



## **NUINSCO RESOURCES LIMITED**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**DATED APRIL 29, 2019**

# **NUINSCO RESOURCES LIMITED**

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

### **For the years ended December 31, 2018 and 2017**

The following discussion of the results of operations and financial condition of Nuinsco Resources Limited ("Nuinsco" or "the Company") prepared as of April 29, 2019 consolidates management's review of the factors that affected the Company's financial and operating performance for the years ended December 31, 2018 and 2017, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's audited consolidated financial statements as at and for the years ended December 31, 2018 and 2017 ("2018 Audited Consolidated Financial Statements") and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

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

Readers are also encouraged to consult the audited consolidated financial statements for the years ended December 31, 2018 and 2017. The unaudited Condensed Interim Consolidated Financial Statements and the 2018 Audited Consolidated Financial Statements are available at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.nuinsco.ca](http://www.nuinsco.ca). All amounts disclosed are in Canadian dollars unless otherwise stated. All tabular amounts are in thousands of Canadian dollars.

#### **NATURE OF OPERATIONS**

Nuinsco is an exploration and development company that has operated successfully for several decades. Nuinsco has discovered numerous mineral deposits including the Rainy River gold deposit in northwestern Ontario, now in production and owned by New Gold Inc., the Lac Rocher nickel deposit in Quebec now owned by Victory Nickel Inc. ("Victory Nickel") and the Cameron Lake gold deposit in Ontario which is currently owned by First Mining Gold Corp. to name a few. It is focused on identifying, exploring and developing mineral investment opportunities domestically and internationally. The Company currently has interests in projects prospective for gold, phosphate, rare metals and niobium in Canada's province of Ontario, and gold in Egypt.

The Company owns 100% of the very significant Prairie Lake project and with its newly optioned Sunbeam Gold Property both in northwestern Ontario, is working to build shareholder value through systematic exploration on highly prospective ground. As funding permits, work programs have been planned for the Company's projects. In particular, at the Sunbeam Gold Property, high-grade gold mineralization is the target while at the Prairie Lake project, extensive metallurgical testing has indicated that several marketable minerals and products can be produced including a phosphate concentrate exceeding 30% P<sub>2</sub>O<sub>5</sub>. Subsequent to the end of the quarter, the Company initiated a program to obtain material from Prairie Lake for evaluation as an agricultural product and soil additive. Results of this program are pending.

The Company is also evaluating the economic viability of the El Sid gold dumps and tailings recovery project in the Eastern Desert of Egypt approximately 90km west of the Red Sea coast. Three past producing gold mines are located on the project site – the largest of which is the El Sid Mine that between 1940 and 1957 was Egypt's largest gold producer. Nuinsco, through its Egyptian subsidiary Z-Gold Resources Limited ("Z-Gold") has the right to evaluate and exploit the dumps and tailings from the project owner, Shalateen Mineral Resources Company ("Shalateen"), a company established by the Egyptian Government.

In addition to its property holdings, Nuinsco owns a limited participating interest in the net cash flows of Victory Nickel's frac sand business (the "Participating Interest").

#### **Going Concern**

The Company's 2018 Audited Consolidated Financial Statements have been prepared using the going concern assumption, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at December 31, 2018, the Company had working capital of \$251,108 (December 31, 2017 – working capital deficiency of \$93,462). Working capital (deficiency) is defined as current assets less current liabilities.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to: continuing losses, dependence on key individuals, and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects

and fund other operating expenses. Advancing the Company's projects through exploration and development to the production stage will require significant financing.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, First Nations claims, unregistered prior agreements, social licensing requirements, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainties.

None of the Company's projects are currently in commercial production and, accordingly, the Company is dependent upon debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The Company's ability to continue as a going concern, is dependent upon the Company's ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

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

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

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

## **SIGNIFICANT EVENTS**

On February 19, 2019, the common shares of Nuinsco were approved for listing on the Canadian Securities Exchange, and on February 20, 2019 commenced trading under the symbol NWI.

In February 2018, Nuinsco closed a transaction for the sale of its interest in the Diabase Peninsula ("Diabase") uranium property in Saskatchewan's Athabasca Basin to Uranium Energy Corp. (NYSE American: UEC, "UEC") for total consideration of \$471,204 comprising \$225,000 cash and 139,418 common shares of UEC, at a fair value of US\$1.41 (C\$1.77) per share. In 2018 the Company sold all 139,418 common shares of UEC for gross proceeds of US\$196,337, or US\$1.41 per share.

The Company conducted an initial evaluation of the Sunbeam project including geophysical surveys, prospecting and sampling.

The Company has been evaluating the economic viability of the El Sid gold dumps and tailings recovery project located in the Eastern Desert of Egypt approximately 90km west of the Red Sea coast and has executed a definitive agreement on the project which gives the Company the right to exploit the dumps and tailings (as further detailed below).

## **OUTLOOK**

The relisting of Nuinsco's shares on the Canadian Securities Exchange early in 2019 was a significant development for Nuinsco and its shareholders. The listing provides the opportunity for the Company to promote its projects and activities to a new and wider potential investor base while also providing existing shareholders with liquidity. The listing also provides the Company with the access to capital markets. Management is hopeful that current project initiatives, elaborated below, will provide funding without significant equity dilution in the near term. Management is optimistic about the Company's future and continues to work diligently to advance its projects and corporate strategies.

Through a series of transactions that saw the monetization of non-core assets in Chibougamau, Quebec (CBay Minerals Inc. ("CBay")) and Saskatchewan's Athabasca Basin (Diabase Peninsula) and cash generated through other means, the Company has been able to conduct work on existing projects and maintain a corporate presence. It also acquired the Sunbeam Gold project in northwestern Ontario - a high-grade gold opportunity with easy access that has seen no exploration

for over 100 years, has known gold mineralization that is open to depth and along strike and is located within one of several gold-bearing structures that are known to be at least several kilometres in cumulative length. Further the Company is extending the evaluation of the El Sid gold production opportunity in the Eastern Desert of Egypt with metallurgical studies and site evaluations – this project continues to display very good potential to quickly generate cash flow with low capital costs and thus provide the Company with market-independent, non-dilutionary funding. Each of these projects is discussed in some detail below.

Once again management and the Board of Directors extends its appreciation to the shareholders for their continued support and patience. Having persevered through the past several years we are hopeful that 2019 will be a turning point for the Company if the potential of the El Sid project comes to fruition. The aim of management is to create value for the Company's shareholders. It believes that the strategies in place can do so while keeping dilution to a minimum. The market for junior exploration and development remains a challenge but the Company has been facing challenges for some time now and the time may be ripe for improvement.

## **MINERAL PROJECTS**

### **Sunbeam Gold Property**

The Sunbeam Gold Property encompasses the historic Sunbeam Mine and also includes the Roy and Pettigrew occurrences. The Sunbeam Mine is a high-grade underground gold mine which was active from 1898 to 1905 but which has seen no exploration or development of any kind since its closure. The property consists of 101 mining claims (99 single cell and 2 boundary cell mining claims) in Ramsay-Wright Township in Northwestern Ontario and is accessible via well-maintained logging roads from Hwy 11. It is located 15km southeast of Agnico Eagle's Hammond Reef gold deposit and 27km northeast of the town of Atikokan. The Sunbeam Mine is hosted by a 30m wide deformation zone of sheared, altered schistose rock within the Marmion Batholith. Gold mineralization occurs within a 2.5-3.0m wide southwest-striking quartz vein/chlorite schist zone which dips moderately to the northwest. Historic underground development consisted of a combined inclined/vertical shaft to an approximate depth of 400 feet (122m) with drifting and development on three levels (at ~100, 200 & 300 feet). The mineralization of the Sunbeam Mine is part of more extensive, property-wide, mineralized domains associated with northeast trending lineaments that include the named Roy and Pettigrew occurrences.

No records of production from 1899-1903 exist. Reportedly 1,000 ounces of gold were recovered from 2,400 tons mined in 1904. A 1903 plan of the mine shows an average grade of ~13g/t Au in the historic workings. Previous workers have estimated that there could be 50,000-70,000t grading 13.0g/t Au remaining in old workings alone. There has been no exploration of the formerly patented mine site since the mine closed in 1905. Intermittent exploration surrounding the patent area was conducted between 1981 and 2012 by previous owners. In addition to property wide evaluation Nuinsco established grid control and conducted the first ground geophysics ever over and around the Sunbeam Mine (results reported in news release dated February 28, 2019) as a precursor to any diamond drilling.

In addition to property wide evaluation Nuinsco established grid control and conducted the first ground geophysics ever conducted over and around the Sunbeam Mine. The geophysical survey identified sixteen high-priority drill targets near to the past-producing, high grade Sunbeam gold mine.

In Q1 2019, twenty-eight grab samples, three of which contain visible gold, were collected from near the Sunbeam Mine from outcrop, waste-dump material and debris in the Sunbeam shaft. All samples were analyzed for gold and a sub-set were analyzed for silver. The range of analytical results is <5ppb to 122g/t gold and <0.2g/t to 24.8g/t silver. The samples are from material mined from the Sunbeam mine workings during operations more than 100 years ago and from samples collected from surface near the historic Sunbeam Shaft. Higher gold grade is directly related to the amount of quartz vein and sulphide mineralization contained within a sample. Highest gold-grade samples contain pyrite, chalcopyrite, sphalerite and galena as well as visible gold grains. Diamond drilling will be necessary to evaluate the potential extension of gold mineralization at Sunbeam and elsewhere more extensive fieldwork is required to provide greater understanding of the property-wide gold mineralization.

### **Prairie Lake**

The Prairie Lake project, located near Marathon, Ontario, is a large multi-commodity deposit, hosted in carbonatite, containing phosphate (P205), niobium (Nb) tantalum (Ta), uranium (U), rare earth elements ("REEs"), and other elements and compounds of economic interest. The Prairie Lake property consists of 46 mining claims (27 single cell and 19 boundary cell mining claims), is owned 100% by the Company, is royalty-free and the mining-land tenure is secure for decades to come.

At Prairie Lake, the Company continues to evaluate the potential for producing concentrates containing a number of minerals – including those containing phosphorus, REEs, niobium and other marketable products. The sheer size of the

project, with a current Exploration Target of between 515 and 630 million tonnes of mineralization, coupled with the excellent logistics and ease of production, are indicators of the prospective nature of the project. The Company is actively seeking funding that will enable further work programs to be conducted including additional sampling for evaluation and resource estimation.

Prairie Lake has the potential to produce a number of minerals and elements for industries which are forecast to require substantially increasing supply over the coming years – high-tech and “green” industries that require the REEs and niobium to fabricate the products of tomorrow. Prairie Lake could also be a very significant source of phosphate or other products of with agricultural applications – phosphate is a compound with vital agricultural and industrial applications and carbonatites are used elsewhere as soil amendment additives. The use of calcium phosphate in agriculture is essential in sustaining crop yields to supply an increasing world population. Other compounds with industrial applications are also being examined for economic viability. The abundance and diversity of minerals in the rocks that comprise the Prairie Lake complex provides broad scope for potential exploitation – the Company continues to evaluate the options to determine those elements and minerals that provide the greatest economic potential.

In the fourth quarter of 2018, a program was conducted to obtain material for evaluation as an agricultural product and soil additive. Presently the core from a number of historic drill holes completed by Nuinsco but incompletely sampled is being cut by diamond saw so as to be available for analysis.

## **Egypt**

Nuinsco has retained a presence in Egypt through its interest in Egypt-based Z-Gold. The Company has been evaluating opportunities there for approximately nine years. Management regards the country as an underexplored opportunity for mineral exploration and development. In 2018, Nuinsco won a competitive bid for the right to evaluate the viability of gold production from waste dumps and tailings at the past-producing El Sid mine in Egypt (at a cost of \$147,000). To fund the acquisition, the Company began selling royalties (the “Royalties”) on future gold and associated minerals produced from El Sid. The Company has received proceeds of \$124,908 from the sale of the Royalties representing 13% of the distributable cash flow from the production of gold and associated minerals. \$74,658 of these Royalties were sold to management and directors of the Company to assist in funding the project. This amount has been credited to the purchase price of El Sid.

Located in Egypt’s Eastern Desert, approximately 90km west of the town of Quseir on the Red Sea coast, the El Sid project is easily accessible via a paved road that passes through the project site. Three past producing gold mines are located on the project – the largest of which is the El Sid Mine which operated primarily between 1947 and 1957 and was Egypt’s largest gold producer. The mineralization exploited at El Sid consisted of sulphide and native gold-bearing quartz veins in granite and deformed volcanic rock. The mines were high-grade – averaging more than 30 g/t gold. Estimates are that the accumulated dumps and tailings on surface at the site amount to more than 300,000 tonnes with an average grade exceeding 3.0 g/t gold for a total of about one tonne (approximately 32,151 troy ounces) of contained gold (all estimates are based upon historic information and Nuinsco is not treating this information as a current mineral resource or mineral reserve).

Of significance to Nuinsco is the fact that the rock adjacent to the exploited veins also carried gold but was rejected and dumped as waste. This waste, which runs to several grams per tonne gold, along with a considerable volume of tailings, is available for processing and gold recovery. If the project proves to be economically viable the timeline to production is short – measured in months – at which point the Company expects to have cash flow for non-dilutive funding of existing projects and evaluation of potential project acquisitions.

The occurrence of broken mineralized rock in the waste dumps and tailings piles already at surface streamlines the process and reduces the cost of evaluation of grade, tonnage, metallurgy and exploitation. Gravity concentration has been demonstrated to be an effective method of gold recovery at other projects in the area. Assuming the same holds true at the El Sid site, capital and operating costs are anticipated to be low and the timeline to production and revenue generation short relative to conventional underground mine development.

Site evaluation, processing equipment selection and metallurgy are continuing, and the Company is rapidly moving toward a production decision. Positive analytical results from sampling at the El Sid gold project in Egypt, with assays grading up to 35.50 g/t gold. The average grade of all 239 samples taken from the waste dump at the past-producing El Sid gold mine is 4.47g/t gold.

In addition to the 239 samples collected from the El Sid mine waste dumps for analysis, an additional 20 blank and standard samples were inserted into the sample stream for QA/QC purposes. The sampling program included the use of a backhoe to excavate trenches and pits into the waste pile in order to ascertain grades other than from the surface of the pile. The waste dump attains a maximum thickness of 15m, maximum trench depth was 4m while pits were excavated at

between 10m and 15m below the upper surface of the waste dump. All analyses were conducted by ALS Limited at their analytical laboratory in Izmir, Turkey.

### Definitive agreement

The Company executed a definitive agreement (the “Agreement”) for the El Sid gold waste dumps and tailings recovery project in Egypt’s Eastern Desert, dated November 7, 2018. The Agreement has been executed between Shalateen Mineral Resources Company (“SMRC”), which holds the right to exploit the dumps and tailings, and Z-Gold.

The El Sid project has the potential to generate very near-term cash flow from previously-mined gold-bearing dumps and tailings. The dumps and tailings are located on surface and therefore have already been mined and partially processed. This fact, plus the anticipated use of conventional, off-the-shelf, processing equipment, should positively impact capital and operating costs. The Agreement allows for six months to conduct an economic evaluation of the project, which has already begun. Subject to the results of the economic evaluation, the Company’s next step would be to construct a plant and prepare for gold processing.

The Company continues to evaluate other mineral exploration, mining and processing opportunities in Egypt.

### SELECTED ANNUAL INFORMATION

|                                       | Year ended<br>December 31, 2018 | Year ended<br>December 31, 2017 | Year ended<br>December 31, 2016 |
|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Total revenues                        | \$ -                            | \$ -                            | \$ -                            |
| Total income (loss)                   | \$ 7,690                        | \$ 398,734                      | \$ (728,562)                    |
| Net income (loss) per share – basic   | \$ 0.00                         | \$ 0.00                         | \$ (0.00)                       |
| Net income (loss) per share – diluted | \$ 0.00                         | \$ 0.00                         | \$ (0.00)                       |
|                                       | As at December 31,<br>2018      | As at December 31,<br>2016      | As at December 31,<br>2016      |
| Total assets                          | \$ 1,008,253                    | \$ 867,225                      | \$ 243,693                      |
| Total non-current liabilities         | \$ (961,938)                    | \$ (973,413)                    | \$ (684,413)                    |
| Distribution or cash dividends        | -                               | -                               | -                               |

### RESULTS OF OPERATIONS

*Year ended December 31, 2018 compared to the year ended December 31, 2017*

#### Revenues

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

An excerpt of the expenses and other items for the years ended December 31, 2018 and 2017 is as follows:

| (in Canadian dollars)                                   | 2018            | 2017              |
|---------------------------------------------------------|-----------------|-------------------|
| <b>Other expenses</b>                                   |                 |                   |
| General and administrative (a)                          | \$ 552,880      | \$ 415,901        |
| Share-based payments                                    | 4,000           | -                 |
| Depreciation of property and equipment                  | 7,481           | 9,754             |
| Pre-exploration write-offs                              | 2,495           | 14,342            |
| Write-down of exploration and evaluation projects       | 83,919          | 9,076             |
| <b>Operating loss</b>                                   | <b>650,775</b>  | <b>449,073</b>    |
| <b>Other revenue</b>                                    |                 |                   |
| Interest and accretion income                           | 10,791          | 3,084             |
| Gain on reversal of impairment loss (b)                 | -               | 459,204           |
| Gain on sale of interest in CBay Minerals (c)           | -               | 341,937           |
| FVTPL (d)                                               | 12,716          | -                 |
| Gain on sale of investment in partnership (e)           | 314,482         | -                 |
| Gain on settlement of debt (f)                          | 314,686         | -                 |
| Consulting income (g)                                   | 538             | 43,582            |
| Flow through premium                                    | 5,252           | -                 |
| <b>Income before income taxes</b>                       | <b>7,690</b>    | <b>398,734</b>    |
| Income tax expense                                      | -               | -                 |
| <b>Net income and comprehensive income for the year</b> | <b>\$ 7,690</b> | <b>\$ 398,734</b> |

- (a) General and administrative expenses consisted of accrued management and directors' fees, rent, salary for administrative staff, insurance, transfer agent, legal and other administrative costs to maintain the company in good standing. During 2018, pursuant to the management agreement with CBay, a portion of these expenses were recovered, and netted against the Company's expenses, therefore reducing the overall expense category.
- (b) A recovery of the fair value of the Diabase property was recognized at December 31, 2017 to reflect the consideration received on the sale of the property subsequent to the year end. In prior years, the Company had recorded a full impairment on the property.
- (c) Gain on sale of 7.5% interest in CBay.
- (d) Represents the realized and unrealized gains on marketable securities.
- (e) On August 7, 2018, the Company entered into a general partnership agreement (the "Partnership") for the purpose of carrying on a trading and investment business. The Company did not control or exert significant influence on the Partnership activities, which were to invest into various forward foreign exchange contracts. Accordingly, the investment was classified as a financial instrument at fair value through profit or loss. On August 28, 2018, the Company sold its interest in the Partnership for net proceeds of \$314,482.
- (f) The Company settled various debts during the year. The gain on settlement was the resulting of the settlement value of the shares being greater than the fair market value of the shares issued. \$464,605 of the debt was owed to directors and management.
- (g) In 2017, the Company earned \$43,590 in consulting income from an engagement to conduct due diligence on a mineral project for a non-related party.

## SUMMARY OF QUARTERLY RESULTS

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

|                                             | 4 <sup>th</sup> Quarter 2018 | 3 <sup>rd</sup> Quarter 2018 | 2 <sup>nd</sup> Quarter 2018 | 1 <sup>th</sup> Quarter 2018 |
|---------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Net income (loss)                           | \$ 157,212                   | \$ (120,569)                 | \$ 160,323                   | \$ (189,276)                 |
| Total comprehensive income (loss)           | \$ 157,212                   | \$ (120,569)                 | \$ 160,323                   | \$ (189,276)                 |
| Income (loss) per share - basic and diluted | \$ 0.00                      | \$ (0.00)                    | \$ 0.00                      | \$ (0.00)                    |
|                                             | 4 <sup>th</sup> Quarter 2017 | 3 <sup>rd</sup> Quarter 2017 | 2 <sup>nd</sup> Quarter 2017 | 1 <sup>th</sup> Quarter 2017 |
| Net loss                                    | \$ 261,087                   | \$ 266,966                   | \$ (62,111)                  | \$ (67,208)                  |
| Total comprehensive loss                    | \$ 261,087                   | \$ 266,966                   | \$ (62,111)                  | \$ (67,208)                  |
| Loss per share - basic and diluted          | \$ (0.00)                    | \$ (0.00)                    | \$ (0.00)                    | \$ (0.00)                    |

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

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, the Company had a working capital of \$251,108 (December 31, 2017 – working capital deficiency of \$93,462); being defined as current assets less current liabilities.

The Company had an increase of cash and cash equivalents of \$216,253 during 2018, compared with an increase of \$107,144 during 2017. The increase in 2018 was related to the \$179,268 of cash used in operating activities and offset by \$372,488 of cash flows from investing activities (as detail below), \$23,033 from the sale of flow through shares.

| (in Canadian dollars)                                    | 2018           | 2017            |
|----------------------------------------------------------|----------------|-----------------|
| <b>Cash flows from investing activities</b>              |                |                 |
| Expenditures on exploration and evaluation projects      | (634,819)      | (48,383)        |
| Proceeds on early settlement of promissory note          | 88,262         | -               |
| Proceeds on sale of property                             | 225,000        | -               |
| Proceeds on sale of royalties                            | 124,908        | -               |
| Proceeds on sale of Partnership, net of selling expenses | 314,482        | -               |
| Proceeds on sale of marketable securities                | 254,655        | -               |
| <b>Net cash from (used in) investing activities</b>      | <b>372,488</b> | <b>(48,383)</b> |

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

| Contractual Commitment                | Term                                  |
|---------------------------------------|---------------------------------------|
| \$18,000 - Operating lease - premises | One-year term expiring September 2019 |

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

The Company's management continues to hold discussions on securing financing. There are no assurances that the Company will be successful in obtaining any form of financing on a timely basis or on reasonable or acceptable terms, or at all. If the Company cannot obtain financing or otherwise improve liquidity, then the Company's treasury will be depleted and it will be required to curtail all of its operations and may be required to liquidate its assets under a formal process. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ from the going concern basis.

## **IMPAIRMENT ANALYSIS UPDATE**

As at December 31, 2015, all projects were written down due to the lack of funding of the Company and related uncertainty as to future spending on the properties. IFRS requires a write-down of the carrying value of assets to the net recoverable amount. The valuation of resource properties is difficult, and management cannot reliably estimate any recoverable amount. As a result, the Company has chosen to write down the value of the property assets. The Company will revisit the valuation of these assets at the end of every year end and will recognize a recovery if the fair value of these assets can be reliably determined (as was done with the Diabase property as at December 31, 2017).

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

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

For a complete list of the significant accounting policies as well as information concerning the use of estimates, judgements and measurement uncertainty, reference should be made to Notes 2 and 3 to the Company's 2018 Audited Consolidated Financial Statements. The Company's financial statements have been prepared using the going concern assumption.

The recorded value of the Company's E&E projects is based on historic costs (subject to impairment) that are expected to be recovered in the underlying mineral resources associated with the properties. The Company is in an industry that is exposed to a number of risks and uncertainties and there is always the potential for a material adjustment to the value assigned to these assets.

The fair value of the share-based payments, until exercise, is calculated using the Black-Scholes option-pricing model that takes into account the exercise price, the expected life of the option/warrant, expected volatility of the underlying shares, expected dividend yield and the risk-free interest rate for the term of the option/warrant.

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

## **NEW ACCOUNTING POLICIES**

### **New Accounting Standards Adopted During 2018**

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 39.

Accounting policy under IFRS 9 was applicable from January 1, 2018

### **Financial assets**

#### *Initial recognition and measurement*

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

#### *Subsequent measurement – Financial assets at FVPL*

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss. The Company does not measure any financial assets at FVPL.

#### *Subsequent measurement – Financial assets at FVOCI*

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of income (loss) when the right to receive payments is established.

#### *Derecognition*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

#### *Impairment of financial assets*

The Company's only financial assets subject to impairment are other amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

#### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

##### *Subsequent measurement – financial liabilities at amortized cost*

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statements of loss.

##### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

There was no material impact on the implementation of changes in the Company's financial statements.

#### **Interpretations Not Yet Adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states

that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 will not have a material impact on the Company because its future lease obligations are immaterial.

## CORPORATE GOVERNANCE

As noted above, the Company's Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee, which is comprised of directors, none of whom are employees or officers of the Company, meets with management to review the Condensed Interim Consolidated Financial Statements to satisfy itself that management is properly discharging its responsibilities to the directors who approve the financial statements.

The Board of Directors has an Audit Committee consisting of financially literate, independent and unrelated directors. Other committees of the Board of Directors are the Corporate Governance and Nominating and Compensation Committees.

## RELATED PARTY TRANSACTION AND BALANCES

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

Transactions with related parties for the years ended December 31, 2018 and 2017 are shown in the following table:

|                              | 2018 |         | 2017 |         |
|------------------------------|------|---------|------|---------|
| Short-term employee benefits | \$   | 341,500 | \$   | 316,960 |
|                              | \$   | 341,500 | \$   | 316,960 |

During the year ended December 31, 2018, the Company was charged \$36,000 (2017 - \$36,000) by CFO Advantage Inc., a company controlled by Kyle Appleby, the Chief Financial Officer of the Company. As at December 31, 2018, \$30,510 (December 31, 2017 - \$61,020) is included in accounts payable and accrued liabilities. On May 3, 2018, the Company settled \$57,630 of debt owing to CFO Advantage in exchange for 5,763,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039 per share, resulting in a gain on settlement of \$35,393.

During the year ended December 31, 2018, the Company was charged \$150,000 (2017 - \$150,000) by Paul Jones, the Chief Executive Officer of the Company. As at December 31, 2018, \$582,992 (December 31, 2017 - \$451,696) is owing and included in long-term liabilities. On May 3, 2018, the Company settled \$140,000 of debt in exchange for 14,000,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039 per share, resulting in a gain on settlement of \$85,980.

During the year ended December 31, 2018, the Company was charged \$48,000 (2017 - \$48,000) by Sean Stokes, Executive Vice-President of the Company. As at December 31, 2018, \$126,000 (December 31, 2017 - \$98,000) is owing and included in long-term liabilities. On May 3, 2018 the Company settled \$20,000 of debt in exchange for 2,000,000 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039 per share, resulting in a gain on settlement of \$12,283.

On May 3, 2018 the Company settled \$246,975 of debt with directors of the Company in exchange for 24,697,500 common shares (at \$0.01 per share) of the Company. At the date of settlement, the shares had a market value of \$0.0039 per share, resulting in a gain on settlement of \$151,677.

Certain directors and management of the Company participated in the purchase of the Royalties (as described in note

10) for a total of \$74,908. The terms and conditions of the Royalties purchased by management and directors were the same as those issued to non-related parties. The Company had no other sources of financing available at the time and the Royalties were essential to move the project forward.

## **OUTSTANDING SHARE DATA**

As at the date of this report, the Company had 424,313,323 common shares issued and outstanding. In addition, there were 34,525,000 stock options outstanding.

## **RECENT DEVELOPMENTS**

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

## **CONTINGENCY**

### **CRA Reassessment**

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

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

## **RISKS AND UNCERTAINTIES**

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

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

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

### ***Areas of Investment Risk***

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

### **Financing and Going Concern**

The liquidity position of Nuinsco is extremely restricted and the continued operation of the Company depends upon the ability to obtain financing through the sale of assets including project interests or other means. Generally, there is no assurance that the Company will be successful in obtaining the required financing or achieving other means of securing liquidity on a timely basis or on acceptable terms.

If the Company is unable to obtain additional financing, the Company will be required to curtail activities and may be required to liquidate its assets. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would likely differ significantly from the going concern basis. Ongoing exploration and development of the Company's properties will require substantial additional capital investment. Failure to secure additional financing, and/or secure other funds from asset sales, would result in delaying or infinite postponement of development of these properties. There can be no assurance that additional financing will be available or that, if available, will be on terms favourable or acceptable to the Company.

### **Loss of Participating Interest**

The Company holds an unsecured Participating Interest in the cash flows generated from the sale of frac sand as described in the 2018 Audited Consolidated Financial Statements and elsewhere in this MD&A. Presently, the Company is uncertain as to if or when it may receive any cash flows from the Participating Interest. There can be no assurance that Victory Nickel will be able to restructure all of its debt and/or recapitalize and there is no certainty as to what steps the lenders may take in light of these defaults. As a result, the possibility exists that Nuinsco may lose its Participating Interest and any potential value associated therewith.

### **Industry Risks**

#### ***Speculative Nature of Mineral Exploration***

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

#### ***Evaluation and Development Projects***

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

### **Competition**

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

### **Operational Risks**

#### ***Limited History of Operations***

Nuinsco has a limited history of earnings and limited financial resources. Nuinsco currently has no operating mines and its ultimate success will depend on its ability to generate cash flow from active mining operations in the future, as well as its ability to access capital markets for its development requirements.

### ***Development Targets, Permitting and Operational Delays***

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

### ***Resources and Reserves***

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

### ***Title Risks***

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

### ***Insurance Risk***

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

### ***Financial and Investment Risks***

#### ***Substantial Capital Requirements***

Nuinsco will have to make substantial capital expenditures for the development of and to achieve production from its projects. There can be no assurance that any debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Nuinsco. Moreover, future activities may require Nuinsco to alter its capitalization significantly. The inability of Nuinsco to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. Flow-through financing cannot be used to fund the Company's corporate costs or foreign projects.

### ***Market Perception***

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

### ***Metal and Mineral Prices***

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

## **Regulatory Risks**

### ***Government Regulation***

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

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

Nuinsco may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors in the areas in which Nuinsco does or will operate and holds its interests, as well as unforeseen matters. As referred to above, the Company has received notices of reassessment from the CRA as well as a notice of confirmation and is in the process of defending what it and its advisors believe to have been a correct filing position.

## **Other Risks**

### ***Environmental and Health Risks***

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

### ***Key Personnel***

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

### ***Conflicts of Interest***

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

### ***Foreign Operations***

Nuinsco's investments in foreign countries carry certain risks associated with different political, business, social and economic environments. The ability to carry on business in any country can be affected by possible political or economic instability in that country. Changes in mining or investment policies or shifts in political attitude may adversely affect private business. The effect of these factors cannot be accurately predicted. Should the respective government later seek to control any aspect of production, distribution or pricing of gold or precious metals, Nuinsco runs the risk that, at any time, its operations may be terminated for failure to comply with any permit, rule or regulation; or that its operations may prove to be unprofitable if the costs of compliance with such governmental regulations prove to be excessive.

There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, project development or mining may not be obtained under conditions, or within time frames, that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

As with Canadian projects, the acquisition and retention of title to mineral rights is a detailed and time-consuming process. Title to, and the area of, mineral resource claims may be disputed or challenged. Nuinsco's right to explore for, mine, produce and sell metals will be based on the respective governing agreement. Should Nuinsco's rights under any agreement not be honoured or be unenforceable for any reason, or if any material term of the agreements is unilaterally changed or not honoured, including any boundaries of properties, Nuinsco's ability to explore and produce metals in the future would be materially and adversely affected.

Nuinsco regularly and routinely considers the risks inherent in foreign jurisdictions and weighs such risks when evaluating continued, enhanced, reduced or renewed involvement in foreign projects.

### ***Investments and Other Agreements with Resource Companies***

In addition, Nuinsco makes, from time to time, investments in the common shares of publicly-traded companies in the junior natural resources sector or may enter into option or other agreements therewith. These companies are subject to similar risks and uncertainties as is Nuinsco, and Nuinsco's investments in and agreements with these companies are subject to similar areas of risk as noted above. Nuinsco seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations.

Nuinsco, through the limited Participating Interest in cash flows, and its investment in Victory Nickel, has indirect exposure to the frac sand industry which experienced a significant downturn with the decline in oil price in the fourth quarter of 2014. There can be no assurance that frac sand demand and pricing will return to previous levels, leaving the value of the Company's investment in Victory Nickel in doubt.

### **Summary**

The future success of the Company is subject to a number of risk factors that are common to the junior natural resources sector as well as those specific to the Company. Currently, the most significant risk is the ability of the Company to meet its cash obligations as they come due as the Company currently has very limited funds. Other risks include obtaining necessary financing under acceptable terms or finding strategic partners to fund expenditure commitments as they fall due, the extent to which it can outline natural resources on its properties and establish the economic viability of developing those properties and the political, economic and legislative stability of the territories in which the Company's interests are located. Furthermore, the development of any natural resource interest may take years to complete and the resulting income, if any, from the sale of any natural resources produced by the Company is largely dependent upon factors that are beyond its control, such as costs of development, operating costs and the market value of the end product. Such risks are likely to be more extensive in foreign jurisdictions.

### **FORWARD-LOOKING STATEMENTS**

**Forward-Looking Information:** This MD&A contains forward-looking information. All statements, other than statements of historic fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates, working capital, ability to maintain operations and/or assumptions in respect of production, revenue, cash flow, financing, the probability of cash flows from the Participating Interest, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production and the Company's development plans and objectives) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company.

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