



## **NUINSCO RESOURCES LIMITED**

### **UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**THREE AND SIX MONTHS ENDED JUNE 30, 2008 and 2007**

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

The accompanying unaudited interim consolidated financial statements of Nuinsco Resources Limited for the three and six months ended June 30, 2008 and 2007 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

**NUINSCO RESOURCES LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands of Canadian dollars)

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	(unaudited)	
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ -	\$ 2,334
Cash for exploration expenditures (Note 10)	1,212	4,765
Marketable securities (Note 7)	6	6
Due from Victory Nickel Inc. (Note 15)	933	158
Loan to Campbell Resources Inc. (Note 8)	3,340	1,844
Accounts receivable	119	74
Prepaid expenses and deposits	175	194
<b>Total Current Assets</b>	<b>5,785</b>	<b>9,375</b>
<b>Investment in Equity-Accounted Investees (Note 9)</b>	<b>9,652</b>	<b>10,364</b>
<b>Convertible Debenture of Campbell Resources Inc. (Note 8)</b>	<b>2,000</b>	<b>2,000</b>
<b>Exploration Advances</b>	<b>-</b>	<b>28</b>
<b>Exploration and Development Projects (Note 10)</b>	<b>9,283</b>	<b>6,836</b>
<b>Property and Equipment</b>	<b>126</b>	<b>133</b>
	<b>\$ 26,846</b>	<b>\$ 28,736</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 640	\$ 1,210
<b>Total Current Liabilities</b>	<b>640</b>	<b>1,210</b>
<b>Shareholders' Equity (Note 11)</b>		
Share capital	89,737	91,442
Stock option compensation	1,686	1,626
Contributed surplus	1,234	1,234
Deficit	(67,365)	(67,676)
Accumulated other comprehensive income (Note 13)	914	900
<b>Net Shareholders' Equity</b>	<b>26,206</b>	<b>27,526</b>
	<b>\$ 26,846</b>	<b>\$ 28,736</b>

**NATURE OF OPERATIONS (Note 2)**

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

**NUINSCO RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited - in thousands of Canadian dollars, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007 (Restated - Note 1)
<b>Revenue</b>				
Consulting fees	\$ 75	\$ 177	\$ 150	\$ 401
Interest income	144	158	304	291
Other (Note 10)	300	-	318	-
	<b>519</b>	<b>335</b>	<b>772</b>	<b>692</b>
<b>Costs and Expenses</b>				
General and administrative	549	338	915	826
Stock option compensation	37	12	60	41
Amortization	3	4	7	8
(Recoveries from) writedown of exploration and development projects (Note 10)	(156)	10	(107)	19
	<b>433</b>	<b>364</b>	<b>875</b>	<b>894</b>
<b>Income (Loss) before the Undernoted</b>	<b>86</b>	<b>(29)</b>	<b>(103)</b>	<b>(202)</b>
<b>Share of Losses of Equity-Accounted Investees (Note 9)</b>	<b>(537)</b>	<b>(100)</b>	<b>(856)</b>	<b>(358)</b>
<b>Dilution Gain (Loss) (Note 9)</b>	<b>255</b>	<b>-</b>	<b>(470)</b>	<b>2,044</b>
<b>(Loss) Income before Income Taxes</b>	<b>(196)</b>	<b>(129)</b>	<b>(1,429)</b>	<b>1,484</b>
<b>Income Tax Recoveries (Note 12)</b>	<b>-</b>	<b>-</b>	<b>1,740</b>	<b>337</b>
<b>Net (Loss) Income for the Period</b>	<b>\$ (196)</b>	<b>\$ (129)</b>	<b>\$ 311</b>	<b>\$ 1,821</b>
<b>(Loss) Income per Share - Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>
<b>Weighted Average Common Shares Outstanding</b>	<b>172,379,000</b>	<b>167,710,000</b>	<b>172,355,000</b>	<b>160,536,000</b>

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

(unaudited - in thousands of Canadian dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007 (Restated - Note 1)
Net (loss) income for the period	\$ (196)	\$ (129)	\$ 311	\$ 1,821
Other comprehensive (loss) income (Note 13)	(216)	120	14	927
<b>Comprehensive (Loss) Income for the Period</b>	<b>\$ (412)</b>	<b>\$ (9)</b>	<b>\$ 325</b>	<b>\$ 2,748</b>

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

**NUINSCO RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited - in thousands of Canadian dollars)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
				(Restated - Note 1)
<b>Cash from (used by)</b>				
<b>Operating Activities</b>				
Net (loss) income for the period	\$ (196)	\$ (129)	\$ 311	\$ 1,821
Items not affecting cash:				
Consulting fees received in marketable securities	-	(102)	-	(251)
Stock option compensation	37	12	60	41
Other stock-based compensation	18	51	35	100
Amortization	3	4	7	8
(Recoveries from) writedown of exploration and development projects	(156)	10	(107)	19
Share of losses of equity-accounted investees	537	100	856	358
Dilution (gain) loss (Note 9)	(255)	-	470	(2,044)
Income tax recoveries	-	-	(1,740)	(337)
Change in non-cash working capital (Note 14)	(1,390)	(624)	(1,301)	(377)
<b>Cash used by operating activities</b>	<b>(1,402)</b>	<b>(678)</b>	<b>(1,409)</b>	<b>(662)</b>
<b>Financing Activities</b>				
Issue of common shares	-	6,128	-	6,441
<b>Cash from financing activities</b>	<b>-</b>	<b>6,128</b>	<b>-</b>	<b>6,441</b>
<b>Investing Activities</b>				
Investment in Campbell Resources Inc.	-	-	(600)	-
Advances to Campbell Resources Inc. (Note 8)	(1,065)	-	(1,065)	(2,000)
Reimbursement of deferred costs (Note 3)	-	-	-	377
Additions to exploration and development projects	(1,430)	(780)	(3,011)	(2,037)
Proceeds on sale of exploration property	198	-	198	-
Additions to equipment	-	(60)	-	(81)
<b>Cash used by investing activities</b>	<b>(2,297)</b>	<b>(840)</b>	<b>(4,478)</b>	<b>(3,741)</b>
<b>Cash Distributed on Formation of Victory Nickel Inc. (Note 3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,668)</b>
<b>Net (Decrease) Increase in Cash During the Period</b>	<b>(3,699)</b>	<b>4,610</b>	<b>(5,887)</b>	<b>(10,630)</b>
<b>Cash and Cash Equivalents, Beginning of the Period</b>	<b>4,911</b>	<b>4,805</b>	<b>7,099</b>	<b>20,045</b>
<b>Cash and Cash Equivalents, End of the Period</b>	<b>\$ 1,212</b>	<b>\$ 9,415</b>	<b>\$ 1,212</b>	<b>\$ 9,415</b>
<b>Cash and Cash Equivalents, End of the Period</b>				
Cash and Cash Equivalents	\$ -	\$ 3,855	\$ -	\$ 3,855
Cash for Exploration Expenditures	1,212	5,560	1,212	5,560
	<b>\$ 1,212</b>	<b>\$ 9,415</b>	<b>\$ 1,212</b>	<b>\$ 9,415</b>

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

**NUINSCO RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(unaudited - in thousands of Canadian dollars)

	Share Capital		Stock Option Compensation	Share Purchase Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
	Number of Shares	Amount						
<b>Balance as at December 31, 2006</b>	<b>152,228,887</b>	<b>\$ 83,887</b>	<b>\$ 1,458</b>	<b>\$ 348</b>	<b>\$ 1,233</b>	<b>\$ (54,943)</b>	<b>\$ 58</b>	<b>\$ 32,041</b>
Private placement	10,344,828	5,502	-	-	-	-	-	5,502
Options exercised	750,000	218	-	-	-	-	-	218
Warrants exercised	7,853,102	1,371	-	-	-	-	-	1,371
Shares issued under Share Bonus Plan	310,200	155	-	-	-	-	-	155
Exercise of conversion rights on convertible debentures	833,333	200	-	-	-	-	-	200
Options granted and vesting	-	-	267	-	-	-	-	267
Transfer of value on exercise of:								
Warrants	-	347	-	(347)	-	-	-	-
Options	-	99	(99)	-	-	-	-	-
Warrants expired	-	-	-	(1)	1	-	-	-
Flow-through share renunciation	-	(337)	-	-	-	-	-	(337)
Net income for the year	-	-	-	-	-	1,058	-	1,058
Other comprehensive income	-	-	-	-	-	-	842	842
Distribution of net assets on formation of Victory Nickel Inc.	-	-	-	-	-	(13,791)	-	(13,791)
<b>Balance as at December 31, 2007</b>	<b>172,320,350</b>	<b>91,442</b>	<b>1,626</b>	<b>-</b>	<b>1,234</b>	<b>(67,676)</b>	<b>900</b>	<b>27,526</b>
Shares issued under Share Bonus Plan	111,706	35	-	-	-	-	-	35
Options granted and vesting	-	-	60	-	-	-	-	60
Flow-through share renunciation	-	(1,740)	-	-	-	-	-	(1,740)
Net income for the period	-	-	-	-	-	311	-	311
Other comprehensive income (Note 13)	-	-	-	-	-	-	14	14
<b>Balance as at June 30, 2008</b>	<b>172,432,056</b>	<b>\$ 89,737</b>	<b>\$ 1,686</b>	<b>\$ -</b>	<b>\$ 1,234</b>	<b>\$ (67,365)</b>	<b>\$ 914</b>	<b>\$ 26,206</b>

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

**NUINSCO RESOURCES LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2008 and 2007 (unaudited)

(all tabular amounts are in thousands of Canadian dollars)

**1. BASIS OF PRESENTATION**

The unaudited interim consolidated financial statements of Nuinsco Resources Limited (the “Company”) are prepared by management using generally accepted accounting principles for interim financial statements and reflect the accounting principles in the notes to the Company’s audited consolidated financial statements for the year ended December 31, 2007 (the “2007 Audited Consolidated Financial Statements”) (with the exception of the changes in accounting policies set out in Note 4 below) and accordingly should be read in conjunction with those annual financial statements and the notes thereto. The accompanying unaudited interim consolidated financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation. The results of operations and cash flows for the current periods as presented are not necessarily indicative of the results to be expected for the full year.

The financial statements for the six months ended June 30, 2007 have been restated to include the dilution gain which arose in March, 2007 when the Company’s equity-accounted investee, Victory Nickel Inc. (“Victory Nickel”), completed a private placement whereby it issued 16,428,781 common shares for net proceeds of \$10,694,000. This issuance gave rise to a dilution gain of \$2,044,000 as a consequence of the net increase in the Company’s share of Victory Nickel’s net assets. This dilution gain was included in the Company’s 2007 Audited Consolidated Financial Statements but not in the unaudited interim June 30, 2007 consolidated financial statements originally issued in 2007.

In addition, the adjustment to accumulated other comprehensive income at the beginning of the period ended June 30, 2007 and the change in the fair value of financial assets available for sale (see Note 13) have been restated to reflect the valuation methodology used in the 2007 Audited Consolidated Financial Statements, which differed from that used in the preparation of the unaudited interim June 30, 2007 financial statements originally issued in 2007.

**2. NATURE OF OPERATIONS**

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

At June 30, 2008, the Company had working capital of \$5,145,000 available to fund ongoing operations. However, none of the Company’s exploration or development projects have commenced commercial production and accordingly, the Company historically has been dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The recoverability of the carrying value of exploration and development projects, and ultimately the Company’s ability to continue as a going concern, is dependent upon the discovery of economically recoverable reserves and resources, the Company’s ability to finance development of its projects through debt or equity financings, or alternatively upon the profitable disposal of projects.

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

**3. CORPORATE REORGANIZATION AND FORMATION OF VICTORY NICKEL INC.**

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

- a) The Company’s interest in three sulphide nickel projects, namely the Minago and Mel projects in Manitoba and the Lac Rocher project in Québec (collectively the “Nickel Properties”); and,
- b) Unexpended cash from the proceeds of a December, 2006 private placement from which the Company raised net proceeds of \$14,045,317.

Pursuant to the Plan of Arrangement, Victory Nickel acquired the Nickel Properties and cash in exchange for the issuance of common shares. Of the common shares issued, 75% were initially held by the Company’s shareholders and 25% initially retained by the Company. Accordingly, the Company’s shareholders continued to own 100% of the

transferred assets by virtue of their holdings of Victory Nickel common shares and common shares of the Company. As a consequence, this related party transaction has been recorded by Victory Nickel at the carrying value of the Nickel Properties and the cash transferred to it.

Under GAAP, the difference between the carrying value of the Nickel Properties and cash transferred and the 25% ownership interest in Victory Nickel retained by the Company is treated as a capital transaction. Accordingly, this resulted in a charge to deficit on the effective date of transfer of \$13,791,000.

The following is a summary of the cash and nickel assets (net of related accounts payable) transferred to Victory Nickel pursuant to the Plan of Arrangement:

Cash and cash equivalents <sup>(1)</sup>	\$	12,668
Exploration advances		448
Exploration and development projects		5,800
		<hr/> 18,916
Accounts payable		528
		<hr/> 18,388
Less 25% interest retained in Victory Nickel <sup>(2)</sup>		4,597
	\$	<hr/> <hr/> 13,791

(1) The cash transferred represents the net proceeds from the December 31, 2006 private placement less expenditures incurred on the Nickel Properties to the date of the Plan of Arrangement, February 1, 2007.

(2) Computed at 25% of net assets transferred

In addition, as Victory Nickel was responsible for all costs relating to the Plan of Arrangement, the Company was reimbursed for all costs incurred by it prior to the formation of Victory Nickel.

The retained interest in Victory Nickel is being accounted for on the equity basis. The estimated fair market value of the Company's shareholdings in Victory Nickel at June 30, 2008 was \$17,710,000.

#### 4. NEW ACCOUNTING POLICIES

##### Financial Instruments and Capital Disclosures

The Canadian Institute of Chartered Accountants ("CICA") has issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863).

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv), if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 5 to these unaudited interim consolidated financial statements.

Handbook Sections 3862 and 3863 replace handbook Section 3861, Financial Instruments – Disclosure and Presentation revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 6 to these unaudited interim financial consolidated statements.

##### Inventories

Effective January 1, 2008, the CICA has issued accounting standard Section 3031 Inventories. Section 3031 Inventories provides guidance on the method of determining the cost of the Company's materials and supplies. The new accounting standard specifies that inventories are to be valued at the lower of cost and net realizable value. The standard requires the reversal of previously recorded write downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of Section 3031 Inventories did not impact the Company's financial statements.

### **Future Accounting Changes**

In February 2008, the CICA issued accounting standard Section 3064 Goodwill and Intangible Assets, replacing accounting standard 3062 Goodwill and Other Intangible Assets and accounting standard Section 3450 Research and Development Costs. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standard for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section.

The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards (“IFRS”). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company’s consolidated financial statements has not yet been determined.

### **2007 Figures**

Certain of the 2007 figures have been reclassified to conform to the 2008 financial statement presentation.

## **5. CAPITAL 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 production and rehabilitation. 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.

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 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.

## **6. FINANCIAL RISK MANAGEMENT**

The Company’s risk exposures and the impact on the Company’s consolidated financial statements are summarized below:

The Company’s financial instruments include cash and cash equivalents, cash for exploration expenditures, marketable securities, accounts receivable, amounts due from/to Victory Nickel, convertible debenture and loan amounts due from Campbell Resources Inc. (“Campbell”) and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value.

### **Concentration of Credit Risk**

Concentration of credit risk arises as a result of loans and convertible debentures due from Campbell totalling \$5,340,000. Amounts due from Victory Nickel are settled on a regular basis. Cash equivalents include bank-guaranteed investment certificates and bank discount notes. The Company does not own asset-backed commercial paper. 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.

### **Interest Rate Risk**

The Company’s cash equivalents earn interest at fixed rates of approximately 4% at June 30, 2008 and at December 31, 2007. The Company’s advances to Campbell under the revolving credit facility and its convertible debentures also earn interest at fixed rates. None of the Company’s other financial instruments are interest bearing, therefore the Company’s exposure to interest rate risk is minimal.

### **Currency Risk**

The Company incurs expenditures related to the Berta and Elmalaan projects in Turkey, and certain general and administrative expenses, in United States dollars. As at June 30, 2008, accounts payable and accruals of \$192,000 were denominated in United States dollars.



## 7. MARKETABLE SECURITIES

Marketable securities at June 30, 2008 and December 31, 2007 comprise:

	June 30, 2008	December 31, 2007
	Market Value	Market Value
Campbell Resources Inc. Warrants	\$ -	\$ -
Other Shares	6	6
	\$ 6	\$ 6

In addition to its ownership of Campbell common shares (see Note 9), the Company also owns various warrants and has certain conversion rights with respect to its Campbell convertible debenture as explained in Note 8. The fair value of these warrants and conversion rights was determined to be \$nil at the date of acquisition and at June 30, 2008 and December 31, 2007, respectively. This determination takes into consideration the Company's estimate of the fair values of the Campbell shares, the exercise price and the term to expiry of the warrants and debenture conversion rights.

## 8. TRANSACTIONS WITH CAMPBELL

In 2006, the Company entered into agreements with Campbell which outlined the principles upon which the two entities would enter into various proposed transactions as set out in definitive consulting, operating and financing agreements.

Under an operating consulting agreement (the "Operating Consulting Agreement"), the Company is providing operating consulting services for Campbell's development and mining activities, including continuing development of Campbell's Copper Rand copper mine, and the development of Campbell's Corner Bay copper deposit.

In consideration for providing these services and completing certain requirements, the Company has received:

- a 50% interest in Campbell's Corner Bay copper deposit as consideration for assisting Campbell in obtaining financing to complete the above activities and repay secured debt of approximately \$4,000,000;
- 2,000,000 common shares of Campbell upon commencement of the provision of services under the Operating Consulting Agreement;
- 1,000,000 common shares of Campbell upon completion by Campbell of all of the financings described below; and,
- fees of \$25,000 plus 200,000 common shares of Campbell per month in advance, (up to a maximum of 4,000,000 common shares) all of which common shares were received prior to the end of 2007.

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

### *Campbell Financings*

Campbell's financing agreements are as follows:

- In 2006, the Company acquired 31,250,000 units of Campbell (the "Nuinsco Placement") at a price of \$0.08 per unit, for gross proceeds to Campbell of \$2,500,000.
- Sprott Securities Inc. (now Cormark Securities Inc.) completed a private placement of 125,000,000 units of Campbell at a price of \$0.08 per unit, for gross proceeds of \$10,000,000 (the "Brokered Placement").
- Concurrent with the Brokered Placement and the Nuinsco Placement, Campbell completed a rights offering (the "Rights Offering") to its shareholders of 69,966,264 units at a price of \$0.08 per unit, for gross proceeds of \$5,400,000. Nuinsco did not participate in this Rights Offering.

Each unit of all three financings consists of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant shall be exercisable at any time for one common share of Campbell at a price of \$0.15 for a period of two years following closing. Campbell shall have the right, 12 months after closing, to call the outstanding warrants should Campbell common shares trade above \$0.30 for 20 consecutive trading days. These warrants expired on May 26, 2008.

The net proceeds of the Nuinsco Placement, the Brokered Placement and the Rights Offering were used by Campbell to fund development of the Copper Rand mine, to finance development of the Corner Bay deposit and for general working capital, except for \$4,000,000 used to repay a secured credit facility.

In consideration for its participation in the Campbell financing, the Company also received 67,807,429 warrants exercisable on or before January 18, 2009 to purchase up to 20% of the issued and outstanding common shares of Campbell outstanding at the time of the financing agreement on a fully diluted basis. The exercise price of the warrants is \$0.10 per share.

In September, 2007, the Company exercised 4,000,000 Campbell warrants resulting in the acquisition of an additional 4,000,000 Campbell common shares at a cost of \$400,000.

In February, 2008, the Company subscribed for an additional 6,000,000 Campbell common shares at a cost of \$600,000.

#### ***Loans and Convertible Debentures***

In March, 2007, the Company advanced \$2,000,000 to Campbell. These advances bore interest at 12%. In July, 2007, these advances were converted into a \$2,000,000 convertible debenture. The convertible debenture bears interest at 11.5% per annum, payable quarterly, and is convertible into units of Campbell (“units”) at a price of \$0.13 per unit. Each unit consists of one common share and one half a common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share of Campbell at a price \$0.16 for a period of 24 months following the closing date in July, 2007. A third party has also subscribed for \$2,000,000 in Campbell’s convertible debentures on terms identical to the above. The convertible debenture matures in July, 2009 and is secured by, among other things, a first charge on the assets of the Corner Bay project, certain equity investments and the shares of certain subsidiaries of Campbell. No value has been ascribed to the conversion right. The Company earned interest of \$114,528 and \$57,186 on the convertible debenture in the six and three-month periods ended June 30, 2008, respectively (\$nil in each of the 2007 six and three-month periods).

In December, 2007, the Company provided Campbell with a revolving credit facility (the “Facility”) up to a maximum of \$1,500,000. The Facility bears interest at 12% per annum payable quarterly, has an initial term of six months and is secured by a charge on various assets of Campbell including a charge on Campbell’s Corner Bay assets ranking behind the security for the convertible debenture described above. As at December 31, 2007, \$1,500,000 had been advanced to Campbell pursuant to the Facility and is shown on the consolidated balance sheet in current assets as a loan to Campbell. The Company earned interest of \$89,631 and \$44,754 in the six and three months ended June 30, 2008, respectively on the Facility.

On July 4, 2008, the Company and Campbell entered into an updated agreement with respect to the Facility which increased the amount available to Campbell to a maximum of \$5,000,000. The increased amount is payable on demand and includes all balances owing by Campbell to the Company, except for the convertible debenture described above. Subsequent to June 30, 2008, the Company has made additional advances to Campbell pursuant to this Facility of approximately \$1.6 million, effectively fulfilling the Company’s commitment to Campbell under the Facility.

#### ***Consulting Fees***

Upon the commencement of the operating consulting services on May 1, 2006 as contemplated in the Operating Consulting Agreement with Campbell referred to above, the Company began earning the monthly consulting fee of \$25,000 and 200,000 Campbell common shares (to a maximum of 4,000,000 shares which were received prior to the end of 2007), and received the additional 2,000,000 Campbell common shares.

#### ***Corner Bay***

As described above, the Company acquired an entitlement to 50% of the operating cash flow generated by the Corner Bay project. The Company’s entitlement is subject to Campbell’s recoupment of capital expenditures as follows:

- a) Initially all operating cash flow (as defined) will be payable to Campbell until it recoups all development costs it incurred in fiscal 2007 and 2008 prior to commencement of production;
- b) Following recoupment of the development costs referred to above, 50% of operating cash flow will be retained by Campbell until it recoups past development costs to a maximum of approximately \$4,000,000 with the remaining 50% of cash flow distributed equally to the Company and Campbell, and;
- c) Thereafter operating cash flow will be distributed to the Company and Campbell pro rata to their respective 50% interests.

## 9. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES

	June 30, 2008	December 31, 2007
Victory Nickel Inc. (21.8% interest)	\$ 5,230	\$ 6,148
Campbell Resources Inc. (10.3% interest)	4,422	4,216
	<b>\$ 9,652</b>	<b>\$ 10,364</b>

The Company acquired its ownership interest in Victory Nickel pursuant to the corporate reorganization and formation of Victory Nickel as described in Note 3. The Company's share of Victory Nickel's loss for the six and three months ended June 30, 2008 was \$207,000 and \$113,000, respectively (from its inception February 1, 2007, to June 30, 2007 - \$358,000 and the three months ended June 30, 2007 - \$100,000).

In March, 2007, Victory Nickel completed a private placement whereby it issued 16,428,781 common shares for net proceeds of \$10,694,000. During 2007, it also issued 5,977,514 common shares upon the exercise of warrants and options for proceeds of \$1,056,229. The share issuances by Victory Nickel in 2007 gave rise to a dilution gain with respect to the Company's equity-accounted investment in Victory Nickel of \$2,044,000 in the three months ended March 31, 2007 (and a total dilution gain of \$2,071,000 for the year ended December 31, 2007) as a consequence of the net increase in the Company's share of Victory Nickel's net assets resulting from these share issuances.

The carrying value of the Company's investment in Victory Nickel also includes the Company's proportionate share of Victory Nickel's other comprehensive income of \$14,000 (see Note 13) for the six months ended June 30, 2008; for the three months ended June 30, 2008 the Company's proportionate share of Victory Nickel's other comprehensive loss was \$216,000. There were no other comprehensive income or loss amounts for 2007.

In February, 2008, Victory Nickel renounced \$11,500,000 in Canadian Exploration Expenditures to investors of flow-through shares issued in 2007. The tax value of these renunciations amounted to \$3,335,000 and gave rise to a reduction in Victory Nickel's shareholders' equity by this amount. The Company's proportionate share of this amount has been shown as a reduction in the carrying value of the investment in Victory Nickel and a corresponding dilution loss of \$725,000 has been included in the consolidated statement of operations.

Prior to December 1, 2007, the Company accounted for its investment in common shares of Campbell as marketable securities available for sale. As such, this investment was carried on the consolidated balance sheet at fair value with changes in fair value included in other comprehensive income. The fair value estimate and the fair value determination at December 1, 2007, take into consideration the large size of the Company's shareholdings in Campbell and Campbell's low share trading volume. Prior to December 1, 2007, Campbell's subsidiary MSV Resources Inc. ("MSV") which owned a significant portion of Campbell's operating assets was operating under Court protection pursuant to the Companies' Creditors Arrangement Act ("CCAA"). Following MSV's exit from CCAA at the end of November, 2007, (Campbell itself had exited CCAA earlier in 2007), it was no longer operating under the auspices of the Court and, accordingly, the Company concluded that it now had the ability to exercise significant influence over Campbell. In addition to its current 10.3% ownership interest, the Company owns warrants and other convertible securities that if exercised would increase its ownership to approximately 23% (which reduced from 28% as at March 31, 2008 due to the expiry of warrants). It also has two representatives on Campbell's nine-member Board and provides ongoing consulting services pursuant to the Operating Consulting Agreement described in Note 8 above.

As a consequence of the above, effective December 1, 2007, the Company commenced accounting for its investment in Campbell on the equity basis. The carrying value of the investment (its estimated fair value on December 1, 2007) of \$4,563,000 was reclassified from marketable securities (a current asset) to a non-current equity-accounted investment. Changes in estimated fair value prior to December 1, 2007 remain in accumulated other comprehensive income. The Company's share of Campbell's loss for the six and three months ended June 30, 2008 was \$649,000 and \$424,000 respectively (from the date of commencement of equity accounting, December 1, 2007, to December 31, 2007 - \$348,000). In addition, the Company recorded a net dilution gain of \$255,000 in the six and three months ended June 30, 2008 representing the Company's proportionate share of flow-through share transactions recorded by Campbell. This amount has been shown as an increase in the carrying value of the investment in Campbell. The carrying value of the Company's 10.3% interest in Campbell exceeds its proportionate share of the book value of Campbell's net assets. For equity-accounting purposes, the excess has been allocated to Campbell's Corner Bay property, which is currently under development.

**10. EXPLORATION AND DEVELOPMENT PROJECTS**

Cumulative costs relating to the acquisition of mineral properties and deferred exploration and development expenditures, have been incurred on the following projects:

	Balance as at December 31, 2007		Current Expenditures	Writedowns		Balance as at June 30, 2008	
<b>URANIUM</b>							
Diabase Peninsula	\$	3,548	\$	1,889	\$	- \$ 5,437	
Prairie Lake		591		29		- 620	
		4,139		1,918		- 6,057	
<b>GOLD, COPPER AND ZINC</b>							
Cameron Lake		848		184		- 1,032	
Berta and Elmalaan		1,837		330		- 2,167	
Other		12		106	(91)	27	
		2,697		620	(91)	3,226	
	\$	6,836	\$	2,538	\$	(91) \$ 9,283	
	Balance as at December 31, 2006		Current Expenditures	Transferred to Victory Nickel Inc.	Writedowns		Balance as at June 30, 2007
<b>NICKEL</b>							
				(Note 3)			
Lac Rocher	\$	2,116	\$	2	\$	(2,118)	\$ -
Mel		172		534		(706)	-
Minago		2,341		635		(2,976)	-
		4,629		1,171		(5,800)	-
<b>URANIUM</b>							
Diabase Peninsula		2,294		205	-	-	2,499
Prairie Lake		4		355	-	-	359
		2,298		560	-	-	2,858
<b>GOLD, COPPER AND ZINC</b>							
Cameron Lake		671		57	-	-	728
Berta and Elmalaan		874		1,148	-	-	2,022
Other		11		21	-	(19)	13
		1,556		1,226	-	(19)	2,763
	\$	8,483	\$	2,957	\$	(5,800)	\$ (19) \$ 5,621

As at June 30, 2008, the Company has an outstanding commitment through the issuance of its flow-through shares in 2007 to make expenditures on exploration activities of \$2,013,000 (December 31, 2007 - \$4,765,000). In the second quarter of 2008, the Company announced it had entered into an agreement to acquire 100% of the Berta property upon spending \$2 million on exploration and completing an independent scoping study within four years.

In June, 2008, the Company received net proceeds of \$198,000 pursuant to the sale of the Rainy River core shack. The property had been written down to \$nil in December, 2004 as part of the sale of the Rainy River exploration property. Accordingly, the proceeds have been recorded as a recovery from exploration and development properties in the consolidated statement of operations.

Other revenue in the three and six month periods ended June 30, 2008, includes \$300,000 received pursuant to the sale of a royalty interest related to the Bucko exploration and development property which was formerly owned by the Company.

## 11. SHAREHOLDERS' EQUITY

### Share Capital

#### Authorized:

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

#### Issued and Outstanding:

There are no special shares outstanding.

The issued and outstanding common shares are as follows:

	Number of Shares	Amount
<b>Balance as at December 31, 2006</b>	<b>152,228,887</b>	<b>\$ 83,887</b>
Shares issued pursuant to private placement <sup>(a)</sup>	10,344,828	5,502
Options exercised <sup>(b)</sup>	750,000	317
Warrants exercised <sup>(c)</sup>	7,853,102	1,718
Shares issued under the Share Bonus Plan <sup>(d)</sup>	310,200	155
Exercise of conversion rights on convertible debentures <sup>(e)</sup>	833,333	200
Flow-through share renunciation <sup>(f)</sup>	-	(337)
<b>Balance as at December 31, 2007</b>	<b>172,320,350</b>	<b>91,442</b>
Shares issued under the Share Bonus Plan <sup>(g)</sup>	111,696	35
Flow-through share renunciation <sup>(f)</sup>	-	(1,740)
<b>Balance as at June 30, 2008</b>	<b>172,432,046</b>	<b>\$ 89,737</b>

- (a) In April, 2007, the Company issued 10,344,828 flow-through common shares at \$0.58 per share for gross proceeds of \$6,000,000. After fees and other out-of-pocket costs, net proceeds aggregated \$5,502,276.
- (b) In 2007, the Company issued 750,000 common shares for proceeds of \$217,248 upon the exercise of 750,000 options. This resulted in an increase in share capital in the amount of the proceeds plus the carrying value of the options exercised of \$98,800.
- (c) In 2007, 7,853,102 common shares were issued upon the exercise of warrants for proceeds of \$1,372,674. This resulted in an increase in share capital in the amount of the proceeds plus the carrying value of the warrants exercised in the amount of \$346,261.
- (d) In 2007, 310,200 common shares with a fair value at the grant date of \$154,906 were issued to employees as discretionary bonuses pursuant to the Company's Share Bonus Plan. (see Share Incentive Plan below).
- (e) In January, 2007, the two Directors who held the Company's convertible debentures exercised their conversion rights, resulting in the issuance of 833,333 common shares upon the conversion of \$200,000 of convertible debentures.
- (f) In February, 2008, the Company renounced \$6,000,000 (February, 2007 - \$988,000) in Canadian Exploration Expenditures to investors of flow-through shares in 2007 and 2006. The tax value of these renunciations amounted to \$1,740,000 (2007 - \$337,000) and has been recorded as a future tax liability and charged against share capital. Since the Company has a valuation allowance which reduces the future income tax assets, the valuation allowance was reduced and income tax recoveries were recognized in the consolidated statements of operations in the amount of \$1,740,000 (2007 - \$337,000).
- (g) In March and June, 2008, common shares were issued to employees and consultants as discretionary bonuses and were valued at \$34,625.

**Stock Options:**

The following table reflects the continuity of stock options during the period:

	Number of Options		Average Exercise Price		Amount
<b>Outstanding as at December 31, 2007</b>	<b>13,635,000</b>	\$	<b>0.20</b>	\$	<b>1,626</b>
Options granted and vesting	400,000		0.27		60
Options expired	(200,000)		0.29		-
<b>Outstanding as at June 30, 2008</b>	<b>13,835,000</b>	\$	<b>0.20</b>	\$	<b>1,686</b>

The following table summarizes further information about the stock options outstanding at June 30, 2008:

Range of Exercise Prices	Options Outstanding	Years to Expiry <sup>(1)</sup>	Exercise Price <sup>(1)</sup>
\$0.0970 - \$0.1823	8,125,000	2.73	\$ 0.14
\$0.1900 - \$0.2470	2,775,000	4.72	\$ 0.24
\$0.2500 - \$0.3060	650,000	4.86	\$ 0.27
\$0.3100 - \$0.4880	2,285,000	4.05	\$ 0.36
<b>\$0.0970 - \$0.4880</b>	<b>13,835,000</b>	<b>3.41</b>	<b>\$ 0.20</b>

<sup>(1)</sup> In this table, "Years to Expiry" and "Exercise Price" have been calculated on a weighted average basis.

The weighted average grant date fair value of options granted during the six months ended June 30, 2008 was \$0.14 (2007 - \$0.22). A total of 400,000 options were granted during the six months ended June 30, 2008 to employees (350,000 during the three months then ended). This, along with options vesting during the period, resulted in a compensation expense totalling \$60,000 (\$37,000 for the three months ended June 30, 2008) compared to 300,000 options (nil for the three months ended June 30, 2007) and vesting resulting in compensation expense totalling \$41,000 and \$12,000 for the six and three months ended June 30, 2007, respectively. Of the 13,835,000 options outstanding at June 30, 2008, 517,500 are subject to vesting in the next 12 months. The aggregate fair value of these unvested options not yet charged to operations is \$52,000. The weighted average exercise price of fully-vested options at June 30, 2008 was \$0.20.

The fair value of options granted has been estimated at the date of grant using the Black-Scholes option-pricing model, with the following assumptions:

Option Assumptions	Six Months Ended June 30,	
	2008	2007
Dividend yield	-	-
Expected volatility	75%	70%
Risk free interest rate	4.50%	5.00%
Expected option term - years	3	3
Fair value per share of options granted	<b>\$ 0.11 to \$ 0.16</b>	\$ 0.22

**12. INCOME TAXES**

The income tax recoveries in the six months ended June 30, 2008 and 2007, of \$1,740,000 and \$337,000, respectively, relate to flow-through share renunciations, as explained in Note 11 (f) above.

No income tax recovery has been recognized on the losses before share of losses of equity-accounted investees, income taxes and dilution gains (losses) as the likelihood of utilizing such losses cannot be determined at this time.



### 13. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income (OCI) is comprised of unrealized gains on marketable securities (shares of Campbell) that were classified as available for sale prior to December 1, 2007 (see Note 9) and the Company's share of Victory Nickel's other comprehensive income. Changes in the components of accumulated OCI are summarized as follows:

	Six Months Ended June 30,	
	2008	2007
		(Restated - Note 1)
Accumulated OCI at beginning of period	\$ 900	\$ -
Adjustment to accumulated OCI at beginning of period due to the change in method of accounting for financial assets available for sale	-	58
OCI for the period representing the change in the fair value of financial assets available for sale	-	869
Proportionate share of Victory Nickel Inc.'s OCI (see below)	14	-
Accumulated OCI at end of period	\$ 914	\$ 927

During the six months ended June 30, 2008, the Company's 22% owned equity-accounted investee, Victory Nickel, recorded OCI aggregating \$64,000 representing the after-tax fair value of its marketable securities classified as financial assets available for sale. As part of equity accounting for Victory Nickel, the Company has recorded OCI equal to its proportionate share of this amount.

### 14. CHANGES IN NON-CASH WORKING CAPITAL

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

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Accounts receivable, prepaid expenses and deposits	\$ 25	\$ (113)	\$ (26)	\$ (105)
Due from/to Victory Nickel Inc.	(1,175)	(495)	(775)	(259)
Loan to Campbell Resources Inc.	(235)	-	(431)	-
Accounts payable and accrued liabilities	(5)	(16)	(69)	(13)
	\$ (1,390)	\$ (624)	\$ (1,301)	\$ (377)

### 15. RELATED PARTY TRANSACTIONS

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

- The Company shares management administrative assistance and facilities with Victory Nickel pursuant to a management agreement. The costs recovered from Victory Nickel are equal to the cost to the Company of such services plus 10 per cent. The management agreement has an initial term of 24 months commencing February 1, 2007 and is terminable thereafter by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. Costs recovered from Victory Nickel in the six and three months ended June 30, 2008 totalled \$251,106 and \$128,341, respectively (six and three months ended June 30, 2007 - \$349,077 and \$247,462, respectively) and have been deducted from general and administrative expenses. Furthermore, project-related costs aggregating \$23,250 and \$11,625 have been charged to the Company by Victory Nickel during the six and three months ended June 30, 2008 and are included in exploration and development costs on the balance sheet (six and three months ended June 30, 2007 - \$nil).
- Amounts due from and to Victory Nickel are unsecured, non-interest bearing and due on demand. The amount outstanding as at June 30, 2008 was settled subsequent to the end of the quarter.
- Included in accounts payable and accrued liabilities at June 30, 2008 are amounts owing to Directors and Officers of \$64,823 (December 31, 2007 - \$113,515). These amounts are primarily Directors' fees and reimbursement of expenses.

- (d) In January 2007, two Directors who held convertible notes of the Company exercised their conversion rights resulting in the issuance of 833,333 common shares on the conversion of \$200,000 of outstanding convertible debentures. In addition, in 2007, the two Directors were repaid accrued interest on the convertible debentures owing to them aggregating \$136,753.

## 16. LEASE COMMITMENT

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

	Minimum Lease Payments	
2008	\$	30
2009		62
2010		64
2011		48
2012		5
	\$	209

## 17. SUBSEQUENT EVENTS

- (a) On July 10, 2008, Nuinsco announced that it had completed the execution of the Option and Joint Venture Agreement with Temex Resources Corp. (“Temex”) to acquire a 50% interest in the contiguous Marijane Lane and Huston Lake uranium properties. Furthermore, the Company and Temex announced the commencement of the first phase of exploration work. Pursuant to the agreement, the Company made a cash payment of \$50,000 and issued 200,000 common shares to Temex. Nuinsco is committed to spend \$500,000 on exploration within one year and an aggregate of \$750,000 over a two-year period to earn an undivided 50% interest in the property.
- (b) On July 17, 2008 the Company purchased, through a private placement, 29,920,000 shares in Gold Hawk Resources Inc. (“Gold Hawk”), representing an approximate 13% interest, for approximately \$1.8 million. Gold Hawk is a Canada-based precious and base metals producer with reserves and resources containing gold, silver, lead and zinc. Its major asset is the 100%-owned Coricancha mine in Peru.
- (c) Also on July 17, 2008, the Company entered into a loan facility with Auramet Trading LLC to a maximum of US\$3.5 million. The loan bears interest at 12.5%, is due on or before December 15, 2008 and has a closing fee of 4% of the amount of the facility plus 233,000 warrants to issue common shares of the Company for \$0.22 until July 17, 2010. The loan is secured by the Company’s shares of Victory Nickel.
- (d) On July 29, 2008, the Company issued 3,633,333 flow-through shares by way of private placement at a price of \$0.30 per share generating gross proceeds of approximately \$1.1 million before 5% commission and other fees.





**NUINSCO RESOURCES LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTHS  
ENDED JUNE 30, 2008**

**DATED AUGUST 1, 2008**



## NUINSCO RESOURCES LIMITED

### MANAGEMENT'S DISCUSSION AND ANALYSIS THREE AND SIX MONTHS ENDED JUNE 30, 2008

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of August 1, 2008 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2008, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's June 30, 2008 unaudited interim consolidated financial statements for such periods and the audited consolidated financial statements as at and for the year ended December 31, 2007 and the notes thereto (the "2007 Audited Consolidated Financial Statements"). Readers are encouraged to consult these financial statements which 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.

#### COMPANY OVERVIEW

Nuinsco is focused on identifying mineral investment opportunities worldwide using its exploration programs and operating and financial expertise to crystallize value for its shareholders. The Company is currently focused on advancing its uranium, copper, gold and zinc assets in world-class mineralized belts in Canada and Turkey. In addition to its property holdings, Nuinsco owns approximately 22% of the outstanding common shares of Victory Nickel Inc. ("Victory Nickel") (TSX: Ni) and approximately 10% of the outstanding common shares of gold and copper producer Campbell Resources Inc. ("Campbell") (TSX: CCH) and, in conjunction with Campbell, has developed its first operating mine, the high-grade Corner Bay copper project which is expected to begin generating cash flow to the Company's account in 2009. In addition, it recently acquired an approximate 13% interest in Gold Hawk Resources Inc. ("Gold Hawk") (TSXV: CGK), a precious and base metals producer. These investments could potentially be monetized and help to finance the Company's exploration programs and minimize dilution to shareholders going forward. Shares of Nuinsco trade on the Toronto Stock Exchange under the symbol NWI.

#### CORPORATE REORGANIZATION AND FORMATION OF VICTORY NICKEL INC.

Pursuant to a Plan of Arrangement which became effective February 1, 2007, the Company completed a series of transactions which resulted in the transfer of the following assets to Victory Nickel:

- a) The Company's interest in three mineral resource projects, namely the Minago and Mel sulphide nickel projects in Manitoba and the Lac Rocher sulphide nickel project in Quebec (collectively the "Nickel Properties"); and,
- b) Unexpended cash of \$12,665,000 from the proceeds of a December, 2006 private placement from which the Company raised net proceeds of \$14,045,000.

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

Under generally accepted accounting principles ("GAAP"), the difference between the carrying value of the Nickel Properties and cash transferred and the 25% ownership interest in Victory Nickel retained by the Company is treated as a capital transaction. Accordingly, this resulted in a charge to deficit on the effective date of transfer of \$13,791,000. This transaction is described in detail in Note 2 to the Company's 2007 Audited Consolidated Financial Statements.

## SECOND QUARTER HIGHLIGHTS

During and subsequent to the three months ended June 30, 2008, the Company:

- Announced it had purchased an approximate 13% interest in Gold Hawk, a precious and base metals producer, for approximately \$1.8 million. Gold Hawk's major asset is its 100% owned Coricancha mine in Peru.
- Signed an option to acquire a 50% interest in the Marijane Lake and Huston Lake uranium properties in Ontario and Manitoba from Temex Resources Corp. ("Temex").
- Announced positive drill results from its \$2.5 million, 6,500 metre winter drilling program at the Diabase Peninsula uranium property as well as surface sampling.
- Commenced a 2,500 metre diamond drilling program at Prairie Lake to follow up on positive surface sampling and drill results.
- Continued to support Campbell's Corner Bay project by expanding the available credit facility to \$5.0 million from \$1.5 million.
- Completed an updated gold resource estimate at the Cameron Lake gold deposit near Kenora, Ontario which resulted in a 29% increase in measured and indicated ounces and a 72% increase in inferred resources.
- Announced the acquisition of a 700 tonne per day gold mill that could be utilized at the Cameron Lake project to process feed from Cameron Lake as well as from the numerous deposits in Kenora region.
- Announced the appointment of Alison Sutcliffe as VP Finance and Chief Financial Officer.
- Announced the acquisition of a 100% ownership in the Berta copper-gold property in northeastern Turkey, which will enable the Company to immediately accelerate and expand the exploration program.
- Began diamond drilling of high-priority targets at the Berta Project in northeastern Turkey to build upon the spectacular results obtained in 2007 from hole DDH SD-07-08, which returned an interval of 710.9 metres grading 0.28% copper and 0.07g/t gold between 3.80 metres and 714.7 metres.
- Reported a net loss of \$196,000 for the three months ended June 30, 2008; net income of \$311,000 for the six month period then ended, or \$0.00 per share in both periods.

## OUTLOOK

The second quarter of 2008 continued the evolutionary path of Nuinsco. Shipments of development ore continued from the Corner Bay Mine, the Company's first producing asset, to Campbell's Copper Rand Mill and Campbell continues to develop the mine. The acquisition of an approximate 13% interest in Gold Hawk in July offers our shareholders tremendous upside, despite the challenges presently being addressed at the Coricancha mine in Peru. We are confident in Gold Hawk's plans for the mine and in management's ability to carry them out in concert with the Peruvian authorities.

The Company has a 50% carried interest in the high-grade Corner Bay Mine, with Campbell as the operator, and Corner Bay is expected to begin generating cash flow to Nuinsco's account in early 2009, after Campbell recovers the costs it incurred to develop the mine. This cash flow, along with equity assets (22% of the shares of Victory Nickel, 10% of the shares of Campbell and 13% of Gold Hawk) that can be monetized, is expected to go a long way toward financing exploration programs while minimizing equity dilution to shareholders.

At its core, Nuinsco is an exploration-focused company. As a reflection of this focus, the Company realigned its management team during 2007, hiring additional executives during 2008, and is pleased with the progress it continues to make in advancing its projects in Canada and Turkey. Programs planned and ongoing in 2008 are as follows:

## **Uranium**

### ***Saskatchewan***

#### *Diabase Peninsula*

The Company has completed a \$2.5 million, 6,000 metre drill program that began late in 2007. This program was designed to build on previous positive exploration results. Past drilling has identified a project area that is clearly geochemically anomalous with respect to uranium and other key indicator elements both in the Athabasca sediments and the underlying graphite- and sulphide-bearing basement rocks. This drilling, along with the presence of numerous uranium-prospective structures interpreted from both local and property-wide geophysical surveys, confirms the excellent potential of the property to host unconformity-style uranium mineralization. Drill results are being received, and the Company anticipates further drilling to take place during 2008. Of particular note is DDH ND-08-08, with anomalous uranium values located near to recently reported gravity “lows,” an association similar to those identified with major Athabasca Basin uranium deposits such as Key Lake, Rabbit Lake, Midwest Lake and Sue.

### ***Ontario***

#### *Prairie Lake*

In 2007, the Company completed both surface sampling and drill programs at Prairie Lake with positive results. In total, 15 holes (comprising 1,876 metres) were drilled to shallow depth, with significant mineralization encountered at all depths drilled. In 2008, mapping, sampling and 2,500 metres of diamond drilling are planned. The diamond drilling program has commenced to follow up on the positive results described above.

### ***Ontario/Manitoba***

#### *Marijane Lake and Huston Lake*

During the second quarter of 2008, Nuinsco announced that it had entered into a binding letter of intent with Temex to acquire a 50% interest in the contiguous Marijane Lane and Huston Lake uranium properties. In July, 2008, the Company and Temex announced the execution of the Option and Joint Venture Agreement and the commencement of the first phase of exploration work. A 2,705 line-km helicopter-borne survey has been completed and numerous high quality anomalies have been detected. Ground follow-up of the anomalies will occur this summer with diamond drilling of priority targets planned for the fall of 2008.

## **Copper, Gold, Zinc**

### ***Turkey***

#### *Berta*

Diamond drilling began at the Berta Project in northeastern Turkey in April, 2008. The program is being operated by Nuinsco’s 50% joint venture partner Xstrata Copper (“Xstrata”), one of the commodity business units within Xstrata plc (London Stock Exchange: XTA.L and Zurich Stock Exchange: XTRZn.S). The Company has announced the entering into of an agreement to acquire 100% ownership of the Berta copper-gold property upon spending \$2 million on exploration expenditures and completing an independent scoping study within four years which will enable the Company to immediately accelerate and expand the exploration program in 2008 and beyond. Significant mineralization was encountered in both holes drilled during 2007, with copper, gold, silver and zinc values occurred in over the entire 771.5 metre length of the second hole, which was drilled adjacent to the interpreted Berta copper porphyry system and ended in mineralization.

### ***Elmalaan***

Nuinsco earned a 100% interest in the Elmalaan VMS property in 2007 from Xstrata, and is in the process of transferring ownership to a newly-formed Turkish subsidiary. Diamond drilling, geophysics, mapping and sampling have all been budgeted for in 2008 to follow up on the 2007 drilling that included drill hole EKD-07-06 which intersected 2.43% zinc, 0.50g/t gold and 31.07g/t silver over 10.10 metres between 98.90-109.0m. Zinc values peaked between 102.6-103.2m at 9.25%, gold at 2.85g/t and silver at 211g/t.

**Ontario****Cameron Lake**

With \$24 million in past underground development, a 43-101-compliant gold resource, near-term production potential, a mill that could be moved on site quickly and a gold price that exceeded US\$1,000 per ounce earlier in 2008, Cameron Lake is one of Nuinsco's most undervalued assets. The Company completed an updated resource estimate of the gold mineralization of this deposit which resulted in a 29% increase in measured and indicated ounces and a 72% increase in inferred ounces over the previous resource estimate. The formation of Victory Nickel in 2007 was the first step in Nuinsco's strategy to unlock the value of its assets through the creation of pure-play companies, and the Company's goal is to advance this strategy with the creation of a pure-play gold company in 2008.

**Strategic investments****Campbell**

Campbell's strategy is to optimize operations at its Copper Rand Mill to increase throughput and lower unit costs. With three mines now in production, Copper Rand, Corner Bay and the Merrill Island open pit, and feeding ore to the Copper Rand Mill, Campbell continues to make progress with this strategy. Campbell began shipping ore from Nuinsco's 50%-owned Corner Bay Mine in the first quarter of 2008. In February, Campbell announced that development had opened up two new sources of ore that is considerably higher in grade than the historical average mined at Copper Rand, and in the second quarter they announced the expansion of a mineralized zone that runs parallel to the main ore body.

**Victory Nickel**

With over 660 million pounds of in-situ nickel in measured and indicated resources at three projects, plus an additional 530 million pounds of in-situ nickel in inferred resources, Victory Nickel has one of Canada's largest undeveloped sulphide nickel inventories. With near-term production potential at all three projects, the Company is well-positioned to benefit from the worldwide shortage of sulphide nickel assets.

Victory Nickel's near-term project-related objectives include:

- Completing all permitting required at Lac Rocher.
- Completing the Minago frac sand feasibility study.
- Completing the Minago definitive feasibility study.
- Placing orders for long lead time items at Minago.
- Completing metallurgical testing on mineralization at the Mel Deposit.
- Completing the Preliminary Economic Assessment of the Mel Deposit.

**Gold Hawk**

On July 17, 2008, the Company announced it had purchased 29,920,000 shares, representing an approximate 13% interest, through a private placement, in Gold Hawk for approximately \$1.8 million. This acquisition offers our shareholders tremendous upside, despite the challenges presently being addressed at the Coricancha mine in Peru. The Company is confident in Gold Hawk's plans for the mine and in management's ability to carry them out in concert with the Peruvian authorities.

**RESULTS OF OPERATIONS*****Three months ended June 30, 2008, compared with the three months ended June 30, 2007***

In the three months ended June 30, 2008, the Company had a net loss of \$196,000, or \$0.00 per share, compared with a net loss of \$129,000 or \$0.00 per share, in the same period in 2007. Aggregate consulting fees earned from Campbell in the 2008 period totalled \$75,000, compared with \$177,000 in the 2007 period. The decrease in the consulting revenue in the current three-month period reflects the fact that, effective January 1, 2008, the monthly consulting fee no longer includes 200,000 Campbell shares as the maximum of 4,000,000 such shares to be received under the terms of the Management Consulting Agreement was reached in 2007. Interest income in the current 2008 period totalled \$144,000, compared with \$158,000 in the same period in 2007, reflecting lower levels of cash invested in interest-bearing investments in the current period, compared with the corresponding period in 2007. Other income of \$300,000 in 2008 arises from the sale of a royalty interest in the previously-owned Bucko property in the period.

The higher level of general and administrative expenses in the current period compared with the 2007 comparative period, stems from the inclusion of severance expense of \$120,000 payable to the former President. Furthermore, expenses in the second quarter of 2007 were reduced by a cost recovery from Victory Nickel of \$247,000 pursuant to the management agreement between the companies. Such cost recoveries amounted to \$128,000 in the three months ended June 30, 2008. The amount recovered from Victory Nickel was reduced in the current period compared with the same period in the prior year as a consequence of the transfer of certain employees to Victory Nickel effective January 1, 2008 and as a result of the 2007 Victory Nickel related activities described below. Stock option expense increased to \$37,000 from \$12,000 in the 2007 three-month period as a result of new grants of options to employees.

Recoveries from exploration and development projects in the current period of 2008 result from the net proceeds on sale of the core shack at Rainy River of \$198,000, which had previously been written off, offset by writedowns in the period of \$42,000. The higher write-down of exploration and development projects in the current period compared with \$10,000 in 2007 continues to reflect additional costs incurred to investigate potential new projects, primarily in Turkey. The share of losses of equity-accounted investees totalled \$537,000 in the current period, versus \$100,000 in the 2007 period. The current period amount includes two equity-accounted investees, Victory Nickel and Campbell. The Company's share of these losses was \$113,000 and \$424,000, respectively. Furthermore, the Company recorded a dilution gain of \$255,000 related to its proportionate share of Campbell's flow-through share transactions (2007 - \$nil). In the 2007 period, the loss related solely to Victory Nickel. Victory Nickel's second quarter loss in 2008 was higher than its loss in the prior 2007 three-month period as the overheads charged to Victory Nickel in the 2007 comparative three-month period were higher than the current period. Costs charged to Victory Nickel pursuant to the management agreement are activity-related. In 2007, a significant amount of senior management time was spent on Victory Nickel's attempts to consummate a significant acquisition.

The other comprehensive loss in the second quarter of 2008 of \$216,000 relates to the Company's proportionate share of its equity-accounted investee Victory Nickel's other comprehensive loss of \$993,000 in the period. Victory Nickel's comprehensive loss amount relates to the after-tax reduction in the estimated fair value of its marketable securities classified as financial assets available for sale.

The other comprehensive income in the second quarter of 2007 of \$120,000 resulted from an increase in the estimated fair value of Campbell common shares owned by the Company during the period. The Company commenced equity accounting for Campbell effective December 1, 2007. Prior to that date it was classified as a financial asset available for sale with changes in fair value included in other comprehensive income/(loss).

***Six months ended June 30, 2008, compared with the six months ended June 30, 2007***

In the six months ended June 30, 2008, the Company had net income of \$311,000, or \$0.00 per share, compared with net income of \$1,821,000, or \$0.01 per share in the six months ended June 30, 2007.

Consulting fees from Campbell in 2007 included a share component of 200,000 shares per month which was fulfilled in 2007 as well as a monthly fee of \$25,000. Comparable fees in 2008 comprise only the cash component of \$25,000 per month. As described above, other income of \$318,000 in the six months ended June 30, 2008 includes \$300,000 from the sale of the Bucko royalty interest. There was no other income in the same period of 2007.

General and administrative expenses in the six-month period for 2008 of \$915,000 increased by \$89,000 over the same period of 2007 due to the severance costs of \$120,000 payable to the former President. Stock option compensation increased marginally over 2007 due primarily to awards for new employees in the second quarter of 2008. The increase in net recoveries from exploration and development properties in the six months ended June 30, 2008 relates to proceeds on the sale of the core shack at Rainy River which had previously been written off. Writedowns of exploration costs have increased to \$91,000 over \$19,000 in the comparative period as a result of increased new project investigation activity primarily in Turkey.



Share of losses from equity-accounted investees in the six months ended June 30, 2008 are higher than the comparative period in 2007 primarily because the comparative period only included Victory Nickel. Dilution gains or losses from equity-accounted investees arise from changes in the capital structures of the investees and are primarily related to flow-through share financings and the subsequent tax effects of associated renunciation of expenditures. The dilution loss of \$470,000 includes a \$725,000 loss from the Company's proportionate share of the tax effect of flow-through share renunciation from Victory Nickel, offset by a dilution gain from the Company's proportionate share of flow-through share issuances at Campbell of \$255,000.

Other comprehensive income in the 2007 comparative period of \$927,000 related to the Company's shares in Campbell which were formerly held as a financial asset available for sale. In 2008, the other comprehensive income relates to the Company's proportionate share of Victory Nickel's other comprehensive income as explained above.

## SUMMARY OF QUARTERLY RESULTS

Selected financial information for the first two quarters of 2008 and each of the quarters in 2007 and 2006 is as follows:

<u>Fiscal year 2008</u>			<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
				<i>(Restated)</i>
Revenue and other income			\$ 519,000	\$ 253,000
(Loss) net income			\$ (196,000)	\$ 507,000 <sup>(1)</sup>
(Loss) income per share - basic and diluted			\$ 0.00	\$ 0.00
<u>Fiscal year 2007</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>
	<i>(Restated)</i>			<i>(Restated)</i>
Revenue and other income	\$ 361,000	\$ 335,000	\$ 335,000	\$ 357,000
(Loss) net income	\$ (667,000) <sup>(2)</sup>	\$ (96,000)	\$ (129,000)	\$ 1,950,000 <sup>(3)</sup>
(Loss) income per share - basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ 0.02
<u>Fiscal year 2006</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>
Revenue and other income	\$ 755,000	\$ 873,000	\$ 895,000	\$ 1,070,000
(Loss) net income	\$ (493,000)	\$ 34,000	\$ 928,000	\$ 1,744,000
(Loss) income per share - basic and diluted	\$ (0.01)	\$ 0.00	\$ 0.01	\$ 0.02

<sup>(1)</sup> Restated to include a dilution loss with respect to the Company's equity-accounted investment in Victory Nickel of \$725,000 as a result of flow-through share renunciations made by Victory Nickel.

<sup>(2)</sup> Restated to include a dilution gain with respect to the Company's equity-accounted investment in Victory Nickel of \$27,000.

<sup>(3)</sup> Restated to include a dilution gain with respect to the Company's equity-accounted investment in Victory Nickel of \$2,044,000.

Variations in the quarterly results of operations are largely a function of the timing and amount of any property writedowns or recoveries, tax recoveries, gains on the sale of marketable securities, the recording of losses of equity-accounted investees and dilution gains or losses.

## EXPLORATION AND DEVELOPMENT ACTIVITIES

In the six months ended June 30, 2008, the Company incurred exploration and development costs of \$2,538,000 on its mineral interests, compared with \$1,786,000 in the 2007 period, excluding the nickel projects transferred to Victory Nickel. Significant expenditures of \$1,889,000 were made on the Diabase Peninsula uranium property as well as \$330,000 on the Berta and Elmalaan properties in Turkey and \$184,000 on the Cameron Lake property. Complete details of the mineral properties are included in the 2007 Annual Report and on the Company's website at [www.nuinsco.ca](http://www.nuinsco.ca).

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

## **Uranium**

### **Diabase Peninsula Property, Saskatchewan**

Nuinsco’s Diabase Peninsula uranium project is located 150 kilometres northwest of La Ronge, Saskatchewan on the Athabasca Basin, the region that hosts the world’s richest uranium mines. The 21,900-hectare property is a joint venture with Trend Mining Company of Denver whose interest currently approximates 18%. Nuinsco has completed two drill programs that returned uranium values as well as key indicator minerals associated with uranium deposits in the Basin which, combined with past drilling and other studies, points toward the local presence of unconformity style mineralization. The 2007 program was delayed for several months as the drilling contractor was unable to provide the required drill crew, but began in October, 2007. As described in the Outlook section above, in the current six-month period, the Company completed its \$2.5 million, 6,000 metre drill program that began late in 2007. Assays released to date from the 2007-2008 drill program revealed anomalous uranium levels that are typical of values at the margins of economic uranium deposits in Saskatchewan’s Athabasca Basin.

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

Prairie Lake, located near Marathon, Ontario, hosts a near-surface historic (non-National Instrument-43-101-compliant) uranium resource of over 180,000 tonnes grading 0.09% U<sub>3</sub>O<sub>8</sub> (and 0.25% niobium) identified in exploration dating from the mid-1960s. This resource has significant value at current uranium prices and an initial 1,500 metres of drilling was undertaken in the second quarter of 2007 on this large carbonatite intrusion to follow up on values from recent surface sampling of up to 0.08% U<sub>3</sub>O<sub>8</sub> (1.656 lb/tonne).

Assays clearly demonstrate the presence of strong uranium mineralization at Prairie Lake in conjunction with a suite of other minerals of economic interest. Results from hole DDH NP-07-01, collared at the centre of the complex, returned 0.125% U<sub>3</sub>O<sub>8</sub> over 13.5m (11.49m true width), as well as 9.03% phosphorous, 1,744 ppm niobium, 89 ppm tantalum and elevated rare earth element values averaging a combined 3,103 ppm for lanthanum, cerium, neodymium, samarium as well as yttrium (1 ppm = 1 g/t) over the same interval.

During the quarter, the Company has commenced a 2,500 metre diamond drilling program to follow up on the positive results described above. Results of this program are pending.

## ***COPPER, GOLD, ZINC***

### ***Corner Bay***

The Corner Bay Mine is located about 45 kilometres from Campbell’s Copper Rand mine and milling complex in Chibougamau, Quebec. In the first quarter of 2008, Campbell announced that it had successfully mitigated groundwater inflow at Corner Bay, and that development in ore had begun at both the 55 metre and 75 metre levels. Underground services had also been completed, including the escapeway and vent raise, and development to the 100/105 metre level was progressing. At the same time, Campbell also began the shipment of ore to the Copper Rand Mill, making Corner Bay Nuinsco’s first operating asset.

In the second quarter of 2008, Campbell had commenced development in ore on the 105 metre level and was continuing its shipments to the Copper Rand Mill.

At a 3% Cu cut-off, Corner Bay has measured and indicated resources of 446,000 tonnes averaging 5.58% Cu (181,000 tonnes at 5.07% Cu measured and 265,000 tonnes at 5.93% Cu indicated); inferred resources total 1,441,000 tonnes averaging 6.76% Cu (Ref.: GEOSTAT Technical Report, July 2006, available on SEDAR at [www.sedar.com](http://www.sedar.com)).

Following the Phase I extraction of a 42,000 tonne bulk sample, Phase II anticipates mining an additional 500,000 tonnes of ore grading 4.5% copper over three years. Corner Bay remains open at depth, and drilling has returned intercepts grading up to 9.27% copper over 6.7 metres at 1,200 vertical metres.



### **Turkey**

Nuinsco has two properties in northeastern Turkey: the Berta copper project, until recently, a 50:50 joint venture with Xstrata on which exploration began in 2004, and the Elmalaan copper-zinc property, in which the Company completed its 100% earn-in in 2007 subject to Xstrata's back-in right to reacquire a 50% interest. Xstrata's Elmalaan back-in right is exercisable upon, among other things, incurring expenditures equal to 200% of the aggregate expenditures incurred by the Company. In addition, Xstrata Copper is entitled to acquire a further 20% interest in the property by incurring an additional US\$20 million in expenditures. In the event that Xstrata elects not to exercise its back-in right, it will be entitled to a 2% NSR which can be reduced to 1% on payment by the Company of US\$1 million.

During the second quarter of 2008, the Company announced an agreement to acquire 100% of the ownership of Berta on the basis of spending \$2 million in exploration expenditures and completing an independent scoping study within four years. This will enable the Company to accelerate its exploration program. At Berta during 2007, the Company intersected a significant, continuous domain of strong sulphide mineralization, highlighting the potential of the essentially unexplored Berta property.

Elmalaan, covering 947 square hectares, is located 6 kilometres south of the Black Sea coast and is easily accessible year round. Previous work identified massive sulphide in outcrop and locally-derived boulders that graded up to 3.38% copper and 6.30% zinc. Drilling in 2007 returned high-grade polymetallic mineralization over significant widths, as noted under Outlook above.

### **Cameron Lake Project, Ontario**

The Company has completed an updated resource estimate of the gold mineralization of the Cameron Lake deposit. This resulted in a 29% increase in measured and indicated ounces as well as a 72% increase in inferred resources over the previous resource estimate.

The revised underground gold resource estimate is as follows:

Category	Tonnes	Au (g/t)	Au (oz)	Change versus 2004 Resource Estimate
<b>Measured</b>	100,000	6.17	19,800	(51.5%)
<b>Indicated</b>	648,000	6.51	135,700	70.5%
<b>Measured and Indicated</b>	748,000	6.47	155,500	29.2%
<b>Inferred</b>	1,819,000	4.99	292,000	72.1%

Cameron Lake is located near Kenora in northwestern Ontario. Approximately \$24,000,000 was spent in the 1980s by a former partner of Nuinsco to develop the mine to the 865 foot level, and drilling has demonstrated that gold mineralization extends to greater than 700 metres. In 2006, the Company engaged Wardrop Engineering Inc. ("Wardrop") to obtain the permits required for the dewatering of the underground workings at Cameron Lake. The process to obtain the required permits was placed on hold pending clarification of the procedures to satisfy both the provincial government and the First Nations. The Company has restarted the process of securing the required permits.

## **STRATEGIC INVESTMENTS**

### **Campbell**

In early 2006, Nuinsco made a significant step toward having its first cash flowing project through an agreement with Campbell. Under the agreement, Nuinsco acquired a significant equity interest in Campbell and is providing consulting services for the operation of Campbell's copper and gold mines in the Chibougamau mining camp. The Company has also acquired a 50% carried interest in the high-grade Corner Bay copper deposit, as discussed above.

Campbell's strategy is to capitalize on available mill capacity to lower unit costs by increasing throughput at the Copper Rand Mill as a consequence of increasing production at its Copper Rand mine as well as milling ore from other regional deposits. This strategy has progressed well, and Campbell currently has three mines in production: Copper Rand, Corner Bay and the Merrill Island pit.

In addition, Campbell and Nuinsco are evaluating other satellite deposits in the Chibougamau camp (in which Nuinsco would participate as a 50% partner) that would allow a further increase in throughput to improve Campbell's operating results in 2008 and beyond.

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

As described above, in early 2007 Nuinsco spun off its Minago, Mel and Lac Rocher sulphide nickel projects along with approximately \$12,665,000 in cash to create Victory Nickel. Nuinsco retained an initial 25% equity interest in Victory Nickel (subsequently reduced to approximately 22%), which has over 660 million pounds of in-situ nickel in National Instrument-43-101-compliant resources at its three Canadian projects:

##### ***Minago Project***

Victory Nickel's 100%-owned Minago project is located on the Thompson Nickel Belt in Manitoba, and is one of Canada's largest undeveloped nickel deposits with measured and indicated resource of 49 million tonnes grading 0.516% nickel (measured: 10.3 million tonnes grading 0.593% Ni; indicated: 38.8 million tonnes grading 0.496% Ni) (see news release dated November 20, 2006). Following the completion of a scoping study in the fall of 2006, Wardrop was engaged to conduct a definitive feasibility study. The definitive feasibility study is ongoing, and is expected to be completed in November of 2008.

##### ***Mel Project***

The Mel project is located on the Thompson Nickel Belt, just north of Thompson, Manitoba. It is a large property, approximately 25 kilometres east-west by about 6 kilometres north-south.

Victory Nickel has fully funded sufficient expenditures to earn a 100% ownership interest in this project subject to a Vale Inco Limited ("Vale Inco") back-in. Mel has 4,300,000 tonnes of indicated resources grading 0.875% nickel (see Victory Nickel news release dated February 26, 2007), and offers significant exploration upside as well as near-term production potential. Victory Nickel continues its discussions regarding Vale Inco's intentions with respect to its 51% back-in right. A Vale Inco decision is expected in the third quarter of 2008, and at that point Victory Nickel will determine the appropriate next steps in its development strategy.

##### ***Lac Rocher***

Located 140 kilometres northeast of Matagami in northwestern Quebec, the Lac Rocher project has measured and indicated resources of 1,190,288 tonnes grading 0.91% nickel (measured: 849,249 tonnes grading 1.05% Ni, indicated: 341,039 tonnes grading 0.64% Ni), at a 0.5% nickel cutoff, for approximately 25,000,000 pounds of in-situ nickel located between surface and 125 vertical metres (see news release dated December 27, 2006). Mineralization is open to the southwest, and Victory Nickel is currently evaluating near-term production potential from the property.

During 2007 and the first quarter of 2008, Victory Nickel was very active with respect to advancing Lac Rocher. Victory Nickel engaged Roche Engineering to complete a Preliminary Economic Evaluation (PEA) of the near-term production and cash generation potential of the project. Victory Nickel is currently completing all permitting and access road improvements required to commence production.

In addition, Victory Nickel entered into a Memorandum of Understanding with the Waswanipi Cree First Nation ("WCFN") whereby the parties have agreed to work together to support development of the Lac Rocher deposit in a way that respects the collective interests of Victory Nickel, the WCFN and other stakeholders.

## **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2008, the Company had working capital of \$5,145,000, compared with \$8,165,000 at December 31, 2007.

In the current six-month period, the Company used cash of \$1,409,000 in operating activities, compared with the use of cash totalling \$662,000 in the 2007 period. This change is primarily a result of cash used in 2008 from changes in non-cash working capital of \$1,301,000, including amounts due from Victory Nickel of \$775,000 as well as amounts to Campbell of \$431,000. The amount outstanding from Victory Nickel was repaid subsequent to the end of the quarter.

Cash from financing activities in the six months ended June 30, 2007 was \$6,441,000, representing the proceeds received on the issuance of common shares. There were no financing activities in the current period.

Investing activities in the six months ended June 30, 2008 included the subscription for 6 million additional shares in Campbell at a cost of \$600,000, cash advances to Campbell of \$1,065,000 and additions to exploration and development projects of \$3,011,000. In the six months ended June 30, 2007, advances to Campbell amounted to \$2,000,000 less reimbursement by Victory Nickel of Plan of Arrangement costs of \$377,000. Expenditures on exploration and development projects totalled \$2,037,000. Subsequent to June 30, 2008, additional advances were made to Campbell approximating \$1.6 million effectively fulfilling the Company's commitment to Campbell under the facility.

Cash used in the current 2008 period totalled \$5,887,000, versus total cash used in the comparable period in 2007 of \$10,630,000. The 2007 cash utilization included \$12,668,000 distributed on the formation of Victory Nickel.

Given its current cash position, the Company is exploring ways to ensure it continues to be sufficiently financed to fund its anticipated future administration and exploration costs and to ensure its ability to capitalize on available strategic investments. Subsequent to the end of the 2008 second quarter, Nuinsco has entered into a loan with Auramet Trading LLC, secured by its shares of Victory Nickel, for US\$3.5 million at a rate of 12.5% and a fee of US\$140,000 plus 233,000 warrants to buy common shares of the Company at \$0.22 per share for a term of two years. The loan is due on or before December 15, 2008. In addition, the Company has closed a flow-through offering by way of private placement for 3,633,333 shares at a price of \$0.30 per share aggregating gross proceeds of approximately \$1.1 million.

## **OUTSTANDING SHARE DATA**

At June 30, 2008, the Company had 172,432,046 common shares outstanding. At August 1, 2008, the Company had 176,265,379 common shares issued and outstanding, including the flow-through offering. In addition, there were 13,835,000 stock options and entitlements to 55,845 common shares under the Share Bonus Plan outstanding at June 30, 2008, which if exercised and issued, combined with the 233,000 warrants issued in July, would bring the fully diluted issued common shares to a total of 190,389,224 and would generate cash of approximately \$2.8 million.

## **CRITICAL ACCOUNTING ESTIMATES**

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of the recoverable value of its exploration and development projects and the fair value estimates for stock options and warrants. These estimates involve considerable judgment 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, reference should be made to Note 3 of the Company's 2007 Audited Consolidated Financial Statements.

The Company's recorded value of its exploration and development projects is based on historical costs that are expected to be recovered in the underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is exposed to a number of risks and uncertainties. Accordingly, there is always the potential for a material adjustment to the value assigned to these assets.

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

### **NEW ACCOUNTING POLICIES**

The Canadian Institute of Chartered Accountants (“CICA”) has issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863).

Handbook Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 5 to its unaudited interim financial statements.

Handbook Sections 3862 and 3863 replace handbook Section 3861, Financial Instruments – Disclosure and Presentation revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 6 to its unaudited interim financial statements.

### **Inventories**

Effective January 1, 2008, the CICA has issued accounting standard Section 3031 Inventories. Section 3031 Inventories provides guidance on the method of determining the cost of the Company’s materials and supplies. The new accounting standard specifies that inventories are to be valued at the lower of cost and net realizable value. The standard required the reversal of previously recorded write downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of Section 3031 Inventories did not impact the Company’s financial statements.

### **Future Accounting Changes**

In February 2008, the CICA issued accounting standard Section 3064 “Goodwill and Intangible Assets, replacing accounting standard 3062 Goodwill and Other Intangible Assets and accounting standard Section 3450 Research and Development Costs. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standard for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section.

The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards (“IFRS”). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company’s financial statements has not yet been determined.

### **DISCLOSURE CONTROLS**

The Company’s certifying officers have designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them with respect to financial and operational conditions. Such controls are facilitated by the small size of the Company’s senior management team and their access to material information. The certifying officers have evaluated the effectiveness of the disclosure controls and procedures as of June 30, 2008 and have concluded that these disclosure controls and procedures are effective at the reasonable assurance level.

The management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. There were no changes to the Company's internal control over financial reporting that occurred during the period ended June 30, 2008 that materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

#### **RELATED PARTY TRANSACTIONS**

Related party transactions in the six months ended June 30, 2008 and not otherwise disclosed elsewhere in this management's discussion and analysis include the following:

- a) The Company shares management, administrative assistance and facilities with Victory Nickel pursuant to a management agreement. The costs recovered from Victory Nickel are equal to the costs incurred by the Company of such services plus 10 per cent. The management agreement has an initial term of 24 months from February 1, 2007 and is terminable thereafter by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. Costs recovered from Victory Nickel in the current six-month period totalled \$251,106 and have been deducted from general and administrative expenses. Victory Nickel charged the Company \$23,250 in the six months ended June 30, 2008 for project-related costs; such costs have been included in exploration and development projects (\$nil in 2007). In addition, Nuinsco charged project-related costs to Victory Nickel of \$26,667 in the six-month period ended June 30, 2008.
- b) The Company commenced equity accounting for its investment in Campbell effective December 1, 2007. During 2006, 2007 and the first six months of 2008, the Company made various loans to and investments in Campbell, and earned interest, consulting fees and loan set-up fees from Campbell. These transactions are described in Note 5 to the Company's 2007 Audited Consolidated Financial Statements and in Note 8 to the Company's June 30, 2008 unaudited interim consolidated financial statements.

#### **RISKS AND UNCERTAINTIES**

The Company is always at risk of losing its experienced mineral industry management, Directors and consultants as it is very reliant on key personnel. However, the long history of the Company indicates that to date, it has been able to survive the many risk factors inherent in the industry.

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

The Company experiences the normal safety risks associated with exploration fieldwork, and diamond drilling. The Company carries insurance for such risk but is protected primarily by the insurance carried by the contractors who carry out such work. Safe practices are mandated by the Company for all its work.

Until 2004, the Company worked only in Canada where economic and political conditions have been reasonably predictable. In 2004, the Company initiated exploration work in Turkey. While the Company believes that the country risk factors of working in Turkey are very acceptable, most investors would attribute a higher risk factor to work in Turkey versus work in Canada.

The cyclical nature of metal markets creates large variation in the Company's ability to raise the capital required for its exploration initiatives. This risk is managed by designing the Company's exploration commitments and progress to its financial capability.

Certain Directors of the Company also serve on the Board of Directors of other natural resource exploration and development companies, thereby providing the possibility that a conflict of interest may arise. Any corporate decisions made by such Directors are made in accordance with their duty and obligation to deal fairly and in good faith with the Company and such other companies. Directors are required to declare and refrain from voting on matters on which they have a conflict of interest.

**FORWARD LOOKING STATEMENTS**

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

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

August 1, 2008