



NUINSCO RESOURCES LIMITED

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007**

DATED MARCH 30, 2009

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The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of March 30, 2009 consolidates management's review of the factors that affected the Company's financial and operating performance for the years ended December 31, 2008 and 2007, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's audited consolidated financial statements as at and for the years ended December 31, 2008 and 2007 ("2008 Audited Consolidated Financial Statements") and the notes thereto. Readers are encouraged to consult the 2008 Audited Consolidated Financial Statements which were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") 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. All tabular amounts are in thousands of Canadian dollars.

COMPANY OVERVIEW AND GOING CONCERN UNCERTAINTIES

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 currently has uranium, copper, gold and zinc assets in world-class mineralized belts in Canada and Turkey. In addition to its property holdings, Nuinsco owns approximately 15% of the outstanding common shares of Victory Nickel Inc. ("Victory Nickel") (TSX:Ni), approximately 10% of the outstanding common shares (after taking into account recent financings) of precious and base metals producer Gold Hawk Resources Inc. ("Gold Hawk") and approximately 10% of the outstanding common shares of Campbell Resources Inc. ("Campbell"). 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.

The 2008 Audited Consolidated Financial Statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. At December 31, 2008, the Company had a working capital deficiency of \$6,050,000. This working capital deficiency includes a \$6,123,000 loan originally due in December 2008 and which was extended to June 15, 2009 subsequent to December 31, 2008. The loan was originally secured by Victory Nickel shares shown as investment in equity-accounted investee. The security was extended to include other assets to accommodate the loan's restructuring (see Note 13 to the Audited Consolidated Financial Statements).

The Company is subject to the risks and challenges experienced by other companies whose principal business is exploration with no cash-generating operations. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing to meet the minimum capital required to repay the loan due June 15, 2009 and to successfully complete its projects and fund other operating expenses. Given the current economic climate, the ability to raise funds may prove difficult. Refer to Risks and Uncertainties section in this document for additional information.

None of the Company's exploration or development projects has commenced commercial production, and accordingly the Company continues to be 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 the optioning and/or sale of resource or resource-related assets for its funding. As a result, the Company will require additional financing, which, if not raised, will result in the curtailment of operating activities.

The Company continues to examine a number of financing alternatives as well as strategies to maximize the realization of amounts due from Campbell (even though the Company has written these down) to allow it to continue to meet its obligations as they become due. Furthermore, the Company has pledged its Victory Nickel and Gold Hawk shares as well as the Cameron Lake property to secure the loan payable as described in Note 13 to the 2008 Audited Consolidated Financial Statements. In order to preserve cash resources, the Company has been forced to significantly curtail its exploration activities until funds become available.

There can be no assurances that the Company's efforts will be successful and as a result there is substantial doubt as to the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for the 2008 Audited Consolidated Financial Statements, then adjustments to the carrying values of assets and liabilities, reported expenses and balance sheet classifications may be necessary. These adjustments could be material.

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 in Manitoba and the Lac Rocher sulphide nickel project in Québec (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 (the present interest is approximately 15% after the completion of various financings by Victory Nickel and its purchase of Independent Nickel Corp. ("Independent")). 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 GAAP, the difference between the carrying value of the Nickel Properties and cash transferred and the initial 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 5 to the Company's 2008 Audited Consolidated Financial Statements.

HIGHLIGHTS

Corporate

- Purchased 6,000,000 common shares of Campbell Resources, at a cost of \$0.10 per share.
- Purchased a strategic position of approximately 13% of the outstanding shares of Gold Hawk, the principal asset of which is the wholly-owned Coricancha polymetallic mine in Peru.
- Continued to support Campbell's Corner Bay project by expanding the available credit facility to \$10.0 million from \$1.5 million.
- Announced the appointment of Alison Sutcliffe as Vice-President, Finance and Chief Financial Officer.
- Completed \$2.1 million in non-brokered flow-through private placement financing.
- Sold rights to a bonus payment and a royalty on certain claims that form the core of the Rainy River project in northwestern Ontario to Rainy River Resources Ltd.
- Subsequent to year end, entered into an agreement to extend the maturity date on the Company's US\$5 million bridge loan, to June 15, 2009.

Uranium

- Announced positive results from a property-wide surface sampling program at the Prairie Lake Project, with assays returning grades up to 886 ppm uranium, 4,390 ppm niobium, 507 ppm tantalum and 19.9% phosphorous.

- Received complete assay results from drilling at Prairie Lake in which all holes returned uranium values, as well as niobium, tantalum, phosphorous and rare earth elements (REE) including lanthanum, cerium, samarium, neodymium and yttrium.
- Announced positive results from surface sampling and from a \$2.5 million, 6,500-metre winter drilling program at the Diabase Peninsula property.
- Commenced a 2,500-metre diamond drilling program at Prairie Lake to follow up on positive surface sampling and drill results.
- Signed an option to acquire a 50% interest in the Marijane Lake and Huston Lake uranium properties in Ontario and Manitoba from Temex Resources Corp. (“Temex”), and completed an airborne radiometric survey over the property in preparation for ground follow-up.
- Undertook ground exploration program to identify drill targets at Marijane Lake and Huston Lake uranium properties. Diamond drilling began in December 2008.

Copper, Gold and Zinc

- Announced that Campbell had successfully mitigated groundwater inflow at the Corner Bay Copper Mine.
- Completed an updated gold resource estimate at the Cameron Lake gold deposit near Kenora, Ontario which resulted in a 29% increase in measured and indicated ounces and a 72% increase in inferred resources.
- Announced the acquisition of a 700 tonne per day gold mill that could be utilized at the Cameron Lake project to process feed from the Cameron Lake gold mine, as well as potentially from the numerous deposits in Kenora region.
- Announced positive drill results from Berta, including over 459m of continuous copper-gold mineralization starting from only four metres below surface in the first hole and intervals grading up to 5.07% copper over 4.5m in the second hole building upon the spectacular results obtained in 2007, including an interval of 710.9m grading 0.28% copper and 0.07g/t gold between 3.80m and 714.7m.

OUTLOOK

The global economic crisis has changed the immediate outlook for not only the metals industry but all segments of the economy. What was referred to as the “super cycle” fizzled faster than anyone could have imagined. Banks face bankruptcy, automakers are considering creditor protection and governments are being forced to bail out private sector businesses all around the world. Companies, large and small, from all sectors are impacted. The consolidation of the mining industry which took place over the last several years and the pace of exploration and development activities when credit was readily available has resulted in strained balance sheets for some of the world’s largest and strongest mining companies. There are no exceptions. Nuinsco is no exception.

The precipitous decline in base metal prices has made otherwise strong operating mining companies uneconomic. Combined with the lack of credit, this has necessitated immediate mine closures to protect valuable cash resources. This represents an important difference in the current cycle when compared with past cycles. In prior cycles, mining companies continued to operate mines at a loss, resulting in inventory increases to levels that took years to deplete. As a result, metal prices took years to recover. In the current cycle, however, mining companies have reacted quickly to close money-losing operations. Although inventories have not yet fallen due to the severe and sudden drop in consumption, the magnitude of the increase in inventories is much less than has been seen in the past. This bodes well for a fast and strong recovery when metals demand returns.

The global financial crisis has also had a positive impact on cost side of the equation. The high growth of the last several years strained the availability of labour, services and raw materials resulting in unprecedented escalations in the cost to develop and operate projects. Long lead times for equipment deliveries caused expensive delays, steel prices rose to record highs and energy costs were at levels never before seen. Very quickly however, costs and the availability of equipment and people are returning to reasonable levels.

However, good projects no longer command value in the market. Share prices are often trading at levels that do not reflect the value of cash on hand let alone place a value on exploration properties. Today’s equity

markets reflect a total disconnect between share price and value. This disconnect cannot last long. The inability to fund the exploration activities required to replace depleting resources will result in a more extreme and accelerated recovery as the availability of advanced exploration projects disappears. Metal prices are cyclical. The world cannot exist without metals. Exploration is necessary to replace deposits as mines are depleted or closed for economic reasons and markets' reactions to perceived shortages become more apparent.

Unfortunately, financing exploration activities during recessionary times is difficult. Exploration is high-risk and investors are normally not prepared to participate in high-risk activities when cash is tight. Investors become cautious and concerned and protect cash. The existence of flow-through equity financing in Canada is of vital importance to the exploration industry and has allowed exploration to continue at unprecedented rates and has kept Canada as a world leader in mining. However, this was during times when "hard dollar" funding for non flow-through-eligible expenditures was available. Today, such funds are scarce and, if available at all are excessively dilutive to existing shareholders. The Prospectors and Developers Association of Canada ("PDAC") recognizes this, and recently made a submission to the government for consideration of this in the recent federal budget. Unfortunately, the government did not provide the assistance necessary to ensure the viability of Canada's exploration industry. The industry was not asking for a bail-out, simply recognition of the importance of resource exploration, development and production to Canada's past, present and future economic health.

Nuinsco is fortunate to have a number of projects in excellent locations containing a variety of metals. The market is currently focused on gold. Not so long ago, it was focused on copper. At other times, uranium, nickel and rare earths were the "flavour of the month." Nuinsco has exploration projects or investments in them all.

Cameron Lake is a gold project that in today's gold price environment could generate significant cash. Management is working hard to find a way to realize the value of this asset. In 2008, the Company announced the acquisition of a mill which could be transported to the site. Current gold prices make this more economic. We have announced that we are investigating the toll milling of crushed ore which is above-ground at Cameron Lake and are investigating alternatives and permitting requirements for transportation.

Cycles are the norm in our business. Some are more severe than others. We believe that markets will improve and that the value of Nuinsco's assets will be recognized when that happens - as it was in the past. In the interim, the Company will focus on preserving cash and focusing only on activities which are required in the near term to protect its projects. We will continue to look for undervalued opportunities which will add significant value to existing assets when markets turn. We hope shareholders will be supportive of our efforts and assist if necessary to protect their assets and position the Company for growth in the future.

SELECTED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	2008	2007	2006
Summary Operating Results Data			
Consulting fees	\$ 225	\$ 707	\$ 715
Interest income	548	581	178
Other income	998	100	2,700 ⁽¹⁾
General and administrative expenses	1,488	1,463	2,282
Foreign exchange loss	881	-	-
Interest expense	576	-	-
Share of losses of equity-accounted investees	(4,203)	(868)	-
Dilution gains	102	2,071	-
Writedown of amounts related to Campbell	(8,359)	-	-
Unrealized loss on investment in Victory Nickel	(3,785)	-	-
Net (loss) income	(15,792)	1,058	2,213
(Loss) income per share	(0.09)	0.01	0.02
Summary Balance Sheet Data			
Cash and cash equivalents	793	7,099	20,045
Marketable securities	548	6	2,976
Other current assets	135	426	3,280
Investment in equity-accounted investees	1,732	10,364	-
Exploration and development projects	14,187	6,864	9,851
Total assets	17,519	28,736	33,614
Current liabilities	7,526	1,210	1,631
Total shareholders' equity	\$ 9,894	\$ 27,526	\$ 31,983

(1) Other income in 2006 includes \$2,567,000 gain on sale of marketable securities

RESULTS OF OPERATIONS

Year Ended December 31, 2008, Compared With Year Ended December 31, 2007

In 2008, the Company had a net loss of \$15,792,000, or \$0.09 per share compared with net income of \$1,058,000, or \$0.01 per share, in 2007. The primary reasons for the significant change relates to writedowns of amounts related to Campbell in 2008 of \$8,359,000 and an unrealized loss on the Company's equity-accounted investment in Victory Nickel of \$3,785,000, both of which are related to the significant deterioration of capital markets.

Consulting fees in 2008 were \$225,000 which represents nine months of fees from Campbell; in 2007 there was a full year of fees which also included a share capital component aggregating \$707,000. The operating consulting agreement with Campbell was terminated in November, 2008 and fees ceased being accrued effective September 30, 2008 due to the significant operating and financial difficulties being experienced by Campbell and the consequent impact upon the collectability of amounts due from it.

Interest income of \$548,000 was earned in 2008, which compares with \$581,000 in 2007, as the Company ceased recording interest on amounts due from Campbell in the fourth quarter. Interest income decreased slightly despite average balances due from Campbell being greater in 2008 than 2007.

Other income in 2008 of \$998,000 included a number of items, whereas the \$100,000 in 2007 reflected loan set up fees on the Campbell amounts. In 2008, the Company sold its royalty interest on the Rainy River exploration property which it formerly owned. The aggregate proceeds were \$630,000 which comprised cash of \$500,000 and 200,000 shares of Rainy River Resources Ltd ("Rainy River"). The shares are included in marketable securities at market value which was \$1.24 per share or \$248,000 as at December 31, 2008. As at March 30, 2009 the shares had a market value of \$2.12 per share. In addition, a royalty interest related to the Bucko nickel property was sold for cash of \$300,000. There were no such royalty sales in 2007.

General and administrative expenses were relatively similar in 2008, being \$1,488,000 compared with \$1,463,000. Overhead recoveries through charges to Victory Nickel for services under the management contract and deducted from operating expenses aggregated \$650,000 in 2008, compared with \$809,000 in 2007. In addition, other charges amounting to \$66,000 for project-related costs (2007 - \$463,000) were

charged to Victory Nickel. Such amounts are recorded at the exchange amount which is equal to the cost to the Company of such services plus 10%.

In July, 2008, the Company entered into a loan agreement denominated in US dollars which was advanced in several tranches across the period and aggregated US\$5 million as at December 31, 2008. Due to a weakening Canadian dollar, the Company incurred a net foreign exchange loss of \$881,000 in 2008; there was a minimal foreign exchange loss in 2007.

The Company incurred interest expense of \$576,000 on the loan in 2008. This amount includes amortization of loan fees as required under GAAP. There were no loans in 2007. The loan is included in current liabilities and was originally due December 15, 2008. Subsequent to the end of the year, the loan was renegotiated with an extension to June 15, 2009. While the interest rate remained at 12.5%, the Company agreed to provide additional security as described in Note 13 to the 2008 Audited Consolidated Financial Statements due to the significant decline in the value of the Company's shares in Victory Nickel which were provided as security under the original loan. The fact that the loan was extended for six months is an encouraging sign that lenders believe in the underlying value in the Company's projects despite the trying economic circumstances being faced. Refer also to the Liquidity and Capital Resources discussion.

The share of losses of equity-accounted investees increased significantly in 2008 to \$4,203,000, compared with \$868,000 in 2007. The most significant component results from losses experienced by Campbell in the third quarter of 2008. The Company terminated the operating consulting agreement with Campbell in the fourth quarter of 2008 and Nuinsco's two nominees to the Campbell board resigned their directorships. Accordingly, the Company ceased having significant influence over Campbell at that time. Effective September 30, 2008, the Company considered that there was no value to its equity investment in Campbell and made an adjustment of \$436,000 through operations (which is included in the writedown of amounts related to Campbell in the table above), as well as reversing an amount of \$910,000 formerly recorded through other comprehensive income ("OCI") to record its interest at \$nil.

Other amounts related to equity-accounted investees include aggregate dilution gains of \$102,000 in 2008, compared with \$2,071,000 in 2007. This relates to a net dilution loss of \$153,000 in 2008 on Victory Nickel with the balance of \$255,000 arising from Campbell; the whole amount in 2007 arose in respect of Victory Nickel. Dilution gains and losses arise as a consequence of a net increase or decrease in the share of an equity-investee's net assets resulting from transactions through share capital. In particular, there was a dilution loss of \$525,000 in the fourth quarter as a result of share issuances by Victory Nickel pursuant to its acquisition of Independent. Combined with a dilution loss of \$725,000 in the second quarter and a dilution gain of \$1,097,000 related to flow-through renunciation and financings by Victory Nickel respectively, the net amount totals a dilution loss of \$153,000.

Campbell announced that it had re-entered CCAA protection in January, 2009. Accordingly, the Company recorded a writedown of \$7,923,000 in the fourth quarter against its interest in Campbell which it views as the combination of the convertible debenture of \$2,000,000, the loan balance of \$5,923,000 and the royalty interest of \$2,500,000 described below. As at the end of the third quarter of 2008, the Company considered that its loan balances were fully-secured, however, due to continuing adverse economic trends, the Company determined that it would make a provision against the balances amounting to \$7,923,000. The Company is working with legal advisors to protect its interests, to maximize potential recoveries from any liquidated assets or ensure it benefits from restructuring of Campbell. No similar writedowns occurred in 2007.

In the third quarter of 2008, the Company advanced funds under the loan facility to Campbell to be spent on the Corner Bay project. In December 2008, Campbell advised that \$2.5 million had been spent on qualifying expenditures and that the Company had earned a royalty interest in Corner Bay as more fully described in Note 9 to the Company's 2008 Audited Consolidated Financial Statements.

As mentioned above, the Company views its interest in Campbell as the aggregate of the loan, convertible debenture and royalty interest and considers that the interest in Campbell, included in exploration and development properties, has an estimated recoverable amount of \$2.5 million. The value of the estimated recoverable amount is based primarily upon a discounted cash flow model of the Corner Bay project, adjusted for other potential claims against the property. While the Company has security over other assets, including

other exploration properties owned by Campbell, the primary asset which is most amenable to valuation is considered to be the Corner Bay project.

The Company's investment in Victory Nickel suffered a significant decline in market value during the year. On June 30, 2008 Victory Nickel's shares traded at \$0.47 and by December 31, 2008, the price had dropped to \$0.05 per share (and was valued at the bid price of \$0.045 in accordance with GAAP). This was in line with the majority of resource companies' performance due to sharply declining commodity prices and the curtailment of availability of equity and debt financing. The Company continues to believe in the quality of Victory Nickel's projects but, given the extent and duration of the decline, accounting principles require an adjustment to market value of its investment in Victory Nickel considering that the decline is other than temporary. Accordingly, the Company recorded an unrealized loss on the value of its investment in Victory Nickel of \$3,785,000 through the consolidated statement of operations, thereby recording its investment at market value on December 31, 2008. No such unrealized losses were recorded in 2007.

Income tax recoveries of \$1,740,000 were recorded in 2008 as a function of renunciation of flow-through share expenditures as the Company has recorded a full valuation allowance against its future income tax assets. In 2007, income tax recoveries of \$337,000 related to flow-through renunciations were recorded for the same reasons.

Other Comprehensive Loss ("OCI") of \$2,294,000 represents a loss of \$1,384,000 related to net decreases in the market value of the Company's marketable securities – primarily shares of Gold Hawk – combined with the reversal of \$910,000 of OCI related to Campbell for the reasons outlined above.

As a result of the writedowns and transactions referred to above, the Company's consolidated balance sheet looks very different in 2008 when compared with 2007. Cash and cash equivalents have declined to \$793,000 from \$7,099,000 in 2007. Marketable securities include the aforementioned Rainy River Resources shares which have improved in market value since received – and since December 31, 2008. The Company acquired a 13% interest in Gold Hawk in July 2008 for a cost of \$1,796,000. The market value of those shares declined from a cost of \$0.06 per share to \$0.01 by the end of December 31, 2008.

The Company continues to believe in the value of Gold Hawk's project in Peru, and therefore considers the loss to be temporary and has continued to record the changes in market value on Gold Hawk shares through OCI. The Company believes that the decline in the market value of Gold Hawk is due to general market conditions which are not specific to that company. The amount of OCI recorded in accumulated OCI for Gold Hawk is approximately \$1,496,000 as at December 31, 2008 and reflects a share price of \$0.01 at that date. The junior resource sector has been adversely affected by the tightening in the credit and equity markets and the general decline in commodity prices. Given the volatility in the sector over a short period of time, the Company believes that this loss is temporary. Since the end of December, Gold Hawk's closing share price has ranged from \$0.01 to \$0.04, indicating its volatility but also its ability to improve.

Despite challenges in financing which culminated in an announcement that it was unable to meet its debt repayment and had defaulted on extension terms, Gold Hawk has restructured its loan payments to include an extension to February 2010 as well as an increase in amount. The Company believes that this indicates confidence in the project by its lenders. Gold Hawk insiders have also participated in private placement financing to the fullest extent available to them. Both of these factors indicate confidence in Gold Hawk by sources close to the project and support the contention that the market is undervaluing the asset.

Gold Hawk's Coricancha mine remains out of production because of an incident caused by a third party which required suspending operations. As a result of that incident, tailings must be relocated but permits have been granted by the authorities to construct permanent tailings facilities. A significant insurance claim is also pending, settlement of which would be of considerable financial assistance. When a partial payment of \$2 million was received in August, the market reacted with a 50% increase in share price to \$0.09. While markets are behaving less ebulliently now, the Company believes that this provides a large degree of upside. Management has visited the site of the Coricancha mine in Peru and has regular discussions with Gold Hawk management.

The share price of Gold Hawk has recovered somewhat since the end of the year to \$0.03 as at March 30, 2009.

The investment in equity-accounted investees balance in 2008 was \$1,732,000, compared with \$10,364,000 as at December 31, 2007. As referred to above, the value of Campbell was written down to \$nil effective September 30, 2008, compared with a value of \$4,216,000 as at December 31, 2007. Similarly, the market value of Victory Nickel as at December 31, 2008 was \$1,732,000, compared with an equity-accounting value of \$6,148,000 at December 31, 2007 (representing a market value at that time of \$18,480,000).

Primarily as a result of \$12,144,000 in unusual writedowns in 2008, total assets have declined from \$28,736,000 in 2007 to \$17,519,000. Exploration and development projects increased to \$14,187,000 and are discussed in detail below.

Current liabilities of \$7,526,000 have increased from \$1,210,000 in 2007 largely as a result of the loan referred to above. The Company has a working capital deficiency of \$6,050,000 compared with working capital of \$8,165,000 in 2007. The change is because of depletion of cash balances and the loan received in 2008.

The Company continues to have no recurring sources of revenue but is actively considering non-recurring alternatives. In February it announced an initiative to source a custom mill to process the crushed ore stockpiled on surface at Cameron Lake. Because of buoyant gold prices, the economics of transporting and processing this ore have become attractive. It is estimated that potentially significant revenue could be realized before shipping and treatment costs with the possibility of additional revenue from uncrushed ore also above-ground.

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 7 to the Company's 2008 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 totalled \$707,000, compared with \$715,000 in 2006. Interest income earned in 2007 totalled \$581,000, versus \$178,000 in 2006, reflecting the higher level of cash invested in interest-bearing instruments in 2007.

General and administrative expenses totalled \$1,463,000 in 2007, versus \$2,282,000 in 2006. As explained under related party transactions below, the reduction in 2007 compared with 2006 reflects overhead recoveries from Victory Nickel, including project-related costs 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 2007 totalling \$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 totalled \$868,000 in 2007. The Company's share of Victory Nickel's loss for the period from its inception, February 1, 2007, to December 31, 2007 totalled \$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 7 to the Company's 2008 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 15 to the Company's 2008 Audited Consolidated Financial Statements. The balance of recoveries in 2006 totalling \$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. As referred to in the discussion for 2008 compared with 2007, the amount relating to Campbell was reversed in 2008 due to the writedown of the equity-accounted balance in Campbell.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last twelve quarters ended December 31, 2008 is as follows:

<u>Fiscal year 2008</u>	<u>4th Quarter</u>	<u>3rd Quarter</u>	<u>2nd Quarter</u>	<u>1st Quarter</u> (Restated)
Revenue and other income	\$ 631 ⁽¹⁾	\$ 368	\$ 519	\$ 253
(Loss) net income	\$ (13,173) ⁽²⁾	\$ (2,930) ⁽³⁾	\$ (196)	\$ 507 ⁽⁴⁾
(Loss) income per share - basic and diluted	\$ (0.07)	\$ (0.02)	\$ 0.00	\$ 0.00
<u>Fiscal year 2007</u>	<u>4th Quarter</u> (Restated)	<u>3rd Quarter</u>	<u>2nd Quarter</u>	<u>1st Quarter</u> (Restated)
Revenue and other income	\$ 361	\$ 335	\$ 335	\$ 357
(Loss) net income	\$ (667) ⁽⁵⁾	\$ (96)	\$ (129)	\$ 1,950 ⁽⁶⁾
(Loss) income per share - basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ 0.02
<u>Fiscal year 2006</u>	<u>4th Quarter</u>	<u>3rd Quarter</u>	<u>2nd Quarter</u>	<u>1st Quarter</u>
Revenue and other income	\$ 755	\$ 873	\$ 895	\$ 1,070
(Loss) net income	\$ (493)	\$ 34	\$ 928	\$ 1,744
(Loss) income per share - basic and diluted	\$ (0.01)	\$ 0.00	\$ 0.01	\$ 0.02

- (1) Includes \$630,000 for the sale of the Rainy River royalty received in cash and shares.
- (2) Includes \$3,785,000 writedown for unrealized loss on investment in Victory Nickel and \$7,923,000 provision for writedown of amounts owing by Campbell.
- (3) Includes \$3,512,000 of losses related to Campbell partly offset by a dilution gain of \$1,097,000 on Victory Nickel as a result of financings.
- (4) Net income was restated to include a dilution loss on the share of Victory Nickel's flow-through share renunciations.
- (5) Restated in 2007 to include a dilution gain of \$27,000 on Victory Nickel.
- (6) Restated in 2007 to include a dilution gain of \$2,044,000 on Victory Nickel.

Variations in the quarterly results of operations are largely a function of the timing of property and other writedowns, tax recoveries and the recording of losses of equity-accounted investees and dilution gains and losses therein.

EXPLORATION AND DEVELOPMENT ACTIVITIES

In 2008, the Company incurred exploration and development costs of \$7,509,000 on its mineral interests, compared with \$3,131,000 in 2007, excluding amounts incurred on the nickel projects transferred to Victory Nickel. In aggregate, \$3,464,000 was spent on the Company's uranium projects including significant expenditures of \$2,189,000 on the Diabase Peninsula uranium property, as well as \$730,000 on the Marijane and Huston Lakes property, the option for which was secured in 2008. Expenditures on the Company's gold, copper and zinc projects aggregating \$4,045,000 included \$2,500,000 on the Interest in Campbell which was confirmed by Campbell as being expended on CEE-eligible exploration expenditures on Corner Bay. Spending on the Berta and Elmalaan properties in Turkey amounted to \$656,000. The Company also incurred \$715,000 on Cameron Lake which includes \$616,000 on expenditures and \$99,000 on asset retirement costs which is equally offset by an asset retirement obligation included in non-current liabilities determined to be necessary effective December 31, 2008.

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

A synopsis of the Company’s properties follows; complete details of the mineral properties are available on the Company’s website at www.nuinsco.ca.

GOLD

Cameron Lake Project, Ontario

Located near Kenora in northwestern Ontario, the Cameron Lake Project has been the subject of considerable historic work. Approximately \$24 million was spent in the 1980s by a former partner of Nuinsco to develop the mine to the 800-foot level, and drilling has demonstrated that gold mineralization extends to greater than 700m. 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.

In 2008, the Company restarted the process of securing the required permits and, as part of the process, has begun conducting environmental and engineering studies at the Cameron Lake site. Further, in June, 2008, an updated NI 43-101 compliant resource estimate was completed that reported 100,000 tonnes grading 6.17g/t Au in the Measured category, 648,000 tonnes 6.51g/t Au in the Indicated category and 1,819,000 tonnes grading 4.99g/t in the Inferred category.

Subsequent to year end, the Company announced that it is reviewing options with regard to processing gold mineralized rock that is currently stockpiled on surface at the Cameron Lake site. Approximately 14,000 tonnes of material was collected from numerous levels of the Cameron Lake Mine and crushed as part of a program conducted in 1988 to produce representative samples for assay. Analysis by Lakefield Research at that time (now SGS Lakefield Research Limited) returned an average gold grade of 4.46 g/t for this material (as this information pre-dates NI 43-101, it cannot be determined at this time whether it would comply with NI 43-101). This crushed material, and an additional amount of uncrushed development muck from mineralized zones within the deposit, is currently stockpiled on surface and available for processing.

A gold price of (US\$991.70/oz) and exchange rate (1.25) as of February 23, 2009 combined with the 4.46 g/t average grade could be used to attribute an in-situ value to the 14,000 tonnes of crushed rock on surface. Previous metallurgical testing indicates good gold recovery using conventional processing.

The Company is actively evaluating its alternatives with respect to transporting and toll milling this material offsite. This program could potentially provide revenue from gold sales, and provide valuable information on metallurgy and recoveries that will be helpful with future development of the Cameron Lake gold mine.

As mentioned above, the Company determined that it was appropriate to record an asset retirement obligation of \$99,000 for the Cameron Lake property effective December 31, 2008. The obligation will be accreted periodically through a charge in the consolidated statement of operations to build up to an expected site closure cost of \$253,000 by 2016. Refer to Note 12 to the Company’s 2008 Audited Consolidated Financial Statements.

URANIUM

Diabase Peninsula Property, Saskatchewan

Nuinsco’s Diabase Peninsula uranium project is located 150km northwest of La Ronge, Saskatchewan on the Athabasca Basin; the region that hosts the world’s richest uranium mines. The 21,900-hectare property is a joint venture with Trend Mining Company of Denver (“Trend”) whose interest currently approximates 13%. Nuinsco completed two drill programs in 2005 and 2006 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.

If the project progresses to a development state, Trend has a one-time 50% back-in right upon reimbursing Nuinsco 140% of its total expenditures to that date.

An 18-hole, 6,534m \$2.5 million drill program, designed to follow up on previous positive exploration results, began in the fourth quarter of 2007 and was completed in the second quarter of 2008. The winter 2007-2008 drilling was conducted over 23km of strike testing four widely-separated target areas within the previously-identified primary target along the prospective Cable Bay Shear Zone that underlies the entire property for 35km from north to south. Assays from the most recent drilling provide anomalous uranium levels that are typical of values at the margins of economic uranium deposits in the Athabasca Basin including a 14.85m interval of anomalous uranium mineralization peaking at 0.07% uranium (0.083% U_3O_8), as well as a number of other anomalous uranium results and other key indicator geochemistry demonstrating strong and widespread evidence of a mineralizing event capable of producing unconformity style uranium mineralization on the property.

Exploration work on the 21,900 hectare property now includes 28 widely spaced drill holes totalling 11,205m with additional supporting airborne and ground geophysical surveys, prospecting and sampling.

Prairie Lake Property, Ontario

Prairie Lake, located near Marathon, Ontario, hosts a near-surface historic (non-NI-43-101-compliant) uranium resource of over 180,000 tonnes grading 0.09% U_3O_8 (and 0.25% niobium) identified in exploration dating from the mid-1960s. In the second quarter of 2007, 1,878m of drilling was undertaken on this large carbonatite intrusion to follow up on values from recent surface sampling of up to 0.08% U_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, 1,744ppm niobium, 89ppm tantalum and elevated rare earth element (REE) values averaging a combined 2,986ppm for lanthanum, cerium, neodymium, samarium as well as yttrium (1ppm = 1 g/t) over the same interval. Assay results for the balance of the holes were received in the fourth quarter of 2007 and showed similar significant economic potential of this underexplored easily accessible property.

A surface sampling program was undertaken during the second and third quarters of 2007. Rock chip samples were collected from surface pits and auger holes following a 50-100m spaced grid which covered the circular intrusion. Samples returned individual peak assays of 886ppm uranium, 4390ppm niobium, 507ppm tantalum and 19.9% phosphorus (P_2O_5).

A second drill program was completed in the third quarter of 2008 with 2,543m (ten holes) of drilling including three approximately 500m deep holes which were designed to test the intrusion to a much greater depth than previously drilled as well as to attempt to characterize the outer contact of the carbonatite intrusion. The remaining shorter seven holes (approximately 100m each) were drilled in the SW quadrant of the intrusion to follow up on positive historic drilling results and historic radiometric data as well as information obtained from the 2007 grid sampling program. The results of the 2008 drill program are expected to be released as soon as practicable.

Marijane and Huston Lakes Property

Nuinsco entered into an agreement with Temex in 2008 in order to earn an undivided 50% interest in claims staked by Temex in the Marijane – Huston lakes area. The property area straddles the Ontario-Manitoba boundary 75km east of Lac du Bonnet, Manitoba.

Temex acquired the properties, totalling 87 mining claims (the "Claims") and covering 52,604 acres, by staking in July, 2007. The Claims cover the largest and strongest uranium radiometric anomaly in the region with a strike length of approximately 4km. The anomaly occurs along strike of a major geological contact zone from which previous work has identified uranium mineralization including high grade historic drill intersections of 1.80% U_3O_8 over 0.60m, 0.38% U_3O_8 over 1.5m and 0.065% U_3O_8 over 4.6m.

Prospecting by Temex in 2007 resulted in the discovery of several new uranium showings. An east-west trending corridor, approximately 8km long by 1.5km wide, was identified as having elevated radioactivity

counts, with six samples returning values over 300ppm uranium; assay analyses of the samples were 0.06% and 0.13% U₃O₈ on the Marijane Lake claims and 0.047%, 0.92%, 0.123% and 0.124% U₃O₈ on the Huston Lake claims. The samples were taken from medium to coarse-grained white to pink granite (quartz-feldspar-biotite), which sometimes exhibited powdery yellow staining subsequently identified as the secondary uranium mineral uranophane.

Additional prospecting during the third quarter of 2008 resulted in positive results including 72 samples out of a total of 336 samples collected that returned >200ppm uranium (31 of those returned >500ppm uranium); of 12 samples reporting >1,000ppm uranium, the highest were 2,140ppm, 2,900ppm and 3,240ppm uranium. Discrete areas anomalous in uranium range up to 0.5km by 1.5km within anomalous trends up to 4.0km in length. The fall surface exploration program, completed in October and November of 2008, included detailed geological evaluation and prospecting of radiometric anomalies identified from the May, 2008 airborne radiometric survey. Airborne radiometric anomalies are located within and around the western margins of the 30km by 10km east-west trending Marijane Lake Batholith, a granite similar in mineral composition to that which hosts the large tonnage, low grade Rössing Uranium Mine in Namibia.

A follow-up diamond drilling program commenced in early December and was completed by the end of December 2008. Early in 2009, it was reported that anomalous uranium mineralization greater than 100ppm was returned in seven holes of the 12-hole, 1,386m diamond drilling program. With the completion of this program, the Company has now fulfilled its first tier of expenditure commitments under the option agreement, with no additional expenditures required until May, 2010. Nuinsco may now elect to act as operator of the program, and is evaluating its options with regard to additional work going forward.

COPPER AND ZINC

Turkish Properties

Nuinsco has two properties in northeastern Turkey: the Berta copper project, a 50:50 joint venture with Xstrata Copper (“Xstrata”) one of the commodity business units within Xstrata plc, 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 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. Under the terms of the joint venture agreement, Xstrata is the operator.

At Berta during 2007, the Company intersected a significant, continuous domain of strong sulphide mineralization. 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.

In 2008, a 2,051m program comprising three drill holes was conducted to continue to assess the potential of copper mineralization at Berta. As with earlier drilling, the 2008 drill holes were collared to test a broad geophysical anomaly identified in the northern part of the altered and mineralized geology at Berta and continued to intersect broad domains of altered rock containing anomalous copper mineralization. Sulphide mineralization in all of the drill holes occurs as fracture fillings and disseminations; locally dense fracturing results in sulphide content exceeding 20%. The relative abundance of copper, zinc and lead mineralization, the distribution of alteration and the rock types encountered all suggest that previous drilling has tested the upper, outer edges of a large porphyry system.

Nuinsco presently owes Xstrata approximately \$477,000, which is included in accounts payable and accrued liabilities, for its share of expenditures on Berta. The agreement contains dilution provisions when amounts are unpaid which may be invoked by Xstrata. In such case, Nuinsco would eliminate the amount payable and reduce the exploration property by a similar amount adjusted for foreign exchange differences. The Company is presently in discussion with Xstrata regarding the dilution provisions. A reduction in interest would similarly reduce any future share of expenditures.

Elmalaan, covering 947 hectares, is located 6km south of the Black Sea coast and is easily accessible year round. Previous work identified massive sulphide in outcrop and locally-derived boulders that graded up to 3.38% copper and 6.30% zinc. Drilling during the second quarter of 2007 continued to return high-grade polymetallic mineralization over significant widths. For example, drill hole EKD-07-06 intersected 2.43% zinc, 0.50g/t gold and 31.07g/t silver over 10.10m between 98.90-109.0 m; between 102.6-103.2 m, 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. No additional field work was performed in 2008.

Interest in Campbell

In the third quarter of 2008, the Company advanced funds to Campbell to be spent on the Corner Bay project. Of the amount advanced, \$2.5 million was to earn a royalty interest equal to 10% of the net cash flows generated from the sale of product from the Corner Bay Property from the 145-metre level and above. Campbell confirmed that these advances were expended on eligible exploration expenditures in December 2008 and granted the Company the royalty interest.

Accordingly, the Company reclassified \$2.5 million from loan to Campbell Resources Inc to interest in Campbell as part of exploration and development projects. Further, the Company ceased accruing interest on such funds from the dates of the advances. As described in Note 8 to the 2008 Audited Consolidated Financial Statements, the Company's security on amounts owing by Campbell includes Corner Bay and other exploration and development properties among other things. The Company expects to recover value in kind or in cash upon restructuring or liquidation of Campbell and accordingly believes that \$2.5 million is the estimated recoverable amount for its interest in Campbell.

IMPAIRMENT ANALYSIS

Given the changes in the metals markets and other general economic factors, the Company performed an impairment analysis on each of its exploration and development projects.

The analysis reviewed historic expenditures recorded on each project, considered the results of exploration activity, reflected the existence of previous writedowns and also considered the existence of any economic studies which had been performed. The assumptions used in such studies were reviewed for such factors as: forecast metal prices, foreign exchange rates, changes in resource and/or cost estimates, changes in royalty arrangements, the existence of significant by-products and other matters as necessary.

Where appropriate, forecast metal prices were estimated from third-party sources such as analyst consensus reports and other available documentation which were considered to be reasonable by management. Capital and operating cost estimates generally were reduced from those used in prior studies if documentary evidence had recently been obtained as part of the review work presently being undertaken for other current studies. Often cost estimates used in previous studies had been derived when such were universally recognized to be at historic highs.

Furthermore, management's intentions with respect to future expenditures and plans for the projects were considered. All projects have had recent expenditures and are considered to be active.

Management concluded that no impairment existed in each of its projects effective December 31, 2008, except that the estimated recoverable amount of the Company's interest in Campbell takes into consideration the provision for writedown of amounts owing by Campbell of \$7,923,000, and that costs incurred to date are recoverable. The Company will continue to monitor developments as they occur in the metals markets and the economy and will update its impairment analysis to take account of any such changes, as appropriate.

STRATEGIC INVESTMENTS

Campbell Resources Inc.

In early 2006, Nuinsco acquired a significant equity interest in Campbell and entered into an agreement to provide consulting services to Campbell for its copper and gold mines in the Chibougamau mining camp. The Company also acquired a 50% interest in future cash flows, as defined, from the high-grade Corner

Bay copper deposit. In late 2008, the Company acquired a royalty interest in Corner Bay for 10% of operating cash flow from the Corner Bay project from production at the 145-metre level and above.

Campbell's strategy was 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 including Corner Bay. While development in ore at Corner Bay commenced and shipment to the Copper Rand mill started in 2008, significant financial difficulties resulting from production delays, falling metal prices and the inability to obtain financing forced Campbell to curtail its operations towards the end of 2008 at both Copper Rand and Corner Bay. In January, 2009 Campbell announced that it had re-entered CCAA protection.

A significant part of Nuinsco's interest in Campbell hinges upon Corner Bay, whether through security agreements on loans or through the interest in cash flows. Nuinsco also has security interests in, among other things, the other exploration properties owned by Campbell in the Chibougamau mining camp.

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

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).

Victory Nickel Inc.

As described above, the Company holds an approximate 15% interest in Victory Nickel. In 2008, Victory Nickel acquired Independent, thereby adding an additional project at Lynn Lake to the properties held. Victory Nickel has over 900 million pounds of in-situ nickel in NI 43-101-compliant measured and indicated resources at its four Canadian projects:

Minago

Victory Nickel's 100%-owned Minago project is located on the Thompson Nickel Belt in Manitoba, and is one of Canada's largest undeveloped nickel deposits with measured and indicated resources of 54.2 million tonnes grading 0.52% nickel, or 620 million pounds of in-situ nickel (0.25% nickel cut-off grade), comprised of an 11.1 million tonne measured resource grading 0.56% nickel and a 43.1 million tonne indicated resource grading 0.51% nickel. A further 14.6 million tonne inferred resource at 0.53% nickel contains an additional 170 million pounds of in-situ nickel.

Following the completion of a Preliminary Economic Assessment ("PEA") in the fall of 2006, Wardrop was engaged to conduct a feasibility study. The feasibility study is ongoing, and is expected to be completed in 2009.

Mel

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

Mel has an indicated resource of 4.3 million tonnes grading 0.88% nickel (approximately 83 million pounds in-situ nickel), an additional inferred resource of one million tonnes grading 0.84% nickel (approximately 19 million pounds in-situ nickel) and offers significant exploration upside as well as near-term production potential.

No diamond drilling was conducted in 2008. However, ongoing environmental baseline studies were undertaken. Victory Nickel has fully funded sufficient expenditures to earn a 100% ownership interest in this project subject to a 51% Vale Inco back-in. Vale Inco is completing a metallurgical study prior to making a decision on exercising its back-in right.

Lac Rocher

Lac Rocher is located in northwestern Québec and has measured (0.29 million tonnes grading 1.23% Ni) and indicated (0.51 million tonnes grading 1.05% Ni) resources of 0.80 million tonnes grading 1.12% nickel, at a 0.5% nickel cutoff, for approximately 20 million pounds of in-situ nickel located between surface and 125 vertical metres. Additional inferred resources total 0.44 million tonnes grading 0.65% nickel. Mineralization remains open to the southwest.

In 2008, Victory Nickel received positive metallurgical results from testing of material from the disseminated sulphide zone at Lac Rocher that complemented test results from Xstrata Process Support, Process Mineralogy, in Falconbridge, Ontario, announced late in 2007 on mineralization from the massive sulphide zone. A total of 15 flotation tests were completed by Corem, an independent laboratory based in Québec, on material from the disseminated sulphide zone, yielding nickel recovery of 79.9% at a grade of 11.04% and copper recovery of 94.2% at a grade of 4.14% to a nickel/copper concentrate. This compares well to nickel recovery of 85.04% at a grade of 10.90% and copper recovery of 96.67% at a grade of 4.80% from the massive sulphide zone.

No diamond drilling was conducted in 2008; however ongoing environmental baseline studies were conducted. A PEA was completed by Roche Limited Consulting Group on two phases of an underground exploration and bulk sampling program to evaluate ore continuity and provide further metallurgical evaluation.

The PEA proposes two phases of mining that would extract 317,730 tonnes of material at a grade of 1.57% nickel, 0.58% copper and 0.053% cobalt. This would result in the production of 38,400 tonnes of a mixed nickel-copper-cobalt concentrate containing some 4,040 tonnes of nickel (8.9 million pounds), 1,680 tonnes of copper (3.7 million pounds) and 160 tonnes of cobalt (0.35 million pounds). The PEA, based on the current mineable tonnes, shows that metal prices of US\$9.74/lb nickel, US\$3.65/lb copper and US\$30.43/lb cobalt (at an exchange rate of C\$1.00:US\$0.95) are necessary for the project to break even on a pre-tax, 100% equity basis.

All extracted material is assumed to be transported offsite to Campbell's Copper Rand mill in Chibougamau, Québec. Although Campbell has ceased operations in Chibougamau, the Copper Rand mill remains available. In addition to those noted above, the PEA was based on the following parameters: concentrate grading 10.5% nickel, 3.9% copper and 0.33% cobalt; recoveries of 81% for nickel, 91% for copper and 95% for cobalt; an exchange rate of C\$1.00:US\$0.95; and, transportation, at a cost of \$35.00 per tonne, of mined material to Chibougamau for processing.

Current plans are for road construction to be completed from the end of the existing logging road to the site of the proposed Lac Rocher portal, which will allow year-round ground access to the site. This road will be completed only if Victory Nickel has adequate funds available. Victory Nickel will be reviewing the PEA to see if more economical mining methods are possible.

Lynn Lake

The Lynn Lake property, acquired by Victory Nickel via its acquisition of Independent, is located in the historic mining town of Lynn Lake in northern Manitoba, about 320km by road northwest of the Thompson mining camp. The Lynn Lake property is the former Sherritt producing mine site known as the Lynn Lake A Mine and Farley Mine. The Lynn Lake nickel mine was first operated by Sherritt-Gordon from 1953 to 1976. During its 23 years of operation, the mine produced over 20 million tonnes of nickel-copper ore at a grade of 1.02% nickel and 0.54% copper, making Lynn Lake the third largest nickel producer in North America. The mine closed in 1977 due to a period of stagnant growth in the nickel market, not because the ore was mined out.

The Lynn Lake project has 0.86 million tonnes of measured resources grading 0.80% nickel or 15 million pounds of in-situ nickel as well as 13.7 million tonnes of indicated resources at 0.65% grade or 196 million pounds. A further 4.2 million tonnes inferred resources grading 0.59% nickel contains an additional 55 million pounds of in-situ nickel.

The Lynn Lake property was acquired by Independent in early 2005, following which several drill programs were carried out. This included approximately 20,000m of drilling during 2007 designed to further test for new zones of resource potential at the Lynn Lake Mine.

In December, 2007, Independent filed a NI 43-101 compliant pre-feasibility study, prepared by Wardrop. In addition, the Lynn Lake property has exploration upside potential. On April 28, 2008, Independent announced the discovery of a new zone of shallow high grade nickel mineralization named the Disco Zone. The discovery was made by Western Areas NL close to a property boundary between the Lynn Lake property and Western Areas' property, and was subsequently established to have been discovered on the Lynn Lake property. Victory Nickel is currently evaluating next steps with regard to Lynn Lake and will review the pre-feasibility study prepared by Wardrop in detail.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2008, the Company had a working capital deficiency of \$6,050,000 (2007 - working capital of \$8,165,000). The Company used cash of \$6,306,000 during 2008, compared with \$12,946,000 in 2007 which included the transfer of cash to Victory Nickel upon formation of \$12,668,000.

In 2008, the Company used cash of \$59,000 in operating activities, compared with the use of cash totalling \$735,000 in 2007. This change in the cash from operating activities is primarily a result of cash from reductions in non-cash working capital items including amounts due from Victory Nickel. Amounts due from or to Victory Nickel are settled regularly.

Cash from financing activities in 2008 was \$6,860,000, compared with \$7,468,000 in 2007. While the amount is comparable, financing in 2008 was primarily from the US\$5,000,000 loan commencing July, 2008 as opposed to equity financing. In 2008, net proceeds from two private placements of flow-through share financings aggregated \$1,943,000 which represented the issuance of 7,981,333 shares. In July, 2008, 3,633,333 flow-through common shares at a price of \$0.30 were issued followed by the further issuance of 4,348,000 shares at \$0.23 in September 2008.

Upon renegotiation of the loan, the amount was increased by US\$250,000 to include a provision for prepaid interest on amounts due to 80% of the lenders representing the syndicate behind the loan with the remaining member of the syndicate accepting deferred payment. Consequently, no cash is required to service the interest on the loan.

In 2007, \$7,091,000 was received on the issuance of common shares. In April, 2007, the Company completed an issuance of 10,344,828 flow-through common shares at \$0.58 per share for proceeds before costs of issue of \$6,000,000 and received proceeds of \$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.

The change in the nature of financing and reduction of share issue price is indicative of the changes experienced in the equity markets generally and facing resource companies in particular. When the loan was taken out, the Victory Nickel shares provided as security had a market value of approximately \$15.4 million and the Company believed that the absolute worst case would be that a portion of the Company's Victory Nickel holdings may need to be liquidated to satisfy the debt obligation. Fortunately, the Company has supportive lenders and an extension was granted to the loan subsequent to the end of the year notwithstanding that additional security had to be given up to support the restructuring of the loan.

Unfortunately, the value of the strategic investments financed by the debt has been adversely impacted by the current economic turmoil through declining metals prices, disappearing credit and equity markets and other factors. As discussed, the Campbell investment has been written off, and the Company does not expect to realize anything from its interest in Campbell in the short-term. Management still believes that Gold Hawk represents an attractive investment and expects that the value of Gold Hawk shares will recover when the Coricancha mine reopens.

Management is actively pursuing ways to realize on assets or secure financing in order to repay debt, secure funds for operations and return to active exploration. The Company is already lean but management has agreed to defer a portion of salaries as have directors until the Company's financial circumstances and the

economy improve. Cost reduction measures are in place and advance approvals must be received for travel, consulting and other similar discretionary expenditures. All other discretionary spending has ceased.

On March 10, 2009, the Company launched a rights offering to holders of its outstanding common shares. If the rights offering is fully subscribed, the Company expects to raise gross proceeds of approximately \$2.38 million. The proceeds of the offering will be used to repay a portion of the debt and for general corporate purposes.

The Company has also announced that it could generate significant revenue by milling the crushed ore stockpiled on surface at Cameron Lake. Management is actively pursuing this opportunity which became economic with the buoyant gold prices presently being experienced. In addition, a gold mill which was announced as acquired in 2008 contains gold residue which will be processed once the winter season is over and is expected to generate an as yet undetermined amount of revenue in 2009.

In short, the Company is considering a wide variety of options to ensure its assets are protected and that it remains viable through this cycle.

Investing activities in 2008 used funds of \$13,107,000, compared with \$7,011,000 in 2007. Aggregate advances to Campbell, including loans, royalty interest and securities, were \$4,679,000, compared with \$3,900,000 in 2007. The investment in Gold Hawk in July, 2008, required funds of \$1,796,000. Additions to exploration and development projects amounted to \$7,322,000 in 2008 compared with \$3,020,000 in 2007. Non-recurring cash revenues in 2008 were received for the sale of the Rainy River core shack which had previously been written off in the amount of \$198,000 and the Rainy River royalty for partial cash proceeds of \$500,000. The shares received as part consideration for that royalty sale are subject to a hold period, expiring in early April of 2009, and have a market value as at March 30, 2009 of approximately \$424,000. The Company expects to sell those shares as soon as practical.

Total cash used in 2008 amounted to \$6,306,000 compared with \$12,946,000 in 2007 which included \$12,668,000 distributed on the formation of Victory Nickel. At December 31, 2008, the Company had fulfilled its flow-through expenditure commitments. 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.

As described above, exploration and development companies such as Nuinsco are heavily reliant upon the equity markets to fund their activities as they typically have no short-term sources of revenue other than through monetization of assets. Opportunities available to Nuinsco for financing would normally be through private placements in the equity markets, however today's equity markets make this alternative difficult if not impossible without incurring significant dilution to existing shareholders. The Company has undertaken a rights offering to protect its assets but may still be required to sell assets. The Company will consider all alternatives given appropriate pricing and other market conditions, however in this currently depressed economic environment it is uncertain how such initiatives, including the rights offering, will be received and how successful these will be in generating cash.

The Company's estimated monthly commitments, net of recoveries from Victory Nickel for ongoing administrative support, are approximately \$135,000. The Company's working capital requirements are modest. At December 31, 2008, the major item requiring financing was a GST receivable which averaged approximately \$45,000 per quarter of 2008. We estimate that approximately \$700,000 is required on an annual basis to support the Company as a public entity. Such expenditures are not eligible for flow-through funding and must be financed through other means.

Given its current cash position, the Company has been required to reduce its exploration activities to a minimum until additional funding is available. Measures have already been implemented as described above and others are being considered to ensure the Company remains viable and retains its assets until metal, financial and equity markets return.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of the recoverable value of its exploration and development projects, assessing the impairment of long-lived assets 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. The Company's financial statements have been prepared using the going concern assumption; reference should be made to Note 1 to the Company's 2008 Audited Consolidated Financial Statements.

For a complete list of the significant accounting policies as well as information concerning the use of estimates and measurement uncertainty, reference should be made to Notes 2 and 3 of the Company's 2008 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/warrant.

NEW ACCOUNTING POLICIES

Financial Instruments and Capital Disclosures

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

The Company has included disclosures recommended by the new Handbook Sections 1535, 3862 and 3863 in Note 4 to the Company's 2008 Audited Consolidated Financial Statements.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The standard requires that management make an assessment of a company's ability to continue as a going concern and to use the going concern basis in the preparation of the financial statements unless management either intends to liquidate the company or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon a company's ability to continue as a going concern, those uncertainties should be disclosed. The adoption of these amendments has not had a material impact on the Company's consolidated financial statements.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements is currently being assessed. Staff commenced training in IFRS during 2008 and the audit committee has placed IFRS conversion as a standard agenda item at its meetings.

Business Combinations

In October 2008, the CICA issued Handbook Section 1582, Business Combinations, which establishes new standards for accounting for business combinations. This is effective for business combinations for which

the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

Non-controlling Interests

Also in October 2008, the CICA issued Handbook Section 1602, Non-controlling Interests, to provide guidance on accounting for non-controlling interests subsequent to a business combination. This is effective for fiscal years beginning on or after January 2011.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company does not expect that this will have any material impact on its consolidated financial statements.

CORPORATE GOVERNANCE

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, (collectively, the "Certifying Officers"), are responsible for designing a system of disclosure controls and procedures, or causing them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed in reports filed with or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and that material information relating to the Company is made known to them with respect to financial and operational conditions to allow timely decisions regarding required disclosure. For the fiscal year ended December 31, 2008, an evaluation was commissioned by the Company under the supervision of the Certifying Officers and with the participation of management of the effectiveness of the Company's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities. Based on this evaluation, the Certifying Officers have concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2008. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

Evaluation of Internal Control over Financial Reporting

The Company's Certifying Officers are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP. The Company used the COSO control framework. For the fiscal year ended December 31, 2008, an evaluation was commissioned by the Company under the supervision of the Certifying Officers and with the participation of management of the effectiveness of the Company's internal control over financial reporting. Based on this evaluation, the Certifying Officers have concluded that the design and operation of the Company's internal controls over financial reporting and procedures were effective as at December 31, 2008. During the evaluation process, the Company made improvements to the internal controls over financial reporting.

The management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

There were no changes to the Company's internal controls over financial reporting that occurred during the year ended December 31, 2008 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

RELATED PARTY TRANSACTIONS

Related party transactions in 2008 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 recorded at the exchange amount which is 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 totalled \$650,000 plus project-related costs of \$66,000 (2007 - \$809,000, plus \$463,000 project-related costs) and have been deducted from general and administrative expenses. Furthermore, Victory Nickel charged the Company \$52,920 (2007 - \$nil) for project-related costs.
- 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 aggregating \$136,753.
- c) The Company commenced equity accounting for its investment in Campbell effective December 1, 2007 and continued to do so until the termination of the operating consulting agreement in late 2008. During 2008 and 2007, 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 8 to the Company's 2008 Audited Consolidated Financial Statements. The Company recorded significant writedowns on these amounts in 2008 as described elsewhere in this Management's Discussion and Analysis.

OUTSTANDING SHARE DATA

At December 31, 2008, the Company had 180,873,574 common shares outstanding. At March 30, 2009, the Company had 190,973,574 common shares issued and outstanding. In addition, there were 19,260,000 stock options outstanding at March 30, 2009 as well as 333,000 warrants, which if exercised and issued would bring the fully diluted issued common shares to a total of 210,566,574 and would generate approximately \$3,082,000. The figures above do not include the effects of the rights offering described below.

RECENT DEVELOPMENTS

Rights Offering

On March 11, 2009, the Company announced a rights offering to holders of its outstanding common shares on the record date of March 24, 2009 to purchase units of the Company (each a "Unit") at a price per Unit of \$0.05. Each Unit shall consist of one common share of the Company (each a "Unit Share") and one-half of one Common Share Purchase Warrant (each whole Common Share Purchase Warrant a "Unit Warrant"). If the rights offering is fully subscribed, the Company expects to raise net proceeds of approximately \$1.98 million (excluding any potential proceeds from the exercise of the Unit Warrants). Each Unit Warrant will entitle the holder to purchase one common share at a price of \$0.10 during the 12-month period commencing April 23, 2010. The proceeds of the offering will be used to repay a portion of the debt and to add to the general funds of the Company.

Stock Options Issuance

On March 12, 2009, the Board of Directors granted 5,475,000 stock options at \$0.05 per share to directors, officers, employees and consultants. Of the options granted, 4,387,500 vest immediately and 1,087,500 vest over one year.

RISKS AND UNCERTAINTIES

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

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

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

Industry Risks

Speculative Nature of Mineral Exploration

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that Nuinsco's exploration efforts will be successful. Few properties that are explored are ultimately developed into economically viable operating mines. Success in establishing reserves is a result of a number of factors, including the quality of Nuinsco's management, level of geological and technical expertise, the quality of land available for exploration and other factors. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling to determine the optimal extraction method for the ore and the metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. It is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or full feasibility studies, on Nuinsco's projects or the current or proposed exploration programs on any of the properties in which Nuinsco has exploration rights will result in a profitable commercial mining operation. As a result of these uncertainties, no assurance can be given that Nuinsco's exploration programs will result in the establishment or expansion of resources or reserves. Furthermore, Nuinsco cannot give any assurance that its current and future exploration activities will result in the discovery of mineral deposits containing mineral reserves.

Development Projects

In general, development projects have no operating history upon which to base estimates of future cash operating costs. For development projects such as those projects that Nuinsco has an interest in, estimates of proven and probable reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. This information is used to calculate estimates of the capital cost, cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. In addition, there remains to be undertaken certain feasibility and development preparation work on the projects that could adversely impact estimates of capital and operating costs required for the development of the projects. Costs necessary to develop the projects could be significant and will have a direct impact on the economic evaluation of the projects. As a result, it is possible that the actual capital cost, cash operating costs and economic returns of the projects may differ from those currently estimated.

Competition

The mineral exploration business is highly competitive in all of its phases. Nuinsco competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Nuinsco, in the search for and acquisition of exploration and development rights on attractive mineral properties. Nuinsco's ability to acquire exploration and development rights in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on other suitable properties. There is no assurance that Nuinsco will compete successfully in acquiring exploration and development rights on such other properties.

Operational Risks

Limited History of Operations

Nuinsco has a limited history of earnings and limited financial resources. Nuinsco currently has no operating mines and its ultimate success will depend on its ability to generate cash flow from active mining operations in the future, as well as its ability to access capital markets for its development requirements. There is no assurance that Nuinsco will earn profits in the future. Significant capital investment will be required to achieve commercial production from Nuinsco's existing projects from successful exploration efforts. There is no assurance that Nuinsco will be able to raise the required funds to continue these activities.

Development Targets, Permitting and Operational Delays

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

Resources, Reserves and Production

Figures relating to mineral resources and mineral reserves are estimates and no assurance can be given that the anticipated level of recovery and/or grades of mineral reserves or mineral resources will be realized. Moreover, short-term operating factors relating to ore reserves and resources, such as the need for orderly development of an ore body or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

Title Risks

Nuinsco's ability to hold various mineral rights require licences, permits and authorizations and, in some cases, renewals of existing licences, permits and authorizations from various governmental and quasi-governmental authorities. Management believes that Nuinsco currently holds or has applied for all necessary licences, permits and authorizations to carry on the activities which Nuinsco is currently conducting and to hold the mineral rights Nuinsco currently holds under applicable laws and regulations in effect at the present time. Management also believes that Nuinsco is complying in all material respects with the terms of such licences, permits and authorizations. However, Nuinsco's ability to obtain, sustain or renew such licences, permits and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies.

No assurance can be given that Nuinsco's properties are not subject to prior unregistered agreements or interests or undetected claims or interests which could be material and adverse to Nuinsco. Additionally, mineral properties may carry with them significant development costs and abandonment and site restoration obligations for which Nuinsco may, or will, become responsible for in the future.

Insurance Risk

Nuinsco faces all of the hazards and risks normally incidental to the exploration of precious and base metals, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all such damage caused. Nuinsco's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which Nuinsco has interests; not all such risks are insurable.

Financial and Investment Risks

Substantial Capital Requirements

Nuinsco will have to make substantial capital expenditures for the development of and to achieve production from the projects. There can be no assurance that any debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate

purposes or, if debt or equity financing is available, that it will be on terms acceptable to Nuinsco. Moreover, future activities may require Nuinsco to alter its capitalization significantly. The inability of Nuinsco to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

Market Perception

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

Metal Prices

There is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of such product. Metal prices fluctuate on a daily basis and are affected by numerous factors beyond Nuinsco's control – including factors which are influenced by worldwide circumstances. The level of interest rates, the rate of inflation, world supply of precious and base metals and stability of exchange rates can all cause significant fluctuations in precious and base metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of precious and base metals has historically fluctuated widely and future price declines could cause commercial production to be uneconomical and such fluctuations could have a material adverse effect on Nuinsco's business, financial condition and prospects. Given the stage of development of Nuinsco's projects, the above factors have had no material impact on present operations but are considered in evaluating the impairment of long-lived assets.

Areas of Investment Risk

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

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

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

Regulatory Risks

Government Regulation

Existing and possible future environmental and social impact legislation, regulations and actions, including the regulation of air and water quality, mining reclamation, solid and hazardous waste handling and disposal, the promotion of occupational health and safety, the protection of wildlife and ecological systems and the protection of the societies and communities of indigenous peoples, could cause significant expense, capital expenditures, restrictions and delays in the Company's activities, the extent of which cannot be predicted and which may well be beyond Nuinsco's capacity to fund. Environmental laws are becoming more actively enforced. Environmental and social impact studies may be required for some operations and significant fines and clean up responsibilities may be assessed for companies causing damage to the environment in the course of their activities.

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

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

Other Risks

Environmental and Health Risks

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

Key Personnel

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

Conflicts of Interest

Certain of Nuinsco's directors and officers are also directors and officers of other natural resource companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers relating to Nuinsco will be made in accordance with their duties and obligations to deal fairly and in good faith with Nuinsco and such other companies.

Foreign Operations

In 2004, the Corporation initiated exploration work in Turkey. While the Company believes that the risks associated with operating in Turkey are very acceptable, most investors would attribute a higher degree of risk to operating in Turkey as compared to operating in Canada.

Strategic Investments

In addition, Nuinsco makes, from time to time, investments in the common shares of publicly traded companies in the junior natural resources sector and also makes loans thereto. These investee companies are subject to similar risks and uncertainties as is Nuinsco, and Nuinsco's investments in and advances to these investee companies are subject to the same areas of investment risk as noted above.

Summary

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

FORWARD-LOOKING STATEMENTS

Forward-Looking Information: This Management's Discussion and Analysis contains forward-looking information. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of production, revenue, cash flow, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production and the Company's development plans and objectives) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and

uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company.

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

March 30, 2009

NUINSCO RESOURCES LIMITED

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007**

DATED MARCH 30, 2009

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 fulfils its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee, which is comprised of Directors, none of whom are employees or officers of the Company, meets with management 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. The external auditors have free and full access to the Audit Committee with respect to their findings regarding the fairness of financial reporting and the adequacy of internal controls.

René R. Galipeau
Vice Chairman and CEO
March 30, 2009

Alison J. Sutcliffe
Vice-President, Finance and CFO
March 30, 2009

AUDITORS’ REPORT

TO THE SHAREHOLDERS OF NUINSCO RESOURCES LIMITED

We have audited the consolidated balance sheets of Nuinsco Resources Limited as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive (loss) 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
March 30, 2009

(signed) “BDO Dunwoody LLP”
Chartered Accountants
Licensed Public Accountants

NUINSCO RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS

As at December 31, (in thousands of Canadian dollars) 2008 2007

ASSETS			
Current			
Cash and cash equivalents	\$	793	\$ 7,099
Marketable securities (Note 6)		548	6
Due from Victory Nickel Inc. (Note 18)		18	158
Due from Campbell Resources Inc. (Note 8)		-	1,844
Accounts receivable		31	74
Prepaid expenses and deposits		86	194
Total Current Assets		1,476	9,375
Investment in Equity-Accounted Investees (Note 7)		1,732	10,364
Convertible Debenture of Campbell Resources Inc. (Note 8)		-	2,000
Exploration and Development Projects (Note 9)		14,187	6,864
Property and Equipment (Note 10)		124	133
	\$	17,519	\$ 28,736

LIABILITIES AND SHAREHOLDERS' EQUITY

Current			
Accounts payable and accrued liabilities	\$	1,403	\$ 1,210
Loan payable (Note 13)		6,123	-
Total Current Liabilities		7,526	1,210
Asset retirement obligation (Note 12)		99	-
Total Liabilities		7,625	1,210
Shareholders' Equity (Note 14)			
Share capital		91,757	91,442
Contributed surplus		2,999	2,860
Deficit		(83,468)	(67,676)
Accumulated other comprehensive (loss) income (Note 16)		(1,394)	900
Net Shareholders' Equity		9,894	27,526
	\$	17,519	\$ 28,736

NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTIES (Note 1)

Approved by the Board of Directors

(signed)
W. Warren Holmes
 Director

(signed)
Howard S. Barth
 Director

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

NUINSCO RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, (in thousands of Canadian dollars,
except per share amounts)

	2008	2007
Revenue		
Consulting fees	\$ 225	\$ 707
Interest income	548	581
Other (Note 9)	998	100
	1,771	1,388
Costs and Expenses		
General and administrative (Note 18)	1,488	1,463
Foreign exchange loss	881	-
Stock option compensation (Note 14)	108	267
Amortization of property and equipment	17	19
Interest expense	576	-
(Recoveries from) writedown of exploration and development projects (Note 9)	(12)	121
	3,058	1,870
Loss before the Undernoted	(1,287)	(482)
Share of Losses of Equity-Accounted Investees (Note 7)	(4,203)	(868)
Unrealized Loss on Equity-Accounted Investment in Campbell Resources Inc. (Note 7)	(436)	-
Dilution Gains (Note 7)	102	2,071
Unrealized Loss on Equity-Accounted Investment in Victory Nickel Inc. (Note 7)	(3,785)	-
Provision for Writedown of Amounts Due from Campbell Resources Inc. (Note 8)	(7,923)	-
(Loss) Income before Income Taxes	(17,532)	721
Income Tax Recoveries (Note 15)	1,740	337
Net (Loss) Income for the Year	\$ (15,792)	\$ 1,058
(Loss) Income per Share - Basic and Diluted	\$ (0.09)	\$ 0.01
Weighted Average Common Shares Outstanding	173,232,000	164,392,000

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Years ended December 31, (in thousands of Canadian dollars)

	2008	2007
Net (loss) income for the year	\$ (15,792)	\$ 1,058
Other comprehensive (loss) income (Note 16)	(2,294)	842
Comprehensive (Loss) Income for the Year	\$ (18,086)	\$ 1,900

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

NUINSCO RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, (in thousands of Canadian dollars)	2008	2007
Cash from (used by)		
Operating Activities		
Net (loss) income for the year	\$ (15,792)	\$ 1,058
Items not affecting cash:		
Consulting fees received in marketable securities	-	(407)
Stock option compensation	108	267
Other stock-based compensation	52	-
Expenses settled through issuance of shares or warrants	47	155
Amortization of loan fees, property and equipment	274	19
(Recoveries from) writedown of exploration and development projects (Note 9)	(12)	121
Share of losses of equity-accounted investees (Note 7)	4,203	868
Unrealized loss on equity-accounted investment in Campbell Resources Inc. (Note 7)	436	-
Dilution gains (Note 7)	(102)	(2,071)
Unrealized loss on equity-accounted investment in Victory Nickel Inc. (Note 7)	3,785	-
Provision for writedown of amounts owing by Campbell Resources Inc. (Note 8)	7,923	-
Gain on sale of royalty (Note 9)	(630)	-
Unrealized foreign exchange loss on loan	949	-
Income tax recoveries (Note 15)	(1,740)	(337)
Change in non-cash working capital (Note 17)	440	(408)
Cash used by operating activities	(59)	(735)
Financing Activities		
Issue of common shares and warrants	1,943	7,091
Net proceeds of loan	4,917	-
Other deferred costs	-	377
Cash from financing activities	6,860	7,468
Investing Activities		
Investment in Campbell Resources Inc. (Note 7)	(600)	(400)
Advances to Campbell Resources Inc. (Note 8)	(3,193)	(3,500)
Other amounts due from Campbell Resources Inc. (Note 8)	(886)	-
Purchase of marketable securities (Note 6)	(1,796)	-
Expenditures on exploration and development projects	(7,322)	(3,020)
Proceeds on sale of exploration property	198	-
Proceeds on sale of royalty (Note 9)	500	-
Additions to equipment	(8)	(91)
Cash used by investing activities	(13,107)	(7,011)
Cash Distributed on Formation of Victory Nickel Inc. (Note 5)	-	(12,668)
Net Decrease in Cash During the Year	(6,306)	(12,946)
Cash and Cash Equivalents, Beginning of the Year	7,099	20,045
Cash and Cash Equivalents, End of the Year	\$ 793	\$ 7,099
Supplemental Cash Flow Information		
Income Taxes Paid	\$ -	\$ -
Interest Paid	\$ 227	\$ 136

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

NUINSCO RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars)	Share Capital		Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Number of Shares	Amount				
Balance as at December 31, 2006	152,228,887	\$ 83,887	\$ 3,039	\$ (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)	-	-	-
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 as at December 31, 2007	172,320,350	91,442	2,860	(67,676)	900	27,526
Private placement	7,981,333	1,943	-	-	-	1,943
Shares issued for property	200,000	44	-	-	-	44
Shares issued for services	204,347	16	-	-	-	16
Shares issued under Share Bonus Plan	167,544	52	-	-	-	52
Warrants issued	-	-	31	-	-	31
Options granted and vesting	-	-	108	-	-	108
Flow-through share renunciation	-	(1,740)	-	-	-	(1,740)
Net loss for the year	-	-	-	(15,792)	-	(15,792)
Other comprehensive loss (Note 16)	-	-	-	-	(2,294)	(2,294)
Balance as at December 31, 2008	180,873,574	\$ 91,757	\$ 2,999	\$ (83,468)	\$ (1,394)	\$ 9,894

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

NUINSCO RESOURCES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

(All tabular amounts are in thousands of Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTIES

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. The Company also makes strategic investments through equity or loan financing to companies engaged in the exploration and development of resource properties.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. At December 31, 2008, the Company had a working capital deficiency of \$6,050,000 (December 31, 2007 – working capital of \$8,165,000). This working capital deficiency includes a \$6,123,000 loan originally due in December 2008 and which was extended to June 15, 2009 subsequent to December 31, 2008. The loan was originally secured by Victory Nickel Inc. (“Victory Nickel”) shares shown as an investment in equity-accounted investee. The security was extended to include other assets to accommodate the loan’s restructuring (see Note 13).

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing to meet the minimum capital required to repay the loan due June 15, 2009 and to successfully complete its projects and fund other operating expenses. Development of the Company’s current projects to the production stage will require significant financing. Given the current economic climate, the ability to raise funds may prove difficult.

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

The Company continues to examine a number of financing alternatives as well as strategies to maximize the realization of amounts due from Campbell Resources Inc. (“Campbell”) (even though the Company has written these down) to allow it to continue to meet its obligations as they become due. Furthermore, the Company has pledged its Victory Nickel and Gold Hawk Resources Inc. (“Gold Hawk”) shares as well as the Cameron Lake property to secure the loan payable as described in Note 13. Unless the loan is repaid or extended, the Company’s assets could be significantly reduced. Due to lack of funds, the Company has been forced to significantly curtail its exploration activities until such funds become available.

There can be no assurances that the Company’s activities will be successful and as a result there is substantial doubt as to the Company’s ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments to the carrying values of assets and liabilities, reported expenses and balance sheet classifications may be necessary. These adjustments could be material.

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

Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with Canadian GAAP and include the accounts of the Company and those of its inactive subsidiaries. The Company accounts for its interest in joint ventures using proportionate consolidation.

Use of Estimates

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

Measurement Uncertainty

The carrying values of the Company's exploration and development projects at December 31, 2008 was \$14,187,000 (2007 - \$6,864,000). Management's review of these carrying values indicated that at December 31, 2008, the properties were not impaired. As an exploration company, the results of previous work, including drilling and analysis, provides information which either supports or discredits the potential for discovery. If geological information obtained is positive, the property's values are not considered impaired. Management's conclusion about impairment is also dependent on assumptions about several factors including future operating costs, metal production levels, future metal prices and capital equipment needs and costs. It is also dependent upon the Company's ability to raise financing to successfully complete its projects as discussed with respect to going concern uncertainties in Note 1. In recent months, there has been unprecedented volatility in several of the factors involved in such an analysis including metals prices, costs of fuel, power and other operating supplies and the costs of capital equipment which has resulted in an increased amount of measurement uncertainty. Future changes in these parameters could give rise to material changes in asset carrying values.

The Company also makes loans to or has royalty interests in Campbell, and makes conclusions as to the impairment and future recoverability of such balances. These interests were recorded at an aggregate amount of \$10,423,000 before recording an aggregate provision for writedown of \$7,923,000. The provision for writedown is dependent upon assumptions about several factors or conditions affecting Campbell and the value of its exploration and development projects and may be based on limited information (refer to Note 8). Accordingly, future changes in these parameters could give rise to material changes in asset carrying values.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents consist of balances with banks and investments in money market instruments. The investments are recorded at market value and are redeemable on demand.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, marketable securities, accounts receivable, derivative contracts, loans to Campbell, accounts payable and accrued liabilities, amounts due to or from Victory Nickel and loan payable. Each financial asset and financial liability instrument is

initially measured at fair value, adjusted for any associated transaction costs. In subsequent periods, the estimated fair values of financial instruments are determined based on the Company's assessment of available market information and appropriate valuation methodologies including reviews of current interest rates, related market values and current pricing of financial instruments with comparable terms; however, these estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction.

Financial assets, financial liabilities and derivative financial instruments are classified into one of five categories: held to maturity, available for sale, loans and receivables, other financial liabilities and held for trading.

All financial instruments classified as available for sale or held for trading, and derivative financial instruments are measured at fair value. Changes in the fair value of financial instruments designated as held for trading and recognized derivative financial instruments are charged or credited to the consolidated statement of operations for the relevant period, while changes in the fair value of financial instruments designated as available for sale, excluding impairments that are other than temporary, are charged or credited to other comprehensive income until the instrument is realized. All other financial assets and liabilities are accounted for at cost or at amortized cost depending upon the nature of the instrument. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

The Company has classified its cash and cash equivalents and derivative contracts as held for trading and its marketable securities as available for sale for accounting purposes. These instruments are measured on the consolidated balance sheet at fair value. Accounts receivable, amounts due from Victory Nickel and loans to Campbell have been designated as loans and receivables and carried at amortized cost adjusted for any impairment provision. Accounts payable and accrued liabilities along with any amounts due to Victory Nickel and loan payable are carried at amortized cost and are classified as other financial liabilities.

Impaired Loans

When a loan is deemed to be impaired, its carrying amount is reduced to its estimated realizable amount which is measured by discounting the expected future cash flows at the effective interest rate inherent in the loans. The amount initially recognized as an impaired loan, together with any subsequent change, is charged to the provision for writedown of amounts due.

Investments

Effective January 1, 2007, investments, other than equity-accounted investments and derivatives, are classified as available for sale and recorded at fair value. 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 bid 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 marketplace.

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 15% ownership interest in Victory Nickel and, effective December 1, 2007, its approximate

10% ownership interest in Campbell. During the fourth quarter of 2008, the Company determined that it no longer had significant influence over Campbell and accordingly, ceased to account for that investment on the equity basis as explained more fully in Note 7.

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.

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.

Government Assistance

Government assistance is recorded in the financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions necessary to obtain the assistance. Any government assistance relating to the exploration and development properties is recorded as a reduction of those related expenditures.

Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. 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.

Impairment of Long-Lived Assets

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. In the event that facts and circumstances indicate that the Company's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. Fair value is normally determined using the discounted value of future net cash flows. Where estimates of future net cash flows are not available, such as in the case for exploration assets, management's assessment of the property's estimated fair value is based on exploration results to date, a review of comparable transactions and a consideration of historic costs. Impairment losses on exploration and development projects are recorded as writedown of exploration and development projects in the consolidated statement of operations.

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. The Company recognized an asset retirement obligation ("ARO") in 2008 relating to its Cameron Lake project. Accordingly, an equal and offsetting amount was included in exploration and development projects for Cameron Lake and as an ARO in liabilities at the discounted value of the liability. In subsequent periods, the Company will record a charge to operations to accrete the discounted ARO amount to the final expected liability. As the development of any additional project progresses, the Company will assess whether an additional ARO has arisen.

Stock-based Compensation Plans

Stock Option Plan

The Company has a stock option plan which is described in Note 14. Awards to non-employees are measured at the earliest of the date at which performance is complete, the date at which a commitment for performance by the counterparty to earn the option is reached or the date at which the equity instruments are granted. Awards made to employees are measured at the grant date. All stock-based awards made to employees and non-employees are recognized at the date of grant using a fair value-based method to calculate compensation expense. Compensation expense is charged to operations over the vesting period of

the options or service period, whichever is shorter. Stock options vest either immediately or over a twelve-month period.

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 14. 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 consolidated 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 8, includes amounts amortized over the non-cancellable term of the agreement. Other income, including interest income, is recognized on an accrual basis, using the effective interest rate method.

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.

(Loss) Income Per Share

The Company uses the treasury stock method in determining the diluted (loss) income per share. The diluted (loss) income per share data assumes the exercise of all outstanding warrants and options except when the assumed exercise is anti-dilutive. Basic (loss) 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 for purposes of computing the diluted income per share. However, the diluted income per share amounts equalled the basic income per share amount in 2007. In 2008, the exercise of warrants and options was anti-dilutive. The total options and warrants outstanding as at December 31, 2008 which could dilute future earnings should they be fully exercised is 14,168,000.

New Accounting Policies

Financial Instruments and Capital Disclosures

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

Handbook Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any externally-imposed capital requirements; and (iv), if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook Section in Note 4 to these consolidated financial statements.

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook Section in Note 4 to these consolidated financial statements.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, “General Standards on Financial Statement Presentation”, has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. The standard requires that management make an assessment of a company’s ability to continue as a going concern and to use the going concern basis in the preparation of the financial statements unless management either intends to liquidate the company or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon a company’s ability to continue as a going concern, those uncertainties should be disclosed. The adoption of these amendments has not had a material impact on the Company’s consolidated financial statements.

Future Accounting Changes

International Financial Reporting Standards

The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards (“IFRS”). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company’s consolidated financial statements is currently being assessed.

Business Combinations

In October 2008, the CICA issued Handbook Section 1582, Business Combinations, which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

Non-controlling Interests

Also in October 2008, the CICA issued Handbook Section 1602, Non-controlling Interests, to provide guidance on accounting for non-controlling interests subsequent to a business combination. This is effective for fiscal years beginning on or after January 2011.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company does not expect that this will have any material impact on its consolidated financial statements.

2007 Figures

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

4. FINANCIAL RISK MANAGEMENT AND CAPITAL DISCLOSURES

Financial Risk Management

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

The Company's risk exposures with respect to its financial instruments and the impact on the Company's financial statements are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held through large Canadian financial institutions. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board. The Company does not own asset-backed commercial paper. The Company's accounts receivable consist of amounts due from federal and provincial governments. Amounts due from or to Victory Nickel are settled on a regular basis.

Concentration of credit risk arises as a result of the loan and convertible debenture due from Campbell totalling \$7,923,000 before impairment writedown. Campbell is in default on its loan to the Company as it has not made the required interest payments. These deficient interest payments have been included in the balance of the loan up to September 30, 2008. Given Campbell's current financial position, there is a significant credit risk associated with these loans. For that and reasons further described in Note 8, the Company determined that a writedown of the loans was required.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company tries to maintain sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. This is accomplished by budgets and forecasts which are updated on a periodic basis to understand future cash needs and sources. Spending plans are adjusted accordingly when possible to provide for liquidity.

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

As referred to in Note 1, the Company has a working capital deficiency of \$6,050,000 as at December 31, 2008 and there is substantial doubt as to its ability to continue as a going concern. The Company is actively exploring alternatives which include refinancing or extension of debt, equity financing or sale of assets. However, there can be no assurance that these efforts will be successful. The Company currently has no significant long-term liabilities. All contractually obligated cash flows are payable within the next fiscal year with the exception of the Company's premises disclosed in Note 19 and the ARO described in Note 12.

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash equivalents earn interest at variable short-term rates at December 31, 2008 and fixed rates of 4% at December 31, 2007. The estimated effect of a 50bps change in interest rate would not have a material effect on the Company's results of operations. The Company's advances to Campbell under the revolving credit facility and its convertible debentures earn interest at fixed rates – accrual of such interest ceased effective September 30, 2008. The Company's loan payable bears fixed rate interest. None of the Company's other financial instruments are interest-bearing. The Company is not exposed to any significant interest rate risk which could be caused by a sudden change in market interest rates.

Commodity price risk

Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

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

Price risk

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

Currency risk

Currency risk is the potential adverse impact on earnings and economic value due to movements and volatilities in foreign exchange rates. The Company incurred \$881,000 in net foreign exchange losses in 2008.

The Company incurs expenditures related to the Berta and Elmalaan projects in Turkey, and certain general and administrative expenses, in United States dollars. During the third quarter of 2008, the Company entered into a loan denominated in United States dollars. As at December 31, 2008, United States dollar-denominated balances include: cash of approximately US\$535,000, accounts payable and accruals of approximately US\$544,000 and a loan of US\$5,000,000. As at December 31, 2007, United States dollar denominated balances included exploration advances of US\$28,000 and accounts payable of approximately US\$115,000.

For every \$0.01 change in the US dollar exchange rate there would be an aggregate effect of approximately \$61,000 on the Company's results of operations based on the balances as at December 31, 2008. Any such change on balances as at December 31, 2007 would not be material.

Capital Disclosures

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

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

cash in highly-liquid, rated financial instruments. There are no externally-imposed capital restrictions other than the loan prepayment obligation described in Note 13.

5. CORPORATE REORGANIZATION AND FORMATION OF VICTORY NICKEL INC.

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

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

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

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

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

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

(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.

6. MARKETABLE SECURITIES

As at December 31,	2008	2007
	Market Value	Market Value
Campbell Resources Inc. Warrants	\$ -	\$ -
Gold Hawk Resources Inc.	299	-
Rainy River Resources Ltd.	248	-
Other Shares	1	6
	<u>\$ 548</u>	<u>\$ 6</u>

In accordance with the royalty sale described in Note 9, the Rainy River Resources Ltd. shares are subject to a hold period expiring in April 2009.

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 8. The

fair value of these warrants and conversion rights was determined to be \$nil at the date of acquisition and at December 31, 2008 and 2007, 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. The warrants expired unexercised on January 18, 2009.

The Company believes that the decline in the market value of Gold Hawk is due to general market conditions which are not specific to that company. The amount of unrealized loss recorded in accumulated other comprehensive income for Gold Hawk is approximately \$1,496,000 as at December 31, 2008 and reflects a share price of \$0.01 at that date. The junior resource sector has been adversely affected by the tightening in the credit and equity markets and the general decline in commodity prices. Given the volatility in the sector over a short period of time, the Company believes that this loss is temporary. Since the end of December, Gold Hawk's closing share price has ranged from \$0.01 to \$0.04, indicating its volatility but also its ability to improve.

Despite challenges in financing which culminated in an announcement that it was unable to meet its debt repayment and had defaulted on extension terms, Gold Hawk has restructured its loan payments to include an extension to February 2010 as well as an increase in amount. The Company believes that this indicates confidence in the project by its lenders. Gold Hawk insiders have also participated in private placement financing to the fullest extent available to them. Both of these factors indicate confidence in Gold Hawk by sources close to the project and support the contention that the market is undervaluing the asset.

Gold Hawk's Coricancha mine remains out of production because of an incident caused by a third party which required suspending operations. As a result of that incident, tailings must be relocated but permits have been granted by the authorities to construct permanent tailings facilities. A significant insurance claim is also pending, settlement of which would be of considerable financial assistance. When a partial payment of \$2 million was received in August, the market reacted with a 50% increase in share price to \$0.09. While markets are behaving less ebulliently now, the Company believes that this provides a large degree of upside.

Accordingly, the Company has continued to record the change in market value through other comprehensive loss rather than recording a permanent impairment through the statement of operations.

7. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES AND UNREALIZED LOSS ON EQUITY-ACCOUNTED INVESTEEES

	Victory Nickel Inc.	Campbell Resources Inc.	Total
Original investment	\$ 4,597	\$ 3,654	\$ 8,251
Other comprehensive income upon equity accounting	-	910	910
Dilution gain	2,071	-	2,071
Share of losses of investees	(520)	(348)	(868)
Balance as at December 31, 2007	6,148	4,216	10,364
Additional investment, February 2008	-	600	600
Dilution (loss) gain	(153)	255	102
Share of losses of investees	(478)	(3,725)	(4,203)
Recognition of unrealized loss in operations (see below)	(3,785)	(436)	(4,221)
Reversal of unrealized gain previously included in other comprehensive income	-	(910)	(910)
Balance as at December 31, 2008	\$ 1,732	\$ -	\$ 1,732

Victory Nickel Inc.

The Company acquired its ownership interest in Victory Nickel pursuant to the corporate reorganization and formation of Victory Nickel as described in Note 5. As at December 31, 2008, the Company has an approximate 15% interest in Victory Nickel. The Company's share of Victory Nickel's loss for the year ended December 31, 2008 was \$478,000 (from its inception February 1, 2007 to December 31, 2007 - \$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.

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

In July 2008, Victory Nickel completed a private placement whereby it issued 18,046,700 flow-through shares for net proceeds of \$7,688,000. The share issuance gave rise to a dilution gain with respect to the Company's equity-accounted investment in Victory Nickel of \$1,097,000.

In October 2008, Victory Nickel announced that it had acquired an approximate 84% interest in Independent Nickel Corp. ("Independent") through the issuance of 55,913,274 shares. Further, it acquired the remaining Independent shares not already owned through a subsequent acquisition transaction and the issuance of an additional 10,761,829 shares. These issuances significantly reduced the Company's percentage interest in Victory Nickel from 19.7% to 14.7%. Accordingly, the Company recorded a dilution loss of \$525,000.

As was the case with the majority of resource companies, the share price of Victory Nickel which is listed on the TSX decreased precipitously in the second half of 2008 from \$0.47 on June 30, 2008 to a bid price of \$0.045 per share at December 31, 2008. During the period, commodity prices decreased sharply and the availability of equity and debt financing was severely curtailed due to a worldwide credit crisis. The Company does not believe that the December 31, 2008 share price properly reflects the value of Victory Nickel's projects nor its longer term potential. However, given the extent and duration of the current global economic downturn, and an inability to predict the timing of metal price recoveries along with the normalization of credit markets, the decline in value of its investment in Victory Nickel is considered other than temporary. Accordingly, it has recognized an unrealized loss of \$3,785,000 in the consolidated statement of operations to reduce the carrying value of the investment to its quoted market value at December 31, 2008.

Campbell Resources Inc.

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, took into consideration the large size of the Company's shareholdings in Campbell and Campbell's low share trading volume. Prior to December 1, 2007, Campbell's subsidiary MSV Resources Inc. ("MSV") which owned a significant portion of Campbell's operating assets was operating under court protection pursuant to the Companies' Creditors Arrangement Act ("CCAA"). Following MSV's exit from CCAA at the end of November, 2007, (Campbell itself had exited CCAA earlier in 2007), it was no longer operating under the auspices of the court and, accordingly, the Company concluded that it had the ability at that time to exercise significant influence over Campbell. In addition to its equity ownership interest, the Company owns warrants and other convertible securities that if exercised would have increased its ownership to approximately 23%. The warrants expired in January 2009. Until early November 2008, the Company had two representatives on Campbell's nine-member Board and provided ongoing consulting services pursuant to the Operating Consulting Agreement described in Note 8.

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 \$4,564,000 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 remained in accumulated other comprehensive income. In 2007, 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. At December 31, 2007, the carrying value of the Company's 9.8% interest in Campbell exceeded its proportionate share of the book value of Campbell's net assets. For equity-accounting purposes, the excess was allocated to Campbell's Corner Bay property, which was then under development.

In the third quarter of 2008, Campbell recorded significant losses as a result of matters described in Note 8 and the consequent writedowns of certain of its exploration and development properties. The Company's 10.3% ownership interest in Campbell's loss for the three months ended September 30, 2008 was \$3,076,000. Given the decline in the market value of Campbell and the size of the Company's shareholding, the Company then recorded an unrealized writedown of \$436,000 to operations and reversed the \$910,000 of unrealized gains previously reflected as other comprehensive income. The net result was to record the equity investment in Campbell at \$nil as at September 30, 2008. In the year ended December 31, 2008, the aggregate equity loss was \$3,725,000. In addition, the Company recorded a net dilution gain of \$255,000 in the year ended December 31, 2008 representing the Company's proportionate share of flow-through share transactions recorded by Campbell in the second quarter.

In November 2008, the Company terminated the Operating Consulting Agreement and the two Company representatives resigned from the board of Campbell. Accordingly, the Company determined that it no longer had significant influence over Campbell and ceased equity accounting at that time.

In addition to its 10% ownership interest, the Company owns warrants and other convertible securities that if exercised would increase its ownership to approximately 23% (which reduced from 28% as at December 31, 2007 due to the expiry of warrants). The warrants expired unexercised on January 18, 2009.

In early 2009, Campbell announced that it had re-entered CCAA. The Company is working with legal advisors to ensure that its interests are protected and to maximize potential recoveries.

8. TRANSACTIONS WITH CAMPBELL

The following table summarizes the various transactions and balances with Campbell as at and for the years ended December 31, 2008 and 2007:

	Note	Number of Warrants	Number of Common Shares	Common Shares	Convertible Debenture	Loan	Other Receivable	Consulting and Other Fees	Interest Income
Received for financing advice	(1)	67,807,429	1,000,000						
Purchase of Campbell Units	(2)	15,625,000	31,250,000						
Received under Operating Consulting Agreement	(3)	-	3,600,000						
Balance as at December 31, 2006		83,432,429	35,850,000	\$ 2,960	\$ -	\$ -	\$ 18	\$ -	\$ -
Advances, March 2007	(4)	-	-	-	-	2,000	-	50	-
Convertible debenture, July 2007	(4)	-	-	-	2,000	(2,000)	-	-	-
Exercise of warrants, September, 2007	(5)	(4,000,000)	4,000,000	400	-	-	-	-	-
Received under Operating Consulting Agreement	(3)	-	2,400,000	294	-	-	-	300	-
Loan agreement, December 2007	(6)	-	-	-	-	1,500	-	50	-
Management fees, interest and other receivables		-	-	-	-	-	326	-	-
Interest earned		-	-	-	-	-	-	-	217
Change in accounting for investment (Note 7)	(7)	-	-	(3,654)	-	-	-	-	-
Balance as at December 31, 2007		79,432,429	42,250,000	-	2,000	1,500	344	\$ 400	\$ 217
Additional investment in common shares	(8)	-	6,000,000	-	-	-	-	-	-
Expiry of warrants	(9)	(15,625,000)	-	-	-	-	-	-	-
Received under Operating Consulting Agreement	(3)	-	-	-	-	-	-	225	-
Loan agreement, July and August 2008 and consolidation of balances	(10)	-	-	-	-	6,923	(344)	50	-
Interest earned		-	-	-	-	-	-	-	434
Conversion to interest in Campbell (Note 9)		-	-	-	-	(2,500)	-	-	-
Impairment writedown		-	-	-	(2,000)	(5,923)	-	-	-
Balance as at December 31, 2008		63,807,429	48,250,000	\$ -	\$ -	\$ -	\$ -	\$ 275	\$ 434

In 2006, the Company entered into several agreements with Campbell which outlined the principles upon which the two entities would enter into various proposed transactions. Loans and advances to Campbell have been recorded at the carrying amount, all other transactions are recorded at the exchange amount.

In particular, under an operating consulting agreement (the "Operating Consulting Agreement"), the Company agreed to provide operating consulting services in consideration for which and completing certain requirements, the Company received a 50% interest in Campbell's Corner Bay copper deposit, as further described below, as well as the right to appoint two individuals as Directors of Campbell.

Other transactions are as follows:

- (1) In 2006, Nuinsco received 67,807,429 warrants exercisable at \$0.10 with an expiry of January 18, 2009, as well as 1,000,000 common shares of Campbell.
- (2) In 2006, the Company acquired 31,250,000 units of Campbell at a price of \$0.08 per unit, for gross proceeds to Campbell of \$2,500,000. Each Unit comprised one common share and one half of one common share purchase warrant. Each whole common share purchase warrant was exercisable at any time for one common share of Campbell at a price of \$0.15 for a period of two years following closing, or May 26, 2008. Campbell had the right under certain circumstances, which expired on May 26, 2007, to call the outstanding warrants.
- (3) In 2006, the Company received 2,000,000 common shares of Campbell under the Operating Consulting Agreement as well as 200,000 for each of eight months. Revenue related to the 2,000,000 common shares of \$340,000 was included in consulting fee income over the minimum non-cancellable contractual term of the agreement. In 2007, the Company received 2,400,000 shares under the agreement as well as an aggregate of \$300,000 for twelve months' fees. In 2008, until the cancellation of the agreement, the Company received nine months' consulting fees or \$225,000.
- (4) 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. In 2007, the Company earned interest of \$183,925 on these advances and convertible debenture, and also earned loan set-up fees of \$50,000.
- (5) In September 2007, the Company exercised 4,000,000 of its warrants at \$0.10 per warrant.
- (6) In December 2007, the Company provided Campbell with a revolving credit facility (the "Facility") up to a maximum of \$1,500,000. The Facility bore interest at 12% per annum payable quarterly, had an initial term of six months and was secured by a charge on various assets of Campbell including a charge on Campbell's Corner Bay assets, subordinate to the debentures described above. The Company earned facility set-up fees of \$50,000 and interest of \$33,411.
- (7) As further described in Note 7, the Company changed its accounting for Campbell to equity accounting effective December 1, 2007. Accordingly, the investment in Campbell was reclassified at that time.
- (8) In February 2008, the Company subscribed for an additional 6,000,000 Campbell common shares at a cost of \$600,000 which was added to the equity accounting value of Campbell (Note 7).
- (9) On May 26, 2008, 15,625,000 warrants expired unexercised.
- (10) On July 4, 2008, the Company and Campbell entered into an updated agreement with respect to the Facility which increased the amount available to Campbell to a maximum of \$5,000,000. The increased amount is payable on demand, is secured as described for the initial facility and includes

all balances owing by Campbell to the Company, except for the convertible debenture described above. During the third quarter of 2008, the Company agreed to further extend the Facility to a maximum of \$10 million provided that Campbell agree to increase the amount of security available to the Company over various assets of Campbell including the Corner Bay assets and to extend that security over Campbell's Copper Rand mine and mill which security is subordinate to that held by Investissement Québec. The funds were to be used to advance the preparation of the bulk sample at Corner Bay.

- (11) In the third quarter of 2008, the Company advanced funds under the Facility to Campbell to be spent on the Corner Bay project. In December 2008, Campbell advised that \$2.5 million had been spent on qualifying expenditures and that the Company had earned a royalty interest which is further described in Note 9.

Corner Bay

As described above, the Company acquired an initial 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 50:50 interests.

Pursuant to the loan agreements with Campbell, Nuinsco will receive Campbell's share of cash flow first to repay debt. Following the acquisition of its royalty interest, Nuinsco has the right to an additional 10% of cash flow from the Corner Bay project from production at the 145-metre level and above.

Impairment Writedown

The aggregate amount of the Facility and debenture as at December 31, 2008 is \$7,923,000 and includes accrued interest on the Facility and the debenture to September 30, 2008, along with other receivables (December 31, 2007 - \$1,844,000). The Company recorded earned interest of \$434,196 in the nine months ended September 30, 2008 on the Facility. Due to circumstances described below, the Company ceased recording interest effective that date. Interest due but not recorded at December 31, 2008 is approximately \$238,000. Furthermore, the Company was entitled to receive an additional month's management fee; due to the uncertainties inherent with Campbell, the October fee of \$25,000 was not recorded.

There have been several significant events which have caused the Company to assess the impairment of the debenture and the Facility and to consider provisions for writedowns. During the third quarter of 2008, or shortly thereafter, Campbell ceased operations at its Copper Rand and Corner Bay mines. This, along with decreasing metal prices and contracting financial markets which reduce the ability of Campbell to generate financing along with the consequent impact on the current fair value of Campbell's projects in today's economic markets, have combined to adversely impact the ability of Campbell to meet its obligations as they become due. Furthermore, on January 28, 2009, Campbell announced that it had re-entered protection under the CCAA under which a Court-appointed monitor has been engaged.

Given these circumstances, the Company concluded that the value of its interest in Campbell is impaired. Also, given the nature of the security underlying the loan and convertible debenture and the nature of the royalty interest, the Company considers these elements together and has recorded them in interest in Campbell under exploration and development projects. Accordingly, the Company has recorded an aggregate impairment allowance against the interest in Campbell of \$7,923,000 through the consolidated statement of operations as a provision for writedown of amounts owing from Campbell. The Company is assessing its options to best realize on its interests including the convertible debenture and loan and will continue to monitor the situation closely.

9. 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 as at December 31, 2007	Current Expenditures	Writedowns	Balance as at December 31, 2008	
URANIUM					
Diabase Peninsula	\$ 3,548	\$ 2,189	\$ -	\$ 5,737	
Prairie Lake	591	545	-	1,136	
Marijane and Huston Lakes	-	730	-	730	
	4,139	3,464	-	7,603	
GOLD, COPPER AND ZINC					
Cameron Lake	848	715	-	1,563	
Berta and Elmalaan	1,865	656	-	2,521	
Interest in Campbell	-	2,500	-	2,500	
Other	12	174	(186)	-	
	2,725	4,045	(186)	6,584	
	\$ 6,864	\$ 7,509	\$ (186)	\$ 14,187	
	Balance as at December 31, 2006	Current Expenditures	Transferred to Victory Nickel Inc.	Writedowns	Balance as at December 31, 2007
NICKEL					
Lac Rocher	\$ 2,116	\$ 2	(Note 5) \$ (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 AND ZINC					
Cameron Lake	671	177	-	-	848
Berta and Elmalaan	874	991	-	-	1,865
Other	11	122	-	(121)	12
	1,556	1,290	-	(121)	2,725
	\$ 8,483	\$ 4,302	\$ (5,800)	\$ (121)	\$ 6,864

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 2007 are shown net of \$3,452 in incentives. No amounts were received with respect to the Company's exploration properties in 2008.

As at December 31, 2008, the Company had fulfilled its outstanding commitment through the issuance of its flow-through shares in 2007 and 2008 to make expenditures on exploration activities. As at December 31, 2007, the Company had an outstanding commitment of \$4,765,000 related to its 2007 flow-through issuances.

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

Other revenue of \$998,000 in the year ended December 31, 2008 includes \$300,000 received pursuant to the sale of a royalty interest related to the Bucko exploration and development property which was formerly

owned by the Company. In December 2008, the Company sold its royalty interest related to the Rainy River exploration property, also formerly owned by the Company, for aggregate proceeds of \$630,000 comprising cash of \$500,000 and 200,000 shares in Rainy River Resources Ltd. which are included in marketable securities.

URANIUM

Diabase Peninsula

In December, 2004, Nuinsco entered into an agreement with Trend Mining Company (“Trend”) to acquire a 50% interest in the Diabase Peninsula property in the Athabasca Basin of northern Saskatchewan upon the expenditure of \$1,000,000. Expenditures to date have increased this ownership interest to approximately 87%. The property consists of ten contiguous claims encompassing 21,949 hectares (ha). Three claims are optioned while seven were staked by Nuinsco; all are subject to the option agreement with Trend. Exploration for uranium has been ongoing at Diabase Peninsula since March, 2005 with the most recent work program being completed in the spring of 2008. If the project progresses to a development state, Trend has a one-time 50% back-in right upon reimbursing Nuinsco for 140% of its total expenditures to that date.

Prairie Lake

The Prairie Lake property consists of nine claims, 38 claim units, encompassing 608 ha of mineral claims. Given the presence of an historical uranium resource, as well as strongly anomalous tantalum-niobium and phosphorous, and widespread rare earth mineralization, diamond drilling surface sampling and mapping programs were conducted in 2008 and 2007.

Marijane and Huston Lakes

In the second quarter of 2008, the Company executed an Option and Joint Venture Agreement with Temex Resources Corp. (“Temex”) to acquire a 50% interest in the contiguous Marijane Lake and Huston Lake uranium properties. The Company made a cash payment of \$50,000 and issued 200,000 common shares to Temex and is committed to spend \$500,000 on exploration within one year and an aggregate of \$750,000 over a two-year period and issue an additional 100,000 shares to earn an undivided 50% interest in the property. The Company has the option to extend the time period of the arrangement, if required, through the issuance of an additional 50,000 shares.

The Marijane Lake Property consists of 20 mining claims totalling 5,052 ha located in Manitoba, approximately 75 kilometres east of the town of Lac du Bonnet, Manitoba; the Claims are recorded as 100% Temex Resources Corp. The Huston Lake Property consists of 67 mining claims totalling 16,641 ha contiguous to the east of the Marijane Lake Property but across the border in Ontario. The claims cover several claim map areas; the Claims are recorded as 100% Temex.

GOLD, COPPER & ZINC

Cameron Lake

The Cameron Lake project consists of one mining lease encompassing 979 ha, 20 contiguous mining claims totalling 1,984 ha and mineral patents at Rowan Lake of 95.7 ha. The surface rights to the Rowan lake property were sold in 2005. During the mid 1980’s, approximately \$24 million was spent on the project by a former shareholder to develop the property by ramp to the 800-foot level. A NI 43-101 compliant technical report and resource estimate was completed in April 2004 and was updated in June 2008. Since 2006, work and studies have been undertaken in order to apply for permits to advance the project; this work is ongoing. The expenditures in 2008 include \$99,000 related to the asset retirement obligation recorded at December 31, 2008 (see Note 12).

Berta

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

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

As a result of the work programs conducted by Nuinsco during 2005, the Company became vested with 50% of the project. Xstrata participates pro rata in funding exploration expenditures and is the operator of the project. Nuinsco presently owes Xstrata approximately \$477,000, which is included in accounts payable and accrued liabilities, for its share of expenditures on Berta. The agreement contains dilution provisions when amounts are unpaid which may be invoked by Xstrata. In such case, Nuinsco would eliminate the amount payable and reduce the exploration property by a similar amount adjusted for foreign exchange differences.

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

Elmalaan

The Company finalized an agreement (the "Elmalaan Agreement") in August, 2006 to acquire 100% of the Elmalaan copper-zinc property from Xstrata. The Company has spent US\$250,000 to earn its interest. Xstrata has back-in rights to reacquire a 50% interest in the project upon incurring expenditures equal to 200% of the aggregate expenditures incurred by the Company and a further 20% interest by incurring additional expenditures of US\$20,000,000. In the event that Xstrata elects not to exercise its back-in right, it will be entitled to a 2% NSR which can be reduced to 1% on the payment by the Company of US\$1,000,000. Mapping, sampling and diamond drilling programs have identified strongly anomalous copper-zinc-gold-silver mineralization on the property. The Elmalaan licenses are currently in the process of being converted from exploration to exploitation status following which they will be transferred to Nuinsco.

Interest in Campbell

In the third quarter of 2008, the Company advanced funds to Campbell to be spent on the Corner Bay project. Of the amount advanced, \$2.5 million was to earn a royalty interest equal to 10% of the net operating cash flows generated from the sale of product from the Corner Bay Property from the 145-metre level and above. Campbell confirmed that these advances were expended on eligible exploration expenditures in December 2008 and granted the Company the royalty interest. Accordingly, the Company reclassified \$2.5 million from loan to Campbell Resources Inc to interest in Campbell as part of exploration and development projects. As described in Note 8, the Company considers amounts ultimately recoverable from Campbell under the royalty, the Facility and the convertible debenture as interest in Campbell and represents an estimated recoverable amount of \$2.5 million after aggregate provisions for writedown of \$7,923,000 recorded through the consolidated statement of operations. The value of the estimated recoverable amount is based primarily upon a discounted cash flow model of the Corner Bay project, adjusted for other potential claims against the property.

Further, the Company ceased accruing interest on such funds from the dates of the advances. As described in Note 8, the Company's security on amounts owing by Campbell includes Corner Bay and other exploration and development properties among other things.

OTHER

Exploration costs relating to discontinued projects in the amount of \$186,000 were written off in 2008 (2007 - \$121,000).

10. PROPERTY AND EQUIPMENT

As at December 31,	2008		
	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 383	\$ 259	\$ 124
	\$ 383	\$ 259	\$ 124

As at December 31,	2007		
	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 375	\$ 244	\$ 131
Property	20	18	2
	\$ 395	\$ 262	\$ 133

Equipment includes an amount of \$53,975 for a mill which has not yet been put into service and, therefore, is not being amortized.

11. 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. 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.

12. ASSET RETIREMENT OBLIGATION

In order to secure a permit to dewater the Cameron Lake mine, the Company commissioned a study towards the end of December 2007 to estimate the undiscounted site rehabilitation costs at its Cameron Lake advanced exploration project. Accordingly, the Company has estimated an ARO of \$99,000 using a time horizon of eight years, an estimated closure cost of \$253,000, an inflation rate of 2.0% and a discount rate of 12.5%.

13. LOAN PAYABLE

	Amount
Aggregate advances in US Dollars	\$ 5,000
Foreign exchange	1,123
Balance as at December 31, 2008	\$ 6,123

The loan has been classified as an other financial liability. Transaction costs associated therewith were originally netted against the loan balance and were amortized to interest expense using the effective interest rate method. The aggregate amount of the loan is US\$5,000,000, bears interest at 12.5% on a monthly basis and is secured by the Company's Victory Nickel shares. The loan was due no later than December 15, 2008 and is subject to a prepayment obligation from proceeds of debt or equity financing excluding flow-through shares, warrants and options. The Company was technically in default on the loan until it was renegotiated subsequent to December 31, 2008 with terms as described below:

- The aggregate amount of the loan was increased to US\$5,250,000 to include prepaid interest on amounts underwritten by 80% of the syndicate behind the loan;
- Interest remained at 12.5%;
- The term of the loan was extended to June 15, 2009;
- The issuance, subject to regulatory approval, which was subsequently received, of 10,000,000 common shares of the Company;

- Security supporting the loan was increased to include the Company's shares in Cameron Lake JEX Corporation which owns the Cameron Lake gold mine, the Company's shares in Gold Hawk as well as a mortgage over the Cameron Lake property; and
- The prepayment obligation was amended to include the first \$1 million of proceeds from any rights offering, 50% of the next \$4 million of proceeds and 100% thereafter.

14. SHAREHOLDERS' EQUITY

Share Capital

Authorized:

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

Issued and Outstanding:

There are no special shares outstanding.

The issued and outstanding common shares are as follows:

	Number of Shares	Amount
Balance as at 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 as at December 31, 2007	172,320,350	91,442
Shares issued pursuant to private placements ^(g)	7,981,333	1,943
Shares issued for option in exploration property ^(h)	200,000	44
Shares issued for services ⁽ⁱ⁾	204,347	16
Shares issued under the Share Bonus Plan ^(j)	167,544	52
Flow-through share renunciation ^(f)	-	(1,740)
Balance as at December 31, 2008	180,873,574	\$ 91,757

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

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

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

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

- (e) In January 2007, the two directors who held the Company's convertible debentures exercised their conversion rights, resulting in the issuance of 833,333 common shares upon the conversion of \$200,000 of convertible debentures.
- (f) In February 2008, the Company renounced \$6,000,000 (February, 2007 - \$988,000) in Canadian Exploration Expenditures to investors of flow-through shares in 2007 and 2006. The tax value of these renunciations amounted to \$1,740,000 (2007 - \$337,000) and has been recorded as a future tax liability and charged against share capital. Since the Company has a valuation allowance which reduces the future income tax assets, the valuation allowance was reduced and income tax recoveries were recognized in the consolidated statement of operations in the amount of \$1,740,000 (2007 - \$377,000).
- (g) In July 2008, the Company issued 3,633,333 flow-through common shares at a price of \$0.30 per share for gross proceeds of \$1,090,000. After fees and other out-of-pocket costs, net proceeds aggregated \$1,010,822. In September, 2008, the Company issued 4,348,000 flow-through common shares at a price of \$0.23 per share for gross proceeds of \$1,000,040. After fees and other out-of-pocket costs, net proceeds aggregated \$931,632.
- (h) Also in July 2008, the Company issued 200,000 shares with a fair value at the grant date of \$44,000 in connection with the option to acquire a 50% interest in the contiguous Marijane Lake and Huston Lake properties from Temex.
- (i) In October 2008, the Company issued 204,347 shares with a fair value at the grant date of \$16,348 in connection with services provided to the Company.
- (j) In March, June and September, 2008, common shares were issued to employees and consultants as discretionary bonuses and were valued at \$51,938.

Contributed Surplus

In 2007, 31,093 warrants expired unexercised resulting in a transfer of \$1,323 from warrants to contributed surplus. There were no such transactions in 2008.

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, 2008, the Company had 13,296,036 (December 31, 2007 - 12,213,052) common shares available for the granting of future options.

A summary of the status of the Plan and changes during 2008 and 2007 are presented below:

	Number of Options	Average Exercise Price
Outstanding as at December 31, 2006	12,675,000	\$ 0.33
Options granted during the year	1,885,000	0.31
Options exercised	(750,000)	0.29
Options expired	(175,000)	0.85
Outstanding as at December 31, 2007	13,635,000	0.20
Options granted during the year	450,000	0.27
Options expired and forfeited	(250,000)	0.28
Balance as at December 31, 2008	13,835,000	\$ 0.20

⁽¹⁾ The average exercise price as at December 31, 2007 is shown after giving effect to the modification of the options as described below.

In conjunction with the closing of the Plan of Arrangement (see Note 5), 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, 2008:

Range of Exercise Prices	Options Exercisable	Options Outstanding	Years to Expiry ⁽¹⁾	Exercise Price ⁽¹⁾
\$0.0970 - \$0.1823	8,125,000	8,125,000	2.23 \$	0.14
\$0.1900 - \$0.2500	2,775,000	2,775,000	4.26 \$	0.24
\$0.2585 - \$0.3060	475,000	650,000	4.39 \$	0.27
\$0.3100 - \$0.4880	2,285,000	2,285,000	3.59 \$	0.36
\$0.0970 - \$0.4880	13,660,000	13,835,000	2.96 \$	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 2008 was \$0.15 (2007 - \$0.16). A total of 450,000 options were granted during 2008 to employees, directors and consultants. This resulted in a compensation expense totalling \$108,000 compared to 1,885,000 options and vesting resulting in compensation expense totalling \$267,000 during 2007. Of the 13,835,000 options outstanding at December 31, 2008, 175,000 are subject to vesting in the next fiscal year. The aggregate fair value of these unvested options not yet charged to operations is \$14,000. The weighted average exercise price of fully-vested options at December 31, 2008 was \$0.20.

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

Option Assumptions	Year Ended December 31,	
	2008	2007
Dividend yield	-	-
Expected volatility	75%	70% to 75%
Risk free interest rate	3.50%	4.50% to 5.00%
Expected option term - years	4	3
Fair value per share of options granted	\$ 0.11 to \$ 0.17	\$ 0.16 to \$ 0.22

Share Purchase Warrants:

		Number of Warrants	Average Exercise Price
Balance as at December 31, 2006		7,884,195	\$ 0.28
Exercised		(7,853,102)	\$ 0.17
Expired		(31,093)	\$ 0.30
Balance as at December 31, 2007		-	n/a
Issued for services rendered	July 17, 2008	233,000	\$ 0.22
	September 10, 2008	100,000	\$ 0.20
Balance as at December 31, 2008		333,000	\$ 0.21

⁽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.

The warrants issued in 2008 each have a term to expiry of 24 months from issue date.

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 2008 or 2007. 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 2008, 167,544 common shares were issued under the Share Bonus Plan (310,200 common shares were issued under the Share Bonus Plan in 2007). 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.

Entitlements to 167,544 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 to the individual. The fair value of the 167,544 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 was charged to income over the nine-month vesting period commencing January 1, 2008. No common shares were granted under the Share Bonus Plan in 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.

15. 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, 2008 and 2007, of 33.5% and 36.07% respectively, to the income before income taxes. The differences are summarized as follows:

	2008	2007
Statutory rate applied to income before income taxes	\$ (5,873)	\$ 260
Non-deductible portion of unrealized losses	2,886	(217)
Non-deductible items, net	86	162
Effect of rate change	389	(64)
Change in valuation allowance	772	(478)
Future income tax recovery	\$ (1,740)	\$ (337)

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:

As at December 31,	2008	2007
Future income tax assets		
Temporary differences		
Equipment	\$ 59	\$ 54
Exploration and development	223	2,236
Share issue costs	288	378
Net tax losses carried forward	482	100
Eligible capital property and other	480	304
Unrealized capital losses (gains), net	2,194	(492)
	3,726	2,580
Valuation allowance for future income tax assets	(3,726)	(2,580)
Future income tax assets, net	\$ -	\$ -

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. Non-capital losses expire as follows:

	Amount
2028	\$ 345
2029	1,317
	\$ 1,662

16. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Accumulated other comprehensive (loss) income (OCI) is comprised of unrealized gains on marketable securities that are classified as available for sale (see Note 6).

Changes in the components of OCI are summarized as follows:

Year ended December 31,	2008	2007
Accumulated OCI at beginning of year	\$ 900	\$ -
Adjustment to accumulated OCI at beginning of year due to the change in method of accounting for financial assets available for sale	-	58
OCI for the year representing the change in the fair value of financial assets available for sale	(1,384)	842
Reversal of unrealized gain in Campbell previously included in OCI	(910)	-
Accumulated OCI at end of year	\$ (1,394)	\$ 900

17. CHANGES IN NON-CASH WORKING CAPITAL

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

Year ended December 31,	2008	2007
Accounts receivable, prepaid expenses and deposits	\$ 151	\$ 18
Due from/to Victory Nickel Inc.	140	(158)
Due from Campbell Resources Inc.	-	(326)
Accounts payable and accrued liabilities	149	58
	\$ 440	\$ (408)

18. RELATED PARTY TRANSACTIONS

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

The Company shares management administrative assistance and facilities with Victory Nickel pursuant to a management agreement. The costs recovered from Victory Nickel are recorded at the exchange amount which is 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, 2008 total \$649,618 (2007 - \$808,759) and have been deducted from general and administrative expenses. Furthermore, project-related costs aggregating \$52,920 have been charged to the Company by Victory Nickel and are included in exploration and development costs on the balance sheet (\$nil in 2007). In addition, project-related costs aggregating \$65,580 have been charged by the Company to Victory Nickel during the year ended December 31, 2008 (year ended December 31, 2007 - \$463,491).

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

Included in accounts payable and accrued liabilities at December 31, 2008 are amounts owing to directors and officers of \$115,100 (December 31, 2007 - \$113,515). The December 31, 2008 and 2007 amounts consist primarily of directors' fees and reimbursement of expenses.

19. LEASE COMMITMENT

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

	Minimum Lease Payments	
2009	\$	85
2010		88
2011		61
2012		5
	\$	239

20. SEGMENT DISCLOSURE – GEOGRAPHIC INFORMATION

The Company operates in two geographic areas, Canada and Turkey. The Company has five major exploration and development projects in Canada, namely Diabase Peninsula, Prairie Lake, Cameron Lake, the Marijane and Huston Lake property and the interest in Campbell. Two exploration projects are in Turkey, namely Berta and Elmalaan.

Geographic Location	Assets		Revenue	
	2008	2007	2008	2007
Canada	\$ 14,998	\$ 26,871	\$ 1,771	\$ 1,388
Turkey	\$ 2,521	\$ 1,865	\$ -	\$ -

21. SUBSEQUENT EVENTS

Subsequent events not otherwise referred to in these consolidated financial statements are as follows:

Rights offering

On March 11, 2009, the Company announced a rights offering to holders of its outstanding common shares on the record date of March 24, 2009 to purchase units of the Company (each a “Unit”) at a price per Unit of \$0.05. Each Unit shall consist of one common share of the Company (each a “Unit Share”) and one-half of one Common Share Purchase Warrant (each whole Common Share Purchase Warrant a “Unit Warrant”). If the rights offering is fully subscribed, the Company expects to raise net proceeds of approximately \$1.98 million (excluding any potential proceeds from the exercise of the Unit Warrants). Each Unit Warrant will entitle the holder to purchase one common share at a price of \$0.10 during the 12 month period commencing April 23, 2010. The proceeds of the offering will be used to repay a portion of the debt and to add to the general funds of the Company.

Stock options issuance

On March 12, 2009, the Board of Directors granted 5,475,000 stock options at \$0.05 per share to directors, officers, employees and consultants. Of the options granted, 4,387,500 vest immediately and 1,087,500 vest over one year.