawn down in minimum amounts of \$500,000, with \$1,500,000 immediately available and the balance available six months from closing. The Facility's original term matured on June 18, 2014 and had a one-time extension period of six months upon issuance of 3% of the principal amount extended payable in CBay shares owned by Nuinsco; this represented 112,538 shares at an agreed value of \$0.666 per share which represented approximately 0.375% of the outstanding shares of CBay. A facility fee of \$50,000 was paid in cash at closing along with a 5% equity bonus in the form of 3,634,777 of the Company's shares; interest of 11.5% per annum was payable quarterly in arrears. The Facility was secured by a first ranking pledge upon Nuinsco's CBay shares.

The Facility was drawn down by \$1,000,000 on February 1, 2013 with three additional draws of \$500,000 being received on May 1, 2013, August 1, 2013 and October 21, 2013. The aggregate fees and expenses related to the Facility of \$217,000 were amortized through operations as interest expense using the effective interest rate method over the life of the loan; amortization of \$73,000 was charged during the year ended December 31, 2014 and interest of \$218,000 was paid in cash (in the year ended December 31, 2013, \$144,000 and \$182,000 respectively).

The Facility was extended to December 18, 2014 under amended terms from the original agreement. The Company paid a cash fee of \$75,000 as well as committing to \$75,000 in expenditures on the Chibougamau Camp (Note 10).

## Notes to the Condensed Consolidated Financial Statements

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On December 18, 2014, the loan plus accrued interest was settled in exchange for 42.5% of the Company's interest in CBay (Note 11).

### 15. OPERATING LEASE

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

	March 31, 2015
<b>Office rental</b>	
Less than 1 year	\$ 82
Between 1 and 5 years	81
<b>Total Minimum Lease Payments Payable</b>	<b>\$ 163</b>

It is not expected that the cash flows reflected in the maturity analysis would occur significantly earlier, or at significantly different amounts. During the three months ended March 31, 2015, \$52,000 was recognized as rent expense through operations in respect of operating leases including operating costs (March 31, 2014 –\$49,000).

### 16. CAPITAL AND OTHER COMPONENTS OF EQUITY

#### Share Capital

##### *Authorized*

The Company is authorized to issue an unlimited number of common shares with no par value. The Company is also authorized to issue an unlimited number of Class A special shares, issuable in series, an unlimited number of Class B special shares, issuable in series, an unlimited number of Class C special shares, issuable in series, an unlimited number of Class D special shares, issuable in series, and an unlimited number of Class E special shares, issuable in series.

##### *Number of shares issued and outstanding*

There are no special shares outstanding; all shares are fully paid. The Company has 295,525,745 issued and outstanding common shares. No shares were issued during the three months ended March 31, 2015 and the year ended December 31, 2014.

#### 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 fully in the Company's 2014 Audited Consolidated Financial Statements.

#### 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.

##### *Income tax on OCI*

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

## Notes to the Condensed Consolidated Financial Statements

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

### 17. EARNINGS (LOSS) PER SHARE

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

	Three months ended March 31,	
	2015	2014
Balance as at beginning of year	295,526,000	295,526,000
Effect of shares issued	-	-
<b>Weighted average number of common shares - basic</b>	<b>295,526,000</b>	295,526,000
Effect of options granted and outstanding	19,400,000	2,041,000
<b>Weighted average number of common shares - diluted</b>	<b>314,926,000</b>	297,567,000
Number of options excluded	19,400,000	23,109,000
<b>Net (loss) income attributable to shareholders</b>	<b>\$ (1,264)</b>	<b>\$ 295</b>
<b>Basic (loss) earnings per share</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>
<b>Diluted (loss) earnings per share</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>

The effect of adjustments to the weighted average number of common shares would be anti-dilutive when the Company incurs losses. The table above provides the weighted average number of shares on a dilutive basis for periods when losses are incurred for information only. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options is based on quoted market prices for the respective periods during which the options were outstanding.

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

### 18. SHARE-BASED PAYMENTS

#### Description of the Share-based Payment Arrangements

The Company's share-based payment arrangements are as follows:

#### **Stock option plan (equity-settled)**

The Company has a Stock Option Plan to encourage ownership of its shares by key management personnel (directors and executive management), employees and consultants, and to provide compensation for certain services. The terms of the Stock Option Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant. No compensation is recognized when options are exercised. The number of shares reserved for issuance is not to exceed 15% of the aggregate number of common shares issued and outstanding (calculated on a non-diluted basis) from time to time.

As at March 31, 2015, the Company had 24,928,000 (December 31, 2014 – 19,179,000) common shares available for the granting of future options. Options are exercisable at the market price of the shares on the date preceding the date of grant. The Company does not have any cash-settled transactions.

#### **Share purchase warrants (equity-settled)**

There are no outstanding warrants as at March 31, 2015. 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 18 to the Company's 2014 Audited Consolidated Financial Statements.

## Notes to the Condensed Consolidated Financial Statements

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### Terms and Conditions of Share-based Payment Arrangements

#### Stock Option Plan

The terms of the Company's share-based payment arrangements are set out in Note 18 to the Company's 2014 Audited Consolidated Financial Statements.

#### Share purchase warrants

The terms and conditions relating to the grants of the share purchase warrants are as follows; all warrants are to be settled by physical delivery of shares and as such, are equity-settled. Warrants issued are generally exercisable for a period of 12 to 24 months from issue date.

### Disclosure of Share-based Payment Arrangements

#### Stock Option Plan

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

	Number of options		average exercise price	
	March 31, 2015	December 31, 2014	March 31 2015	December 31, 2014
Outstanding as at beginning of year	25,150,000	31,875,000	\$ 0.07	\$ 0.08
Granted	-	-	\$ -	\$ -
Forfeit	(1,400,000)	-	\$ 0.06	\$ -
Expired	(4,350,000)	(6,725,000)	\$ 0.08	\$ 0.11
<b>Outstanding as at end of year</b>	<b>19,400,000</b>	<b>25,150,000</b>	<b>\$ 0.07</b>	<b>\$ 0.07</b>
<b>Exercisable as at end of year</b>	<b>19,400,000</b>	<b>25,150,000</b>	<b>\$ 0.07</b>	<b>\$ 0.07</b>

There were no options granted during the three months ended March 31, 2015 and the year ended December 31, 2014.

	Number of options outstanding		Weighted average remaining contractual life (years)	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
<b>Range of exercise prices</b>				
\$0.015 to \$0.015	5,550,000	5,800,000	3.71	3.96
\$0.020 to \$0.020	120,000	120,000	3.11	3.36
\$0.030 to \$0.050	3,925,000	4,575,000	2.57	2.62
\$0.060 to \$0.075	5,130,000	5,430,000	2.01	2.26
\$0.080 to \$0.100	-	4,350,000	-	0.01
\$0.110 to \$0.350	4,675,000	4,875,000	0.95	1.20
	<b>19,400,000</b>	<b>25,150,000</b>	<b>2.36</b>	<b>2.23</b>

Additional disclosures relating to the Company's options are as follows:

	Three months ended March 31,	
	2015	2014
Number of options granted during the year	-	-
Weighted average fair value of options granted at grant date	n/a	n/a
Number of options subject to vesting as at end of year	-	3,347,500
Share-based payment expense - vesting options	\$ -	\$ 12
Unvested options not yet charged to operations	\$ -	\$ 17

#### Share purchase warrants

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

## Notes to the Condensed Consolidated Financial Statements

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

### 19. FINANCE INCOME AND FINANCE COSTS

	Notes	Three months ended March 31,	
		2015	2014
Interest income on bank deposits		\$ -	\$ 1
Interest income on loan receivable	12	-	66
Commitment fee	12	-	1
Net change in fair value of financial assets at fair value through operations			
Warrants	8	-	646
Participating Interest	12	-	63
<b>Finance income</b>		<b>-</b>	<b>777</b>
Interest expense on loan payable	14	-	111
Net change in fair value of financial assets at fair value			
Participating Interest	13	<b>1,019</b>	-
<b>Finance costs</b>		<b>1,019</b>	<b>111</b>
<b>Net Finance (Costs) Income</b>		<b>\$ (1,019)</b>	<b>\$ 666</b>

### 20. OPERATING SEGMENT

#### Reporting Segment

The Company is engaged in the exploration and evaluation of properties for the mining of precious and base metals. The Company does not have formal operating segments and does not have operating revenues, products or customers. The corporate office operates to support the Company's projects as well as providing administrative support to 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	March 31,		December 31	
		2015		2014	
<b>Canada</b>					
Corporate		\$ 3,606	\$	5,262	
Interest in CBay Minerals	11	452		452	
Diabase Peninsula	10	9,435		9,431	
Prairie Lake	10	3,805		3,772	
<b>Total Assets</b>		<b>\$ 17,298</b>	<b>\$</b>	<b>18,917</b>	

Revenues in each period are generally attributable to the corporate office in Canada. There have been no changes in the reportable segments or the treatment of segmented assets and revenues year over year.

### 21. RELATED PARTIES AND MANAGEMENT AGREEMENTS

#### Related Party Balances and Transactions

Short-term employee benefits provided by the Company to key management personnel include salaries, consulting fees, directors' fees, statutory benefit contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue shares as part of the Share Bonus Plan and the Stock Option Plan (Notes 16 and 18).

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



## Notes to the Condensed Consolidated Financial Statements

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

	March 31, 2015	December 31, 2014
<b>Balances Outstanding</b>		
Payable to key management personnel	\$ 288	\$ 213

Key management personnel compensation comprised:

	Three months ended March 31,	
	2015	2014
Short-term employee benefits	\$ 170	\$ 161
Share-based payments - options	-	-
	\$ 170	\$ 161

### Balances and Transactions with Victory Nickel and CBay under the Management Agreements

The Company shares management, administrative assistance and facilities with Victory Nickel and CBay pursuant to separate management agreements; management operates under the supervision of the respective board of directors of each respective company; there is only one common director being Mr. René Galipeau. The costs recovered from Victory Nickel and CBay are recorded at the cost to the Company of such services plus 10 per cent. The management agreement for Victory Nickel commenced February 1, 2007 and is terminable by the Company upon 90 days' notice and by Victory Nickel upon 180 days' notice. The management agreement for CBay commenced February 14, 2012 and is terminable by the Company upon 90 days' notice and by CBay upon 60 days' notice. Victory Nickel served notice of termination on September 5, 2014; accordingly, that management agreement ceased on March 5, 2015. The Company continues to share resources and costs with Victory Nickel under a cost sharing arrangement.

Balances and transactions with Victory Nickel and CBay under the management agreements as at March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014 are shown in the following tables:

	March 31, 2015	December 31, 2014
<b>Balances Outstanding under Management Agreements</b>		
Receivable from Victory Nickel	\$ 51	\$ 52
Payable to CBay Minerals	\$ 58	\$ 117

	Three months ended March 31,	
	2015	2014
<b>Transaction Values under Management Agreements</b>		
Overhead charges to Victory Nickel	\$ 191	\$ 201
Overhead charges from Victory Nickel	\$ -	\$ -
Project costs charged by Victory Nickel	\$ 7	\$ 5
Project recoveries charged to Victory Nickel	\$ 19	\$ 13
Overhead charges to CBay Minerals	\$ 61	\$ 61
Project recoveries charged to CBay Minerals	\$ 18	\$ 7

Amounts due to or from Victory Nickel and CBay under the management agreements 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.

### Balances and Transactions with Victory Nickel under the Participating Interest

The terms of the Participating interest with Victory Nickel and the balances and transactions related thereto are described in Note 12.

## Notes to the Condensed Consolidated Financial Statements

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

### 22. COMPANY ENTITIES

#### Significant Subsidiaries and Jointly-controlled Entities

		March 31, 2015	December 31, 2014
<b>Ownership Interest</b>	<b>Country of Incorporation</b>		
Lakeport Gold Corporation	Canada	100%	100%
CBay Minerals Inc.	<i>refer below</i>	7.5%	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%

Following the disposition of 42.5% of the Company's Interest in CBay Minerals (Notes 11 and 14), and the continued inactivity in other entities, the Company no longer has any significant subsidiaries or jointly-controlled entities.

### 23. CONTINGENCY

#### CRA Reassessment

In March, 2011, the Company received notices of reassessment in the aggregate amount of approximately \$4,400,000 from the CRA related to transactions completed in 2006; this amount does not include interest and penalties which could be substantial. The Company filed notices of objection on May 19, 2011. On July 22, 2011, the Company filed a request for adjustment to correspondingly adjust its tax pools and losses, in the unlikely event that the Company's appeal is unsuccessful. On March 7, 2014, the Company received a notice of confirmation with respect to one entity whereby the CRA denied that entity's notice of objection and confirmed the reassessment. The Company has sought, and is following the advice of its tax counsel in this matter.

The appeal process could be lengthy and the Company believes that its position is correct and that it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.

### 24. SUBSEQUENT EVENTS

On May 4, 2015, the Company applied for voluntary delisting of its common shares from the Toronto Stock Exchange, which shares ceased trading on May 11, 2015.





**NUINSCO RESOURCES LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED  
MARCH 31, 2015 AND 2014**

**DATED MAY 14, 2015**

# **NUINSCO RESOURCES LIMITED**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the three months ended March 31, 2015 and 2014**

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of May 14, 2015 consolidates management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2015 and 2014, 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 months ended March 31, 2015 ("Unaudited Condensed Consolidated Financial Statements") and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS").

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, 2014 and 2013 ("2014 Audited Consolidated Financial Statements"). The Unaudited Condensed Consolidated Financial Statements and the 2014 Audited Consolidated Financial Statements are available at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.nuinsco.ca](http://www.nuinsco.ca). All amounts disclosed are in Canadian dollars unless otherwise stated. All tabular amounts are in thousands of Canadian dollars.

### **NATURE OF OPERATIONS**

Nuinsco is an exploration and development company with a long history. It is focused on identifying, exploring and developing mineral investment opportunities worldwide. The Company currently has interests in projects prospective for gold, copper, phosphate, rare metals, niobium and uranium in Canada's provinces of Saskatchewan, Ontario and Québec and in Turkey. Nuinsco owns a 7.5% interest in 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, three partially-developed copper projects (Corner Bay, Devlin and the Perch River option) and a 38,000 hectare ("ha") (96,000 acre) land position.

The Company continues to achieve positive results from its Prairie Lake project in Ontario and continues to manage CBay and its assets in the prolific Chibougamau mining camp in northern Québec on behalf of Ocean Partners Investments Limited ("Ocean Partners"). As funding permits, exploration programs are planned to continue at the Diabase Peninsula uranium project in Saskatchewan and the Prairie Lake project where additional testing has been performed which has indicated that potentially several marketable products can be produced including a phosphate concentrate exceeding 30% P<sub>2</sub>O<sub>5</sub>. A diamond drill program conducted in Chibougamau during 2014 led to sufficient geological information being compiled to conduct a resource estimate on the Devlin deposit.

In addition to its property holdings, Nuinsco owns common shares of Victory Nickel Inc. ("Victory Nickel") TSX:NI which may be sold to finance the Company's operating costs. The Company also owns a limited participating interest in the net cash flows of Victory Nickel's frac sand business (the "Participating Interest").

On July 31, 2013, Nuinsco increased its shareholding in Victory Nickel to 12.24% through its agreement to backstop an equity issue under the loan agreement, thereby becoming a related party of Victory Nickel. As at May 14, 2015, the Company owns an approximate interest of 1% in Victory Nickel on a non-diluted basis.

### **Going Concern**

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. As at March 31, 2015, the Company had working capital deficiency of \$324,000 (December 31, 2014 – working capital of \$327,000). Working capital is defined as current assets less current liabilities. Marketable securities comprise investments in other resource companies, the markets for which are not always liquid.

As described in previous MD&As, the Company's only source of liquidity is its marketable securities (primarily its shares in Victory Nickel) and, with lower trading prices, proportionately more shares must be sold to fund the Company to pay ongoing obligations. The Victory Nickel share price reduced from \$0.235 as at December 31, 2014 to \$0.14 as at March 31, 2015 and \$0.07 as at May 13, 2015; the value of Nuinsco's portfolio of Victory Nickel shares was \$947,000 as at December 31, 2014, \$317,000 as at March 31, 2015, and \$43,160 as at May 14, 2015, after taking effect of sales. At December 31, 2014, the Company owned 4,031,330 shares of Victory Nickel; as at May 14, 2015 the Company owned 479,562 shares of Victory Nickel.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals, realization on its marketable securities as required and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Advancing the Company's projects through exploration and development to the production stage will require significant financing. Given the current economic climate, the ability to raise funds has been and may continue to be difficult. Refer to the Risks and Uncertainties and Liquidity and Capital Resources sections for additional information.

None of the Company's projects are currently in commercial production and, accordingly, the Company is dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The 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.

In an effort to decrease the Company's reliance on equity markets for financing to advance the Company's existing projects and/or take advantage of new project opportunities, the Company entered into a loan agreement with Victory Nickel (the "Amended Loan") which was converted, on April 22, 2014, to a participating interest in the cash flows generated from the sale of frac sand (the "Participating Interest") as described in Note 12 to the Condensed Consolidated Financial Statements for the three months ended March 31, 2015. The loan provided the initial funding required by Victory Nickel to implement a three-phase business plan to enter the frac sand business which began generating sales in March 2014. Presently, the Company does not anticipate receiving any cash flows from the Participating Interest until the second quarter of 2017.

Based on originally budgeted expenditure requirements (two annual budget cycles less fair value of marketable securities as at May 14, 2015), Nuinsco requires approximately \$1.3 million to get to the point where cash flows are anticipated from the Participating Interest under current business assumptions in the valuation model. Those assumptions may change and are out of Nuinsco's control. The Company presently has no specific plans in place to secure this funding although management continues to hold discussions on securing financing or potential sale of assets. There are no assurances that the Company will be successful in obtaining any financing or selling assets, or in accomplishing that on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, then the Company's treasury will be depleted by July 31, 2015 and it will be unable to fund continuing operations and corporate administration costs. In an effort to preserve cash and property assets, the Company announced that with the exception of Mr. Paul Jones (Chief Executive Officer), the Company's personnel will be terminated, effective June 29, 2015. Mr. Jones will continue as CEO, in the capacity of a consultant, and oversee administration, maintenance of exploration projects and the ongoing initiatives to advance them. After 29 June, the Company will engage personnel on a consultancy basis as needed in order to continue to manage its affairs and obligations. Effective May 11, 2015, the Company voluntarily delisted its shares from the Toronto Stock Exchange. The Company intends to remain at its corporate office and maintain website, telephones and email communication with shareholders, subject to having sufficient funds. If the Company is unable to obtain additional financing by July 31, 2015, the Company will be required to curtail all of its operations and may be required to liquidate its assets.

Should the Company not be able to continue to obtain the necessary financing, , or sale of properties or improve its liquidity sufficient to enable it to fund operations until it can realize cash flows from the Participating Interest with Victory Nickel, the carrying value of the Company's assets would be subject to material adjustment and, in addition, other adjustments may be necessary to the Company's financial statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under GAAP. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

## **SIGNIFICANT EVENTS**

During and subsequent to the three months ended March 31, 2015, the Company:

### ***Corporate***

- As noted above, the Company announced that in an effort to reduce cost, preserve its cash and property assets, the Company has terminated its personnel, with the exception of Paul Jones, CEO, who will continue as CEO in the that capacity as a consultant. The Company voluntarily delisted its common shares from the Toronto Stock Exchange ("TSX") on May 11, 2015.

- Announced the resignation of Ms. Alison Sutcliffe as Chief Financial Officer, and appointed Mr. Kyle Appleby, CPA, CA as the new Chief Financial Officer, in the capacity of a consultant.
- Continued to identify, and have discussions with, potential financiers and partners interested in participating in development of CBay's assets, Prairie Lake and Diabase Peninsula.
- Announced the retirement of Ed Guimaraes from and the subsequent appointment of Raymond Goldie to the Board of Directors.

## **OUTLOOK**

Although Nuinsco has continued to conduct project exploration and development over the past year at a time of very low levels of activity in the mining and minerals sector it now faces severe challenges over the coming months that stem from the prolonged period of difficult equity markets and lack of available risk capital. Further, the Company has been using sales of its equity position in Victory Nickel to fund its activities; however the Victory Nickel share price has significantly declined over the past several months and Nuinsco's ability to continue to fund operations so as to continue as a going concern has been seriously compromised.

The Company still anticipates cash flow from the Participating Interest in net cash flows from frac sand production from Victory Nickel's frac sand production plant in Alberta and is currently trying to obtain additional funding to bridge the gap between the Company's existing financial resources and commencement of cash flows from the Participating Interest. Victory Nickel has announced that it has experienced a decline in demand, and downward pressure on pricing, for its frac sand products due to the rapid decline in oil price that began in the fourth quarter of 2014 and continues in 2015 and resulting drop in drilling activity. This is expected to further delay the receipt of anticipated cash flows by the Company and has been factored in to the Company's expectations.

In order to reduce costs the Company voluntarily delisted its common shares from the TSX on 11 May, 2015. The Company is not seeking an alternative listing at the present time. Also as a means to preserve its cash and property assets the Company will be terminating all personnel commencing June 29, 2015, except for Mr. Paul Jones, Chief Executive Officer. After 29 June, the Company will engage personnel on a consultancy basis as needed in order to continue to manage its affairs and obligations. The Company intends to remain at its corporate office and maintain website, telephones and email communication with shareholders, subject to sufficient funds.

If the Company is unable to obtain sufficient financing by July 31, 2015 the Company may fail to continue as a going concern and the Company will be required to curtail all of its operations and may be required to liquidate its assets.

### **Prairie Lake**

At Prairie Lake the Company continues to evaluate the potential for producing concentrates containing a number of minerals – including those containing phosphorus, rare earth elements ("REE"), niobium and other marketable substances. Samples from the project continue to be evaluated with regard to economic potential by the minerals processing researcher COREM in Quebec City and by a leading US-based mineral technology company. As the studies become more refined, the Company will develop an understanding of the technical and economic viability of the Prairie Lake project. The sheer size of the project with a current Exploration Target of between 515 and 630 million tonnes of mineralization coupled with the excellent logistics and ease of production all speak to the potential of the project.

Further, Prairie Lake has the potential to produce a number of minerals for industries which are forecast to require substantially increasing supply over the coming years – high-tech and "green" industries that require the rare earth minerals and niobium to fabricate the products of tomorrow. Prairie Lake could also potentially be a very significant source of phosphorus – an element with important agricultural and industrial applications. The use of phosphorus in agriculture is vital in sustaining crop yields to supply an increasing population. Other compounds with industrial applications are also being examined for economic viability. The abundance and diversity of minerals in the rocks that comprise the Prairie Lake Complex provides broad scope for potential exploitation – the Company continues to evaluate the options to determine those elements and minerals that provide the greatest economic potential.

### **Diabase Peninsula**

The work conducted by Nuinsco at the Diabase Peninsula property to date has developed a progressively more detailed picture of the mineralization occurring in the rocks underlying the property. The result is a model that has identified a widespread uranium mineralizing event with the potential for discovery of economic grade uranium mineralization. Diabase Peninsula is an excellent uranium project that has demonstrated results comparable with those found near to uranium deposits elsewhere in the Athabasca Basin which is the world's premier uranium-bearing terrane.

The coincidence of structural elements, alteration and indicator mineralization and the presence of widespread, strongly anomalous, uranium mineralization all point to the Diabase Peninsula project being in the right place with regard to the

potential for discovery of economic grade uranium mineralization. Continued exploration is necessary to further develop and evaluate the targets. This we will endeavour to do through whatever means possible while responsibly preserving the Company's treasury.

### **Chibougamau**

Nuinsco used a significant piece of its equity position in CBay to extinguish \$2.6 million in debt and accrued interest – management considers this to have been a prudent course of action in the current market environment. Nuinsco retains a 7.5% interest in CBay and continues to manage the operation on behalf of Ocean Partners. The reduced interest held by the Company continues to be valuable when one considers that the Chibougamau assets range from exploration through development projects to near-term production potential. The plan remains to develop projects which have already seen considerable capital investment that could result in a curtailed timeline to production utilizing the existing mill and concentrator at Copper Rand that alone would require a substantial capital investment were they to be built new. CBay continues to seek funding for this endeavour.

Due to the significance of the numbers, it is worth reiterating from a previous Outlook that the Chibougamau mining camp's Lac Doré Complex has produced 1.6 billion pounds of copper and 3.2 million ounces of gold over 60 years from 18 past-producing mines. CBay currently owns eight past-producers in its 38,000 ha land package covering much of the core of the camp; combined they comprise 75% of total copper and gold production from the Lac Doré Complex. CBay also owns three partially-developed copper deposits: Corner Bay, Devlin and Perch River. Further, CBay owns a 2,700 tpd mill and concentrator, and nearby tailings impoundment that is permitted for production. These production assets alone provide an enormous advantage to the Company as the cost to develop them from scratch would run to tens of millions of dollars or more and take years to permit and build.

### **Turkey**

Nuinsco made application to extend the Berta licence in 2014. The Company continues to believe that the great expanse of copper mineralized rock occurring at surface at Berta as well as the long intersections of anomalous copper mineralization in drill holes speaks to the prospectivity of the project. The Company continues to review options with regard to the project and believes that the Berta project and the region remain very prospective and are considering the possibility of partnering on the project going forward. However, challenges continue in the form of ongoing delays to permitting that hinder additional work.

### **Egypt**

The Company maintains ownership in Z-Gold Resources ("Z-Gold") through ownership in Nuinsco Exploration Inc. Z-Gold is an Egyptian based mineral exploration and development company that has, in the past, been active exploring for gold on two concession areas in southern Egypt. Z-Gold will evaluate new opportunities as they arise with the intent of conducting exploration, however the Company is not presently expending any funds on exploration in Egypt. Egypt remains relatively underexplored and has very good potential for mineral discoveries with the application of risk capital and modern exploration techniques.



## RESULTS OF OPERATIONS

### ***Three months ended March 31, 2015 compared to the three months ended March 31, 2014***

In the three months ended March 31, 2015, the Company had a net loss of \$1,264,000, or a loss of \$0.00 per share, compared with net income of \$295,000 or \$0.00 per share in the three months ended March 31, 2014. The decrease is mainly attributed to the reduction in net finance income from \$666,000 in the prior period to net finance cost of \$1,019,000 in the current period. The reduction in finance income was partially offset by a \$40,000 reduction in general and administrative expenses, a \$12,000 reduction in share-based payments related to the vesting of options, and a \$62,000 reduction in the interest in CBay Minerals.

*General and administrative* expenses in the three months ended March 31, 2015 decreased to \$197,000 from \$237,000 in the three months ended March 31, 2014. The main reason for the decrease is a \$28,000 reduction in legal and tax advisory fees supporting the Company's challenge of the CRA confirmation. There were a number of smaller differences in expense categories year over year which in total also resulted in a decrease in the expense for the three months ended March 31, 2015 compared to the same period ended March 31, 2014.

Overhead recoveries through charges to Victory Nickel and CBay for services under the management agreements and deducted from operating expenses amounted to \$171,000 and \$61,000, respectively, in the three months ended March 31, 2015, compared with \$201,000 and \$61,000 in the prior period. Costs allocated to Victory Nickel and CBay pursuant to the management agreements among 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%. Victory Nickel served notice of termination on September 5, 2014; accordingly, that management agreement ceased on March 5, 2015. The Company continues to share resources and costs with Victory Nickel under a cost-sharing arrangement.

Options expense decreased to \$nil for the three months ended March 31, 2015 from \$12,000 in the comparative period; there has been no issuance of options in 2015 and none 2014. Option expense is a non-cash expense and is dependent on the number of options that vest in a particular period. The value assigned to the stock options was calculated using the Black-Scholes option-pricing model as explained in Note 20 to the 2014 Audited Consolidated Financial Statements.

Pre-exploration write-offs of \$44,000 were incurred in the three months ended March 31, 2015 compared to \$48,000 during the three months ended March 31, 2014. Pre-exploration costs relate to expenses incurred on evaluating projects that are not owned by the Company. The Company continues to look at prospective projects which are available or may become available to add to the exploration and development portfolio.

*Net finance cost/income* decreased to a cost of \$1,019,000 in the three months ended March 31, 2015 from *Net finance income* of \$666,000 in the prior period. In the three months ended March 31, 2015, net finance cost consisted of a \$1,019,000 change in the fair value of the Participating Interest (2014 - \$nil). In the prior period finance income of \$777,000 was earned. The gains in Finance income included \$646,000 from the increase in the fair value of the warrants acquired through the participation in the Victory Nickel rights offering (no fair value increase or decrease of the warrants in 2015) as well as a further increase of \$63,000 in the fair value of the loan receivable from Victory Nickel (no increase or decrease in 2015 as the loan was converted to a participating interest in April 2014). In the prior period, the Company also earned interest income of \$66,000 on the loan receivable from Victory Nickel. These were partly offset by interest expense in Finance costs of \$111,000 mainly relating to the loan agreement entered into in December 2012 by the Company with a third party (no finance costs in 2015 as this loan was settled on December 18, 2014). Both interest income and expense included non-cash amortization of loan fees used the effective interest rate method.

On April 22, 2014, the Company announced that it had converted its loan into a participation in net cash flows – the "Participating Interest". As described earlier, the percentage participation in net cash flows is 52.16% and the applicable ceiling for Phase One is \$10,222,831; should Victory Nickel enter Phase Two, then the applicable ceiling for cash flows is \$7,667,124. The probability of payment is reassessed each reporting period along with other key assumptions, including the appropriate ceiling. As at March 31, 2015, the probability assigned to the estimation of future expected cash flow scenarios is approximately 73% (December 31, 2014 – 73%). Based on estimated cash flows, payments should commence in the second quarter of 2017.

Effective December 31, 2014, certain adjustments were made to the expected cash flows to reflect more current business expectations, including the time to reach the 7P Plant's rated capacity of 500,000 tpa and the expected commencement of Phase Two which has been deferred. In particular, because of the harsher winter and the effects of the subsequent spring break-up at the site, additional capital expenditures will be required. In February, 2015 Victory Nickel announced first quarter 2015 frac sand production of 47,515 tons at its Seven Persons frac sand plant (the "7P Plant") near Medicine Hat, AB, whereas expected production during the quarter was 114,384 tons. At the same time, Victory Nickel announced that it was experiencing a decline in demand, and downward pressure on pricing, for its frac sand products due to the rapid decline in oil price that began in the fourth quarter of 2014 and continues in 2015 and resulting drop in drilling

activity. This is expected to further delay the receipt of anticipated cash flows by the Company. In addition, Victory Nickel announced a deferral of its previous decision, made in late 2014, to proceed with Phase 2 of its three-phased frac sand business plan.

In April, 2015, Victory Nickel announced that frac sand sales in the first quarter of 2015 were slower than anticipated, totalling 9,327 tons. This compares with sales of 44,529 tons sold in the fourth quarter of 2014. As a result, Victory Nickel temporarily suspended frac sand production at the 7P Plant.

The effect of these adjustments has changed the expected date of future payment of the net participation in cash flows and, due to the effects of the passage of time on the discounted value of cash flows, the revised fair value of the loan has increased. Effective March 31, 2015, the expected date of the future payment was delayed by two quarters, again affecting the discounted value of cash flows, and reducing the fair value of the Participating Interest. In addition to this delay, additional items resulted in the reduction of the fair value such as falling oil prices and the estimated decrease in sales price per ton, from \$140 to \$130. Accordingly there was a \$1,019,000 *change in the fair value of a financial asset* through the statement of operations for the three months ended March 31, 2015.

The discounted cash flow model was tested for sensitivity which could result from changes in key inputs used in the estimation model. The effect of any change is discrete unless otherwise stated.

<b>Change in Model Key Input</b>	<b>Fair Value of Participating Interest</b>	<b>Change in Fair Value of Participating Interest</b>
Carrying value of Participating Interest	\$ 3,100	\$ -
Effect of:		
Decrease in sales price per ton of US\$5	2,936	(164)
Increase discount rate by 1%	3,009	(91)
Decrease volumes by 5%	2,814	(286)
Increase discount rate by 1% and decrease sales price per ton of US\$5	3,748	648
Change to Phase One ceiling of \$10,222,831	3,100	-
Change exchange rate from 0.85 to 0.80	3,134	34

This is a Level 3 methodology and is subject to the highest level of uncertainty. The Company will review and revise its estimates of fair value as the expectations of payments of the participating interest change. Changes in that estimate will be recorded through operations with appropriate adjustment for actual cash flows received.

The *Interest in CBay Minerals* loss of \$62,000 in the three months ended March 31, 2014 represented the Company's share of net loss in the CBay joint arrangement. Effective December 18, 2014, the Company gave up 42.5% of its interest in CBay in satisfaction of amounts payable under a loan facility, including accrued interest as of that date aggregating \$2,562,000. Given the reduction in interest from a jointly-controlled position to one where there is no significant influence, the investment in CBay is now carried at fair value. Accordingly, there was no equity interest in CBay for the three months ended March 31, 2015.

Other comprehensive loss in the three months ended March 31, 2015 of \$374,000 was the result of a decrease in the market value of the Company's financial assets at fair value through OCI, compared to income of \$1,329,000 in 2014 that arose from a \$1,322,000 increase in the market value of the Company's financial assets at fair value through OCI along with a small income tax recovery of \$7,000.

The Company has realized capital loss pools available to it of approximately \$14,185,000 (Note 14 to the 2014 Audited Consolidated Financial Statements). Since the Company has an unrecognized deferred tax asset for such capital losses, any future income tax amounts with respect to marketable securities and recorded through OCI have an equal and opposite amount recorded through operations.

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

*Cash and cash equivalents* as at March 31, 2015 were \$27,000 compared with \$14,000 as at December 31, 2014. Refer to the Liquidity and Capital Resources section for discussion of annual cash flows in more detail.

*Marketable securities* as at March 31, 2015 consist of the Company's financial assets at fair value through OCI as well as 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; any changes in the value of warrants will be recorded through operations. The value of marketable securities as at March 31, 2015 decreased to \$317,000 from \$957,000 as at December 31, 2014 due to a combination of sales of shares for liquidity purposes and a decline in the share price of Victory Nickel shares and the value of warrants. Note that IFRS 13 classified the Black-Scholes option-pricing model as a Level 3 methodology which effectively disallowed recognition of the value of warrants at inception of \$592,000. Any prospective change in value has to be recognized despite the use of a Level 3 methodology.

The Company sold 1,834,000 shares of Victory Nickel in the three months ended March 31, 2015 for liquidity purposes and generated net proceeds of \$264,817. Sales of Victory Nickel shares have continued after the end of the quarter. As at, May 14, the Company owns 479,562 Victory Nickel shares.

*Exploration and Evaluation projects* increased by \$36,000 to \$13,240,000 as at March 31, 2015 from \$13,204,000 as at December 31, 2014. The increase is mainly attributed to management of the projects. Presently, expenditures on the properties are minimal.

The *Interest in CBay Minerals* decreased to \$452,000 as at December 31, 2014 and remains at this value at March 31, 2015. As described above, the Company accounted for its interest in CBay on an equity basis until the reduction in the Company's interest to 7.5% effective December 18, 2014 to settle amounts payable under a loan facility, including accrued interest as of that date. Note 12 to the 2014 Audited Consolidated Financial Statements shows a continuity analysis of the balance.

The *Participating Interest* at a fair value of \$3,100,000 as at March 31, 2015 (December 31, 2014 - \$4,119,000) relates to a limited participating interest in cash flow based on operating cash flows of Victory Nickel's frac sand business. As described earlier, the Conversion causes the Amended Loan to be considered a financial asset at fair value through operations. The derivation of the fair value is described above.

## SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last nine quarters ended March 31, 2015 is as follows:

<u>Fiscal year 2015</u>	<u>4<sup>th</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
Net finance (costs) income				\$ (1,019)
Net loss				\$ (1,264)
Total comprehensive loss				\$ (1,638)
Loss per share - basic and diluted				\$ (0.00)
<u>Fiscal year 2014</u>	<u>4<sup>th</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
Net finance (costs) income	\$ (1,172) <sup>(2)</sup>	\$ (615)	\$ (176)	\$ 666
Net (loss) income	\$ (5,124) <sup>(3)</sup>	\$ (894)	\$ (618)	\$ 295
Total comprehensive (loss) income	\$ (6,158) <sup>(4)</sup>	\$ (1,468)	\$ (601)	\$ 1,624
(Loss) earnings per share - basic and diluted	\$ (0.02)	\$ (0.00)	\$ (0.00)	\$ 0.00
<u>Fiscal year 2013</u>	<u>4<sup>th</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
Net finance income	\$ 3,867 <sup>(5)</sup>	\$ 317 <sup>(8)</sup>	\$ 104	\$ 89
Net income (loss)	\$ 2,372 <sup>(6)</sup>	\$ 30	\$ (334)	\$ (345)
Total comprehensive income (loss)	\$ 3,274 <sup>(7)</sup>	\$ (22) <sup>(9)</sup>	\$ (676)	\$ (558)
Earnings (loss) per share - basic and diluted	\$ 0.01	\$ (0.00)	\$ (0.00)	\$ (0.00)

(1) Total comprehensive income includes a \$374,000 decrease in the value of marketable securities after tax.

(2) Net finance income includes \$324,000 change in the fair value of the Participating Interest (formerly described as the Amended Loan) as well as \$678,000 decline in fair value of the Victory Nickel warrants.

(3) Net income includes the items above plus \$3,705,000 loss on disposition of interest in CBay Minerals as a result of the extinguishment of the loan facility in exchange for a 42.5% interest in CBay Minerals.

(4) Total comprehensive income includes the items referred to above plus \$262,000 decrease in the value of marketable securities after tax.

(5) Net finance income includes \$3,261,000 change in fair value of the Participating Interest plus \$646,000 change in fair value of warrants.

(6) Net income includes the items above partly offset by \$1,171,000 writedown of E&E projects, primarily of Berta, Turkey.

(7) Total comprehensive income includes the items referred to above plus \$982,000 increase in the value of marketable securities.

(8) Net finance income includes \$54,000 of gain on derivative plus \$215,000 change in fair value of warrants.

(9) Total comprehensive income includes items referred to above as well as a decrease in the value of marketable securities of \$52,000



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, the recording of amortization of flow-through premiums and the recognition of gains on derivatives or other fair value changes recognized through operations. 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 March 31, 2015, the Company had a working capital deficiency of \$324,000 (December 31, 2014 – working capital of \$327,000); being defined as current assets less current liabilities. The decrease was mainly attributed to the decrease in value of Victory Nickel shares and sale of shares to fund operations.

The Company used cash and cash equivalents of \$216,000 during the three months ended March 31, 2015, compared with \$245,000 during the three months ended March 31, 2014. There was a significant difference in net results for each period – in the three months ended March 31, 2015, the Company incurred a net loss of \$1,264,000 compared with net income of \$295,000 in the three months ended March 31, 2014. Further, there were significant adjustments for non-cash items in the three months ended March 31, 2014. In 2015, adjustments for non-cash items included changes in receivables and trade payable, and in the fair value of the participating interest of \$1,019,000. In 2014, adjustments for non-cash items from net finance income totalled \$666,000 which included a change in the value of warrants of \$646,000 and equity loss from joint venture operations with CBay minerals of \$62,000.

Investing activities in the three months ended March 31, 2015 generated funds of \$229,000, compared with \$301,000, in 2014. In 2015, the Company generated cash proceeds of \$265,000 from the sale of marketable securities, compared with \$417,000 in 2014. The Company also incurred cash outflows of \$36,000 on E&E projects compared with \$95,000 on E&E projects during 2014. Refer to the Exploration and Evaluation Activities section for additional discussion of project spending. Furthermore, there was a decrease in cash outflows to fund CBay Minerals of \$nil during 2015, compared with \$47,000 in 2014.

There was no cash used by financing activities in the three months ended March 31, 2015. Cash used by financing activities was \$72,000 for the three months ended March 31, 2014. The nature of the financing in each period indicates the challenges being experienced in securing equity financing in the difficult markets. There were no equity financings in either period.

The transactions described above resulted in an increase in cash of \$13,000 and a balance of cash and cash equivalents of \$27,000.

The table below summarizes Nuinsco's contractual commitments as at March 31, 2015 and December 31, 2014.

### Table of Contractual Commitments

	Due Date		31-Mar-15		December 31, 2014
Diabase extended option payment	Within one year	\$	100	\$	100
	One to two years	\$	100	\$	100
	Two to three years	\$	50	\$	50
	September 2, 2017	\$	629	\$	629
Operating lease - premises	Refer to Note 17 in the 2014 Audited Consolidated Financial Statements				

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 continue 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 options as well as from sales of marketable securities are "hard" dollars and can be utilized without restriction; however, none of the options are "in-the-money". Furthermore, the Company's marketable securities are those of other resource companies for which markets are not always liquid.

In order to maintain the option on one of the Diabase Peninsula claims, the Company was originally obliged to make an option payment of approximately \$935,000. In May 2012, the Company announced an initial agreement 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. This deferred the option payment of approximately \$935,000 originally due by September 2, 2012 to

September 2, 2013. The terms included an option to extend this agreement and payment further. The shares were issued in July, 2012 and all four quarterly payments were made in accordance with the extension terms.

In the third quarter of 2013, the Diabase Option Agreement was amended further and the Company shall pay quarterly instalments of \$25,000 over the next four years to a total of \$400,000 beginning September 2, 2013 with a balloon payment of \$628,500 to be paid on or before September 2, 2017. The first two instalments of \$25,000 under this subsequent agreement were made in 2013 and another four instalments were paid in 2014. The Company has reached agreement with the option holder to defer the payments of \$25,000 originally due March 2 and June 2, 2015 to September 2, 2015.

As noted earlier, the Company has terminated its staff and voluntarily delisted from the TSX in an effort to reduce costs and Directors have deferred payment of their fees. Financing alternatives being considered include: option and/or sale of properties, issuing a loan against properties, issuing a royalty on a project, equity offerings, sale of interest in CBay Minerals and continued sales of marketable securities.

The total market value of the Company's marketable securities as at March 31, 2015, is approximately \$317,000; as at May 13, 2015 the approximate value is \$43,160 as shares were sold during the period for liquidity purposes and the share price dropped by 43%. These shares have contributed to funding the Company's operations generating \$265,000 in cash during 2015. The market value of the Victory Nickel shares has been steadily decreasing, which also adversely affects the valuation of the warrants.

Nuinsco entered into the Amended Loan with Victory Nickel to provide it with a position to participate in potential cash-generating activities – this is the Participating Interest. It is intended to provide Nuinsco with a cash flow stream which would be available to fund operations or exploration programs in the future. As described earlier, the Amended Loan was converted into a Participating Interest effective April 22, 2014 and has an estimated fair value of \$3,100,000 which has been derived using a discounted probability-weighted cash flow on the basis of assumptions already described above. While this is an estimation of future cash flows, it has been determined using a Level 3 methodology which is subject to the highest degree of measurement uncertainty and is conditional upon the degree of success of Victory Nickel's frac sand business. As noted earlier, Victory Nickel's frac sand business has experienced a decline in demand, and downward pressure on pricing, for its frac sand products due to the rapid decline in oil price that began in the fourth quarter of 2014 and continues in 2015 and resulting drop in drilling activity. This is expected to further delay the receipt of anticipated cash flows by the Company. In addition, Victory Nickel announced a deferral of its previous decision, made in late 2014, to proceed with Phase 2 of its three-phased frac sand business plan.

The Participating Interest involves future participation in net cash flows of Victory Nickel's frac sand business at a participating percentage of 52.16%. The range of participation depends upon what stage of its three-phased plan, Victory Nickel attains prior to the interest being satisfied. Accordingly, the estimated fair value of cash flows takes that phase into consideration.

The main assumption affecting the fair value of the Participating Interest is the phase Victory Nickel is in before applicable cash flows are paid; this affects the ceiling of the aggregate flows. Presently, Victory Nickel has curtailed its plan to enter Phase Two which has a cash flow ceiling of \$7,667,124 on an undiscounted basis. However, it is expected that Victory Nickel will enter Phase Two before all cash flows are paid, therefore the applicable cash flow ceiling remains at \$7,667,124, also on an undiscounted basis. These cash flows are available at the participating percentage of 52.16% after Victory Nickel has recouped its capital costs and its prior operating losses of the frac sand business. Assuming Victory Nickel will succeed in the frac sand business, these amounts affect the timing of the payments and their real-time (or discounted) value.

Nuinsco has obtained information from Victory Nickel on its costs to be recouped along with its sales, production and cost forecasts and created a model to derive the probability-weighted estimates of zero, 50% and 100% of the applicable cash flow ceiling, however there can be no assurance that any cash flow will be received by the Company from the Participating Interest.

The Company was actively involved in advancing the Chibougamau camp in which Nuinsco had a 50% interest through CBay up until December 18, 2014 when the Company relinquished a 42.5% interest in CBay Minerals in exchange for settling the \$2,500,000 loan payable plus accrued interest as of that date. A reduction in Nuinsco's interest has reduced its funding obligations to CBay Minerals in the same proportion. Nuinsco continues to manage the project on behalf of Ocean Partners.

Nuinsco has been examining the options with regard to additional exploration/diamond drilling on the Berta property in Turkey, particularly since Glencore plc ("Glencore") informed Nuinsco that it would resign as operator of the project. The

Company continues to believe there is a considerable opportunity in Berta but has not yet galvanized its plans sufficiently to permit a reversal, in whole or in part, of the aggregate writedown of \$1,196,000 recorded to the end of 2014.

As described above, the Company is reducing costs by terminating employees, deferring director fees and other cost cutting measures to reduce the pressure on cash; other controls on discretionary expenditures are in place and non-essential services have been cancelled.

Beginning March 2015, the Company implemented an initiative to reduce costs. As noted earlier, the Company has announced that with the exception of Mr. Paul Jones (Chief Executive Officer), the Company's personnel will be terminated, effective June 29, 2015. Mr. Jones will continue with the Company as CEO in the capacity of consultant and oversee administration, maintenance of exploration projects and the ongoing initiatives to advance them.

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.

Based on originally budgeted expenditure requirements (two annual budget cycles less fair value of marketable securities as at December 31, 2014), Nuinsco requires approximately \$1.3 million to get to the point where cash flows are anticipated from the Participating Interest under current business assumptions in the valuation model. Those assumptions may change and are out of Nuinsco's control. The Company presently has no specific options in place to secure this funding although management continues to hold discussions on securing financing or potential sale of assets. There are no assurances that the Company will be successful in obtaining any form of financing on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, then the Company's treasury will be depleted by July 31, 2015 and it will be unable to fund continuing operations and corporate administration costs.

If the Company is unable to obtain additional financing, the Company will be required to curtail all of its operations and may be required to liquidate its assets under a formal process. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

#### **EXPLORATION AND EVALUATION ACTIVITIES**

In the three months ended March 31, 2015, the Company incurred E&E expenditures of \$36,000 on its mineral interests compared with \$95,000 in the three months ended March 31, 2014. The most significant expenditures in the period were on Prairie Lake in the amount of \$34,000.

**Paul Jones, CEO and director of the Company, 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](http://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 the south-central Athabasca Basin - the region that hosts the world's richest uranium mines. The 21,900ha Diabase Peninsula property extends from the southern limit of the basin 35km north-easterly, atop a graphite-bearing conductive "basement" horizon beneath the basin-filling sandstones, intertwined with the sub-parallel terrane-bounding major deformation structure - the Cable Bay Shear Zone - considered to be an important potential host structure for uranium mineralization in this part of the Athabasca Basin.

The Diabase Peninsula project was initially a joint venture with Trend Mining Company ("Trend"). During the first quarter of 2012, cumulative expenditures increased Nuinsco's ownership interest to greater than 90% as Trend did not contribute its proportionate 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. Accordingly, Trend's interest was converted to a royalty and Nuinsco owns the project in its entirety. Effective December 19, 2012, the Company acquired that royalty through a one-time cash payment of \$15,000. Accordingly, Trend has no interest in the Diabase Peninsula property.

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 for an aggregate amount of \$37,000 and \$38,000 in the Company's shares; as at June 30, 2013, the shares have been issued and all of the cash payments have been made.

The shares were issued in July, 2012. Accordingly, the option payment of approximately \$935,000 originally due by September 2, 2012 had been deferred to September 2, 2013.

In the third quarter of 2013, the Company negotiated a further extension whereby it is required to make payments totalling \$1,028,500 as follows: an aggregate sum of \$400,000 payable in quarterly instalments of \$25,000 up to and including June 2, 2017 and a lump sum of \$628,500 on or before September 2, 2017. The Company made the first two quarterly instalments of \$25,000 in 2013 with four aggregating \$100,000 during 2014.

That same claim is subject to a 3% gross production royalty defined as actual metal/mineral sales with no deduction for refining or transportation expenses.

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 Uranium ("U") over 6.9m in hole ND1203 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 to the north-west of previous hole ND801, 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.

During the winter of 2013, a modest program of lake sediment and lake-bottom water sampling was completed over several parts of the Diabase Peninsula property. The survey samples were tested for the presence and concentration of radon gas (an indicator of uranium mineralization) over four widely-separated areas, at reconnaissance level sample spacing, overlying the Cable Bay shear structure and areas with known anomalous U results from previous drilling. Results to date appear to further validate geophysical and geological interpretations concerning the highest potential target areas for mineralization. As well, it was found that radon concentrations in water sampled 1-2m above the lake-bottom accurately reflect the concentrations within sediments collected immediately below, such that distribution patterns within the water samples mimic patterns revealed by the testing of sediments. This implies that a water sample survey alone may be sufficient to prioritize the property's geophysical targets for drill testing, and that further radon surveying may be conducted for half the price or less per sample station, in comparison with the 2013 "orientation" survey.

Since radon, or its parental uranium carried in solution within circulating groundwater within the sandstone sequence, must migrate to near surface from depths ranging from 300m to 500m within the four areas surveyed, the highest concentrations of radon are expected to be encountered in the immediate vicinity of, and directly above, near vertical fault zones present at depth within the Athabasca sandstones. Such fault zones are common hosts to uranium deposits within the region, and most are considered to have originated due to reactivation of faults and shear zones present in the older basement lithologies beneath the sandstone such as the Cable Bay shear. The March 2013 survey successfully detected anomalous concentrations of radon over the northernmost geophysical-geochemical targets at the project, and has partly mapped the "surface expression" of strike-parallel faults indicated by geophysics to occur sporadically along the length of the Cable Bay Shear Zone.

Given the successful outcome of the March 2013 work, undertaken in part to test the survey method in areas of thick sandstone cover above the unconformity and the additional encouragement the radon concentrations detected have provided regarding the validity of interpreted geophysical and geological-geochemical anomalies, it is advisable to conduct further surveying of this nature over select areas in order to best direct future drilling efforts at the project toward areas with the best potential.

No additional field work has been conducted on the project during 2014 and 2015. The claims are all in good standing and have sufficient assessment credit to remain so for a number of years. The Company will continue cost effective ways to evaluate the project and will mount work programs as necessary.

### **Prairie Lake Property, Ontario**

Prairie Lake, located near Marathon, Ontario, is a multi-commodity deposit containing phosphorus (P), niobium (Nb) tantalum (Ta), uranium, REEs and other minerals and compounds of economic interest. The Prairie Lake property is owned 100% by the Company and is royalty-free.

An Exploration Target estimated at between 515 million tonnes and 630 million tonnes averaging 3.0% to 4.0% P<sub>2</sub>O<sub>5</sub>, 0.09% to 0.11% Nb<sub>2</sub>O<sub>5</sub>, 280 to 340ppm La, 650 to 790ppm Ce, 55 to 70ppm Sm, 300 to 360ppm Nd and 85 to 100ppm Y (La, Ce, Sm, Nd and Y are Rare Earth Elements) has been identified on the project. Metallurgical and process testing are



ongoing. The target area covers just 30% of the total host rock surface area in the Prairie Lake Carbonatite Complex. The Exploration Target was estimated by Eugene Puritch, P.Eng. and Antoine Yassa, P.Geo. of P&E Mining Consultants Inc. of Brampton, Ontario in a technical report dated April 15, 2014 to be released. This Exploration Target represents an overall tonnage increase of 56% to 75% over an earlier estimate of 330 million tonnes to 360 million tonnes.

The Company has most recently been focusing its efforts on metallurgical studies in order to demonstrate that the Prairie Lake rock is amenable to processing and concentration. Metallurgical testing at COREM Laboratory, a metallurgical and process testing laboratory in Quebec City, which started in 2009 and has continued to date, has demonstrated the potential to produce a marketable fertilizer product by meeting and exceeding published specifications for phosphate concentrate and most importantly demonstrating that a concentrate grading greater than 30% P<sub>2</sub>O<sub>5</sub> is attainable with appropriate thresholds. Current work is continuing to assess the viability of phosphorus concentration and to optimize a processing flowsheet. Additional work has commenced to evaluate the potential to concentrate niobium and to develop an optimized flowsheet for such.

Selected results from the tests conducted at COREM and completed in 2012 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 program produced the best overall concentrate results to date with a P<sub>2</sub>O<sub>5</sub> content of 30.6%; other parameters tested are SiO<sub>2</sub> content of 1.37%, F content of 0.62%, MgO content of 0.7%, Cl content of 0.012% and Al<sub>2</sub>O<sub>3</sub>+Fe<sub>2</sub>O<sub>3</sub> of 0.65%. Selected size ranges from Test 35 produced even higher P<sub>2</sub>O<sub>5</sub> concentrations with <150 micrometres (“µm”) to >106µm and <106µm to >75µm attaining 38% and 38.1% P<sub>2</sub>O<sub>5</sub> content respectively (and with the other tabulated criteria) while Test 27 attained 34.4% P<sub>2</sub>O<sub>5</sub> with the use of an HCl acid leach to remove carbonate.

<b>Bureau of Indian Standards (BIS) - IS: 11224-1985, reaffirmed 2003</b>	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 <sub>2</sub> O <sub>5</sub> ) % by mass	≥ 30	≥ 32	30.6	38	38.1	34.4
Silica (SiO <sub>2</sub> ) % by mass	≤ 10	≤ 5	1.37	1.12	1.2	5
Fluoride (F) % by mass	≤ 2	≤ 4	0.62	0.72	0.83	**
Mixed aluminium and iron oxide (Al <sub>2</sub> O <sub>3</sub> and Fe <sub>2</sub> O <sub>3</sub> ) % 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 most recent test work at COREM indicates that an apatite concentrate grading in excess of 29% phosphorus (P<sub>2</sub>O<sub>5</sub>) can be produced at a 71% P<sub>2</sub>O<sub>5</sub> recovery. This is a very significant result as it is a substantial improvement over recoveries achieved in previous testing. The most recent test work has also led to the development of a vastly simplified process flowsheet compared to that used in previous tests. Work continues with regard to REE recovery and concentration, as well as on other commodities of potential economic interest.

## **GOLD AND COPPER**

### **Chibougamau Camp, Québec**

With the acquisition of substantially all of the remaining secured debt of Campbell by Nuinsco and Ocean Partners, 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. As described above, on December 18, 2014, Nuinsco extinguished its debt plus accrued interest of approximately \$2.6 million with CBay shares – consequently, Nuinsco now holds a 7.5% interest in CBay.

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 18 past-producing mines on the Lac Doré complex alone. Eight past-producers are located on CBay-held property on the Lac Doré complex that have significant potential to provide additional resources. Also owned are three partially-developed copper projects (Corner Bay, Devlin and the Perch River option), a permitted 2,722 tpd mill and tailings facility and in excess of 96,000 acres (38,000ha) of highly-prospective exploration property.

In 2012 and 2013, Nuinsco conducted an exploration program on behalf of CBay aimed primarily at gold mineralization on Portage Island but also encompassing work near the Joe Mann Mine and at the Devlin deposit. During 2014 a concerted effort was undertaken to conduct sufficient work at the Devlin deposit to establish a resource. The Devlin copper project, located south of Chibougamau was acquired by CBay in 2013. Devlin is an easily-accessible, partially-developed, high-grade copper deposit located about 10km west of Corner Bay and about 40km by road from the Copper Rand mill and tailings management facility. Both Devlin and Corner Bay are directly accessible via the local road network.

In October 2014, Nuinsco completed a diamond drilling program at Devlin, drilling thirteen vertical diamond drill holes totalling 1,461m in length. The holes were drilled with the intent of obtaining intersections that would allow the characterization of sulphide mineralization within the deposit and to better define its limits. Three of the thirteen holes (DEV-14-01, -12 and -13) were drilled to twin historic holes to confirm the validity of past assay results. The results from the 13 holes will be combined with those from earlier programs to provide sufficient ore-grade intersections to produce an NI 43-101 compliant resource estimate for the deposit.

### **Turkish Property - Berta**

The Berta copper project is located in north-eastern Turkey. Berta was originally a 50:50 joint venture with one of the commodity business units within Glencore. Exploration began at Berta in 2004.

As noted historically, discussions with Glencore were underway, including discussions to buy Glencore's share of the joint venture. Subsequently, Glencore 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% in 2011.

Most recently, a total of six diamond drill holes were completed in a work program conducted in the third and fourth quarters of 2012 that followed up on the widespread and very anomalous copper mineralization identified in previous work programs. The principal aim of the work was to assess parts of the Berta Project that, to date, have seen no drilling but which are overlain by very strong copper-in-soil anomalies located at the centre, east and north of the Berta porphyry system. Results from past drill programs conducted between 2005 and 2008 returned very positive results, including the results from DDH SD-07-08 and DDH SD-08-10 (collared 500m south of SD-07-08) which returned 164.0m grading 0.20% copper and 0.06g/t gold between 250.5m and 414.5m. All of the holes drilled to date, including those from the most recent program at Berta, have returned copper mineralization with variable alteration associated with porphyry copper mineralization and thus the drilling indicates the huge scale and continuity of the anomaly in the Berta porphyry system. The wide spacing of the drill holes and the long anomalous and altered intercepts obtained continue to demonstrate the scope of the copper mineralization at Berta. The property remains a very large and very prospective exploration opportunity. Subsequent to the end of the 2012 drilling program, Glencore informed Nuinsco that it would resign as operator of the project.

Nuinsco continues to examine the options with regard to additional work on the property - the challenges in Turkey with regard to timely granting of permits to allow work programs to be planned and conducted persist. Accordingly, despite other operators' feelings that these challenges are not insurmountable, Nuinsco decided to value Berta at \$nil commencing December 31, 2013; aggregate writedowns to December 31, 2014 are \$1,196,000. The Company will continue to monitor circumstances in Turkey and will revalue its investment in Berta should that be warranted in future. The Company continues to believe that the Berta project and the region remain very prospective and are considering the possibility of partnering on the project going forward.

### **INVESTMENTS**

#### **Victory Nickel Inc.**

As at May 14, 2015, the Company owns 479,562 shares, which represents an approximate 1.00% interest in Victory Nickel, which is held as marketable securities, with a fair value of approximately \$31,000. Nuinsco also owns 5,379,990 warrants with an estimated fair value of \$nil using the Black-Scholes option-pricing model. As described earlier, these are available to be monetized to provide liquidity for operating purposes.

### **IMPAIRMENT ANALYSIS UPDATE**

The Company performed a detailed impairment analysis on each of its E&E projects as at December 31, 2014. The Company does not believe that there have been any material changes to date which would adversely affect this analysis. Furthermore, there has been no change in management's plans which would cause a reassessment. All projects have had recent expenditures or are otherwise considered to be active, except that circumstances in Turkey are impacting the Berta project which was written down to \$nil effective December 31, 2013. Management concluded that no impairment existed in each of its projects except on the Berta project as at March 31, 2015. All the costs incurred to date on all other projects 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 AND JUDGEMENTS**

Critical accounting estimates used in the preparation of the consolidated financial statements include determining the carrying value of investments and E&E projects, assessing the impairment and classification of long-lived assets including the interest in CBay Minerals, assessing the allocation of assets into their components, the fair value of the Participating Interest and the valuation of share-based payments and warrants, assessing the value of deferred income tax assets and the disclosure of contingencies and going concern matters. 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, judgements and measurement uncertainty, reference should be made to Notes 2 and 3 to the Company's 2014 Audited Consolidated Financial Statements. The Company's financial statements have been prepared using the going concern assumption.

The recorded value of the Company's 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 and 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 the Black-Scholes 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.

The Company has determined that it is not probable that it will generate returns sufficient to utilize its taxable losses prior to their expiry. This is a significant judgement that, dependent upon future events, may turn out to be incorrect.

## **NEW ACCOUNTING POLICIES**

IFRS issued by the International Accounting Standards Board ("IASB") have been adopted in the Company's 2014 Audited Consolidated Financial Statements. Note 3 to the 2014 Audited Consolidated Financial Statements include 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 2014 Audited Consolidated Financial Statements the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued no new and revised standards and interpretations which are applicable to the Company or which have caused changes to its accounting policies. 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, none of whom are employees or officers of the Company, 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.

### **Evaluation 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 March 31, 2015, the Certifying Officers have concluded that the design and operation of the Company's disclosure controls and procedures were effective as at March 31, 2015. 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 March 31, 2015 that materially affected, or are reasonably likely to affect, the Company's disclosure controls and procedures.

## TRANSACTIONS WITH RELATED PARTIES AND MANAGEMENT AGREEMENTS WITH VICTORY NICKEL AND CBAJ

### Related Party Balances and Transactions for Services

Short-term employee benefits provided by the Company to key management personnel include salaries, consulting fees, directors' fees, statutory benefit contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time salaried 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 18 and 20 to the 2014 Audited Consolidated Financial Statements).

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

Key management personnel compensation comprised:

	March 31, 2015	December 31, 2014
<b>Balances Outstanding</b>		
Payable to key management personnel	\$ 288	\$ 213
<b>Three months ended March 31,</b>		
	2015	2014
Short-term employee benefits	\$ 170	\$ 161
Share-based payments - options	-	-
	\$ 170	\$ 161

### Balances and Transactions with Victory Nickel and CBay under the Management Agreements

The Company shares management, administrative assistance and facilities with Victory Nickel and CBay pursuant to separate management agreements; management operates under the supervision of the respective board of directors of each respective company; there is only one common director being Mr. René Galipeau. The costs recovered from Victory Nickel and CBay are recorded at the cost to the Company of such services plus 10 per cent. The management agreement for Victory Nickel commenced February 1, 2007 and is terminable by the Company upon 90 days' notice and by Victory Nickel upon 180 days' notice. The management agreement for CBay commenced February 14, 2012 and is terminable by the Company upon 90 days' notice and by CBay upon 60 days' notice. Victory Nickel served notice of termination on September 5, 2014; accordingly, that management agreement ceased on March 5, 2015. The Company continues to share resources and costs with Victory Nickel under a cost sharing arrangement.

Balances and transactions with Victory Nickel and CBay under the management agreements as at March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014 are shown in the following tables:

	March 31, 2015	December 31, 2014
<b>Balances Outstanding under Management Agreements</b>		
Receivable from Victory Nickel	\$ 51	\$ 52
Payable to CBay Minerals	\$ 58	\$ 117
<b>Three months ended March 31,</b>		
	2015	2014
<b>Transaction Values under Management Agreements</b>		
Overhead charges to Victory Nickel	\$ 191	\$ 201
Overhead charges from Victory Nickel	\$ -	\$ -
Project costs charged by Victory Nickel	\$ 7	\$ 5
Project recoveries charged to Victory Nickel	\$ 19	\$ 13
Overhead charges to CBay Minerals	\$ 61	\$ 61
Project recoveries charged to CBay Minerals	\$ 18	\$ 7



Amounts due to or from Victory Nickel and CBay under the management agreements 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.

#### **Balances and Transactions with Victory Nickel under the Participating Interest**

The terms of the Participating interest with Victory Nickel and the balances and transactions related thereto are described in Note 12 to the Unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2015.

A summary of the balances and transactions of the Participating Interest/Amended Loan is included in the table and accompanying note below.

	<i>Note</i>	March 31, 2015	December 31, 2014
Advance for working capital		\$ 1,000	\$ 1,000
Advance under Amended Loan for standby commitment		1,207	1,207
Aggregate advances		2,207	2,207
Accrued interest receivable		-	-
		2,207	2,207
Less: settled in Units of Victory Nickel		(1,207)	(1,207)
Less: unamortized loan fees		(124)	(124)
Change in fair value	19	2,224	3,243
		\$ 3,100	\$ 4,119

#### **OUTSTANDING SHARE DATA**

As at May 14, 2015, the Company had 295,525,745 common shares issued and outstanding. In addition, there were 19,400,000 stock options outstanding which, if exercised and issued, would bring the fully diluted issued common shares to a total of 314,925,745 and would generate approximately \$1,358,000. However, none of the options were "in the money" as of May 14, 2015.

#### **RECENT DEVELOPMENTS**

There have been no additional developments not already discussed 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; this amount does not include interest and penalties which could be substantial. The Company filed notices of objection on May 19, 2011. On July 22, 2011, the Company filed a request for adjustment to correspondingly adjust its tax pools and losses, in the unlikely event that the Company's appeal is unsuccessful. On March 7, 2014, the Company received a notice of confirmation with respect to one entity whereby the CRA denied that entity's notice of objection and confirmed the reassessment. The Company has sought, and is following the advice of its tax counsel in this matter.

The appeal process could be lengthy and the Company believes that its position is correct and that it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.

#### **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.

## **Financing and Going Concern**

The liquidity position of Nuinsco is extremely restricted and the continued operation of the Company depends upon the ability to obtain financing through the sale of assets including marketable securities and project interests or other means. The amount and value of marketable securities has decreased significantly since December 31, 2014, and there is no assurance that a liquid market will continue to exist for these securities. Generally, there is no assurance that the Company will be successful in obtaining the required financing or achieving other means of securing liquidity on a timely basis or on acceptable terms.

If the Company is unable to obtain additional financing by July 31, 2015, the Company will be required to curtail activities and may be required to liquidate its assets. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would likely differ significantly from the going concern basis. Ongoing exploration and development of the Company's properties will require substantial additional capital investment. Failure to secure additional financing, and/or secure other funds from asset sales, would result in delaying or infinite postponement of development of these properties. There can be no assurance that additional financing will be available or that, if available, will be on terms favourable or acceptable to the Company.

## **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 results will be successful. Few properties that are explored are ultimately developed into economically-viable operating mines. Success in establishing reserves is a result of a number of factors, including the quality of Nuinsco's management, level of geological and technical expertise, the quality of land available for exploration and other factors. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling to determine the optimal extraction method for the ore and the metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. It is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or full feasibility studies, on Nuinsco's projects or the current or proposed exploration programs on any of the properties in which Nuinsco has exploration rights will result in a profitable commercial mining operation. As a result of these uncertainties, 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.

### ***Evaluation and Development Projects***

In general, evaluation and development projects have no operating history upon which to base estimates of future cash operating costs. For evaluation and 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. This information is used to calculate estimates of the capital cost, cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. In addition, there remains to be undertaken certain feasibility and development preparation work on the projects that could adversely impact estimates of capital and operating costs required for the development of the projects. Costs necessary to develop the projects could be significant and will have a direct impact on the economic evaluation of the projects. As a result, it is possible that the actual capital cost, cash operating costs and economic returns of the projects may differ from those currently estimated.

### ***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. Nuinsco's ability to acquire exploration and development rights in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on other suitable properties. There is no assurance that Nuinsco will compete successfully in acquiring exploration and development rights on such other 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 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 the 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. Any failure to meet development targets or other operational delays or inadequacies could have a material adverse effect.

#### ***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. Moreover, short-term operating factors relating to ore reserves and resources, such as the need for orderly development of an ore body or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

#### ***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. Management believes that Nuinsco currently holds or has applied for all necessary licences, permits and authorizations to carry on the activities which Nuinsco is currently conducting and to hold the mineral rights Nuinsco currently holds under applicable laws and regulations in effect at the present time. Management also believes that Nuinsco is complying in all material respects with the terms of such licences, permits and authorizations. 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. Nuinsco's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which Nuinsco has interests; not all such risks are insurable.

#### ***Financial and Investment Risks***

##### ***Substantial Capital Requirements***

Nuinsco will have to make substantial capital expenditures for the development of and to achieve production from the projects. There can be no assurance that any debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Nuinsco. Moreover, future activities may require Nuinsco to alter its capitalization significantly. 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.

##### ***Market Perception***

Market perception of junior exploration, development and mining companies may continue to shift such that these companies are viewed even 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. The level of interest rates, the rate of inflation, world supply of precious and base metals and stability of exchange rates can all cause significant fluctuations in precious and base metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The prices of precious and base metals have historically fluctuated widely and future price declines could cause commercial production to be uneconomical and such fluctuations could have a material adverse effect on Nuinsco's business, financial condition and prospects. Given the stage of development of Nuinsco's projects, the above factors have had no material impact on present operations but are considered in evaluating the impairment of long-lived assets.

## ***Areas of Investment Risk***

Investors should be aware that the Company voluntarily delisted its common shares from the TSX and that there is currently no liquid market for the Company's common shares. Investors may therefore not recover their original investment.

The 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. Environmental laws are becoming more actively enforced. Environmental and social impact studies may be required for some operations and significant fines and clean-up responsibilities may be assessed for companies causing damage to the environment in the course of their activities.

#### ***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 reassessment from the CRA as well as a notice of confirmation 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 have previously 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. Any decision made by any of such directors and officers relating to Nuinsco will be made in accordance with their duties and obligations to deal fairly and in good faith with Nuinsco and such other companies.

#### ***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. 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 Middle East North Africa ("MENA") region and elsewhere.

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. The Company considered that the protracted permitting delays in Turkey were significant enough to warrant a writedown of its Berta project effective December 31, 2013 with continued writedowns to December 31, 2014.

#### ***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.

Nuinsco, through the limited Participating Interest in cash flows, and its investment in Victory Nickel, has indirect exposure to the frac sand industry which experienced a significant downturn with the decline in oil price in the fourth quarter of 2014. There can be no assurance that frac sand demand and pricing will return to previous levels, leaving the value of the Company's investment in Victory Nickel in doubt.

#### **Summary**

The future success of the Company is subject to a number of risk factors that are common to the junior natural resources sector as well as those specific to the Company. Currently, the most significant risk is the ability of the Company to meet its cash obligations as they come due as the Company currently has very limited funds. Other risks include obtaining necessary financing under acceptable terms or finding strategic partners to fund expenditure commitments as they fall due, 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. 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, working capital, ability to maintain operations and/or assumptions in respect of production, revenue, cash flow, financing, the probability of cash flows from the Participating Interest in Victory Nickel's frac sand business, 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: uncertainties relating to the availability and costs of financing needed in the immediate future to permit the Company to continue to operate; 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; uncertainty of amount and timing of cash flows from the limited Participating Interest in Victory Nickel's frac sand



business; 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.

**May 14, 2015**