



## **NUINSCO RESOURCES LIMITED**

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

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 and  
2007**

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

The accompanying unaudited interim consolidated financial statements of Nuinsco Resources Limited for the three and nine months ended September 30, 2008 and 2007 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

**NUINSCO RESOURCES LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands of Canadian dollars)

	September 30, 2008 (unaudited)	December 31, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ -	\$ 2,334
Cash for exploration expenditures (Note 10)	1,296	4,765
Marketable securities (Note 7)	1,499	6
Due from Victory Nickel Inc. (Note 16)	-	158
Due from Campbell Resources Inc. (Note 8)	-	1,844
Accounts receivable	97	74
Prepaid expenses and deposits	179	194
<b>Total Current Assets</b>	<b>3,071</b>	<b>9,375</b>
<b>Investment in Equity-Accounted Investees (Note 9)</b>	<b>5,911</b>	<b>10,364</b>
<b>Convertible Debenture of Campbell Resources Inc. (Note 8)</b>	<b>2,000</b>	<b>2,000</b>
<b>Loan to Campbell Resources Inc. (Note 8)</b>	<b>8,423</b>	<b>-</b>
<b>Exploration Advances</b>	<b>-</b>	<b>28</b>
<b>Exploration and Development Projects (Note 10)</b>	<b>10,492</b>	<b>6,836</b>
<b>Property and Equipment</b>	<b>122</b>	<b>133</b>
	<b>\$ 30,019</b>	<b>\$ 28,736</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,000	\$ 1,210
Due to Victory Nickel (Note 16)	19	-
Loan payable (Note 11)	5,180	-
<b>Total Current Liabilities</b>	<b>6,199</b>	<b>1,210</b>
<b>Shareholders' Equity (Note 12)</b>		
Share capital	91,748	91,442
Share purchase warrants	31	-
Stock option compensation	1,710	1,626
Contributed surplus	1,234	1,234
Deficit	(70,295)	(67,676)
Accumulated other comprehensive (loss) income (Note 14)	(608)	900
<b>Net Shareholders' Equity</b>	<b>23,820</b>	<b>27,526</b>
	<b>\$ 30,019</b>	<b>\$ 28,736</b>

**NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (Note 2)**

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

**NUINSCO RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited - in thousands of Canadian dollars, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007 (Restated - Note 1)
<b>Revenue</b>				
Consulting fees	\$ 75	\$ 153	\$ 225	\$ 554
Interest income	243	132	547	423
Other (Note 10)	50	50	368	50
	<b>368</b>	<b>335</b>	<b>1,140</b>	<b>1,027</b>
<b>Costs and Expenses</b>				
General and administrative	461	306	1,298	1,132
Stock option compensation	24	8	84	49
Amortization of property and equipment	4	5	11	13
Interest expense	227	-	305	-
(Recoveries from) writedown of exploration and development projects (Note 10)	60	26	(47)	45
	<b>776</b>	<b>345</b>	<b>1,651</b>	<b>1,239</b>
<b>Loss before the Undernoted</b>	<b>(408)</b>	<b>(10)</b>	<b>(511)</b>	<b>(212)</b>
<b>Share of Losses of Equity-Accounted Investees (Note 9)</b>	<b>(3,183)</b>	<b>(86)</b>	<b>(4,039)</b>	<b>(444)</b>
<b>Provision for Writedown of Equity-Accounted Investment in Campbell Resources Inc. (Note 9)</b>	<b>(436)</b>	<b>-</b>	<b>(436)</b>	<b>-</b>
<b>Dilution Gains (Note 9)</b>	<b>1,097</b>	<b>-</b>	<b>627</b>	<b>2,044</b>
<b>(Loss) Income before Income Taxes</b>	<b>(2,930)</b>	<b>(96)</b>	<b>(4,359)</b>	<b>1,388</b>
<b>Income Tax Recoveries (Note 13)</b>	<b>-</b>	<b>-</b>	<b>1,740</b>	<b>337</b>
<b>Net (Loss) Income for the Period</b>	<b>\$ (2,930)</b>	<b>\$ (96)</b>	<b>\$ (2,619)</b>	<b>\$ 1,725</b>
<b>(Loss) Income per Share - Basic and Diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>
<b>Weighted Average Common Shares Outstanding</b>	<b>175,335,000</b>	<b>168,005,000</b>	<b>173,355,000</b>	<b>163,025,000</b>

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
(unaudited - in thousands of Canadian dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007 (Restated - Note 1)
Net (loss) income for the period	\$ (2,930)	\$ (96)	\$ (2,619)	\$ 1,725
Other comprehensive (loss) income (Note 14)	(1,522)	120	(1,508)	875
<b>Comprehensive (Loss) Income for the Period</b>	<b>\$ (4,452)</b>	<b>\$ 24</b>	<b>\$ (4,127)</b>	<b>\$ 2,600</b>

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

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

(unaudited - in thousands of Canadian dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
				(Restated - Note 1)
<b>Cash from (used by)</b>				
<b>Operating Activities</b>				
Net (loss) income for the period	\$ (2,930)	\$ (96)	\$ (2,619)	\$ 1,725
Items not affecting cash:				
Consulting fees received in marketable securities	-	(78)	-	(329)
Stock option compensation	24	8	84	49
Other stock-based compensation	17	35	52	135
Warrants issued	31	-	31	-
Amortization	101	5	108	13
(Recoveries from) writedown of exploration and development projects	60	26	(47)	45
Share of losses of equity-accounted investees	3,183	86	4,039	444
Provision for writedown of equity-accounted investment in Campbell Resources Inc. (Note 8)	436	-	436	-
Dilution gains (Note 9)	(1,097)	-	(627)	(2,044)
Unrealized foreign exchange on loan	166	-	166	-
Income tax recoveries	-	-	(1,740)	(337)
Change in non-cash working capital (Note 15)	663	(262)	(207)	(639)
<b>Cash from (used by) operating activities</b>	<b>654</b>	<b>(276)</b>	<b>(324)</b>	<b>(938)</b>
<b>Financing Activities</b>				
Issue of common shares	1,950	58	1,950	6,499
Net proceeds of loan	4,917	-	4,917	-
<b>Cash from financing activities</b>	<b>6,867</b>	<b>58</b>	<b>6,867</b>	<b>6,499</b>
<b>Investing Activities</b>				
Investment in Campbell Resources Inc.	-	(400)	(600)	(400)
Advances to Campbell Resources Inc. (Note 8)	(4,628)	-	(5,693)	(2,000)
Other amounts due from Campbell Resources Inc. (Note 8)	(455)	-	(886)	-
Purchase of marketable securities	(1,796)	-	(1,796)	-
Reimbursement of deferred costs (Note 3)	-	-	-	377
Expenditures on exploration and development projects	(558)	(231)	(3,569)	(2,268)
Proceeds on sale of exploration property	-	-	198	-
Additions to equipment	-	(4)	-	(85)
<b>Cash used by investing activities</b>	<b>(7,437)</b>	<b>(635)</b>	<b>(12,346)</b>	<b>(4,376)</b>
<b>Cash Distributed on Formation of Victory Nickel Inc. (Note 3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,668)</b>
<b>Net Increase (Decrease) in Cash During the Period</b>	<b>84</b>	<b>(853)</b>	<b>(5,803)</b>	<b>(11,483)</b>
<b>Cash and Cash Equivalents, Beginning of the Period</b>	<b>1,212</b>	<b>9,415</b>	<b>7,099</b>	<b>20,045</b>
<b>Cash and Cash Equivalents, End of the Period</b>	<b>\$ 1,296</b>	<b>\$ 8,562</b>	<b>\$ 1,296</b>	<b>\$ 8,562</b>
<b>Cash and Cash Equivalents, End of the Period</b>				
Cash and Cash Equivalents	\$ -	\$ 3,223	\$ -	\$ 3,223
Cash for Exploration Expenditures	1,296	5,339	1,296	5,339
	\$ 1,296	\$ 8,562	\$ 1,296	\$ 8,562
<b>Supplemental Cash Flow Information</b>				
Interest paid	\$ 100	\$ -	\$ 100	\$ -

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

**NUINSCO RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(unaudited - in thousands of Canadian dollars)

	Share Capital		Share Purchase Warrants	Stock Option Compensation	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income/(Loss)	Total
	Number of Shares	Amount						
<b>Balance as at December 31, 2006</b>	<b>152,228,887</b>	<b>\$ 83,887</b>	<b>\$ 348</b>	<b>\$ 1,458</b>	<b>\$ 1,233</b>	<b>\$ (54,943)</b>	<b>\$ 58</b>	<b>\$ 32,041</b>
Private placement	10,344,828	5,502	-	-	-	-	-	5,502
Options exercised	750,000	218	-	-	-	-	-	218
Warrants exercised	7,853,102	1,371	-	-	-	-	-	1,371
Shares issued under Share Bonus Plan	310,200	155	-	-	-	-	-	155
Exercise of conversion rights on convertible debentures	833,333	200	-	-	-	-	-	200
Options granted and vesting	-	-	-	267	-	-	-	267
Transfer of value on exercise of:								
Warrants	-	347	(347)	-	-	-	-	-
Options	-	99	-	(99)	-	-	-	-
Warrants expired	-	-	(1)	-	1	-	-	-
Flow-through share renunciation	-	(337)	-	-	-	-	-	(337)
Net income for the year	-	-	-	-	-	1,058	-	1,058
Other comprehensive income	-	-	-	-	-	-	842	842
Distribution of net assets on formation of Victory Nickel Inc.	-	-	-	-	-	(13,791)	-	(13,791)
<b>Balance as at December 31, 2007</b>	<b>172,320,350</b>	<b>91,442</b>	<b>-</b>	<b>1,626</b>	<b>1,234</b>	<b>(67,676)</b>	<b>900</b>	<b>27,526</b>
Private placement	7,981,333	1,950	-	-	-	-	-	1,950
Shares issued for property	200,000	44	-	-	-	-	-	44
Shares issued under Share Bonus Plan	167,554	52	-	-	-	-	-	52
Warrants issued	-	-	31	-	-	-	-	31
Options granted and vesting	-	-	-	84	-	-	-	84
Flow-through share renunciation	-	(1,740)	-	-	-	-	-	(1,740)
Net income for the period	-	-	-	-	-	(2,619)	-	(2,619)
Other comprehensive loss (Note 14)	-	-	-	-	-	-	(1,508)	(1,508)
<b>Balance as at September 30, 2008</b>	<b>180,669,237</b>	<b>\$ 91,748</b>	<b>\$ 31</b>	<b>\$ 1,710</b>	<b>\$ 1,234</b>	<b>\$ (70,295)</b>	<b>\$ (608)</b>	<b>\$ 23,820</b>

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

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

September 30, 2008 and 2007 (unaudited)  
(all tabular amounts are in thousands of Canadian dollars)

**1. BASIS OF PRESENTATION**

The unaudited interim consolidated financial statements of Nuinsco Resources Limited (the “Company”) are prepared by management using generally accepted accounting principles for interim financial statements and reflect the accounting principles in the notes to the Company’s audited consolidated financial statements for the year ended December 31, 2007 (the “2007 Audited Consolidated Financial Statements”) (with the exception of the changes in accounting policies set out in Note 4 below) and accordingly should be read in conjunction with those annual financial statements and the notes thereto. The accompanying unaudited interim consolidated financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation. The results of operations and cash flows for the current periods as presented are not necessarily indicative of the results to be expected for the full year.

The financial statements for the nine months ended September 30, 2007 have been restated to include the dilution gain which arose in March, 2007 when the Company’s equity-accounted investee, Victory Nickel Inc. (“Victory Nickel”), completed a private placement whereby it issued 16,428,781 common shares for net proceeds of \$10,694,000. This issuance gave rise to a dilution gain of \$2,044,000 as a consequence of the net increase in the Company’s share of Victory Nickel’s net assets. This dilution gain was included in the Company’s 2007 Audited Consolidated Financial Statements but not in the unaudited interim September 30, 2007 consolidated financial statements originally issued in 2007.

In addition, the adjustment to accumulated other comprehensive income at the beginning of the period ended September 30, 2007 and the change in the fair value of financial assets available for sale (see Note 14) have been restated to reflect the valuation methodology used in the 2007 Audited Consolidated Financial Statements, which differed from that used in the preparation of the unaudited interim September 30, 2007 financial statements originally issued in 2007.

**2. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY**

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

These unaudited interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles (“Canadian GAAP”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. At September 30, 2008, the Company had a working capital deficiency of \$3,128,000 (including a \$5,180,000 loan due in December 2008 which is secured on the investment in Victory Nickel shares shown as investment in equity-accounted investees (see Note 9)). This working capital deficiency is due primarily to the reclassification of the Campbell Resources Inc. loan of \$8,423,000 to a non-current receivable (see Note 8). Further, none of the Company’s exploration or development projects have commenced commercial production and accordingly, the Company continues to be dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. As a result, the Company will require additional current and longer-term financing, which, if not raised, will result in the curtailment of operating activities.

The Company is currently examining a number of financing alternatives as well as strategies to maximize the realization of amounts due from Campbell to allow it to continue. However, there can be no assurances that the Company’s activities will be successful and as a result there is substantial doubt over the Company’s ability to continue as a going concern. If the going concern assumption were not appropriate for these unaudited interim consolidated financial statements, then adjustments to the carrying values of assets and liabilities, reported expenses and balance sheet classifications may be necessary. These adjustments could be material.

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

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

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

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

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

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

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

(1) The cash transferred represents the net proceeds from the December 31, 2006 private placement less expenditures incurred on the Nickel Properties to the date of the Plan of Arrangement, February 1, 2007.

(2) Computed at 25% of net assets transferred

In addition, as Victory Nickel was responsible for all costs relating to the Plan of Arrangement, the Company was reimbursed for all costs incurred by it prior to the formation of Victory Nickel.

The retained interest in Victory Nickel is being accounted for on the equity basis. The estimated fair market value of the Company's shareholdings in Victory Nickel was \$6,160,000 based on the closing price on September 30, 2008.

### 4. NEW ACCOUNTING POLICIES

#### Financial Instruments and Capital Disclosures

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

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv), if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 5 to these unaudited interim consolidated financial statements.

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

instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 6 to these unaudited interim consolidated financial statements.

### **Impaired Loans**

Investments recorded as impaired loans are accounted for at their amortized cost net of the allowance for loan impairment. When a loan is deemed to be impaired, its carrying amount is reduced to its estimated realizable amount which is measured by discounting the expected future cash flows at the effective interest rate inherent in the loans. The amount initially recognized as an impaired loan, together with any subsequent change, is charged to the allowance for impaired loans.

### **Future Accounting Changes**

The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards (“IFRS”). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company’s consolidated financial statements has not yet been determined.

### **2007 Figures**

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

## **5. CAPITAL DISCLOSURES**

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

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

## **6. FINANCIAL RISK MANAGEMENT**

The Company’s financial instruments include cash and cash equivalents, cash for exploration expenditures, marketable securities, accounts receivable, amounts due from/to Victory Nickel, convertible debenture and loan amounts due from Campbell Resources Inc. (“Campbell”), accounts payable and accrued liabilities and loan payable. The fair value of these financial instruments approximates their carrying value.

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

### **Credit risk**

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

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

Concentration of credit risk arises as a result of the loan and convertible debenture due from Campbell totalling \$10,423,000. Campbell is in default on its loan to the Company as it has not made the required interest payments. These deficient interest payments have been included in the balance of the loan. Given Campbell’s current financial position, there is a significant credit risk associated with these loans. Refer to Note 8 for details of the Company’s impairment assessment of these loans.



**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company tries to maintain sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents.

The Company manages its liquidity risk through the mechanisms described in Note 5. The Company has historically relied on issuances of shares to develop projects and to finance day to day operations and may require doing so again in the future. As referred to in Note 2, the Company has a working capital deficiency of \$3,128,000 as at September 30, 2008 and is actively exploring alternatives which include refinancing or extension of debt, equity financing or sale of assets.

**Market risk**

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

*Interest rate risk*

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

*Commodity price risk*

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

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

*Price risk*

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

*Currency risk*

Currency risk is the potential adverse impact on earnings and economic value due to movements and volatilities in foreign exchange rates. The Company incurred \$142,314 in net foreign exchange losses in the third quarter and year to date (2007 - \$786).

The Company incurs expenditures related to the Berta and Elmalaan projects in Turkey, and certain general and administrative expenses, in United States dollars. During the third quarter of 2008, the Company entered into a loan denominated in United States dollars. As at September 30, 2008, United States dollar-denominated balances include: cash of US\$749,000, accounts payable and accruals of US\$422,000 and loan of US\$4,867,500. A \$0.01 change in the US dollar exchange rate would have an aggregate effect of approximately \$45,000 on the Company's results of operations.

## 7. MARKETABLE SECURITIES

Marketable securities at September 30, 2008 and December 31, 2007 comprise:

	September 30, 2008	December 31, 2007
	Market Value	Market Value
Campbell Resources Inc. Warrants	\$ -	\$ -
Gold Hawk Resources Inc.	1,496	-
Other Shares	3	6
	\$ 1,499	\$ 6

In addition to its ownership of Campbell common shares (see Note 9), the Company also owns various warrants and has certain conversion rights with respect to its Campbell convertible debenture as explained in Note 8. The fair value of these warrants and conversion rights was determined to be \$nil at the date of acquisition and at September 30, 2008 and December 31, 2007, respectively. This determination takes into consideration the Company's estimate of the fair values of the Campbell shares, the exercise price and the term to expiry of the warrants and debenture conversion rights.

## 8. TRANSACTIONS WITH CAMPBELL

In 2006, the Company entered into agreements with Campbell which outlined the principles upon which the two entities would enter into various proposed transactions as set out in definitive consulting, operating and financing agreements. The agreements are described fully within the Company's 2007 Audited Consolidated Financial Statements except as updated below.

In February, 2008, the Company subscribed for an additional 6,000,000 Campbell common shares at a cost of \$600,000.

### *Consulting Fees*

Upon the commencement of the operating consulting services on May 1, 2006 as contemplated in the Operating Consulting Agreement with Campbell described within the Company's 2007 Audited Consolidated Financial Statements, the Company began earning the monthly consulting fee of \$25,000 and 200,000 Campbell common shares (to a maximum of 4,000,000 shares which were received prior to the end of 2007), and received the additional 2,000,000 Campbell common shares.

### *Corner Bay*

As described in the 2007 Audited Consolidated Financial Statements, the Company acquired an entitlement to 50% of the operating cash flow generated by the Corner Bay project. The Company's entitlement is subject to Campbell's recoupment of capital expenditures also as described in the 2007 Audited Consolidated Financial Statements.

### *Loans and Convertible Debentures*

The Company holds a convertible debenture in the amount of \$2,000,000 which matures in July, 2009 and is secured by, among other things, a first charge on the assets of the Corner Bay project, certain equity investments and the shares of certain subsidiaries of Campbell. No value has been ascribed to the conversion right. The Company earned interest of \$57,814 and \$172,186 on the convertible debenture in the three and nine-month periods ended September 30, 2008, respectively (\$45,370 in each of the 2007 three and nine-month periods).

In December, 2007, the Company provided Campbell with a revolving credit facility (the "Facility") up to a maximum of \$1,500,000. The Facility bears interest at 12% per annum payable quarterly, had an initial term of six months and was secured by a charge on various assets of Campbell including a charge on Campbell's Corner Bay assets ranking behind the security for the convertible debenture described above. As at December 31, 2007, \$1,500,000 had been advanced to Campbell pursuant to the Facility.

On July 4, 2008, the Company and Campbell entered into an updated agreement with respect to the Facility which increased the amount available to Campbell to a maximum of \$5,000,000. The increased amount is payable on demand, is secured as described for the initial facility and includes all balances owing by Campbell to the Company, except for the convertible debenture described above. During the third quarter, the Company agreed to further extend the demand facility to a maximum of \$10 million provided that Campbell agree to increase the amount of security available to the Company over various assets of Campbell including the Corner Bay assets and to extend that security over Campbell's Copper Rand mine and mill which security is subordinate to that held by Investissement Québec.

The aggregate amount of the demand facility as at September 30, 2008 is \$8,423,000 and includes accrued interest on the facility and the debenture, along with other receivables (December 31, 2007 - \$1,844,000). The Company earned interest of \$182,764 and \$295,744 in the three and nine months ended September 30, 2008, respectively on the Facility.

There have been several significant events which have caused the Company to assess the fair value of the debenture and the demand facility and to consider provisions for writedowns. During the third quarter, or shortly thereafter, Campbell ceased operations at its Copper Rand and Corner Bay mines. This, along with decreasing metal prices, contracting financial markets which reduce the ability of Campbell to generate financing and the consequent impact on the current fair value of Campbell's projects in today's economic circumstances, have combined to adversely impact the ability of Campbell to meet its obligations.

However, the Company believes that the value of its loan and convertible debenture is supported through the underlying security. The Company is assessing its options to best realize on its convertible debenture and loan and will continue to monitor the situation closely.

## 9. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES

	Victory Nickel Inc.	Campbell Resources Inc.	Total
Original investment	\$ 4,597	\$ 3,654	\$ 8,251
Other comprehensive income upon equity accounting	-	910	910
Dilution gain	2,071	-	2,071
Share of losses of investees	(520)	(348)	(868)
<b>Balance as at December 31, 2007</b>	<b>6,148</b>	<b>4,216</b>	<b>10,364</b>
Additional investment, February 2008	-	600	600
Dilution gain	372	255	627
Share of losses of investees	(314)	(3,725)	(4,039)
Share of other comprehensive loss of investees	(295)	-	(295)
Writedown charged to operations	-	(436)	(436)
Writedown charged to other comprehensive income	-	(910)	(910)
<b>Balance as at September 30, 2008</b>	<b>\$ 5,911</b>	<b>\$ -</b>	<b>\$ 5,911</b>

### Victory Nickel Inc.

The Company acquired its ownership interest in Victory Nickel pursuant to the corporate reorganization and formation of Victory Nickel as described in Note 3. As at September 30, 2008, the Company has a 19.7% interest in Victory Nickel. The Company's share of Victory Nickel's loss for the three and nine months ended September 30, 2008 was \$107,000 and \$314,000, respectively (for the three months ended September 30, 2007 and from its inception, February 1, 2007, to September 30, 2007 - \$86,000 and \$444,000 respectively).

In March, 2007, Victory Nickel completed a private placement whereby it issued 16,428,781 common shares for net proceeds of \$10,694,000. During 2007, it also issued 5,977,514 common shares upon the exercise of warrants and options for proceeds of \$1,056,229. The share issuances by Victory Nickel in 2007 gave rise to a dilution gain with respect to the Company's equity-accounted investment in Victory Nickel of \$2,044,000 in the three months ended March 31, 2007 (and a total dilution gain of \$2,071,000 for the year ended December 31, 2007) as a consequence of the net increase in the Company's share of Victory Nickel's net assets resulting from these share issuances.

The carrying value of the Company's investment in Victory Nickel also includes the Company's proportionate share of Victory Nickel's other comprehensive loss of \$309,000 (see Note 14) for the three months ended September 30, 2008; for the nine months ended September 30, 2008 the Company's proportionate share of Victory Nickel's other comprehensive loss was \$295,000. There were no other comprehensive income or loss amounts for Victory Nickel for 2007.

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

In July 2008, Victory Nickel completed a private placement whereby it issued 18,046,700 flow-through shares for net proceeds of \$7,688,000. The share issuance gave rise to a dilution gain with respect to the Company's equity-accounted investment in Victory Nickel of \$1,097,000 in the three months ended September 30, 2008 as a consequence of the net increase in the Company's share of Victory Nickel's net assets resulting from this share issuance.

Subsequent to the end of the quarter, Victory Nickel announced that it had acquired an approximate 84% interest in independent Nickel Corp. through the issuance of 55,913,274 shares. This issuance will significantly reduce the Company's percentage interest in Victory Nickel which will result in the Company owning a smaller percentage ownership of a larger company. The effects on the Company's financial statements have not been determined at this time.

### **Campbell Resources Inc.**

Prior to December 1, 2007, the Company accounted for its investment in common shares of Campbell as marketable securities available for sale. As such, this investment was carried on the consolidated balance sheet at fair value with changes in fair value included in other comprehensive income. Pursuant to changes fully described in the Company's 2007 Audited Financial Statements, the Company commenced accounting for its investment in Campbell on the equity basis on December 1, 2007. The carrying value of the investment (its estimated fair value on December 1, 2007) of \$4,563,000 was reclassified from marketable securities (a current asset) to a non-current equity-accounted investment. Changes in estimated fair value prior to December 1, 2007 remained in accumulated other comprehensive income at that time.

In the third quarter of 2008, Campbell recorded significant losses as a result of matters described in Note 8 above and the consequent writedowns of certain of its exploration and development properties. The Company's 10.3% ownership interest in Campbell's loss for the three months ended September 30, 2008 was \$3,076,000. Given the decline in the market value of Campbell and the size of the Company's shareholding, the Company has recorded a writedown of \$436,000 to operations and has reversed the \$910,000 previously reflected as other comprehensive income. The net result is to record the equity investment in Campbell at \$nil as at September 30, 2008. In the nine-month period ended September 30, 2008 the aggregate equity loss was \$3,725,000 (from the date of commencement of equity accounting, December 1, 2007, to December 31, 2007 - \$348,000). In addition, the Company recorded a net dilution gain of \$255,000 in the nine months ended September 30, 2008 representing the Company's proportionate share of flow-through share transactions recorded by Campbell in the second quarter.

In addition to its 10.3% ownership interest, the Company owns warrants and other convertible securities that if exercised would increase its ownership to approximately 23% (which reduced from 28% as at March 31, 2008 due to the expiry of warrants). The quoted market value of the Company's investment in Campbell as at September 30, 2008 was \$724,000 and \$241,000 as at October 28, 2008.

## 10. EXPLORATION AND DEVELOPMENT PROJECTS

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

	Balance as at December 31, 2007	Current Expenditures	Writedowns	Balance as at September 30, 2008
<b>URANIUM</b>				
Diabase Peninsula	\$ 3,548	\$ 1,993	\$ -	\$ 5,541
Prairie Lake	591	416	-	1,007
Marijane and Huston Lakes	-	342	-	342
	4,139	2,751	-	6,890
<b>GOLD, COPPER AND ZINC</b>				
Cameron Lake	848	314	-	1,162
Berta and Elmalaan	1,837	570	-	2,407
Other	12	172	(151)	33
	2,697	1,056	(151)	3,602
	\$ 6,836	\$ 3,807	\$ (151)	\$ 10,492

	Balance as at December 31, 2006	Current Expenditures	Transferred to Victory Nickel Inc.	Writedowns	Balance as at September 30, 2007
<b>NICKEL</b>					
			(Note 3)		
Lac Rocher	\$ 2,116	\$ 2	\$ (2,118)	\$ -	-
Mel	172	534	(706)	-	-
Minago	2,341	635	(2,976)	-	-
	4,629	1,171	(5,800)	-	-
<b>URANIUM</b>					
Diabase Peninsula	2,294	290	-	-	2,584
Prairie Lake	4	462	-	-	466
	2,298	752	-	-	3,050
<b>GOLD, COPPER AND ZINC</b>					
Cameron Lake	671	64	-	-	735
Berta and Elmalaan	874	1,181	-	-	2,055
Other	11	27	-	(26)	12
	1,556	1,272	-	(26)	2,802
	\$ 8,483	\$ 3,195	\$ (5,800)	\$ (26)	\$ 5,852

As at September 30, 2008, the Company has an outstanding commitment through the issuance of its flow-through shares in 2007 to make expenditures on exploration activities of \$1,161,000 (December 31, 2007 - \$4,765,000) and an outstanding commitment related to its 2008 flow-through issuances of \$2,090,000.

In the second quarter of 2008, the Company announced it had entered into an agreement to acquire 100% of the Berta property upon spending \$2 million on exploration and completing an independent scoping study within four years.

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

In the third quarter of 2008, the Company executed an Option and Joint Venture Agreement with Temex Resources Corp. ("Temex") to acquire a 50% interest in the contiguous Marjane Lake and Huston Lake uranium properties. The Company made a cash payment of \$50,000 and issued 200,000 common shares to Temex and is committed to spend \$500,000 on exploration within one year and an aggregate of \$750,000 over a two-year period to earn an undivided 50% interest in the property.

Other revenue in the three and nine-month periods ended September 30, 2008, includes \$nil and \$300,000, respectively, received pursuant to the sale of a royalty interest related to the Bucko exploration and development property which was formerly owned by the Company.

## 11. LOAN PAYABLE

	<b>Amount</b>
Initial advance, July 2008	\$ 3,725
Advance September 2008	1,596
Less: unamortized loan fees	(141)
<b>Balance as at September 30, 2008</b>	<b>\$ 5,180</b>

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

## 12. SHAREHOLDERS' EQUITY

### *Share Capital*

#### **Authorized:**

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

#### **Issued and Outstanding:**

There are no special shares outstanding.

The issued and outstanding common shares are as follows:

	<b>Number of Shares</b>	<b>Amount</b>
<b>Balance as at December 31, 2006</b>	<b>152,228,887</b>	<b>\$ 83,887</b>
Shares issued pursuant to private placement <sup>(a)</sup>	10,344,828	5,502
Options exercised <sup>(b)</sup>	750,000	317
Warrants exercised <sup>(c)</sup>	7,853,102	1,718
Shares issued under the Share Bonus Plan <sup>(d)</sup>	310,200	155
Exercise of conversion rights on convertible debentures <sup>(e)</sup>	833,333	200
Flow-through share renunciation <sup>(f)</sup>	-	(337)
<b>Balance as at December 31, 2007</b>	<b>172,320,350</b>	<b>91,442</b>
Shares issued pursuant to private placements <sup>(g)</sup>	7,981,333	1,950
Shares issued for option in exploration property <sup>(h)</sup>	200,000	44
Shares issued under the Share Bonus Plan <sup>(i)</sup>	167,544	52
Flow-through share renunciation <sup>(f)</sup>	-	(1,740)
<b>Balance as at September 30, 2008</b>	<b>180,669,227</b>	<b>\$ 91,748</b>

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



- (b) In 2007, the Company issued 750,000 common shares for proceeds of \$217,248 upon the exercise of 750,000 options. This resulted in an increase in share capital in the amount of the proceeds plus the carrying value of the options exercised of \$98,800.
- (c) In 2007, 7,853,102 common shares were issued upon the exercise of warrants for proceeds of \$1,372,674. This resulted in an increase in share capital in the amount of the proceeds plus the carrying value of the warrants exercised in the amount of \$346,261.
- (d) In 2007, 310,200 common shares with a fair value at the grant date of \$154,906 were issued to employees as discretionary bonuses pursuant to the Company's Share Bonus Plan. (see Share Incentive Plan below).
- (e) In January, 2007, the two Directors who held the Company's convertible debentures exercised their conversion rights, resulting in the issuance of 833,333 common shares upon the conversion of \$200,000 of convertible debentures.
- (f) In February, 2008, the Company renounced \$6,000,000 (February, 2007 - \$988,000) in Canadian Exploration Expenditures to investors of flow-through shares in 2007 and 2006. The tax value of these renunciations amounted to \$1,740,000 (2007 - \$337,000) and has been recorded as a future tax liability and charged against share capital. Since the Company has a valuation allowance which reduces the future income tax assets, the valuation allowance was reduced and income tax recoveries were recognized in the consolidated statements of operations in the amount of \$1,740,000 (2007 - \$337,000).
- (g) In July, 2008 the Company issued 3,633,333 flow-through common shares at a price of \$0.30 per share for gross proceeds of \$1,090,000. After fees and other out-of-pocket costs, net proceeds aggregated \$1,010,822. In September, 2008, the Company issued 4,348,000 flow-through common shares at a price of \$0.23 per share for gross proceeds of \$1,040,000. After fees and other out-of-pocket costs, net proceeds aggregated \$939,511.
- (h) Also in July, the Company issued 200,000 shares with a fair value at the grant date of \$44,000 in connection with the option to acquire a 50% interest in the contiguous Marijane Lake and Huston Lake properties from Temex.
- (i) In March, June and September, 2008, common shares were issued to employees and consultants as discretionary bonuses and were valued at \$51,938.

#### **Stock Options:**

The following table reflects the continuity of stock options during the period:

	Number of Options	Average Exercise Price	Amount
<b>Outstanding as at December 31, 2007</b>	<b>13,635,000</b>	<b>\$ 0.20</b>	<b>\$ 1,626</b>
Options granted and vesting	450,000	0.27	84
Options expired and forfeit	(250,000)	0.28	-
<b>Outstanding as at September 30, 2008</b>	<b>13,835,000</b>	<b>\$ 0.20</b>	<b>\$ 1,710</b>

The following table summarizes further information about the stock options outstanding at September 30, 2008:

Range of Exercise Prices	Options Outstanding	Years to Expiry <sup>(1)</sup>	Exercise Price <sup>(1)</sup>
\$0.0970 - \$0.1823	8,125,000	2.48	\$ 0.14
\$0.1900 - \$0.2500	2,775,000	4.51	\$ 0.24
\$0.2585 - \$0.3060	650,000	4.66	\$ 0.27
\$0.3100 - \$0.4880	2,285,000	3.85	\$ 0.36
<b>\$0.0970 - \$0.4880</b>	<b>13,835,000</b>	<b>3.21</b>	<b>\$ 0.20</b>

<sup>(1)</sup> In this table, "Years to Expiry" and "Exercise Price" have been calculated on a weighted average basis.

The weighted average grant date fair value of options granted during the nine months ended September 30, 2008 was \$0.14 (2007 - \$0.22). A total of 450,000 options were granted during the nine months ended September 30, 2008 to employees (50,000 during the three months then ended). This, along with options vesting and forfeitures during the period, resulted in a compensation expense totalling \$84,000 (\$24,000 for the three months ended September 30, 2008)

compared to 300,000 options (nil for the three months ended September 30, 2007) and vesting resulting in compensation expense totalling \$8,000 and \$49,000 for the three and nine months ended September 30, 2007, respectively. Of the 13,835,000 options outstanding at September 30, 2008, 492,500 are subject to vesting in the next 12 months. The aggregate fair value of these unvested options not yet charged to operations is \$31,000. The weighted average exercise price of fully-vested options at September 30, 2008 was \$0.20.

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

<b>Option Assumptions</b>	<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
Dividend yield	-	-
Expected volatility	75%	70%
Risk free interest rate	4.50%	5.00%
Expected option term - years	3	3
Fair value per share of options granted	<b>\$ 0.11 to \$ 0.16</b>	\$ 0.22

**Share Purchase Warrants:**

		<b>Number of Warrants</b>	<b>Average Exercise Price</b>	<b>Amount</b>
Issued for services rendered	July 18, 2008	233,000	0.22 \$	22
	September 10, 2008	100,000	0.20	9
		333,000	0.21 \$	31

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

**13. INCOME TAXES**

The income tax recoveries in the nine months ended September 30, 2008 and 2007, of \$1,740,000 and \$337,000, respectively, relate to flow-through share renunciations, as explained in Note 12 (f) above.

No income tax recovery has been recognized on the losses before share of losses of equity-accounted investees, income taxes and dilution gains (losses) as the likelihood of utilizing such losses cannot be determined at this time.

**14. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME**

Changes in the components of accumulated OCI are summarized as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
Accumulated OCI at beginning of period	\$ 900	(Restated - Note 1) \$ -
Adjustment to accumulated OCI at beginning of period due to the change in method of accounting for financial assets available for sale	-	58
OCI for the period representing the change in the fair value of financial assets available for sale	(303)	817
Adjustment to OCI for write off of Campbell	(910)	-
Proportionate share of Victory Nickel Inc.'s OCI (see below)	(295)	-
Accumulated OCI at end of period	<b>\$ (608)</b>	\$ 875

During the nine months ended September 30, 2008, the Company's 20% owned equity-accounted investee, Victory Nickel, recorded OCI aggregating a loss of \$1,500,000 representing the after-tax change in fair value of its marketable securities classified as financial assets available for sale. As part of equity accounting for Victory Nickel, the Company has recorded OCI equal to its proportionate share of this amount.



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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Accounts receivable, prepaid expenses and deposits	\$ 18	\$ 137	\$ (8)	\$ 32
Due from/to Victory Nickel Inc.	952	(252)	177	(511)
Accounts payable and accrued liabilities	(307)	(147)	(376)	(160)
	\$ 663	\$ (262)	\$ (207)	\$ (639)

**16. RELATED PARTY TRANSACTIONS**

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

- (a) The Company shares management administrative assistance and facilities with Victory Nickel pursuant to a management agreement. The costs recovered from Victory Nickel are equal to the cost to the Company of such services plus 10 per cent. The management agreement has an initial term of 24 months commencing February 1, 2007 and is terminable thereafter by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. Costs recovered from Victory Nickel in the three and nine months ended September 30, 2008 totalled \$196,053 and \$447,159, respectively (three and nine months ended September 30, 2007 - \$188,344 and \$537,421, respectively) and have been deducted from general and administrative expenses. Furthermore, project-related costs aggregating \$11,625 and \$34,875 have been charged to the Company by Victory Nickel during the three and nine months ended September 30, 2008 and are included in exploration and development costs on the balance sheet (three and nine months ended September 30, 2007 - \$nil). In addition, project-related costs aggregating \$13,667 and \$40,333 have been charged by the Company to Victory Nickel during the three and nine months ended September 30, 2008, respectively (three and nine months ended September 30, 2007 - \$132,447 and \$315,281, respectively).
- (b) Amounts due from and to Victory Nickel are unsecured, non-interest bearing and due on demand.
- (c) Included in accounts payable and accrued liabilities at September 30, 2008 are amounts owing to Directors and Officers of \$91,170 (December 31, 2007 - \$113,515). These amounts are primarily Directors' fees and reimbursement of expenses.
- (d) In January 2007, two Directors who held convertible notes of the Company exercised their conversion rights resulting in the issuance of 833,333 common shares on the conversion of \$200,000 of outstanding convertible debentures. In addition, in 2007, the two Directors were repaid accrued interest on the convertible debentures owing to them aggregating \$136,753.

**17. LEASE COMMITMENT**

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

	Minimum Lease Payments	
2008	\$	15
2009		62
2010		64
2011		48
2012		5
	\$	194

**18. SUBSEQUENT EVENT**

In early November, 2008, the Company terminated its operating consulting agreement with Campbell and the two directors formerly appointed by Nuinsco to the Campbell board, resigned their directorships. Accordingly, as at that date, the Company no longer has significant influence over Campbell and the Company will cease to account for its interest in Campbell on the equity basis and will no longer earn monthly consulting fees.



**NUINSCO RESOURCES LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTHS  
ENDED SEPTEMBER 30, 2008**

**DATED NOVEMBER 13, 2008**



## NUINSCO RESOURCES LIMITED

### MANAGEMENT'S DISCUSSION AND ANALYSIS THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of November 13, 2008 consolidates management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2008, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's September 30, 2008 unaudited interim consolidated financial statements for such periods and the audited consolidated financial statements as at and for the year ended December 31, 2007 and the notes thereto (the "2007 Audited Consolidated Financial Statements"). Readers are encouraged to consult these financial statements which 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.

#### COMPANY OVERVIEW

Nuinsco is focused on identifying mineral investment opportunities worldwide using its exploration programs and operating and financial expertise to crystallize value for its shareholders. The Company is currently focused on advancing its uranium, copper, gold and zinc assets in world-class mineralized belts in Canada and Turkey. In addition to its property holdings, as at September 30, 2008, Nuinsco owns approximately 20% of the outstanding common shares of Victory Nickel Inc. ("Victory Nickel") (TSX: Ni), approximately 10% of the outstanding common shares of gold and copper producer Campbell Resources Inc. ("Campbell") (TSX: CCH) and an approximate 13% interest in Gold Hawk Resources Inc. ("Gold Hawk") (TSXV: CGK), a precious and base metals producer. These investments could potentially be monetized and help to finance the Company's exploration programs and minimize dilution to shareholders going forward. Shares of Nuinsco trade on the Toronto Stock Exchange under the symbol NWI.

These unaudited interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. At September 30, 2008, the Company had a working capital deficiency of \$3,128,000 (including a \$5,180,000 loan due in December 2008 which is secured on the investment in Victory Nickel shares shown as investment in equity-accounted investees (see Note 9 to the unaudited interim consolidated financial statements)). This working capital deficiency is due primarily to the reclassification of the Campbell loan of \$8,423,000 to a non-current receivable (see Note 8 to the unaudited interim consolidated financial statements). Further, none of the Company's exploration or development projects have commenced commercial production and accordingly, the Company continues to be dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. As a result, the Company will require additional current and longer-term financing, which, if not raised, will result in the curtailment of operating activities.

The Company is currently examining a number of financing alternatives as well as strategies to maximize the realization of amounts due from Campbell to allow it to continue. However, there can be no assurances that the Company's activities will be successful and as a result there is substantial doubt over the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these unaudited interim consolidated financial statements, then adjustments to the carrying values of assets and liabilities, reported expenses and balance sheet classifications may be necessary. These adjustments could be material.

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

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

- a) The Company's interest in three mineral resource projects, namely the Minago and Mel sulphide nickel projects in Manitoba and the Lac Rocher sulphide nickel project in Quebec (collectively the "Nickel Properties"); and,
- b) Unexpended cash of \$12,668,000 from the proceeds of a December, 2006 private placement from which the Company raised net proceeds of \$14,045,000.

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

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

## **THIRD QUARTER HIGHLIGHTS**

During and subsequent to the three months ended September 30, 2008, the Company:

- Purchased approximately 13% of the outstanding shares of Gold Hawk Resources Inc. ("Gold Hawk"), a precious and base metals producer whose principal asset is the wholly-owned Coricancha polymetallic mine in Peru.
- Signed an option to acquire a 50% interest in the Marijane Lake and Huston Lake uranium properties in Ontario and Manitoba from Temex Resources Corp. ("Temex"), completed an airborne radiometric survey over the property and prepared for ground follow-up.
- Announced continued positive drill results from its \$2.5 million, 6,543 metre, 18 hole, drilling program at the Diabase Peninsula uranium property.
- Completed a ten hole, 2,543 metre, diamond drilling program at Prairie Lake to follow up on positive surface sampling and earlier drill results. Assays are pending.
- Engaged Golder Associates to complete a preliminary economic evaluation of the Cameron Lake gold deposit.
- Announced further positive drill results from the Berta Copper-Gold project in north-eastern Turkey, intersecting over 459 metres of continuous copper-gold mineralization starting from only four metres below surface in the first hole and intervals grading up to 5.07% copper over 4.5 metres in the second hole of the 2008 program.
- Completed \$2.1 million of flow-through private placement financing in non-brokered private placements.

## **OUTLOOK**

The third quarter of 2008 saw the continuation of Nuinsco's evolution. The acquisition in July of an approximate 13% interest in Gold Hawk offers Nuinsco shareholders the potential of remarkable upside, despite the challenges presently being addressed at the Coricancha mine in Peru. It is these challenges, and their impact on Gold Hawk's share price, that provided Nuinsco the opportunity to participate in this exciting project. We are confident in Gold Hawk's plans for the mine and in management's ability to execute them in concert with the Peruvian authorities. However, like the rest of the mining industry, the current condition of the financial markets is having a negative impact on Gold Hawk's ability to execute its plans.

Development of the Corner Bay property continued with the objective of producing a 42,000 tonne bulk sample as part of a project evaluation process to determine economic viability. Unfortunately, in October, 2008, Campbell was forced to suspend this advanced exploration program due to liquidity constraints partly caused by the unstable financial markets and the significant decrease in all metal prices. At the end of the second quarter, the Company believed that its 50% carried interest in cash flow from the high-grade Corner Bay Mine would begin generating cash flow to Nuinsco's account in early 2009. This potential cash flow has now been deferred as a result of Campbell's inability to source the required funding to complete the development of the project. Corner Bay is an attractive high-grade copper project and will no doubt be revived when market conditions improve. We believe that Corner Bay, combined with the Copper Rand 3,000 tonne per day mill and an attractive portfolio of prospective exploration properties owned by Campbell, will provide the foundation for Campbell and the Company to realize on the mineral wealth in the Chibougamau area over time to come.

Nuinsco, like all other junior exploration and producing companies in the resource sector, has been impacted by the current stock and financial credit market turmoil. The extent of this disorder was dramatic and caused by factors unrelated to the mining industry. Junior resource companies generally rely on the equity markets to fund their activities. These markets, along with credit markets, have all but disappeared and, as a result, financing the Company's activities will be more challenging than ever before. As a result, companies will be looking to fund only necessary expenditures to maintain, rather than to build, their assets until the financial markets rebound. The resource industry is the foundation of the Canadian economy and we can only hope that the provincial and federal governments will be as supportive of resource companies as they are of other industries when examining ways to sustain and rebuild the economy.

Nuinsco is very fortunate to own very high-quality projects and will do everything possible to ensure that when economies surface from this financial crisis, the Company will be in a position to realize the value of its assets.

Today, this can only be accomplished with the continued support of our shareholders.

At its core, Nuinsco is an exploration-focused company. Management continues to make progress in advancing its projects in Canada and Turkey. To remind shareholders of the extent of Nuinsco's value, we provide the following summary of assets:

## **URANIUM**

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

Nuinsco's Diabase Peninsula uranium project is located 150 kilometres northwest of La Ronge, Saskatchewan on the Athabasca Basin, the region that hosts the world's richest uranium mines. The 21,900-hectare property is a joint venture with Trend Mining Company of Denver whose interest currently approximates 18%. Nuinsco has completed two drill programs that returned uranium values as well as key indicator minerals associated with uranium deposits in the Basin. Combined with past drilling and other studies, these results point toward the local presence of unconformity style mineralization. In the current nine-month period, the Company completed its \$2.5 million, 6,000 metre drill program that began late in 2007. Assays released to date from the 2007-2008 drill program revealed anomalous uranium levels that are typical of values at the margins of economic uranium deposits in Saskatchewan's Athabasca Basin.

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

Prairie Lake, located near Marathon, Ontario, hosts a near-surface historic (non-National Instrument-43-101-compliant) uranium resource of over 180,000 tonnes grading 0.09% U<sub>3</sub>O<sub>8</sub> (and 0.25% niobium) identified in exploration dating from the mid-1960s. This resource has significant value at current uranium prices and an initial 1,500 metres of drilling was undertaken in the second quarter of 2007 on this large carbonatite intrusion to follow up on values from recent surface sampling of up to 0.08% U<sub>3</sub>O<sub>8</sub> (1.656 lb/tonne).

Assays clearly demonstrate the presence of strong uranium mineralization at Prairie Lake in conjunction with a suite of other minerals and rare earths of economic interest. Results from hole DDH NP-07-01, collared at the centre of the complex, returned 0.125% U<sub>3</sub>O<sub>8</sub> over 13.5 metres (11.49 metres true width), as well as 9.03% phosphorous, 1,744 parts per million ("ppm") niobium, 89 ppm tantalum and elevated rare earth

element values averaging a combined 3,103 ppm for lanthanum, cerium, neodymium, samarium as well as yttrium (1 ppm = 1 gram per tonne “g/t”) over the same interval.

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

Nuinsco entered into an agreement with Temex to acquire a 50% interest in 87 mining claims (the "Claims"), covering 52,604 acres straddling the Ontario-Manitoba boundary northwest of Kenora. The Claims cover the largest and strongest uranium radiometric anomaly in the region with a strike length of approximately 45 kilometres. The anomaly occurs along strike of a major geological contact zone from which previous work has identified uranium mineralization including high grade historic drill intersections of 1.80% U<sub>3</sub>O<sub>8</sub> over 0.60 metres, 0.38% U<sub>3</sub>O<sub>8</sub> over 1.5 metres and 0.065% U<sub>3</sub>O<sub>8</sub> over 4.6 metres.

Prospecting by Temex in 2007 resulted in the discovery of several new uranium showings. An east-west trending corridor approximately 8 kilometres long by 1.5 kilometres wide was identified as having elevated radioactivity counts, with six samples returning values over 300 ppm uranium; assay analyses of the samples were 0.06% and 0.13% U<sub>3</sub>O<sub>8</sub> on the Marijane Lake claims and 0.047%, 0.92%, 0.123% and 0.124% U<sub>3</sub>O<sub>8</sub> on the Huston Lake claims. The samples were taken from medium to coarse-grained white to pink granite (quartz-feldspar-biotite), which sometimes exhibited powdery yellow staining subsequently identified as the secondary uranium mineral uranophane.

In order to earn its undivided 50% interest in the Claims, Nuinsco made a cash payment of \$50,000 and issued to Temex 200,000 common shares. Nuinsco must also complete \$500,000 of exploration expenditures before the first anniversary of the agreement and an aggregate of \$750,000 over a two-year period. Nuinsco must also issue an additional 100,000 shares upon completion of the first \$500,000 in exploration expenditures. Nuinsco shall be entitled to extend, for one year, the time for completion of each milestone of the work commitment by notice to Temex if given prior to the applicable anniversary of signing. Each extension shall require Nuinsco to issue Temex 50,000 common shares of Nuinsco.

Temex will act as operator for the first \$500,000 in exploration expenditures and is entitled to charge an industry standard management fee. Nuinsco can elect to become operator once the initial \$500,000 in exploration expenditures has been completed. Upon Nuinsco earning its 50% interest in the Claims, Temex has 60 days to elect either to form a 50:50 Joint Venture with Nuinsco or to forego the Joint Venture and reduce its interest in the Claims to a 15% carried and non-assessable interest to the date of commencement of commercial production from the Claims.

## **COPPER, GOLD, ZINC**

### ***Corner Bay***

The Corner Bay Mine is located about 45 kilometres from Campbell's Copper Rand milling complex in Chibougamau, Quebec. In the first quarter of 2008, Campbell announced that it had successfully mitigated groundwater inflow at Corner Bay, and that development in ore had begun at both the 55 metre and 75 metre levels. Underground services had also been completed, including the escapeway and vent raise, and development to the 100/105 metre level was progressing. At the same time, Campbell also began the shipment of development ore to the Copper Rand Mill.

In the second quarter of 2008, Campbell had commenced development in ore on the 105 metre level and was continuing its shipments to the Copper Rand Mill.

As a result of events and circumstances already described, Corner Bay activities were suspended in October and are unlikely to resume until the metal and financial markets improve.

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



### **Turkey**

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

During the second quarter of 2008, the Company announced an agreement to acquire 100% of the ownership of Berta on the basis of spending \$2 million in exploration and completing an independent scoping study within four years. This will enable the Company to accelerate its exploration program. At Berta during 2007, the Company intersected a significant, continuous domain of strong sulphide mineralization, highlighting the potential of the essentially unexplored Berta property. These results were followed up with further positive assays from drilling in 2008.

Elmalaan, covering 947 square hectares, is located 6 kilometres south of the Black Sea coast and is easily accessible year round. Previous work identified massive sulphide in outcrop and locally-derived boulders that graded up to 3.38% Cu and 6.30% zinc. Drilling in 2007 returned high-grade polymetallic mineralization over significant widths.

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

The Company has completed an updated resource estimate of the gold mineralization of the Cameron Lake deposit. This resulted in a 29% increase in measured and indicated ounces as well as a 72% increase in inferred resources over the previous resource estimate.

The revised underground gold resource estimate is as follows:

Category	Tonnes	Au (g/t)	Au (oz)	Change versus 2004 Resource Estimate
<b>Measured</b>	100,000	6.17	19,800	(51.5%)
<b>Indicated</b>	648,000	6.51	135,700	70.5%
<b>Measured and Indicated</b>	748,000	6.47	155,500	29.2%
<b>Inferred</b>	1,819,000	4.99	292,000	72.1%

Cameron Lake is located near Kenora in northwestern Ontario. Approximately \$24 million was spent in the 1980s by a former partner of Nuinsco to develop the mine to the 865 foot level, and drilling has demonstrated that gold mineralization extends to greater than 700 metres. The process to obtain the required permits was placed on hold pending clarification of the procedures to satisfy both the provincial government and the First Nations. The Company has started the process of securing the required permits to dewater the underground workings and is conducting, geotechnical, environmental, hydro-geological and socio-economic studies as well as a preliminary economic analysis, by Golder Associates, on the economic viability of the project.

## **STRATEGIC INVESTMENTS**

### **Campbell**

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



Campbell's strategy to optimize operations at its Copper Rand Mill to increase throughput and lower unit costs has been negatively impacted by continuing underperformance at its Copper Rand mine. As a result, the mine is now in a closure mode and production should cease towards the end of 2008. In addition, Corner Bay activities were suspended in October and unlikely to resume until the metal and financial markets improve.

Nuinsco's entry into the Chibougamau mining camp through Campbell remains a strategically sound venture. As mentioned earlier, the Company believes that Corner Bay combined with the Copper Rand 3,000 tonne per day mill and the exploration properties owned by Campbell, will provide the foundation to realize on the mineral wealth in the Chibougamau area when market conditions improve.

As a result of cessation of production at Corner Bay, in early November, 2008, the Company terminated its operating consulting agreement with Campbell and the two directors formerly appointed by Nuinsco to the Campbell board, resigned their directorships. Accordingly, as at that date, the Company no longer has significant influence over Campbell and the Company will cease to account for its interest in Campbell on the equity basis and will no longer earn monthly consulting fees.

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

In July the Company acquired an approximate 13% equity interest in Gold Hawk, a precious and base metals producer with reserves and resources containing gold, silver, lead and zinc. Gold Hawk is led by a management team with decades of experience in finance and operations around the globe and in Latin America in particular.

Gold Hawk's flagship asset is the 100%-owned Coricancha mine. Located 90 kilometres east of Lima, Peru, Coricancha commenced operations in 1906. Since the acquisition of the project in March, 2006, the mine and concentrator have been refurbished and commercial production was achieved by Gold Hawk on October 1, 2007.

A ground displacement detected near the processing plant and tailings handling area in early May prompted management to temporarily cease production. Mining operations, as well as the crushing and grinding circuit, are not part of the affected area. Following extensive testing and analysis, Gold Hawk's geotechnical consultants determined that the cause of the movement was a third-party saturation irrigation system installed on neighbouring property uphill from the tailings and processing plant.

On July 18, 2008, the Peruvian government issued an Emergency Decree declaring a State of Emergency in the District of San Mateo. Following directives included in this Decree, Gold Hawk is taking the necessary steps to stabilize the area and mitigate the landslide risk. Gold Hawk expects to return to production in the second quarter of 2009 following the issuance of permits for which application has just recently been made.

#### **Victory Nickel Inc.**

As described above, in early 2007 Nuinsco spun off its Minago, Mel and Lac Rocher sulphide nickel projects along with approximately \$13 million in cash to create Victory Nickel. Nuinsco retained an initial 25% equity interest in Victory Nickel (subsequently reduced to approximately 20% as at September 30, 2008 through subsequent financings and which will be further diluted as a result of the acquisition of Independent Nickel Corp. in October), which has over 660 million pounds of in-situ nickel in National Instrument-43-101-compliant resources at its three Canadian projects:

##### ***Minago Project***

Victory Nickel's 100%-owned Minago project is located on the Thompson Nickel Belt in Manitoba, and is one of Canada's largest undeveloped nickel deposits with a measured and indicated resource of 49 million tonnes grading 0.516% nickel (measured: 10.3 million tonnes grading 0.593% Ni; indicated: 38.8 million tonnes grading 0.496% Ni) (see news release dated November 20, 2006). Following the completion of a scoping study in the fall of 2006, Wardrop was engaged to conduct a feasibility study in early 2007. Completion of the feasibility study continues to advance, as many component studies are completed, and is expected to be completed in the second quarter of 2009.

***Mel Project***

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

Victory Nickel has fully funded sufficient expenditures to earn a 100% ownership interest in this project subject to a Vale Inco Limited (“Vale Inco”) back-in. Mel has 4.3 million tonnes of indicated resources grading 0.875% nickel (see Victory Nickel news release dated February 26, 2007), and offers significant exploration upside as well as near-term production potential. Victory Nickel continues its discussions regarding Vale Inco’s intentions with respect to its 51% back-in right. A Vale Inco decision is expected early in 2009, and at that point Victory Nickel will determine the appropriate next steps in its development strategy.

***Lac Rocher***

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

Subsequent to the end of the third quarter, Roche Engineering completed a preliminary economic assessment indicating that the project is not viable at currently prevailing metal prices. The Company will continue the process to obtain the required permits, complete the access road improvements and do further geological work to be in a position to commence mining when metal prices reach the required levels.

In addition, Victory Nickel entered into a Memorandum of Understanding with the Waswanipi Cree First Nation (“WCFN”) whereby the parties have agreed to work together to support development of the Lac Rocher deposit in a way that respects the collective interests of Victory Nickel, the WCFN and other stakeholders.

**RESULTS OF OPERATIONS*****Three months ended September 30, 2008, compared with the three months ended September 30, 2007***

In the three months ended September 30, 2008, the Company had a net loss of \$2,930,000, or \$0.02 per share, compared with a net loss of \$96,000 or \$0.00 per share, in the same period in 2007. The primary reason for the significant increase in the loss is related to equity-accounting losses with respect to the Company’s interests in Campbell.

Total revenue in the 2008 period was \$368,000, compared with \$335,000 in the 2007 period. Aggregate consulting fees earned from Campbell in the 2008 period totalled \$75,000, compared with \$153,000 in the 2007 period. The decrease in consulting revenue in the current three-month period reflects the fact that, effective January 1, 2008, the monthly consulting fee no longer includes 200,000 Campbell shares as the maximum of 4,000,000 such shares to be received under the terms of the Management Consulting Agreement was reached in 2007. Interest income in the current 2008 period totalled \$243,000, compared with \$132,000 in the same period in 2007, reflecting higher balances with Campbell in the current period, compared with the corresponding period in 2007.

The higher level of general and administrative expenses of \$461,000 in the current period, compared with the 2007 comparative period of \$306,000, stems primarily from foreign exchange losses on the US dollar denominated loan taken out in the quarter net of gains on unexpended US dollar denominated cash balances of \$142,000. In the third quarter of 2008, there was increased activity related to Victory Nickel’s takeover bid of Independent Nickel Corp. by Nuinsco employees under the management agreement between Nuinsco and Victory Nickel, accordingly, the recoveries were \$196,000 compared with \$188,000 in 2007. Stock option expense increased to \$24,000 from \$8,000 in the 2007 three-month period as a result of new grants of options to employees and consultants.

Interest expense of \$227,000, which includes the amortization of loan fees, was incurred in the third quarter of 2008, as a result of the loan taken out in the period. Other components of interest expense include accrued interest on unexpended flow-through commitments.

The share of losses of equity-accounted investees totalled \$3,183,000 in the current period, versus \$86,000 in the 2007 period. The current period amount includes two equity-accounted investees, Victory Nickel and Campbell. The Company's share of these losses was \$107,000 and \$3,076,000, respectively.

In the third quarter of 2008, Campbell recorded significant losses as a result of events described in Note 8 to the Company's unaudited interim consolidated financial statements and the consequent writedowns of certain of its exploration and development properties. The Company has recorded an equity loss of \$3,076,000, provided for a writedown of the equity investment of \$436,000 through operations and has reversed the \$910,000 previously reflected as other comprehensive income ("OCI"). The net result is to record the equity investment in Campbell at \$nil as at September 30, 2008.

The Company recorded a dilution gain of \$1,097,000 related to its proportionate share of Victory Nickel's flow-through share transactions occurring in the third quarter of 2008 (2007 - \$nil).

The other comprehensive loss in the third quarter of 2008 of \$1,522,000 includes \$309,000 related to the Company's proportionate share of its equity-accounted investee Victory Nickel's other comprehensive loss of \$1,564,000 in the period, the \$910,000 adjustment for OCI previously related to Campbell as described above and \$303,000 for the change in the fair value of the Gold Hawk shares acquired during the period. Victory Nickel's comprehensive loss amount relates to the after-tax reduction in the estimated fair value of its marketable securities classified as financial assets available for sale.

The other comprehensive income in the third quarter of 2007 of \$120,000 resulted from an increase in the estimated fair value of Campbell common shares owned by the Company during the period. The Company commenced equity accounting for Campbell effective December 1, 2007. Prior to that date it was classified as a financial asset available for sale with changes in fair value included in other comprehensive income/(loss).

***Nine months ended September 30, 2008, compared with the nine months ended September 30, 2007***

In the nine months ended September 30, 2008, the Company had a net loss of \$2,619,000, or \$0.02 per share, compared with net income of \$1,725,000, or \$0.01 per share in the nine months ended September 30, 2007.

Consulting fees from Campbell in 2007 included a share component of 200,000 shares per month which was fulfilled in 2007 as well as a monthly fee of \$25,000. Comparable fees in 2008 comprise only the cash component of \$25,000 per month. Other income of \$368,000 in the nine months ended September 30, 2008 includes \$300,000 from the sale of the Bucko royalty interest in the second quarter which related to a property previously owned by Nuinsco. Other income in the same period of 2007 amounted to \$50,000.

General and administrative expenses in the nine-month period for 2008 of \$1,298,000 increased by \$166,000 over the same period of 2007 due to employee severance costs of \$120,000, as well as foreign exchange losses on the US dollar denominated loan advanced during the third quarter, partially offset by gains on unexpended US dollar denominated cash balances, the net of which amounted to \$142,000. Amounts charged to Victory Nickel for cost recoveries were higher in 2007 overall which reduced the total of general and administrative expenses which are shown net of such recoveries.

Stock option compensation increased over 2007 due primarily to awards for new employees and consultants in the second and third quarters of 2008. As mentioned above, interest expense in the period amounts to \$305,000, compared with \$nil in the comparative period. This is primarily as a result of interest on the loan taken out in the quarter but also includes interest on unexpended flow-through commitments.

The increase in net recoveries from exploration and development properties in the nine months ended September 30, 2008 relates to proceeds of \$198,000 on the sale of the core shack at Rainy River which had

previously been written off. Writedowns of exploration costs have increased to \$151,000, compared with \$45,000 in the comparative period, as a result of increased new project investigation activity primarily in Turkey.

Share of losses from equity-accounted investees in the nine months ended September 30, 2008 are higher than in the comparative period in 2007 primarily because of the losses incurred by Campbell as well as because the comparative period included only one equity-accounted investee - Victory Nickel. In the third quarter, the Company recorded a provision for writedown against the Campbell equity-accounted investment of \$436,000 because of the factors described above impacting Campbell. The market value of Campbell's shares was \$0.005 at close of business on November 6, 2008. The Company believes that the value of its loan and convertible debenture are supported through the underlying security.

Dilution gains or losses from equity-accounted investees arise from changes in the capital structures of the investees and are primarily related to flow-through share financings and the subsequent tax effects of associated renunciation of expenditures. The dilution gain of \$627,000 includes a net gain of \$372,000 from the Company's proportionate share of the flow-through share issuance of Victory Nickel partially offset by the tax effect of its flow-through share renunciation, offset by a dilution gain from the Company's proportionate share of flow-through share issuances at Campbell of \$255,000.

Other comprehensive income in the 2007 comparative period of \$875,000 is related to the Company's shares in Campbell which were formerly held as a financial asset available for sale. In 2008, the other comprehensive loss relates to the Company's proportionate share of Victory Nickel's other comprehensive loss of \$295,000 as explained above, the change in the fair value of the Company's Gold Hawk shares of \$303,000 as well as the adjustment of \$910,000 relating to Campbell also as described earlier.

#### SUMMARY OF QUARTERLY RESULTS

Selected financial information for the first three quarters of 2008 and each of the quarters in 2007 and 2006 is as follows:

<u>Fiscal year 2008</u>		<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u> <i>(Restated)</i>
Revenue and other income		\$ 368,000	\$ 519,000	\$ 253,000
(Loss) net income		\$ (2,930,000) <sup>(1)</sup>	\$ (196,000)	\$ 507,000 <sup>(2)</sup>
(Loss) income per share - basic and diluted		\$ (0.02)	\$ 0.00	\$ 0.00
<u>Fiscal year 2007</u>	<u>4<sup>th</sup> Quarter</u> <i>(Restated)</i>	<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u> <i>(Restated)</i>
Revenue and other income	\$ 361,000	\$ 335,000	\$ 335,000	\$ 357,000
(Loss) net income	\$ (667,000) <sup>(3)</sup>	\$ (96,000)	\$ (129,000)	\$ 1,950,000 <sup>(4)</sup>
(Loss) income per share - basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ 0.02
<u>Fiscal year 2006</u>	<u>4<sup>th</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
Revenue and other income	\$ 755,000	\$ 873,000	\$ 895,000	\$ 1,070,000
(Loss) net income	\$ (493,000)	\$ 34,000	\$ 928,000	\$ 1,744,000
(Loss) income per share - basic and diluted	\$ (0.01)	\$ 0.00	\$ 0.01	\$ 0.02

<sup>(1)</sup> Includes the effects of writedowns in and related to Campbell.

<sup>(2)</sup> Restated to include a dilution loss with respect to the Company's equity-accounted investment in Victory Nickel of \$725,000 as a result of flow-through share renunciations made by Victory Nickel.

<sup>(3)</sup> Restated to include a dilution gain with respect to the Company's equity-accounted investment in Victory Nickel of \$27,000.

<sup>(4)</sup> Restated to include a dilution gain with respect to the Company's equity-accounted investment in Victory Nickel of \$2,044,000.

Variations in the quarterly results of operations are largely a function of the timing and amount of any strategic investment or property writedowns or recoveries, tax recoveries, gains on the sale of marketable securities, the recording of losses of equity-accounted investees and dilution gains or losses.

## EXPLORATION AND DEVELOPMENT ACTIVITIES

In the nine months ended September 30, 2008, the Company incurred exploration and development costs of \$3,807,000 on its mineral interests, compared with \$3,195,000 in the 2007 period, including \$1,171,000 on nickel projects transferred to Victory Nickel. Significant expenditures of \$1,993,000 were made on the Diabase Peninsula uranium property as well as \$570,000 on the Berta and Elmalaan properties in Turkey and \$314,000 on the Cameron Lake property. In the third quarter, the Company acquired its interest in the contiguous Marijane and Huston Lakes properties through Temex. Aggregate expenditures of \$342,000 were incurred in the period. More comprehensive details of the mineral properties are included in the 2007 Annual Report and on the Company's website at [www.nuinsco.ca](http://www.nuinsco.ca).

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

### Uranium

#### *Saskatchewan*

##### *Diabase Peninsula*

In 2008, the Company completed a \$2.5 million, 6,384 metre, 18-hole, drill program that began late in 2007. Within the area tested by drilling on the Nuinsco claim group, holes to date have probed only to a maximum of 150 metres below the unconformity at the base of the Athabasca sandstones. Deeper drilling may be considered following receipt and interpretation of all outstanding sample analyses.

The drilling conducted to date, along with the presence of numerous uranium-prospective structures interpreted from both local and property-wide geophysical surveys, continues to confirm the excellent potential of the property to host unconformity-style uranium mineralization.

#### *Ontario*

##### *Prairie Lake*

A ten-hole, 2,543 metre, drilling program was completed on the project during the quarter. Ranging in length from 125 metres to 590 metres, the holes were drilled to examine mineralization in areas of the Prairie Lake Complex identified as being particularly anomalous from sampling conducted over the entire surface area of the Complex in 2007. Further, the drilling was conducted to greater depth than in previous programs to determine the depth extent of the rocks that comprise the Complex and to characterize the nature of the contact with the enveloping country rock. Analytical results are pending, and the next phase of the program will be evaluated once all results have been received.

#### *Ontario/Manitoba*

##### *Marijane Lake and Huston Lake*

During the second quarter of 2008, Nuinsco announced that it had entered into a binding letter of intent with Temex to acquire a 50% interest in the contiguous Marijane Lake and Huston Lake uranium properties. In July, 2008, the Company and Temex announced the execution of the Option and Joint Venture Agreement and the commencement of the first phase of exploration work. A 2,705 line-km helicopter-borne radiometric survey has been completed and numerous high quality anomalies have been detected. The ground follow-up will provide information necessary for planning an upcoming diamond drill program.

### Copper, Gold, Zinc

#### *Turkey*

##### *Berta*

Diamond drilling began at the Berta Copper-Gold property in northeastern Turkey in April, 2008. The program is being operated by Nuinsco's 50% joint venture partner Xstrata, one of the commodity business units within Xstrata plc (London Stock Exchange: XTA.L and Zurich Stock Exchange: XTRZn.S). The Company entered into a letter of intent to acquire the remaining 50% ownership of Berta upon spending \$2 million on exploration expenditures and completing an independent scoping study within four years. The diamond drilling program was completed in September – comprising three holes (2,000 metres), and to date



assays from two holes have been received and announced. Significant alteration and copper-gold mineralization continues to be encountered in drill holes, demonstrating the presence of a large volume of mineralized rock at the north end of the property area. Limited work elsewhere on the property shows that anomalous mineralization is widespread and provides abundant scope for future exploration. Next steps will be determined once all results have been received.

#### *Elmalaan*

Nuinsco earned a 100% interest in the Elmalaan VMS property in 2007 from Xstrata, and is in the process of transferring ownership to a newly-formed Turkish subsidiary. In 2007, drill results that included hole EKD-07-06 which intersected 2.43% zinc, 0.50g/t gold and 31.07g/t silver over 10.10 metres between 98.90-109.0 metres. Zinc values peaked between 102.6-103.2metres at 9.25%, gold at 2.85g/t and silver at 211g/t.

#### **Ontario**

##### *Cameron Lake*

With \$24 million in past underground development, a 43-101-compliant gold resource, near-term production potential, a mill that could be moved on site quickly and elevated gold prices throughout 2008, Cameron Lake is one of Nuinsco's most undervalued assets. The Company completed an updated resource estimate of the gold mineralization of this deposit which resulted in a 29% increase in measured and indicated ounces and a 72% increase in inferred ounces over the previous resource estimate. A preliminary economic analysis was commissioned from Golder Associates and geotechnical, hydro-geological, environmental and socio-economic studies are underway to determine economic viability and technical requirements on the project.

#### **Strategic investments**

##### **Campbell**

Campbell's strategy to optimize operations at its Copper Rand Mill to increase throughput and lower unit costs has been negatively impacted by continuing underperformance at its Copper Rand mine. As a result, the mine is now in a closure mode and should cease production and be placed on care and maintenance towards the end of 2008. In addition, Corner Bay activities were suspended in October and unlikely to resume until the metal and financial markets improve.

Nuinsco's entry into the Chibougamau mining camp through Campbell continues to be a sound strategic venture. As mentioned earlier, we believe that Corner Bay combined with the Copper Rand 3,000 tonne per day mill and the exploration properties owned by Campbell, will provide the foundation to realize on the mineral wealth in the Chibougamau area when financial conditions improve.

Campbell is in default on its loan to the Company as it has not made the required interest payments. These deficient interest payments have been included in the balance of the loan. Given Campbell's current financial position, there is a significant credit risk associated with these loans. However, the Company believes that the value of its loan and convertible debenture are supported through the underlying security. The Company is assessing its options to best realize on the convertible debenture and loan and will continue to monitor the situation closely.

##### **Victory Nickel**

With over 660 million pounds of in-situ nickel in measured and indicated resources at three projects, plus an additional 530 million pounds of in-situ nickel in inferred resources, Victory Nickel has one of Canada's largest undeveloped sulphide nickel inventories and is well-positioned to benefit from the worldwide shortage of sulphide nickel assets.

In October 2008, Victory Nickel acquired approximately 84% of Independent Nickel Corp. in exchange for 55,913,274 shares from Victory Nickel. The acquisition complements Victory Nickel's properties in Manitoba with the Lynn Lake property as well as effectively eliminating the net smelter royalty on the Minago property. The issuance of shares will reduce the Company's percentage interest in Victory Nickel but the effects on the financial statements have not yet been determined.

### **Gold Hawk**

On July 17, 2008, the Company announced it had purchased 29,920,000 shares, representing an approximate 13% interest, through a private placement, in Gold Hawk for approximately \$1.8 million. This acquisition offers shareholders tremendous upside, despite the challenges presently being addressed at the Coricancha polymetallic mine in Peru. The Company is confident in Gold Hawk's plans for the mine and in management's ability to execute them in concert with the Peruvian authorities.

### **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2008, the Company had a working capital deficiency of \$3,128,000 (including a \$5,180,000 loan due in December 2008 which is secured on the investment in Victory Nickel shares shown as investment in equity-accounted investees), compared with a working capital surplus of \$8,165,000 at December 31, 2007. This deterioration is a function of two main things, the reclassification of the loan to Campbell as non-current and the current loan payable taken out in the third quarter to provide bridge financing to Campbell and funds to purchase Gold Hawk. The Company is in the process of reviewing its options to strengthen the balance sheet and is considering all options including equity financings, restructuring debt and the sale of non-core assets such as the Rainy River royalty. See discussions above related to the going concern uncertainty.

In the current nine-month period, the Company used cash of \$324,000 in operating activities, compared with the use of cash totalling \$938,000 in the 2007 period. This reduction is primarily a result of cash used in 2008 from changes in non-cash working capital of \$207,000, including amounts provided by the change in the amount due from Victory Nickel of \$177,000 compared with an outflow in 2007 of \$511,000.

Cash from financing activities in the nine months ended September 30, 2007 was \$6,867,000. This includes proceeds received on the issuance of common shares as well as proceeds from the loan described below.

In the third quarter of 2008, the Company completed two private placements of flow-through shares. In July, the Company issued 3,633,333 flow-through common shares at a price of \$0.30 per share for gross proceeds of \$1,090,000. After fees and other out-of-pocket costs, net proceeds aggregated \$1,011,000. In September, 2008, the Company issued 4,348,000 flow-through common shares at a price of \$0.23 per share for gross proceeds of \$1,040,000. After fees and other out-of-pocket costs, net proceeds aggregated \$940,000.

During the third quarter, Nuinsco entered into a loan with Auramet Trading LLC ("Auramet"), secured by its shares of Victory Nickel, for an aggregate of US\$5.0 million in two tranches at a rate of 12.5% and aggregate fees, including legal costs, of US\$225,000 which are being amortized to interest expense over the term of the loan plus 233,000 warrants to buy common shares of the Company at \$0.22 per share for a term of two years and 100,000 warrants at \$0.20 per share for a term of two years. The loan is due on or before December 15, 2008 and is subject to a prepayment obligation from proceeds of debt or equity financing excluding flow-through shares, warrants and options.

Investing activities in the nine months ended September 30, 2008 include the subscription for 6 million additional shares in Campbell at a cost of \$600,000, cash advances to Campbell of \$5,693,000, as well as other amounts due from Campbell of \$886,000. In the third quarter, the Company acquired its interest in Gold Hawk for \$1,796,000 and made expenditures on exploration and development projects of \$3,569,000. In the nine months ended September 30, 2007, advances to Campbell amounted to \$2,000,000, the Company was reimbursed by Victory Nickel for Plan of Arrangement costs of \$377,000 and expenditures on exploration and development projects totalled \$2,268,000.

Cash used in the current 2008 period totalled \$5,803,000, versus total cash used in the comparable period in 2007 of \$11,483,000. The 2007 cash utilization included \$12,668,000 distributed on the formation of Victory Nickel.

Given its current cash position, the Company is exploring ways to ensure it will be sufficiently financed to fund its anticipated future administration and exploration costs and to ensure its ability to capitalize on available strategic investments. The Company is in the process of reviewing its options to strengthen the balance sheet and is considering all options including equity financings, restructuring debt and the sale of non-core assets such as the Rainy River royalty.

### **OUTSTANDING SHARE DATA**

At September 30, 2008, the Company had 180,669,227 common shares outstanding. At November 13, 2008, the Company had 180,873,574 common shares issued and outstanding. In addition, there were 13,835,000 stock options and 333,000 warrants, which if exercised and issued, would bring the fully diluted issued common shares to a total of 194,837,227 and would generate cash of approximately \$2.8 million.

### **CRITICAL ACCOUNTING ESTIMATES**

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

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

The Company has reviewed the carrying values of its equity and loans in its strategic investees by considering changes in market and operating conditions and the value of its security held against such loans. Such values are subject to uncertainty and there is always the potential for a material adjustment to the value assigned to these assets.

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

### **NEW ACCOUNTING POLICIES**

#### **Financial Instruments and Capital Disclosures**

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

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 5 to its unaudited interim consolidated financial statements.

Handbook Sections 3862 and 3863 replace handbook Section 3861, Financial Instruments – Disclosure and Presentation revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 6 to its unaudited interim consolidated financial statements.



### **Impaired Loans**

Investments recorded as impaired loans are accounted for at their amortized cost net of the allowance for loan impairment. When a loan is deemed to be impaired, its carrying amount is reduced to its estimated realizable amount which is measured by discounting the expected future cash flows at the effective interest rate inherent in the loans. The amount initially recognized as an impaired loan, together with any subsequent change, is charged to the allowance for impaired loans.

### **Future Accounting Changes**

The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's financial statements has not yet been determined.

### **DISCLOSURE CONTROLS**

The Company's certifying officers have designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them with respect to financial and operational conditions. Such controls are facilitated by the small size of the Company's senior management team and their access to material information. The certifying officers have evaluated the effectiveness of the disclosure controls and procedures as of September 30, 2008 and have concluded that these disclosure controls and procedures are effective at the reasonable assurance level.

The management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. There were no changes to the Company's internal control over financial reporting that occurred during the period ended September 30, 2008 that materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

### **RELATED PARTY TRANSACTIONS**

Related party transactions in the nine months ended September 30, 2008 and not otherwise disclosed elsewhere in this management's discussion and analysis include the following:

- a) The Company shares management, administrative assistance and facilities with Victory Nickel pursuant to a management agreement. The costs recovered from Victory Nickel are equal to the costs incurred by the Company to provide such services plus 10 per cent. The management agreement has an initial term of 24 months from February 1, 2007 and is terminable thereafter by the Company upon 90 days notice and by Victory Nickel upon 180 days notice. Costs recovered from Victory Nickel in the current nine-month period totalled \$447,159 and have been deducted from general and administrative expenses. Victory Nickel charged the Company \$34,875 in the nine months ended September 30, 2008 for project-related costs; such costs have been included in exploration and development projects (\$nil in 2007). In addition, Nuinsco charged project-related costs to Victory Nickel of \$40,333 in the nine-month period ended September 30, 2008.
- b) The Company commenced equity accounting for its investment in Campbell effective December 1, 2007. During 2006, 2007 and the first nine months of 2008, the Company made various loans to and investments in Campbell, and earned interest, consulting fees and loan set-up fees from Campbell. These transactions are described in Note 5 to the Company's 2007 Audited Consolidated Financial Statements and are updated in Note 8 to the Company's September 30, 2008 unaudited interim consolidated financial statements.

## RISKS AND UNCERTAINTIES

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

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

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

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

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

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

## FORWARD LOOKING STATEMENTS

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

*Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from estimates and assumptions; uncertainties relating to the availability and costs of financing needed in the future; failure to establish estimated mineral resources; fluctuations in commodity prices and currency exchange rates; inflation; recoveries being less than those indicated by the testwork carried out to date (there can be no assurance that recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production); changes in equity markets; operating performance of facilities; environmental and safety risks; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; unavailability of plant, equipment or labour; inability to retain key management and personnel; changes to regulations or policies affecting the Company's activities; the uncertainties involved in interpreting geological data; and the other risks disclosed under the heading "Risk Factors" and elsewhere in the Company's annual information form dated March 30, 2008 filed on SEDAR at [www.sedar.com](http://www.sedar.com). Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by*

*applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.*

November 13, 2008

