



**NUINSCO RESOURCES LIMITED**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2017**

**DATED AUGUST 29, 2017**

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

The accompanying unaudited condensed interim consolidated financial statements of Nuinsco Resources Limited for the three and six months ended June 30, 2017 and 2016 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

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

# Nuinsco Resources Limited

## Condensed Interim Consolidated Statements of Financial Position (unaudited)

As at June 30, 2017 and December 31, 2016

(in Canadian dollars)	<i>Notes</i>	June 30, 2017	December 31, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 18,131	\$ 65,106
Receivables	6	133,725	128,718
<b>Total current assets</b>		<b>151,856</b>	<b>193,824</b>
<b>Non-current assets</b>			
Property and equipment	7	43,925	48,869
Exploration and evaluation projects	8	21,000	1,000
<b>Total non-current assets</b>		<b>64,925</b>	<b>49,869</b>
<b>Total Assets</b>		<b>\$ 216,781</b>	<b>\$ 243,693</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
<b>Current liabilities</b>			
Trade and other payables	16	\$ 351,385	\$ 418,578
<b>Total current liabilities</b>		<b>351,385</b>	<b>418,578</b>
<b>Non-current liability</b>			
Long-term liability	10	826,413	684,413
<b>Total Liabilities</b>		<b>1,177,798</b>	<b>1,102,991</b>
<b>Shareholders' deficiency</b>			
Share capital	12	98,393,149	98,393,149
Shares to be issued	12	27,600	-
Contributed surplus		5,896,175	5,896,175
Warrants	12	33,750	33,750
Accumulated other comprehensive loss		(2,147,261)	(2,147,261)
Deficit		(103,164,430)	(103,035,111)
<b>Total shareholders' deficiency</b>		<b>(961,017)</b>	<b>(859,298)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>		<b>\$ 216,781</b>	<b>\$ 243,693</b>

### NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

### CONTINGENCY (Note 18)

Approved by the Board of Directors

(signed)  
**René R. Galipeau**  
 Director

(signed)  
**Paul Jones**  
 Director

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

# Nuinsco Resources Limited

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)

For the three and six months ended June 30, 2017 and June 30, 2016

(in Canadian dollars)	<b>Notes</b>	Three months ended June 30,		Six months ended June 30,	
		<b>2017</b>	2016	<b>2017</b>	2016
<b>Other expenses</b>					
General and administrative		\$ 59,206	\$ 59,461	\$ 123,875	\$ 169,480
Share-based payments		-	232,225	-	232,225
Depreciation of property and equipment	7	2,405	2,359	4,944	6,359
Pre-exploration write-offs		500	-	500	-
<b>Operating loss</b>		<b>62,111</b>	294,045	<b>129,319</b>	408,064
<b>Net Loss and Comprehensive Loss for the Period</b>		<b>\$ (62,111)</b>	\$ (294,045)	<b>\$ (129,319)</b>	\$(408,064)
<b>Loss per share</b>					
	13				
Basic loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

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

# Nuinsco Resources Limited

## Condensed Interim Consolidated Statements of Shareholders' (Deficiency) Equity (unaudited)

For the six months ended June 30, 2017 and June 30, 2016

(in Canadian dollars)	Share Capital	Shares to be issued	Contributed Surplus	Warrants	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
<b>Balances as at January 1, 2016</b>	\$ 98,168,593	\$ -	\$ 5,588,389	\$ -	\$ (2,147,261)	\$ (102,306,549)	\$ (696,828)
Share based payments	-	-	232,225	-	-	-	232,225
Net income for the period	-	-	-	-	-	(408,064)	(408,064)
<b>Balances as at June 30, 2016</b>	<b>\$ 98,168,593</b>	<b>\$ -</b>	<b>\$ 5,820,614</b>	<b>\$ -</b>	<b>\$ (2,147,261)</b>	<b>\$ (102,714,613)</b>	<b>\$ (872,667)</b>
<b>Balances as at December 31, 2016</b>	<b>\$ 98,393,149</b>	<b>\$ -</b>	<b>\$ 5,896,175</b>	<b>\$ 33,750</b>	<b>\$ (2,147,261)</b>	<b>\$ (103,035,111)</b>	<b>\$ (859,298)</b>
Proceeds received in advance of closing financing	-	27,600	-	-	-	-	27,600
Net loss for the period	-	-	-	-	-	(129,319)	(129,319)
<b>Balances as at June 30, 2017</b>	<b>\$ 98,393,149</b>	<b>\$ 27,600</b>	<b>\$ 5,896,175</b>	<b>\$ 33,750</b>	<b>\$ (2,147,261)</b>	<b>\$ (103,164,430)</b>	<b>\$ (961,017)</b>

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

# Nuinsco Resources Limited

## Condensed Interim Consolidated Statements of Cash Flows (unaudited)

For the six months ended June 30, 2017 and June 30, 2016

(in Canadian dollars)	<i>Notes</i>	2017	2016
<b>Cash flows from operating activities</b>			
Net loss for the period		\$ (129,319)	\$ (408,064)
Adjustments for:			
Depreciation of property and equipment	7	4,944	6,359
Share based payments		-	232,225
Change in receivables		(5,007)	(30,628)
Change in trade and other payables		(67,193)	77,654
Change in long term liabilities	10	142,000	89,000
<b>Net cash used by operating activities</b>		<b>(54,575)</b>	<b>(33,454)</b>
<b>Cash flows from investing activities</b>			
Expenditures on exploration and evaluation assets	8	(20,000)	-
<b>Net cash used by financing activities</b>		<b>(20,000)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds received in advance of issuing shares	12	27,600	-
<b>Net cash used by financing activities</b>		<b>27,600</b>	<b>-</b>
<b>Net Decrease in Cash</b>		<b>(46,975)</b>	<b>(33,454)</b>
<b>Cash, Beginning of the Period</b>		<b>65,106</b>	<b>32,816</b>
<b>Cash, End of the Period</b>		<b>\$ 18,131</b>	<b>\$ (638)</b>

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

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

*(all amounts in Canadian dollars)*

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

### Nature of Operations

Nuinsco Resources Limited (“Nuinsco” or the “Company”) is a company incorporated in Canada. The address of the Company’s registered office is 80 Richmond St. West, Suite 1802, Toronto, Ontario, M5H 2A4. The unaudited condensed interim consolidated financial statements (“Unaudited Condensed Interim Consolidated Financial Statements”) of the Company as at and for the three and six months ended June 30, 2017, comprise the Company and its subsidiaries (together referred to as “Nuinsco” and individually as “Nuinsco entities”). Nuinsco is primarily engaged in the acquisition, exploration and evaluation of properties for precious and base metals. The Company conducts its activities on its own or participates with others on an investment basis. The Company also makes strategic investments through equity or loan financing to companies engaged in the exploration and development of resource properties. Pursuant to a management agreement (the “Management Agreement”), the Company also managed and shared management, administrative assistance and facilities with Cbay until August 25, 2017, on which date the Management Agreement was terminated (see Note 19).

### Going Concern

The Company’s Unaudited Condensed Interim Consolidated Financial Statements have been prepared using the going concern assumption, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at June 30, 2017, the Company had a working capital deficiency of \$199,530 (December 31, 2016 – working capital deficiency of \$224,754). Working capital (deficiency) is defined as current assets less current liabilities.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to: continuing losses, dependence on key individuals, and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Advancing the Company’s projects through exploration and development to the production stage will require significant financing. Given the current economic climate and due to the fact the Company’s shares are no longer listed on a formal stock exchange, the ability to raise funds has been and may continue to be difficult. Refer to Note 4 on Financial Risk Management and Capital Management to these Unaudited Condensed Interim Consolidated Financial Statements for additional information.

None of the Company’s projects are currently in 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 Company’s ability to continue as a going concern is dependent upon exploration results which have the potential for the discovery of economically recoverable reserves and resources, the Company’s ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

The Company’s management continues to hold discussions on securing financing or potential sale of assets. There are no assurances that the Company will be successful in obtaining any financing or selling assets, or in accomplishing that on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, it will be unable to fund continuing operations and corporate administration costs. Effective May 11, 2015, the Company voluntarily delisted its shares from the Toronto Stock Exchange. The Company intends to remain at its corporate office and maintain website, telephones and email communication with shareholders, subject to having sufficient funds.

If the Company is unable to obtain additional financing it will be required to curtail all of its operations and may be required to liquidate its assets.

Should the Company not be able to continue to obtain the necessary financing, achieve favourable exploration results, achieve future profitable production or the sale of properties or improve its liquidity sufficient to enable it to fund operations, the Company’s ability to continue as a going concern will be compromised. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

(all amounts in Canadian dollars)

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## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

The Unaudited Condensed Interim Consolidated Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the International Accounting Standards Board (“IASB”) and in accordance with IAS 34, *Interim Financial Reporting* (“IAS 34”). This is GAAP for a Canadian public company.

The management of Nuinsco prepares the Unaudited Condensed Interim Consolidated Financial Statements which are then reviewed by the Audit Committee and the Board of Directors. The Unaudited Condensed Interim Consolidated Financial Statements were authorized for issue by the Board of Directors on August 29, 2017. Shortly thereafter, the financial statements are made available to shareholders and others through filing on SEDAR.

### (b) Basis of Measurement

The Unaudited Condensed Interim Consolidated Financial Statements have been prepared on the historic cost basis except for derivative financial instruments such as warrants and the Participating Interest which are measured at fair value with changes through operations and financial assets such as marketable securities which are measured at fair value with changes recorded through other comprehensive income or loss (“OCI”).

### (c) Functional and Presentation Currency

These Unaudited Condensed Interim Consolidated Financial Statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information is expressed in Canadian dollars unless otherwise stated.

### (d) Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

The accompanying Unaudited Condensed Interim Consolidated Financial Statements include all adjustments that are, in the opinion of management, necessary for fair presentation.

### **Significant estimates and assumptions**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information regarding significant areas of estimation uncertainty made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 8 measurement of the recoverable amounts of exploration and evaluation projects;
- Note 14 measurement of share-based payments.



# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

(all amounts in Canadian dollars)

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## 2. BASIS OF PREPARATION - CONTINUED

### **Significant Judgments**

Judgments are reviewed on an ongoing basis. Changes resulting from the effects of amended judgments are recognized in the period in which the change occurs and in any future periods presented.

Information regarding significant areas of critical judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 1 going concern assessment;
- Note 8 classification of expenditures as exploration and evaluation projects or operating expenses;
- Note 8 impairment of exploration and evaluation projects;
- Note 8 assessment of influence over CBay;
- Note 18 disclosure of contingencies;

## 3. SIGNIFICANT ACCOUNTING POLICIES

These Unaudited Condensed Interim Consolidated Financial Statements reflect the accounting policies described in Note 3 to the Company's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015 ("2016 Audited Consolidated Financial Statements") (with the exception of any changes set out in Note 3 below) and accordingly, should be read in conjunction with those financial statements and the notes thereto.

### **(a) New Accounting Policies**

There have been no new accounting policies adopted by the Company.

### **(e) New Standards and Interpretations Not Yet Adopted**

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued several new and revised standards and interpretations which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing these Unaudited Condensed Interim Consolidated Financial Statements unless stated otherwise. However, the revised standards and interpretations are not applicable to the Company or are expected to have minimal impact.

## 4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

### **Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board fulfils its responsibility through the Audit Committee which is responsible for overseeing the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has an established code of conduct which sets out the control environment within which framework all directors' and employees' roles and obligations are outlined. The Company's risk and control framework is facilitated by the small-sized and hands-on executive team.

### **Credit Risk**

Credit risk is the risk of an unexpected financial loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash.

### **Cash**

The Company's cash is 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.

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

*(all amounts in Canadian dollars)*

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## 4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT - CONTINUED

### **Receivables**

Amounts due are settled on a regular basis.

When necessary, the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Further, when the Company engages in corporate transactions, it seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations.

### **Participating Interest**

The loan receivable bore interest at a fixed rate and was secured on equipment of the borrower through registered security agreements. Failure of the borrower to meet contractual obligations would have resulted in seizure of the borrower's assets. Upon Conversion, as described in Note 9, the loan receivable became unsecured and is now referred to as the "Participating Interest".

### **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking undue damage to the Company's reputation.

Presently, the Company is facing a significant shortfall in liquidity before it expects any cash flows from the Participating Interest. The Company continues to hold discussions on securing financing or potential sale of assets. There are no assurances that the Company will be successful in obtaining any financing or selling assets, or in accomplishing that on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, it will be unable to fund continuing operations and corporate administration costs (Note 1).

The Company's objective is 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 marketable securities. This is accomplished by budgets and forecasts which are updated on a periodic basis to understand future cash needs and sources. When possible, spending plans are adjusted accordingly 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 do so again in the future.

All contractually-obligated cash flows are payable within the next fiscal year with the exception of the Company's deferred director and management fees.

### **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Company's income, the value of its E&E properties or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

*(all amounts in Canadian dollars)*

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## 4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT - CONTINUED

### ***Currency risk***

The Company may be exposed to currency risk on purchases, certain marketable securities and other payables that are denominated in a currency other than the respective functional currencies of Company entities, primarily the Canadian dollar. The Company does not actively hedge its foreign currency exposure.

### ***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 earns interest at variable short-term rates. Accordingly, the estimated effect of a 50bps change in interest rate would not have a material effect on the Company's results of operations.

### **Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The Company has a small but hands-on and experienced executive team which facilitates communication across the Company. This expertise is supplemented, when necessary, by the use of experienced consultants in legal, compliance and industry-related specialties.

The Company also has standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- development of contingency plans;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective and available.

Compliance with Company standards is supported by a code of conduct which is provided to employee, officers and directors. The Company requires sign-off of compliance with the code of conduct.

### **Capital Management 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 project development and corporate activities. Capital is defined by the Company as the aggregate of its shareholders' (deficiency) 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's objectives are 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.

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

(all amounts in Canadian dollars)

Neither the Company, nor any of its subsidiaries, are subject to externally-imposed capital requirements. There were no changes in the Company's approach to financial risk management or capital management during the period.

## 5. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### *Fair value hierarchy*

The different levels of valuation are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs).

### (a) Receivables

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes only.

### (b) Non-derivative Financial Assets

Financial assets at fair value through operations include the Company's Participating Interest. The fair value of the Participating Interest is based on the net present value of expected cash flows taking into account the probability of cash flows as described in Note 9.

### (c) Share-based Payment Transactions

The fair value of employee share options is measured using the Black-Scholes option-pricing model.

## 6. RECEIVABLES

	<i>Notes</i>	June 30, 2017	December 31, 2016
Sales tax receivable		\$ 2,455	\$ 33,535
Due from CBay under management agreement	8	79,188	21,851
Other receivables		47,332	32,530
Prepaid expenses and deposits		4,750	4,750
		<b>\$ 133,725</b>	<b>\$ 128,718</b>

## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

(all amounts in Canadian dollars)

### 7. PROPERTY AND EQUIPMENT

Equipment	Cost	Accumulated Depreciation	Carrying Amount
<b>Balance as at January 1, 2016</b>	<b>\$ 426,674</b>	<b>\$ 362,740</b>	<b>\$ 63,933</b>
Additions	-	-	-
Depreciation	-	15,064	(15,064)
<b>Balance as at December 31, 2016</b>	<b>426,674</b>	<b>377,804</b>	<b>48,869</b>
Additions	-	-	-
Depreciation	-	4,944	(4,944)
<b>Balance as at June 30, 2017</b>	<b>\$ 426,674</b>	<b>\$ 382,748</b>	<b>\$ 43,925</b>

### 8. EXPLORATION AND EVALUATION PROJECTS

During the six months ended June 30, 2017, the Company entered in to a term sheet to acquire the Sunbeam Gold Property (as described below). In accordance with the agreement, the Company paid \$20,000 towards the annual cash requirements.

As at December 31, 2015, all projects were written down due to the lack of funding of the Company and related uncertainty as to future spending on the properties. IFRS requires a write-down of the carrying value of assets to the net recoverable amount. Given the current market uncertainties, the valuation of resources properties is difficult and management cannot reliably estimate any recoverable amount. The Company will revisit the valuation of these assets at the end of every reporting period and will recognize a recovery if the fair value of these assets can be reliably determined. As a result, the Company has chosen to write down the value of the property assets, with only \$1,000 remaining on the consolidated balance sheet. In the current period, all expenditures have been expensed.

#### Uranium and Rare Metals

##### *Diabase Peninsula*

Nuinsco acquired its 100% interest in the Diabase Peninsula property in the Athabasca Basin of northern Saskatchewan.

The property consists of ten contiguous claims encompassing 21,949 hectares ("ha"). Three claims were optioned while seven were staked by Nuinsco. Exploration for uranium has been undertaken at Diabase Peninsula since March, 2005, with the most recent drill program being completed in the winter of 2011 to 2012. During the winter of 2013 a modest program of geochemical sampling was initiated which included a survey consisting of sampling for detection of radon gas which is an indicator of uranium mineralization.

In order to maintain the option on one of the claims, the Company was required to make an option payment of approximately \$935,000 by September 2, 2012; in May 2012, the Company was successful in extending the option terms for a year, with additional extensions being possible, for four quarterly cash payments of \$9,350 and \$37,600 of the Company's shares. This deferred the option payment of \$935,000 by at least one year. The shares were issued in the third quarter of 2012 and all quarterly cash payments were made.

In September, 2013, the Company negotiated a further extension whereby it is required to make payments totalling \$1,028,500 as follows: an aggregate sum of \$400,000 payable in quarterly instalments of \$25,000 up to and including June 2, 2017 and a lump sum of \$628,500 on or before September 2, 2017. The Company made two instalments of \$25,000 on each of September 2, 2013 and December 2, 2013. \$250,000 remains payable under the agreement. The Company is currently negotiating terms of payment.

## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

(all amounts in Canadian dollars)

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The claims are subject to a 3% net returns royalty payable to the vendor of the original Diabase Peninsula claim; the royalty is defined as all metal/mineral sales with no deduction for refining or transportation expenses.

### **Prairie Lake**

The Prairie Lake property consists of nine claims comprising 38 claim units, encompassing 608 ha. Given the presence of an historic uranium resource, as well as strongly-anomalous tantalum, niobium and phosphorus, along with widespread rare metals mineralization, diamond drilling, surface sampling and mapping programs were conducted in 2007, 2008, 2010 and 2013. An Exploration Target of between 515 and 630 million tonnes grading between 3.0-4.0 P<sub>2</sub>O<sub>5</sub>, 0.009-0.11% Nb<sub>2</sub>O<sub>5</sub>, and 18-21ppm Ta<sub>2</sub>O<sub>5</sub>, 280-340ppm La, 650-790ppm Ce, 55-70ppm Sm, 300-360ppm Nd, 85-100ppm Y was estimated in 2011. Metallurgical and process testing are ongoing. The property was subject to a 2% NSR payable on any production. Up to a maximum of one-half of the royalty could be purchased for \$1,000,000 in either cash or common shares of the Company. On January 23, 2012, the Company announced that it had acquired the entire 2% NSR through issuing 3,157,894 shares with a market value of \$300,000. The property is now royalty-free.

### **Gold & Copper**

#### **Sunbeam Gold Property**

In 2017, the Company entered into a term sheet (the "Term Sheet") for an option to acquire 100% of the Sunbeam Gold Property located about 30km northeast of Atikokan, northwestern Ontario. This property, readily accessible by road, comprises nine mining claims totalling 1552ha, and is the site of a former patented mining claim that encompassed the Sunbeam Gold Mine which has seen no exploration activity since 1905.

The Term Sheet requires that Nuinsco pay \$175,000 to the vendors over four years through annual cash payments (\$20,000 paid June 2017). In addition Nuinsco shall issue shares equal in value to \$10,000 to be priced at the volume weighted average share price over the 30 days preceding the date of the original execution of the option. In years two, three and four of the option, payments of 100,000 shares will be issued to the vendors on each anniversary of the signing of the Term Sheet (the "Anniversary Date"). Should the total value of the 100,000 shares to be issued plus the annual cash payment be less than 1.4 times the annual cash payment (the value to be based on the share price on each Anniversary Date) the difference between the value of the shares issued plus the annual cash payment and 1.4 times the annual cash payment will be paid in cash to the vendors in order to make the full payment sum to 1.4 times the annual cash payment. If the total value of the 100,000 shares issued plus the annual cash payment on the Anniversary Date in years two, three and four is greater than 1.4 times the value of the annual cash payment then no additional cash will be paid to the vendors. The agreement also requires work programs totalling \$280,000 over four years. A 2.5% net smelter returns royalty (the "Sunbeam NSR") is to be retained by the vendors; 1% of the Sunbeam NSR can be acquired for \$1,000,000.

#### **Chibougamau Camp**

The Chibougamau assets in Quebec, owned by CBay, represents a very substantial presence in a mining camp which has produced 1.6 billion pounds of copper and 3.2 million ounces of gold from 18 past-producing mines on the Lac Doré complex alone. Eight past-producers are located on CBay-held property on the Lac Doré complex that hold significant potential to provide additional resources when exploration and development programs are undertaken. Also owned are two partially-developed copper projects (Corner Bay), a permitted 2,722 tpd mill and tailings facility and in excess of 96,000 acres (38,000ha) of highly-prospective exploration property.

Until December 18, 2014, Nuinsco owned a 50% interest in CBay and jointly controlled the company with Ocean Partners Investments Limited ("OPIL"). Effective that date, Nuinsco gave up 42.5% of its interest in CBay in satisfaction of amounts payable under a loan facility, including accrued interest as of that date, totaling \$2.6 million. Accordingly, on December 18, 2014, the Company recorded a loss on disposition of \$3,705,000 on its interests in CBay Minerals. As at December 31, 2015, the Company wrote down the investment to \$nil due to the uncertainty around the recoverability of costs. Nuinsco retained its 7.5% interest in CBay and continued to manage the operation on behalf of Nuinsco shareholders, OPIL and CBay until August 25, 2017 (see Note 19).

# Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

(all amounts in Canadian dollars)

## Pre-exploration write-offs

Pre-exploration expenditures are written off at the end of each reporting period to *Pre-exploration write-offs* through operations. Pre-exploration costs relate to expenses on evaluating projects not owned by the Company. Pre-exploration costs in the amount of \$500 were written off during the six months ended June 30, 2017 (2016 - \$nil).

## 9. PARTICIPATING INTEREST

Nuinsco holds an unsecured participating interest in the cash flows generated by Victory Nickel Inc. from the sale of frac sand (the "Participating Interest") from the 7 Persons plant. The Company's participation in the net cash flows earned from the sale of frac sand is limited to a maximum of \$10,222,831 with a minimum of \$7,667,124 based on a sharing percentage of 52.16%.

Because of the uncertainty on receiving future payments on the Participating Interest, as at December 31, 2015, the Company recorded an impairment of this Participating Interest and has recorded the value of the asset at \$nil. The Company will continue to monitor the frac sand market, and will re-evaluate the impairment of this asset at such time the market recovers.

## 10. LONG-TERM LIABILITIES

Long term liabilities consist of accrued directors' fees (\$452,413) and certain management consulting fees (\$374,000) (see note 16). The directors and management have agreed to defer fees until the ongoing viability of the Company can be assured.

## 11. OPERATING LEASE

In September 2016, the Company entered in to a one-year lease for office space at 80 Richmond Street West, Toronto, expiring September 2017. Future minimum lease payments are \$13,500.

## 12. SHARE CAPITAL AND OTHER COMPONENTS OF (DEFICIENCY) EQUITY

### Share Capital

#### Authorized

The Company is authorized to issue an unlimited number of common shares with no par value. 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.

#### Number of shares issued and outstanding

There are no special shares outstanding; all shares are fully paid.

	Notes	Number of Shares	Amount \$'s
Balance as at January 1, 2015 and December 31, 2015		295,525,745	\$ 98,168,593
Issue of common shares on private placement	(a)	22,000,000	130,000
Valuation of warrants issued as part of private placement	(a)	-	(33,750)
Share issue costs	(a)	-	(19,000)
Shares issued on settlement of debt	(b)	29,461,212	147,306
<b>Balance as at December 31, 2016 and June 30, 2017</b>		<b>346,986,957</b>	<b>\$ 98,393,149</b>

## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

(all amounts in Canadian dollars)

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### 12. SHARE CAPITAL AND OTHER COMPONENTS OF (DEFICIENCY) EQUITY - CONTINUED

(a) On September 16, 2016, the Company completed a non-brokered private placement for aggregate gross proceeds of \$90,000 (the "Private Placement"). The Private Placement entailed the issuance of 18,000,000 units of securities of the Company (each, a "Unit") at a price of \$0.005 per Unit. Each Unit is comprised of one common share of the Company (each, a "Common Share") and one Common Share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.01 for a period of 12 months from closing of the Private Placement. These warrants were assigned a value of \$33,750 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.49%; expected volatility of 218%; expected dividend yield of 0% and an expected life of one year. Expected volatility was based on the historical volatility of other comparable listed companies. Share issuance costs in the amount of \$19,000 were incurred in this transaction and were paid to related parties who own shares in the Company.

On December 29, 2016, the Company completed a non-brokered private placement for aggregate proceeds of \$40,000 (the "Private Placement"). The Private Placement entailed the issuance of 4,000,000 common shares of the Company at a price of \$0.01 per share.

(b) On September 16, 2016, the Company settled debt (owed to certain of the Company's trade creditors and management) in the amount of \$147,306 through the issuance of 29,461,212 Common Shares of the Company at \$0.005 per share. 16,712,000 of these shares were issued to related parties and constitutes a related party transaction (see note 16).

#### Shares to be issued

As at June 30, 2017, 2,760,000 units at \$0.01 per unit were issuable for cash proceeds received of \$27,600. Each unit consists of one common share and one non-transferable common share purchase warrant.

#### Share Incentive Plan

The Company has a Share Incentive Plan which includes both a Share Purchase Plan and a Share Bonus Plan. The purpose of the Share Incentive Plan is to encourage ownership of 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.

#### Share Purchase Plan

Under the Share Purchase Plan, eligible directors, senior officers and employee 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 TSX for the calendar quarter in respect of which the common shares are issued. Common shares acquired are held in safekeeping and delivered to personnel 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 2017 or 2016. 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 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.

#### Share Bonus Plan

The Share Bonus Plan permits common shares to be issued as a discretionary bonus to eligible directors, senior officers and employee of the Company and its designated affiliates, and consultants from time to time. At the Company's Annual and Special Meeting of Shareholders held on June 18, 2012 (the "ASM"), shareholders approved an increase in the maximum number of common shares issuable under the Share Bonus Plan to 8,000,000.



## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

(all amounts in Canadian dollars)

### 12. SHARE CAPITAL AND OTHER COMPONENTS OF (DEFICIENCY) EQUITY - CONTINUED

In 2017 and 2016, no common shares were issued under the Share Bonus Plan. The fair value of common share entitlements granted under the Share Bonus Plan is determined using the quoted market value on the date of grant for an aggregate fair value that was charged immediately.

#### Accumulated Other Comprehensive Income or Loss ("AOCI")

AOCI is comprised of the following separate components of (deficiency) equity:

#### *Net change of financial assets at fair value through OCI*

This comprises the cumulative net change in the fair value of financial assets at fair value through OCI.

#### *Income tax on OCI*

This comprises the amount of income tax determined to be required on the cumulative net change in the fair value of financial assets at fair value through OCI.

### 13. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted EPS for the three and six months ended June 30, 2017 and June 30, 2016 was based on the information in the table below.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Balance as at beginning of year	<b>346,986,957</b>	295,525,745	<b>346,986,957</b>	295,525,745
Effect of shares issued	-	-	-	-
<b>Weighted average number of common shares – basic</b>	<b>346,986,957</b>	295,525,745	<b>346,986,957</b>	295,525,745
Effect of options granted and outstanding	<b>40,475,000</b>	44,325,000	<b>40,475,000</b>	44,325,000
Effect of warrants issued and outstanding	<b>18,000,000</b>	-	<b>18,000,000</b>	-
<b>Weighted average number of common shares – diluted</b>	<b>405,461,957</b>	339,850,745	<b>405,461,957</b>	339,850,745
Number of options excluded	<b>40,475,000</b>	<b>44,325,000</b>	<b>40,475,000</b>	<b>44,325,000</b>
Number of warrants excluded	<b>18,000,000</b>	-	<b>18,000,000</b>	-
<b>Net loss attributable to shareholders</b>	<b>\$ (62,111)</b>	<b>\$(294,045)</b>	<b>\$ (129,319)</b>	<b>\$(408,064)</b>
<b>Basic loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Diluted loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>

## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

*(all amounts in Canadian dollars)*

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### 13. EARNINGS (LOSS) PER SHARE - CONTINUED

The effect of adjustments to the weighted average number of common shares would be anti-dilutive when the Company incurs losses. The table above provides the weighted average number of shares on a dilutive basis for periods when losses are incurred for information only. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options is based on quoted market prices for the respective periods during which the options were outstanding.

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on earnings per share.

### 14. SHARE-BASED PAYMENTS

#### Description of the Share-based Payment Arrangements

The Company's share-based payment arrangements are as follows:

#### *Stock option plan (equity-settled)*

The Company has a Stock Option Plan to encourage ownership of its shares by key management personnel (directors and executive management), employees and consultants, and to provide compensation for certain services. The terms of the Stock Option 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. 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.

As at June 30, 2017, the Company had 11,573,000 (December 31, 2016 – 9,448,000) common shares available for the granting of future options. Options are exercisable at the market price of the shares on the date preceding the date of grant. The Company does not have any cash-settled share based transactions during the period.

#### *Share Bonus Plan*

The terms of the Company's Share Bonus Plan are set out in Note 12.

#### Terms and Conditions of Share-based Payment Arrangements

##### *Stock Option Plan*

The terms and conditions relating to the grants of the Stock Option Plan are as follows:

- Options issued during the period and granted to executive management, employee and consultants have a maximum term of five years and are equity-settled. Of the options granted, 50% vest immediately, while the remaining options are exercisable after one year.
- Options issued during the period and granted to directors have a maximum term of five years and are equity-settled. All options granted to directors vest immediately.
- All options are to be settled by physical delivery of shares.

## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

(all amounts in Canadian dollars)

### 14. SHARE-BASED PAYMENTS - CONTINUED

#### Disclosure of Share-based Payment Arrangements

##### Stock Option Plan

The following is a summary of the activity of options:

	Six months ended June 30, 2017		Year ended December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	42,600,000	\$ 0.02	18,750,000	\$ 0.07
Granted during the period	-	\$ -	33,175,000	\$ 0.01
Expired during the period	(2,125,000)	\$ 0.07	(9,325,000)	\$ 0.11
Forfeit during the period	-	-	-	-
Balance, end of period	40,475,000	\$ 0.02	42,600,000	\$ 0.02
Options exercisable, end of period	40,475,000	\$ 0.02	42,600,000	\$ 0.02

As at June 30, 2017 the options outstanding are as follows:

# Options	Exercise Price	Expiry date	Weighted average expiry (years)
2,750,000	\$ 0.03	April 4, 2018	1.26
4,200,000	\$ 0.02	December 17, 2018	1.96
33,525,000	\$ 0.01	April 18, 2021	4.30
40,475,000			3.82

On April 18, 2016, the Company issued 33,175,000 options to directors, officers, consultants and employees of the Company exercisable for a period of five years at an exercise price of \$0.01 per option. The options vested upon the date of grant. The fair value of the options was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 160%; expected dividend yield of 0%; risk-free interest rate of 0.77%; and expected life of 5 years. The options were valued at \$307,786. Expected volatility was based on the historical volatility of other comparable listed companies.

## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

(all amounts in Canadian dollars)

### 14. SHARE-BASED PAYMENTS - CONTINUED

#### Share purchase warrants

The following is a summary of the activity of warrants for the six months ended June 30, 2017 and the year ended December 31, 2016:

	Six months ended June 30, 2017		Year ended December 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of year/period	18,000,000	\$ 0.01	-	\$ -
Granted during the year/period	-	-	18,000,000	0.01
Balance, end of year/period	18,000,000	\$ 0.01	18,000,000	\$ 0.01

The warrants were issued on September 16, 2016 as part of the Units noted earlier and expire September 19, 2017.

### 15. OPERATING SEGMENT

#### Reporting Segment

The Company is engaged in the exploration and evaluation of properties for the mining of precious and base metals. The Company does not have formal operating segments and does not have operating revenues, products or customers. The corporate office operates to support the Company's projects as well as providing administrative support to CBay. The projects are currently located in Canada. Senior management makes decisions by considering exploration potential and results on a project basis. Any applicable amounts relating to projects are capitalized to the relevant project as *Exploration and evaluation projects* on the consolidated balance sheets.

### 16. RELATED PARTIES AND MANAGEMENT AGREEMENTS

#### Related Party Balances and Transactions

Short-term employee benefits provided by the Company to key management personnel include salaries, consulting fees and directors' fees. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue shares as part of the Share Bonus Plan and the Stock Option Plan.

Transactions with related parties for the six months ended June 30, 2017 and June 30, 2016 are shown in the following table:

	2017	2016
Short-term employee benefits	\$ 157,000	\$ 133,000
Share based payments	-	148,000
	\$ 157,000	\$ 281,000

During the six months ended June 30, 2017, the Company was charged \$18,000 (six months ended June 30, 2016 - \$18,000) by CFO Advantage Inc., a company controlled by Kyle Appleby, the Chief Financial Officer of the Company. A portion of these charges were recovered pursuant to the Management Agreement with CBay. As at June 30, 2017, \$47,460 (December 31, 2016 - \$27,120) is included in accounts payable and accrued liabilities. On September 16,

## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

(all amounts in Canadian dollars)

2016, the Company settled \$13,560 of debt owing to CFO Advantage in exchange for 2,712,000 common shares (at \$0.005 per share) of the Company.

During the six months ended June 30, 2017, the Company was charged \$75,000 (six months ended June 30, 2016 - \$75,000) by Paul Jones, the Chief Executive Officer of the Company. A portion of these charges were recovered pursuant to the Management Agreement with CBay. As at June 30, 2017, \$305,790 (December 31, 2016 - \$256,654) is payable. \$300,000 of the payable has been deferred and included in long term liabilities (note 10), and the balance of \$5,790 is included in accounts payable and accrued liabilities. On September 16, 2016, the Company settled \$60,000 of debt owing to Mr. Jones in exchange for 12,000,000 common shares (at \$0.005 per share) of the Company.

During the six months ended June 30, 2017, the Company was charged \$24,000 (six months ended June 30, 2016 - \$24,000) by Sean Stokes, Executive Vice President of the Company. A portion of these charges were recovered pursuant to the Management Agreement with CBay. As at June 30, 2017, \$74,000 (December 31, 2016 - \$50,000) has been deferred and is included in long term liabilities (note 10). On September 16, 2016, the Company settled \$10,000 of debt owing to Mr. Stokes in exchange for 2,000,000 common shares (at \$0.005 per share) of the Company.

During the six months ended June 30, 2017, the Company paid \$nil (six months ended June 30, 2016 - \$19,690) to David Mchaina, Vice President of the Company.

### 17. COMPANY ENTITIES

#### Significant Subsidiaries and Jointly-controlled Entities

		June 30, 2017	December 31, 2016
<b>Ownership Interest</b>	<b>Country of Incorporation</b>		
Lakeport Gold Corporation	Canada	100%	100%
CBay Minerals Inc.	Canada	7.5%	7.5%
Nuinsco Madencilik Sanaye Ticaret	Turkey	100%	100%
Nuinsco Exploration Inc.	BVI	70%	70%
Z-Gold Resources Limited (through Nuinsco Exploration Inc.)	Egypt	70%	70%
NuMENA Minerals Corp.	Canada	100%	100%

### 18. CONTINGENCY

#### CRA Reassessment

In March, 2011, the Company received notices of reassessment in the aggregate amount of approximately \$4,400,000 from the CRA related to transactions completed in 2006; this amount does not include interest and penalties which could be substantial. The Company filed notices of objection on May 19, 2011. On July 22, 2011, the Company filed a request for adjustment to correspondingly adjust its tax pools and losses, in the unlikely event that the Company's appeal is unsuccessful. On March 7, 2014, the Company received a notice of confirmation with respect to one entity whereby the CRA denied that entity's notice of objection and confirmed the reassessment. The Company has sought, and is following the advice of its tax counsel in this matter.

The appeal process could be lengthy and the Company believes that its position is correct and that it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.

## Nuinsco Resources Limited

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the six months ended June 30, 2017

*(all amounts in Canadian dollars)*

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### **19. SUBSEQUENT EVENT – SALE OF SHARES IN CBAY MINERALS INC.**

On August 25, 2017 (the “Closing Date”) the Company entered into an agreement for the sale and purchase of the 3,980,133 shares held by the Company in CBay, representing 7.5% of the outstanding shares of Cbay (the “Shares”), with OPIL. The consideration for the sale and purchase of the Shares was as follows:

- Payment by OPIL to the Company of \$300,000 in cash as of the Closing Date;
- Issuance of a promissory note in the amount of \$100,000 (the “Principal”), payable in full on or before the date which is 18 months from the Closing Date (the “Maturity Date”). No interest shall be payable on the Principal, unless payment is not made on or before the Maturity Date. If payment is not made on or before the Maturity Date, an interest charge of \$1,000 per monthly anniversary shall accrue, beginning on the Maturity Date; and,
- The agreement by OPIL to forgive any and all loans owed by the Company to OPIL, and the agreement by the Company to forgive any further amounts, if any, owed by OPIL to the Company as at the Closing Date.



**NUINSCO RESOURCES LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017**

**DATED AUGUST 29, 2017**

# **NUINSCO RESOURCES LIMITED**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the three and six months ended June 30, 2017**

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of August 29, 2017 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2017 and 2016, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2017 ("Unaudited Condensed Interim Consolidated Financial Statements") and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information and discussion included in this Management's Discussion & Analysis ("MD&A") constitutes forward-looking information. Readers are encouraged to refer to the cautionary notes contained in the section Forward-Looking Statements at the end of this MD&A.

Readers are also encouraged to consult the audited consolidated financial statements for the years ended December 31, 2016 and 2015 ("2016 Audited Consolidated Financial Statements"). The Unaudited Condensed Interim Consolidated Financial Statements and the 2016 Audited Consolidated Financial Statements are available at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.nuinsco.ca](http://www.nuinsco.ca). All amounts disclosed are in Canadian dollars unless otherwise stated. All tabular amounts are in thousands of Canadian dollars.

### **NATURE OF OPERATIONS**

Nuinsco Resources Limited ("Nuinsco" or the "Company") is a company incorporated in Canada. Nuinsco is primarily engaged in the acquisition, exploration and evaluation of properties for precious and base metals. The Company conducts its activities on its own or participates with others on an investment basis. The Company also makes strategic investments through equity or loan financing to companies engaged in the exploration and development of resource properties. Pursuant to a management agreement (the "Management Agreement"), the Company also managed, on behalf of the other shareholder in CBay Ocean Partners Investments Limited ("OPIL") and shared management, administrative assistance and facilities with CBay and until August 25, 2017, on which date the Management Agreement was terminated (see Note 19 to the Unaudited Condensed Interim Consolidated Financial Statements ).

### **Going Concern**

The Company's Unaudited Condensed Interim Consolidated Financial Statements have been prepared using the going concern assumption, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at June 30, 2017, the Company had a working capital deficiency of \$199,530 (December 31, 2016 – working capital deficiency of \$224,754). Working capital (deficiency) is defined as current assets less current liabilities.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to: continuing losses, dependence on key individuals, and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Advancing the Company's projects through exploration and development to the production stage will require significant financing. Given the current economic climate and due to the fact the Company's shares are no longer listed on a formal stock exchange, the ability to raise funds has been and may continue to be difficult. Refer to Note 4 on Financial Risk Management and Capital Management to these Unaudited Condensed Interim Consolidated Financial Statements for additional information.

None of the Company's projects are currently in 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 Company's ability to continue as a going concern is dependent upon exploration results which have the potential for the discovery of economically recoverable reserves and resources, the Company's ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

The Company's management continues to hold discussions on securing financing or potential sale of assets. There are no assurances that the Company will be successful in obtaining any financing or selling assets, or in accomplishing that on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, it will be unable to fund continuing operations and corporate administration costs. Effective May 11, 2015, the Company voluntarily delisted its shares from the Toronto Stock Exchange. The Company intends to remain at its corporate office and maintain website, telephones and email communication with shareholders, subject to having sufficient funds.



If the Company is unable to obtain additional financing it will be required to curtail all of its operations and may be required to liquidate its assets.

Should the Company not be able to continue to obtain the necessary financing, achieve favourable exploration results, achieve future profitable production or the sale of properties or improve its liquidity sufficient to enable it to fund operations, the Company's ability to continue as a going concern will be compromised. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## **SIGNIFICANT EVENTS**

In 2017, the Company entered into a term sheet (the "Term Sheet") for an option to acquire 100% of the Sunbeam Gold Property located about 30km northeast of Atikokan, northwestern Ontario. This property, readily accessible by road, comprises nine mining claims totalling 1552ha, and is the site of a former patented mining claim that encompassed the Sunbeam Gold Mine which has seen no exploration activity since 1905.

The Term Sheet requires that Nuinsco pay \$175,000 to the vendors over four years through annual cash payments (\$20,000 paid June 2017). In addition Nuinsco shall issue shares equal in value to \$10,000 to be priced at the volume weighted average share price over the 30 days preceding the date of the original execution of the option. In years two, three and four of the option, payments of 100,000 shares will be issued to the vendors on each anniversary of the signing of the Term Sheet (the "Anniversary Date"). Should the total value of the 100,000 shares to be issued plus the annual cash payment be less than 1.4 times the annual cash payment (the value to be based on the share price on each Anniversary Date) the difference between the value of the shares issued plus the annual cash payment and 1.4 times the annual cash payment will be paid in cash to the vendors in order to make the full payment sum to 1.4 times the annual cash payment. If the total value of the 100,000 shares issued plus the annual cash payment on the Anniversary Date in years two, three and four is greater than 1.4 times the value of the annual cash payment then no additional cash will be paid to the vendors. The agreement also requires work programs totalling \$280,000 over four years. A 2.5% net smelter returns royalty (the "Sunbeam NSR") is to be retained by the vendors; 1% of the Sunbeam NSR can be acquired for \$1,000,000.

In addition, on August 25, 2017 (the "Closing Date") the Company entered into an agreement for the sale and purchase of the 3,980,133 shares held by the Company in CBay, representing 7.5% of the outstanding shares of CBay (the "Shares"), with OPIL. The consideration for the sale and purchase of the Shares was as follows:

- Payment by OPIL to the Company of \$300,000 in cash as of the Closing Date;
- Issuance of a promissory note in the amount of \$100,000 (the "Principal"), payable in full on or before the date which is 18 months from the Closing Date (the "Maturity Date"). No interest shall be payable on the Principal, unless payment is not made on or before the Maturity Date. If payment is not made on or before the Maturity Date, an interest charge of \$1,000 per monthly anniversary shall accrue, beginning on the Maturity Date; and,
- The agreement by OPIL to forgive any and all loans owed by the Company to OPIL, and the agreement by the Company to forgive any further amounts, if any, owed by OPIL to the Company as at the Closing Date.

## **OUTLOOK**

The past several years has seen very low levels of financing and activity in the mining and minerals sector and the Company continues to face challenges stemming from the prolonged period of difficult equity markets and lack of available risk capital. Throughout this time, the Company has continued to attempt to advance projects and source funding to do so.

The Company is uncertain on the timing of receiving any cash flow from the Participating Interest in net cash flows from frac sand production from Victory Nickel's frac sand production plant in Alberta, and is currently trying to obtain additional funding to bridge the gap between the Company's existing financial resources and commencement of cash flows from the Participating Interest. On March 21, 2017 Victory Nickel Inc. announced that due to increasing market demand for frac sand it has restarted the dry plant at its Seven Persons frac sand facility near Medicine Hat, Alberta however there is no certainty that activity at the plant will be sufficient to provide cash flow to Nuinsco through the Participating Interest. While the market for frac sand has improved in 2017, it has not improved back to the same level as 2014.

As at December 31, 2015, all projects were written-down due not to management's opinion of the merits of the Company's properties and equity investments, but rather due to the challenging conditions in the market for financing junior mineral exploration companies and the interpretation of accounting rules that are currently in force. As a result of market challenges, the valuation of resource properties does not reflect reasonable, or even typical, valuations. The cost to complete property valuations which would satisfy IFRS rules was prohibitive. Therefore, management chose to write down the properties rather than incur the valuation cost. Management intends to work hard to create value for its

shareholders from the Company's existing projects as well as in any yet-to-be acquired assets and revisit the unreasonably low financial statement valuations with the intent of writing the value of the assets back-up at such time as a measure of certainty returns to the market.

### **Chibougamau – Monetizing the Investment in CBay**

As noted above, subsequent to the end of the quarter, the Company announced that it had sold its remaining interest in CBay for total consideration of \$400,000 to the sole other CBay shareholder - OPIL.

Management intends to use the proceeds from the sale of the Company's CBay shares principally to acquire new mineral exploration properties and to facilitate the relisting of the Company's shares on a Canadian stock exchange as soon as possible.

While the Company considers the Chibougamau mining camp to be prospective for exploration and development management believes that greater value can be generated for Nuinsco shareholders through the exploration of newly-identified projects, including the Sunbeam Gold Property, and the re-listing of the Company's shares, This transaction puts Nuinsco on the road to achieving these goals.

### **Prairie Lake**

Prairie Lake, located near Marathon, Ontario, is a multi-commodity deposit containing phosphorus (P), niobium (Nb) tantalum (Ta), uranium, REEs and other elements and compounds of economic interest. The Prairie Lake property is owned 100% by the Company, is royalty-free and the mining-land tenure is secure for decades to come.

At Prairie Lake the Company continues to evaluate the potential for producing concentrates containing a number of minerals – including those containing phosphorus, rare earth elements ("REE"), niobium and other marketable products. With continued study and interpretation, the Company is developing a greater understanding of the technical and economic viability of the Prairie Lake project. The sheer size of the project, with a current Exploration Target of between 515 and 630 million tonnes of mineralization, coupled with the excellent logistics and ease of production all speak to its potential. The Company is actively seeking funding that will enable a work program to be conducted – a desirable and useful goal in the near-term is the estimation of a maiden resource estimate on the project.

Further, Prairie Lake has the potential to produce a number of minerals for industries which are forecast to require substantially increasing supply over the coming years – high-tech and "green" industries that require the rare earth minerals and niobium to fabricate the products of tomorrow. Prairie Lake could also potentially be a very significant source of phosphorus – an element with vital agricultural and industrial applications. The use of phosphorus in agriculture is essential in sustaining crop yields to supply an increasing world population. Other compounds with industrial applications are also being examined for economic viability. The abundance and diversity of minerals in the rocks that comprise the Prairie Lake Complex provides broad scope for potential exploitation – the Company continues to evaluate the options to determine those elements and minerals that provide the greatest economic potential.

No additional field work has been conducted on the project during 2017. All work on the project is dependent on future funding.

### **Diabase Peninsula**

The work conducted by Nuinsco at the Diabase Peninsula property to date has developed a progressively more detailed picture of the mineralization occurring in the rocks encompassed by the property. The result is a model that has identified a widespread uranium mineralizing event with the potential for discovery of economic grade uranium mineralization. Diabase Peninsula is an excellent uranium project from which results have been obtained comparable with those found near to uranium deposits elsewhere in the Athabasca Basin which is the world's premier uranium-bearing terrane.

The coincidence of structural elements, alteration and indicator mineralization and the presence of widespread, strongly anomalous, uranium mineralization all point to the Diabase Peninsula project being in the right place with regard to the potential for discovery of economic grade uranium mineralization. Continued exploration is necessary to further develop and evaluate the targets. This we will endeavour to do through whatever means possible while responsibly preserving the Company's treasury.

Nuinsco's Diabase Peninsula uranium project is located 150km northwest of La Ronge, Saskatchewan within the south-central Athabasca Basin - the region and geological feature that hosts the world's richest uranium mines. The 21,900ha Diabase Peninsula property extends from the southern limit of the basin 35km north-easterly, atop a graphite-bearing conductive "basement" horizon beneath the basin-filling sandstones, intertwined with the terrane-bounding major

deformation structure - the Cable Bay Shear Zone. This Shear Zone is considered to be an important control on uranium mineralization in this part of the Athabasca Basin.

No additional field work has been conducted on the project during 2017. The claims are all in good standing and have sufficient assessment credit to remain so for a number of years. The Company will continue cost effective ways to evaluate the project and will mount work programs as necessary. All work on the project is dependent on future funding.

## Egypt

Nuinsco retains a presence in Egypt through its maintenance of Z-Gold Resources, an Egyptian based mineral exploration and development company. The Company has been active in Egypt in mineral exploration and project evaluation over a period of eight years and regards the country as an underexplored opportunity for future mineral exploration.

## RESULTS OF OPERATIONS

### *Three and six months ended June 30, 2017 compared with the three and six months ended June 30, 2016*

#### Revenues

The exploration properties acquired by the Company are still in the early exploration and development stage. Until sufficient work has been completed to confirm the feasibility of any specific interest being placed into production, it is not anticipated that the Corporation will have any material revenue.

For the three and six months ended June 30, 2017 expenses (and net loss) decreased to \$62,111 and \$129,319, respectively compared to \$294,045 and \$408,064 for the three and six months ended June 30, 2016.

The breakdown of expenses for the periods is as follows:

For the six months ended June 30,

(in Canadian dollars)	2017	2016	Change from 2016
<b>Operating expenses</b>			
General and administrative	\$ 123,875	\$ 169,480	\$ (45,605)
Share based payments	-	232,225	
Depreciation of property and equipment	4,944	6,359	(1,415)
Pre-exploration write-offs	500	-	500
	<b>\$ 129,319</b>	<b>\$ 408,064</b>	<b>\$ (278,745)</b>

For the three months ended June 30,

(in Canadian dollars)	2017	2016	Change from 2016
<b>Operating expenses</b>			
General and administrative	\$ 59,206	\$ 59,461	\$ (255)
Share based payments	-	232,225	
Depreciation of property and equipment	2,405	2,359	46
Pre-exploration write-offs	500	-	500
	<b>\$ 62,111</b>	<b>\$ 294,045</b>	<b>\$(231,934)</b>

General and administrative expenses consisted of accrued management and directors' fees, rent, salary for administrative staff, insurance, transfer agent, legal and other administrative costs to maintain the company in good standing. Pursuant to the Management Agreement with CBay, a portion of these expenses are recovered, and are netted against the Company's expenses.

During the quarter management focused on sourcing new projects and pursuing additional sources of financing.

During the six months ended June 30, 2017, the Company issued a total of nil (2016 – 33,175,000) stock options. A total of \$nil (2016 - \$232,225) was expensed with respect to that portion of the options vesting during the period. The stock option expense does not affect the cash resources of the Company. The timing of this expense is subject to the date of issue and

vesting terms of the options. The values of the options are derived using the Black Scholes option pricing model in which subjective assumptions are used.

Pre-exploration write-offs of \$500 were incurred during the three and six months ended June 30, 2017, compared with \$nil during the comparable periods in 2016. Pre-exploration costs relate to expenses incurred on evaluating projects that are not owned by the Company.

## SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eleven quarters ended is as follows (rounded):

	2 <sup>nd</sup> Quarter 2017	1 <sup>th</sup> Quarter 2017	4 <sup>th</sup> Quarter 2016	3 <sup>rd</sup> Quarter 2016
Net loss	\$ (62,111)	\$ (67,208)	\$ (276,000)	\$ (45,000)
Total comprehensive loss	\$ (62,111)	\$ (67,208)	\$ (245,000)	\$ (45,000)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
	2 <sup>nd</sup> Quarter 2016	1 <sup>st</sup> Quarter 2016	4 <sup>th</sup> Quarter 2015	3 <sup>rd</sup> Quarter 2015
Net finance (costs) income	\$ -	\$ -	\$ (2,862,000)	\$ (51,000)
Net loss	\$ (294,000)	\$ (114,000)	\$ (16,697,000)	\$ (92,000)
Total comprehensive loss	\$ (294,000)	\$ (114,000)	\$ (16,696,000)	\$ (9,000)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Variations in the quarterly results of operations are largely a function of the timing of property and other write-downs, gains on sales of properties, income tax recoveries, the recording of amortization of flow-through premiums and the recognition of gains on derivatives or other fair value changes recognized through operations. Variations in comprehensive income are primarily a function of the changes in the fair values of the Company's marketable securities.

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2017, the Company had a working capital deficiency of \$199,530 (December 31, 2016 – working capital deficiency of \$224,754); being defined as current assets less current liabilities. The decrease was mainly attributed to cash used in operations.

The Company had a decrease of cash and cash equivalents of \$46,975 during the six months ended June 30, 2017 compared to a decrease of \$33,454 during the six months ended June 30, 2016. The decrease in cash was related to cash used in operating activities of \$54,575 (2016 – 33,454) and \$20,000 (2016 - \$nil) on property acquisition costs. These cash outflows were offset by cash from financing activities of \$27,600 (2016 - \$nil).

The table below summarizes Nuinsco's contractual commitments as at the date of this MD&A.

### Table of Contractual Commitments

	Due Date	June 30, 2017
Diabase extended option payment	Currently being negotiated	\$ 250,000
	September 2, 2017	\$ 628,500
Operating lease - premises	Refer to Note 9 in the 2016 Audited Consolidated Financial Statements	

As described above, management is continuing to actively pursue additional ways to realize on the potential of its assets or secure financing in order to continue to provide funds for operations in light of the current difficult economic circumstances. Flow-through financings can be used for domestic work programs but do not provide the funding necessary to meet corporate or foreign expenditures which do not qualify for flow-through eligibility.

The Company's management continues to hold discussions on securing financing and on the potential sale of assets. There are no assurances that the Company will be successful in obtaining any form of financing on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, then the Company's treasury will be depleted and it will be unable to fund continuing operations and corporate administration costs.

If the Company is unable to obtain additional financing, the Company will be required to curtail all of its operations and may be required to liquidate its assets under a formal process. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

#### **IMPAIRMENT ANALYSIS UPDATE**

As at December 31, 2015, all projects were written down due to the lack of funding of the Company and related uncertainty as to future spending on the properties. IFRS requires a write-down of the carrying value of assets to the net recoverable amount. Given the current market uncertainties, the valuation of resource properties is difficult and management cannot reliably estimate any recoverable amount. As a result the Company has chosen to write down the value of the property assets. The Company will revisit the valuation of these assets at the end of every reporting period and will recognize a recovery if the fair value of these assets can be reliably determined.

The Company also monitors the value of the Participating Interest on an ongoing basis. In light of uncertainty over the timing of the payments and the depressed state of the oil and gas industry at the time, the Company wrote down the valuation of the Participating Interest to nil.

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Critical accounting estimates used in the preparation of the Unaudited Condensed Interim Consolidated Financial Statements include determining the carrying value of investments and E&E projects, assessing the impairment and classification of long-lived assets including the interest in CBay, assessing the allocation of assets into their components, the fair value of the Participating Interest and the valuation of share-based payments and warrants, assessing the value of deferred income tax assets and the disclosure of contingencies and going concern matters. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

For a complete list of the significant accounting policies as well as information concerning the use of estimates, judgements and measurement uncertainty, reference should be made to Notes 2 and 3 to the Company's 2016 Audited Consolidated Financial Statements. The Company's financial statements have been prepared using the going concern assumption.

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

The fair value of the share-based payments, until exercise, is calculated using the Black-Scholes 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.

The Company has determined that it is not probable that it will generate returns sufficient to utilize its taxable losses prior to their expiry. This is a significant judgement that, dependent upon future events, may turn out to be incorrect.

#### **NEW ACCOUNTING POLICIES**

There have been no new accounting policies adopted by the Company.

#### **FUTURE ACCOUNTING CHANGES**

##### **New Standards and Interpretations Not Yet Adopted**

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued several new and revised standards and interpretations which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing these Unaudited Condensed Interim Consolidated Financial Statements unless stated otherwise. However, the revised standards and interpretations are not applicable to the Company or are expected to have minimal impact.

## CORPORATE GOVERNANCE

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

## RELATED PARTY TRANSACTION AND BALANCES

Short-term employee benefits provided by the Company to key management personnel include salaries, consulting fees and directors' fees. The Company's non-monetary benefit package for key management personnel is the same as that available to all full-time employees. In addition to short-term employee benefits, the Company may also issue shares as part of the Share Bonus Plan and the Stock Option Plan.

Transactions with related parties for the six months ended June 30, 2017 and June 30, 2016 are shown in the following table:

	2017	2016
Short-term employee benefits	\$ 157,000	\$ 133,000
Share based payments	-	148,000
	\$ 157,000	\$ 281,000

During the six months ended June 30, 2017, the Company was charged \$18,000 (six months ended June 30, 2016 - \$18,000) by CFO Advantage Inc., a company controlled by Kyle Appleby, the Chief Financial Officer of the Company. A portion of these charges were recovered pursuant to the Management Agreement with CBay. As at June 30, 2017, \$47,460 (December 31, 2016 - \$27,120) is included in accounts payable and accrued liabilities. On September 16, 2016, the Company settled \$13,560 of debt owing to CFO Advantage in exchange for 2,712,000 common shares (at \$0.005 per share) of the Company.

During the six months ended June 30, 2017, the Company was charged \$75,000 (six months ended June 30, 2016 - \$75,000) by Paul Jones, the Chief Executive Officer of the Company. A portion of these charges were recovered pursuant to the Management Agreement with CBay. As at June 30, 2017, \$305,790 (December 31, 2016 - \$256,654) is payable. \$300,000 of the payable has been deferred and included in long term liabilities, and the balance of \$5,790 is included in accounts payable and accrued liabilities. On September 16, 2016, the Company settled \$60,000 of debt owing to Mr. Jones in exchange for 12,000,000 common shares (at \$0.005 per share) of the Company.

During the six months ended June 30, 2017, the Company was charged \$24,000 (six months ended June 30, 2016 - \$24,000) by Sean Stokes, Executive Vice President of the Company. A portion of these charges were recovered pursuant to the Management Agreement with CBay. As at June 30, 2017, \$74,000 (December 31, 2016 - \$50,000) has been deferred and is included in long term liabilities. On September 16, 2016, the Company settled \$10,000 of debt owing to Mr. Stokes in exchange for 2,000,000 common shares (at \$0.005 per share) of the Company.

During the six months ended June 30, 2017, the Company paid \$nil (six months ended June 30, 2016 - \$19,690) to David Mchaina, Vice President of the Company.

## OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 346,986,957 common shares issued and outstanding. In addition, there were 40,475,000 stock options outstanding and 18,000,000 share purchase warrants.

## RECENT DEVELOPMENTS

There have been no additional developments not already discussed elsewhere in this MD&A.

## CONTINGENCY

### CRA Reassessment

In March, 2011, the Company received notices of reassessment in the aggregate amount of approximately \$4,400,000 from the CRA related to transactions completed in 2006; this amount does not include interest and penalties which could

be substantial. The Company filed notices of objection on May 19, 2011. On July 22, 2011, the Company filed a request for adjustment to correspondingly adjust its tax pools and losses, in the unlikely event that the Company's appeal is unsuccessful. On March 7, 2014, the Company received a notice of confirmation with respect to one entity whereby the CRA denied that entity's notice of objection and confirmed the reassessment. The Company has sought, and is following the advice of its tax counsel in this matter.

The appeal process could be lengthy and the Company believes that its position is correct and that it will prevail. Accordingly, the Company has not recorded any liability with respect to this matter.

## **RISKS AND UNCERTAINTIES**

The Company's risks and uncertainties for the three months ended June 30, 2017 have remained unchanged since its annual MD&A for the year ended December 31, 2016. Please refer to the Company's Management Discussion and Analysis for the years ended December 31 2016 and 2015.

## **FORWARD-LOOKING STATEMENTS**

**Forward-Looking Information:** This MD&A contains forward-looking information. All statements, other than statements of historic fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates, working capital, ability to maintain operations and/or assumptions in respect of production, revenue, cash flow, financing, the probability of cash flows from the Participating Interest in Victory Nickel's frac sand business, 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: uncertainties relating to the availability and costs of financing needed in the immediate future to permit the Company to continue to operate; 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; uncertainty of amount and timing of cash flows from the limited Participating Interest in Victory Nickel's frac sand business; 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 or debt markets; operating performance of facilities; environmental and safety risks; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; unavailability of plant, equipment or labour; inability to retain key management and personnel; changes to regulations or policies affecting the Company's activities; the uncertainties involved in interpreting geological data; and the other risks disclosed under the heading "Risks and Uncertainties" and elsewhere. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.