

# NUINSCO RESOURCES LIMITED

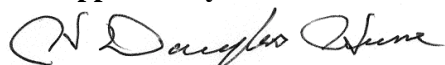
## **CONSOLIDATED BALANCE SHEETS**

(in thousands of dollars)

	<u>June 30, 2003</u> (unaudited)	<u>December 31, 2002</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 132	\$ 100
Accounts receivable	6	7
Prepaid expenses	3	17
<b>Total current assets</b>	<u>141</u>	<u>124</u>
Cash for Exploration Expenditures	-	277
Exploration and Development Projects (note 2)	17,007	16,296
Other Assets	140	145
	<u>\$ 17,288</u>	<u>\$ 16,842</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 679	\$ 631
Demand loans (Note 3)	400	-
<b>Total current liabilities</b>	<u>1,079</u>	<u>631</u>
<b>Long-term</b>		
Convertible notes	200	200
	<u>1,279</u>	<u>831</u>
<b>Shareholders' Equity</b>		
Share capital (Note 4(a),(c))	55,416	55,146
Stock option compensation (Note 4(b))	95	31
Contributed surplus	759	759
Deficit	<u>(40,261)</u>	<u>(39,925)</u>
<b>Net shareholders' equity</b>	<u>16,009</u>	<u>16,011</u>
	<u>\$ 17,288</u>	<u>\$ 16,842</u>

### GOING CONCERN (NOTE 1(b))

Approved by the Board



H. Douglas Hume, Director



Rene R. Galipeau, Director

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited - in thousands of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
<b>Cash from (used by)</b>				
<b>Operating activities</b>				
Net loss for the period	\$ (145)	\$ (471)	\$ (336)	\$ (585)
Items not affecting cash				
Depreciation	3	3	5	6
Stock option compensation	-	-	64	-
Write-down of exploration and development projects	-	300	-	300
	(142)	(168)	(267)	(279)
Changes in non-cash working capital	40	8	65	37
Cash used by operating activities	(102)	(160)	(202)	(242)
<b>Financing Activities</b>				
Demand Loans	-	-	400	-
Convertible Notes	-	200	-	200
Deposits	(240)	-	-	-
Issue of common shares	270	-	270	-
Cash from financing activities	30	200	670	-
<b>Investing activities</b>				
Cash for exploration expenditures	-	-	277	116
Additions to exploration and development projects	(15)	(55)	(713)	(183)
Cash used by investing activities	(15)	(55)	(436)	(67)
<b>Net increase (decrease) in cash during the period</b>	<b>(87)</b>	<b>(15)</b>	<b>32</b>	<b>(109)</b>
Cash, beginning of period	219	20	100	114
<b>Cash, end of period</b>	<b>\$ 132</b>	<b>\$ 5</b>	<b>\$ 132</b>	<b>\$ 5</b>

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

(unaudited - in thousands of dollars, except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
<b>Revenue</b>				
Interest income	\$ 1	\$ -	\$ 1	\$ 3
<b>Costs and Expenses</b>				
General and administrative	143	168	268	282
Depreciation	3	3	5	6
Stock option compensation	-	-	64	-
Write-down of exploration & development projects	-	300	-	300
	146	471	337	588
<b>Net loss for period</b>	<b>145</b>	<b>471</b>	<b>336</b>	<b>585</b>
<b>Deficit, beginning of period</b>	<b>40,116</b>	<b>37,911</b>	<b>39,925</b>	<b>37,797</b>
<b>Deficit, end of period</b>	<b>\$ 40,261</b>	<b>\$ 38,382</b>	<b>\$ 40,261</b>	<b>\$ 38,382</b>
<b>Loss— basic and fully diluted</b>	<b>nil</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>\$0.01</b>
<b>Weighted average outstanding common shares</b>	<b><u>60,695,602</u></b>	<b><u>54,266,740</u></b>	<b><u>60,362,463</u></b>	<b><u>54,266,740</u></b>

# NUINSCO RESOURCES LIMITED

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2003 (unaudited)

### 1. a) General

The consolidated interim financial statements of the Company are prepared by management using accounting principles generally accepted in Canada for interim financial statements and reflect the accounting principles set out in the notes to the Company's consolidated financial statements as of December 31, 2002, appearing in the Company's 2002 Annual Report. These interim financial statements should be read in conjunction with those annual financial statements and the notes thereto. The results of operations and cash flow for the current periods are not necessarily indicative of the results to be expected for the full year.

### b) Going Concern

These consolidated financial statements have been prepared using accounting principles applicable to a going concern entity, which assume that the entity will continue operating in the future and be able to realize its assets and discharge its liabilities in the normal course of its business. The Company's exploration and development projects are in their early stages and, consequently, the Company, having no operating revenues to sustain its activities, has been wholly dependent on equity financings and the optioning of resource properties for its funds.

Several adverse conditions cast substantial doubt on the validity of the Company's application of the going concern principle. The conditions include ongoing losses and property write-downs, working capital deficiencies and insufficient cash reserves to meet the Company's minimum commitments. Therefore, the Company's ability to continue its operations, its planned development activities, and maintain its interest in its projects, is dependent upon the satisfactory completion of a financing or optioning or sale of property interests to provide the required funds. Should the company not be able to obtain the necessary financing and should the Company not be able to continue as a going concern, then adjustments would be required with respect to the carrying value of the Company's assets and liabilities, reported net loss, and the balance sheet classifications used.

### 2. Exploration and Development Projects

<u>Project</u>	<u>June 30, 2003</u>	<u>December 31, 2002</u>
	(in thousands)	
Rainy River	\$ 11,863	\$ 11,789
Lac Rocher	2,714	2,712
Mel Properties	2,064	1,487
Prairie Lake	159	143
Other	<u>207</u>	<u>165</u>
	<u>\$ 17,007</u>	<u>\$ 16,296</u>

### 3. Demand Loans

During the period, the Company received a total of \$400,000 from two directors of the Company in the form of demand loans bearing interest of 12% per annum. Interest expense of \$12,000 has been accrued in the accounts.

### 4. Share Capital

a) During the period, 666, 279 common shares were issued under a private placement flow-through financing for proceeds of \$270,000. As part of the financing, 225,000 warrants were granted to the investors exercisable at \$0.60 each to May 2004.

b) During the period, 1,250,000 stock options were granted under the stock option plan. The options were granted for a term of five years at a price of \$0.25 each. The fair value of the 1,250,000 options granted to an officer and directors has been estimated on the date of the grant at \$63,750 using the Black-Scholes option pricing method, using the following assumptions:

	2003	2002
Dividend yield	-	-
Expected volatility	20.48%	-
Risk free interest rate	4.5%	-
Expected option term-years	3	-
Fair value per share of options granted	\$0.051	-

c) At August 25, 2003, the issued and outstanding common shares of the Company totalled 60,695,602 and on a fully diluted basis there would be 67,938,884 common shares outstanding.

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

### **Three Months Ended June 30, 2003**

*This MD&A reflects the three month period ended June 30, 2003 and should be read in conjunction with the MD&A included in the 2002 Annual Report.*

### **RESULTS OF OPERATIONS**

During the three months ended June 30, 2003, the Company incurred losses of \$145,000 compared to losses of \$471,000 in the same period of 2002. During the six month period of 2003, the Company recorded an expense of \$64,000 for the fair value of options granted to the new President as an officer and a director and for another new director. No such expense was incurred in the same period of 2002.

### **LIQUIDITY AND CAPITAL RESOURCES**

Cash decreased during the current period by \$87,000 to \$132,000. Current liabilities increased from \$631,000 at December 31, 2002 to \$1,079,000. Current liabilities increased as two directors of the Company advanced a total of \$400,000 on a demand loan basis bearing interest at 12% per annum in the first quarter of 2003. These funds, along with the cash available from the flow-through financing in December 2002 and the new financing for flow-through shares of \$270,000 were used to fund the exploration undertaken with INCO on the Mel Properties. The Company's working capital deficiency and commitments for the Mel exploration remain major concerns for the Company to continue and maintain its interest in the Mel and other properties. Management is working diligently to resolve these problems.

### **OUTLOOK**

As explained in the 2002 Annual Report, Management is attempting to secure a major equity financing to enable it to carry out its proposed exploration projects, clear up outstanding accounts payable and provide funding for ongoing corporate and administrative costs. It will also be considering further flow-through financing later in the year for some exploration activities. While there is no certainty these actions will be successful, management and the board of directors believe that a financing can be undertaken and are continuing to support the Company in the meantime as is evidenced by the demand loan advances.

## **REPORT TO SHAREHOLDERS**

With the recent rise in nickel and gold prices the Company is re-evaluating the exploration and development opportunities of its nickel properties in Manitoba and its gold properties located in north-western Ontario.

The Cameron Lake deposit hosts a gold resource in excess of 500,000 ounces gold and is developed by ramp to a depth of 260 metres. The Company's Rainy River #17 Zone contains a much larger (1.2 million ounce), although undeveloped resource. Diagonal drilling indicates potential to upgrade this zone from 1.4 to 2.5 grams/tonne without any change in tonnage. Bulk sampling is required to define the actual grade.

In northern Manitoba, the Company is re-evaluating the economics of mining its wholly-owned Minago nickel deposit located along the Thompson Nickel belt. Diamond drilling outlined a resource of 11.5 million tonnes at 1.12% nickel (includes 2.2 million tons at 1.64% nickel). In addition, Nuinsco is evaluating the Mel nickel deposit, under option from Inco, and located 20 kilometres north of Thompson, Manitoba. The Mel deposit has an inferred resource of 620,000 tonnes of ramp-accessible material with an average grade of 1.8% nickel.

During the third quarter, extensive trenching and bedrock sampling was carried out on the Company's Prairie Lake carbonatite property to identify phosphate-carbonate rich rock, and tantalum-niobium mineralization. Assay results are pending.

On behalf of the Board of Directors,



W. Warren Holmes  
President & CEO  
August 25, 2003