# NUINSCO RESOURCES LIMITED

# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE YEARS ENDED
# DECEMBER 31, 2007 AND 2006

DATED MARCH 28, 2008

# NUINSCO RESOURCES LIMITED

# MANAGEMENT'S DISCUSSION AND ANALYSIS
# DECEMBER 31, 2007 AND 2006

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of March 28, 2008 consolidates management's review of the factors that affected the Company's financial and operating performance for the years ended December 31, 2007 and 2006, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and compliment the Company's 2007 audited consolidated financial statements and the notes thereto. Readers are encouraged to consult the financial statements which were prepared in accordance with Canadian generally accepted accounting principles and are available at www.sedar.com and at the Company's website www.nuinsco.ca. All amounts disclosed are in Canadian dollars, unless otherwise stated.

**COMPANY OVERVIEW**

Nuinsco is focused on identifying mineral investment opportunities worldwide using its exploration programs and operating and financial expertise to crystallize value for its shareholders. The Company is currently focused on advancing its uranium, copper, gold and zinc assets in world-class mineralized belts in Canada and Turkey. In addition to its property holdings, Nuinsco owns approximately 22% of the outstanding common shares of Victory Nickel Inc. ("Victory Nickel") (TSX:Ni) and approximately 11% (including shares acquired in 2008) of the outstanding common shares of gold and copper producer Campbell Resources Inc. ("Campbell") (TSX:CCH) and, in conjunction with Campbell, is developing its first operating mine, the high-grade Corner Bay copper project which is expected to begin generating cash flow to the Company's account in early 2009. Along with cash flow from Corner Bay, these investments could potentially be monetized in order to finance the Company's exploration programs and minimize equity dilution to shareholders going forward. Shares of Nuinsco trade on the Toronto Stock Exchange under the symbol NWI.

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

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

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

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

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

**HIGHLIGHTS**

***Corporate***

- Distributed to its shareholders the Minago, Mel and Lac Rocher sulphide nickel projects through the creation of Victory Nickel, a pure nickel company with over 660 million pounds of in-situ sulphide nickel in measured and indicated resources, in which Nuinsco retained an initial 25% interest.
- Raised gross proceeds of $6.0 million in an oversubscribed “bought deal” private placement.
- Re-aligned the management team to better reflect the Company’s exploration focus, promoting Paul Jones from Vice-President, Exploration to the position of President, and appointing Chris Wagg as Manager, Canadian Exploration; Laird Tomalty as Logistics Coordinator and Field Manager; and Laura Giroux as Project Geologist and Data Manager.
- Reported net income of $1,058,000 ($0.01 per share).

***Uranium***

- Completed surface uranium exploration at the 100%-owned Prairie Lake property near Marathon, Ontario, that returned uranium values up to 0.08% $U_30_8$ (1.656 lb/tonne) in preparation for 2,000 metres of drilling to upgrade and add to the historic (non-NI-43-101-compliant) resource of over 180,000 tonnes grading 0.09% $U_3O_8$ (and 0.25% niobium).
- Completed a second round of surface sampling over the entire Prairie Lake intrusion to follow up on initial sampling program.
- Announced assays from an initial 15-hole diamond drill program at Prairie Lake, which included 0.106% $U_3O_8$ (or 2.3 lb/t) over 13.5 metres (11.49 metres true width) in hole DDH NP-07-01, as well as 9.03% phosphorous, 1,744 ppm niobium, 89 ppm tantalum and elevated rare earth element values.
- Began a $2.5 million diamond drilling program of at least 5,000 metres at the Diabase Peninsula uranium property in Saskatchewan’s Athabasca Basin to follow up on past positive exploration results.

***Copper, Gold and Zinc***

- Announced completion of the earn-in of a 100% interest from Xstrata Copper Canada (“Xstrata”) in the Elmalaan copper-zinc-gold-silver property in northeastern Turkey.
- Cut two zones of massive and semi-massive sulphide in the first hole at Elmalaan grading up to 10.1% zinc, 1.88% copper, 50.2 g/t silver and 4.57 g/t gold over one metre.
- Intersected a significant, continuous domain of strong sulphide mineralization (710.9 metres of 0.28% copper) with copper, gold, silver and zinc values occurring over the entire 771.5 metre length of hole SD-07-08 at its Berta joint venture with Xstrata in northeastern Turkey.
- Intersected mineralization over significant widths at Elmalaan, including 2.43% zinc, 0.50g/t gold and 31.07g/t silver over 10.10 metres, with zinc values peaking at 9.25%, gold at 2.85g/t and silver at 211g/t.
- Completed its earn-in from Campbell of the 50% carried interest in the high-grade Corner Bay copper deposit near Chibougamau, Quebec which is expected to generate significant cash to Nuinsco’s account starting in 2009.
- Exercised warrants to purchase 4,000,000 common shares of Campbell, which increased Nuinsco’s holdings to approximately 10% of Campbell’s outstanding common shares. The acquisition of an additional 600,000 Campbell common shares in February, 2008 increased this ownership interest to approximately 11%.

**OUTLOOK**

2007 was a significant year for Nuinsco, with the Company not only actively exploring its uranium, copper, gold and zinc prospects in Canada and Turkey, but successfully achieving its goal of creating, financing and building its first pure-play spinoff company, Victory Nickel.

In 2008, the Company will continues to aggressively explore its existing projects, while identifying and evaluating additional assets to expand its exploration portfolio.

In an environment where strong metal pricing continue to prevail due to increasing global commodities demand, access to equipment and to people remains an industry-wide issue. This reality hampered Nuinsco's ability to secure drills and drillers in order to begin its program at the Diabase Peninsula uranium property in the Athabasca Basin during 2007. However, as 2008 began, a 5,000-6,000 metre drill program was underway at Diabase to follow up on past drilling and surface exploration successes.

In 2008, the Company will also continue to advance its Turkish properties through diamond drilling and additional exploration. Nuinsco considers Turkey a very favourable environment with geology that offers the potential for significant mineral discoveries, and is evaluating the potential to add to its property position in Turkey as well as in the surrounding region.

Nuinsco is focused on identifying mineral investment opportunities worldwide using its exploration programs and operating and financial expertise to crystallize value for its shareholders. In addition to its exploration assets, the Company holds significant equity interests in Victory Nickel and in copper and gold producer Campbell, as noted above.

Nuinsco remained involved with Campbell during 2007, both operationally and by expanding its equity position. The Company's arrangement with Campbell offers exciting prospects for the future, in terms of enhanced production from existing assets (the Copper Rand Mine, Merrill Island Pit and Corner Bay copper deposit (Nuinsco has a 50% carried interest in Corner Bay) and via new opportunities in the prolific mining camp of Chibougamau, Quebec.

Campbell announced in early 2008 that development in ore had begun at Corner Bay, as had shipments to the Copper Rand Mill. This milestone makes Corner Bay Nuinsco's first production asset, which is expected to begin generating cash flow to the Company's account in 2009.

Nickel prices continued to set records in 2007. While prices pulled back somewhat from record levels, indications are that robust nickel pricing will continue due to strong demand in China, India and other growing international markets. The creation of Victory Nickel resulted in an immediate benefit to shareholders, and Nuinsco's equity interest continues to provide shareholders with leverage to a strong nickel price as the need for nickel concentrates continues to grow.

Floating Victory Nickel was the first step in Nuinsco's strategy to unlock the value of its assets through the creation of pure-play companies. Nuinsco continues to own a wealth of assets in a variety of metals, and management intends to further this strategy by using its other assets to unlock value for shareholders as we move through 2008 and beyond.

**SELECTED FINANCIAL INFORMATION**

(‘000$ except per share amounts)

| **Summary Operating Results Data** | **2007** | **2006** | **2005** |
|---|---|---|---|
| Consulting fees | 707 | 715 | - |
| Interest and other income | 681 | 311 | 8 |
| Gain on sale of marketable securities | - | 2,567 | 400 |
| Share of losses of equity-accounted investees | (868) | - | - |
| Dilution gain | 2,071 | - | - |
| Operating expenses | 1,749 | 2,796 | 1,360 |
| Income (Loss) | 1,058 | 2,213 | (5,010) |
| Income (Loss) per share | 0.01 | 0.02 | (0.05) |

| **Summary Balance Sheet Data** | **2007** | **2006** | **2005** |
|---|---|---|---|
| Cash and cash equivalents | 7,099 | 20,045 | 2,650 |
| Other current assets | 2,276 | 3,280 | 1,541 |
| Exploration and development projects (including exploration advances) | 6,864 | 9,851 | 4,926 |
| Total assets | 28,736 | 33,614 | 9,158 |
| Long-term debt | - | - | 200 |
| Total shareholders’ equity | 27,526 | 31,983 | 8,244 |

**RESULTS OF OPERATIONS**

***Year Ended December 31, 2007, Compared With Year Ended December 31, 2006***

In 2007 the Company had net income of $1,058,000, or $0.01 per share, compared with net income of $2,213,000 or $0.02 per share, in 2006. The net income in 2007 includes a dilution gain with respect to the Company’s equity-accounted investment in Victory Nickel of $2,071,000 (see Note 6 to the Company’s 2007 audited consolidated financial statements). The net income in 2006 included aggregate gains on the sale of marketable securities of $2,567,000. No such marketable security gains were realized in 2007. Aggregate consulting fees earned from Campbell in 2007 totaled $707,000, compared with $715,000 in 2006. Interest income earned in 2007 totaled $581,000, versus $178,000 in 2006, reflecting the higher level of cash invested in interest-bearing instruments in the current year.

General and administrative expenses totaled $1,463,000 in 2007, versus $2,282,000 in 2006. As explained under related party transactions below, the reduction in the current year compared with 2006 reflects overhead recoveries from Victory Nickel that in 2007 aggregated $1,272,000. Following the formation of Victory Nickel on February 1, 2007, the Company shares management, administrative assistance and facilities with Victory Nickel pursuant to a management agreement. These overhead recoveries were offset by increases in general and administrative expenses prior to such recoveries of approximately $367,000, primarily as a result of increased salary costs reflecting additional hires and salary increases and the commencement of the cash payment of Directors’ fees in the current period totaling $176,000 (nil in 2006). Stock option compensation aggregated $267,000 in 2007, versus $499,000 in 2006.

The aggregate share of losses of equity-accounted investees totaled $868,000. The Company’s share of Victory Nickel’s loss for the period from its inception, February 1, 2007, to December 31, 2007 totaled $520,000. Victory Nickel’s loss included stock option compensation of $1,369,000. The Company commenced accounting for its investment in Campbell using the equity method, effective December 1, 2007 (see Note 6 to the Company’s 2007 audited consolidated financial statements). Its share of Campbell’s loss for the one month period in 2007 was $348,000.

The Company recognized income tax recoveries in 2007 of $337,000, compared with income tax recoveries of $1,854,000 in 2006. Income tax recoveries of $337,000 in 2007 and $1,076,000 in 2006, respectively, represent the tax benefits realized from the renunciation of Canadian exploration expenses to investors in flow-through financing as explained in Note 12 to the Company’s 2007 audited consolidated financial statements. The balance of recoveries in 2006 totaling $778,000 represents the net proceeds received as a result of transactions entered into which resulted in the realization of the benefits of previously unrecognized tax loss carry forwards.

The other comprehensive income in 2007 of $842,000 resulted from an increase from January 1, 2007 to December 31, 2007 in the excess of the fair value of Campbell common shares owned by the Company as at December 31, 2006 and the increase in the fair value of Campbell shares received in 2007 over amounts recorded on initial recognition. The fair value was estimated at $0.108 per Campbell share at December 1, 2007, versus $0.084 at December 31, 2006.

***Year Ended December 31, 2006, Compared With Year Ended December 31, 2005***

In 2006 the Company had net income of $2,213,000, or $0.02 per share, compared with a net loss of $5,010,000, or $0.05 per share, in 2005. As explained in more detail below under Liquidity and Capital Resources, on May 1, 2006 the Company commenced providing operating consulting services to Campbell, which resulted in consulting fees totalling $715,000 being earned in 2006.

Aggregate gains on the sale of marketable securities in 2006 were $2,567,000, compared with $400,000 in 2005. Tax recoveries in 2006 totaled $1,854,000, compared with $211,000 in 2005. The Company recognized current tax recoveries of $778,000 in 2006. Net proceeds of this amount were received as a result of transactions entered into which resulted in the realization of the benefit of previously unrecognized tax loss carry forwards available and exploration and development deductions. The realization of similar tax benefits is not expected to recur in the future. The Company also recognized future income tax recoveries in the first quarters of 2006 and 2005 of $1,076,000 and $211,000, respectively. These income tax recoveries represent the tax benefits realized from the renunciation of Canadian exploration expenses to the investors in flow-through share financings.

Interest income was higher in 2006, $178,000 versus $8,000 in 2005, as a result of interest earned on the proceeds from equity financings and on loans made to Campbell during the year. Other income of $133,000 in 2006 included amounts earned from Campbell in connection with loan set-up fees and income resulting from the reversal of prior years' tax-related accruals.

During the second quarter of 2006, the Company restructured its management team and hired several individuals to meet the increased requirements evolving from the Company's growth. Nuinsco had more activity than in the past and corporate costs were expected to increase accordingly in the future as it develops its existing assets and pursues additional opportunities for growth.

General and administrative expenses totaled $2,282,000 in 2006, versus $987,000 in 2005. General and administrative expenses in 2006 included an amount of $294,000 (including issue costs) ascribed to 1,400,000 common shares issued to the estate of a former Chief Executive Officer of the Company for services rendered over many years. The 2006 general and administrative expense amount also includes $380,000 ascribed to 500,000 common shares issued to a director and former employee. These shares were granted under the Company's Share Bonus Plan in recognition of this individual's past services, including his assistance in obtaining the Diabase Peninsula uranium project.

Excluding the stock-based compensation referred to above, general and administrative expenses increased by $621,000 in 2006, compared with 2005. This increase was primarily the result of the increase in personnel mentioned above, and is a trend that is likely to continue as the Company's activities expand. Following completion of the Arrangement, Victory Nickel entered into a Management Agreement with Nuinsco. Under this agreement, Nuinsco provides administrative assistance and facilities, for a fee, to Victory Nickel. The fee is equal to the cost to Nuinsco of providing such services plus 10%.

The 2006 results of operations include stock compensation expense of $499,000, representing the fair value of 3,100,000 options issued to Directors, officers, employees and consultants during the year. The 2005 results include $364,000 of stock compensation expense with respect to 4,275,000 options issued in 2005. The fair market value of the options issued was determined using the Black-Scholes option pricing model, as explained more fully in Note 12 to the Company's 2007 consolidated financial statements.

The 2006 results also include a writedown of marketable securities of $168,000. As explained more fully in Note 5 to the consolidated financial statements, in May and June of 2006, the Company received 2,400,000 shares of Campbell which were initially valued at the then market value of $0.17 per share. The carrying value of those shares was written down in the third quarter to the approximate quoted market value at the end of the period of $0.10 per share. A further 1,200,000 Campbell shares received in the third and fourth quarters of 2006 were valued at $0.10 per share and therefore did not require a writedown.

In the third quarter of 2006 the Company decided not to undertake further exploration on the Muriel Lake property, and accordingly wrote off exploration costs associated with this project totaling $174,627. Other exploration costs relating to discontinued projects in the amount of $95,225 were also written off in 2006. In 2005, the Prairie Lake project was written down by $325,000, to nil. The Timmins project costs, amounting to $536,000, along with other project costs totaling $57,000, were also written off in 2005.

The balance of the writedown of exploration and development projects in 2005 was the writeoff of the carrying value of the Mel project of $3,906,000, effective December 31, 2005, because the Company had not completed the $6,000,000 in required expenditures prior to year end and did not anticipate doing so prior to the expiry of the option agreement with Inco Limited on February 28, 2006. During the second quarter of 2006 and following the issuance of the 2005 financial statements, the option agreement was extended to February 28, 2008, and accordingly costs on the Mel project incurred after the option agreement extension are being capitalized.

## SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eight quarters ended December 31, 2007 is as follows:

| Fiscal year 2007 | 4th Quarter | 3rd Quarter | 2nd Quarter | 1st Quarter (Restated) |
|---|---|---|---|---|
| Revenue and other income | $ 361,000 | $ 335,000 | $ 335,000 | $ 357,000 |
| (Loss) Net income | $ (694,000) | $ (96,000) | $ (129,000) | $ [(1)]1,977,000 |
| (Loss) income per share – basic and diluted | $ (0.01) | $ (0.00) | $ (0.00) | $ 0.02 |

| Fiscal year 2006 | 4th Quarter | 3rd Quarter | 2nd Quarter | 1st Quarter |
|---|---|---|---|---|
| Revenue and other income | $ 755,000 | $ 873,000 | $ 895,000 | $ 1,070,000 |
| (Loss) Net income | $ (493,000) | $ 34,000 | $ 928,000 | $ 1,744,000 |
| (Loss) income per share – basic and diluted | $ (0.01) | $ 0.00 | $ 0.01 | $ 0.02 |

(1) Restated to include a dilution gain with respect to the Company's equity-accounted investment in Victory Nickel of $2,071,000.

Variations in the quarterly results of operations are largely a function of the timing of property writedowns, tax recoveries and gains on the sale of marketable securities described above and, in 2007, the recording of losses of equity-accounted investees and the dilution gain.

## EXPLORATION AND DEVELOPMENT ACTIVITIES

In 2007, the Company incurred exploration and development costs of $3,103,000 on its mineral interests excluding the nickel projects transferred to Victory Nickel, compared with $2,130,000 in 2006. Significant expenditures of $1,254,000 were made on the Diabase Peninsula uranium property as well as $963,000 on the Berta and Elmalaan properties in Turkey. Complete details of the mineral properties are included in the 2007 Annual Report and on the Company's website at www.nuinsco.ca.

***COPPER, ZINC***

**Turkish Properties**

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

At Berta during 2007, the Company intersected a significant, continuous domain of strong sulphide mineralization. Copper, gold, silver and zinc values occurred over the entire 771.5 metre length of hole SD-07-08 which ended in mineralization. The results in this highly mineralized hole highlight the potential of the essentially unexplored Berta property. Under the terms of the joint venture agreement, Xstrata is the operator, and the next phase of exploration was planned to begin in the first half of 2008.

Elmalaan, covering 947 square hectares, is located 6 kilometres south of the Black Sea coast and is easily accessible year round. Previous work identified massive sulphide in outcrop and locally-derived boulders that graded up to 3.38% copper and 6.30% zinc. Drilling during the second quarter continued to return high-grade polymetallic mineralization over significant widths. For example, drill hole EKD-07-06 intersected 2.43% zinc, 0.50g/t gold and 31.07g/t silver over 10.10 metres between 98.90-109.0 metres; between 102.6-103.2 metres, zinc values peaked at 9.25%, gold at 2.85g/t and silver at 211g/t. With completion of its earn-in, the Company is in the process of transferring ownership of the Elmalaan property to a newly-formed wholly-owned Turkish subsidiary. The Company anticipates that further drilling to follow up on these positive results will begin in 2008.

**Uranium**

**Diabase Peninsula Property, Saskatchewan**

Nuinsco's Diabase Peninsula uranium project is located 150 kilometres northwest of La Ronge, Saskatchewan on the Athabasca Basin, the region that hosts the world's richest uranium mines. The 21,900-hectare property is a joint venture with Trend Mining Company of Denver whose interest currently approximates 30%. Nuinsco has completed two drill programs that returned uranium values as well as key indicator minerals associated with uranium deposits in the Basin which, combined with past drilling and other studies, points toward the local presence of unconformity style mineralization. A 5,000-6,000 metre drill program designed to follow up on previous positive exploration results began in the fourth quarter of 2007. This program had been delayed since June as the drilling contractor was unable to provide the required drill crew. As a result, the originally budgeted $2,500,000 drill program scheduled to be completed in fiscal 2007 has continued into early 2008.

**Prairie Lake Property, Ontario**

Prairie Lake, located near Marathon, Ontario, hosts a near-surface historic (non-National Instrument-43-101-compliant) uranium resource of over 180,000 tonnes grading 0.09% $U_3O_8$ (and 0.25% niobium) identified in exploration dating from the mid-1960s. This resource has significant value at current uranium prices and an initial 1,500 metres of drilling was undertaken in the second quarter of 2007 on this large carbonatite intrusion to follow up on values from recent surface sampling of up to 0.08% $U_3O_8$ (1.656 lb/tonne).

Assays clearly demonstrate the presence of strong uranium mineralization at Prairie Lake in conjunction with a suite of other minerals of economic interest. Results from hole DDH NP-07-01, collared at the centre of the complex, returned 0.106% $U_3O_8$ (or 2.3 lb/t) over 13.5m (11.49m true width), as well as 9.03% phosphorous, 1,744 ppm niobium, 89 ppm tantalum and elevated rare earth element (REE) values averaging a combined 2,986 ppm for lanthanum, cerium, neodymium, samarium as well as yttrium (1 ppm = 1 g/t) over the same interval. Assay results for the balance of the holes received in the fourth quarter continue to show the significant economic potential of this underexplored easily accessible property.

*GOLD*

**Cameron Lake Project, Ontario**

Located near Kenora in northwestern Ontario, Cameron Lake hosts a NI 43-101-compliant measured and indicated gold resource of 572,000 tonnes grading 6.51 g/t and an inferred resource of 1,012,000 tonnes grading 5.22 g/t. Approximately $24,000,000 was spent in the 1980s by a former partner of Nuinsco to develop the mine to the 865 foot level, and drilling has demonstrated that gold mineralization extends to greater than 700 metres. In 2006, the Company engaged Wardrop Engineering Inc. ("Wardrop") to obtain the permits required for the dewatering of the underground workings at Cameron Lake. The process to obtain the required permits was placed on hold pending clarification of the procedures to satisfy both the provincial government and the First Nations. The Company has restarted the process of securing the required permits.

**STRATEGIC INVESTMENTS**

**Campbell Resources Inc.**

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

Campbell's strategy is to capitalize on available mill capacity to lower unit costs by increasing throughput at the Copper Rand Mill as a consequence of increasing production at its Copper Rand mine as well as milling ore from other regional deposits. The first part of this strategy began with production, in September, 2007, from the Merrill Island open pit located approximately five kilometres southwest of the Copper Rand mine.

The next step in this strategy was commencing production at Corner Bay, located about 45 kilometres from Copper Rand. In the first quarter of 2008, Campbell announced that it had successfully mitigated groundwater inflow at Corner Bay, and that development in ore had begun at both the 55 metre and 75 metre levels. Underground services had also been completed, including the escapeway and vent raise, and development to the 100 metre level was progressing. At the same time, Campbell also began the shipment of ore to the Copper Rand Mill, making Corner Bay Nuinsco's first operating asset.

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

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

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

Efforts to increase production at the Copper Rand mine have continued, and in early 2008 development at Copper Rand opened up two new sources of higher-grade ore. Development reached the 4,850-foot level, the deepest level to date. Ore was intercepted earlier than anticipated and drilling indicated a zone approximately equal in grade and significantly larger in volume to the ore zone intercepted on the preceding 4,790-foot level.

The ore zone on the 4,850-foot level was approximately 20 feet wide averaging 3.58% copper and 0.085 oz gold per ton with a total length of close to 500 feet, while the ore zone on level 4,790 carried similar grades with a total length of some 300 feet. These grades are considerably higher than the average historical grade mined at Copper Rand of 1.80% copper and 0.089 oz gold per ton.

Level 4,690 was the second new source of ore. The first block being mined at this level was a 10-foot wide, 110-foot long vein grading an average of 3.10% copper and 0.045 oz gold per ton. Drilling was planned to delineate three veins at this level with the goal of increasing resources and reserves by 80,000 tons of high-grade copper.

**Victory Nickel Inc.**

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

***Minago Project***

Victory Nickel's l00%-owned Minago project is located on the Thompson Nickel Belt in Manitoba, and is one of Canada's largest undeveloped nickel deposits with measured and indicated resource of 49 million tonnes grading 0.516% nickel (measured: 10.3 million tonnes grading 0.593% Ni; indicated: 38.8 million tonnes grading 0.496% Ni) (see news release dated November 20, 2006). Following the completion of a scoping study in the fall of 2006, Wardrop was engaged to conduct a definitive feasibility study. The definitive feasibility study is ongoing, and is expected to be completed in November of 2008.

***Mel Project***

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

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

***Lac Rocher***

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

During the third and fourth quarters of 2007, Victory Nickel was very active with respect to advancing Lac Rocher. Victory Nickel engaged Roche Engineering to complete a Preliminary Economic Evaluation (PEA) of the near-term production and cash generation potential of the project. The PEA is expected to be completed in the first half of 2008.

In addition, Victory Nickel entered into a Memorandum of Understanding with the Waswanipi Cree First Nation ("WCFN") whereby the parties have agreed to work together to support development of the Lac Rocher deposit in a way that respects the collective interests of Victory Nickel, the WCFN and other stakeholders. Phase One of the project is expected to consist of an underground exploration and bulk sampling program to evaluate ore continuity and provide further metallurgical evaluation. Phase One would potentially entail the extraction of approximately 50,000 tonnes of material, with Phase Two extraction of an additional 400,000 tonnes of material. Victory Nickel is evaluating a number of options whereby mineralized material from Lac Rocher would be direct shipped to an offsite mill for processing.

**LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2007, the Company had working capital of $8,165,000, compared with $21,694,000 at December 31, 2006.

In 2007, the Company used cash of $735,000 in operating activities, compared with the generation of cash totaling $78,000 in 2006. The increase in the cash used in operating activities is primarily a result of cash used due to increases in non-cash working capital items including amounts due from Victory Nickel. In addition, the increase in cash used in operating activities in 2007 reflects the fact that in 2006 cash tax recoveries were received amounting to $778,000 while no such cash tax recoveries were received in the current period, offset by the favourable impact of increased interest income in 2007.

Cash from financing activities in 2007 was $7,468,000, representing the proceeds received on the issuance of common shares totaling $7,091,000 plus the reimbursement of Plan of Arrangement costs of $377,000 incurred on behalf of Victory Nickel in 2006. In April 2007, the Company completed an issuance of 10,344,828 flow-through common shares at $0.58 per share for proceeds before costs of issue of $6,000,000 and received proceeds of $1,373,000 upon the issuance of 7,853,102 common shares on the exercise of warrants and $217,000 on the exercise of 750,000 options. Proceeds from the issuance of common shares amounted to $21,364,000 in 2006.

Investing activities in 2007 of $7,011,000 were primarily related to additions to exploration and development projects of $3,020,000, as well as to advances to Campbell of $3,500,000 to finance the development of the Corner Bay project and the exercise of Campbell Warrants at a cost of $400,000.

Total cash used in 2007 amounted to $12,946,000, including $12,668,000 distributed on the formation of Victory Nickel, versus an increase in cash of $17,395,000 in 2006 during which period the Company raised $21,364,000 upon the issuance of common shares. At December 31, 2007, the Company had cash and cash equivalents and cash for exploration expenditures totaling $7,099,000. 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.

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

**OUTSTANDING SHARE DATA**

At December 31, 2007, the Company had 172,320,350 common shares outstanding. At March 28, 2008, the Company had 172,376,197 common shares issued and outstanding. In addition, there were 13,535,000 stock options and entitlements to 111,694 common shares under the Share Bonus Plan outstanding at March 31, 2008, which if exercised and issued would bring the fully diluted issued common shares to a total of 186,022,891and would generate approximately $2,707,000.

**CHANGES IN ACCOUNTING POLICIES**

On January 1, 2007, the Company adopted new accounting standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1506 – "Accounting Changes," Section 1530 – "Comprehensive Income," Section 3855 – "Financial Instruments - Recognition and Measurement," Section 3861 – "Financial Instruments, Presentation and Disclosure," and Section 3865 – "Hedges." The Company adopted these standards prospectively; accordingly, comparative amounts for prior periods have not been restated. The adjustment to Other Comprehensive Income at January 1, 2007, was $58,000.

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

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

The requirements of these new standards, and the effects of their adoption, are set out in more detail in Note 3 to the Company's 2007 audited consolidated financial statements.

**CRITICAL ACCOUNTING ESTIMATES**

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of the recoverable value of its exploration and development projects and the fair value estimates for stock options and warrants. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. For a complete list of the significant accounting policies, reference should be made to Note 3 of the Company's 2007 audited consolidated financial statements.

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

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

**DISCLOSURE CONTROLS**

The Company's certifying officers have designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them with respect to financial and operational conditions. Such controls are facilitated by the small size of the Company's senior management team and their access to material information. The certifying officers have evaluated the effectiveness of the disclosure controls and procedures as of December 31, 2007 and have concluded that these disclosure controls and procedures are effective at the reasonable assurance level.

The management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. There were no changes to the Company's internal control over financial reporting that occurred during the year ended December 31, 2007 that materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

**RELATED PARTY TRANSACTIONS**

Related party transactions in 2007 include the following:

a) The Company shares management, administrative assistance and facilities with Victory Nickel pursuant to a management agreement. The costs recovered from Victory Nickel are equal to the costs incurred by the Company of such services plus 10 per cent. The management agreement has an initial term of 24 months from February 1, 2007 and is terminable thereafter by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. Costs recovered from Victory Nickel in 2007 totaled $1,272,000 and have been deducted from general and administrative expenses.

b) In January 2007, two Directors who held convertible notes of the Company exercised their conversion rights resulting in the issuance of 833,333 common shares on conversion of $200,000 of outstanding convertible debentures. In addition, during 2007, the two Directors were repaid accrued interest owing to them (including interest applicable to the current period of $4,531), aggregating $136,753.

c) The Company commenced equity accounting for its investment in Campbell effective December 1, 2007. During 2007 and 2006, the Company made various loans to and investments in Campbell, and earned interest, consulting fees and loan set-up fees from Campbell. These transactions are described in Note 5 to the Company's 2007 audited consolidated financial statements.

**RISKS AND UNCERTAINTIES**

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

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

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

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

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

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

**FORWARD LOOKING STATEMENTS**

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

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

March 28, 2008

# NUINSCO RESOURCES LIMITED

## FINANCIAL STATEMENTS
## FOR THE YEARS ENDED
## DECEMBER 31, 2007 AND 2006

DATED MARCH 28, 2008

# MANAGEMENT'S RESPONSIBILITY
# FOR CONSOLIDATED FINANCIAL STATEMENTS

All of the information in the annual report and accompanying consolidated financial statements of Nuinsco Resources Limited is the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Where necessary, management has made judgments and estimates in preparing the consolidated financial statements, and such statements have been prepared within acceptable limits of materiality. The financial information contained elsewhere in the annual report has been reviewed to ensure that it is consistent with the consolidated financial statements.

Management maintains appropriate systems of internal control to give reasonable assurance that its assets are safeguarded, and the financial records are properly maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee, which is comprised of Directors, none of whom are employees or officers of the Company, meets with management and the external auditors to review the auditors' report and the consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the consolidated financial statements.

A firm of independent Chartered Accountants, appointed by the shareholders, audits the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provides an independent professional opinion thereon.

W. Warren Holmes
Chairman
March 28, 2008

René R. Galipeau
Vice Chairman, CEO and acting CFO
March 28, 2008

# AUDITORS' REPORT

**TO THE SHAREHOLDERS OF NUINSCO RESOURCES LIMITED**

We have audited the consolidated balance sheets of Nuinsco Resources Limited as at December 31, 2007 and 2006 and the consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed ) "BDO Dunwoody LLP"
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 28, 2008

# CONSOLIDATED BALANCE SHEETS

| **As at December 31,** (in thousands of Canadian dollars) | **2007** | 2006 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | **$ 2,334** | $ 20,045 |
| Cash for exploration expenditures | **4,765** | - |
| Marketable securities (Note 4) | **6** | 2,976 |
| Due from Victory Nickel Inc. (Note 17) | **158** | - |
| Due from Campbell Resources Inc. (Note 17) | **344** | 18 |
| Loan to Campbell Resources Inc. (Note 5) | **1,500** | - |
| Accounts receivable | **74** | 87 |
| Prepaid expenses and deposits | **194** | 199 |
| **Total Current Assets** | **9,375** | 23,325 |
| **Investment in Equity-Accounted Investees (Note 6)** | **10,364** | - |
| **Convertible Debenture of Campbell Resources Inc. (Note 5)** | **2,000** | - |
| **Exploration Advances (Note 7)** | **28** | 1,368 |
| **Exploration and Development Projects (Note 8)** | **6,836** | 8,483 |
| **Property and Equipment (Note 9)** | **133** | 61 |
| **Other Deferred Costs (Note 2)** | **-** | 377 |
| | **$ 28,736** | $ 33,614 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Deferred revenue (Note 5) | **$ -** | $ 113 |
| Accounts payable and accrued liabilities | **1,210** | 1,318 |
| Convertible notes – current portion (Note 10) | **-** | 200 |
| **Total Current Liabilities** | **1,210** | 1,631 |
| **Shareholders' Equity (Note 12)** | | |
| Share capital | **91,442** | 83,887 |
| Stock option compensation | **1,626** | 1,458 |
| Share purchase warrants | **-** | 348 |
| Contributed surplus | **1,234** | 1,233 |
| Deficit | **(67,676)** | (54,943) |
| Accumulated other comprehensive income (Note 15) | **900** | - |
| **Net Shareholders' Equity** | **27,526** | 31,983 |
| | **$ 28,736** | $ 33,614 |

**NATURE OF OPERATIONS (Note 1)**
**CORPORATE REORGANIZATION AND FORMATION OF VICTORY NICKEL INC. (Note 2)**

**Approved by the Board of Directors**

**W. Warren Holmes**
**Director**

**Howard S. Barth**
**Director**

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

## CONSOLIDATED STATEMENTS OF OPERATIONS

| Years ended December 31, (in thousands of Canadian dollars, except per share amounts) | 2007 | 2006 |
|---|---|---|
| **Revenue and Other Income** | | |
| Consulting fees (Note 5) | **$ 707** | $ 715 |
| Interest income | **581** | 178 |
| Gain on sale of marketable securities (Note 13) | **-** | 2,567 |
| Other | **100** | 133 |
| | **1,388** | 3,593 |
| **Costs and Expenses** | | |
| General and administrative (Note 17) | **1,463** | 2,282 |
| Stock option compensation (Note 12) | **267** | 499 |
| Amortization | **19** | 15 |
| Writedown of marketable securities (Note 5) | **-** | 168 |
| Writedown of exploration and development projects (Note 8) | **121** | 270 |
| | **1,870** | 3,234 |
| **(Loss) Income Before the Undernoted** | **(482)** | 359 |
| **Share of Losses of Equity-Accounted Investees (Note 6)** | **(868)** | - |
| **Dilution gain (Note 6)** | **2,071** | - |
| **Income Before Income Taxes** | **721** | 359 |
| **Income Tax Recoveries (Notes 12 and 14)** | **(337)** | (1,854) |
| **Net Income for the Year** | **$ 1,058** | $ 2,213 |
| **Income Per Share – Basic and Diluted (Note 3)** | **$ 0.01** | $ 0.02 |
| **Weighted Average Common Shares Outstanding** | **164,392,000** | 111,384,000 |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| Years ended December 31, (in thousands of Canadian dollars) | 2007 | 2006 |
|---|---|---|
| **Net Income for the Year** | **$ 1,058** | $ 2,213 |
| **Other Comprehensive Income (Note 15)** | **842** | - |
| **Comprehensive Income for the Year** | **$ 1,900** | $ 2,213 |

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| **Years ended December 31,**<br>(in thousands of Canadian dollars)<br>**CASH FROM (USED BY):** | **2007** | 2006 |
|---|---|---|
| **Operating Activities** | | |
| Net income for the year | **$ 1,058** | $ 2,213 |
| Items not affecting cash: | | |
| Expenses settled though issuance of shares or warrants | **155** | 674 |
| Consulting fees received in marketable securities | **(407)** | (515) |
| Gain on sale of marketable securities | **-** | (2,567) |
| Writedown of marketable securities | **-** | 168 |
| Stock option compensation | **267** | 499 |
| Writedown of exploration and development projects | **121** | 270 |
| Amortization | **19** | 15 |
| Income tax recoveries | **(337)** | (1,076) |
| Share of losses of equity – accounted investees | **868** | - |
| Dilution gain | **(2,071)** | - |
| Changes in non-cash working capital (Note 16) | **(408)** | 397 |
| **Cash (used by) from operating activities** | **(735)** | 78 |
| **Financing Activities** | | |
| Other deferred costs | **377** | (377) |
| Issue of common shares and warrants | **7,091** | 21,364 |
| **Cash from financing activities** | **7,468** | 20,987 |
| **Investing Activities** | | |
| Purchase of marketable securities (Note 5) | **(400)** | (2,500) |
| Sale of marketable securities | **-** | 2,867 |
| Loans to Campbell Resources Inc. | **(3,500)** | (4,000) |
| Repayment of loans to Campbell Resources Inc. | **-** | 4,000 |
| Exploration advances | **-** | (1,368) |
| Additions to exploration and development projects | **(3,020)** | (3,634) |
| Long-term receivable | **-** | 1,000 |
| Additions to equipment | **(91)** | (35) |
| **Cash used by investing activities** | **(7,011)** | (3,670) |
| **Cash Distributed on Formation of Victory Nickel Inc. (Note 2)** | **(12,668)** | - |
| **Net (Decrease) Increase in Cash During the Year** | **(12,946)** | 17,395 |
| **Cash and Cash Equivalents, Beginning of Year** | **20,045** | 2,650 |
| **Cash and Cash Equivalents, End of Year** | **$ 7,099** | $ 20,045 |
| **Cash and Cash Equivalents** | | |
| **Cash and Cash Equivalents** | **$ 2,334** | $ 20,045 |
| **Cash for Exploration Expenditures** | **4,765** | - |
| | **$ 7,099** | $ 20,045 |
| **Supplementary Cash Flow Information** | | |
| **Income Taxes Paid** | **$ -** | $ - |
| **Interest Paid (Notes 10 and 17)** | **$ 136** | $ - |

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

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars)

| | Share Capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | No. of shares | Amount | Stock Option Compensation | Share Purchase Warrants | Contributed Surplus | Deficit | Other Comprehensive Income | Total |
| **Balance – Dec. 31, 2005** | **105,727,412** | **$ 62,768** | **$ 1,177** | **$ 406** | **$ 1,049** | **$(57,156)** | **$ -** | **$ 8,244** |
| Issued for services rendered | 1,400,000 | 294 | - | 20 | - | - | - | 314 |
| Issued in settlement of accounts payable | 212,500 | 34 | - | - | - | - | - | 34 |
| Options exercised | 500,000 | 100 | - | - | - | - | - | 100 |
| Issued for property | 50,000 | 11 | - | - | - | - | - | 11 |
| Private placements | 22,981,000 | 15,373 | - | - | - | - | - | 15,373 |
| Rights offering | 18,649,061 | 5,321 | - | - | - | - | - | 5,321 |
| Warrants exercised | 2,208,914 | 570 | - | - | - | - | - | 570 |
| Shares issued under Share Bonus Plan | 500,000 | 380 | - | - | - | - | - | 380 |
| Flow-through share renunciation | - | (1,076) | - | - | - | - | - | (1,076) |
| Options granted and vesting | - | - | 499 | - | - | - | - | 499 |
| Transfer of value on exercise of: | | | | | | | | |
| Warrants | - | 78 | - | (78) | - | - | - | - |
| Options | - | 34 | (34) | - | - | - | - | - |
| Options expired | - | - | (184) | - | 184 | - | - | - |
| Net income for the year | - | - | - | - | - | 2,213 | - | 2,213 |
| **Balance, Dec. 31, 2006, as previously reported** | **152,228,887** | **83,887** | **1,458** | **348** | **1,233** | **(54,943)** | **-** | **31,983** |
| Adoption of financial instruments standards | - | - | - | - | - | - | 58 | 58 |
| **Balance, Dec. 31, 2006, as restated** | **152,228,887** | **83,887** | **1,458** | **348** | **1,233** | **(54,943)** | **58** | **32,041** |
| Private placement | 10,344,828 | 5,502 | - | - | - | - | - | 5,502 |
| Options exercised | 750,000 | 218 | - | - | - | - | - | 218 |
| Warrants exercised | 7,853,102 | 1,371 | - | - | - | - | - | 1,371 |
| Shares issued under Share Bonus Plan | 310,200 | 155 | - | - | - | - | - | 155 |
| Exercise of conversion rights on convertible debentures | 833,333 | 200 | - | - | - | - | - | 200 |
| Options granted and vesting | - | - | 267 | - | - | - | - | 267 |
| Transfer of value on exercise of: | | | | | | | | |
| Warrants | - | 347 | - | (347) | - | - | - | - |
| Options | - | 99 | (99) | | - | - | - | - |
| Warrants expired | - | - | - | (1) | 1 | - | - | - |
| Flow-through share renunciation | - | (337) | - | - | - | - | - | (337) |
| Net income for the year | - | - | - | - | - | 1,058 | - | 1,058 |
| Other comprehensive income | - | - | - | - | - | - | 842 | 842 |
| Distribution of net assets on formation of Victory Nickel Inc. | - | - | - | - | - | (13,791) | - | (13,791) |
| **Balance, Dec. 31, 2007** | **172,320,350** | **$ 91,442** | **$ 1,626** | **$ -** | **$ 1,234** | **$(67,676)** | **$ 900** | **$ 27,526** |

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2007 and 2006**

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

At December 31, 2007, the Company had working capital of $8,165,000 available to fund ongoing operations. However none of the Company's exploration or development projects has commenced commercial production, and accordingly the Company historically has been dependent upon debt or equity financings and the optioning and/or sale of resource or resource related assets for its funding. The recoverability of the carrying value of exploration and development projects, and ultimately the Company's ability to continue as a going concern, is dependent upon the discovery of economically recoverable reserves and resources, the Company's ability to finance development of its projects through debt or equity financings and achieving future profitable production, or alternatively upon the profitable disposal of projects.

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

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

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

a) The Company's interest in three sulphide nickel projects, namely the Minago and Mel Projects on the Thompson Nickel Belt in Manitoba and the Lac Rocher project in Quebec (collectively the "Nickel Properties"): and,

b) Unexpended cash from the proceeds of a December, 2006 private placement from which the Company raised net proceeds of $14,045,317.

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

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

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

| | | (000's) |
|---|---|---|
| Cash and cash equivalents | $ | 12,668[(1)] |
| Exploration advances | | 448 |
| Exploration and development projects | | 5,800 |
| | | 18,916 |
| Accounts payable | | 528 |
| | | 18,388 |
| Less 25% interest retained in Victory Nickel | | 4,597[(2)] |
| | $ | 13,791 |

(1) The cash transferred represents the net proceeds from the December 21, 2006 private placement less expenditures incurred on the Nickel Properties to the date of the Plan of Arrangement, February 1, 2007.
(2) Computed at 25% of the carrying value of net assets transferred.

In addition, as Victory Nickel was responsible for all costs relating to the Plan of Arrangement, the Company was reimbursed for all costs incurred by it prior to the formation of Victory Nickel. Such costs amounted to $377,000 at December 31, 2006.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**
These consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and those of its inactive subsidiaries.

**Use of Estimates**
The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 amount of the revenues and expenses during the reporting year. Actual results could differ from those estimates. Management believes those estimates are reasonable. The amounts which require management to make significant estimates and assumptions include determining carrying values of exploration and development projects, the valuation of stock option compensation and the valuation of investments.

**Cash and Cash Equivalents**
Cash and cash equivalents consist of balances with banks and investments in money market instruments. The cost of these investments approximates market value, and they have maturities within 90 days from the date of purchase.

Cash raised for exploration activities through the issuance of flow-through shares is shown on the consolidated balance sheet as "Cash for exploration expenditures." This amount must be spent on eligible Canadian exploration expenditures before December 31, 2008. There was no cash for exploration expenditures at December 31, 2006 as exploration expenditures in 2006 were in excess of that required to be expended pursuant to flow-through share agreements.

**Investments**
Effective January 1, 2007, investments, other than equity-accounted investments and derivatives, are classified as available for sale and recorded at fair value. Changes in their fair value are recorded in other comprehensive income. The change in fair value of an investment appears in net income only when it is sold or impaired. Valuations of the investments have been determined based on a hierarchy of valuation

principles, which have been applied based on publicly available information. The valuation approach applied is as follows:

- Fair values of instruments traded in active markets are based on quoted market prices at the reporting date.

- Where instruments are not traded in an active market, fair value is determined using valuation techniques taking into account market information for financial instruments with similar characteristics as the underlying instrument being valued.

- Where there is no comparable market information to determine the fair value of the instrument, fair value is calculated using other techniques, such as estimated discounted cash flows using contractual terms of the instrument, discount rates considered appropriate for the credit risk of the instrument and the current volatility in the market place.

When information or events indicate other than a temporary decline in value, the impairment loss is recognized in income in the period in which such events occur. Impairment losses recognized in net income for a financial instrument classified as available for sale are not reversed.

The Company accounts for its investment in entities which are not controlled, but over which it has the ability to exercise significant influence, using the equity method of accounting. Such entities include its approximate 21.8% ownership interest in Victory Nickel and, effective December 1, 2007, its approximate 9.8% ownership interest in Campbell Resources Inc. ("Campbell") as explained more fully in Note 6.

**Exploration and Development Projects**
Exploration and development projects include the direct costs related to the various mineral properties, including cost of acquisition of the properties and deferred exploration and development costs, net of any recoveries. These costs are capitalized and accumulated on a property-by-property basis and will be amortized as operating expenses against future revenue upon commencement of commercial production using a unit-of-production method based upon estimated proven and probable mineral reserves.

On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration and development activities that are warranted in the future or if there is any impairment in the carrying value. An impairment loss is recognized when the carrying amount of a project is not recoverable and exceeds its fair value. Fair value is normally determined using the discounted value of future net cash flows. Where estimates of future net cash flows are not available, management's assessment of the properties' estimated fair value is based on exploration results to date, a review of comparable transactions and a consideration of historic costs.

The carrying values of exploration and development projects represent unamortized net costs incurred to date and do not necessarily reflect present or future values. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, upon the Company's ability to obtain the necessary financing to complete the development and upon future profitable production and/or sale.

**Property and Equipment**
Property and equipment are recorded at cost. Amortization is provided over the related assets' estimated useful life using the declining-balance method at an annual rate of 10% for property and 20% for equipment.

**Asset Retirement Obligations**
The fair value of liabilities for asset retirement obligations will be recognized in the period in which they are incurred and the fair value can be reasonably estimated. Currently there are no asset retirement obligations recognized. However, as the development of any project progresses, the Company will assess whether an asset retirement obligation liability ("ARO") has arisen. At the point where such a liability arises and can be estimated, the financial statement adjustment required will be to increase the project's carrying value and ARO obligation by the discounted value of the total liability. Thereafter, the Company

will be required to record a charge to income each year to accrete the discounted ARO obligation amount to the final expected liability.

**Stock-based Compensation Plans**

*Stock Option Plan*

The Company has a stock option plan which is described in Note 12. All stock-based awards made to employees and non-employees are measured and recognized at the date of grant using a fair value-based method to calculate compensation expense. Compensation expense is charged to income over the vesting period of the options or service period, whichever is shorter.

*Share Incentive Plan*

The Company has a share incentive plan (the "Share Incentive Plan"), which includes both a share purchase plan (the “Share Purchase Plan”), and a share bonus plan (the “Share Bonus Plan”). The Share Incentive Plan is administered by the Directors of the Company. The Share Incentive Plan provides that eligible persons thereunder include Directors, senior officers and employees of the Company and its designated affiliates and consultants who are primarily responsible for the management and profitable growth of the business.

The Share Incentive Plan is described in Note 12. The Company uses the fair value method of accounting for, and to recognize as compensation expense, its stock-based compensation for employees. Shares issued under the Share Incentive Plan are valued based on the quoted market price on the date of the award. This amount is expensed over the vesting period.

**Flow-Through Shares**

The Company has financed a portion of its exploration and development activities through the issue of flow-through shares. Under the terms of these share issues, the tax attributes of the related expenditures are renounced to subscribers. When the renunciation is made, the tax value of the renunciation is recorded as a liability and charged against share capital. Where the Company has a valuation allowance, which reduces future income tax assets, the valuation allowance is reduced and an income tax recovery is recorded in the statement of operations.

**Revenue Recognition**

Revenue is principally composed of consulting fees which are recognized when services are rendered which, in the case of the Operating Consulting Agreement described in Note 5, is the non-cancellable term of the agreement. Other income, including interest income, is recognized on an accrual basis.

**Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Non-monetary items are translated at historic rates. Expenses are translated at the average exchange rate during the year (there are no revenues denominated in foreign currencies). Exchange gains and losses arising on the translation of monetary assets and liabilities are included in the determination of income for the current period.

**Income Taxes**

The Company accounts for income taxes using the asset and liability method. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates enacted is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

**Income Per Share**

The Company uses the treasury stock method in determining the diluted income per share. The diluted income per share data assumes the exercise of all outstanding warrants and options except when the assumed exercise is anti-dilutive. Basic income per share amounts are calculated using the weighted average number of common shares outstanding during the year. The application of the treasury stock method resulted in the weighted average number of shares being increased by 6.8 million shares in 2007 (2006 – 9.1 million shares) for purposes of computing the diluted income per share. As a consequence, the diluted income per share amounts equalled the basic income per share amounts in both years.

**New Accounting Policies**
Effective January 1, 2007, the Company adopted new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1506 – "Accounting Changes," Section 1530 – "Comprehensive Income," Section 3855 – "Financial Instruments – Recognition and Measurement," Section 3861 – "Financial Instruments Presentation and Disclosure," and Section 3865 – "Hedges." The changes are applied retrospectively with no restatement of prior periods.

Section 1506 allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information. Implementation of the standard requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of the changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

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

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

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

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

As a result of the adoption of these new standards, the Company has classified its cash equivalents and cash for exploration expenditures as held for trading for accounting purposes, which are measured on the consolidated balance sheet at fair value. Marketable securities are classified as available for sale. Accounts receivable, amounts due from Victory Nickel and Campbell, and the Campbell revolving credit facility loan are classified as loans and receivables and are recorded at amortized cost. The convertible debenture of Campbell is classified as held to maturity and is recorded at amortized cost. Accounts payable and accrued liabilities and amounts due to Victory Nickel, if any, are also measured at amortized cost and are classified as other financial liabilities. The adjustment to Other Comprehensive Income resulting from the adoption of Section 3855 was $58,000 at January 1, 2007 (see Note 15).

**New Accounting Policies Not Yet In Effect**
On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, "Capital Disclosures," Handbook Section 3862, "Financial Instruments – Disclosures," and Handbook Section 3863, "Financial Instruments – Presentation." These standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and, (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation," revising and enhancing its disclosure requirements and carrying forward, unchanged, its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

**2006 Figures**
Certain of the 2006 figures have been reclassified to conform to the 2007 financial statement presentation.

## 4. MARKETABLE SECURITIES

Marketable securities comprise:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Carrying Value | Market Value | Cost | Market Value |
| Campbell Resources Inc. | | | | |
| Shares | $ - | $ - | $ 2,960 | $ 3,011 |
| Warrants | - | - | - | - |
| Other Shares: | 6 | 6 | 16 | 23 |
| | $ 6 | $ 6 | $ 2,976 | $ 3,034 |

In addition to its ownership of Campbell common shares, the Company also owns various warrants and has certain conversion rights with respect to its Campbell convertible debenture as explained in Note 5. The fair value of these warrants and conversion rights was determined to be nil at the date of acquisition and at December 31, 2007 and 2006, respectively. This determination took into consideration the Company's estimate of the fair values of the Campbell shares, the exercise price and the term to expiry of the warrants and debenture conversion rights.

## 5. TRANSACTIONS WITH CAMPBELL

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

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

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

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

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

***Campbell Financings***

Campbell's financing agreements are as follows:

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

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

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

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

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

Subsequent to December 31, 2007, the Company acquired an additional 6,000,000 Campbell common shares at a cost of $600,000.

***Loans and Convertible Debentures***

In July, 2006, the Company entered into a loan agreement with Campbell, whereby it agreed to lend Campbell up to $2,000,000. The advances under the loan bore interest at 12% per annum, and were secured by all of Campbell's resource properties. An aggregate of $2,000,000 was advanced to Campbell in July, and August, 2006. Campbell repaid the $2,000,000 in September, 2006 upon the closing of its $10,000,000 Brokered Placement referred to above. A further $2,000,000 was advanced to Campbell in October, 2006, which amount was repaid in December, 2006. The Company earned interest of $72,546 in 2006 on these loans and also earned loan set-up fees of $50,000 in the third quarter of 2006.

In March, 2007, the Company advanced $2,000,000 to Campbell. These advances bore interest at 12%. In July, 2007, these advances were converted into a $2,000,000 convertible debenture. The convertible debenture bears interest at 11.5% per annum, and is convertible into units of Campbell ("units") at a price of $ 0.13 per unit. Each unit consists of one common share and one half a common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share of Campbell at a price $0.16 per common share for a period of 24 months of the closing date in July, 2007. A third party has also subscribed for $2,000,000 in Campbell's convertible debentures on terms identical to the above. The convertible debenture matures in July, 2009 and is secured by, among other things, a first charge on the assets of the Corner Bay project, certain equity investments and the shares of certain subsidiaries of Campbell. No value has been ascribed to the conversion right for the reasons outlined in Note 4 above. The Company earned interest of $183,925 on these advances and convertible debenture, and also earned loan set-up fees of $50,000.

In December, 2007, the Company provided Campbell with a revolving credit facility (the "Facility") up to a maximum of $1,500,000. The Facility bears interest at 12% per annum payable quarterly, has an initial term of six months and is secured by a charge on various assets of Campbell including a first charge on Campbell's Corner Bay assets. As at December 31, 2007, $1,500,000 had been advanced to Campbell pursuant to the Facility and is shown on the consolidated balance sheet in current assets as a loan to Campbell. The Company earned interest of $33,411 on the revolving credit facility and also earned facility set-up fees of $50,000.

***Consulting Fees***
Upon the commencement of provision of the operating consulting services on May 1, 2006 as contemplated in the Operating Consulting Agreement with Campbell referred to above, the Company began earning the monthly consulting fee of $25,000 and 200,000 Campbell common shares, and received the additional 2,000,000 Campbell common shares. The Company also received the 1,000,000 Campbell common shares to which it was entitled upon completion of the Nuinsco and Brokered Placement in December, 2006.

Revenue related to the 2,000,000 Campbell common shares valued at $340,000 was initially deferred and was included in consulting fee income over the minimum non-cancelable contractual term of the agreement of one year commencing May 1, 2006. Consulting fee income in 2006 also includes the cash and share consideration due for consulting services rendered by the Company commencing May 1, 2006 and the value of the 1,000,000 Campbell common shares received in December, 2006.

The 2,400,000 Campbell shares received in May, and June, 2006 pursuant to these arrangements were initially recorded at the then quoted market price of $0.17 per share. The carrying value of these shares was written down in the three months ended September 30, 2006 to the approximate quoted market value at the end of the period of $0.10 per share, resulting in a writedown of $168,000. Campbell shares received in the balance of 2006 and 2007 did not require a writedown.

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

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

**6. INVESTMENT IN EQUITY-ACCOUNTED INVESTEES**

| | |
|---|---|
| Victory Nickel Inc. (21.8% interest) | $ 6,148 |
| Campbell Resources Inc. (9.8% interest) | 4,216 |
| | $ 10,364 |

The Company acquired its ownership interest in Victory Nickel pursuant to the corporate reorganization and formation of Victory Nickel as described in Note 2. The Company's share of Victory Nickel's loss from its inception February 1, 2007 to December 31, 2007 was $520,000.

In March, 2007, Victory Nickel completed a private placement whereby it issued 16,428,781 common shares for net proceeds of $10,694,000. During 2007, it also issued 5,977,514 common shares upon the exercise of warrants and options for proceeds of $1,056,229. These share issuances by Victory Nickel gave rise to a dilution gain with respect to the Company's equity-accounted investment in Victory Nickel of

$2,071,000 as a consequence of the net increase in the Company's share of Victory Nickel's net assets resulting from these share issuances.

Prior to December 1, 2007, the Company accounted for its investment in common shares of Campbell as marketable securities available for sale. As such, this investment was carried on the consolidated balance sheet at fair value with changes in fair value included in other comprehensive income. The fair value estimate, and the fair value determination at December 1, 2007, take into consideration the large size of the Company's shareholdings in Campbell and Campbell's low share trading volume. Prior to December 1, 2007, Campbell's subsidiary MSV Resources Inc. ("MSV") which owned a significant portion of Campbell's operating assets was operating under Court protection pursuant the Companies' Creditors Arrangement Act ("CCAA"). Following MSV's exit from CCAA at the end of November, 2007, (Campbell itself had exited CCAA earlier in 2007), it was no longer operating under the auspices of the Court and, accordingly, the Company concluded that it now had the ability to exercise significant influence over Campbell. In addition to its current 9.8% ownership interest, the Company owns warrants and other convertible securities that if exercised would increase its ownership to approximately 28%. It also has two representatives on Campbell's nine-member Board and provides ongoing consulting services pursuant to the Operating Consulting Agreement described in Note 5 above.

Accordingly, effective December 1, 2007, the Company commenced accounting for its investment in Campbell on the equity basis. The carrying value of the investment (its estimated fair value on December 1, 2007) of $4,563,000 was reclassified from marketable securities (a current asset) to a non-current equity-accounted investment. Changes in estimated fair value prior to December 1, 2007 remain in accumulated other comprehensive income. The Company's share of Campbell's loss from the date of commencement of equity accounting, December 1, 2007, to December 31, 2007 was $348,000. The carrying value of the Company's 9.8% interest in Campbell exceeds its proportionate share of the book value of Campbell's net assets. For equity-accounting purposes, the excess has been allocated to Campbell's Corner Bay property, which is currently under development.

## 7. EXPLORATION ADVANCES

Prior to December 31, 2006, three of the Company's exploration projects were managed by third parties, namely the Mel sulphide nickel project which was managed by CVRD Inco Limited (now Vale Inco Limited) and the Berta and Elmalaan properties in Turkey which were managed by Xstrata Copper Canada (formerly Falconbridge Limited). Pursuant to contractual arrangements, in the fourth quarter of 2006, cash was advanced to these third parties in excess of exploration costs incurred to December 31, 2006. The unexpended advances at December 31, 2006 totaled $979,000 in the case of the Mel sulphide nickel project and $389,000 in the case of the Berta and Elmalaan projects. Accordingly, $1,368,000 has been shown separately on the consolidated balance sheet as Exploration Advances at December 31, 2006.

In 2007, the Mel project along with exploration advances of $448,000 were transferred to Victory Nickel as part of the corporate reorganization described in Note 2. The exploration advances at December 31, 2007 of $28,000 relate solely to the Berta project, and the change represents the expended amount of 2006 advances.

## 8. EXPLORATION AND DEVELOPMENT PROJECTS

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

| | Balance December 31, 2006 | Current Expenditures | Transferred to Victory Nickel (Note 2) | Writedowns, Losses and Recoveries | Balance December 31, 2007 |
|---|---|---|---|---|---|
| **NICKEL** | | | | | |
| Lac Rocher | $ 2,116 | $ 2 | $ 2,118 | $ - | **$ -** |
| Mel | 172 | 534 | 706 | - | **-** |
| Minago | 2,341 | 635 | 2,976 | - | **-** |
| | 4,629 | 1,171 | 5,800 | - | **-** |
| **URANIUM** | | | | | |
| Diabase Peninsula | 2,294 | 1,254 | - | - | **3,548** |
| Prairie Lake | 4 | 587 | - | - | **591** |
| | 2,298 | 1,841 | - | - | **4,139** |
| **GOLD, COPPER & ZINC** | | | | | |
| Cameron Lake | 671 | 177 | - | - | **848** |
| Berta, Elmalaan | 874 | 963 | - | - | **1,837** |
| Other | 11 | 122 | - | (1) 121 | **12** |
| | 1,556 | 1,262 | - | 121 | **2,697** |
| | $ 8,483 | $ 4,274 | $ 5,800 | $ 121 | **$ 6,836** |

| | Balance December 31, 2005 | Current Expenditures | Writedowns, Losses and Recoveries | Balance December 31, 2006 |
|---|---|---|---|---|
| **NICKEL** | | | | |
| Lac Rocher | $ 1,693 | $ 423 | $ - | **$ 2,116** |
| Mel | - | 172 | - | **172** |
| Minago | 1,158 | 1,183 | - | **2,341** |
| | 2,851 | 1,778 | - | **4,629** |
| **URANIUM** | | | | |
| Diabase Peninsula | 769 | 1,525 | - | **2,294** |
| Prairie Lake | - | 4 | - | **4** |
| | 769 | 1,529 | - | **2,298** |
| **GOLD, COPPER & ZINC** | | | | |
| Cameron Lake | 531 | 140 | - | **671** |
| Berta, Elmalaan | 534 | 340 | | **874** |
| Other | 241 | 121 | (1)(2) 351 | **11** |
| | 1,306 | 601 | 351 | **1,556** |
| | $ 4,926 | $ 3,908 | $ 351 | **$ 8,483** |

(1) The writedown of exploration costs relates to preliminary investigation costs incurred on discontinued projects.
(2) Includes recovery of costs of $81,000.

Both the provinces of Saskatchewan and Manitoba provide incentive programs to encourage mineral exploration in their respective provinces. Exploration costs incurred on the Diabase Peninsula property in Saskatchewan and the Minago and Mel properties in Manitoba in 2006 are net of government assistance received pursuant to such programs. The amount received in 2006 with respect to Diabase was $45,518 and with respect to Minago and Mel in 2006 was $80,212. The amount received with respect to the Diabase Peninsula property totalled $3,452 in 2007. No amounts were received with respect to Minago or Mel in 2007.

**URANIUM**

**Diabase Peninsula**
In December, 2004, Nuinsco entered into an agreement with Trend Mining Company 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 70%. 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 Mining. Exploration for uranium has been ongoing at Diabase Peninsula since March, 2005.

**Prairie Lake**
The Prairie Lake property consists of nine claims encompassing 600 ha of mineral claims. No work was conducted by Nuinsco during 2005 and none was contemplated for 2006. Accordingly, the carrying value of the property, amounting to $325,000, was written off in 2005. Given the rising market price of uranium and the presence of an historical uranium resource, the Company re-evaluated the Prairie Lake property's potential during 2006 and recommenced exploration activities during fiscal 2007.

**GOLD, COPPER & ZINC**

**Cameron Lake**
The Cameron Lake project consists of one mining lease encompassing 979 ha, contiguous mining claims totalling 3,728 ha and mineral patents at Rowan Lake of 95.7 ha. The surface rights to the Rowan lake property were sold in 2005. A NI 43-101 compliant report and resource estimate was completed in April, 2004. During the mid 1980s approximately $24,000,000 was spent on the project by a former shareholder to develop the property by ramp to the 860-foot level. In 2006, Wardrop Engineering Inc. was commissioned to obtain the permits required for the dewatering of the underground workings. This permitting was suspended in 2006 and the Company has now restarted its efforts to obtain these permits.

**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 from the Black Sea coast in northeastern Turkey. Pursuant to the agreement, the Company was required to spend US$350,000 to earn a 50% interest in the project.

As a result of the work programs conducted by Nuinsco during 2005, the Company became vested with 50% of the project. Xstrata participates pro rata in funding exploration expenditures and is the operator of the project.

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. The next phase of exploration is planned for early 2008.

**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. Geological mapping, geochemical sampling ground geophysics to define targets for diamond drilling is ongoing.

**OTHER**

Other properties included Muriel Lake which consisted of seven contiguous claims comprising 825 ha. In the third quarter of 2006, the Company decided not to undertake further exploration on the Muriel Lake property, and accordingly in 2006 wrote off exploration costs associated with this project totaling $174,627.

Exploration costs relating to other discontinued projects in the amount of $121,000 were also written off in 2007 (2006 - $177,000).

## 9. PROPERTY AND EQUIPMENT

| | 2007 | | | 2006 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Property | $ 20 | $ 18 | $ 2 | $ 2 |
| Equipment | 375 | 244 | 131 | 59 |
| | $ 395 | $ 262 | $ 133 | $ 61 |

## 10. CONVERTIBLE NOTES

In May, and June, 2002, two Directors advanced funds to the Company by way of convertible notes. The notes, with a maturity date of July 9, 2007, bore interest at 9% per annum, payable annually, and were convertible into common shares of the Company at a price of $0.24 per share. The notes were secured by a pledge of the Minago property leases. Interest expense on the principal and unpaid interest amounted to $4,531 in 2007 and $22,516 in 2006, respectively.

In January, 2007, the conversion rights were exercised, resulting in the issuance of 833,333 common shares upon conversion of $200,000 in convertible debentures.

## 11. ASSET RETIREMENT OBLIGATION

The Company estimates that the undiscounted site rehabilitation costs at its Cameron Lake advanced exploration project approximated $216,000 at December 31, 2007. The Company is currently undertaking various environmental studies and permitting activities with a view to bringing this project into production. At this point in time, there is insufficient information to estimate the fair value of the asset retirement obligation given the inability to estimate a range of settlement dates that is needed to employ a present value technique to estimate fair value. Accordingly, no asset retirement obligation has been recognized as at December 31, 2007.

## 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:

**Common Shares**

| | Number of Shares | Amount |
|---|---|---|
| **Balance – December 31, 2005** | 105,727,412 | $ 62,768 |
| Issued for services rendered (g) | 1,400,000 | 294 |
| Issued in settlement of accounts payable (h) | 212,500 | 34 |
| Private placements (i) | 22,981,000 | 15,373 |
| Options exercised (j) | 500,000 | 134 |
| Issued for property | 50,000 | 11 |
| Rights offering (k) | 18,649,061 | 5,321 |
| Warrants exercised (l) | 2,208,914 | 648 |
| Shares issued under the Share Bonus Plan (m) | 500,000 | 380 |
| Flow-through share renunciation (f) | - | (1,076) |
| **Balance - December 31, 2006** | **152,228,887** | 83,887 |
| Shares issued pursuant to private placement (a) | 10,344,828 | 5,502 |
| Options exercised (b) | 750,000 | 317 |
| Warrants exercised (c) | 7,853,102 | 1,718 |
| Shares issued under the Share Bonus Plan (d) | 310,200 | 155 |
| Exercise of conversion rights on convertible debentures (e) | 833,333 | 200 |
| Flow-through share renunciation (f) | - | (337) |
| **Balance – December 31, 2007** | **172,320,350** | **$ 91,442** |

(a) In April, 2007, the Company issued 10,344,828 flow-through common shares at $0.58 per share for gross proceeds of $6,000,000. After fees and other out-of-pocket costs, net proceeds aggregated $5,502,276.

(b) In 2007, the Company issued 750,000 common shares for proceeds of $217,248 upon the exercise of 750,000 options. This resulted in an increase in share capital in the amount of the proceeds plus the carrying value of the options exercised of $98,800.

(c) In 2007, 7,853,102 common shares were issued upon the exercise of warrants for proceeds of $1,372,674. This resulted in an increase in share capital in the amount of the proceeds plus the carrying value of the warrants exercised in the amount of $346,261.

(d) In 2007, 310,200 common shares with a fair value at the grant date of $154,906 were issued to employees as discretionary bonuses pursuant to the Company's Share Bonus Plan. (see Share Incentive Plan below).

(e) In January, 2007, the two Directors who held the Company's convertible debentures exercised their conversion rights, resulting in the issuance of 833,333 common shares upon the conversion of $200,000 of convertible debentures.

(f) In February, 2007, the Company renounced $988,000 (February, 2006 - $3,154,977) in Canadian Exploration Expenditures to investors of flow-through shares in 2006 and 2005. The tax value of these renunciations amounted to $337,000 (2006-$1,076,000) 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 $377,000 (2006 - $1,076,000).

(g) In April, 2006, the Company issued 1,400,000 common shares to the estate of a former Chief Executive Officer of the Company for services that he rendered as an officer of the Company. The issuance of the shares followed the receipt of approval of the transaction by the Toronto Stock Exchange.

(h) Included in accounts payable at December 31, 2005 was an amount of $43,750 owing to Trend Mining Company in connection with the Company's December 31, 2004 acquisition of its interest in the Diabase Peninsula property. In April, 2006, $34,325 of this obligation was settled through the issuance of 212,500 common shares. The balance of the obligation of $9,375 will be settled in cash.

(i) The following shares were issued pursuant to private placements during 2006:

   i. In May, 2006, the Company issued 1,280,000 common shares at $0.32 per share and 2,470,000 flow-through shares at $0.40 per share for gross proceeds of $409,600 and $988,000, respectively, before costs of issue of $70,164.
   ii. In December, 2006, the Company completed a private placement financing pursuant to which it issued 19,231,000 common shares at a price of $0.78 per share for gross proceeds of $15,000,180 before costs of issue of $954,863.

(j) In December, 2006, the Company issued 500,000 common shares for gross proceeds of $100,000 upon the exercise of 500,000 options with an exercise price of $0.20 per share. This resulted in an increase in share capital of $100,000 plus the carrying value of the options exercised of $34,000.

(k) In November, 2006, the Company issued 18,649,061 shares at $0.30 per share pursuant to a rights offering to its shareholders for gross proceeds of $5,594,718 before costs of issue of $273,512.

(l) In 2006, 2,208,914 common shares were issued upon the exercise of warrants at an average price of $0.26 per share. This resulted in an increase in share capital in the amount of the proceeds of $570,950 plus the carrying value of the warrants in the amount of $78,851.

(m) In December, 2006, the Compensation Committee of the Board of Directors agreed to issue 500,000 common shares as a discretionary bonus pursuant to the Company's Share Bonus Plan to a director and former employee for past services, including his assistance in obtaining the Diabase Peninsula uranium project. The 500,000 shares were issued in January, 2007.

***Contributed Surplus***
In 2007, 31,093 warrants expired unexercised resulting in a transfer of $1,323 from warrants to contributed surplus.

In 2006, 1,000,000 stock options were cancelled, resulting in a transfer of $184,000 from stock option compensation to contributed surplus.

***Stock Options:***
The Company has a stock option plan (the "Plan") to encourage ownership of its shares by Directors, officers, employees and others, and to provide compensation for certain services. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to 10 years. No compensation is recognized when options are exercised. The number of shares reserved for issuance is not to exceed 15% of the aggregate number of common shares issued and outstanding (calculated on a non-diluted basis) from time to time. At December 31, 2007, the Company had 12,213,052 common shares available for the granting of future options.

A summary of the status of the Plan and changes during 2007 and 2006 are presented below:

| | Number of Options | Average Exercise Price | Amount |
|---|---|---|---|
| **Outstanding, December 31, 2005** | **11,825,000** | **$ 0.40** | **$ 1,177** |
| Options granted and vesting | 3,100,000 | 0.37 | 499 |
| Options exercised | (500,000) | 0.20 | (34) |
| Options expired or cancelled | (1,750,000) | 0.69 | (184) |
| **Outstanding, December 31, 2006** | **12,675,000** | **0.33** | **1,458** |
| Options granted and vesting | 1,885,000 | 0.31 | 267 |
| Options exercised | (750,000) | 0.29 | (99) |
| Options expired | (175,000) | 0.85 | - |
| **Outstanding, December 31, 2007** | **13,635,000** | **$ 0.20(1)** | **$ 1,626** |

(1) After giving effect to the modification of the options as described below.

In conjunction with the closing of the Plan of Arrangement (see Note 2), under an anti-dilution provision contained within the Plan of Arrangement, the Company modified all outstanding option agreements. The anti-dilution provision allows for the Company to equalize options in the event of an equity restructuring. As part of the Plan of Arrangement, option holders exchanged their Nuinsco options held immediately prior to the closing for new options of both Nuinsco and Victory Nickel. The number and price of the new options was based on, among other things, the intrinsic value of the options immediately preceding the closing of the Plan of Arrangement. Therefore, an option holder's intrinsic value of the combined options was the same before and following the closing of the Plan of Arrangement.

The following table summarizes further information about the stock options outstanding at December 31, 2007:

| Range of Exercise Prices | Options Outstanding | Years to Expiry (1) | Exercise Price (1) |
|---|---|---|---|
| $0.097 - $0.1823 | 8,125,000 | 3.22 | $0.14 |
| $0.2058 - $0.247 | 2,725,000 | 5.26 | $0.24 |
| $0.2587 - $0.306 | 500,000 | 3.20 | $0.28 |
| $0.31-$0.488 | 2,285,000 | 4.60 | $0.36 |
| $0.097 - $0.488 | 13,635,000 | 3.86 | $0.20 |

1 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 2007 was $0.16 (2006 - $0.16). A total of 1,885,000 options were granted during 2007 to employees, Directors and consultants. This resulted in a compensation expense totalling $267,000 compared to 3,100,000 options and vesting resulting in compensation expense totalling $499,000 during 2006. Of the 13,635,000 options outstanding at December 31, 2007, 417,500 are subject to vesting in the next fiscal year. The aggregate fair value of these unvested options not yet charged to operations is $55,000. The weighted average exercise price of fully-vested options at December 31, 2007 was $0.20.

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

| Option Assumptions | 2007 | 2006 |
|---|---|---|
| Dividend Yield | - | - |
| Expected volatility | 70-75% | 65.0% |
| Risk free interest rate | 4.5-5.0% | 4.2-4.5% |
| Expected option term – years | 3 | 3 |
| Fair value per share of options granted | $0.161-0.218 | $0.142- $0.419 |

***Share Purchase Warrants:***

| | Number of Warrants | Weighted Average Exercise Price | Amount ($'000s) |
|---|---|---|---|
| **Balance – December 31, 2005** | 10,106,590 | 0.28 | 406 |
| Issued for services rendered | 200,000 | 0.35 | 20 |
| Exercised | (2,208,914) | 0.26 | (78) |
| Expired | (213,481) | 0.30 | - |
| **Balance – December 31, 2006** | **7,884,195** | **0.28** | **348** |
| Exercised | (7,853,102) | (1)0.17 | (347) |
| Expired | (31,093) | 0.30 | (1) |
| **Balance - December 31, 2007** | **-** | **N/A** | **-** |

(1)Pursuant to the Plan of Arrangement, each outstanding warrant was modified such that it entitled the holder to receive one common share of the Company and 0.75 common shares of Victory Nickel. The aggregate exercise price of the warrant was unchanged, with the Company receiving 58.75% of the proceeds and Victory Nickel receiving 41.25% thereof.

***Share Incentive Plan:***

The Company has a share incentive plan ("Share Incentive Plan") which includes both a share purchase plan (the "Share Purchase Plan") and a share bonus plan (the "Share Bonus Plan").

The purpose of the Share Incentive Plan is to encourage ownership of the common shares by Directors, senior officers and employees of the Company and its designated affiliates and consultants who are primarily responsible for the management and profitable growth of its business, to advance the interests of the Company by providing additional incentive for superior performance by such persons and to enable the Company and its designated affiliates to attract and retain valued Directors, officers, employees and consultants.

Under the Share Purchase Plan, eligible Directors, senior officers and employees of the Company and its designated affiliates and consultants can contribute up to 10% of their annual basic salary before deductions to purchase common shares. The Company matches each participant's contribution. The purchase price per common share is the volume weighted-average of the trading prices of the common shares on The Toronto Stock Exchange for the calendar quarter in respect of which the common shares are issued. Common shares acquired are held in safekeeping and delivered to employees as soon as practicable following March 31, June 30, September 30 and December 31 in each calendar year. No common shares were issued pursuant to the Share Purchase Plan during 2007 or 2006. The maximum number of common shares issuable under the Share Purchase Plan is the lesser of: (i) that number of common shares that can be purchased with a dollar amount equal to 20% of the annual gross annual salary of the Participants (as defined in the Share Incentive Plan); and (ii) 1% of the aggregate number of issued and outstanding common shares (calculated on a non-diluted basis) from time to time.

The Share Bonus Plan permits common shares to be issued as a discretionary bonus to eligible Directors, senior officers and employees of the Company and its designated affiliates, and consultants from time to time. In 2007, 310,200 common shares were issued under the Share Bonus Plan (500,000 common shares were issued under the Share Bonus Plan in 2006). The maximum number of common shares issuable under the Share Bonus Plan is the lesser of: (i) 2,000,000 common shares; and (ii) 2% of the aggregate number of issued and outstanding common shares (calculated on a non-diluted basis) from time to time.

In December, 2007, entitlements to 167,541 common shares were granted under the Share Bonus Plan effective December 31, 2007. The entitlement to shares vests over the following nine-month period as to one-third in each fiscal quarter. The individuals awarded the right to receive shares have no rights of ownership associated with the shares until the shares have vested and are actually issued. The fair value of the 167,541 common share entitlements granted under the Share Bonus Plan was determined using the quoted market value on the date of grant ($0.31 per share) for an aggregate fair value of $51,938 which will be charged to income over the nine-month vesting period commencing January 1, 2008.

***Shareholder Rights Plan:***
In April, 2007, the Company adopted a shareholder rights plan ("the Plan") which was subsequently confirmed by its shareholders. In order to implement the adoption of the Plan, the Board of Directors authorized the issuance of one right (a "Right") in respect of each common share outstanding at the close of business on April 23, 2007 (the "Record Time"). In addition, the Board authorized the issuance of one Right in respect of each additional common share issued after the Record Time. Rights trade with and are represented by common share certificates, including certificates issued prior to the Record Time. Until such time as the Rights separate from the common shares and become exercisable, Rights certificates will not be distributed to shareholders.

If a person, or a group acting in concert, acquires (other than pursuant to an exemption available under the Plan) beneficial ownership of 20% or more of the common shares, Rights (other than those held by such acquiring person which will become void) will separate from the common shares and permit the holder therefore to purchase common shares at a 50% discount to their market price. A person, or a group acting in concert, who is the beneficial owner of 20% or more of the outstanding common shares as of the Record Time is exempt from the dilutive effects of the Plan provided such person (or persons) does not increase its beneficial ownership by more than 1% (other than in accordance with the terms of the Plan). At any time prior to the Rights becoming exercisable, the Board may waive the operation of the Plan with respect to certain events before they occur.

The issuance of the Rights is not dilutive until the Rights separate from the underlying common shares and become exercisable or until the exercise of the Rights. The issuance of the Rights will not change the manner in which shareholders currently trade their common shares.

## 13. GAIN ON SALE OF MARKETABLE SECURITIES

In December, 2004, the Company sold its Rainy River property to a private company which later went public under the name Rainy River Resources Ltd. ("Rainy River"). The terms of the sale included cash payments totalling $2,500,000 over two years, of which $500,000 was paid on execution of the agreement. The balance of $2,000,000 was received in 2005 and 2006. An additional amount of $2,500,000 will be received on the date commercial production commences and a royalty of $1 per ton of ore will also be received.

In 2005, pursuant to the sales agreement, the Company received 2,197,380 common shares of Rainy River which were valued at $0.25 per share. The Rainy River shares were sold in 2005 and 2006 resulting in gains on sale of marketable securities of $2,567,000 in 2006 and $400,000 in 2005, respectively.

## 14. INCOME TAXES

The income tax recovery differs from the amount computed by applying the statutory federal and provincial income tax rates for the years ended December 31, 2007 and 2006, of 36.07% and 34.1% respectively, to the income before income taxes. The differences are summarized as follows:

| | 2007 | 2006 |
|---|---|---|
| Current income taxes | | |
| Statutory rate applied to income before income taxes | $ 260 | $ 122 |
| Non-taxable items - net | (56) | (12) |
| Taxes otherwise payable from realization of future tax assets | - | 4,403 |
| Temporary differences (primarily exploration and development deductions) | (328) | (3,348) |
| Benefit of current year loss not recognized | 124 | - |
| Benefit of prior years' losses carried forward | - | (1,165) |
| Net proceeds received on realization of future tax assets (see below) | - | (778) |
| Current tax recovery | - | (778) |
| Future income taxes | | |
| Changes in enacted future income tax rates | 25 | - |
| Share issue costs | (144) | (541) |
| Temporary differences at expected future rates | (1,077) | 3,348 |
| Benefit of losses (carried forward) utilized | (100) | 1,172 |
| Valuation allowance | 1,296 | (3,979) |
| Flow-through share renunciation | (337) | (1,076) |
| Future tax recovery | (337) | (1,076) |
| Total income tax recovery | $ (337) | $ (1,854) |

In 2006, in addition to the income tax recoveries resulting from the renunciation of the flow-through share tax value in the amount of $1,076,000 as explained in Note 12, the Company realized further income tax recoveries in 2006 of $778,000. This amount represents the proceeds received (net of fees and out-of-pocket expenses) as a result of certain transactions entered into which resulted in the realization of the benefit of previously unrecognized tax losses carried forward and exploration and development deductions totaling approximately $13,000,000.

Future income tax assets and liabilities are recognized for temporary differences between the carrying value of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Significant components of the Company's future income tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

| | 2007 | 2006 |
|---|---|---|
| Future income tax assets | | |
| Temporary differences | | |
| Equipment | $ 54 | $ 53 |
| Exploration and development | 2,236 | 692 |
| Share issue costs | 378 | 434 |
| Net tax losses carried forward | 100 | - |
| Eligible capital property and other | (188) | 393 |
| | 2,580 | 1,572 |
| Valuation allowance for future income tax assets | (2,580) | (1,572) |
| Future income tax assets, net | $ - | $ - |

Non-capital losses expire in 2028. A valuation allowance has been recorded in an amount equal to the full amount of the future income tax benefit as the likelihood of utilizing unused tax losses and other tax deductions cannot be determined at this time.

## 15. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income (OCI) is comprised of unrealized gains on marketable securities (shares of Campbell) that were classified as available for sale prior to December 1, 2007 (see Note 6). Changes in the components of OCI are summarized as follows:

| | 2007 | 2006 |
|---|---|---|
| Accumulated OCI at beginning of year | $ - | $ - |
| Adjustments to accumulated OCI at beginning of period due to the change in method of accounting for financial assets available for sale | 58 | - |
| OCI for the period representing the change the fair value of financial assets available for sale | 842 | - |
| Accumulated OCI at end of year | $ 900 | $ - |

## 16. CHANGES IN NON-CASH WORKING CAPITAL

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

| | 2007 | 2006 |
|---|---|---|
| Accounts receivable, prepaid expenses and deposits | $ 18 | $ 35 |
| Due from Victory Nickel Inc. | (158) | - |
| Due from Campbell Resources Inc. | (326) | (18) |
| Accounts payable and accrued liabilities | 58 | 380 |
| | $ (408) | $ 397 |

## 17. RELATED PARTY TRANSACTIONS

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

(a) The Company shares management administrative assistance and facilities with Victory Nickel pursuant to a management agreement. The costs recovered from Victory Nickel are equal to the cost to the Company of such services plus 10 per cent. The management agreement has an initial term of 24 months commencing February 1, 2007 and is terminable thereafter by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. Costs recovered from Victory Nickel in the year ended December 31, 2007 total $1,272,250 and have been deducted from general and administrative expenses.

(b) The aggregate amounts in respect of services and consulting fees paid or payable by the Company for the years ended December 31, 2007 and 2006 to Directors and corporations controlled by them were nil and $71,330, respectively.

(c) Amounts due from Victory Nickel and Campbell are unsecured, non-interest bearing and due on demand.

(d) Included in accounts payable and accrued liabilities at December 31, 2007 are amounts owing to Directors and officers of $113,515 (December 31, 2006 - $164,168). The December 31, 2007 amount is primarily Directors' fees and reimbursement of expenses, while the December 31, 2006 amount is primarily accrued interest.

**18. Lease Commitment**

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

| | Minimum Lease Payments |
|---|---|
| 2008 | $ 60 |
| 2009 | 62 |
| 2010 | 64 |
| 2011 | 48 |
| 2012 | 5 |
| | $ 239 |

**19. Segment Disclosure – Geographic Information**

The Company operates in two geographic areas, Canada and Turkey. The Company has three major exploration and development projects in Canada, namely Diabase Peninsula, Prairie Lake and Cameron Lake. Two exploration projects are in Turkey, namely Berta and Elmalaan.

| **Geographic Location** | **Assets** | | **Revenue** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| **Canada** | $ 26,899 | $ 32,740 | $ 1,388 | $ 3,593 |
| **Turkey** | $ 1,837 | $ 874 | $ - | $ - |

**20. Financial Instruments**

***Fair value of financial instruments***

The Company's financial instruments include cash and cash equivalents, accounts receivable, amounts due from Victory and Campbell, convertible debenture and loan amounts due from Campbell under the revolving credit facility, marketable securities and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value.

***Concentration of credit risk***

Concentration of credit risk arises as a result of $344,436 due from Campbell, in addition to loans and convertible debentures totaling $3,500,000 also due from Campbell. Amounts due from Victory Nickel are settled on a regular basis. The Company maintains all of its cash and cash equivalents with major financial institutions.

***Interest Rate Risk***

The Company's cash equivalents earn interest at fixed rates of approximately 4.1% at December 31, 2007. The Company's advances to Campbell under the revolving credit facility and its convertible debentures also earn interest at fixed rates. None of the Company's other financial instruments are interest bearing, therefore the Company's exposure to interest rate risk is minimal.

***Currency Risk***

The Company incurs expenditures related to the Berta and Elmalaan projects in Turkey, and certain general and administrative expenses, in United States dollars. Exploration advances at December 31, 2007 of $28,000 and accounts payable of approximately $115,000 were denominated in United States dollars.