

# **NUINSCO RESOURCES LIMITED**

## **UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006**

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

The accompanying unaudited interim consolidated financial statements of Nuinsco Resources Limited for the three months and six months ended June 30, 2006 have been prepared by management and approved by the Board of Directors of the Company.

# NUINSCO RESOURCES LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS Three and Six Months Ended June 30, 2006

*This management's discussion and analysis is dated August 10, 2006, reflects the three and six month periods ended June 30, 2006 and should be read in conjunction with the interim consolidated financial statements for the three and six months ended June 30, 2005 and the financial statements and management's discussion and analysis for the year ended December 31, 2005 available in the Company's Annual Report. These documents, along with an Annual Information Form and other documents published by Nuinsco Resources Limited ("Nuinsco" or the "Company"), are available on SEDAR at [www.sedar.com](http://www.sedar.com) or from the office of the Company.*

### COMPANY OVERVIEW

Nuinsco is a Canadian exploration and development-stage mineral resource company engaged in the acquisition, exploration and development of precious and base metal properties. Property interests are located in northwestern Ontario, in northern Manitoba on the Thompson Nickel Belt, in Saskatchewan's Athabasca Basin, in the Lac Rocher area of Quebec and in northeastern Turkey.

During the second quarter of 2006, Nuinsco entered into a transaction to provide operating management services to gold and copper producer Campbell Resources Inc. ("Campbell"). This transaction is a significant step forward toward Nuinsco's goal of making the transition to mine development and commercial production. It represents Nuinsco's entry into managing operating mines and provides the potential for the Company to become a producer in 2007 as a 50% partner with Campbell in the high-grade Corner Bay copper deposit in Quebec's Chibougamau Mining Camp.

### RESULTS OF OPERATIONS

For the three months ended June 30, 2006, the Company had net income of \$928,000, or \$0.01 per share, compared with net income of \$247,000, or \$0.00 per share, in the same period of 2005. As was the case in the first quarter of 2006, a significant gain (\$694,000) was realized in the current quarter from the sale of marketable securities (Rainy River Resources Ltd.). As explained in more detail below under Liquidity and Capital Resources, on May 1, 2006 the Company commenced providing operating management services to Campbell which resulted in management fees totaling \$175,000 being earned in the current quarter. The Company also realized tax recoveries of \$783,000 in the current quarter. Net proceeds of this amount were received as a result of transactions entered into which resulted in the realization of the benefit of previously unrecognized tax loss carry forwards.

General and administrative expenses totaled \$747,000 in the three months ended June 30, 2006, compared with \$301,000 in the same 2005 period. This reflects increased activities related to reviewing new projects, legal costs relating to financing opportunities and general corporate activities. General and administrative expenses in the current quarter also include an amount of \$294,000, representing the value, excluding issue costs, ascribed to 1,400,000 common shares issued to the estate of a former Chief Executive Officer of the Company for services he rendered as an officer of the Company over many years. The issuance of the shares followed the receipt of approval of the transaction by the Toronto Stock Exchange. As mentioned in the December 31, 2005 Management's Discussion and Analysis, administration costs are expected to continue to increase as the Company's activities expand and regulatory compliance demands are met.

During the second quarter of 2006, the Company restructured its management team and hired several individuals to meet the increased requirements evolving from the Company's growth. Nuinsco has never had more activity than it has at present and expects corporate costs to increase accordingly in the future as it develops its existing assets and pursues additional opportunities for growth.

In the six months ended June 30, 2006, the Company had net income of \$2,672,000, or \$0.02 per share, versus a net loss of \$148,000, or \$0.00 per share, for the same period in 2005. Aggregate gains on the sale of marketable securities in the current six month period were \$1,747,000. In addition to the tax recoveries realized in the second quarter, as described above, the Company also recognized income tax recoveries in the first quarters of 2006 and 2005 of \$1,076,000 and \$211,000, respectively. These income tax recoveries represent the tax benefits realized from the renunciation of Canadian exploration expenses to the investors in flow-through share financings. General and administrative expenses for the six months ended June 30, 2006 totaled \$1,147,000 versus \$580,000 for the same period in 2005, also reflecting the increased activity levels described above.

There were no property write-downs in the six months ended June 30, 2006; in the corresponding period in 2005, the Prairie Lake project was written down by \$325,000 to \$nil.

### SUMMARY OF QUARTERLY RESULTS

Selected financial information for the first quarter of fiscal 2006 and each of the quarters of fiscal 2005 and 2004:

<u>Fiscal year 2006</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
Revenue and other income	\$ 895,000	\$ 1,070,000
Net income	\$ 928,000	\$ 1,744,000
Income per share – basic and diluted	\$ 0.01	\$ 0.02

<u>Fiscal year 2005</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	\$ 404,000	\$ 2,000	\$ 2,000	\$ -
Loss	\$ (3,798,000)	\$ (1,064,000)	\$ 247,000	\$ (395,000)
Loss per share – basic and diluted	\$ (0.04)	\$ (0.01)	\$ -	\$ -

<u>Fiscal year 2004</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	\$ -	\$ 1,000	\$ 6,000	\$ 11,000
(Loss) income	\$ (7,380,000)	\$ (705,000)	\$ (765,000)	\$ 144,000
(Loss) income per share – basic and diluted	\$ (0.09)	\$ (0.01)	\$ (0.01)	\$ -

### EXPLORATION AND DEVELOPMENT ACTIVITIES

For the six months ended June 30, 2006, the Company incurred exploration expenditures of \$2,065,000 on mineral interests, compared with \$1,580,000 in the same period of 2005. Significant expenditures of \$536,000 and \$1,094,000 were made in 2006 on the Minago nickel project and Diabase Peninsula uranium property, respectively where drilling and analytical work was undertaken. The Company also spent \$227,000 on its Berta property in Turkey. Complete details of the mineral properties are included in the 2005 Annual Report.

#### **NICKEL**

##### **Minago Project**

Nuinsco has expended approximately \$1,700,000 on the Minago Project. Of this amount, approximately \$540,000 was spent in the first six months of 2006 on metallurgical studies, and diamond drilling to provide additional samples for ongoing metallurgical study, geotechnical measurements, confirmation of historic assays and to test for extensions to the existing mineralized envelope. Two holes were completed totaling 1,483 metres, and the Company continued to intersect wide zones of strong nickel mineralization, including assays at depth that were among the highest recorded to date. Hole DDH NM-06-02 ended in mineralization at 856 metres, and results indicated 551 metres of 0.55% nickel, which includes 80.95 metres grading 1.12% nickel. Sub intervals graded up to 47.65 metres at 1.49% nickel and 3.93 metres grading 1.91% nickel. Further information on these drill results can be found in the Company's press release dated May 25, 2006.

A baseline environmental study is underway, as is metallurgical testing to confirm historic studies showing that a very high-grade, high-value, nickel concentrate can be produced at Minago. This work is part of a scoping study that is scheduled for completion in September 2006. Assuming the scoping study is positive, Nuinsco intends to immediately undertake a feasibility study which will incorporate the results of a \$3 million reserve definition drilling program to begin toward the end of the year.

##### **Mel Project**

At the end of 2005, a write-down of \$3,900,000 was required because the Mel option agreement with Inco Limited ("Inco") expired on February 28, 2006 and the Company had not incurred the \$6,000,000 in expenditures required by the option agreement. The Mel option agreement was amended in May 2006 to extend the date to complete the \$6,000,000 in expenditures to February 28, 2008. Nuinsco has spent a total of \$4,100,000 to date, and expects to complete its required expenditures before the new deadline of February 28, 2008 to earn a 100% interest. Accordingly, costs currently being expended on the project are being capitalized (\$53,000 in the six months ended June 30, 2006).

##### **Lac Rocher**

The Lac Rocher property is located on the Frotet-Evans Greenstone Belt in northwestern Quebec. In January 1999 Nuinsco drilled three holes, including one that intersected disseminated sulphide mineralization and 3.2 metres of massive sulphide grading 10.8% nickel. Subsequent drilling further tested the discovery intrusion as well as other targets, identifying a larger halo zone in excess of 1% nickel surrounding the massive sulphide discovery.

In the second quarter of 2006, the Company began a 2,000 metre drill program to assess the high-grade massive sulphide and associated disseminated sulphide zones in order to enable the estimate of a National Instrument 43-101-compliant resource at Lac Rocher. Drill results are expected in early September and Nuinsco is targeting completion of a feasibility study this fall with the objective of mining and direct shipping the high-grade mineralization at Lac Rocher to a suitable smelter for processing.

### ***COPPER, ZINC, LEAD***

#### **Turkish Properties**

Nuinsco has two properties in northeastern Turkey: the Berta copper/gold project, on which exploration began in 2004, and the Elmalaan copper-zinc property on which the Company signed a letter of intent with Falconbridge Limited ("Falconbridge") in December 2005. The agreement, completed in August 2006, requires that Nuinsco expend US\$250,000, including 1,000 metres of diamond drilling, before the end of December 2006.

An airborne geophysical survey was conducted at Berta during the second quarter of 2006, and results are pending. At Elmalaan, crews are scheduled to conduct geological mapping, geochemical sampling and ground geophysics. Results from this work on Berta and Elmalaan will be used to define targets for diamond drilling. Results are expected in the fourth quarter, with drilling to begin immediately thereafter.

### ***URANIUM***

#### **Diabase Peninsula Property**

In December 2004, Nuinsco optioned 50% of a prospective uranium property in the Athabasca Basin of northern Saskatchewan from Trend Mining Company. During the first six months of 2006, Nuinsco spent approximately \$1,100,000 on exploration. The winter program consisted of six diamond drill holes, totaling 2,789 metres, and associated analytical work. This phase-one drilling returned elevated levels of uranium mineralization and of key indicator minerals in many samples both in the Athabasca sediments and the underlying graphite and sulphide bearing basement rocks. A 2,000 metre phase-two diamond drilling program began in June to follow-up on these positive drill results. Assays from phase-two drilling are expected in the fourth quarter of 2006.

### ***GOLD***

#### **Cameron Lake Project**

During the second quarter of 2006, the Company announced that Wardrop Engineering Ltd. had been commissioned to obtain the permits required for the dewatering of the underground workings at the Cameron Lake gold project in northwestern Ontario. This work represents the first step toward production at the advanced-stage gold project, and is being carried out in addition to a \$450,000 expenditure by an unrelated third party to improve road access to the site.

Cameron Lake hosts a National Instrument 43-101-compliant gold resource, and \$24 million in underground development has been completed by a past operator. Underground development includes a production ramp to the 260-metre level and additional development on a number of intermediate levels. The Company sees potential for near-term gold production at Cameron Lake, and is currently evaluating the acquisition of a mill facility.

### **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2006, the Company had working capital of \$4,665,000, compared with \$3,327,000 at December 31, 2005. In addition, the Company's marketable securities had a value of \$1,227,000 in excess of their book value.

In the six months ended June 30, 2006, the Company generated \$4,000 from operating activities, compared with the use of cash totaling \$703,000 in the same period in 2005. Cash provided by financing activities in the current six-month period totaled \$1,350,000 mostly as a consequence of the issuance of 3,750,000 shares, including 2,470,000 flow-through shares, for net proceeds of \$1,395,000. In the same period in 2005, the Company raised \$1,855,000 through the issuance of flow-through share units comprising flow-through shares and warrants.

Investing activities in the six months ended June 30, 2006 generated cash of \$570,000. Cash inflows included proceeds from the sale of marketable securities of \$1,959,000 plus \$500,000 in payments received on the Company's long-term receivable from Rainy River Resources Ltd., less expenditures on additions to exploration and development projects of \$1,883,000 and additions to equipment of \$6,000. In the six months ended June 30, 2005, investing activities comprised expenditures of \$1,668,000 on exploration and development projects, less receipt of \$500,000 with respect to the long-term receivable.

Total cash generated in the current six-month period amounted to \$1,924,000, versus the use of cash of \$16,000 in the comparable period in 2005.

The Company is sufficiently financed to fund its anticipated future administration and exploration costs unless a decision is made to advance one or more of its projects to production. In addition, the Company agreed in principle with Campbell to a proposed transaction (the "Campbell Transaction") whereby Nuinsco will purchase \$2,500,000 shares of Campbell at \$0.08 per share. This purchase would represent approximately 10% of Campbell's outstanding shares.

The Campbell Transaction also provides Nuinsco with an option to purchase an additional 20% interest in Campbell at a price of \$0.10 per share. The option is valid for a two-year period and would require an investment of approximately \$7,700,000 should the Company exercise its option in full.

As part of the Campbell transaction, Nuinsco has agreed to enter into an Operating Management Agreement whereby Nuinsco is managing Campbell's Joe Mann gold mine and Copper Rand copper mine for a fee of \$25,000 per month plus 200,000 Campbell common shares per month to a maximum of 4,000,000 shares. The Company also received 2,000,000 Campbell common shares on commencement of the Operating Management Agreement and will receive a further 1,000,000 shares on completion of the contemplated financings by Campbell. The Company commenced providing management services on May 1, 2006 pursuant to this arrangement. Accordingly, the Company has recorded the management fees earned under the arrangement in May and June 2006 in the current six-month period.

As additional compensation, Nuinsco will receive a 50% interest from Campbell in the Corner Bay copper deposit in Chibougamau, Quebec upon arranging up to \$4,000,000 in financing to bring the upper portion of the property into production. The estimated total cost to bring this property into production is approximately \$12,000,000.

To finance the aforementioned \$2,500,000 acquisition of Campbell shares, the Company has announced that it intends to complete a rights offering to its shareholders on the basis of one right for every four shares owned. The Board of Directors decided to postpone the rights offering until the third quarter of 2006 in order to capitalize on a potentially more robust market environment in the fall. The Board of Directors and management believe that a rights offering will give the existing shareholders an opportunity to choose to participate in financing the Company's activities and thereby reduce the dilution required to advance the Company's many attractive projects.

#### **OUTSTANDING SHARE DATA**

At August 10, 2006, the Company had 111,433,951 common shares issued and outstanding. In addition, there were 10,825,000 stock options granted, 1,052,632 shares reserved for conversion of the convertible debt, and 10,012,551 warrants, compensation units and underlying warrants issued and outstanding which if exercised would bring the fully diluted issued common shares to a total of 133,324,134 and would generate approximately \$7,400,000 of cash.

At the Annual and Special Meeting of Shareholders held June 14, 2006, shareholders passed a special resolution approving amendment of the Company's articles of continuance to provide for creation of five classes of special shares ("Tracking Shares"). Each class of Tracking Share would track and reflect the economic performance of a particular division or part of the Company's business. Potential divisions for Nuinsco at present could be one or more of: nickel assets, gold assets, uranium assets, Turkish assets. The amended articles of continuance have not yet been filed, and management and the Board of Directors are continuing to evaluate the implementation of the Tracking Share structure.

#### **OUTLOOK**

Nuinsco is a multi-commodity company focused on growth. With exposure to a range of commodities, from gold to nickel to copper, zinc and uranium, the Company is uniquely positioned to capitalize on strong commodity prices throughout the cycle and create that growth for its shareholders.

Nuinsco's goal remains to become a producing company that generates cash flow to advance its strong stable of exploration and development projects.

To this end, the Company is evaluating a number of projects with respect to near-term production potential. The completion during the second quarter of 2006 of the Campbell transaction moves Nuinsco closer to achieving this goal. An immediate benefit of the Campbell Operating Management Agreement is that it will provide a certain level of cash flow to offset a portion of overhead and exploration expenses. Furthermore, assuming the Company achieves its objectives with respect to increasing production at Campbell's Joe Mann gold and Copper Rand

copper mines, an increase in the value of Nuinsco's shareholdings in Campbell would be expected. Potentially most significant, however, is the near-term production opportunity arising from the proposed 50% interest in the high-grade Corner Bay copper deposit and exposure to other advanced projects in the Chibougamau mining camp.

As discussed under Exploration and Development Activities above, production potential is being evaluated at Cameron Lake and Lac Rocher, and subsequent to the end of the second quarter, the Company reiterated its intention of spinning off, either through a Tracking Share structure or a separate public company, its Minago, Mel and Lac Rocher properties to create a pure-play nickel company and unlock the value of these assets for shareholders. At Minago, a scoping study is nearing completion and is expected to be complete in September 2006; at Lac Rocher, drilling is underway and a 43-101-compliant resource estimate is expected to be complete early in the fourth quarter of 2006; and, at Mel, an internal economic study is underway in preparation for commencing a scoping study this fall.

The Company also intends to remain very active on its key exploration projects -- Diabase Peninsula, Elmalaan and Berta -- for the foreseeable future.

Economic conditions in the mining industry continue to be favourable, as metal prices remain strong due to continuing worldwide demand for commodities virtually across the board. This is a positive trend for all exploration and mining companies, and Nuinsco is optimistic about its ability to capitalize on the current robust environment and create growth for shareholders by achieving its goal of becoming a producing mining company.

### **Management Changes**

At the Annual and Special Meeting of Shareholders held June 14, 2006 the Company announced changes to its senior management team including the switching of roles by CEO Warren Holmes and Chairman of the Board René Galipeau. As new Chairman, Mr. Holmes will remain closely involved in the Company's development and take a particularly active role with respect to the Operating Management Agreement entered into with Campbell. As new CEO and Vice-Chairman, Mr. Galipeau will be responsible for the overall strategic direction and day-to-day operation of Nuinsco. Mr. Galipeau will work closely with his senior management team comprised of Brian Robertson, President and Paul Jones, Vice-President of Exploration, as well as Norman Lecuyer, Vice-President, Quebec Operations and Sean Stokes, Corporate Secretary and Director of Investor Relations, both of whom joined the Company during the second quarter.

### **RISKS AND UNCERTAINTIES**

The nature of risks and uncertainties are discussed in the Annual Information Form filed by the Company and in the Management's Discussion and Analysis for the year ended December 31, 2005, and apply to the period under review.

### **FORWARD LOOKING STATEMENTS**

These unaudited interim consolidated financial statements and management's discussion and analysis contain certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe," "expect," "goal," "plan," "intend," "estimate," "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

August 10, 2006

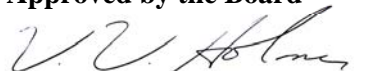
**NUINSCO RESOURCES LIMITED**  
**CONSOLIDATED BALANCE SHEETS**

(in thousands of Canadian dollars)

	<u>June 30, 2006</u> (unaudited)	<u>December 31, 2005</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,452	\$ 578
Cash for exploration expenditures	2,122	2,072
Marketable securities – at cost (market value June 30 - \$1,739; December 31, 2005 - \$1,543)	512	316
Accounts receivable (Note 3)	306	46
Current portion of long-term receivable	500	1,000
Prepaid expenses	25	29
<b>Total current assets</b>	<u>5,917</u>	<u>4,041</u>
<b>Exploration and Development Projects (Note 4)</b>	<b>7,042</b>	<b>5,076</b>
<b>Buildings and Equipment</b>	<b>42</b>	<b>41</b>
<b>Deferred Share Issue Costs (Note 5)</b>	<b>45</b>	<b>-</b>
	<u>\$ 13,046</u>	<u>\$ 9,158</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 969	\$ 714
Deferred revenue (Note 3)	283	-
	<u>1,252</u>	<u>714</u>
<b>Convertible Notes</b>	<b>200</b>	<b>200</b>
	<u>1,452</u>	<u>914</u>
<b>Shareholders' Equity (Note 6)</b>		
Share capital	63,436	62,768
Stock option compensation	993	1,177
Share purchase warrants	416	406
Contributed surplus	1,233	1,049
Deficit	(54,484)	(57,156)
<b>Net shareholders' equity</b>	<u>11,594</u>	<u>8,244</u>
	<u>\$ 13,046</u>	<u>\$ 9,158</u>

**NATURE OF OPERATIONS (NOTE 2)**

Approved by the Board

  
W. Warren Holmes, Director

  
René R. Galipeau, Director

**NUINSCO RESOURCES LIMITED****CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
<b>Revenue and Other Income</b>				
Management fees (Note 3)	\$ 175	\$ -	\$ 175	\$ -
Interest income	24	2	38	2
Gain on sale of marketable securities	694	-	1,747	-
Other	2	-	5	-
	<b>895</b>	<b>2</b>	<b>1,965</b>	<b>2</b>
<b>Costs and Expenses</b>				
General and administrative	747	301	1,147	580
Amortization	3	3	5	5
Write-down of exploration and development projects (Note 4)	-	-	-	325
Recovery on sale of exploration and development project (Note 4)	-	(549)	-	(549)
	<b>750</b>	<b>(245)</b>	<b>1,152</b>	<b>361</b>
<b>Income (loss) before income taxes</b>	<b>145</b>	<b>247</b>	<b>813</b>	<b>(359)</b>
<b>Income tax recoveries (Note 7)</b>	<b>(783)</b>	<b>-</b>	<b>(1,859)</b>	<b>(211)</b>
<b>Net income (loss) for period</b>	<b>928</b>	<b>247</b>	<b>2,672</b>	<b>(148)</b>
<b>Deficit, beginning of period</b>	<b>(55,412)</b>	<b>(52,541)</b>	<b>(57,156)</b>	<b>(52,146)</b>
<b>Deficit, end of period</b>	<b>\$ (54,484)</b>	<b>\$ (52,294)</b>	<b>\$ (54,484)</b>	<b>\$ (52,294)</b>
<b>Income (loss) per share – basic and fully diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	<b>\$ 0.02</b>	<b>\$ 0.00</b>
<b>Weighted average common shares outstanding</b>	<b>109,197,925</b>	<b>94,979,726</b>	<b>107,487,668</b>	<b>91,222,564</b>



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

(unaudited - in thousands of dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
<b>Cash from (used by)</b>				
<b>Operating activities</b>				
Net income (loss) for the period	\$ 928	\$ 247	\$ 2,672	\$ (148)
Items not affecting cash:				
Expenses settled through issuance of shares or warrants	294	-	294	-
Management fees received in marketable securities (Note 3)	(125)	-	(125)	-
Gain on sale of marketable securities	(694)	-	(1,747)	-
Amortization	3	3	5	5
Write-down of exploration and development projects	-	-	-	325
Recovery on sale of exploration and development project (Note 4)	-	(549)	-	(549)
Income tax recoveries	-	-	(1,076)	(211)
Changes in non-cash working capital (Note 8)	76	(99)	(19)	(125)
Cash from (used by) operating activities	482	(398)	4	(703)
<b>Financing Activities</b>				
Deferred share issue costs	(45)	-	(45)	-
Issue of common shares	1,395	1,733	1,395	1,855
Cash from financing activities	1,350	1,733	1,350	1,855
<b>Investing activities</b>				
Sale of marketable securities	756	-	1,959	-
Long-term receivables	250	250	500	500
Additions to exploration and development projects	(1,066)	(720)	(1,883)	(1,668)
Additions to equipment	-	-	(6)	-
Cash from (used by) investing activities	(60)	(470)	570	(1,168)
<b>Net increase (decrease) in cash during period</b>	<b>1,772</b>	<b>865</b>	<b>1,924</b>	<b>(16)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,802</b>	<b>117</b>	<b>2,650</b>	<b>998</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 4,574</b>	<b>\$ 982</b>	<b>\$ 4,574</b>	<b>\$ 982</b>
<b>Cash and cash equivalents, end of period</b>				
<b>Cash and cash equivalents</b>	<b>\$ 2,452</b>	<b>\$ -</b>	<b>\$ 2,452</b>	<b>\$ -</b>
<b>Cash for exploration expenditures</b>	<b>2,122</b>	<b>982</b>	<b>2,122</b>	<b>982</b>
	<b>\$ 4,574</b>	<b>\$ 982</b>	<b>\$ 4,574</b>	<b>\$ 982</b>

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

June 30, 2006 (unaudited)

(all tabular amounts are in thousands of Canadian dollars)

**1. Basis of Presentation**

The unaudited interim consolidated financial statements of 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 financial statements for the year ended December 31, 2005 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 are not necessarily indicative of the results to be expected for the full year.

**2. Nature of Operations**

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.

As a development stage enterprise, none of the Company's exploration or development projects have commenced commercial production and accordingly the Company historically has been dependent upon debt or equity financings and the optioning and/or sale of resource or resource related assets for its funding. The recoverability of the carrying value of exploration and development projects, and ultimately the Company's ability to continue as a going concern, is dependent upon the discovery of economically recoverable reserves and resources, the Company's ability to finance development of its projects through debt or equity financings, or alternatively upon the profitable disposal of projects.

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

**3. Agreements with Campbell Resources Inc.**

In April 2006, the Company reached an agreement with Campbell Resources Inc. ("Campbell") which outlined the principles upon which the two entities would enter into various proposed transactions to be set out in definitive management, operating and financing agreements (the "Campbell Transaction"). Campbell is currently undertaking a reorganization of its affairs under the Companies Creditors Arrangement Act (the "CCAA") and the Campbell Transaction forms part of the Plan of Arrangement proposed by Campbell under its CCAA proceedings. The Campbell Transaction includes the following:

Under the Operating Management Agreement, the Company has agreed to provide operating management services for Campbell's development and mining activities, including development to increase production at Campbell's Copper Rand copper mine, development of Campbell's Corner Bay copper deposit and optimization of its Joe Mann gold mine.

In consideration for providing these services, the Company is entitled to receive:

- a 50% interest in Campbell's advanced Corner Bay copper deposit;
- warrants exercisable for a two year period to purchase up to 20% of the issued and outstanding common shares of Campbell, on a fully diluted basis. The exercise price of the warrants will be \$0.10 per share;
- 2,000,000 common shares of Campbell upon commencement of the provision of services under the Operating Management Agreement;
- 1,000,000 common shares of Campbell upon completion by Campbell of all of the financings described below; and,
- fees of \$25,000 plus 200,000 common shares of Campbell per month, in advance (up to a maximum of 4,000,000 common shares).

The Company is also entitled to appoint two individuals as directors of Campbell.

**Campbell Financings**

Campbell's proposed financing agreements are as follows:

- The Company has agreed to subscribe for 31,250,000 units of Campbell (the "Nuinsco Placement") at a price of \$0.08 per unit, for gross proceeds of \$2,500,000.
- Sprott Securities Inc. (the "Agent") has agreed to complete, on a best efforts private placement basis, the sale of up to 100 million units of Campbell at a price of \$0.08 per unit, for gross proceeds of up to \$8.0 million (the "Brokered Placement").
- Concurrent with the Brokered Placement and the Nuinsco Placement, Campbell will proceed with a rights offering (the "Rights Offering") to its shareholders of up to 62,500,000 units at a price of \$0.08 per unit, for gross proceeds of up to \$5.0 million. In the event that the Rights Offering is not fully subscribed, the Agent and the Company will have the option to take up any shortfall on a pro rata basis to their equity financings.

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

The net proceeds of the Nuinsco Placement, the Brokered Placement and the Rights Offering will be used by Campbell, under the Company's management, to fund further development to expand production at the Copper Rand mine, to finance development of the Corner Bay deposit and for general working capital. Except for \$4 million to repay a secured credit facility, no proceeds of the financing agreements will be used under Campbell's Plan of Arrangement to pay its creditors. The Plan of Arrangement was approved by Campbell's creditors on June 26, 2006 and by the court on June 27, 2006.

As part of the Campbell Transaction, the Company announced its intention, subject to receipt of all required regulatory approvals, to complete a rights offering to its shareholders. (see Note 5)

Upon the commencement of provision of the operating management services on May 1, 2006 as contemplated in the agreement with Campbell referred to above, the Company began earning the monthly fee of \$25,000 and 200,000 Campbell common shares, and became entitled to an additional 2,000,000 Campbell common shares.

Revenue related to the value of the 2,000,000 common shares in the amount of \$340,000 was initially deferred and is being included in management fee income over the minimum non-cancelable contractual term of the agreement of one year commencing May 1, 2006. Management fee income in the three and six months ended June 30, 2006 also includes the consideration due for services rendered by the Company in May and June of 2006.

Included in accounts receivable at June 30, 2006 are amounts totaling \$157,315 which the Company incurred in connection with the Campbell Transaction. Subject to a final accounting, the Company expects to be reimbursed for these amounts pursuant to its agreement with Campbell. To the extent any such amounts are not reimbursed, they will be deferred and amortized over the term that the Company is earning management fees under the Operating Management Agreement.

**4. Exploration and Development Projects**

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

	<b>Balance December 31, 2005</b>	<b>Current Expenditures</b>	<b>Write-downs /recoveries</b>	<b>Balance June 30, 2006</b>
Lac Rocher	\$ 1,693	\$ 13	\$ -	\$ 1,706
Mel	-	53	-	53
Cameron Lake	531	49	-	580
Minago	1,158	536	-	1,694
Berta	533	227	-	760
Diabase	919	1,094	-	2,013
Other	242	93	(99)	236
	<u>\$ 5,076</u>	<u>\$ 2,065</u>	<u>\$ (99)</u>	<u>\$ 7,042</u>

	<b>Balance December 31, 2004</b>	<b>Current Expenditures</b>	<b>Write-downs</b>	<b>Balance June 30, 2005</b>
Lac Rocher	\$ 1,686	\$ 21	\$ -	\$ 1,707
Mel	3,431	375	-	3,806
Cameron Lake	662	70	-	732
Minago	434	664	-	1,098
Prairie Lake	325	-	(325)	-
Fednor/Halliday	417	106	-	523
Berta	64	130	-	194
Diabase	22	176	-	198
Other	83	38	-	121
	<u>\$ 7,124</u>	<u>\$ 1,580</u>	<u>\$ (325)</u>	<u>\$ 8,379</u>

At December 31, 2005, generally accepted accounting principles required a write off of the carrying value of the Mel project in the amount of \$3,906,000 because the Company had not completed the required \$6,000,000 expenditures and the option agreement was to expire on February 28, 2006. During the first quarter of 2006, the agreement was extended to February 28, 2008 and accordingly current costs are being capitalized.

The recovery on sale of exploration and development projects amounting to \$549,000 in the six months ended June 30, 2005 represents the value of 2,197,380 common shares of Rainy River (valued at \$0.25 per share) received pursuant to the sales agreement whereby the Company sold its Rainy River property. This transaction is more fully described in Note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2005.

#### 5. Deferred Share Issue Costs

Legal and other out-of-pocket costs aggregating \$44,484 at June 30, 2006 have been incurred in connection with a proposed rights offering expected to be completed in the third quarter of 2006. These costs have been deferred and will be included in the determination of the net proceeds from such offering when consummated or will be written off in the event the rights offering is not completed.

#### 6. Shareholders' Equity

Share capital:

At the Annual General and Special Meeting of Shareholders on June 14, 2006, the shareholders passed a special resolution approving the amendment of the Company's articles of continuance to change the authorized capital of the Company to provide for five (5) additional classes of shares, with each class issuable in one or more series with each class tracking designated mineral assets. The amended articles have not yet been filed.

During the six months ended June 30, 2006, the following changes in share capital occurred:

	<u>Shares</u>	<u>Amount ('000s)</u>
Balance December 31, 2005	105,727,412	\$ 62,768
Renunciation of flow-through share tax value (a)	-	(1,076)
Shares issued in settlement of accounts payable (b)	212,500	34
Shares issued for property	50,000	11
Shares issued for services rendered (c)	1,400,000	291
Exercise of warrants (d)	294,039	78
Shares issued pursuant to private placement (e)	<u>3,750,000</u>	<u>1,330</u>
Balance June 30, 2006	<u>111,433,951</u>	<u>\$ 63,436</u>

- (a) In February 2006, the Company renounced \$3,154,977 in Canadian Exploration Expenditures to investors of flow-through shares in 2005. The tax value of these renunciations has been recorded as a future tax liability and charged against share capital. Since the Company has a valuation allowance which reduces the future income tax assets, the valuation allowance was reduced and income tax recoveries were recognized in the consolidated statement of operations in the amount of \$1,076,000.

- (b) Included in accounts payable at December 31, 2005 was an amount of \$43,750 owing to Trend Mining Company in connection with the Company's December 31, 2004 acquisition of its interest in the Diabase Peninsula property. In April, 2006, \$34,325 of this obligation was settled through the issuance of 212,500 common shares. The balance of the obligation of \$9,375 will be settled in cash.
- (c) In April 2006, the Company issued 1,400,000 common shares to the estate of a former Chief Executive Officer of the Company for services that he rendered as an officer of the Company. The issuance of the shares followed the receipt of approval of the transaction by the Toronto Stock Exchange.
- (d) In April 2006, 294,039 common shares were issued upon the exercise of warrants at an average price of \$0.23 per common share. This resulted in an increase in share capital in the amount of the proceeds of \$68,580 plus the carrying value of the warrants in the amount of \$10,266.
- (e) On May 20, 2006, the Company issued 1,280,000 common shares at \$0.32 per common share and 2,470,000 flow through shares at \$0.40 per common share for gross proceeds of \$409,600 and \$988,000, respectively. After fees and other out-of-pocket costs, net proceeds aggregated \$1,330,000.

**Options:**

During the first quarter of 2006, 1,000,000 stock options with an exercise price of \$0.42 per share were cancelled resulting in a reclassification of \$184,000 from stock option compensation to contributed surplus with no net effect on shareholders' equity.

**Warrants:**

During the second quarter of 2006, 200,000 warrants exercisable at \$0.35 per share were issued in payment of reimbursable costs incurred in connection with the Campbell Transaction.

**7. Income Tax Recoveries**

In addition to the income tax recoveries resulting from the renunciation of the flow-through share tax value in the amount of \$1,076,000 as explained in Note 6, the Company realized further income tax recoveries in the three months ended June 30, 2006 of \$783,000. This amount represents the proceeds received (net of fees and out-of-pocket expenses) as a result of certain transactions entered into which resulted in the realization of the benefit of previously unrecognized tax loss carry forwards and exploration and development deductions totaling approximately \$13,000,000.

**8. Changes in Non-Cash Working Capital**

Changes in non-cash working capital balances impacting cash from operating activities are as follows:

	Three Months Ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Accounts receivable and prepaid expenses	\$ (75)	\$ (17)	\$ (137)	\$ (79)
Accounts payable and accrued liabilities	151	(82)	118	(46)
	<b>\$ 76</b>	<b>\$ (99)</b>	<b>\$ (19)</b>	<b>\$ (125)</b>