



## **NUINSCO RESOURCES LIMITED**

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

**THREE AND SIX MONTHS ENDED JUNE 30, 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, 2007 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

## NUINSCO RESOURCES LIMITED

### MANAGEMENT'S DISCUSSION AND ANALYSIS Three and Six Months Ended June 30, 2007

*This Management's Discussion and Analysis is dated August 9, 2007, reflects the three and six-month periods ended June 30, 2007 and should be read in conjunction with the interim consolidated financial statements for such periods and the audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2006. These documents, along with an Annual Information Form and other documents published by Nuinsco Resources Limited ("Nuinsco" or the "Company"), are available on SEDAR at [www.sedar.com](http://www.sedar.com) or from the office of the Company.*

#### COMPANY OVERVIEW

Nuinsco is a Canadian exploration and development-stage mineral resource company engaged in the acquisition, exploration and development of precious and base metal properties. Property interests are located in northwestern Ontario, northern Quebec, and in Saskatchewan's Athabasca Basin and in northeastern Turkey.

During the second quarter of 2006, Nuinsco entered into a transaction to provide operating consulting services to gold and copper producer Campbell Resources Inc. ("Campbell"). This transaction was a significant step toward Nuinsco's goal of making the transition to mine development and commercial production in that it offers the potential for Nuinsco to become a producer in the second quarter of 2008 as a 50% partner with Campbell in the high-grade Corner Bay copper deposit in Quebec's Chibougamau mining camp.

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

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

- a) The Company's interest in three mineral resource projects, namely the Minago and Mel sulphide nickel projects on the Thompson Nickel Belt in Manitoba and the Lac Rocher sulphide nickel project in Quebec (collectively the "Nickel Properties"); and,
- b) Unexpended cash of \$12,667,740 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 in the accounts of the Company and the cash transferred to it.

Under generally accepted accounting principles, 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 3 to the Company's June 30, 2007 unaudited interim consolidated financial statements.

#### RESULTS OF OPERATIONS

For the three months ended June 30, 2007, the Company had a net loss of \$129,000, or \$0.00 per share, compared with net income of \$928,000 or \$0.01 per share, in the same period of 2006. The net income in 2006 included a gain on the sale of marketable securities of \$694,000. No such gain was realized in the current period. Interest income increased from \$24,000 in the three months ended June 30, 2006 to \$158,000 in the current three-month period, reflecting the additional cash invested in interest-bearing short term deposits.

As explained in more detail below under Liquidity and Capital Resources, on May 1, 2006 the Company commenced providing operating consulting services to Campbell which resulted in consulting fees totaling \$177,000 being earned in the current quarter, compared with \$175,000 in the same period in 2006.

General and administrative expenses totaled \$338,000 in the three months ended June 30, 2007 compared with \$747,000 in the same 2006 period. The decrease in general and administrative expenses resulted primarily from a cost recovery of \$247,000 from Victory Nickel pursuant to a management agreement whereby the Company shares management, administrative assistance and facilities with Victory Nickel.

The current three-month period results also include the Company's share of Victory Nickel's loss for the three months ended June 30, 2007 in the amount of \$100,000. The Company acquired a 25% interest in Victory Nickel on February 1, 2007 pursuant to the Corporate Reorganization described above and is accounting for this investment on the equity basis. As a result of subsequent financings by Victory Nickel, this ownership interest has been reduced to approximately 22%. The quoted market value of the 38,500,786 Victory Nickel common shares held at June 30, 2007 was \$30,416,000.

The Company recognized income tax recoveries in the second quarters of 2007 and 2006 of \$nil and \$783,000, respectively. The \$783,000 in 2006 represents the net proceeds received as a result of transactions entered into which resulted in the realization of the benefits of previously unrecognized tax loss carry forwards.

The three-month period ended June 30, 2007 includes stock option compensation expense of \$12,000, representing an amount attributable to previously issued options which were vesting during the period. There was no stock option compensation in the corresponding period in 2006.

In the six months ended June 30, 2007, the Company had a net loss of \$223,000, or \$0.00 per share, compared with net income of \$2,672,000, or \$0.02 per share, in the same period in 2006. The net income in 2006 included aggregate gains on the sale of marketable securities of \$1,747,000. No such gains were realized in the current six-month period. Aggregate consulting fees earned from Campbell in the current six-month period totalled \$401,000, compared with \$175,000 in 2006 during which period no fees were earned prior to May 1, 2006. Interest income earned in the current six-month period totalled \$291,000 versus \$38,000 in the same period in 2006.

General and administrative expenses for the six months ended June 30, 2007 totalled \$826,000 versus \$1,147,000 in 2006. As explained above, the reduction in the current period, compared with the prior period reflects overhead recoveries from Victory Nickel that, in the current six-month period, aggregated \$349,000. Stock option compensation aggregated \$41,000 in the current six-month period, versus \$nil in 2006.

The Company's share of Victory Nickel's loss for the six-month period ended June 30, 2007 totalled \$358,000. Victory Nickel's loss in the first quarter included stock option compensation of \$863,000, compared with stock option compensation of \$147,000 in its second quarter.

The Company recognized income tax recoveries in the six months ended June 30, 2007 of \$337,000, compared with income tax recoveries of \$1,859,000 in the same period in 2006. Income tax recoveries of \$337,000 in 2007 and \$1,076,000 in 2006, respectively, represent the tax benefits realized from the renunciation of Canadian exploration expenses to investors in flow-through financing as explained in Note 7(f) of the Company's June 30, 2007 interim consolidated financial statements. The balance of recoveries in 2006 totalling \$783,000 is described above.

## SUMMARY OF QUARTERLY RESULTS

Selected financial information for the first two quarters of fiscal 2007 and each of the quarters of fiscal 2006 and 2005.

<u>Fiscal year 2007</u>			<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
Revenue and other income			\$ 335,000	\$ 357,000
Loss			\$ (129,000)	\$ (94,000)
Loss per share – basic and diluted			\$ 0.00	\$ 0.00

  

<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

  

<u>Fiscal year 2005</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	\$ 404,000	\$ 2,000	\$ 2,000	\$ -
(Loss) Net income	\$ (3,798,000)	\$ (1,064,000)	\$ 247,000	\$ (395,000)
(Loss) income per share – basic and diluted	\$ (0.04)	\$ (0.01)	\$ 0.00	\$ 0.00

## **EXPLORATION AND DEVELOPMENT ACTIVITIES**

For the six months ended June 30, 2007, the Company incurred exploration expenditures of \$1,786,000 on mineral interests excluding the nickel projects transferred to Victory Nickel, compared with \$1,463,000 in the same period of 2006. Significant expenditures of \$1,148,000 were made on its Berta and Elmalaan properties in Turkey. Complete details of the mineral properties are included in the 2006 Annual Report and on the Company's website at [www.nuinsco.ca](http://www.nuinsco.ca).

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

#### **Turkish Properties**

Nuinsco has two properties in northeastern Turkey: the Berta copper project, a 50:50 joint venture with Xstrata Copper, on which exploration began in 2004; and the Elmalaan copper-zinc property in which the Company recently completed its 100% earn-in subject to back-in rights held by Xstrata Copper exercisable under certain conditions.

At Berta, the Company intersected a significant, continuous domain of strong sulphide mineralization grading up to 30.0% copper and 7.19% zinc. Copper, gold, silver and zinc values occur over the entire 771.5 metre length of hole SD-07-08 which ended in mineralization. The results in this highly mineralized hole highlight the potential of the essentially unexplored Berta property, and further drilling is planned for 2007.

During the current quarter, the Company announced that it had completed its earn-in, from Xstrata Copper, of its 100% interest in the Elmalaan 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 during the current quarter continued to return high-grade polymetallic mineralization over significant widths. For example, drill hole EKD-07-06 intersected 2.43% zinc, 0.50g/t gold and 31.07g/t silver over 10.10 metres between 98.90-109.0 metres; between 102.6-103.2 metres zinc values peaked at 9.25%, gold at 2.85g/t and silver at 211g/t. The Company anticipates further drilling in the near term to follow up on these positive results.

### ***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 largest and richest uranium mines. The 21,900-hectare property is a joint venture with Trend Mining Company of Denver whose interest currently approximates 30%. 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 Company has scheduled a 5,000 metre drill program to begin in September 2007. This program was delayed from June to September as the drilling contractor was unable to provide the required drill crew.

#### **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 a significant value at current uranium prices and an initial 2,000 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). Assay results are pending and should be available in the third quarter.

### ***GOLD***

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

Located near Kenora in northwestern Ontario, Cameron Lake hosts a NI 43-101-compliant measured and indicated gold resource of 572,000 tonnes grading 6.51 g/t and an inferred resource of 1,012,000 tonnes grading 5.22 g/t. Approximately \$24 million 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 is on hold pending clarification of the procedures to satisfy both the provincial government and the First Nations. The Company intends to proceed with securing the permits as it is able, and continues to evaluate other options to further the exploration of the Cameron Lake deposit at depth in the absence of dewatering permits.

## STRATEGIC INVESTMENTS

### **Campbell Resources Inc.**

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 which is currently in development.

The milling of ore from Corner Bay is expected to begin in October of this year. Corner Bay is an important part of Campbell's strategy to increase throughput and revenue and decrease unit costs at its Copper Rand mill which is located about 45 kilometres from Corner Bay. In addition, Campbell and Nuinsco are evaluating other satellite deposits in the Chibougamau camp (in which Nuinsco would participate as a 50% partner) that will allow a further increase in throughput to improve Campbell's operating results in 2007 and beyond.

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, expected to be complete before the end of 2007, Phase II anticipates mining an additional 500,000 tonnes of ore grading 4.5% copper over the following 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.

Based on internal economic studies done by Campbell and Nuinsco using an average forward copper price over the next 27 months of \$3.27 per pound and a US/CDN. dollar exchange rate of \$0.95, Phases I and II are expected to generate \$58 million net of milling charges payable to Campbell and after recovery of all development capital. An average mining rate of 450 tonnes per day is expected to produce 14,000,000 pounds of copper annually. Production costs are expected to be \$1.09 per pound (\$1.75 per pound including development capital), generating cash flow to Nuinsco's account of \$29 million. Campbell is responsible for development capital, which is expected to total \$14 million before pre-production revenue credits. It should be noted that all financial and production data are internally derived estimates which are not based on either a National Instrument 43-101-compliant reserve estimate or an independent feasibility study, and therefore should not be relied upon.

### **Victory Nickel Inc.**

As described above, in early 2007, Nuinsco spun off its Minago, Mel and Lac Rocher sulphide nickel projects along with approximately \$12,000,000 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. Following the completion of a scoping study in the fall of 2006, Wardrop was engaged to conduct a bankable feasibility study. The bankable feasibility study is ongoing, and is expected to be completed in the second quarter of 2008. A 13,000 metre, 44-hole winter drilling program was completed to provide data for inclusion in the bankable feasibility study. During the current quarter, Victory Nickel announced drill results, including intercepts grading up to 1.4% nickel over 36.0 metres. Drill results released during the quarter were positive and continued to support past work. In addition, hole N0719, a geotechnical hole which did not target mineralization, intersected 6.1 metres grading 1.03% nickel demonstrating the widespread nature of nickel mineralization at Minago.

#### Mel Project

The Mel project is also 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 an Inco CVRD back-in. This project has 4.3 million tonnes of measured and indicated resources and offers significant exploration up-side as well as near-term production potential. The winter drill program comprised 30 drill holes encompassing 5,733 metres of drilling to better define and add to the existing resource. This program intersected significant grades over mineable widths, including 1.11% nickel over 13.67 metres. These results are expected to have a positive impact on the overall resource, which currently has an average grade of 0.88% nickel. An updated resource model will form part of a comprehensive assessment of the economics of the Mel deposit to evaluate the potential for near-term nickel production.

#### Lac Rocher Project

Located in northwestern Quebec, 140 kilometres northeast of Matagami, the high-grade Lac Rocher project has measured and indicated resources of 1,190,288 tonnes grading 0.91% nickel, at a 0.5% nickel cutoff, for approximately 25,000,000 pounds of in-situ nickel located between surface and 125 vertical metres. Mineralization is open to the southwest, and Victory Nickel is currently evaluating near-term production potential from the property.

A baseline study has commenced and meetings with First Nations have been held with a view to moving this project forward. Roche Engineering have been retained to obtain the required permits and also to complete a preliminary economic assessment.

#### **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2007, the Company had working capital of \$14,317,000, compared with \$21,694,000 at December 31, 2006.

In the six months ended June 30, 2007, the Company used cash of \$662,000 in operating activities, compared with the generation of cash totaling \$4,000 in the same period in 2006. The increase in the cash used in operations is primarily a result of cash used due to increases in non-cash working capital items including amounts due from Victory Nickel. In addition, the impact of lower general and administrative expenses in 2007 was offset by the absence of cash tax recoveries in the current period, versus \$783,000 in cash tax recoveries in 2006.

Cash from financing activities in the current six-month period was \$6,441,000 being the proceeds received on the issuance of common shares. In April 2007, the Company completed an issuance of 10,344,828 flow-through common shares at \$0.58 per share for proceeds before costs of issue of \$6,000,000 and received proceeds of \$730,308 upon the issuance of 3,661,217 common shares on the exercise of warrants and \$235,000 on the exercise of options. Proceeds from the issuance of common shares amounted to \$1,395,000 in the same six-month period in 2006.

Investing activities in the current six-month period of \$3,741,000 were primarily related to additions to exploration and development projects of \$2,037,000 less reimbursements of Plan of Arrangement costs of \$377,000 incurred on behalf of Victory Nickel in 2006, as well as advances to Campbell of \$2,000,000 to finance the development of the Corner Bay project.

Total cash used in the current six-month period amounted to \$10,630,000 including \$12,668,000 distributed on the formation of Victory Nickel, versus an increase in cash of \$1,924,000 in the comparable period in 2006.

Given its current cash position, the Company is sufficiently financed to fund its anticipated future administration and exploration costs unless a decision is made to advance one or more of its projects to production.

#### **OUTSTANDING SHARE DATA**

At August 9, 2007, the Company had 167,781,865 common shares issued and outstanding. In addition, there were 12,425,000 stock options outstanding, and 4,222,978 warrants and underlying warrants issued and outstanding which if exercised would bring the fully diluted issued common shares to a total of 184,429,843 and would generate approximately \$3,100,000 of cash.

#### **CHANGES IN ACCOUNTING POLICIES**

On January 1, 2007, the Company adopted new accounting standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1530 - Comprehensive Income, Section 3855 - Financial Instruments - Recognition and Measurement, and Section 3865 - Hedges. The Company adopted these standards prospectively; accordingly, comparative amounts for prior periods have not been restated.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be represented. This section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and,
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self sustaining foreign operations; unrealized gains or losses on available for sale investments; and the effective portion of gains and losses on derivatives designated as cash flow hedges or hedges on the net investment in self sustaining foreign operations.

Section 3865 provides alternative treatments to section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships," and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

The effects of adopting these new accounting standards are set out in Note 4 to the Company's June 30, 2007 interim unaudited financial statements.

### **CRITICAL ACCOUNTING ESTIMATES**

Critical accounting estimates used in the preparation of the 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 2 of the Company's 2006 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.

### **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, 2007 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 three months ended June 30, 2007 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, 2007 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 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 total \$349,077 (three months ended June 30, 2007 - \$247,462) and have been deducted from general and administrative expenses.
- b) 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 conversion of \$200,000 of outstanding convertible debentures. In addition, during the current six-month period, the two directors were repaid accrued interest owing to them (including interest applicable to the current period of \$4,531), aggregating \$136,753.

## **OUTLOOK**

The Company is pleased with the progress it is making in advancing its projects in Canada and Turkey as well as with its strategy to accumulate interests in liquid assets and cash generating assets to finance exploration activity while minimizing dilution to shareholders. Programs planned and ongoing in the third quarter are as follows:

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

**Elmalaan:** With the completion of its 100% earn-in at Elmalaan, the Company is in the process of establishing a Turkish subsidiary to hold and operate the project going forward. Upon establishment of this company and the transfer of ownership from Xstrata Copper, Nuinsco will proceed with a drill program to follow up on the positive results from drilling to date.

**Berta:** At Berta, the Company is in discussions with joint venture partner Xstrata Copper concerning the drill program to follow up on the spectacularly mineralized hole SD-07-08 that intersected 710.9 metres grading 0.28% copper and 0.07 g/t gold between 3.80 metres and 714.7 metres. The intercept included: 6.85 metres grading 3.79% copper, 0.22 g/t gold, 11.6 g/t silver and 1.05% zinc; 5.90 metres grading 2.60% copper, 1.14 g/t gold and 8.3 g/t silver; and 9.0 metres grading 1.03% copper. Copper values peaked at 30% over 0.25 metres between 592.10 and 592.35 metres down hole. The Company anticipates establishing the follow-up program in the third quarter, with drilling to follow thereafter.

### ***URANIUM***

**Diabase Peninsula:** The Company is very positive about the prospects at the Diabase Peninsula uranium property. Past work has identified numerous indicators of uranium mineralizing processes on the property, and the 5,000 metre, \$2.5 million drill program scheduled for September 2007 will follow up on these significant results.

**Prairie Lake:** The Company will assess the results of the 1,500 metre initial diamond drill program completed in the second quarter and compile a National Instrument-43-101-compliant resource estimate to determine the potential value of known uranium mineralization.

### ***GOLD***

**Cameron Lake:** As discussed previously, the Company is considering all of its options with respect to advancing the Cameron Lake deposit, however obtaining a dewatering permit remains the desired route.

## ***STRATEGIC INVESTMENTS***

### **Campbell**

Nuinsco's long-term strategy is to minimize equity dilution to shareholders by creating an exploration company that is in large part self-financing. Along with its equity holdings in Victory Nickel and Campbell which can be monetized, cash flow from the high-grade Corner Bay copper deposit, a 50:50 joint venture with Campbell, is a significant part of this strategy.

Campbell has engaged the CMAC-Thyssen Mining Group of Val-d'Or, Quebec for development and mining of the Corner Bay deposit. To date CMAC-Thyssen has completed more than 350 metres of the 725-metre ramp in less than three months and mining of an initial 42,000 tonne bulk sample at an average grade of 3.7% copper is expected to begin early in the fourth quarter of 2007. Corner Bay is expected to begin generating significant cash to Nuinsco's account beginning in 2008. In addition to Phase I and II mining outlined above, Corner Bay has significant potential at depth, with the deepest intercept grading 9.27% copper over 16.15 metres at a depth of 1,200 metres.

### **Victory Nickel**

The market for nickel is expected to remain robust for the foreseeable future. With over 660 million pounds of in-situ nickel in National Instrument 43-101-compliant measured (154 million pounds) and indicated (511 million pounds) resources at the Minago, Mel and Lac Rocher sulphide nickel projects, and an additional 530 million pounds of in-situ nickel in inferred resources, Victory Nickel is well positioned to take advantage of the worldwide shortage of sulphide nickel assets with near-term production potential. Victory Nickel is aggressively advancing all three projects to production. Current programs on the three projects include:

#### **Minago**

Completion of the bankable feasibility study by Wardrop on time and on budget remains a focus for Victory Nickel. Wardrop is moving ahead rapidly with all aspects of the bankable feasibility study, and Victory Nickel is very pleased with progress made to date. All drilling necessary for the study, including resource, metallurgical, geotechnical and hydrogeological, is complete, and metallurgical testing, frac sand testing, permitting and community relations activities are ongoing and moving ahead as expected.



In addition, Victory Nickel is preparing for a drill program in the North Limb, located to the north of the Minago deposit, early in 2008. Past drilling in this highly prospective area has returned results similar to those in the Minago deposit over a known strike length of approximately two kilometres, and this mineralization could potentially be an extension of the Minago deposit.

#### Mel

The Mel deposit has a National Instrument 43-101-compliant indicated resource of 4.3 million tonnes grading 0.88% nickel (approximately 83 million pounds in-situ nickel) and an additional inferred resource of 1.0 million tonnes grading 0.839% nickel (approximately 19 million pounds in-situ nickel). This near-surface resource, along with a stipulation in the option agreement that joint venture partner CVRD Inco Limited (“CVRD Inco”) shall mill ore mined from the Mel deposit at cost plus 5% (provided that the product meets CVRD Inco specifications and that CVRD Inco has sufficient mill capacity), makes near-term nickel production from the Mel deposit a possibility that Victory Nickel is currently evaluating.

#### Lac Rocher

The Company is advancing activities to allow it to begin development of the Lac Rocher deposit in 2008. Roche Consulting Engineering is completing a preliminary economic assessment of two phases of mining. Phase I would encompass mining 50,000 tonnes grading approximately 4% nickel, with Phase II mining 400,000 tonnes grading 1.2% nickel. A 1,200 metre drill infill, exploration and metallurgical drilling program will be completed in August. As well, Roche Engineering is completing all necessary environmental studies and permitting is expected to be complete in September 2008.

Based on Victory Nickel’s recent share price, and given the strength of the Minago, Mel and Lac Rocher projects, management recognizes that Victory Nickel’s assets remain significantly undervalued by the market, and is committed to realizing full value on behalf of all shareholders.

### **RISKS AND UNCERTAINTIES**

The nature of risks and uncertainties are discussed in the Annual Information Form filed by the Company and in the Management’s Discussion and Analysis for the year ended December 31, 2006, and apply to the period under review.

### **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 9, 2007

**NUINSCO RESOURCES LIMITED**  
**CONSOLIDATED BALANCE SHEETS**

(in thousands of Canadian dollars)

	<u>June 30, 2007</u> (unaudited)	<u>December 31, 2006</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,855	\$ 20,045
Cash for exploration expenditures	5,560	-
Due from Victory Nickel Inc. (Note 10)	259	-
Marketable securities (Notes 4 and 5)	5,011	2,976
Accounts receivable (Note 5)	381	105
Prepaid expenses and deposits	28	199
<b>Total Current Assets</b>	<u>15,094</u>	<u>23,325</u>
<b>Investment in Victory Nickel Inc. (Note 3)</b>	4,239	-
<b>Convertible Debenture of Campbell Resources Inc. (Note 5)</b>	2,000	-
<b>Exploration Advances</b>	-	1,368
<b>Exploration and Development Projects (Note 6)</b>	5,621	8,483
<b>Property and Equipment</b>	134	61
<b>Other Deferred Costs (Note 3)</b>	-	377
	<u>\$ 27,088</u>	<u>\$ 33,614</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Deferred revenue	\$ -	\$ 113
Accounts payable and accrued liabilities	777	1,318
Convertible notes – current portion (Note 7)	-	200
<b>Total Current Liabilities</b>	<u>777</u>	<u>1,631</u>
<b>Shareholders' Equity (Note 7)</b>		
Share capital	90,539	83,887
Stock option compensation	1,435	1,458
Share purchase warrants	163	348
Contributed surplus	1,234	1,233
Deficit	(68,957)	(54,943)
Accumulated other comprehensive income (Note 8)	1,897	-
<b>Net Shareholders' Equity</b>	<u>26,311</u>	<u>31,983</u>
	<u>\$ 27,088</u>	<u>\$ 33,614</u>

**Nature of Operations (Note 1)**

**Corporate Reorganization and Formation of Victory Nickel Inc. (Note 3)**

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenue and Other Income</b>				
Consulting fees (Note 5)	\$ 177	\$ 175	\$ 401	\$ 175
Interest income	158	24	291	38
Gain on sale of marketable securities	-	694	-	1,747
Other	-	2	-	5
	<u>335</u>	<u>895</u>	<u>692</u>	<u>1,965</u>
<b>Costs and Expenses</b>				
General and administrative (Note 10)	338	747	826	1,147
Stock option compensation	12	-	41	-
Amortization	4	3	8	5
Writedown of exploration and development projects (Note 6)	10	-	19	-
	<u>364</u>	<u>750</u>	<u>894</u>	<u>1,152</u>
<b>(Loss) Income Before the Undernoted</b>	<b>(29)</b>	<b>145</b>	<b>(202)</b>	<b>813</b>
<b>Share of Loss of Equity -Accounted Investee</b>	<b>(100)</b>	<b>-</b>	<b>(358)</b>	<b>-</b>
<b>(Loss) Income Before Income Taxes</b>	<b>(129)</b>	<b>145</b>	<b>(560)</b>	<b>813</b>
<b>Income Tax Recoveries (Note 7)</b>	<b>-</b>	<b>(783)</b>	<b>(337)</b>	<b>(1,859)</b>
<b>(Loss) Net Income for the Period</b>	<b>(129)</b>	<b>928</b>	<b>(223)</b>	<b>2,672</b>
<b>Deficit, Beginning of the Period</b>	<b>(68,828)</b>	<b>(55,412)</b>	<b>(54,943)</b>	<b>(57,156)</b>
<b>Distribution of Net Assets on Formation of Victory Nickel Inc. (Note 3)</b>	<b>-</b>	<b>-</b>	<b>(13,791)</b>	<b>-</b>
<b>Deficit, End of the Period</b>	<b>\$ (68,957)</b>	<b>\$ (54,484)</b>	<b>\$ (68,957)</b>	<b>\$ (54,484)</b>
<b>Income Per Share – Basic and Diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	<b>\$ 0.02</b>
<b>Weighted Average Common Shares Outstanding</b>	<b>167,710,000</b>	<b>109,198,000</b>	<b>160,536,000</b>	<b>107,488,000</b>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(unaudited - in thousands of Canadian dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>(Loss) Net Income for the Period</b>	\$ (129)	\$ 928	\$ (223)	\$ 2,672
<b>Other Comprehensive Income (Note 8)</b>	<b>150</b>	<b>-</b>	<b>1,086</b>	<b>-</b>
<b>Comprehensive Income for Period</b>	<b>\$ 21</b>	<b>\$ 928</b>	<b>\$ 863</b>	<b>\$ 2,672</b>

**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>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Cash From (Used By) Operating Activities</b>				
(Loss) net income for period	\$ (129)	\$ 928	\$ (223)	\$ 2,672
Items not affecting cash:				
Expenses settled through issuance of shares or warrants	-	294	-	294
Consulting fees received in marketable securities	(102)	(125)	(251)	(125)
Stock option compensation	12	-	41	-
Other stock-based compensation	51	-	100	-
Gain on sale of marketable securities	-	(694)	-	(1,747)
Amortization	4	3	8	5
Write-down of exploration and development projects	10	-	19	-
Share of loss of equity-accounted investee	100	-	358	-
Income tax recoveries	-	-	(337)	(1,076)
Changes in non-cash working capital (Note 9)	(624)	76	(377)	(19)
<b>Cash from (used by) operating activities</b>	<b>(678)</b>	<b>482</b>	<b>(662)</b>	<b>4</b>
<b>Financing Activities</b>				
Deferred share issue costs	-	(45)	-	(45)
Issue of common shares	6,128	1,395	6,441	1,395
<b>Cash from financing activities</b>	<b>6,128</b>	<b>1,350</b>	<b>6,441</b>	<b>1,350</b>
<b>Investing Activities</b>				
Advances to Campbell Resources Inc. (Note 5)	-	-	(2,000)	-
Sale of marketable securities	-	756	-	1,959
Reimbursement of deferred costs (Note 3)	-	-	377	-
Long-term receivables	-	250	-	500
Additions to exploration and development projects	(780)	(1,066)	(2,037)	(1,883)
Additions to equipment	(60)	-	(81)	(6)
<b>Cash from (used by) investing activities</b>	<b>(840)</b>	<b>(60)</b>	<b>(3,741)</b>	<b>570</b>
<b>Cash Distributed on Formation of Victory Nickel Inc.</b>				
(Note 3)	-	-	(12,668)	-
<b>Net Increase (Decrease) in Cash During Period</b>	<b>4,610</b>	<b>1,772</b>	<b>(10,630)</b>	<b>1,924</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>4,805</b>	<b>2,802</b>	<b>20,045</b>	<b>2,650</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 9,415</b>	<b>\$ 4,574</b>	<b>\$ 9,415</b>	<b>\$ 4,574</b>
<b>Cash and Cash Equivalents, End of Period</b>				
<b>Cash and Cash Equivalents</b>	<b>\$ 3,855</b>	<b>\$ 2,452</b>	<b>\$ 3,855</b>	<b>\$ 2,452</b>
<b>Cash for Exploration Expenditures</b>	<b>5,560</b>	<b>2,122</b>	<b>5,560</b>	<b>2,122</b>
	<b>\$ 9,415</b>	<b>\$ 4,574</b>	<b>\$ 9,415</b>	<b>\$ 4,574</b>

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

June 30, 2007 (unaudited)

(all tabular amounts are in thousands of Canadian dollars)

**1. Basis of Presentation**

The unaudited interim consolidated financial statements of 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 financial statements for the year ended December 31, 2006 (with the exception of the changes in account 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 period are not necessarily indicative of the results to be expected for the full year.

**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.

As a development stage enterprise, 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.

**3. Corporate Reorganization and Formation of Victory Nickel Inc.**

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

- a) The Company's interest in three sulphide nickel projects, namely the Minago and Mel projects on the Thompson Nickel Belt in Manitoba and the Lac Rocher project in Quebec (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 in the accounts of the Company and the cash transferred to it.

Under generally accepted accounting principles, 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	\$ 12,668 <sup>1</sup>
Exploration advances	448
Exploration and development projects	<u>5,800</u>
	18,916
Accounts payable	<u>528</u>
	18,388
Less 25% interest retained in Victory Nickel	<u>4,597<sup>2</sup></u>
	<u>\$ 13,791</u>

- (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. Such costs amounted to \$377,000 at December 31, 2006.

The retained interest in Victory Nickel (38,500,786 common shares) is being accounted for on the equity basis. The Company's share of Victory Nickel's loss for the six-month period ended June 30, 2007 amounted to \$358,000 (three months ended June 30, 2007 - \$100,000). The quoted market value of the Victory Nickel common shares held at June 30, 2007 was \$30,416,000.

#### 4. Changes In Accounting Policies

Effective January 1, 2007, the Company adopted new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1530 - Comprehensive Income, Section 3855 - Financial Instruments – Recognition and Measurement and Section 3865 - Hedges. The changes are applied prospectively with no restatement of prior periods.

Section 1530 established standards for reporting and presenting a comprehensive income statement.

Section 3855 requires all financial assets and financial liabilities to be classified as one of five categories. Financial assets are to be classified as either held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are to be classified as either held for trading or other financial liabilities. All financial assets and financial liabilities are to be carried at fair value in the consolidated balance sheet, except held to maturity, loans and receivables and other financial liabilities which are carried at amortized cost.

Subsequent accounting for changes in fair value will depend on initial classification. Realized and unrealized gains and losses on financial assets and liabilities that are held for trading will continue to be recorded in the consolidated statement of operations. Unrealized gains and losses on financial assets that are held as available for sale are to be recorded in other comprehensive income until realized, at which time they will be recorded in the consolidated statement of operations.

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self sustaining foreign operations. Currently, the Company is not involved in any hedging activities.

As a result of the adoption of these new standards, the Company has classified its cash and cash equivalents and cash for exploration expenditures as held for trading for accounting purposes, which are measured on the balance sheet at fair value. Marketable securities are classified as available for sale. Accounts receivable and amounts due from Victory Nickel are classified as loans and receivables and are recorded at amortized cost. The convertible debenture of Campbell Resources Inc. is classified as held to maturity and is recorded at amortized cost. Accounts payable and accrued liabilities and amounts due to Victory Nickel, if any, are also measured at amortized cost and are classified as other financial liabilities.

## 5. Transactions with Campbell Resources Inc.

As described more fully in the Company's audited consolidated financial statements for the year ended December 31, 2006, in 2006 the Company entered into an agreement with Campbell Resources Inc. ("Campbell") which outlined various consulting, operating and financing arrangements between the two companies (the "Campbell Transaction").

Pursuant to the Campbell Transaction, the Company is providing operating consulting services for Campbell's development and mining activities including completing development of Campbell's Corner Bay copper deposit ("Corner Bay"). The Company also committed to subscribe for units (comprising common shares and warrants) of Campbell for gross proceeds to Campbell of \$2,500,000. This investment was completed in December 31, 2006 and resulted in the Company holding an approximate 10% equity interest in Campbell and owning 67,807,429 warrants to increase this interest by a further 20% through the exercise of the warrants at a price of \$0.10 per share.

Finally, pursuant to the Campbell Transaction, upon execution of a \$4,000,000 project loan (the "Corner Bay loan") the Company was entitled to a 50% interest in the Corner Bay copper deposit. In March 2007, the Company advanced \$2,000,000 to Campbell. In May 2007, these advances were converted into a \$2,000,000 convertible debenture. The convertible debenture bears interest at 11.5% per annum, 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 per common share for a period of 24 months of the closing date in May, 2007. A third party has also subscribed for \$2,000,000 in Campbell's convertible debentures on terms identical to the above. The convertible debentures mature in May, 2009 and are 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.

As a consequence of completion of the financing described above, the Company acquired an entitlement to 50% of the operating cash flow generated by the Corner Bay project 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 will incur 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.

At June 30, 2007, the Company held 37,050,000 common shares of Campbell including shares acquired pursuant to its equity investment and shares received in consideration for consulting and other services. At June 30, 2007, the fair value of these marketable securities (\$5,011,000) exceeded amounts recorded on initial recognition of \$3,114,000 by \$1,897,000. This amount has been included in Accumulated Other Comprehensive Income (see Note 8).

At June 30, 2007, included in accounts receivable are amounts due from Campbell of \$341,609.

## 6. Exploration and Development Projects

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

	<b>Balance December 31, 2006</b>	<b>Current Expenditures</b>	<b>Transferred to Victory Nickel Inc. (Note 3)</b>	<b>Writedowns, Losses and Recoveries</b>	<b>Balance June 30, 2007</b>
<b><u>Nickel</u></b>					
Lac Rocher	\$ 2,116	\$ 2	\$ 2,118	\$ -	\$ -
Mel	172	534	706	-	-
Minago	2,341	635	2,976	-	-
	<u>4,629</u>	<u>1,171</u>	<u>5,800</u>	<u>-</u>	<u>-</u>
<b><u>Uranium</u></b>					
Diabase Peninsula	2,294	205	-	-	2,499
Prairie Lake	4	355	-	-	359
	<u>2,298</u>	<u>560</u>	<u>-</u>	<u>-</u>	<u>2,858</u>
<b><u>Gold, Copper and Zinc</u></b>					
Cameron Lake	671	57	-	-	728
Berta and Elmalaan	874	1,148	-	-	2,022
Other	11	21	-	19	13
	<u>1,556</u>	<u>1,226</u>	<u>-</u>	<u>19</u>	<u>2,763</u>
	<u>\$ 8,483</u>	<u>\$ 2,957</u>	<u>\$ 5,800</u>	<u>\$ 19</u>	<u>\$ 5,621</u>
	<b>Balance December 31, 2005</b>	<b>Current Expenditures</b>	<b>Writedowns, Losses and Recoveries</b>		<b>Balance June 30, 2006</b>
<b><u>Nickel</u></b>					
Lac Rocher	\$ 1,693	\$ 13	\$ -		\$ 1,706
Mel	-	53	-		53
Minago	1,158	536	-		1,694
	<u>2,851</u>	<u>602</u>	<u>-</u>		<u>3,453</u>
<b><u>Uranium</u></b>					
Diabase Peninsula	769	1,094	-		1,863
Prairie Lake	-	-	-		-
	<u>769</u>	<u>1,094</u>	<u>-</u>		<u>1,863</u>
<b><u>Gold, Copper and Zinc</u></b>					
Cameron Lake	531	49	-		580
Berta and Elmalaan	534	230	-		764
Other	241	90	99		232
	<u>1,306</u>	<u>369</u>	<u>99</u>		<u>1,576</u>
	<u>\$ 4,926</u>	<u>\$ 2,065</u>	<u>\$ 99</u>		<u>\$ 6,892</u>



## 7. Share Capital

During the six months ended June 30, 2007, the following changes in share capital occurred:

	<u>Number of Shares</u>	<u>Amount</u>
Balance – December 31, 2006	152,228,887	\$ 83,887
Shares issued pursuant to private placement (a)	10,344,828	5,541
Options exercised (b)	500,000	235
Warrants exercised (c)	3,661,217	913
Shares issued under the Share Bonus Plan (d)	213,600	100
Exercise of conversion rights on convertible debentures	833,333	200
Flow-through share renunciation	-	(337)
Balance – June 30, 2007	<u>167,781,865</u>	<u>\$ 90,539</u>

(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 \$5,540,555.

(b) During the period, the Company issued 500,000 common shares for proceeds of \$171,672 upon the exercise of 500,000 options. This resulted in an increase in share capital in the amount of the proceeds plus the carrying value of the options exercised of \$63,800.

(c) During the period, 3,661,217 common shares were issued upon the exercise of warrants for proceeds of \$730,308. This resulted in an increase in share capital in the amount of the proceeds plus the carrying value of the warrants in the amount of \$182,870.

(d) During the period, 213,600 common shares with an ascribed value of \$99,858 were issued to employees as discretionary bonuses pursuant to the Company's Share Bonus Plan.

(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 in convertible debentures.

(f) In February 2007, the Company renounced \$988,000 (February 2006 - \$3,154,977) in Canadian Exploration Expenditures to investors of flow-through shares in 2006. The tax value of these renunciations amounts to \$337,000 (2006 – \$1,076,000) and has been recorded as a future income tax liability and charged against share capital. Since the Company has a valuation allowance which reduces the future income tax assets, the valuation allowance was reduced and income tax recoveries were recognized in the consolidated statement of operations in the amount of \$337,000 (2006 - \$1,076,000).

During the period, 30,765 warrants expired unexercised resulting in a transfer of \$1,323 from warrants to contributed surplus.

**8. Other Comprehensive Income**

Other comprehensive income (OCI) is comprised of unrealized gains on marketable securities (shares of Campbell Resources Inc.) that are classified as available for sale. Changes in the components of OCI are summarized as follows:

	<u>Six Months Ended June 30,</u>	
	<b>2007</b>	2006
Accumulated OCI at beginning of period	\$ -	\$ -
Adjustments to accumulated OCI at beginning of period due to the change in method of accounting for financial assets available for sale	<b>811</b>	-
OCI for the period representing the change the fair value of financial assets available for sale	<b>1,086</b>	-
Accumulated OCI at end of period	<u><b>\$ 1,897</b></u>	<u>\$ -</u>

**9. Changes in Non-Cash Working Capital**

Changes in non-cash working capital balances impacting cash from operations are as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<b>2007</b>	2006	<b>2007</b>	2006
Accounts receivable, prepaid expenses and deposits	\$ (113)	\$ (75)	\$ (105)	\$ (137)
Accounts payable and accrued liabilities	(16)	151	(13)	118
Due to/from Victory Nickel Inc.	(495)	-	(259)	-
	<u>\$ (624)</u>	<u>\$ 76</u>	<u>\$ (377)</u>	<u>\$ (19)</u>

**10. Related Party Transactions**

Related party transactions not otherwise disclosed in these 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 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 months ended June 30, 2007 total \$349,079 (three months ended June 30, 2007 - \$247,462) and have been deducted from general and administrative expenses.
- 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, during the current six-month period, the two directors were repaid accrued interest owing to them (including interest applicable to the current period of \$4,531), aggregating \$136,753.
- Amounts due from/to Victory Nickel are unsecured, non-interest bearing, and due on demand.