



## **NUINSCO RESOURCES LIMITED**

### **UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**

**DATED NOVEMBER 8, 2010**

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

The accompanying unaudited interim consolidated financial statements of Nuinsco Resources Limited for the three and nine months ended September 30, 2010 and 2009 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

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

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

	September 30, 2010	December 31, 2009
(in thousands of Canadian dollars)	(unaudited)	
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 409	\$ 1,490
Marketable securities (Note 5)	4,348	2,099
Due from Victory Nickel Inc. (Note 16)	-	33
Accounts receivable	359	259
Prepaid expenses and deposits	67	58
<b>Total Current Assets</b>	<b>5,183</b>	3,939
<b>Interest in Campbell Resources Inc. (Note 7)</b>	<b>4,263</b>	2,297
<b>Royalty Interest (Notes 1 and 8)</b>	<b>3,000</b>	-
<b>Exploration and Development Projects (Note 9)</b>	<b>10,537</b>	9,657
<b>Exploration Property Held for Sale (Notes 1 and 9)</b>	<b>-</b>	1,700
<b>Future Income Tax Asset (Notes 1 and 13)</b>	<b>-</b>	1,297
<b>Property and Equipment (Note 10)</b>	<b>72</b>	59
	<b>\$ 23,055</b>	<b>\$ 18,949</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 16)	\$ 1,454	\$ 1,243
Due to Victory Nickel Inc. (Note 16)	22	-
<b>Total Current Liabilities</b>	<b>1,476</b>	1,243
Asset retirement obligation (Notes 1 and 11)	-	111
Loan payable (Notes 1 and 11)	-	2,901
Other long-term liabilities (Note 11)	241	-
<b>Total Liabilities</b>	<b>1,717</b>	4,255
<b>Shareholders' Equity (Note 12)</b>		
Share capital	93,051	93,396
Contributed surplus	4,038	3,707
Deficit	(75,328)	(81,792)
Accumulated other comprehensive loss (Note 14)	(423)	(617)
	<b>21,338</b>	14,694
	<b>\$ 23,055</b>	<b>\$ 18,949</b>

**NATURE OF OPERATIONS (Note 1)**

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
(in thousands of Canadian dollars, except per share amounts)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(restated - Note 2)		(restated - Note 2)	
<b>Revenue</b>				
Interest income	\$ -	\$ -	\$ 2	\$ 1
(Loss) gain on sale of marketable securities	(215)	-	(215)	296
Loan fee (Note 5)	33	-	33	-
	<b>(182)</b>	<b>-</b>	<b>(180)</b>	<b>297</b>
<b>Costs and Expenses</b>				
General and administrative (Note 16)	313	193	1,011	645
Foreign exchange gain	(13)	(493)	(146)	(839)
Stock option compensation (Note 12)	87	11	331	201
Other stock-based compensation (Note 12)	-	-	121	-
Amortization of property and equipment	4	3	10	10
Accretion of asset retirement obligation (Note 1)	-	3	3	9
Interest expense	-	181	218	879
Writedown of exploration and development projects (Note 9)	635	18	715	70
	<b>1,026</b>	<b>(84)</b>	<b>2,263</b>	<b>975</b>
<b>(Loss) Income before the Undernoted</b>	<b>(1,208)</b>	<b>84</b>	<b>(2,443)</b>	<b>(678)</b>
<b>Gain on Sale of Cameron Lake (Note 1)</b>	<b>-</b>	<b>-</b>	<b>10,108</b>	<b>-</b>
<b>(Loss) Gain on Securities Held for Trading (Note 5)</b>	<b>(183)</b>	<b>333</b>	<b>(403)</b>	<b>333</b>
<b>Writedown of Investment (Note 5)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(16)</b>
<b>Share of Income (Loss) of</b>				
Equity-Accounted Investee (Note 6)	-	21	-	(36)
<b>Dilution Loss (Note 6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(322)</b>
<b>Gain on Sale of Victory Nickel Inc. (Note 6)</b>	<b>-</b>	<b>1,360</b>	<b>-</b>	<b>1,360</b>
<b>(Loss) Income before Income Taxes</b>	<b>(1,391)</b>	<b>1,798</b>	<b>7,261</b>	<b>641</b>
<b>Income Tax Provision (Recovery) (Note 13)</b>	<b>-</b>	<b>-</b>	<b>797</b>	<b>(606)</b>
<b>Net (Loss) Income for the Period</b>	<b>\$ (1,391)</b>	<b>\$ 1,798</b>	<b>\$ 6,464</b>	<b>\$ 1,247</b>
<b>(Loss) Income per Share</b>				
<b>Basic</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ 0.03</b>	<b>\$ 0.01</b>
<b>Diluted</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ 0.03</b>	<b>\$ 0.01</b>
<b>Weighted Average Common Shares Outstanding</b>				
<b>Basic</b>	<b>233,432,000</b>	<b>211,367,000</b>	<b>232,120,000</b>	<b>199,200,000</b>
<b>Diluted</b>	<b>234,218,000</b>	<b>211,485,000</b>	<b>233,619,000</b>	<b>199,232,000</b>

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
(in thousands of Canadian dollars)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(restated - Note 2)		(restated - Note 2)	
Net (loss) income for the period	\$ (1,391)	\$ 1,798	\$ 6,464	\$ 1,247
Other comprehensive income (loss) (Note 14)	1,212	(842)	194	596
<b>Comprehensive (Loss) Income for the Period</b>	<b>\$ (179)</b>	<b>\$ 956</b>	<b>\$ 6,658</b>	<b>\$ 1,843</b>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010 (unaudited)	2009 (unaudited) (restated - Note 2)	2010 (unaudited)	2009 (unaudited) (restated - Note 2)
(in thousands of Canadian dollars)				
<b>Cash from (used by)</b>				
<b>Operating Activities</b>				
Net (loss) income for the period	\$ (1,391)	\$ 1,798	\$ 6,464	\$ 1,247
Items not affecting cash:				
Loan fees	(33)	-	(33)	-
Loss (gain) on sale of marketable securities	215	-	215	(296)
Stock option compensation (Note 12)	87	11	331	201
Other stock-based compensation (Note 12)	-	-	121	-
Amortization of loan fees, property and equipment	4	18	153	297
Accretion of asset retirement obligation (Note 1)	-	3	3	9
Writedown of exploration and development projects (Note 9)	635	18	715	70
Gain on sale of Cameron Lake (Note 1)	-	-	(10,108)	-
Share of (gain) loss of equity-accounted investee (Note 6)	-	(21)	-	36
Interest capitalized to loan payable	-	41	74	332
Dilution loss (Note 6)	-	-	-	322
Gain on sale of Victory Nickel Inc. (Note 6)	-	(1,360)	-	(1,360)
Loss (gain) on securities held for trading (Note 5)	183	(333)	403	(333)
Writedown of investment (Note 5)	-	-	1	16
Unrealized foreign exchange gain on cash, accounts payable and loan	-	(222)	(146)	(518)
Income tax provision (recovery) (Note 13)	-	-	797	(606)
Change in non-cash working capital (Note 15)	(76)	(155)	(353)	58
<b>Cash used by operating activities</b>	<b>(376)</b>	<b>(202)</b>	<b>(1,363)</b>	<b>(525)</b>
<b>Financing Activities</b>				
Issue of common shares and warrants	-	391	(4)	1,003
Net proceeds of loan	-	2,836	-	2,836
Repayments of loan	-	(5,391)	(2,972)	(5,915)
<b>Cash used by financing activities</b>	<b>-</b>	<b>(2,164)</b>	<b>(2,976)</b>	<b>(2,076)</b>
<b>Investing Activities</b>				
Purchase of Campbell's debt (Note 7)	(1,060)	-	(1,525)	-
Expenditures on exploration and development projects	(297)	(208)	(1,429)	(705)
Proceeds on sale of Victory Nickel Inc. (Note 6)	-	2,734	-	2,734
Proceeds on sale of marketable securities	684	-	684	426
Proceeds on sale of Cameron Lake (Note 1)	-	-	5,900	-
Purchase of marketable securities	(366)	(400)	(366)	(400)
Purchase of equipment	-	-	(6)	-
<b>Cash (used by) from investing activities</b>	<b>(1,039)</b>	<b>2,126</b>	<b>3,258</b>	<b>2,055</b>
<b>Net Decrease in Cash During the Period</b>	<b>(1,415)</b>	<b>(240)</b>	<b>(1,081)</b>	<b>(546)</b>
<b>Cash and Cash Equivalents, Beginning of the Period</b>	<b>1,824</b>	<b>487</b>	<b>1,490</b>	<b>793</b>
<b>Cash and Cash Equivalents, End of the Period</b>	<b>\$ 409</b>	<b>\$ 247</b>	<b>\$ 409</b>	<b>\$ 247</b>
<b>Supplemental Cash Flow Information</b>				
Income taxes paid	\$ -	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ 533	\$ 218	\$ 562

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		Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Amount				
<b>Balance as at December 31, 2008</b>	<b>180,873,574</b>	<b>\$ 91,757</b>	<b>\$ 2,999</b>	<b>\$ (83,468)</b>	<b>\$ (1,394)</b>	<b>\$ 9,894</b>
Private placements	24,701,943	1,560	288	-	-	1,848
Shares issued in connection with bridge loan	10,000,000	297	-	-	-	297
Shares issued for property	100,000	5	-	-	-	5
Shares and warrants issued under rights offering	15,259,992	383	168	-	-	551
Options granted and vesting	-	-	252	-	-	252
Flow-through share renunciation	-	(606)	-	-	-	(606)
Net income for the year	-	-	-	1,676	-	1,676
Other comprehensive income	-	-	-	-	777	777
<b>Balance as at December 31, 2009</b>	<b>230,935,509</b>	<b>93,396</b>	<b>3,707</b>	<b>(81,792)</b>	<b>(617)</b>	<b>14,694</b>
Share issue costs	-	(4)	-	-	-	(4)
Options granted and vesting	-	-	331	-	-	331
Flow-through share renunciation	-	(500)	-	-	-	(500)
Shares issued for property	625,000	38	-	-	-	38
Warrants exercised	575	-	-	-	-	-
Shares issued under Share Bonus Plan	1,871,600	121	-	-	-	121
Net income for the period	-	-	-	6,464	-	6,464
Other comprehensive income	-	-	-	-	194	194
<b>Balance as at September 30, 2010</b>	<b>233,432,684</b>	<b>\$ 93,051</b>	<b>\$ 4,038</b>	<b>\$ (75,328)</b>	<b>\$ (423)</b>	<b>\$ 21,338</b>

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

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

**September 30, 2010 and 2009 (unaudited)**  
 (All tabular amounts are in thousands of Canadian dollars)

**1. NATURE OF OPERATIONS**

Nuinsco Resources Limited (“Nuinsco” or the “Company”) is primarily engaged in the acquisition and exploration of precious and base metals projects in Canada, Turkey and Egypt. The Company conducts its activities on its own or participates with others on a joint venture basis. The Company also makes strategic investments through equity or loan financing to companies engaged in the exploration and development of resource properties.

**Sale of Cameron Lake Property to Coventry Resources Limited**

On December 23, 2009, the Company announced that it had entered into a binding agreement with Coventry Resources Limited (“Coventry”), a company listed on the Australian Stock Exchange, to sell its Cameron Lake property and mill. The transaction was completed on April 20, 2010 and involved the receipt of consideration as follows:

- Cash of \$100,000 received in December 2009;
- Cash of \$5.9 million received on April 20, 2010;
- 12 million Coventry shares, representing 17% of the then-outstanding shares of that company. Coventry shares had a closing price of A\$0.265 (\$0.247) on April 20, 2010; and
- A 3% net smelter return (“NSR”) royalty under which Coventry will have the right to reduce the royalty to a 1% NSR at any time within five years of April 20, 2010 by making, at Coventry’s option, either a cash payment of \$2 million or issuing additional Coventry shares with an equivalent market value (Note 8).

The following table illustrates the components of the gain on sale of the Cameron Lake property:

<b>Consideration received</b>		
Cash	\$	6,000
Coventry shares		2,958
Royalty interest (Note 8)		3,000
		11,958
<b>Aggregate consideration</b>		
<b>Net book value of assets sold (liabilities assumed) and expenses of sale</b>		
Cameron Lake property	\$	1,796
Mill		54
Asset retirement obligation (“ARO”) assumed		(114)
		1,736
Transaction expenses		114
		1,850
<b>Gain on sale of Cameron Lake</b>		10,108
Provision for income taxes (drawdown of previously recorded future income tax asset)		1,297
		8,811
<b>Net after-tax gain</b>		8,811

The provision for income taxes is a non-cash item and offsets the recovery for income taxes recognized in the fourth quarter of 2009. Upon sale of Cameron Lake, the Company repaid its interest-bearing promissory note along with accrued interest thereon.

**Going Concern**

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles (Canadian “GAAP”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. At September 30, 2010, the Company had working capital of \$3,707,000 (December 31, 2009 – \$2,696,000).

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

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

The Company continues to examine a number of strategies to maximize the realization of previously written-down amounts due from past investments in Campbell Resources Inc. ("Campbell"). Refer to Note 7 to these financial statements.

Should the Company not be able to continue to achieve favourable exploration results, obtain the necessary financing or achieve future profitable production or sale of properties, the carrying value of the Company's assets could be subject to material adjustment and, in addition, other adjustments may be necessary to these financial statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under Canadian GAAP.

## **2. BASIS OF PRESENTATION, USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY**

### **Basis of Presentation**

These consolidated financial statements have been prepared by management in accordance with Canadian GAAP and include the accounts of the Company and those of its inactive subsidiaries. These consolidated financial statements reflect the accounting principles described in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2009 (the "2009 Audited Consolidated Financial Statements") (with the exception of any changes set out in Note 3 below) and accordingly, should be read in conjunction with those annual financial statements and the notes thereto.

The financial statements for the nine months ended September 30, 2009 have been restated to include a gain on derivative of \$333,000 in net income which had previously been included in other comprehensive income. This gain on derivative was classified in that manner in the Company's 2009 Audited Consolidated Financial Statements but not in the unaudited interim September 30, 2009 consolidated financial statements originally issued in 2009.

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.

### **Use of Estimates**

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes those estimates are reasonable. The accounting elements which require management to make significant estimates and assumptions include determining impairment in and values of investments, exploration and development projects and future income tax assets and the valuation of stock option compensation. Accounting for these elements is subject to estimates and assumptions regarding, among other things, metal recoveries, future metals prices, future operating costs, future mining activities and future market volatility. Management bases its estimates on historic experience and other assumptions it believes to be reasonable under the circumstances. However, actual results could differ from those estimates.

### **Measurement Uncertainty**

The carrying values of the Company's exploration and development projects at September 30, 2010 totalled \$10,537,000 (December 31, 2009 - \$9,657,000). Management's review of these carrying values indicated that at September 30, 2010, the properties were not impaired, except for the Triggs option which was written down to \$nil in the three months ended September 30, 2010 (Note 9) and the Marijane and Huston Lakes property which was written down to \$nil in the year ended December 31, 2009. As an exploration company, the results of previous work, including drilling and analysis, provides information which either supports or discredits the potential for discovery. If geological information obtained is positive, the projects' values are not considered impaired. Management's conclusion about impairment is also dependent on assumptions about several factors including future operating costs, metal production levels, future metal prices and capital equipment needs and costs. It is also dependent upon the Company's ability to raise financing to successfully complete its projects as discussed in Note 1. Over the last year or so, there has been unprecedented volatility in several of the factors involved in such an analysis, including metals prices, costs of fuel, power and other operating supplies and the costs of capital equipment which has resulted in an increased amount of measurement uncertainty. While such volatility appears to have somewhat reduced, future changes in these parameters could give rise to material changes in asset carrying values.

The Company also made loans to Campbell and has royalty interests in Corner Bay, a high-grade copper project formerly owned by Campbell, which are collectively shown as Interest in Campbell Resources Inc. (“Interest in Campbell”), and makes conclusions as to the impairment and future recoverability of such balances. These interests were recorded at an aggregate amount of \$10,423,000 before recording an aggregate provision for writedown of \$7,923,000 in the year ended December 31, 2008 and before the acquisition of debt. The provision for writedown is dependent upon assumptions about several factors or conditions affecting Campbell and the value of its exploration and development projects and may be based on limited information despite the Company’s significant involvement in Campbell’s CCAA proceedings as a secured creditor (Note 7). Interest in Campbell is classified as a “level three” investment which is subject to the highest degree of measurement uncertainty. Accordingly, future changes in any parameters used in the valuation could give rise to material changes in asset carrying values.

The Royalty Interest acquired pursuant to the Cameron Lake sale (Notes 1 and 8) is also subject to a high degree of measurement uncertainty. Future changes in probabilities of production or any other parameters used in the valuation could give rise to material changes in recorded asset values.

Management will continue to monitor the critical factors impacting its impairment analyses and will re-evaluate the carrying value of its long-lived assets as necessary.

### **3. NEW AND FUTURE ACCOUNTING POLICIES**

#### **New Accounting Policies**

There have been no new accounting policies adopted in these unaudited interim consolidated financial statements. The volume of accounting pronouncements being introduced by The Canadian Institute of Chartered Accountants (“CICA”) applicable to the Company has reduced significantly pending the transition to International Financial Reporting Standards (“IFRS”).

#### **Future Accounting Changes**

There have been no additional future accounting changes from those reported in Note 3 to the 2009 Audited Consolidated Financial Statements.

#### **2009 Figures**

Certain of the 2009 figures have been reclassified to conform to the 2010 financial statement presentation.

### **4. FINANCIAL RISK MANAGEMENT**

#### **Financial Risk Management**

The Company’s financial instruments include cash and cash equivalents, marketable securities including derivative contracts (warrants), accounts receivable, amounts due from or to Victory Nickel, convertible debenture and loan amounts due from Campbell, accounts payable and accrued liabilities, other liabilities and loan payable. The fair value of these financial instruments approximates their carrying value.

The Company’s risk exposures with respect to its financial instruments and the impact on the Company’s financial statements are described in Note 4 to the 2009 Audited Consolidated Financial Statements and are updated below:

#### **Credit risk**

Concentration of credit risk arises as a result of the loan and convertible debenture due from Campbell totalling \$7,923,000 before impairment writedown. Campbell is in default on its loans to the Company as it has not made the required principal or interest payments. These deficient interest payments have been included in the balance of the loan up to September 30, 2008. The Company acquired additional Campbell debt during the period as described in Note 7. Given Campbell’s current financial position, there is a significant credit risk associated with these loans. The Company determined that a writedown of the loans was required in 2008.

#### **Liquidity risk**

As referred to in Note 1 to the 2009 Audited Consolidated Financial Statements, the Company has entered into a number of transactions which have enhanced liquidity. The Company does not have any significant long-term liabilities at September 30, 2010 other than the amount payable under the acquisition of Campbell’s debt as described in Note 7. All other contractually obligated cash flows are payable within the next fiscal year with the exception of obligations related to the Company’s premises (Note 17), the acquisition of Campbell’s remaining debt (Note 7) and payments to maintain the Olympian option (Note 9). Upon ratification of the agreements regarding Egypt (Note 9), there will be significant expenditure commitments.



## Market risk

The Company is exposed to interest rate risk, commodity price risk and currency risk with respect to its financial instruments.

### Interest rate risk

The Company's cash equivalents earn interest at variable short-term rates at September 30, 2010 and December 31, 2009. The estimated effect of a 50bps change in interest rate would not have a material effect on the Company's results of operations. The Company is not exposed to any significant interest rate risk which could be caused by a sudden change in market interest rates.

### Currency risk

The Company recognized \$13,000 and \$146,000 in net foreign exchange gains in the three and nine months ended September 30, 2010 (gains of \$493,000 and \$839,000 in the three and nine months ended September 30, 2009). The amount of currency risk to which the Company is exposed through operations has reduced significantly with the repayment of the long-term debt.

The Company incurs expenditures related to its projects in Turkey and Egypt, and certain general and administrative expenses, in United States ("US") dollars and occasionally in the European Euro and Turkish Lira. As at September 30, 2010, US dollar-denominated balances include: cash of approximately US\$207,000 and accounts payable and accruals of US\$682,000. As at December 31, 2009, US dollar-denominated balances include: cash of approximately US\$15,000, accounts payable and accruals of approximately US\$632,000 and a loan including accrued interest of US\$2,897,000.

For every \$0.01 change in the US dollar exchange rate there would be an aggregate effect of approximately \$5,000 on the Company's results of operations based on the balances as at September 30, 2010 (December 31, 2009 - \$37,000). The Company's balances denominated in Euros and Turkish Lira are not significant.

With the closing of the Cameron Lake sale, the Company has a significant holding of available-for-sale marketable securities denominated in Australian dollars (September 30, 2010 - A\$2,760,000). Any change in the value of the securities is reflected through other comprehensive income or loss ("OCI"). For every \$0.01 change in the Australian dollar exchange rate there would be an approximate effect of \$28,000 on OCI.

## 5. MARKETABLE SECURITIES

	September 30, 2010	December 31, 2009
Level One Securities: Common Shares		
Gold Hawk Resources Inc.	\$ 758	\$ 945
Victory Nickel Inc.	849	800
Coventry Resources Limited	2,741	-
Other	-	1
	<b>4,348</b>	1,746
Level Two Securities: Warrants	-	353
	<b>\$ 4,348</b>	<b>\$ 2,099</b>

With the exception of the Victory Nickel warrants, all of the Company's marketable securities are publicly-listed. Accordingly, all of the shares owned by the Company are considered to be valued using Level One methodologies.

In July, 2010, Nuinsco advanced \$366,000 to Victory Nickel as prepayment for the exercise of warrants. The related fee and interest expense of \$33,000 charged to Victory Nickel for the advance represents the difference between the aggregate exercise price of the warrants and the amount of the advance. The warrants were exercised by the Company in September, 2010.

The warrants in Victory Nickel are not publicly-traded and, until their exercise, were valued using the Black-Scholes option-pricing model, the inputs for which are readily determinable and are disclosed in Note 5 to the Company's Audited Consolidated Financial Statements. Any change in fair value to exercise was recorded through the statement of operations as a gain or loss on warrants held for trading.

The Company continues to believe in the value of Gold Hawk Resources Inc. ("Gold Hawk"), as evidenced by its offer to enter into a business combination with that company in January 2010 at a then-premium of approximately 98%, and

therefore considers the loss to be temporary and has continued to record the changes in market value on Gold Hawk shares through OCI. The amount of unrealized loss recorded in accumulated other comprehensive income for Gold Hawk is approximately \$137,000 as at September 30, 2010 (December 31, 2009 - \$850,000) and reflects a share price of \$1.27 (2009 - \$0.79). Since the end of September 30, 2010, Gold Hawk's share price has consistently exceeded the Company's cost. Accordingly, the Company has continued to record the change in market value through OCI rather than recording a permanent impairment through the statement of operations.

The Coventry shares, received pursuant to the sale of the Cameron Lake property, are subject to graduated hold periods; one-third became freely trading on issue, one-third became freely trading on July 20, 2010 and the remaining third become freely trading on October 20, 2010.

In the first quarter of 2009, the Company determined that an other-than-temporary impairment had occurred in its other shares and recorded a writedown of \$16,000 through operations; in the second quarter of 2010, the Company recorded an additional writedown of \$1,000 through operations in its other shares, thereby recording them at \$nil.

## 6. INVESTMENT IN EQUITY-ACCOUNTED INVESTEE

The Company acquired an ownership interest in Victory Nickel pursuant to the corporate reorganization and formation of Victory Nickel in February 2007. From January 1, 2009 to July 31, 2009, the Company had an approximate 15% interest in Victory Nickel. Effective July 31, 2009, as described in Note 1 to the 2009 Audited Consolidated Financial Statements, the Company sold its equity interest in Victory Nickel.

In the three and nine months ended September 30, 2009, the Company's share of Victory Nickel's results was income of \$21,000 and a loss of \$36,000, respectively. The Company also recorded a dilution loss of \$322,000 in the second quarter of 2009 which represents the proportionate share of Victory Nickel's share capital transactions including share issuances and the tax value of flow-through renunciations.

## 7. INTEREST IN CAMPBELL

As described in Note 7 to the 2009 Audited Consolidated Financial Statements, the Company holds various investments in and loans to Campbell. Given the nature of the security underlying the loan and convertible debenture and the nature of the Royalty Interest, the Company considers these elements together and has recorded them in Interest in Campbell on the consolidated balance sheets. The Company's security on original amounts owing by Campbell includes Corner Bay and other exploration and development properties, among other things.

		September 30, 2010	December 31, 2009
Loan	\$	2,000	2,000
Acquisition of debt	\$	2,025	
Less: fair value adjustment		(59)	
		1,966	-
Royalty Interest <sup>(1)</sup>		297	297
Interest in Campbell	\$	4,263	2,297

<sup>(1)</sup> The Royalty Interest is shown net of Québec mining duties receivable of \$202,855.

The Company, along with its partner with respect to Campbell matters Ocean Partners Holdings Limited ("Ocean Partners"), has, through a jointly-owned subsidiary, acquired substantially all of the remaining secured debt of Campbell (that the Company and Ocean Partners did not already own) for aggregate staged payments over a three-year period of \$4,050,000 (including those deposits already made by each of Nuinsco and Ocean Partners). Acquisition of all of the secured debt will facilitate joint exercise of security over the Campbell assets including Corner Bay, the Copper Rand mill and other exploration properties in the Chibougamau mining camp in Québec.

Accordingly, the deposits previously included in prepaid expenses and deposits as at June 30, 2010 of \$465,000, along with additional cash payments made in the third quarter of \$1,060,000, have been reclassified as acquisition of debt to Interest in Campbell. The agreements require additional staged payments by the Company of \$200,000 by April 20, 2011 and \$300,000 by April 20, 2013; discounted at 8%, the fair value of the long-term payable is \$241,000. Such amounts are included in Interest in Campbell and in current and long-term liabilities (Note 11).

The value of the estimated recoverable amount is based primarily upon a discounted cash flow model of the Corner Bay project combined with the estimated value of a fully-permitted mill and exploration potential of the Chibougamau camp

which enured to the Company and Ocean Partners upon acquisition of the debt. Accordingly, the Interest in Campbell is a level three investment.

## 8. ROYALTY INTEREST

On April 20, 2010, pursuant to the sale of Cameron Lake to Coventry, the Company received a royalty interest in the Cameron Lake property. The royalty interest is a 3% NSR under which Coventry has the right to reduce the royalty to a 1% NSR at any time within five years of April 20, 2010 by making, at Coventry's option, either a cash payment of \$2,000,000 or issuing additional Coventry shares with an equivalent market value. As described above, this is an investment which is subject to the highest degree of measurement uncertainty.

The valuation of the royalty interest was based upon cash flow models of the project previously developed by the Company as adjusted for metals prices and expectations of Coventry's plans. The Company will continue to monitor Coventry's progress towards bringing the property into production and will review the royalty for impairment on a regular basis.

## 9. 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, 2009		Current Expenditures		Writedowns		Balance as at September 30, 2010	
<b>URANIUM AND RARE METALS</b>								
Diabase Peninsula	\$	5,772	\$	186	\$	-	\$	5,958
Prairie Lake		1,217		260		-		1,477
		6,989		446		-		7,435
<b>GOLD, COPPER AND ZINC</b>								
Berta and Elmalaan		2,666		7		-		2,673
Egypt		2		395		-		397
Olympian		-		638		(606)		32
Other		-		109		(109)		-
		2,668		1,149		(715)		3,102
	\$	9,657	\$	1,595	\$	(715)	\$	10,537

	Balance as at December 31, 2008		Current Expenditures		Writedowns		Balance as at September 30, 2009	
<b>URANIUM AND RARE METALS</b>								
Diabase Peninsula	\$	5,737	\$	37	\$	-	\$	5,774
Prairie Lake		1,136		42		-		1,178
Marijane and Huston Lakes		730		30		-		760
		7,603		109		-		7,712
<b>GOLD, COPPER AND ZINC</b>								
Cameron Lake		1,563		151		-		1,714
Berta and Elmalaan		2,521		49		-		2,570
Other		-		70		(70)		-
		4,084		270		(70)		4,284
	\$	11,687	\$	379	\$	(70)	\$	11,996

### URANIUM AND RARE METALS

#### Diabase Peninsula

In December, 2004, Nuinsco entered into an agreement with Trend Mining Company ("Trend") to acquire a 50% interest in the Diabase Peninsula property in the Athabasca Basin of northern Saskatchewan upon the expenditure of \$1,000,000. Expenditures to date have increased this ownership interest to approximately 87%. Should a participant's

interest drop below 10%, that participant will relinquish its entire participating interest and will have the right to receive a royalty equal to 3% of the net value of all mineral products produced from the property; net value is defined as proceeds less processing and treatment charges, transportation costs, sales, marketing and brokerage costs and taxes.

The property consists of ten contiguous claims encompassing 21,949 hectares (“ha”). Three claims are optioned while seven were staked by Nuinsco; all are subject to the option agreement with Trend. Exploration for uranium has been undertaken at Diabase Peninsula since March 2005 with the most recent work program being completed in the spring of 2008. If the project progresses to a development stage, before its interest drops below 10% as described above, Trend has a one-time 50% back-in right upon reimbursing Nuinsco for 140% of its total expenditures to that date.

#### **Prairie Lake**

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

#### **Marijane and Huston Lakes**

In 2009, the Company determined that the results to date on this exploration property did not support additional expenditures and accordingly, decided to writedown the property to \$nil. The Company has advised Temex that it will not complete its commitment to earn the 50% undivided interest in the property.

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

##### **Cameron Lake**

The Cameron Lake project was sold effective April 20, 2010 (Note 1). Refer to Note 8 to the 2009 Audited Consolidated Financial Statements for a description of the property.

##### **Berta**

In October, 2003, the Company entered into the Berta Joint Venture Agreement with Falconbridge Limited, now Xstrata Copper Canada (“Xstrata”). The Berta property is located approximately 50 kilometres south of the Black Sea coast in northeastern Turkey. Pursuant to the agreement, the Company was required to spend US\$350,000 to earn a 50% interest in the project.

In the second quarter of 2008, the Company announced it had signed a letter of intent to negotiate an agreement to acquire 100% of the Berta property upon spending \$2,000,000 on exploration and completing an independent scoping study within four years. The companies were unable to agree on terms so the negotiations were terminated. Negotiations have recently re-commenced.

As a result of the work programs conducted by Nuinsco during 2005, the Company became vested with 50% of the project. Xstrata participates pro rata in funding exploration expenditures and is the operator of the project. Nuinsco presently owes Xstrata approximately \$482,000, which is included in accounts payable and accrued liabilities, for its share of expenditures on Berta. Discussions with Xstrata have been ongoing and the Company plans to pay its share of expenditures in the near future. Discussions are also being held to buy Xstrata’s share of the joint venture in return for a work commitment.

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

##### **Elmalaan**

The Company finalized an agreement (the “Elmalaan Agreement”) in August 2006 to acquire 100% of the Elmalaan copper-zinc property from Xstrata. The Company has spent US\$250,000 to earn its interest. Xstrata has back-in rights to reacquire a 50% interest in the project upon incurring expenditures equal to 200% of the aggregate expenditures incurred by the Company and a further 20% interest by incurring additional expenditures of US\$20,000,000. 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 the payment by the Company of US\$1,000,000. Mapping, sampling and diamond drilling programs have identified strongly anomalous copper-zinc-gold-silver mineralization on the property. The Elmalaan licenses have been converted to exploitation status and will be transferred to a Turkish subsidiary of Nuinsco.

## Egypt

In February, 2010, the Company announced that it had been successful, along with its Egyptian partner, in the bid process for gold exploration concessions in Egypt – Bukari and Umm Samra. The receipt of final title is subject to negotiating a suitable production sharing agreement with the Egyptian Mineral Resources Authority (“EMRA”). Negotiations have been completed with EMRA for the Bukari gold concession and it is expected that the Egyptian government will ratify the agreement in early 2011. Among other terms, the production sharing agreement sets out the rights and responsibilities of the Company, through a 50%-owned subsidiary, and EMRA, terms of production sharing and cost recovery as well as exploration programs. The first-year expenditure commitment is US\$2,000,000 which is required to be supported by a letter of guarantee upon ratification of the agreement.

## Olympian

In March, 2010, the Company announced that it had optioned a claim package collectively referred to as the Olympian Project. The Olympian Project consists of 18 mining claims and three patented mining claims totalling 1,405 ha in Ontario’s Lake of the Woods region. The claims were assembled through four option agreements with consideration aggregating cash of \$705,000 and 2,450,000 common shares of the Company payable over 2010 to 2012. As at September 30, 2010, payments under the agreements of \$120,000 have been made and 625,000 shares have been issued.

Subsequent to the end of the reporting period, the Company determined that the results to date on the Triggs option did not support the expenditures to date and accordingly, decided to writedown the property to \$nil. A writedown of \$606,000 was recorded through operations. The Company paid \$25,000 in accordance with the Triggs option on October 15, 2010; this, along with expenditure on Triggs in the fourth quarter, will be written off in that quarter.

The following table illustrates the payments outstanding to maintain the remaining Olympian options as at September 30, 2010:

	2010	2011	2012	Total
Cash	\$ -	\$ 35,000	\$ 25,000	\$ 60,000
Shares	-	175,000	150,000	325,000

## Writedown of Projects

Exploration costs relating to discontinued or impaired projects in the amounts of \$635,000 and \$715,000 were written off in the three and nine months ended September 30, 2010, respectively (2009 - \$18,000 and \$70,000). The amounts in 2010 primarily relate to the Triggs option referred to under the Olympian project.

## Flow-through Commitment

As at September 30, 2010, the Company had a remaining flow-through commitment outstanding for flow-through share financings in 2009 of approximately \$783,000 (2009 - \$341,000) after taking into consideration amounts included in accounts payable and accrued liabilities of \$301,000 (2009 - \$23,000). This commitment is required to be satisfied by December 31, 2010.

## 10. PROPERTY AND EQUIPMENT

	September 30, 2010	December 31, 2009
<b>Equipment</b>		
Cost	\$ 354	\$ 331
Accumulated Amortization	282	272
Net Book Value	\$ 72	\$ 59

## 11. LONG-TERM OBLIGATIONS

### Payable from acquisition of Campbell debt

The Company has an obligation under a long-term arrangement with respect to the acquisition of debt of Campbell (Note 7). The Company has to pay \$300,000 by April, 2013. The fair value of the amount, using a discount rate of 8%, is \$241,000. Nuinsco will accrete the value of the obligation by interest charges through operations until its payment.

### Loan

The Company repaid the loan and related balances outstanding as at December 31, 2009 in full on April 20, 2010 upon closing of the sale of Cameron Lake to Coventry as described in Note 1. The balance of unamortized loan fees was charged through operations upon repayment of the loan and is included in interest expense in the consolidated statement of operations.

### Asset retirement obligation

The Cameron Lake property was sold to Coventry on April 20, 2010 as described in Note 1 and the ARO was assumed by the purchaser at that time. Accordingly, the ARO was de-recognized upon sale of the property.

## 12. 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, 2009</b>	<b>230,935,509</b>	<b>\$</b>	<b>93,396</b>
Share issue costs for private placement <sup>(a)</sup>	-		(4)
Flow-through share renunciation <sup>(b)</sup>	-		(500)
Shares issued for option in exploration property <sup>(c)</sup>	625,000		38
Warrants exercised <sup>(d)</sup>	575		-
Shares issued pursuant to Share Bonus Plan <sup>(e)</sup>	1,871,600		121
<b>Balance as at September 30, 2010</b>	<b>233,432,684</b>	<b>\$</b>	<b>93,051</b>

- (a) In December, 2009, the Company issued 17,260,109 flow-through common shares at a price of \$0.09 per unit. The share issue costs relate to that placement.
- (b) In February, 2010, the Company renounced \$2,000,000 (February 2009 - \$2,090,000) in Canadian Exploration Expenditures to investors of flow-through shares in 2009 and 2008. The tax value of these renunciations amounted to \$500,000 (2009 - \$606,000) and has been recorded as a future tax liability and charged against share capital. Since the Company has a valuation allowance which reduces the future income tax assets, the valuation allowance was reduced and income tax recoveries were recognized in the consolidated statement of operations in the amount of \$500,000 (2009 - \$606,000).
- (c) In May, 2010, the Company issued 625,000 common shares with a fair value of \$38,000 pursuant to the option agreements entered into with respect to the Olympian property.
- (d) In May and August, 2010, a total of 575 common shares were issued upon the exercise of warrants for proceeds of \$57. This resulted in an increase in share capital of the amount of the proceeds plus the carrying value of the warrants exercised in the amount of \$13.
- (e) In May, 2010, the Company issued 1,871,600 common shares with a fair value of \$121,000 to employees and consultants as discretionary bonuses pursuant to the Company's Share Bonus Plan.

### Stock Options

A summary of options outstanding is as follows:

	Number of Options Outstanding		Average Exercise Price
<b>Outstanding as at December 31, 2009</b>	<b>15,985,000</b>	<b>\$</b>	<b>0.16</b>
Options granted	5,850,000	\$	0.08
Options expired	(3,525,000)	\$	0.13
<b>Balance as at September 30, 2010</b>	<b>18,310,000</b>	<b>\$</b>	<b>0.14</b>

The following table summarizes further information about the stock options outstanding at September 30, 2010:

<b>Range of Exercise Prices</b>	<b>Options Exercisable</b>	<b>Options Outstanding</b>	<b>Years to Expiry</b> <sup>(1)</sup>	<b>Exercise Price</b> <sup>(1)</sup>
\$0.030 - \$0.050	4,875,000	4,875,000	3.45	\$ 0.05
\$0.055 - \$0.055	1,125,000	1,150,000	4.87	\$ 0.06
\$0.060 - \$0.100	3,600,000	4,700,000	4.26	\$ 0.08
\$0.110 - \$0.150	1,350,000	1,350,000	2.17	\$ 0.14
\$0.160 - \$0.210	1,775,000	1,775,000	0.87	\$ 0.18
\$0.220 - \$0.260	2,175,000	2,175,000	3.31	\$ 0.25
\$0.270 - \$0.350	1,735,000	1,735,000	2.31	\$ 0.31
\$0.360 - \$0.488	550,000	550,000	1.32	\$ 0.47
	17,185,000	18,310,000	3.21	\$ 0.14

<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 three and nine months ended September 30, 2010 was \$0.039 and \$0.053 (2009 - \$0.037; all options were granted in the first quarter of 2009). A total of 5,850,000 options were granted during 2010 to employees, directors and consultants. Accordingly, compensation expense of \$87,000 and \$331,000 was recorded in the three and nine months ended September 30, 2010, compared with 5,575,000 options granted and vesting resulting in compensation expense of \$11,000 and \$201,000 for the comparative periods in 2009. Of the 18,310,000 options outstanding at September 30, 2010, 1,125,000 are subject to vesting in the next fiscal year. The aggregate fair value of these unvested options not yet charged to operations is \$17,000. The weighted average exercise price of fully-vested options at September 30, 2010 was \$0.14.

During 2010, the Company agreed to extend 850,000 options of a retiring director to their original expiry dates, such options would have otherwise expired 90 days after retirement. The extension was treated as a modification and an additional expense of \$27,000 was charged to operations.

The fair values of options granted and modified have been estimated at the date of grant or modification using the Black-Scholes option-pricing model, with the following assumptions:

<b>Option Assumptions</b>	<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
Dividend yield	-	-
Expected volatility	<b>100% to 104%</b>	110%
Risk free interest rate	<b>2.0 and 2.5%</b>	1.91% and 2.08%
Expected option term - years	<b>3.75 to 4.5</b>	4 and 5
Fair value per share of options granted	<b>\$0.037 to \$0.057</b>	\$0.024 and \$0.037

#### **Share Purchase Warrants**

The terms of the warrants outstanding as at September 30, 2010 are described in Note 12 to the 2009 Audited Consolidated Financial Statements; the following table includes transactions in the period ended September 30, 2010:

	<b>Date Issued</b>	<b>Expiry Date</b>	<b>Number of Warrants</b>	<b>Average Exercise Price</b>
Issued for services rendered	July 17, 2008	July 17, 2010	233,000	\$ 0.22
	September 10, 2008	September 10, 2010	100,000	\$ 0.20
Expired during the period			(333,000)	
Issued pursuant to rights offering	April 22, 2009	April 22, 2011	7,629,996	\$ 0.10
Exercised in the period			(575)	
Issued pursuant to flow-through shares issued	December 21, 2009	December 21, 2011	9,445,020	\$ 0.15
	December 31, 2009	December 31, 2011	185,000	\$ 0.15
<b>Balance as at September 30, 2010</b>			<b>17,259,441</b>	<b>\$ 0.13</b>

### 13. INCOME TAXES

The income tax amounts in the three and nine months ended September 30, 2010 are provisions of \$nil and \$797,000, respectively (2009 - \$nil and recovery of \$606,000), and relate to a provision for income taxes in 2010 due to the sale of Cameron Lake (a drawdown of a future income tax asset recorded in the fourth quarter of 2009) offset by flow-through share renunciations as described in Note 12.

A valuation allowance has been recorded in an amount equal to the full amount of the future income tax benefit, after deduction of the tax benefits which have been realized in the second quarter of 2010 due to the sale of Cameron Lake of \$1,297,000, as the likelihood of utilizing the remaining unused tax losses and other tax deductions cannot be determined at this time.

### 14. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated OCI is comprised of unrealized losses and gains on marketable securities that are classified as available for sale (Note 5).

Changes in the components of OCI are summarized as follows:

	Nine Months Ended September 30,	
	2010	2009
	(restated - Note 2)	
Accumulated OCI at beginning of period	\$ (617)	\$ (1,394)
OCI for the period representing the change in the fair value of financial assets available for sale	(22)	876
Reclassification through operations upon sale of marketable securities	215	(296)
Determination of change in the fair value as "other than temporary" and reclassification through operations (Note 5)	1	16
Accumulated OCI at end of period	\$ (423)	\$ (798)

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Accounts receivable, prepaid expenses and deposits	\$ (50)	\$ -	\$ (137)	\$ 74
Due from/to Victory Nickel Inc.	16	(5)	55	(10)
Accounts payable and accrued liabilities	(42)	(150)	(271)	(6)
	\$ (76)	\$ (155)	\$ (353)	\$ 58

### 16. TRANSACTIONS WITH RELATED PARTIES AND MANAGEMENT AGREEMENT

Included in accounts payable and accrued liabilities at September 30, 2010 are amounts owing to directors and officers of \$127,000 (December 31, 2009 - \$301,000). The amounts consist primarily of directors' fees and reimbursement of expenses incurred by officers and directors.

The Company shares management, administrative assistance and facilities with Victory Nickel pursuant to a management agreement. The costs recovered from Victory Nickel are recorded at the exchange amount which is equal to the cost to the Company of such services plus 10 per cent. The management agreement commenced February 1, 2007 and is terminable by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. Costs recovered from Victory Nickel in the three and nine months ended September 30, 2010 total \$192,000 and \$529,000 (2009 - \$148,000 and \$445,000) and have been deducted from general and administrative expenses. In addition, project-related costs aggregating \$4,000 and \$29,000 have been charged by the Company to Victory Nickel during the three and nine months ended September 30, 2010 (2009 - \$13,000 and \$47,000). Furthermore, project-related costs aggregating \$5,000 and \$19,000 have been charged to the Company by Victory Nickel and are included in exploration and development costs on the balance sheet (2009 - \$8,000 and \$16,000).



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

## 17. LEASE COMMITMENT

The Company is committed under the terms of operating leases for office premises to make minimum lease payments as follows:

	Minimum Lease Payments	
2010	\$	22
2011		61
2012		5
	\$	88

## 18. SUBSEQUENT EVENTS

Subsequent events not described elsewhere in these unaudited interim consolidated financial statements include the following:

### Financings

In October, 2010, the Company announced the closing of two private placements. The first was a non-brokered private placement of 10 million units at a price of \$0.05 per unit for gross proceeds of \$500,000. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 for a period of 24 months from closing of the private placement on October 4, 2010.

Nuinsco has paid a cash finder's fee of \$30,000 from the proceeds of the sale of the units and has issued an aggregate of 600,000 finder warrants, each such finder warrant entitling the holder thereof to purchase one common share at a price of \$0.10 for a period of 24 months from the closing of the private placement.

The second private placement of 7,142,857 units at a price of \$0.07 per unit was closed on a flow-through basis for gross proceeds of \$500,000. Each flow-through unit is comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the owner to purchase one common share of the Company at an exercise price of \$0.10 for a period of 12 months from closing of the private placement on October 4, 2010.

### Letter of guarantee

Subsequent to the end of the quarter, the Company has finalized a letter of guarantee to EMRA in the amount of US\$200,000 to support initial exploration activities on the Bukari project. The letter of guarantee is supported by an equal amount of cash and cash equivalents.



**NUINSCO RESOURCES LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2010**

**DATED NOVEMBER 8, 2010**

# **NUINSCO RESOURCES LIMITED**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010**

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or the "Company") prepared as of November 8, 2010 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2010, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2010 and 2009 ("Unaudited Interim Consolidated Financial Statements") and the audited consolidated financial statements as at and for the years ended December 31, 2009 and 2008 ("2009 Audited Consolidated Financial Statements") and the notes thereto. Readers are encouraged to consult the 2009 Audited Consolidated Financial Statements which were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and are available at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.nuinsco.ca](http://www.nuinsco.ca). All amounts disclosed are in Canadian dollars, unless otherwise stated. All tabular amounts are in thousands of Canadian dollars.

### **COMPANY OVERVIEW**

Nuinsco is focused on identifying and exploiting mineral investment opportunities worldwide using its exploration, operating and financial expertise. The Company currently has gold, uranium, rare metals, copper and zinc assets in world-class mineralized belts in Canada and Turkey and recently announced success, in conjunction with an Egyptian-based partner, in the bid process for two gold exploration concessions in Egypt. In addition to its property holdings, Nuinsco owns common shares of precious and base metals producer Gold Hawk Resources Inc. ("Gold Hawk") TSXV: GHK, common shares of Victory Nickel Inc. ("Victory Nickel") TSX:NI and common shares of Coventry Resources Limited ("Coventry") listed on the Australian Stock Exchange ("ASX") ASX:CVY. These investments are available to be monetized to finance the Company's exploration programs and minimize equity dilution to shareholders going forward. Shares of Nuinsco trade on the Toronto Stock Exchange ("TSX") under the symbol NWI.

The Unaudited Interim Consolidated Financial Statements have been prepared using Canadian GAAP applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. At September 30, 2010, the Company had working capital of \$3,707,000 (December 31, 2009 – \$2,696,000).

### **Sale of Cameron Lake Property to Coventry Resources Limited**

On December 23, 2009, the Company announced that it had entered into a binding agreement with Coventry to sell its Cameron Lake property and mill ("Cameron Lake"). The transaction was completed on April 20, 2010 and involved the receipt of consideration as follows:

- Cash of \$100,000 received in December 2009;
- Cash of \$5,900,000 received on April 20, 2010;
- 12 million Coventry shares, representing 17% of the then-outstanding shares of that company. Coventry shares had a closing price of A\$0.265 (\$0.247) on April 20, 2010; and
- A 3% net smelter return ("NSR") royalty under which Coventry will have the right to reduce the NSR to 1% at any time within five years of April 20, 2010 by making, at Coventry's option, either a cash payment of \$2 million or issuing additional Coventry shares with an equivalent market value. (See Note 8 to the Unaudited Interim Consolidated Financial Statements.)

The following table illustrates the components of the gain on sale of Cameron Lake:

<b>Consideration received</b>			
Cash		\$	6,000
Coventry shares			2,958
Royalty interest			3,000
<b>Aggregate consideration</b>			<u>11,958</u>
<b>Net book value of assets sold (liabilities assumed) and expenses of sale</b>			
Cameron Lake property	\$	1,796	
Mill		54	
Asset retirement obligation ("ARO") assumed		(114)	
		<u>1,736</u>	
Transaction expenses		114	
			<u>1,850</u>
<b>Gain on sale of Cameron Lake</b>			<u>10,108</u>
Provision for income taxes (drawdown of previously recorded future income tax asset)			1,297
<b>Net after-tax gain</b>		\$	<u><u>8,811</u></u>

The provision for income taxes was a non-cash item and offset the recovery for income taxes recognized in the fourth quarter of 2009. Upon completion of the sale of Cameron Lake, the Company repaid its interest-bearing promissory note along with accrued interest thereon. Refer to Liquidity and Capital Resources section.

#### Going Concern

The transaction described above has resulted in a company with an improved financial condition which should be well-positioned to grow and take advantage of future opportunities presented by its existing complement of properties or through acquisitive growth.

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

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

The Company has made significant progress in its strategy to maximize the realization of previously written-down amounts due from Campbell Resources Inc. ("Campbell"). In July, the Company announced that it, along with Ocean Partners Holdings Limited ("Ocean Partners"), through a jointly-owned Canadian subsidiary, had acquired substantially all of the remaining secured debt of Campbell that Nuinsco and Ocean Partners did not previously own. Nuinsco and Ocean Partners will make additional payments over three years to complete the purchase; the Company's payments are described in Note 7 to the Unaudited Interim Consolidated Financial Statements. As a result, the two companies now hold Campbell's secured debt and have effectively gained control over one of Canada's major mining camps.

The Company's Unaudited Interim Consolidated Financial Statements have been prepared using the going concern assumption. If the going concern assumption were not appropriate, then adjustments to the carrying values of assets and liabilities, reported expenses and balance sheet classifications may be necessary. These adjustments could be material.

## HIGHLIGHTS

During and subsequent to the nine months ended September 30, 2010, the Company:

### *Corporate*

- Completed the sale of Cameron Lake to a wholly-owned subsidiary of Coventry for aggregate consideration valued at approximately \$12,000,000 comprised of cash, Coventry shares and a 3% NSR.
- Acquired, along with Ocean Partners, substantially all of the remaining debt of Campbell, giving the two companies effective control of the Chibougamau mining camp.
- Signed a binding letter agreement to combine the Company with Gold Hawk. Gold Hawk subsequently served notice purporting to terminate the binding letter agreement without cause. The Company is continuing to pursue its legal remedies in light of Gold Hawk's actions.
- Appointed two new independent directors: Marvin Singer and Ed Guimaraes.
- Completed two private placements generating gross proceeds of approximately \$1,000,000 in October 2010.

### *Gold*

- Won, through Z-Gold Resources Limited, the Company's Egyptian subsidiary, its bid for two gold concessions in Egypt's highly prospective Eastern Desert.
- Optioned the Olympian gold project, a claim package in the Kenora region, which hosts numerous previously identified gold occurrences.
- Announced high-grade initial results from grab samples, grading up to 10.98 ounces per ton (341.81g/t) gold, from a mapping and prospecting program at the Olympian gold project.
- Completed diamond drilling to follow up on the sampling above.
- Finalized, through its Egyptian subsidiary Z-Gold Resources Limited, a concession agreement with the Egyptian Mineral Resources Authority ("EMRA") covering the Bukari gold concession area in Egypt.
- Began field exploration at the Bukari gold concession.
- Determined that exploration results at its Triggs option, part of the Olympian project, do not support continuing with that option.

### *Uranium and Rare Earths*

- Announced an Exploration Target Mineralization Inventory ("ETMI") at the Prairie Lake rare metals project totalling between 330 and 360 million tonnes averaging 3.5% to 3.7% phosphorous ("P<sub>2</sub>O<sub>5</sub>") and 0.12% to 0.14% niobium ("Nb<sub>2</sub>O<sub>5</sub>") (1.2 to 1.4kg/tonne), along with tantalum, uranium and rare earth elements.
- Added to the economic significance of Prairie Lake by announcing positive test results that confirm the ability to produce a concentrate, using low-cost flotation methods, grading up to 23.4% P<sub>2</sub>O<sub>5</sub> and 0.17%, or 1.7kg/tonne, Nb<sub>2</sub>O<sub>5</sub>.
- Began a large-scale trenching program totalling over 2km at Prairie Lake in an effort to increase the ETMI estimate referred to above.
- Completed the initial phase of 2010 exploration at the Diabase Peninsula uranium property as a precursor to diamond drilling later this year.
- Began a 3,000 metre drill program at Prairie Lake in November.
- Began a 2,000 metre drill program in November at the Diabase Peninsula project in the Athabasca Basin.

## OUTLOOK

Economies around the globe remain in a state of confusion. As a result the U.S. dollar continues to weaken and gold climbs making new highs on a regular basis. Base metal prices have recovered and appear to be holding at fairly attractive levels. Uranium pricing is also showing signs of recovery and rare earth element shortages are making headlines almost daily.

This can only be good for Nuinsco with its involvement in all of these minerals. Nuinsco is very active with exploration programs ongoing at its Diabase uranium project, its Prairie Lake carbonatite complex, its Olympian gold project in northwestern Ontario and its Egyptian concessions.

The value of these assets is starting to be recognized by the market as the share price has improved to reach \$0.24 per share from lows of \$0.04 per share in the last year.

Nuinsco is fortunate to have a variety of very attractive projects in world class locations and therefore can expect increased investment interest over the next year. While today's confused equity markets continue to reflect a significant disconnect between share price and asset value, we believe that this disconnect cannot continue to persist. The current lack of funding available for the exploration activities that are required to replace depleting resources and to fuel

growing demand for natural resources will result in a more extreme and accelerated recovery as the availability of advanced exploration projects disappears.

Unfortunately, financing exploration activities during recessionary times has always been difficult. Exploration is high-risk and investors are disinclined to participate in high-risk activities when cash is tight. The existence of flow-through equity financing in Canada is of vital importance to the exploration industry. It has allowed exploration to continue at unprecedented rates and has kept Canada as a world leader in mining.

Exploration companies must find creative ways to fund their activities. The sale of the Company's Cameron Lake gold project is an example of such funding and accomplished two very important objectives. The first objective was to secure funding to support the Company's ongoing exploration activities and secondly, to ensure that the Cameron Lake project will advance without subjecting the Company to the significant dilution that would have been necessary to finance the required start-up costs for the project. Over the last couple of years, management has attempted to find a non-dilutive transaction which would have maximized the value of Cameron Lake to its shareholders. The decision to sell the asset, while maintaining upside through the equity participation in the purchaser, Coventry, and retention of a royalty interest, was considered the best alternative.

Management will continue to look for high-potential projects to add to its already attractive portfolio. The recent property acquisitions in Egypt and the Olympian gold project options in Kenora are examples of these activities. We believe that Egypt and the surrounding region is the next attractive exploration frontier and we want to be there at the beginning. Unfortunately, recent exploration results on the Triggs option, part of the Olympian project, were not sufficiently attractive to support continuation with the project and, as a result, the Triggs option agreement will be terminated. Projects will only be worked when the Company believes in the potential for discovery in the near term.

Nuinsco continues to be active and currently has several field programs underway. Recent programs at the Olympian project and the Prairie Lake project are completed. Assay results were delayed due to problems encountered at the laboratory doing the analysis. This is not acceptable and the Company is looking for alternatives to resolve the issues. A diamond drill program has now commenced at each of the Diabase uranium project in the Athabasca basin of Saskatchewan and at the Prairie Lake rare metals project in north western Ontario. Furthermore, an initial surface sampling program is ongoing at the Bukari project in the eastern desert of Egypt.

More recently, the Company announced the acquisition of substantially all of the secured debt of Campbell not already owned in conjunction with Ocean Partners. With the ownership of substantially all of the secured debt, Nuinsco and Ocean Partners will now be in a position to determine the best approach to taking the substantial assets of the Chibougamau camp forward. The Company and Ocean Partners are presently assembling a comprehensive inventory and evaluation of the substantial assets available. Following this exercise, a decision will be made on the best alternative to realize value from these assets. Alternatives include: a potential sale in aggregate, piecemeal sale of individual assets, creating a new public company and distributing shares to shareholders and various other options. Management has always believed that the Chibougamau properties present extremely attractive exploration potential.

The Company intends to continue to be active within the constraints of the market.

## **RESULTS OF OPERATIONS**

### ***Three Months Ended September 30, 2010, Compared With Three Months Ended September 30, 2009***

In the three months ended September 30, 2010, the Company had a net loss of \$1,391,000, or \$0.01 per share, compared with net income of \$1,798,000, or \$0.01 per share, in the comparative period of 2009, as restated for the reclassification of a gain of \$333,000 on securities held for trading which had previously been included in other comprehensive income. The primary reasons for the change in results is from the gain on sale of Victory Nickel of \$1,360,000 combined with foreign exchange gains of \$493,000 and the gain on securities held for trading in 2009 which were all unusual items. Furthermore, the Company incurred losses on the sale of marketable securities made for liquidity purposes in 2010 of \$215,000 as well as incurring higher general and administrative costs. In addition, the Company recorded a loss on securities held for trading in the period of \$183,000 through operations and a writedown of exploration and development projects of \$635,000.

In July, 2010, the Company advanced \$366,000 to Victory Nickel on account of early payment for the exercise of warrants. The difference of \$33,000 between the exercise price and the cash advanced was recorded in revenue as loan fee.

General and administrative expenses increased in the period from \$193,000 in 2009 to \$313,000. Overhead recoveries through charges to Victory Nickel for services under the management agreement and deducted from operating expenses amounted to \$192,000 in the third quarter of 2010, compared with \$148,000 in 2009. Amounts charged to Victory Nickel are activity based. On average, activity was relatively comparable but allocated costs were higher. The increase in

recovery of costs is primarily a function of salary increases in 2010 combined with the effects of hiring a controller in early July. In 2009, salaries were held at the same base level as in 2008.

It is estimated that approximately \$115,000 of general and administrative expenditures were incurred on supporting the Company's public status in the three months ended September 30, 2010 (2009 - \$89,000). Such costs are non-discretionary and are weighted to the first half of a financial year. In 2009, the Company decided to eliminate the formal review process formerly performed by its auditors on its interim information as an additional way to conserve cash resources; this approach has continued in 2010.

Activity in 2009 was reduced to a minimal level. As the Company's financial position improved, it became more able to engage in additional initiatives. Accordingly, costs were incurred in the third quarter of 2010 to support such activity and are the major reason for the increase in general and administrative expenses. Specifically, legal and other costs supporting the Company's efforts to maximize its recoverable value from Campbell through such initiatives as purchasing debt have increased quarter over quarter. The Company shares costs related to Campbell with Ocean Partners on a 50:50 basis.

In 2010, the Company has unexpended amounts from flow-through financings completed in 2009 and has recorded Part XII.6 tax on such balances; in 2009, the Company had no such balances due.

In the third quarter of 2009, the Company settled its US-dollar-denominated loan balance of approximately US\$2.9 million with interest accrued at 12%. Due to a strengthening Canadian dollar, the Company incurred a net foreign exchange gain of \$493,000 in the third quarter of 2009, primarily due to the loan. The foreign exchange gain in the third quarter of 2010 was \$13,000; due to a combination of reduced US-dollar-denominated balances and lower exchange rates.

The Company incurred interest expense of \$181,000 on its US-dollar-denominated loan in the third quarter of 2009, which included amortization of loan fees pertaining to that loan as required under GAAP. The loan, along with accrued interest, was repaid in full on April 20, 2010 upon consummation of the sale of Cameron Lake and the remaining balance of unamortized loan fees of approximately \$121,000 was charged as interest expense through the statement of operations at that time. Refer also to the Liquidity and Capital Resources section below. The Company no longer has any significant long-term debt.

The Company's primary award of options to employees, directors and consultants occurred in the first quarters of 2010 and 2009. An additional 1,150,000 options were issued in the third quarter of 2010 (2009 – nil), primarily to new directors. Certain stock options issued to a retiring director which would otherwise have expired, were approved by the Board to retain their original terms. Accordingly, these were treated as a modification. The aggregate stock option expense associated with the vesting of options and option modifications in the third quarter was \$87,000 (2009 - \$11,000). There were no shares issued pursuant to the Share Bonus Plan in the quarter.

The Company determined that it would not proceed with the Triggs option, part of the Olympian project, as a result of unsatisfactory drill results received in November and accordingly recorded a writedown of \$606,000 on that option. Combined with general exploratory project writedowns, the aggregate writedown of exploration and development projects was \$635,000, compared with \$18,000 in the third quarter of 2009 where no unusual writedowns occurred.

In August, 2009, the Company acquired warrants in Victory Nickel with a strike price of \$0.12. Such warrants were exercised by the Company in September 2010. Accordingly, the fair value of the warrants previously recorded of \$133,000 was de-recognized and recorded through operations as a loss on securities held for trading. The common shares of Victory Nickel which were received upon exercise of the warrants are available for sale and, at the time of exercise, had a fair value below exercise price of \$50,000 which amount was also recorded as loss on securities held for trading. Any subsequent change in fair value of the Victory Nickel shares will be recorded through other comprehensive income (loss) ("OCI").

In 2009, other amounts related to the equity-accounted investee include a share of gain of \$21,000 in 2009 for Victory Nickel. The Company no longer has any investments in equity-accounted investees.

OCI recorded in the period was income of \$1,212,000 (2009 - loss of \$842,000 as restated for the reclassification of gain on securities held for trading of \$333,000 as referred to above). This represents the net changes in the market value of the Company's available-for-sale securities period-over-period. The Company's portfolio includes shares of Coventry, Gold Hawk and Victory Nickel. Approximately \$805,000 relates to the improvement in value of Coventry and the Australian dollar since the end of the second quarter, \$215,000 was transferred through operations as a result of sales of Gold Hawk with approximately \$234,000 being attributable to an improvement in the fair value of the Gold Hawk shares which continue to be held offset by a small decline of \$42,000 in the value of Victory Nickel shares, the holding of which increased due to the exercise of warrants. In the third quarter of 2009, OCI primarily arose from declines in the period of the fair value of Gold Hawk shares (\$598,000) and Victory Nickel shares (\$200,000).

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

Marketable securities have increased from \$2,099,000 as at December 31, 2009 to \$4,348,000 as at September 30, 2010. The increase is primarily as a result of the Coventry shares received as part of the consideration for the Cameron Lake sale. At the date of acquisition, the shares had an aggregate market value of \$2,958,000. By the end of September, the aggregate fair value had declined to \$2,740,000. The market value of the Gold Hawk shares was \$945,000 at the end of 2009 at a price per share of \$0.79 and improved to a price per share of \$1.27 by the end of September on a smaller portfolio of shares with market value of \$758,000. The Company disposed of 600,000 shares in the period for liquidity purposes generating gross proceeds of approximately \$684,000. The remaining balance comprises mainly shares of Victory Nickel which were acquired through the exercise of rights during 2009 at an aggregate cash cost of \$400,000 and through the exercise of warrants in 2010 as described earlier; the shares have a market value of \$849,000 as at the end of September, 2010, compared with \$800,000 at the end of December.

The Company has continued to record the changes in market value on Gold Hawk shares through OCI. Gold Hawk shares have been close to or above the Company's cost since the end of the quarter as a result of recent Gold Hawk announcements.

Nuinsco continues to pursue legal remedies to enforce the break fee to which it believes it is entitled, as set out in the binding offer to merge with Gold Hawk and to pursue other remedies, as a way to recoup expenditures and losses it has incurred as a result of Gold Hawk's purported cancellation of the merger agreement.

The interest in Campbell has increased by approximately \$1,966,000 from December 2009. As reported in the previous interim report, the Company, along with its partner with respect to Campbell matters, Ocean Partners has acquired substantially all of the debt they did not collectively already own. This has been completed through a jointly-controlled subsidiary company. The Company has paid \$1,525,000 in the nine months ended September 30, 2010 and has two scheduled payments outstanding; \$200,000 due within one year (included in accounts payable and accrued liabilities) and \$300,000 due by April 2013; recorded at a discounted value of \$241,000. The latter amount is included in other long-term liabilities. Refer to the Strategic Investments section for additional discussion.

The sale of Cameron Lake in April, 2010, has accounted for other significant changes in the consolidated balance sheets. For example, the exploration property held for sale has been derecognized. The consideration included a royalty interest in Cameron Lake with an estimated fair value of \$3,000,000. The future income tax asset was eliminated through recognition of a provision for income taxes on the sale. The ARO was also eliminated and the loan payable and related balances were repaid in full.

Share capital has reduced by approximately \$345,000. This is primarily as a result of the tax effect of the renunciation of flow-through expenditures in February, 2010 offset by shares issued for the Olympian option and those issued under the Company's Share Bonus Plan.

***Nine Months Ended September 30, 2010, Compared With Nine Months Ended September 30, 2009***

In the nine months ended September 30, 2010, the Company generated net income of \$6,464,000, or \$0.03 per share, compared with net income of \$1,247,000, or \$0.00 per share, in the nine months ended September 30, 2009. The primary reasons for the significant change relates to the gain on sale of Cameron Lake as described above.

The loss on sale of marketable securities in the nine months ended September 30, 2010 of \$215,000 relates to the sale of a portion of the Company's holdings of Gold Hawk for liquidity purposes; the sales generated gross proceeds of \$684,000. The gain on sale of marketable securities of \$296,000 in the nine months ended September 30, 2009 relates to the Rainy River Resources Inc. ("Rainy River Resources") share sale.

General and administrative expenses in the first nine months of 2010 increased from \$645,000 in 2009 to \$1,011,000 in 2010. Overhead recoveries through charges to Victory Nickel for services under the management agreement and deducted from operating expenses amounted to \$529,000 in the nine months ended September 30, 2010, compared with \$445,000 in the same period of 2009. Costs allocated to Victory Nickel pursuant to the management agreement between the Company and Victory Nickel are activity related. Such amounts are recorded at the exchange amount which is equal to the cost to the Company of such services plus 10%. The increase in costs is primarily a function of salary increases in 2010 as well as the hiring of a controller in early July. In 2009, salaries were held at the same base level as in 2008.

It is estimated that approximately \$430,000 of general and administrative expenditures were incurred on supporting the Company's public status in the nine months ended September 30, 2010 (2009 - \$337,000). The Company has continued to control its regular expenditures but improvements in the Company's financial position have facilitated spending on various initiatives considered essential to preserving asset values.



The main contributing factors to increases in general and administrative expenditures are: legal and other support costs for the preservation of recoverable value of the interest in Campbell, other legal costs including those related to the terminated acquisition of Gold Hawk, the effect of employment costs including: salary increases, new hire of controller in the third quarter and statutory benefits on the catch-up of directors' fees paid in 2010, Part XII.6 tax on unexpended flow-through amounts and increased costs to support investor relations activity.

The Company recognized a net foreign exchange gain of \$146,000 in the nine months ended September 30, 2010, primarily as a function of loan-related balances; there was a net foreign exchange gain of \$839,000 in the comparative period in 2009. As at September 30, 2010, the Company has US-denominated balances of approximately US\$475,000 in net liabilities; as at December 31, 2009 the Company had US-denominated net liabilities of approximately US\$3,514,000. Accordingly, the impact of US\$ foreign exchange fluctuations has been reduced. The Company also has a significant holding of marketable securities which are denominated in Australian dollars ("A\$"), A\$2,760,000 as at September 30, 2010. Consequently, fluctuations in the Australian dollar impact the fair value of the securities, any changes in which are recorded through OCI.

The Company incurred interest expense of \$218,000 on the loan in the nine months ended September 30, 2010 compared with \$879,000 in 2009. As noted above, the loan and related balances were repaid in full on April 20, 2010. Although the interest expense in 2010 reflects a charge of \$121,000 related to the unamortized balance of loan fees, the interest expense is much lower as a function of a reduced rate and lower loan balances across the comparative periods.

Stock option compensation across the periods increased by \$130,000 to \$331,000 in 2010 which is a function of higher fair value of options in 2010 compared with 2009, options issued to new directors as well as the cost to modify the terms of a retiring director's options which would otherwise have expired. The Company also issued shares under the Share Bonus Plan in the second quarter of 2010 as referred to above, at a cost of \$121,000.

Routine writedowns of exploration and development projects in the nine months ended September 30, 2010 aggregated \$109,000; combined with the writedown of the Triggs option of \$606,000 referred to above, aggregate writedowns amounted to \$715,000. In the same period of 2009, project writedowns of \$70,000 were made. The increase is from the Triggs option combined with higher activity on new project opportunities.

The gain on sale of Cameron Lake of \$10,108,000 has been described earlier. The loss on securities held for trading of \$403,000 relates primarily to the change in the fair value of Victory Nickel warrants prior to their exercise in the nine months ended September 30, 2010. In the nine months ended September 30, 2009, the gain reflects the difference between the fair value and the purchase cost of Victory Nickel shares acquired under the rights offering. This amount was reclassified from OCI in the fourth quarter of 2009. The warrants were not acquired until August 2009 and were not considered to have any fair value until the fourth quarter of 2009 when they first became "in-the-money".

The Company no longer has any equity-accounted investees. In 2009, the share of losses of equity-accounted investee was \$36,000 and related solely to the Company's investment in Victory Nickel. In addition, the Company recorded a dilution loss of \$322,000 in 2009 which related to the Company's share of Victory Nickel's flow-through renunciations through capital in the first quarter of 2009.

In the third quarter of 2009, the Company sold its interest in Victory Nickel except for certain rights from the rights offering completed in August of 2009. A gain on sale of \$1,360,000 was recorded. No such transaction occurred in 2010.

The Company renounced flow-through share expenditures in February of 2010 and 2009. Accordingly, income tax recoveries of \$500,000 and \$606,000 were recorded in 2010 and 2009, respectively, as the Company has recorded a full valuation allowance against its future income tax asset. The amounts are a function of the magnitude of the related flow-through share financings and the expected future income tax rates. The recovery in 2010 is offset against a provision for income taxes in the second quarter of \$1,297,000 against the sale of Cameron Lake – these net to a provision of \$797,000 for the nine months ended September 30, 2010.

OCI of \$194,000 in the nine months ended September 30, 2010 represents net increases in the market value of the Company's available-for-sale securities from December 31, 2009 or date of acquisition, net of amounts transferred through operations upon sale. The main component is the reduction in the value of Coventry shares of approximately \$218,000, as discussed earlier, along with a reduction in the value of Victory Nickel shares of \$301,000 offset by a recovery in the value of Gold Hawk shares by approximately \$713,000. Note that the fair value of Coventry shares is impacted by the fluctuation in the value of the A\$. Approximately \$100,000 of the OCI in the period is attributable to improvements in the A\$ since the acquisition of Coventry shares.

The components of the \$596,000 OCI in the nine months ended September 30, 2009, include the improvement in the market value of Gold Hawk shares of approximately \$796,000 partially offset by the decrease in market value of the Victory Nickel shares acquired pursuant to the exercise of rights amounting to \$200,000.

## SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eleven quarters ended September 30, 2010 is as follows:

<u>Fiscal year 2010</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		\$ (182)	\$ 1	\$ 1
Net (loss) income		\$ (1,391) <sup>(1)</sup>	\$ 8,060 <sup>(3)</sup>	\$ (205) <sup>(5)</sup>
Other comprehensive income (loss)		\$ 1,212 <sup>(2)</sup>	\$ (1,130) <sup>(4)</sup>	\$ 112
(Loss) income per share - basic and diluted		\$ (0.01)	\$ 0.03	\$ (0.00)
<u>Fiscal year 2009</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> <sup>(7)</sup>		
Revenue and other income	\$ (46)	\$ -	\$ 297	\$ -
Net income (loss)	\$ 429 <sup>(6)</sup>	\$ 1,798 <sup>(8)</sup>	\$ 194 <sup>(9)</sup>	\$ (745) <sup>(10)</sup>
Other comprehensive income (loss)	\$ 181	\$ (842)	\$ 557	\$ 881
Income (loss) per share - basic and diluted	\$ 0.00	\$ 0.01	\$ 0.00	\$ (0.00)
<u>Fiscal year 2008</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>
Revenue and other income	\$ 631 <sup>(11)</sup>	\$ 368	\$ 519	\$ 253
(Loss) net income	\$ (13,173) <sup>(12)</sup>	\$ (2,930) <sup>(13)</sup>	\$ (196)	\$ 507 <sup>(14)</sup>
Other comprehensive (loss) income	\$ (786)	\$ (1,522)	\$ (216)	\$ 230
(Loss) income per share - basic and diluted	\$ (0.07)	\$ (0.02)	\$ (0.00)	\$ 0.00

- (1) Includes a loss on sale of marketable securities of \$215,000, writedown of exploration and development projects of \$635,000, primarily related to the Triggs option, as well as a loss on securities held for trading of \$183,000.
- (2) Includes improvements in the fair values of Coventry and Gold Hawk securities of \$805,000 and \$234,000, respectively.
- (3) Reflects a gross gain on the sale of Cameron Lake of \$10,108,000 partially offset by a non-cash future income tax provision of \$1,297,000.
- (4) Includes a decrease in the fair value of Coventry from the date of acquisition of \$1,023,000.
- (5) Includes the tax effect of renunciation of flow-through expenditures in February 2010 of \$500,000.
- (6) Includes recognition of a future income tax recovery of \$1,297,000 related to tax benefits that were expected to be realized upon the closing of the sale of Cameron Lake to Coventry in April 2010.
- (7) Restated in the fourth quarter to include a gain on derivative of \$333,000 in net income which had previously been included in other comprehensive income.
- (8) Includes \$1,360,000 gain on sale of Victory Nickel as well as \$493,000 foreign exchange gain primarily on the Company's loan-related balances.
- (9) Includes \$538,000 net foreign exchange gain primarily on the Company's loan payable as well as \$296,000 gain on sale of Rainy River Resources shares.
- (10) Includes \$606,000 of income tax recoveries on flow-through share renunciations offset by a dilution loss of \$322,000 on the share of Victory Nickel's flow-through share renunciations.
- (11) Includes \$630,000 for the sale of the Rainy River Resources royalty received in cash and shares.
- (12) Includes \$3,785,000 writedown for unrealized loss on investment in Victory Nickel and \$7,923,000 provision for writedown of amounts owing by Campbell.
- (13) Includes \$3,512,000 of losses related to Campbell partly offset by a dilution gain of \$1,097,000 on Victory Nickel as a result of financings.
- (14) Restated in 2008 to include a dilution loss on the share of Victory Nickel's flow-through share renunciations.

Variations in the quarterly results of operations are largely a function of the timing of property and other writedowns, gains on sales of marketable securities or properties, tax recoveries or provisions and the recording of losses of equity-accounted investees and dilution gains and losses therein. Variations in comprehensive income are primarily a function of the changes in the fair values of the Company's available-for-sale securities.

## LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2010, the Company had working capital of \$3,707,000 (December 31, 2009 - \$2,696,000).

The significant improvement is as a result of the Cameron Lake sale which closed in April 2010. The Company repaid its loan from cash proceeds of \$5,900,000 (\$100,000 was received in 2009) and received marketable securities of Coventry with a closing-date fair value of approximately \$3,000,000. The sale also facilitated the removal of encumbrances over the Gold Hawk shares and enabled the Company (along with Ocean Partners, its partner with respect to Campbell matters) to acquire the secured debt of Campbell which they did not previously own.

The Company decreased its cash position in the nine months ended September 30, 2010 by \$1,081,000, compared with cash used of \$546,000 during the first nine months of 2009.

In the nine months ended September 30, 2010, the Company used cash of \$1,363,000 in operating activities, compared with the use of cash totalling \$525,000 in 2009. The Company has no recurring sources of revenue and no regular operations and the change in non-cash working capital in the nine months ended September 30, 2010 was a use of \$353,000 compared with a source of \$58,000 in 2009. The main reason for the change in non-cash working capital relates to changes in accounts payable and accruals and receivables.

The non-routine nature of the Company's transactions is further highlighted by the fact that the most significant elements of the change in operating activities are non-recurring items such as gains on sales of marketable securities and projects, writedown of exploration and development projects, interest capitalization, tax recoveries on renunciation of flow-through expenditures and loan-related items. In the nine months ended September 30, 2010, by far the most significant transactions related to the Cameron Lake sale. The gross gain on sale was \$10,108,000. The gains and losses on securities held for trading relate to the warrants and shares of Victory Nickel acquired pursuant to the rights offering; the warrants were exercised in September 2010 as described earlier therefore the Company no longer holds any securities held for trading, any changes in fair value of which are accounted for through operations. Accordingly, unless circumstances change, there should be no further fair value changes through operations causing volatility in the Company's results.

Cash used by financing activities was \$2,976,000 in 2010 compared with cash used of \$2,076,000 in 2009. To September 30, 2010, there have been no issuances of shares for cash, compared with \$1,003,000 in 2009. In 2009, there were \$5,915,000 in repayments on the bridge loan and the then new two-year facility was entered into for net proceeds of \$2,836,000, whereas the loan and related balances were repaid in full on April 20, 2010 upon receipt of funds from the Cameron Lake sale. The Company is now debt-free and has no significant encumbrances over its assets. The only other long-term payable is the \$300,000 due in April 2013 with respect to the acquisition of debt of Campbell (recorded at a discounted value of \$241,000).

Despite the improvement in financial position, management is continuing to actively pursue additional ways to realize on the potential of its assets or secure financing in order to provide funds for operations and continue its return to active exploration in Canada and elsewhere. In October, 2010, the Company announced the closing of two private placements each raising gross proceeds of approximately \$500,000. One financing was issued on a flow-through basis to progress Canadian exploration projects and the other was on a "hard-dollar" basis for the Company's foreign projects in Turkey and Egypt. The terms of the financings are described in Note 18 to the Unaudited Interim Consolidated Financial Statements.

Investing activities in the first nine months of 2010 provided funds of \$3,258,000, compared with providing funds of \$2,055,000 in the same period of 2009. Aggregate payments of \$1,525,000 were made by the Company with respect to Campbell debt acquisition. This amount includes deposits reported previously made as a good faith gesture behind the confidential bid process for Campbell's assets in conjunction with Ocean Partners. The Company, along with Ocean Partners, through a jointly-controlled Canadian subsidiary, has acquired substantially all of the remaining secured debt of Campbell that Nuinsco and Ocean Partners did not previously own. Nuinsco will make a further payment of \$200,000 by April 2011 (which is included in accounts payable and accrued liabilities) and \$300,000 by April 2013 (which is included in long-term liabilities at a fair value of \$241,000 using a discount rate of 8%). As a result, the two companies have effectively gained control over a significant Canadian mining camp. The Chibougamau mining camp in Québec historically has produced over 40 million tonnes of ore, 3 million ounces of gold and 1.5 billion pounds of copper.

As discussed in the Outlook, there are several alternatives available to Nuinsco and Ocean Partners, once the courts have completed the CCAA proceedings and ownership of assets is transferred to Nuinsco and Ocean Partners.

Expenditures on exploration and development projects amounted to \$1,429,000 in 2010 compared with \$705,000 in 2009. Refer to the Exploration and Development Activities section for additional discussion.

In 2010, the Company received the remaining cash proceeds from the sale of Cameron Lake totalling \$5,900,000 (\$100,000 had been received in December of 2009). In 2010, \$684,000 gross proceeds on sale of Gold Hawk shares were received; the Company presently owns 596,800 shares of Gold Hawk. In 2009, \$426,000 in proceeds was generated from the sale of Rainy River Resources shares.

The purchase of marketable securities used funds of \$366,000 in 2010 and \$400,000 in 2009. In the prior period, the funds were used to exercise the rights which the Company had retained from its prior ownership of Victory Nickel. In 2010, the purchase represented the cash cost of exercising the warrants which were acquired in 2009 along with Victory Nickel shares. The Company currently owns 8,493,715 shares of Victory Nickel. The portfolio also includes 12,000,000 shares of Coventry which, as at filing date, are no longer subject to any hold periods and are available for sale.

At September 30, 2010, the Company had an outstanding flow-through expenditure commitment of \$783,000 after taking into account \$301,000 in accounts payable and accrued liabilities. This commitment will be fulfilled through expenditures on the Diabase and Prairie Lake projects as announced in October 2010.

In 2011, upon ratification of the production sharing agreement by the Egyptian Government, Nuinsco will have a commitment of US\$2,000,000 of expenditures in the first year of exploration on the Bukari concession. The Company is actively considering financing alternatives for this commitment. The maintenance of the options under the Olympian project requires future cash payments as well as share issuances; these are outlined in Note 9 to the Unaudited Interim Consolidated Financial Statements. There was a cash payment required and made of \$25,000 in October related to the Triggs option. This was made before the decision to abandon the option was made and will be written off in the fourth quarter. Future payments of \$500,000 along with 1,500,000 shares to maintain the Triggs option will no longer be required.

Nuinsco does not own asset-backed commercial paper. The Company has a corporate policy of investing its available cash in cash equivalents comprising Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise approved by the Board. The portfolio of marketable securities is available to fund the Company's activities.

As described above, exploration and development companies such as Nuinsco are heavily reliant upon the equity markets to fund their activities as they typically have no short-term sources of revenue other than through monetization of assets. Opportunities available to Nuinsco for financing would normally be through private placements in the equity markets. However, today's equity markets continue to make this alternative difficult if not impossible without incurring significant dilution to existing shareholders. The Company completed a rights offering in 2009, closed two flow-through share financings in 2009, sold the Cameron Lake property in April 2010 and has closed two financings in October 2010 generating approximately \$1,000,000 in gross proceeds. However, additional financings will be required to properly exploit the Company's Canadian and foreign assets. The Company will consider all alternatives given appropriate pricing and other market conditions. Such alternatives could include earn-in options with third parties, other partnership arrangements, corporate transactions and further sales of marketable securities or project assets.

The Company's estimated monthly commitments, net of recoveries from Victory Nickel for ongoing administrative support, are approximately \$100,000. The Company's working capital requirements continue to be modest. At September 30, 2010, the major routine item requiring financing was an HST receivable of \$35,000 which averaged approximately \$15,000 per quarter in 2009 – although this is activity-related and has increased with higher Canadian-based expenditures and the HST which came into force on July 1, 2010. We estimate that approximately \$700,000 is required on an ongoing annual basis to support the Company as a public entity. Although such costs were reduced significantly to a "bare bones" level in 2009, this would not be recommended as a sustainable measure. Such expenditures are not eligible for flow-through funding and must be financed through other means.

Given its current cash and marketable securities position with no significant debt, the Company is in a relatively strong financial position. The Company will continue to make expenditures on Canadian exploration activities to fulfil flow-through commitments and will seek partners on certain Canadian projects where significant funding would be required for proper exploration programming. Partners are also being sought for certain of the Company's projects.

As mentioned above, the Company, along with Ocean Partners, has considerably advanced the prospects of realizing value from the Campbell assets. Nuinsco and Ocean Partners hold substantially all of the secured debt of Campbell and are in a position to execute the security in order to restructure the assets in the manner most advantageous for our shareholders and put the unencumbered assets into a vehicle to realize on the assets or to facilitate future financing to enable the exploitation of the Chibougamau camp. Nuinsco and Ocean Partners are exploring several alternatives.

Measures which were implemented to control costs in 2009 remain in place as described above to ensure the Company remains viable and exploits its assets at an appropriate level until market conditions further improve in the junior resource sector.

## **EXPLORATION AND DEVELOPMENT ACTIVITIES**

In the nine months ended September 30, 2010, the Company incurred exploration and development costs of \$1,595,000 on its mineral interests, compared with \$379,000 in 2009. Expenditures were significantly lower in 2009 due to the general economic and financing environment experienced during that period. The most significant expenditures in 2010 were on the Olympian Project in the amount of \$638,000 which included a combination of cash and shares.

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

A synopsis of the Company’s properties follows; complete details of the mineral properties are available on the Company’s website at [www.nuinsco.ca](http://www.nuinsco.ca).

## **GOLD**

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

Cameron Lake was sold effective April 20, 2010. Refer to Note 8 to the 2009 Audited Consolidated Financial Statements for a description of this project.

### **Egypt**

In February, 2010, the Company announced that it had been successful, along with its Egyptian partner, in the bid process for gold exploration concession areas in Egypt. The receipt of final title is subject to initially negotiating suitable production sharing agreements (the “Agreements”) with the government of Egypt through EMRA. Negotiations have now produced a combined English-Arabic version of the Agreement for the Bukari concession that will be reviewed by the State Council before being passed on to the Egyptian Parliament for approval. At that time, formal title will be granted to Z-Gold Resources Limited, Nuinsco’s Egyptian subsidiary. Among other terms, the Agreement will set out the rights and responsibilities of the Company and EMRA, tax implications (as a result of the provisions of the Agreement, no tax is incurred on activities related to the concession areas), terms of production sharing and cost recovery. The Bukari agreement is expected to form the basis of the agreement for Umm Samra, the second concession.

### **Olympian Project Option**

In March, 2010, the Company announced that it had optioned a claim package hosting significant, high-grade, gold occurrences collectively referred to as the “Olympian Project”. The property consists of 18 mining claims and three patented mining claims totalling 14.05 km<sup>2</sup> in Ontario’s Lake of the Woods region. The claims were assembled through four option agreements with consideration aggregating cash of \$705,000 and 2,450,000 common shares of the Company payable through 2012.

A work program commenced during the winter of 2010. To date, grid control has been established over the main surface exposures and ground geophysics have been conducted (magnetic induced polarization surveys). Trenching, mapping and prospecting have also been undertaken on the gridded area. The Company received the results of a 1,164m diamond drilling program targeting both geology and geophysics in November. At that time, the Company determined that it would not continue with the Triggs option agreement and one of the optioned properties will be returned to its owners. Future option payments required for the Olympian project have reduced accordingly, refer to Note 9 of the Unaudited Interim Consolidated Financial Statements.

## **URANIUM AND RARE METALS**

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

Nuinsco’s Diabase Peninsula uranium project is located 150km northwest of La Ronge, Saskatchewan on the Athabasca Basin; the region that hosts the world’s richest uranium mines. The 21,900-hectare (“ha”) property is a joint venture with Trend Mining Company of Denver (“Trend”) whose interest approximates 13%. Should a participant’s interest drop below 10%, that participant will relinquish its entire participating interest and will have the right to receive a royalty equal to 3% of the net value of all mineral products produced from the property; net value is defined as proceeds less processing and treatment charges, transportation costs, sales, marketing and brokerage costs and taxes. If the project progresses to a development stage before its interest drops below 10% as described above, Trend has a one-time 50% back-in right upon reimbursing Nuinsco for 140% of its total expenditures to that date.

No new field work was conducted at Diabase Peninsula in 2009. A gravity survey and geochemical sampling were conducted during the winter of 2010 in order to expand upon existing coverage over portions of the property. Based

upon the results of previous exploration, a diamond drilling program was developed to assess anomalous results. Following receipt of a work permit, a diamond drill was mobilized to the project in early November.

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

Prairie Lake, located near Marathon, Ontario, hosts a near-surface historic (non-NI-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. In the second quarter of 2007, 1,878m of drilling was undertaken 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).

The property is subject to a 2% NSR payable on any production from any claim that comprises the property. Up to a maximum of one half of the royalty can be purchased for \$1,000,000 in either cash or common shares of the Company.

On January 13, 2010, the Company announced the results of an ETMI that demonstrated the presence of between 330 million and 360 million tonnes averaging 3.5% to 3.7% P<sub>2</sub>O<sub>5</sub> and 0.12% to 0.14% Nb<sub>2</sub>O<sub>5</sub>. The surface area used for the ETMI covers just 12% of the total project surface area.

A substantial backhoe trenching program commenced in June 2010 wherein up to 2km of trenches were excavated, mainly in parts of the Prairie Lake complex that to date have seen little systematic sampling. More than 1,000 samples were collected from the trenches and will be analyzed for a suite of elements of economic interest in the complex including phosphorus, tantalum, niobium, uranium and rare metals. Results of the trenching program are pending but the Company has announced that it has commenced a minimum 3,000m drilling program in November 2010.

### **Marijane and Huston Lakes Property**

In 2009, the Company determined that the results to date on this exploration property did not support further expenditures and accordingly, decided to writedown the property to \$nil. The Company has advised Temex that it will not complete its commitment to earn the 50% undivided interest in the property.

## **COPPER AND ZINC**

### **Turkish Properties**

Nuinsco has two properties in northeastern Turkey: the Berta copper project and the Elmalaan copper-zinc project. Berta is a 50:50 joint venture with Xstrata Copper Canada ("Xstrata"), one of the commodity business units within Xstrata plc. Exploration began at Berta in 2004. The Company completed its 100% earn-in at Elmalaan in 2007 subject to Xstrata's back-in right to reacquire a 50% interest. Xstrata's 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 is entitled to acquire a further 20% interest in the property by incurring an additional US\$20,000,000 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\$1,000,000. Under the terms of the joint venture agreement, Xstrata is the operator.

At Berta during 2007, 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 occurred over the entire 771.5m length of Hole SD-07-08, which was drilled adjacent to the interpreted Berta copper porphyry system and ended in mineralization.

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

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

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

Nuinsco presently owes Xstrata approximately \$482,000, which is included in accounts payable and accrued liabilities in the consolidated balance sheet at September 30, 2010, for its share of expenditures on Berta. Discussions with Xstrata have been ongoing and the Company plans to pay its share of expenditures in the near future. Discussions are also being held to buy Xstrata's share of the joint venture in return for a work commitment.

Elmalaan, covering 947ha, is located 6km 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 second quarter of 2007 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 10.10m between 98.90-109.0m; between 102.6-103.2m, zinc values peaked at 9.25%, gold at 2.85g/t and silver at 211g/t. With completion of its earn-in, the Company is in the process of transferring ownership of the Elmalaan property to a wholly-owned Turkish subsidiary and is awaiting the necessary documentation from Noranda Madencilik (the Xstrata subsidiary that currently holds the licence).

## **INVESTMENTS**

### **Interest in Campbell**

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

Campbell experienced significant financial difficulties resulting from production delays, falling metal prices and the inability to obtain financing and in January, 2009 Campbell announced that it had re-entered CCAA protection.

Pursuant to the acquisition of substantially all of the remaining secured debt of Campbell by Ocean Partners and Nuinsco as described above, the Company and Ocean Partners are now in a position to exercise the security over all of Campbell's assets and to realize upon the value of the Chibougamau mining camp.

Campbell had an arrangement with the Société de développement de la Baie-James ("SDBJ") with respect to funding any environmental restoration. Ocean Partners and Nuinsco are discussing an arrangement with the SDBJ to satisfy future environmental requirements.

### **Gold Hawk Resources Inc.**

In July, 2008, the Company acquired 1,196,800 shares (post-consolidation) in Gold Hawk, an approximate 13% interest, with a view to a possible combination of Gold Hawk's mine with Cameron Lake. Gold Hawk has since sold its mine therefore the Company's ownership of Gold Hawk is no longer considered strategic and will be sold.

### **Victory Nickel Inc.**

As described in the Company's 2009 Annual Management's Discussion and Analysis ("2009 MD&A"), the approximate 15% interest in Victory Nickel which the Company then owned was sold effective July 31, 2009. Additional information on Victory Nickel's Minago, Lynn Lake and Mel projects in Manitoba and Lac Rocher project in Québec can be obtained from Nuinsco's previous financial reports and regulatory filings and directly from Victory Nickel at [www.victorynickel.ca](http://www.victorynickel.ca). The Company presently owns an approximate 2% interest in the shares of Victory Nickel which are held as marketable securities.

### **Coventry Resources Limited**

Pursuant to the sale of Cameron Lake, Nuinsco now owns 12,000,000 shares in Coventry (an approximate 9.4% interest) as well as a 3% NSR royalty over future production from the property. By selling the asset but retaining an interest in Coventry, as well as the royalty, Nuinsco is able to participate in any upside potential of the Cameron Lake property without having to finance additional exploration or the development of the mine. It is focussed on acquiring, finding and developing high-quality gold assets in the Superior Province in eastern Canada. Coventry is based in Perth, Western Australia and one of its principal assets is the 100% interest in Cameron Lake. It also has interests in the Ardeen Gold Project in Northern Ontario.

## **IMPAIRMENT ANALYSIS UPDATE**

While the metals markets and other general economic factors improved in 2009, the Company performed a detailed impairment analysis on each of its exploration and development projects as at December 31, 2009. The Company does not believe that there have been any material changes to date which would adversely affect this analysis. Furthermore there has been no change in management's plans for the projects which would cause a reassessment with the exception of the Marijane and Huston Lake property which was written down to \$nil effective December 31, 2009 and the Triggs option, part of the Olympian project, which was also written down to \$nil effective September 30, 2010 as discussed above.

Management concluded that no impairment existed in each of its other projects effective September 30, 2010 and that costs incurred to date are recoverable. The Company will continue to monitor developments as they occur in the metals markets and the economy and will update its impairment analysis to take account of any such changes, as appropriate.

## **CRITICAL ACCOUNTING ESTIMATES**

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of the recoverable value of its exploration and development projects, assessing the fair value of the royalty interest, assessing the impairment of long-lived assets and the fair value estimates for stock options and warrants and assessing the value of future income tax assets and valuation reserves. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. The Company's financial statements have been prepared using the going concern assumption; reference should be made to Note 1 to the Company's 2009 Audited Consolidated Financial Statements as well as to Note 1 to the Unaudited Interim Consolidated Financial Statements.

For a complete list of the significant accounting policies as well as information concerning the use of estimates and measurement uncertainty, reference should be made to Notes 2 and 3 of the Company's 2009 Audited Consolidated Financial Statements and the updates reflected in the notes to the Unaudited Interim Consolidated Financial Statements.

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

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

## **NEW ACCOUNTING POLICIES**

The volume of accounting pronouncements being introduced by The Canadian Institute of Chartered Accountants ("CICA") applicable to the Company has reduced significantly pending the transition to International Financial Reporting Standards ("IFRS").

There have been no new accounting policies adopted in the Unaudited Interim Consolidated Financial Statements.

## **FUTURE ACCOUNTING CHANGES**

### **International Financial Reporting Standards**

#### ***Overview***

The Company is continuing to review and implement the requirements of IFRS. Senior financial management has attended training courses on IFRS designed to be industry-specific. The Company will be required to produce IFRS-compliant financial statements for the quarter ended March 31, 2011 which will include the applicable disclosures and information for the comparative 2010 period. The Company has hired additional accounting staff to assist with the conversion to IFRS among other things and has continued to add literature to its expanding source material on IFRS.

#### ***Project Plan***

The Company's project plan is summarized in the 2009 MD&A. No major changes have been made to the project plan or timelines with the exception that the IASB has not released the final documentation on accounting for joint venture arrangements with third parties. Consequently, the Company is not able to determine its accounting policy or to assess the impact of any differences between Canadian GAAP and IFRS for joint ventures.

#### ***Status of Project***

The Company has completed Phase 1 of its IFRS transition and has made significant progress with Phase 2. No major IT improvements are required unless the Company makes a significant capital acquisition, secures significant financing and moves ahead towards production on a major project. In that case, it may need to upgrade accounting systems and make additional accounting policy selections. The Company has determined that, given the nature of its business and investors, its main communication tool for IFRS matters will be through the MD&A.

The Company's internal controls over financial reporting and disclosure are facilitated by the small size but hands-on involvement of senior management. The addition of staff has strengthened segregation of duties as well as improving the Company's review processes over financial information including that developed under IFRS.



The Company has developed financial statement templates complete with face financial statements, accounting policies, note disclosures and a transitional opening balance sheet complete with explanatory notes. This template contains disclosures expected to fulfil typical disclosure requirements of annual financial statements under IFRS. The Company's first financial statement under IFRS will be the quarter ended March 31, 2011, and will contain expected disclosures required under annual reporting, since the annual financial statements for the year ended December 31, 2010 will be based on the predecessor Canadian GAAP and the conventional note to the reader to refer to prior annual statements will not be adequate under IFRS. From this base, the Company is developing ongoing interim financial reporting templates using the guidance in IAS 34. Management has noted recent general correspondence to certain junior resource companies by the regulators and confirm that the Company's project takes into account the key areas cited therein. The Company has also noted the 30-day extension available to first-time IFRS adopters for filing the March 31, 2011 interim financial statements. Furthermore, the Company has commenced preliminary discussions with advisors for them to perform sufficient work in order to ensure completeness and accuracy of the interim and annual financial statement templates, note disclosures and transitional opening balance sheet under IFRS.

All of the IFRS work has been carried out primarily on a "business as usual" basis; should there be any significant future transactions or other changes requiring accounting policy choices, such choices will be made with IFRS transition in mind in order to manage differences until full conversion is achieved. The main focus to date continues to be on qualitative matters with little work so far on quantitative differences. As previously reported, the potential exists for volatility in the income statement with respect to accounting for impairment under IFRS and this is expected to represent the main quantitative difference under IFRS. However, no calculations under IFRS rules have yet been made.

The Company believes that it is well-positioned to meet the transition to IFRS.

## **CORPORATE GOVERNANCE**

The Company's Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee, which is comprised of directors, none of whom are employees or officers of the Company, meets with management to review the unaudited interim consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the directors who approve the unaudited interim consolidated financial statements. The Board of Directors has also appointed compensation and corporate governance and nominating committees composed of non-executive directors.

### **Design of Disclosure Controls and Procedures**

The Company's Chief Executive Officer and Chief Financial Officer, (collectively, the "Certifying Officers"), are responsible for designing a system of disclosure controls and procedures, or causing them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed in reports filed with or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and that material information relating to the Company is made known to them with respect to financial and operational conditions to allow timely decisions regarding required disclosure. For the fiscal quarter ended September 30, 2010, the Certifying Officers have concluded that the design of the Company's disclosure controls and procedures were effective as at September 30, 2010. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

There were no changes to the Company's disclosure controls and procedures that occurred during the quarter ended September 30, 2010 that materially affected, or are reasonably likely to affect, the Company's disclosure controls and procedures.

### **Design of Internal Control over Financial Reporting**

The Company's Certifying Officers are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company used the COSO control framework. For the fiscal quarter ended September 30, 2010, the Certifying Officers have concluded that the design of the Company's internal controls over financial reporting and procedures were effective as at September 30, 2010.

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 controls over financial reporting that occurred during the quarter ended September 30, 2010 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

## **RELATED PARTY TRANSACTIONS AND MANAGEMENT AGREEMENT**

Included in accounts payable and accrued liabilities at September 30, 2010 are amounts owing to directors and officers of \$127,000 (December 31, 2009 - \$301,000). The amounts consist primarily of directors' fees and reimbursement of expenses incurred by officers and directors.

The Company shares management, administrative assistance and facilities with Victory Nickel pursuant to a management agreement. The costs recovered from Victory Nickel are recorded at the exchange amount which is equal to the cost to the Company of such services plus 10 per cent. The management agreement commenced February 1, 2007 and is terminable by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. Costs recovered from Victory Nickel in the three and nine months ended September 30, 2010 total \$192,000 and \$529,000 (2009 - \$148,000 and \$445,000) and have been deducted from general and administrative expenses. In addition, project-related costs aggregating \$4,000 and \$29,000 have been charged by the Company to Victory Nickel during the three and nine months ended September 30, 2010 (2009 - \$13,000 and \$47,000). Furthermore, project-related costs aggregating \$5,000 and \$19,000 have been charged to the Company by Victory Nickel and are included in exploration and development costs on the balance sheet (2009 - \$8,000 and \$16,000).

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

## **OUTSTANDING SHARE DATA**

At September 30, 2010, the Company had 233,432,684 common shares outstanding. At November 8, 2010, the Company had 250,584,291 common shares issued and outstanding. In addition, there were 18,310,000 stock options outstanding at November 8, 2010 as well as 26,422,119 warrants, which if exercised and issued would bring the fully diluted issued common shares to a total of 295,316,410 and would generate approximately \$5,688,000, excluding the effects of the aggregate \$1,000,000 in financing received in October.

## **RISKS AND UNCERTAINTIES**

The exploration and development of natural resources are speculative activities that involve a high degree of financial risk. The risk factors which should be taken into account in assessing Nuinsco's activities and an investment in its securities include, but are not necessarily limited to, those set out in detail in the Company's 2009 MD&A. A summary is provided below.

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

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

### **Industry Risks**

#### ***Speculative Nature of Mineral Exploration***

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

#### ***Development Projects***

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

### ***Competition***

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

### **Operational Risks**

#### ***Limited History of Operations***

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

#### ***Development Targets, Permitting and Operational Delays***

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

#### ***Resources, Reserves and Production***

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

#### ***Title Risks***

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

#### ***Insurance Risk***

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

### **Financial and Investment Risks**

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

Nuinsco will have to make substantial capital expenditures for the development of and to achieve production from the projects. There can be no assurance that any debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Nuinsco. Moreover, future activities may require Nuinsco to alter its capitalization significantly. The inability of Nuinsco to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. Flow-through financing cannot be used to fund the Company's corporate costs.

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

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

#### ***Metal Prices***

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

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

Nuinsco's common shares are listed on the TSX. The share prices of publicly traded companies can be volatile as the price of shares is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to Nuinsco.

The market for shares in small public companies is less liquid than for large public companies. Investors should be aware that the value of the Company's common shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

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

## **Regulatory Risks**

### ***Government Regulation***

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

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

Nuinsco may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors in the areas in which Nuinsco does or will operate and holds its interests, as well as unforeseen matters.

## **Other Risks**

### ***Environmental and Health Risks***

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

### ***Key Personnel***

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

### ***Conflicts of Interest***

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

### ***Foreign Operations***

In 2004, the Company initiated exploration work in Turkey. While the Company believes that the risks associated with operating in Turkey are very acceptable, most investors would attribute a higher degree of risk to operating in Turkey as compared to operating in Canada. In early 2010, the Company announced that it has, with its Egyptian partner, been successful in the bid process for gold exploration concessions in Egypt; a similar caveat to that expressed for Turkey is appropriate.

### ***Strategic Investments and Other Agreements with Resource Companies***

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

## **Summary**

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

## **FORWARD-LOOKING STATEMENTS**

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

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

**November 8, 2010**