VICTORY NICKEL INC.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

DATED MAY 11, 2015

Management's Comments on Unaudited Condensed Consolidated Financial Statements
The accompanying unaudited condensed consolidated financial statements of Victory Nickel Inc. for the three months ended March 31, 2015 and 2014 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

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

Condensed Consolidated Balance Sheets

(in thousands of United States dollars)	Notes		March 31, 2015 (unaudited)		December 31, 2014
ASSETS					
Current assets					
Cash and cash equivalents	*6*	**$**	**49**	$	712
Restricted deposits	*6*		**291**		271
Receivables and prepaids	*7*		**809**		3,367
Marketable securities	*8*		**159**		153
Inventory	*9*		**4,249**		2,977
Total current assets			**5,557**		7,480
Non-current assets					
Property, plant and equipment	*10*		**6,018**		6,179
Mine property and development project	*11*		**34,945**		34,893
Exploration and evaluation projects	*12*		**13,387**		13,380
Total non-current assets			**54,350**		54,452
Total Assets		**$**	**59,907**	$	61,932
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade and other payables	*13*	**$**	**3,997**	$	3,032
Loans and borrowings - current	*14*		**7,472**		7,493
Total current liabilities			**11,469**		10,525
Non-current liabilities					
Loans and borrowings - long-term	*14*		**2,157**		2,957
Participating Interest	*15*		**2,133**		3,548
Lease obligations - long-term	*16*		**239**		275
Deferred tax liability			**251**		817
Total non-current liabilities			**4,780**		7,597
Total Liabilities			**16,249**		18,122
Shareholders' equity					
Share capital	*17*		**52,570**		52,570
Contributed surplus			**5,670**		5,644
Accumulated other comprehensive loss			**(4,051)**		(4,144)
Deficit			**(10,531)**		(10,260)
Total shareholders' equity			**43,658**		43,810
Total Liabilities and Shareholders' Equity		**$**	**59,907**	$	61,932

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

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

Condensed Consolidated Statements of Operations

(in thousands of United States dollars, except per share amounts)	Notes	Three months ended March 31, 2015 (unaudited)	2014 (unaudited) (Note 2)
Revenues		**$ 1,522**	$ -
Cost of goods sold		**(1,769)**	-
Gross margin		**(247)**	-
Operating expenses			
General and administrative		**(509)**	(491)
Share-based payments:	*19*		
Options		**(26)**	(58)
Amortization of property, plant and equipment	*10*	**(166)**	(44)
Writedown of E and E projects	*12*	**(6)**	-
Net frac sand pre-operating costs	*23*	**-**	(194)
Non-recurring plant costs	*21*	**(600)**	-
Operating loss		**(1,554)**	(787)
Finance income	*20*	**1,653**	1
Finance costs	*20*	**(940)**	(872)
Net finance income (costs)		**713**	(871)
Loss before income taxes		**(841)**	(1,658)
Income tax recovery		**570**	212
Net Loss for the Period		**$ (271)**	$ (1,446)
Loss per share	*18*		
Basic loss per share		**$ (0.00)**	$ (0.02)
Diluted loss per share		**$ (0.00)**	$ (0.02)

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

Condensed Consolidated Statements of Comprehensive Loss

(in thousands of United States dollars)	Notes	Three months ended March 31, 2015 (unaudited)	2014 (unaudited) (Note 2)
Net loss for the period		**$ (271)**	$ (1,446)
Other comprehensive (loss) income ("OCI")			
Net change in fair value of financial assets	*8*	**6**	87
Income tax expense		**(3)**	(12)
Foreign exchange on change in functional currency	*2*	**90**	(1,812)
Other comprehensive income (loss) for the period		**93**	(1,737)
Total Comprehensive Loss for the period		**$ (178)**	$ (3,183)

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

Condensed Consolidated Statements of Shareholders' Equity

(unaudited) (in thousands of United States dollars)	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income / (Loss)	Deficit	Total Equity
Balances as at January 1, 2014		$ 52,048	$ 5,431	$ (1,714)	$ (7,844)	$ 47,921
Total comprehensive loss for the period						
Net loss for the period					(1,446)	(1,446)
Other comprehensive loss						
Net change in fair value of financial assets				87	-	87
Income tax expense				(12)	-	(12)
Foreign exchange on change in functional currency				(1,812)	-	(1,812)
Total other comprehensive loss				(1,737)	-	(1,737)
Total comprehensive loss for the period						(3,183)
Transactions with owners, recorded directly in equity						
Contributions by owners in the period						
Options vesting	*19*		58	-	-	58
Options exercised	*17,19*	344	(144)	-	-	200
Total contributions by owners		344	(86)	-	-	258
Total transactions with owners		344	(86)	-	-	258
Balances as at March 31, 2014		$ 52,392	$ 5,345	$ (3,451)	$ (9,290)	$ 44,996
Balances as at January 1, 2015		$ 52,570	$ 5,644	$ (4,144)	$ (10,260)	$ 43,810
Total comprehensive loss for the period						
Net loss for the period					(271)	(271)
Other comprehensive income						
Net change in fair value of financial assets				6	-	6
Income tax expense				(3)	-	(3)
Foreign exchange on change in functional currency				90	-	90
Total other comprehensive income				93	-	93
Total comprehensive loss for the period						(178)
Transactions with owners, recorded directly in equity						
Contributions by owners in the period						
Options vesting	*19*	-	26	-	-	26
Total contributions by owners		-	26	-	-	26
Total transactions with owners		-	26	-	-	26
Balances as at March 31, 2015		**$ 52,570**	**$ 5,670**	**$ (4,051)**	**$ (10,531)**	**$ 43,658**

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

Condensed Consolidated Statements of Cash Flows

(in thousands of United States dollars)	Notes		Three months ended March 31, 2015 (unaudited)		2014 (unaudited) (Note 2)
Cash flows from operating activities					
Net loss for the period		**$**	**(271)**	$	(1,446)
Adjustments for:					
Share-based payments	*19*		**26**		58
Amortization of property, plant and equipment	*10*		**166**		44
Writedown of exploration and evaluation project	*12*		**6**		-
Net finance costs	*20*		**(713)**		807
Income tax recovery			**(570)**		(212)
Net change in working capital:					
Change in receivables	*7*		**2,558**		(1,228)
Change in inventory	*9*		**(1,272)**		(564)
Change in trade and other payables	*13*		**1,009**		487
Net cash from (used by) operating activities			**939**		(2,054)
Cash flows from investing activities					
Expenditures on mine property and development project	*11*		**(22)**		(97)
Expenditures on exploration and evaluation projects	*12*		**(18)**		(36)
Expenditures on 7P Plant	*10*		**(31)**		(728)
Net cash used by investing activities			**(71)**		(861)
Cash flows from financing activities					
Issue of common shares	*17*		**-**		201
Payments of interest	*14,15,16*		**(471)**		(130)
Payments under leases	*16*		**(40)**		(41)
Net (repayment) proceeds of loans	*14*		**(1,000)**		1,990
Deposits of restricted cash	*6*		**(20)**		(187)
Net cash from (used by) financing activities			**(1,531)**		1,833
Net decrease in cash and cash equivalents			**(663)**		(1,082)
Cash and Cash Equivalents, Beginning of the Period			**712**		1,338
Cash and Cash Equivalents, End of the Period		**$**	**49**	$	256

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

Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of United States dollars, except common share and per share information)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of Operations

Victory Nickel Inc. ("Victory Nickel" or the "Company") is a company domiciled in Canada. The address of the Company's registered office is 80 Richmond St. West, Suite 1802, Toronto, Ontario, M5H 2A4. The condensed consolidated financial statements as at and for the three months ended March 31, 2015 and 2014 comprise the Company and its subsidiary Victory Silica Ltd. ("VSL" or "Victory Silica") together referred to as "Victory Nickel" and individually as "Victory Nickel entities". Victory Nickel was primarily engaged in the acquisition, exploration and development of nickel properties and associated products in Canada until the second quarter of 2014 when the Company became a producer and supplier of premium frac sand from its 500,000 ton per annum ("tpa") frac sand plant (the "7P Plant") located near Seven Persons approximately 18kms southwest of Medicine Hat, Alberta. Frac sand is specialized sand that is used as a proppant to enhance recovery from oil and gas wells. The Company was formed on February 1, 2007 pursuant to a plan of arrangement.

The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol NI.

Change in Functional and Presentation Currency

Effective October 1, 2014, the Company changed its functional currency to the United States dollar ("US$") from the Canadian dollar ("C$"). This change in accounting treatment is applied prospectively. Concurrently, the Company determined that it would change its presentation currency to the US$. Refer to Note 2 (c) for additional information.

Going Concern

These condensed consolidated financial statements have been prepared using Generally Accepted Accounting Principles ("GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at March 31, 2015, the Company had a working capital deficiency of $5,912,000.

During the second quarter of 2014, the Company was in the start-up and commissioning stage and began producing and selling frac sand from the 7P Plant; on August 11, 2014, the Company announced that the 7P Plant was commissioned. The SPA Loan is due in July, 2015, one convertible note in the amount of $2,000,000 is due in November 2015, three convertibles notes aggregating $750,000 are due in February 2016, and four convertible notes aggregating to C$265,000 are due at various times between January to March, 2016, accordingly, they are classified as current liabilities, due within one year. The Company generated net cash from operating activities of $939,000 during the first quarter of 2015 but not yet at levels sufficient to wholly fund its activities. In October 2014, the Company secured a short-term facility of $2,000,000 through the issuance of a promissory note (Note 14). This facility has been paid down to $1,000,000. The due date has been extended on a monthly basis by the lender and is presently due by May 31st, 2015 (Note 25).

The Company recognizes the imminent cash requirement to repay debt and is actively discussing restructuring of its debt to term it out for several years. To date, the Company has not received acceptable expressions of interest and has not completed any debt restructuring. Without an injection of capital until the demand for frac sand returns to allow the Company to sell its inventory, the Company's funds will be depleted in June.

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, an unexpected change in the frac sand market which would limit the Company's ability to generate cash flow from the 7P Plant, 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. Development of the Company's current nickel mining projects to the production stage will require significant financing. Given the current economic climate, the ability to raise funds may prove difficult.

None of the Company's mining projects has commenced commercial production and, accordingly, the Company is dependent upon debt or equity financings, the optioning and/or sale of resource or resource-related assets and/or the ability to generate sufficient cash flow from its other operating activities for its funding. The Company's 7P Plant completed commissioning in August, 2014. On April 14, 2015, the Company announced that operations at the 7P Plant were temporarily suspended until the demand for frac sand improves. This will stress the Company's liquidity until such time as the operations can resume.

The recoverability of the carrying value of exploration and evaluation projects and the mine property and development project, and ultimately the Company's ability to continue as a going concern, is dependent upon either exploration results which have the potential for the discovery of economically-recoverable reserves and resources, the Company's ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets such as royalty interests for its funding or the success of the frac sand business referred to above.

However, should the Company not be able to reach successful cash flow generation and achieve profitable operations from frac sand business or continue to achieve favourable exploration results, obtain the necessary financing or 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 financial statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under GAAP. There is no certainty, especially in the present environment, that the Company's initiatives to improve working capital will be successful or that working capital generated thereby will be sufficient to fund the Company's activities including debt servicing, project expenditures and corporate costs. 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.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). This is GAAP for a Canadian public company.

These unaudited condensed consolidated financial statements reflect the accounting policies described in Note 3 to the Company's Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013 ("2014 "Audited Financial Statements") (with the exception of any changes set out in Note 3 below) and accordingly, should be read in conjunction with those financial statements and the notes thereto.

The management of Victory Nickel prepare the condensed consolidated financial statements which are then reviewed by the Audit Committee and the Board of Directors. The condensed consolidated financial statements were authorized for issue by the Board of Directors on May 11, 2015 and are made available to shareholders and others through filing on SEDAR shortly thereafter.

(b) Basis of Measurement

The financial statements have been prepared on the historic cost basis except for derivative financial instruments such as warrants which are measured at fair value with changes through operations and financial assets such as marketable securities which are measured at fair value with changes recorded through other comprehensive income or loss ("OCI").

(c) Functional and Presentation Currency

Under IFRS, an entity's functional currency should reflect the underlying transactions, events and conditions relevant to the entity. Given the Company's transition into an operating entity with revenues and significant expenses driven by prices in US$ and which currency influences management's primary operating, capital and financing decisions, effective October 1, 2014, the Company changed its functional currency to the US$. This change in accounting treatment is applied prospectively. Concurrently, the Company changed its presentation currency to the US$.

For comparative reporting purposes, historic financial statements were translated into the US$ reporting currency whereby assets and liabilities were translated at the closing rate in effect at the end of the comparative periods; revenues, expenses and cash flows were translated at the average rate in effect for the comparative periods and equity transactions were translated at historic rates.

Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of United States dollars, except common share and per share information)

These condensed consolidated financial statements are presented in US dollars, which is the Company's functional currency. All financial information is expressed in US dollars unless otherwise stated; tabular amounts are stated in thousands of dollars.

(d) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

The accompanying unaudited condensed consolidated financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation. The results of operations and cash flows for the current periods as presented are not necessarily indicative of the results to be expected for the full year.

Significant estimates and assumptions

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

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

- Note 7 – valuation of receivables;
- Note 8 - valuation of financial assets at fair value through operations and OCI;
- Note 9 – valuation of inventory;
- Note 11 - measurement of the recoverable amount of mine property and development project;
- Note 12 - measurement of the recoverable amount of exploration and evaluation projects;
- Note 14 - measurement and valuation of the embedded options in convertible notes;
- Note 15 – measurement and valuation of the participating interest; and
- Note 19 - measurement of share-based payments.

Significant judgements

Judgements are reviewed on an ongoing basis. Changes resulting from the effects of amended judgements are recognized in the period in which the circumstance giving rise to the change occurs and in any future periods presented. Information regarding significant areas of critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 1 - going concern assessment;
- Note 2 – determination of the functional currency for the Company and its subsidiaries;
- Note 7 – impairment of receivables;
- Note 9 – impairment of inventory;
- Note 11 - classification of expenditures as mine property and development project or operating expenses;
- Note 12 - classification of expenditures as exploration and evaluation projects or operating expenses;
- Note 11 - impairment of mine property and development project;
- Note 12 - impairment of exploration and evaluation projects.

Share Consolidation

On September 12, 2014, as described more fully in Note 17, the Company consolidated its common shares on a one-for-ten basis (the "Share Consolidation"). Accordingly, certain comparative information regarding issued and outstanding common shares, options, warrants, weighted average number and per share information has been adjusted retroactively to be comparable using that basis as if the Share Consolidation had been effective on the first day of the reporting period of these financial statements. Refer to Notes 17, 18 and 19.

Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of United States dollars, except common share and per share information)

Reclassifications

Certain of the prior period balances have been reclassified to conform to the current presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in detail in Note 3 to the 2014 Audited Consolidated Financial Statements. Such policies have been applied consistently to all periods presented in these condensed consolidated financial statements, and have been applied consistently by Victory Nickel entities.

(a) New Accounting Policies

There have been no new accounting policies adopted by the Company, except as noted below.

(b) New Standards and Interpretations Not Yet Adopted

Since the issuance of the Company's 2014 Audited Consolidated Financial Statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued several new and revised standards and interpretations. However, the revised standards and interpretations are not applicable to the Company or are expected to have minimal impact.

(c) Revenue Recognition

Revenues from frac sand sales are recognized when legal title passes to the customer which may occur at the Company's production facility, rail origin or at the destination terminal or transload facility. At that point, delivery has occurred, evidence of a contractual arrangement exists and collectability is reasonably assured.

(d) Inventory

Finished products and raw materials inventories are valued at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of processing and other costs incurred in bringing inventories to their present location and condition. Net realizable value for finished products and raw materials is generally considered to be the selling price of the finished product in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale. Inventory is reviewed to ensure the carrying value does not exceed net realizable value. A writedown is recognized when carrying cost exceeds net realizable value. The writedown may be reversed if the circumstances which caused it no longer exist.

(e) Property, Plant and Equipment

The 7P Plant has commenced operation mid-2014 and accordingly, amortization of plant equipment commenced during the period. Plant and equipment at the 7P Plant (other than mobile equipment) is being amortized on a straight-line basis based on estimated useful lives of between five and ten years.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT DISCLOSURES

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

A complete description of the Company's financial risk management and capital management is included in Note 4 to the 2014 Audited Consolidated Financial Statements.

This note updates information about the Company's exposure to each of the above risks where there have been material or noteworthy changes. Further quantitative disclosures are included throughout these condensed consolidated financial statements.

Capital Management Disclosures

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support continued project development

Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of United States dollars, except common share and per share information)

and corporate activities. Capital is defined by the Company as the aggregate of its shareholders' equity as well as any long-term debt, equipment-based and/or project-based financing.

		March 31, 2015		December 31, 2014
Shareholders' equity	**$**	**43,658**	$	43,810
Loans and borrowings - long-term portion		**2,157**		2,957
Participating Interest		**2,133**		3,548
Lease obligations - long-term portion		**239**		275
	$	**48,187**	$	50,590

Neither the Company, nor its subsidiary, are subject to externally-imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

5. DETERMINATION OF FAIR VALUES

There have been no changes in how the Company determines fair value for both financial and non-financial assets and liabilities from the descriptions included in Note 5 to the Company's 2014 Audited Consolidated Financial Statements. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

6. CASH AND CASH EQUIVALENTS

		March 31, 2015		December 31, 2014
Bank balances	**$**	**44**	$	707
Short-term deposits		**5**		5
Cash and Cash Equivalents in the Statement of Cash Flows	**$**	**49**	$	712

The Company has placed $291,000 (December 31, 2014 - $271,000) funds on deposit with a Canadian chartered bank to support letters of credit being used to facilitate business activity with certain vendors and are presented as restricted cash on the condensed consolidated balance sheet. The term deposits mature within one year and bear interest at either 0.35% or 0.95%.

7. RECEIVABLES AND PREPAIDS

		March 31, 2015		December 31, 2014
Trade accounts receivable	**$**	**619**	$	2,725
		619		2,725
Other receivables		**99**		48
Prepaid expenses and deposits		**92**		594
	$	**809**	$	3,367

The aging of trade accounts receivable is as follows:

		March 31, 2015		December 31, 2014
Trade accounts receivable				
Current	**$**	**278**	$	1,945
Past due 0-30 days		**220**		454
Past due 31-60 days		**121**		253
Past due 61-90 days		-		42
Past due > 90 days		-		31
	$	**619**	$	2,725

Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of United States dollars, except common share and per share information)

As at March 31, 2015, the Company determined that it had no exposure to losses due to the quality of customers; 100% of the balances outstanding had been collected by the date of this report.

8. MARKETABLE SECURITIES

	March 31, 2015	December 31, 2014
Financial assets at fair value through OCI:		
Shares	**$ 159**	$ 153
	$ 159	$ 153

The Company records its portfolio of shares at available market prices with any difference in fair value compared with acquisition cost being recorded as gain or loss on financial assets at fair value through OCI.

9. INVENTORY

	March 31, 2015	December 31, 2014
Raw material		
At transload facility	**$ 207**	$ 118
In transit	**76**	951
Stored at 7P Plant	**2,259**	463
	2,542	1,532
Finished goods	**1,707**	1,445
	$ 4,249	$ 2,977

10. PROPERTY, PLANT, AND EQUIPMENT

Balances as at January 1, 2014	**Land and Building**	**7P Plant**	**Vehicles and Mobile Equipment**	**Equipment and Furniture**	**Total**
Cost	$ 83	$ 2,922	$ 635	$ 1,526	$ 5,166
Accumulated Amortization	(9)	-	(38)	(28)	(75)
Effect of Foreign Exchange (Note 2)	(16)	(10)	(3)	(99)	(128)
Carrying Amount	**58**	**2,912**	**594**	**1,399**	**4,963**
Additions	-	1,852	73	115	2,040
Amortization	(2)	(382)	(168)	(2)	(554)
Balances as at December 31, 2014					
Cost	83	4,774	708	1,641	7,206
Accumulated Amortization	(11)	(382)	(202)	(30)	(625)
Effect of Foreign Exchange (Note 2)	(8)	(187)	(47)	(160)	(402)
Carrying Amount	**64**	**4,205**	**459**	**1,451**	**6,179**
Additions	-	7	-	4	11
Amortization	(1)	(129)	(35)	(2)	(166)
Balances as at March 31, 2015					
Cost	83	4,781	708	1,645	7,217
Accumulated Amortization	(12)	(511)	(233)	(32)	(788)
Effect of Foreign Exchange (Note 2)	(8)	(196)	(47)	(160)	(402)
Carrying Amount	**$ 64**	**$ 4,074**	**$ 428**	**$ 1,453**	**$ 6,018**

Equipment and furniture includes deposits of $1,544,000 related to the purchase of transformers and other electrical equipment; the equipment is not available for use and is not being depreciated. Vehicles and Mobile Equipment include $666,000 (December 31, 2014 - $666,000) of equipment acquired under leases (Note 16).

Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of United States dollars, except common share and per share information)

11. MINE PROPERTY AND DEVELOPMENT PROJECT

	January 1, 2015	Effect of Foreign Exchange (Note 2)	Current Expenditures	**March 31, 2015**
Minago	$ 34,893	$ -	$ 52	**$ 34,945**
	$ 34,893	$ -	$ 52	**$ 34,945**

	January 1, 2014	Effect of Foreign Exchange (Note 2)	Current Expenditures	March 31, 2014
Minago	$ 36,357	$ (1,377)	$ 94	**$ 35,074**
	$ 36,357	$ (1,377)	$ 94	**$ 35,074**

Minago

The 100%-owned Minago project covers approximately 19,661 ha, through a combination of mining claims, mineral leases and a mineral exploration licence, on Manitoba's Thompson Nickel Belt. The property encompasses the Nose Deposit, which contains the entire current nickel mineral resource, and the North Limb, a zone of nickel mineralization with a known strike length of 1.5 kilometres located to the north of the Nose Deposit.

From 2006 to date, considerable work has been performed, including diamond drilling, metallurgical testing and engineering studies and all the studies required to complete the Environmental Impact Study which was filed in May 2010. As a result, in August 2011, the Company received its Environmental Act Licence ("EAL"). On April 30, 2014, the Company announced the filing of an Environmental Act Proposal ("EAP") to amend the EAL to allow for the relocation of the proposed tailings impoundment. Approval of the EAP is in progress; the EAL remains in good standing. The results of the Minago Feasibility Study ("FS") were announced in December 2009 and improvements thereto announced in June 2010 and July 2011.

Five mineral claims totalling 691 ha located at the north end of the Company's existing Minago property package are subject to a maximum 2% net smelter return royalty with a 50% back-in right; these claims represent approximately 2.4% of the total Minago project.

The Minago project is not in production. Accordingly, the Minago project is not being depreciated.

12. EXPLORATION AND EVALUATION PROJECTS

Cumulative costs relating to the acquisition of mineral properties and E&E expenditures have been incurred on the following projects:

	January 1, 2015	Effect of Foreign Exchange (Note 2)	Current Expenditures	Writedowns/ Recoveries	**March 31, 2015**
Lac Rocher	$ 6,609	$ -	$ -	$ -	**$ 6,609**
Mel	6,771	-	7	-	**6,778**
Lynn Lake	-	-	6	(6)	**-**
	$ 13,380	$ -	$ 13	$ (6)	**$ 13,387**

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	January 1, 2014	Effect of Foreign Exchange (Note 2)	Current Expenditures	Writedowns/ Recoveries	March 31, 2014
Lac Rocher	$ 6,946	$ (264)	$ -	$ -	$ 6,682
Mel	7,026	(265)	22	$ -	6,783
Lynn Lake	-	-	14	$ -	14
Other	4	-	-	$ -	4
	$ 13,976	$ (529)	$ 36	$ -	$ 13,483

Lac Rocher

The Lac Rocher project, which is 100%-owned, is located 140 kilometres northeast of Matagami in northwestern Québec. The project is subject to a royalty of $0.50 per ton on any ores mined and milled from the property and a 2% NSR described below.

The Lac Rocher property is subject to a discovery incentive plan (the “DIP”) to reward certain individuals involved in the discovery of Lac Rocher with a 2% NSR for mines that were discovered on certain properties prior to the expiry of the DIP. The NSR is payable only on revenues earned after recovery of all development costs for any mine on the property. The terms of the DIP provide the Company with a right of first refusal on any proposed disposition of the NSR. In addition, the DIP contains put/call provisions under which the Company may be required to purchase, or may exercise an option to purchase, the NSR at the value of its discounted cash flows, as defined therein. The Lac Rocher property is the only property subject to the DIP. As the Lac Rocher property is not yet in production, no royalties are currently payable.

Mel

The Company purchased a 100% interest in the Mel Properties located near Thomson, Manitoba from Vale. Vale is entitled to a 10% royalty on “distributable earnings” defined as net revenue less operating expenses, before federal and provincial income taxes, after provincial mining taxes and less aggregate pre-production capital but before depreciation.

Vale has a contractual obligation to mill ore mined from the Mel deposit at its cash cost plus 5% provided that the product meets Vale specifications and that Vale has sufficient mill capacity.

Ongoing updating of Mel data is being conducted and applies to both the drilling data on the Mel deposit/lease as well as the 111 drill holes collared on the claims portion of the property. Additional modelling of the resource will be continued. No fieldwork has been conducted during 2015.

Lynn Lake

The Company owns a 100% right, title and interest in the Lynn Lake nickel property (“Lynn Lake”), covering approximately 600 ha in northern Manitoba. As at December 31, 2013, the Lynn Lake property was subject to an option agreement with Wellgreen Platinum Ltd. (“Wellgreen”) (formerly Prophecy Platinum Corp.).

On March 17, 2014, Wellgreen formally confirmed to the Company that it was relinquishing the Lynn Lake option.

On November 4, 2014, the Company announced that it had optioned the Lynn Lake property to Corazon Mining Ltd. (“Corazon”) an Australian public company (ASX: CZN).

On April 6, 2015, the Company received 40,000,000 shares of Corazon Mining Limited valued at $192,000 as part of the option agreement.

Other Projects

In October 2014, the Company entered into an option to acquired a 100% interest in a frac sand land package totalling over 300 acres in south western Wisconsin, USA (the “Bear Coulee Property”). The option agreement provides for a cash payment on signing of the agreement, a second cash payment on delivery of permits and a third cash payment on exercise of the option. The option is valid for six months with two equivalent extensions available under certain circumstances. Prior to production, the Company will be required to pay $40,000 per annum as

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advance royalites on the initial 20,000 tons of sand production. Once the Bear Coulee Proper is in production, the Company will be required to pay royalty of $2.00 per ton of frac sand sold from the property.

In February 2015, the Company announced that a resource estimate of approximately 11 million tons of sand has been completed by Summit on the Bear Coulee Property and will be incorporate into a National Instrument 43-101 technical report. The Bear Coulee frac sand property is located in Trempeleau County, Wisconsin.

No expenditures have yet been made on the Bear Coulee Property.

The Company has incurred minimal expenditures on other properties in 2015 and 2014.

13. TRADE AND OTHER PAYABLES

	Notes		**March 31, 2015**		December 31, 2014
Accounts payable					
Mine property and development project		**$**	**64**	$	13
Exploration and evaluation projects			**4**		1
Property and equipment			**323**		402
Other accounts payable			**2,975**		1,708
Accrued liabilities					
Mine property and development project			**10**		22
Other accrued liabilities			**442**		683
Other payables			**-**		21
Lease obligations - current portion	*16*		**139**		137
Due to Nuinsco Resources Limited					
Under the Management Agreement	*22*		**40**		45
		$	**3,997**	$	3,032

14. LOANS AND BORROWINGS

	Notes		**March 31, 2015**		December 31, 2014
Current loans					
SPA Loan	*(a)*	**$**	**3,711**	$	3,585
Short-term loan	*(b)*		**1,000**		2,000
Current portion of long-term loans	*(c)*		**2,761**		1,908
Total current loans			**7,472**		7,493
Long-term loans					
Promissory notes	*(c)*		**2,157**		2,957
Total long-term loans			**2,157**		2,957
		$	**9,629**	$	10,450

(a) SPA Loan		**March 31, 2015**		December 31, 2014
Principal balance		**4,000**		4,000
Add: fair value of warrants with a cashless exercise feature		**33**		121
Less: unamortized loan fees		**(322)**		(536)
SPA Loan	**$**	**3,711**	$	3,585

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On May 15, 2014, the Company announced that it had executed a securities purchase and line of credit agreement (the "SPA Loan") to issue and sell to the purchaser senior secured 14.8% notes in the aggregate principal amount of $4,000,000 (each a "SPA Note"). The SPA Loan matures on July 30, 2015.

The Company has issued to the purchaser 2,000,000 common share purchase warrants (after giving retroactive effect to the Share Consolidation Note 17). The number of warrants is subject to an increase to 1,000,000 warrants (after giving retroactive effect to the Share Consolidation Note 17) for each $1,000,000 Note issued if any of the Notes is prepaid and the closing price of the Company's common shares is C$2.00 or lower (after giving retroactive effect to the Share Consolidation Note 17) on the trading day preceding the date of such prepayment. Given that there are costs associated with the prepayment right, the Company has valued the prepayment right at $nil. Each warrant (after giving retroactive effect to the Share Consolidation Note 17) entitles the holder to purchase one common share of the Company at an exercise price of C$1.00 (after giving retroactive effect to the Share Consolidation Note 17) for a period of 36 months from the Initial Closing Date. The warrants are subject to a cashless exercise provision and are therefore considered a component of debt rather than equity; the fair value at inception was calculated at C$620,000 and was revalued at March 31, 2015 at $33,000 with the aggregate change in fair value of $551,000 being recorded in finance income, of which $88,000 (2014 - $463,000) was recorded in the three months ending March 31, 2015 (Note 20).

In the three months ended March 31, 2015, the Company paid $148,000 in interest and amortized $214,000 in loan fees into finance costs. There are no amounts remaining to be drawn under the SPA Loan.

The values of the warrants with a cashless exercise provision have been calculated using the Black-Scholes option-pricing model using the following parameters:

(after retroactive effect of Share Consolidation - Note 17)	**March 31, 2015**	December 31, 2014	May 15, 2014
			(At inception)
Fair values	**C$0.02**	C$0.07	C$0.31
Share prices at valuation dates	**C$0.14**	C$0.24	C$0.60
Assumptions			
Exercise price	**C$1.00**	C$1.00	C$1.00
Expected volatilities	**97%**	111%	101%
Expected remaining terms (years)	**2.13**	2.37	3.00
Expected dividends	**-**	-	-
Risk-free interest rates	**0.50%**	1.00%	1.12%

b) Short-term loan

On October 1, 2014, the Company completed the arrangement of short-term financing by way of a promissory note amounting to $2,000,000. The promissory note bears interest at an annual rate of 28% and was originally due on December 1, 2014. The lender has agreed to several monthly extensions of the short-term facility upon payment of extension fees, and penalties. During the first quarter ended March 31, 2015 the Company repaid $1,000,000 and paid interest expense, extension fees, and penalties aggregating $179,000. The outstanding balance of $1,000,000 is now due on or before May 31, 2015.

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(c) Promissory Notes	***Notes***		**March 31, 2015**		December 31, 2014
Total Principal Outstanding			**5,979**		5,979
Embedded option derivatives at inception		**$ (1,420)**		$ (1,420)	
Less: effect of conversion to SPA Loan		**417**		417	
Less: accumulated amortization	*20*	**516**		339	
			(487)		(664)
Less: unamortized loan fees			**(91)**		(108)
Add: Effect of foreign exchange			**(18)**		19
Less: Equity component of debt			**(48)**		(48)
Net promissory notes			**5,335**		5,178
Embedded option derivatives at inception		**1,420**		1,420	
Less: effect of conversion to SPA Loan		**(417)**		(417)	
Change in value of embedded option derivatives	*20*	**(1,420)**		(1,316)	
			(417)		(313)
			4,918		4,865
Less: current portion of promissory notes			**(2,761)**		(1,908)
Promissory Notes - long-term portion			**$ 2,157**		$ 2,957

On November 11, 2013 and during 2014, the Company entered into several unsecured convertible promissory notes for $6,750,000 and C$265,000 by way of private placements (the “Convertible Notes”); $1,000,000 was converted into a SPA Note as referred to above. The Convertible Notes bear interest calculated and payable quarterly at 14.8% and are convertible at the option of the holder into the Company’s shares at C$1.00 (after retroactive effect of the Share Consolidation). All Convertible Notes have two-year terms.

In the three months ended March 31, 2015 the Company paid $147,000 for interest in cash and accrued another $73,000 on interest expense that was paid on April 1, 2015; amortization of $17,000 in loan fees and $177,000 for the embedded option derivatives at inception using the effective interest rate method (2014 - $669,000, $53,000 and $328,000, respectively).

The embedded option derivatives have been calculated using the Black-Scholes option-pricing model using the following parameters:

(after retroactive effect of Share Consolidation - Note 17)	**March 31, 2015**	December 31, 2014	(Various inception dates)	November 11, 2013
				(At inception)
Fair values	**C$.00**	C$0.00 to C$0.03	C$0.22 to C$0.40	C$0.08
Share prices at valuation dates	**C$0.14**	C$0.24	C$0.50 to C$0.70	C$0.30
Assumptions				
Exercise price	**C$1.00**	C$1.00	C$1.00	C$1.00
Expected volatilities	**80% to 93%**	82% to 109%	116%	103%
Expected remaining terms (years)	**0.61 to 1.27**	0.86 to 1.52	2.00	2.00
Expected dividends	**-**	-	-	-
Risk-free interest rates	**0.50%**	1.00%	1.20%	1.20%

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15. PARTICIPATING INTEREST

Participating Interest	Note	March 31, 2015	December 31, 2014
Advance for working capital		$ -	$ 940
Advance under Amended Loan for standby commitment		-	1,135
Aggregate advances		-	2,075
Less: settled in Units of Victory Nickel		-	(1,135)
Less: unamortized loan fees		-	(51)
Opening balance		**3,548**	889
Change in fair value	*20*	**(1,415)**	2,875
Effect of foreign exchange		-	(216)
Participating Interest		**$ 2,133**	$ 3,548
Current portion - due within one year (1)		$ -	$ -
Long-term portion (2)		**2,133**	3,548
Participating Interest		**$ 2,133**	$ 3,548

(1) Classified as loans and borrowings - current
(2) Classified as loans and borrowings - long-term

In 2012, the Company entered into a loan agreement for C$1,000,000 with Nuinsco (the "Lender"). The loan was amended and restated on March 25, 2013 (the "Amended Loan") to up to C$3,000,000 with the additional amount being available to fund capital expenditures relating to the 7P Plant. The Amended Loan bore interest at 12% per annum and was set to mature on January 31, 2015; the loan was secured by equipment and a general security agreement over the equipment of the Company.

Prior to June 1, 2014, the Lender had the right to convert the outstanding balance of the Amended Loan into a limited participating interest (the "Conversion") whereby the Lender is entitled to receive a share of cash flows earned from the sale of frac sand from the 7P Plant. The Lender's participation was capped at C$10,000,000, with a minimum of C$7,500,000, and was subject to adjustment under certain circumstances. On Conversion, the Amended Loan would be considered paid in full. Pursuant to the Amended Loan the Lender provided a backstop of C$1,207,584 in cash to a rights offering which closed on July 30, 2013. This capped the Amended Loan at C$2,707,584 and reduced the amount available to be drawn down to C$500,000. Upon exercise of the backstop, the Lender increased its shareholding in the Company to approximately 12.24% on a non-diluted basis, thereby becoming a related party of the Company.

The Company was to pay, with shares, an arrangement fee of up to C$300,000 plus a commitment fee of 1.5% per annum on unutilized balances. Commitment fees of C$11,000 were accrued to December 31, 2013 and are included in *Finance costs* in Note 20; shares were issued in December 2014. Effective March 2013, the Company issued 5,681,818 shares in satisfaction of the arrangement fee at that time of C$250,000; an additional 789,294 shares with a stated value of C$20,758 were issued in August 2013 under the loan terms related to the backstop of the rights offering; this satisfies the arrangement fee in full. These amounts, along with other loan fees, are being amortized as interest expense using the effective interest rate method prior to conversion of loan into participating interest; in the three months ended March 31, 2015, there was no amortization of loan fees as interest expense and or interest paid to the Lender in cash (2014 - $119,000 and $46,000, respectively).

On February 4, 2014, both Nuinsco and Victory Nickel agreed to cancel the amount that remained available to be drawn down under the Amended Loan. This fixed the commitment fee to be paid in shares at C$12,000 and also amended the range of the Company's participation in the net cash flows earned from the sale of frac sand to a maximum of C$10,222,831 with a minimum of C$7,667,124. As at March 31, 2015, these limits approximate $8,071,000 and $6,053,000.

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The loan is classified as a financial liability carried at amortized cost and is defined as "Participating Interest". From recognition until the fourth quarter of 2013, the Company considered that there were no changes in estimated cash flows since Nuinsco had not converted its loan and the 7P Plant was not built and there were other significant uncertainties. During the fourth quarter of 2013, the plant construction was well underway and the probability of Conversion had increased substantially. Accordingly, the Company revised the estimated future cash flows and discounted these cash flows at 15%. The estimated future cash flows were determined using a probability-weighted estimation of future expected cash flow scenarios from the frac sand business based on current expectations of business results, capital costs and pre-operating expenditures. An assessment is made regarding the applicable ceiling for the cash flows which is dependent upon the phase attained by the Company when payments under the Participating Interest are anticipated. These cash flows were on the basis of Phase Two completion; the Company still expects to enter Phase Two before paying out the expected cash flows despite announcing a deferral of Phase Two during February, 2015. The Company also included probability weightings of 5%, 40% and 55% as risk factors applied to varying levels of expected cash flows – being zero, 50% and 100% of the applicable ceiling maximum of C$10,222,831. As at March 31, 2015, the probability weightings used in the model were 5%, 40% and 55%; representing a probability-weighted average of 75% (December 31, 2014 – 75%).

As described earlier, the percentage participation in net cash flows is 52.16% and the applicable ceiling for Phase Two is C$7,667,124 (Phase One - C$10,222,831). These assumptions resulted in revised amortized cost carrying amount of the Participating Interest of $2,133,000 and, accordingly $1,415,000 was recorded as a *gain on adjustment of estimated cash flows* through the statement of operations. As at December 31, 2014, the Participating Interest was estimated to be $3,548,000 with $225,000 being recorded as a loss through the statement of operations. This is a Level 3 methodology and is subject to the highest level of uncertainty. The Company will continue to review and revise its estimates of expected future cash flows as the expectations of payments of the Participating Interest change. Changes in that estimate will be recorded through operations with appropriate adjustment for actual cash flows paid**.**

16. LEASE OBLIGATIONS

	Note		**March 31, 2015**		December 31, 2014
Vehicles and Mobile Equipment:					
Total present value of minimum lease payments		**$**	**517**	$	570
Principal payments			**(139)**		(158)
Total present value of minimum lease payments remaining			**378**		412
Lease obligations - current portion	*13*		**(139)**		(137)
Lease obligations - long-term		**$**	**239**	$	275

The Company has finance lease obligations for equipment in use at the 7P Plant. At the end of the lease obligations, ownership is transferred to the Company for all leases except one, whereby an election is to be made 60 days prior to the end of the lease term at the purchase option price of $1.

The future minimum lease payments are as follows:

		March 31, 2015		December 31, 2014
Less than 1 year	**$**	**160**	$	160
Between 1 and 5 years		**237**		293
Total minimum lease payments payable	**$**	**397**		453
Future finance charges on minimum lease payments		**19**		41
Present value of minimum lease payments	**$**	**378**	$	412

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17. CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital

Authorized

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

Share Consolidation

On September 12, 2014, pursuant to shareholder approval granted at the Company's Annual and Special Meeting of Shareholders held on May 29, 2014 (the "ASM"), the Company consolidated its common shares on a one-for-ten basis (the "Share Consolidation"). Accordingly, certain comparative information regarding issued and outstanding common shares, options, warrants, weighted average number and per share information has been adjusted retroactively to be comparable using that basis as if the Share Consolidation had been effective on the first day of these financial statements. Refer to Notes 2, 18 and 19.

Number of shares issued and outstanding

As at March 31, 2015, the Company had 57,634,578 (after giving retroactive effect to the Share Consolidation) shares outstanding. There were no common shares issued during the three months ended March 31, 2015. In January and February 2014, various officers, employees and consultants of the Company exercised 4,630,000 (after giving retroactive effect to the Share Consolidation) options generating aggregate cash proceeds of $201,000; $144,000 was transferred from contributed surplus. As at March 31, 2014, the number of shares outstanding was 57,166,082 (after giving retroactive effect to the Share Consolidation).

Share Incentive Plan

The Company has a Share Incentive Plan which includes a Share Purchase Plan and a Share Bonus Plan. Both are described fully in the Company's 2014 Audited Consolidated Financial Statements.

Shareholder Rights Plan

The Company has a Shareholder Rights Plan which is described fully in the Company's 2014 Audited Consolidated Financial Statements.

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

AOCI is comprised of the following separate components of equity:

Net change of financial assets at fair value through OCI

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

Income tax on other comprehensive income

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

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18. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted EPS for the three months ended March 31, 2015 and 2014 was based on the information in the table below.

(after retroactive effect of Share Consolidation - Note 17)	Three months ended March 31, 2015	2014
Balance as at beginning of the period	**57,325,900**	56,703,100
Effect of options exercised	**-**	391,700
Weighted average number of common shares as at end of period - Basic and Diluted	**57,325,900**	57,094,800
Effect of options granted and outstanding	**-**	682,400
Weighted average number of common shares as at end of the period - Diluted	**57,325,900**	57,777,200
Number of options excluded	**3,036,000**	2,136,350
Number of warrants excluded	**12,799,935**	11,250,000
Number of shares from conversion of promissory notes excluded	**6,935,575**	4,409,875
Net loss attributable to shareholders - Basic	**$ (271)**	$ (1,446)
Net loss attributable to shareholders - Diluted	**$ (271)**	$ (1,446)
Basic loss per share	**$ (0.00)**	$ (0.02)
Diluted loss per share	**$ (0.00)**	$ (0.02)

The disclosures in the table above are provided after giving retroactive effect to the share consolidation on a one-for-ten basis described in Note 17.

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

There have been no share issuances subsequent to the end of the period which would have had a significant effect on the EPS.

19. SHARE-BASED PAYMENTS

Description of the Share-based Payment Arrangements

The Company's share-based payment arrangements are described in the Company's 2014 Audited Consolidated Financial Statements.

Stock Option Plan (equity-settled)

As at March 31, 2015, the Company had 5,609,187 common shares available for the granting of future options (December 31, 2014 – 5,125,187 common shares) after giving retroactive effect to the Share Consolidation in Note 17. Options are exercisable at the closing market price of the shares at the date prior to grant. The Company does not have any cash-settled transactions.

Share purchase warrants (equity-settled)

Pursuant to the rights offering which closed on July 30, 2013, the Company issued 10,000,000 warrants (after giving retroactive effect to the Share Consolidation in Note 17). The Company also issued 1,250,000 warrants (after giving retroactive effect to the Share Consolidation in Note 17) pursuant to a private placement on September 19, 2013. The 2,000,000 warrants (after giving retroactive effect to the Share Consolidation in Note 17) issued on May 15, 2014 pursuant to the SPA Loan may be settled without cash and are, accordingly, classified as debt (Note 14). The Company does not have any cash-settled transactions.

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Share Bonus Plan

The terms of the Share Bonus Plan are set out in Note 21 to the Company's 2014 Audited Consolidated Financial Statements.

Terms and Conditions of Share-based Payment Arrangements

Stock Option Plan and Share purchase warrants

The terms and conditions relating to the grants of the Company's Stock Option Plan are set out in Note 21 to the Company's 2014 Audited Consolidated Financial Statements. The warrants issued under the rights offering in 2013 are exercisable on July 31, 2014 and expire on July 31, 2015. The Company's share purchase warrants issued pursuant to the private placement are exercisable on issue and expire on September 19, 2015.

Disclosure of Share-based Payment Arrangements

Stock Option Plan

The number and weighted average exercise prices of options are as follows:

(after retroactive effect of Share Consolidation - Note 17)	**Number of options**			**Weighted average exercise price**		
(amounts in Canadian dollars)	**March 31,**	December 31,		**March 31,**		December 31,
As at and for the periods ended	**2015**	2014		**2015**		2014
Outstanding as at beginning of period	**3,555,000**	3,204,125	**$**	**0.72**	$	0.80
Granted	**-**	1,063,000	**$**	**-**	$	0.66
Exercised	**-**	(463,000)	**$**	**-**	$	0.46
Expired or forfeit	**(519,000)**	(249,125)	**$**	**1.60**	$	1.70
Outstanding as at end of period	**3,036,000**	3,555,000	**$**	**0.57**	$	0.72
Exercisable as at end of period	**2,690,750**	3,209,750	**$**	**0.73**	$	0.73

(after retroactive effect of Share Consolidation - Note 17)	**Number of options outstanding**		**Weighted average remaining contractual life (years)**	
	March 31, 2015	December 31, 2014	**March 31, 2015**	December 31, 2014
Range of exercise prices (Canadian dollars)				
$0.25 to $0.50	**1,587,000**	1,587,000	**2.71**	2.96
$0.55 to $0.55	**263,000**	263,000	**3.85**	4.10
$0.60 to $1.40	**1,186,000**	1,186,000	**2.97**	3.22
$1.50 to $1.60	**-**	519,000	**-**	0.01
	3,036,000	3,555,000	**3.18**	2.61

Additional disclosures relating to the Company's options are as follows:

(after retroactive effect of Share Consolidation - Note 17)		**Three months ended March 31,**		
		2015		2014
Number of options granted during the period		**-**		263,000
Weighted average fair value of options granted at grant date (Canadian dollars)		**n/a**	$	0.60
Number of options subject to vesting as at end of period		**345,250**		375,000
Share-based payment expense - vesting options	**$**	**26**	$	58
Unvested options not yet charged to operations	**$**	**28**	$	40

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Share purchase warrants

The number and weighted average exercise prices of warrants are as follows:

(after retroactive effect of Share Consolidation - Note 17) (amounts in Canadian dollars) As at and for the periods ended	Date Issued	Life	Number of warrants March 31, 2015	December 31, 2014		Weighted average exercise price March 31, 2015		December 31, 2014
Issued pursuant to rights offering								
Unit warrants	July 30, 2013	12 [(a)]	**9,549,935**	10,000,000	**$**	**0.35**	$	0.35
Exercised			**-**	(450,065)				
Issued pursuant to private placements								
Unit warrants	Sept. 19, 2013	24	**1,250,000**	1,250,000	**$**	**0.35**	$	0.35
SPA warrants	May 15, 2014	36	**2,000,000**	2,000,000	**$**	**1.00**	$	1.00
Outstanding as at end of the period			**12,799,935**	12,799,935	**$**	**0.45**	$	0.45

(a) The life of warrants is shown in number of months from issue date, except for those issued pursuant to the rights offering which became exercisable 12 months from issue.
(b) The SPA warrants may be settled without cash and are, accordingly, classified as debt rather than as a component of contributed surplus.
(c) The number of warrants and weighted average exercise prices are disclosed after giving retroactive effect to the Share Consolidation in Note 17.

Inputs for Measurement of Grant-Date Fair Values

The grant-date fair values of share-based payments were measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility.

The inputs used in the measurement of the fair values at grant date of the share-based payments granted, modified or issued during the years are as follows:

(after retroactive effect of Share Consolidation - Note 17) (amounts in Canadian dollars)	Options March 31, 2015	December 31, 2014	Warrants March 31, 2015	December 31, 2014
Fair values at grant dates	**n/a**	$0.31 and $0.42	**n/a**	n/a
Fair values of options modified	**n/a**	n/a	**n/a**	n/a
Share prices at grant and modification dates	**n/a**	$0.70 and $0.50	**n/a**	n/a
Assumptions				
Exercise prices	**n/a**	$0.70 and $0.55	**n/a**	n/a
Expected volatilities	**n/a**	93% and 91%	**n/a**	n/a
Life (years)	**n/a**	4	**n/a**	n/a
Expected dividends	**n/a**	-	**n/a**	n/a
Risk-free interest rates	**n/a**	1.23% and 1.01%	**n/a**	n/a

Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of United States dollars, except common share and per share information)

20. FINANCE INCOME AND FINANCE COSTS

		Three months ended March 31,	
	Notes	**2015**	2014
Interest income on bank deposits		**$ -**	$ 1
Net change in fair value of financial liabilities at fair value through operations	*14,15*	**194**	-
Gain on adjustment of estimated cash flows	*15*	**1,415**	-
Net foreign exchange gain		**44**	-
Finance income		**1,653**	1
Interest expense on loans			
Cash settled	*14*	**551**	130
Amortization of loan fees	*14*	**230**	43
Amortization of embedded option derivatives	*14*	**159**	51
Commitment fee	*15*	**-**	1
Loss on adjustment of estimated cash flows	*15*	**-**	97
Net change in fair value of financial liabilities at fair value through operations	*14,15*	**-**	494
Net foreign exchange loss			56
Finance costs		**940**	872
Net Finance Income		**$ 713**	$ (871)

21. OPERATING SEGMENT

Reporting Segments

The Company is engaged in the exploration, evaluation and development of properties for the mining and production of nickel and associated products; since January 1, 2014, it also is a producer and supplier of premium frac sand from its 7P Plant. Accordingly, the Company has three reporting segments: Corporate, Exploration and Development, and Frac Sand. Prior to January 1, 2014, there were no formal operating segments; for comparative purposes, the Company estimated the assets involved in each segment and has reported them in the table below.

The Corporate segment operates to support the Company's activities, including exploration and development projects and the frac sand business. The Company will continue to share services with Nuinsco (Note 22) to do so.

Senior management makes decisions with respect to Exploration and Development by considering exploration and development potential and results on a project basis. The exploration and development projects are all located in Canada. Any applicable amounts relating to such projects will continue to be capitalized to the relevant project as either *Exploration and evaluation projects* or *Mine property and development project* on the consolidated balance sheets.

The Frac Sand segment is managed and operated by Victory Silica's executives and employees although the business and operating assets are part of Victory Nickel (refer also to Note 23). The segment is located in Canada although raw materials purchases are sourced from the US.

There have been no changes in the reportable segment or the treatment of segmented assets and revenues year over year.

Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of United States dollars, except common share and per share information)

The following tables provide information on the Company's segments.

	March 31, 2015	December 31, 2014
Canada		
Corporate	$ **1,233**	$ 1,860
Exploration and Development	**49,792**	49,734
Frac Sand	**9,750**	11,300
Intersegment elimination	**(912)**	(962)
Total Assets	$ **59,863**	$ 61,932

Three months ended March 31, 2015	Corporate	Exploration and Development	Frac Sand	Intersegment Reclassification	Total	March 31, 2014 Total
Revenues	$ -	$ -	$ 1,522	$ -	$ 1,522	$ -
Cost of goods sold	-	-	(1,769)	-	(1,769)	-
Gross margin	-	-	(247)	-	(247)	-
Operating expenses						
General and administrative	(426)	(3)	(80)	-	(509)	(491)
Share-based payments:						
Options	(26)	-	-	-	(26)	(58)
Amortization of property, plant and equipment	(1)	(1)	(164)	-	(166)	(44)
Writedown of E and E projects	-	(6)	-	-	(6)	-
Pre-exploration costs	-	-	-	-	-	-
Net frac sand pre-operating costs	-	-	-	-	-	(194)
Non-recurring plant costs (1)	-	-	(600)	-	(600)	-
Operating loss	(453)	(10)	(1,091)	-	(1,554)	(787)
Finance income	1,671	-	2	(20)	1,653	1
Finance costs	(937)	-	(23)	20	(940)	(872)
Net finance income (costs)	734	-	(21)	-	713	(871)
Loss before income taxes	281	(10)	(1,112)	-	(841)	(1,658)
Income tax recovery	570	-	-	-	570	212
Net Loss for the Period	$ 851	$ (10)	$ (1,112)	$ -	$ (271)	$ (1,446)

(1) Costs of $361,000 was incurred relating to 7P Plant being placed on care and maintenance as a result in reduced production from unexpected decline in sales during the first quarter of 2015. Another $131,000 was incurred relating to railcar storage costs and one-time preparation costs for railcars to be leased that was later cancelled. Furthermore, $108,000 was incurred relating to additional equipment rental and casual labour to move frozen sand as a result of the unexpected spring break-up.

22. RELATED PARTIES AND MANAGEMENT AGREEMENT

Related Party Balances and Transactions

Short-term employee benefits provided by the Company to key management personnel include salaries, directors' fees, statutory benefit contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. 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 options and shares as part of the Stock Option Plan and Share Bonus Plan (Notes 17 and 19).

Balances and transactions with related parties as at March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014 are shown in the following tables:

	March 31, 2015	December 31, 2014
Balances Outstanding		
Payable to key management personnel	$ **169**	$ 251

Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of United States dollars, except common share and per share information)

Key management personnel compensation comprises:

	Three months ended March 31, 2015	2014
Short-term employee benefits	**$ 206**	$ 221
Share-based payments - options	**-**	64
	$ 206	$ 285

Balances and Transactions with Nuinsco Resources Limited under the Management Agreement

The Company shares management, administrative assistance and facilities with Nuinsco pursuant to a management agreement; management operates under the supervision of the respective board of directors of each respective company; there is only one common director. As described in Note 15, Nuinsco became a related party of the Company effective July 30, 2013. The costs charged by Nuinsco are recorded at the cost to Nuinsco of such services plus 10 per cent. The management agreement commenced February 1, 2007 and is terminable by the Company upon 180 days' notice and by Nuinsco upon 90 days' notice. The Company served notice of termination on September 5, 2014; accordingly, the management agreement ceased in March 2015. The Company has continued to share resources and costs with Nuinsco under a cost sharing arrangement.

Balances and transactions with Nuinsco under the management agreement as at March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014 are shown in the following tables:

	March 31, 2015	December 31, 2014
Balances Outstanding under the Management Agreement		
Payable to Nuinsco Resources Limited	**$ 40**	$ 45

	Three months ended March 31, 2015	2014
Transaction Values under the Management Agreement		
Overhead charges from Nuinsco Resources Limited	**$ 154**	$ 182
Project costs charged to Nuinsco Resources Limited	**$ 6**	$ 5
Project recoveries charged by Nuinsco Resources Limited	**$ 16**	$ 12

Amounts due to or from Nuinsco under the management agreement are unsecured, non-interest bearing and due on demand. Amounts due to or from Nuinsco thereby are settled on a regular basis. Payables to key management personnel generally relate to directors' fees, consulting fees and expense reimbursements.

Balances and Transactions with Nuinsco Resources Limited under the Amended Loan

The terms of the Amended Loan with Nuinsco and the balances and transactions related thereto are described in Note 15.

23. COMPANY ENTITY

Significant Subsidiary - Victory Silica

On June 19, 2012, the Company announced a new initiative through the creation of Victory Silica. The objective is to establish the Company as a supplier of premium frac sand prior to commencing frac sand sales from the Minago project. Victory Silica's executives and employees manage the frac sand business on behalf of the Company. Until the end of the first quarter of 2014, most costs of the frac sand business related either to pre-operating costs which have been expensed through operations or to plant commissioning and mobile equipment which have been capitalized. In the first three months of 2014, sales of frac sand produced during the pre-operating stage amounted to $248,000; these have been netted against the pre-operating expenditures recorded in the first quarter of 2014 resulting in *Net frac sand pre-operating costs* recorded in the statement of operations of $194,000.

Notes to the Condensed Consolidated Financial Statements

(all tabular amounts in thousands of United States dollars, except common share and per share information)

Significant production and sales volumes were achieved during the second quarter of 2014 thus the 7P Plant was no longer considered to be pre-operating. Consequently, operating results commenced being reported and amortization of the 7P Plant commenced in the second quarter of 2014. Full commissioning of the 7P Plant occurred in August, 2014.

		March 31, 2015		December 31, 2014
Victory Silica Ltd.				
Current assets	**$**	**28**	$	46
Current liabilities	**$**	**149**	$	143
Pre-operating costs	**$**	**-**	$	194

24. COMMITMENT

Transformer Equipment

On May 10, 2010, the Company entered into an agreement to purchase equipment for the Minago project. The total price is US$2,840,000. The Company has made aggregate deposits of $1,544,000 as at March 31, 2015.

25. SUBSEQUENT EVENT

Extension of short-term loan

On April 30, 2015, the Company agreed on an additional extension of the short-term loan with the lender. The balance outstanding is $1,000,000 and is now due on or before May 31, 2015 under similar terms.

Receipt of Payment for Lynn Lake Project Option

On April 6, 2015, Corazon Mining Ltd. (“Corazon”) issued 40,000,000 Corazon shares to Victory Nickel as part of the terms of the agreement between the two companies covering the Lynn Lake nickel project in northern Manitoba. Corazon’s shares are listed on the Australian Stock Exchange under the symbol CZN and have traded in the range of A$0.004 and A$0.014 per share during the past year.

Temporary Suspension of Frac Sand Operation

On April 14, 2014, the Company announced that as a result of first quarter of 2015 sales being slower than anticipated, sales decreased monthly from January to March 2015 and, as a result of the current market conditions, production at the 7P Plant has been temporarily suspended.

VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2015

DATED May 11, 2015

VICTORY NICKEL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three Months ended March 31, 2015

The following discussion of the results of operations, financial condition and cash flows of Victory Nickel Inc. ("Victory Nickel" or the "Company") prepared as of May 11, 2015 consolidates management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2015, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's unaudited condensed consolidated financial statements for the three months ended March 31, 2015 ("Unaudited Condensed Consolidated Financial Statements") and the notes thereto.

Certain information and discussion included in this management's discussion and 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, 2014 and 2013 ("2014 Audited Consolidated Financial Statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). The Unaudited Condensed Consolidated Financial Statements and the 2014 Audited Consolidated Financial Statements are available at www.sedar.com and at the Company's website www.victorynickel.ca. All amounts disclosed are in United States dollars ("US$" or "US dollars") unless otherwise stated. All tabular amounts are in thousands of US dollars.

Change in Functional and Presentation Currency

Effective October 1, 2014, the Company changed its functional currency to the US dollar from the Canadian dollar ("C$"). This change in accounting treatment is applied prospectively. Concurrently, the Company determined that it would change its presentation currency to the US$. Refer to Note 2 (c) to the 2014 Audited Consolidated Financial Statements for additional information.

COMPANY OVERVIEW

Victory Nickel is a Canadian producer of high-quality "Northern White" frac sand sourced from Wisconsin, USA, through its wholly-owned subsidiary Victory Silica Ltd. ("VSL" or "Victory Silica"). Northern White occurs predominantly in the US Mid-West and generally exceeds American Petroleum Institute ("API") specifications. For this reason, it is a highly-desirable and preferred frac sand. Frac sand is used as a proppant in the oil and gas industry which enhances the recovery from oil and gas wells. The Company's frac sand processing facilities are located in Seven Persons, Alberta and comprise a wet plant with capacity of approximately 120,000 tons per annum ("tpa") and a fully-operational dry plant with a nominal capacity of 500,000 tpa (the "7P Plant"). In April 2015 the Company announced the temporary suspension of production at its 7P Plant as demand for frac sand dropped off during the spring break-up season and due to the decrease in activity related to the sudden drop in the price of oil.

In addition to the significant sand resource at its Minago project in Manitoba, in October 2014, the Company entered into an option to acquire a 100% interest in a frac sand land package totalling over 300 acres in south western Wisconsin, USA (the "Bear Coulee Property"). The option agreement provides for a cash payment on signing of the agreement, a second cash payment on delivery of permits and a third cash payment on exercise of the option. The option is valid for six months from receipt of permits with two equivalent extensions available under certain circumstances. Prior to production the Company will be required to pay $40,000 per annum as advance royalties on the initial 20,000 tons of sand production. Once the Bear Coulee Property is in production, the Company will be required to pay a royalty of $2.00 per ton of frac sand sold from the property. The Bear Coulee frac sand property is located in Trempeleau County, Wisconsin. In February 2015, the Company announced that a resource estimate of approximately 11 million tons of sand has been completed by Summit Envirosolutions Inc. ("Summit") on the Company's Bear Coulee Property and was incorporated into a National Instrument 43-101 technical report.

The Company has considered constructing a wet plant in Wisconsin or Minnesota and is also completing preliminary studies to build a second 1,000,000 tpa dry plant in or near Winnipeg, Manitoba. Market conditions necessitate the deferral of construction until more certainty returns to the oil and gas sector.

Crucial to the success of its frac sand operations is the Company's ability to build a solid customer base within an economic distance of its production facilities. To date, the Company has been able to establish itself as a preferred supplier in the areas around Medicine Hat, Alberta through spot-market sales and short term contracts. The Company's 7P Plant is located in close proximity to drilling activity in Alberta, BC, Saskatchewan and North Dakota, allowing customers to purchase sand FOB the 7P Plant and use their own trucks to deliver to the wellhead or, alternatively, to have the Company deliver frac sand directly to the wellhead. A small portion of finished sand is delivered by rail.

The Company was formed on February 1, 2007 as exploration and development mineral resource company and, until recently, was primarily engaged in the acquisition, exploration, evaluation and development of nickel projects and associated products in Canada. Victory Nickel owns 100% of four advanced sulphide nickel projects: the Minago, Lynn Lake (under option with Corazon Mining Ltd. (“Corazon”) an Australian public company (ASX: CZN) refer below) and Mel projects in Manitoba and the Lac Rocher project in Québec. The results of a feasibility study on the Minago Project (“FS”) were announced in December 2009, the Environmental Impact Study (“EIS”) was filed in May 2010 with subsequent improvements to the project announced in June 2010 and July 2011. Receipt of the Environmental Act Licence (“EAL”) was announced in August 2011. In April 2014 the Company announced the filing of an amendment to the EAL. A preliminary economic assessment of Lac Rocher (“PEA”) was announced in November 2008. Baseline environmental studies are ongoing at Mel in preparation for permit applications should the economics support development.

In November 2014, Corazon optioned Lynn Lake. Under the terms of the agreement, Corazon can acquire a 100% interest by issuing to Victory Nickel 40 million Corazon shares upon closing and incurring A$3,500,000 in exploration expenditures or in payments (in cash or Corazon shares at Corazon's option) to Victory Nickel over five years. In addition, Victory Nickel will retain a 1.5% net smelter royalty on production from the Lynn Lake nickel project, and receive a payment of A$1,000,000 (in cash or Corazon shares at Corazon's option) within 30 days of the commencement of ore processing activities at the Lynn Lake nickel project. The Company received 40,000,000 shares of Corazon in April 2015.

The Company’s decision to enter the frac sand business was initially based on the need to highlight the value of the frac sand as a co-product at its Minago nickel project in Manitoba. Based on the FS, approximately 11 million tonnes of frac sand exist within the Minago pit footprint. The frac sand is a significant contributor to the economics of the Minago project. On June 19, 2012, the Company announced the creation of Victory Silica a wholly-owned subsidiary that has been established to manage the Company’s entry into frac sand production and distribution. The Company has established itself as a frac sand producer by acquiring concentrated sand in Wisconsin, USA and processing it into four main categories of finished frac sand products at the 7P Plant. This strategy is expected to generate cash flow for Victory Nickel prior to development and sale of frac sand from its Minago project. The 7P Plant processed its first sand during the week commencing March 24, 2014. The plant was considered out of commissioning in early August 2014.

Going Concern

The Company’s Unaudited Condensed 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 March 31, 2015, the Company had a working capital deficiency of $5,912,000. Of the deficiency, $7,472,000 represents debt due within twelve months.

During the second quarter of 2014, the Company began producing and selling frac sand from the 7P Plant; on August 11, 2014, the Company announced that the 7P Plant was commissioned. The Company generated operating cash flow during the second half of 2014 but not at levels sufficient to wholly fund its activities. In the first quarter ended March 31, 2015 the Company did not generate operating cash flow as the market softened as a result of the rapid drop in the price of oil and also due to the typically slow period during spring break-up when road restrictions are in place.

During the fourth quarter of 2013 and into the third quarter of 2014, Convertible Notes aggregating $5,979,000 were issued to fund working capital and the construction of the 7P Plant. In July 2014 the Company entered into a bridge loan facility of $4,000,000 (the “SPA Loan”) which was fully drawn in August, 2014 and is due on July 30, 2015.

A one-month short-term facility of $2,000,000 to fund working capital was fully drawn down by October, 2014. The short-term facility has been paid down to $1,000,000. The loan due date has been renewed on a monthly basis and the $1,000,000 balance is now due May 31, 2015. – refer to the Liquidity and Capital Resources section. Of the $11 million of debt, the SPA Loan of $4,000,000 is due in July, 2015; seven Convertible Notes in the amount of $2,979,000 is due prior to March, 2016, and a $1,000,000 short-term note for receivables financing now due May 31, 2015 which are classified as current liabilities.

The Company recognizes the imminent cash requirement to repay debt and is actively negotiating restructuring of its debt to term it out for several years. To date, the Company has not received acceptable expressions of interest and has not completed any debt restructuring. Without an injection of capital until the demand for frac sand returns to allow the Company to sell its inventory, the Company’s funds will be depleted in June.

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, an unexpected change in the frac sand market which would limit the Company's ability to generate cash flow from the 7P Plant, 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. Development of the Company's current nickel mining projects to the production stage will require significant financing. Given the current economic climate, the ability to raise funds to finance nickel projects may prove difficult. Refer to the Risks and Uncertainties and Liquidity and Capital Resources sections for additional information.

None of the Company's nickel mining projects has commenced 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 such as royalty interests and/or the ability to generate sufficient cash flow from its other operating activities for its funding and ultimately continue as a going concern. The Company's 7P Plant completed commissioning in August, 2014. During the start-up period, the Company experienced various events which prevented it from reaching the designed capacity of 500,000 tpa at its 7P Plant. Although steps have been taken to reduce the impact of these events, there is no certainty that operations will not be affected by similar events in the future. The recent drop in the price of oil has caused confusion in the frac sand business and it is not known when business will return to normal. The timing of future cash flow will be sufficient to meet operating requirements with the ultimate potential to advance the Company's mining interest, the timing of this is not certain.

The recoverability of the carrying value of exploration and evaluation projects and the mine property and development project, and ultimately the Company's ability to continue as a going concern, is dependent upon either exploration results which have the potential for the discovery of economically-recoverable reserves and resources and 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 such as royalty interests for its funding or the success of the frac sand business referred to above.

Should the Company not be able to reach successful cash flow generation and achieve profitable operations from frac sand business or continue to achieve favourable exploration results, obtain the necessary financing or 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 the financial statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under GAAP. There is no certainty, especially in the present environment, that the Company's initiatives to improve working capital will be successful or that working capital generated thereby will be sufficient to fund the Company's activities including project expenditures and corporate costs. 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.

OUTLOOK

As a typical junior resource company with superior nickel projects but little to no access to financial and capital markets necessary to move these projects forward, the Company had to find an alternative. Waiting for the resource markets to turn around was not considered to be an acceptable option. So in June 2012, the Company announced its intention to enter the frac sand business with a plan that was certainly considered very aggressive and a vision at best. With the efforts of the talented team that was put together under the leadership of Ken Murdock, CEO of Victory Silica, that vision is now a reality. Victory Nickel, through its wholly owned subsidiary Victory Silica is now a producer and distributor of high-quality northern white frac sand for sale into the northern markets of Canada and the U.S. Victory Silica's product has received universal acceptance in the oil and gas service industry and the Company now boasts a list of leading companies in the industry.

Choosing to enter the frac sand business was not without reason. The strong market fundamentals for frac sand suggested continuing growth of the industry and new public information and strong peer group valuations indicated the availability of near-term cash flow. Suddenly, towards the end of 2014 and apparently to everyone's surprise, the bottom fell out of the oil industry and the price of oil crashed from in excess of $100 per barrel to the mid $40s but has recently recovered to the $60 per barrel range. In the United States, 2014 production of 9.42 million barrels was the highest since 1983, presumably aided by fracking and the United States was on its way to becoming self-sufficient. One can only assume that the U.S. would rather provide their own oil than have to be dependent on other nations.

During the first quarter of 2015 we saw demand for frac sand come to a full stop as E&P companies cancelled or deferred capital programs. To further exaggerate the slowdown caused by a decline in drilling due to the price drop, this all happened during the typical slow period while road restrictions are in place due to spring breakup. We are now in May and the reduced demand for sand is continuing into the second quarter. However, we are seeing signs of returning demand as oil service companies are looking for pricing and availability of frac sand in preparation for anticipated increased activity. The price of oil necessary to create a resurgence of demand is yet to be understood. Major suppliers of frac sand have said that the long-term fundamental trends for sand demand remain favorable and that price discounts experienced during the first quarter are temporary.

The sudden negative turn of events could not have come at a more crucial time in our development and entry into the frac sand industry. Production was ramping up but the sudden slowdown in demand required that the Company temporarily suspend production at its Seven Person plant. Once demand returns, the Company has in excess of 40,000 tons of sand at various stages of completion to enable the Company to immediately respond to customer needs.

The 7P plant is Phase One of the Company's three-phased plan to enter the frac sand business. During the ongoing temporary suspension of production at the 7P plant, small plant improvements are being made which should reduce or eliminate issues experienced during the commissioning and startup stages.

The Company has reduced staffing but kept a core group of employees to ensure that the plant can be reactivated without delay. The Company has reduced its fixed costs by returning equipment under lease such as rail cars and unloaders. In addition, our marketing and logistics team are developing programs which should allow the Company to better compete in the Canadian market when exchange rates make domestic sand more competitive.

Our business plan has not changed; it is only deferred. Having completed Phase One, the board of directors approved moving forward to Phase Two of the Company's business plan. With the recent decline caused by the drop in the price of oil, Phase Two will be difficult to finance in a non-dilutive manner. However, this is a desirable next step which would not only make the Company more competitive but also provide significant flexibility to target certain markets which often require different grades of sand.

Phase Two of the Company's three phase plan is to build a wash plant on a Wisconsin sand resource. Frac sand production is a two-stage process; the wet stage and the dry stage. The Company now contracts out the wet stage which is completed in Wisconsin prior to shipping the wet sand to its plant in Alberta. The wet stage removes the fines and clays, allowing transport of only the coarser fractions. The dry stage, where the sand is dried and separated into four products of different sizes, is completed at the Company's 7P Plant a 500,000 tpa dry processing facility. This is of great advantage in maintaining the high quality of the sand. By dry processing and finishing close to markets, where customers can ship directly to the wellhead by truck, Victory Nickel's finished product is only handled once rather than five or six times as is the case with most Wisconsin sand. Every time finished product is handled, the quality deteriorates. Our customers have recognized the need to maintain the high quality which, importantly, makes quality one of Victory Nickel's key competitive advantages.

The three-phase approach to entry into the business was designed to minimize risk to Victory Nickel shareholders. The cost of entry with Phase One was approximately \$6,000,000, or less than \$12 per ton of annual plant production capacity. This represents approximately 30% of the expected capital required to build a new plant. The capital recovery period is generally in excess of two years with a new plant; In Victory Nickel's case, this period is approximately six months at full production levels.

Phase Three of the business plan is to build a second dry processing facility in or around Winnipeg, Manitoba capable of producing 1,000,000 tpa. The Company is targeting a site which is serviced by multiple rail carriers. This gives the Company more flexibility in accessing only the highest quality sand from the Wisconsin/Minnesota region. The ultimate plan is to provide customers with a variety of qualities which would include domestic sand, possibly from the Company's Minago project in Manitoba which has been permitted and is ready for development when the price of nickel recovers. The Minago project is a nickel project overlain by overburden which includes sand meeting the frac sand specs. The Winnipeg formation sand located at Minago is the highest-quality domestic sand and would be a welcome addition to the Company's mix of products. Not all of our customers' applications require Wisconsin sand.

The Minago FS completed in 2009 indicated that the frac sand component of the Minago open pit contributed approximately \$2.90 per pound of nickel; a very significant co-product. The sand resource at Minago is not restricted to the footprint of the open pit but extends beyond the pit limit such that it is not unreasonable to expect that there is sufficient sand to last in excess of 100 years at the million ton per year rate of extraction; this would be a new industry for Manitoba

We cannot change the market. All we can do is work with it and within it.

E&P companies continue to squeeze oil services companies to reduce costs. Oilfield service companies in return push suppliers including frac sand suppliers to reduce costs. The uncertainty is causing panic selling in some cases. Conversely, there are indications that oilfield services companies are being opportunistic and stocking up on cheap sand. This is not sustainable.

The Company must now focus on managing liquidity until markets settle down. A significant portion of staff and management salaries and director's fees currently due are being deferred until the demand for frac sand returns. In addition, there will be no discretionary expenditures. We will manage the current downturn. To this end we thank our employees and many suppliers who are showing patience.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2015 Compared with Three Months Ended March 31, 2014

Three months ended March 31, 2015	Corporate	Exploration and Development	Frac Sand	Intersegment Reclassification	Total	March 31, 2014 Total
Revenues	$ -	$ -	$ 1,522	$ -	$ 1,522	$ -
Cost of goods sold	-	-	(1,769)	-	(1,769)	-
Gross margin	-	-	(247)	-	(247)	-
Operating expenses						
General and administrative	(426)	(3)	(80)	-	(509)	(491)
Share-based payments:						
Options	(26)	-	-	-	(26)	(58)
Amortization of property, plant and equipment	(1)	(1)	(164)	-	(166)	(44)
Writedown of E and E projects	-	(6)	-	-	(6)	-
Pre-exploration costs	-	-	-	-	-	-
Net frac sand pre-operating costs	-	-	-	-	-	(194)
Non-recurring plant costs	-	-	(600)	-	(600)	-
Operating loss	(453)	(10)	(1,091)	-	(1,554)	(787)
Finance income	1,671	-	2	(20)	1,653	1
Finance costs	(937)	-	(23)	20	(940)	(872)
Net finance income (costs)	734	-	(21)	-	713	(871)
Loss before income taxes	281	(10)	(1,112)	-	(841)	(1,658)
Income tax recovery	570	-	-	-	570	212
Net Loss for the Period	$ 851	$ (10)	$ (1,112)	$ -	$ (271)	$ (1,446)

Overall

For the three months ended March 31, 2015, the Company had a net loss of $271,000, or a loss of $0.00 per share (March 31, 2014 - $1,446,000 or $0.02 per share. The following narrative discusses the relevant operations of the Frac Sand and Exploration and Development segments first, and then addresses more general and Corporate activities.

Frac Sand

The Company's 7P Plant produced 13,721 tons of various grades of frac sand during the first quarter ended March 31, 2015. Due to the recent sudden decline in the price of oil combined with the spring break up period when road restrictions are in place, demand for frac sand basically came to a full stop in the first quarter of 2015. The Company accumulated inventory of in excess of 40,000 tons at various stages of the process. Until inventories are drawn down through sales, the Company temporarily suspended production. The 7P Plant was in the pre-operating stage during the first quarter of 2014 therefore there are no comparative numbers.

Revenues

During the first quarter ended March 31, 2015, revenue was $1,522,000 or $149.54 per ton on sales of 10,178 tons resulting in a gross loss of $247,000 or loss of $24.27 per ton sold. This period was not a typical sales period as the sudden and material drop in the price of oil caused such uncertainty in the market that exploration and production ("E&P") companies basically stopped activities in our market area. This was compounded by the spring breakup period which typically results in a slowdown of activity while road restrictions are in place. During the prior year comparative quarter, sales revenue of $274,000 was generated but netted against pre-operating costs.

Cost of goods sold
The cost of goods sold includes the cost of concentrated sand purchased in Wisconsin, the cost of delivery to the 7P Plant including handling and transloading costs and the operating cost to dry and screen the concentrated sand into four main dry products. These costs are capitalized as a component of inventory on a normalized basis and are charged to cost of goods sold when title to the product passes to the customer.

The cost of goods sold, including freight to some customers, was $1,769,000, or $173.81 per ton of frac sand sold for the three months ended March 31, 2015; a portion of the sales are priced on a delivered basis and include transportation costs to the customer. During the first quarter the plant operated a minimum number of days to build inventory such that product will be available once demand returns. Costs incurred from temporary suspension are included in *Non-recurring plant costs* and do not form part of the cost of sales or inventory. The Company has now reduced manpower to a skeleton crew of sufficient to start production as demand returns.

Costs per ton are stated as costs per dry ton unless otherwise stated.

Concentrated wet sand is purchased through long-term supply agreements with third parties at specified prices per ton. For the three months ended March 31, 2015 the cost of washed concentrated sand delivered to rail and included as a component of inventory was $33.85 per ton. Transportation costs including freight charges and fuel surcharges when transporting sand from Wisconsin to the 7P Plant, transload costs at the source and at the 7P Plant, as well as railcar lease payments were $64.65 per ton for the three months ended March 31, 2015. Other elements of cost of goods sold were $26.20 per ton during the three months ended March 31, 2015 and were primarily operating expenditures at the plant and mobile equipment lease payments. This adds to a finished goods inventory cost of $124.70 per ton. Finished goods inventory does not include freight for sales sold delivered to the customer. The difference from that to the cost of goods sold per ton of $49.11 essentially represents a combination of transportation costs to the customer's specified location which is included in cost of goods sold but not included in inventory cost.

Gross margin
The 7P Plant generated a negative gross margin of $247,000 or $24.27 per ton for the three months ended March 31, 2015 on sales revenue of $1,522,000. The gross loss is due to a combination of price reductions and cost increases due to the low production level during the first quarter. The drop in the price of oil is putting pressure on the price of frac sand as producers sell excess inventory at unsustainably low prices.

General and administrative and other costs
General and administrative ("G&A") costs for the segment amounted to $80,000 for the three months ended March 31, 2015. These costs include Victory Silica administration, marketing and logistics management.

Amortization of property, plant and equipment of $164,000 was recorded for the quarter compared with $44,000 for the same period of 2014 for items in use at the 7P Plant including owned and leased equipment. The 7P Plant assets came into use primarily in the second quarter of 2014, at which time amortization commenced.

Non-recurring plant costs
As a result of the aforementioned temporary suspension of production, the Company incurred $600,000 in non-recurring plant costs. The plant was placed in care and maintenance at a cost of $361,000. Another $131,000 was incurred relating to railcar storage costs and one-time preparation costs for railcars to be leased (such lease not completed) due to slowdown in activity. Furthermore, $108,000 was incurred relating to additional equipment rental and casual labour to move frozen sand as a result of unexpected spring break-up.

Net income/(loss)
All of the above items combined to produce a net loss for the frac sand segment of $1,112,000 for the three months ended March 31, 2015, after interest expense relating to equipment leases of $3,000 and foreign exchange loss of $20,000 that is re-classed to finance income.

Exploration and Development
There were no write-downs necessary for impairment of projects and no pre-exploration expenditures for the three months ended March 31, 2015 and 2014. On November 4, 2014, the Company announced it had optioned the Lynn Lake project to Corazon. As part of that transaction, the Company received 40,000,000 shares of Corazon in April 2015.

Net Loss for the period – Corporate and Total

The net loss for the three months ended March 31, 2015 was $271,000, compared with $1,446,000 for the same period of 2014, after operating expenses of $1,554,000 (2014 - $787,000), net finance income of $713,000 (net finance costs 2014 – $871,000) and an income tax recovery of $570,000 (2014 - $212,000).

G&A expenses of $509,000 remained fairly consistent compared with $491,000 in the first three months of 2014. The costs attributable to the Company's frac sand business with G&A of $80,000 along with indirect costs attributed to frac sand business incurred at Corporate.

G&A costs include: statutory costs incurred as a public company, general investor relations expenses, consulting, travel costs, health benefits and director costs. G&A expenses include costs charged by Nuinsco for administrative services described under Transactions with Related Parties and Management Agreement with Nuinsco below; which amounted to $154,000 (2014 - $182,000), respectively. Effective March 2015, the Management Agreement has been terminated by Victory Nickel but the Company will continue to share resources and costs with Nuinsco under a cost sharing arrangement.

The costs of public company compliance were mitigated by sharing arrangements under the Management Agreement with Nuinsco but are still significant. For the three months ended March 31, 2015 they are estimated to be $240,000, compared with $230,000 for the same period of 2014. The increase is due to higher audit fees and insurance costs directly attributable to the frac sand business.

The share-based payment expense for options for the three months ended March 31, 2015 of $26,000 reflects partial vesting of 1,063,000 options with a weighted average fair value of C$0.39. There were no options granted during the current quarter. In the prior comparative period, share-based payment expense of $58,000 reflects the grant and partial vesting of 263,000 options with a weighted average fair value of C$0.31.

Net finance income (costs)

	Three months ended March 31,	
	2015	2014
Interest income on bank deposits	**$ -**	$ 1
Net change in fair value of financial liabilities at fair value through operations	**194**	-
Gain on adjustment of estimated cash flows	**1,415**	-
Net foreign exchange gain	**44**	-
Finance income	**1,653**	1
Interest expense on loans		
Cash settled	**551**	130
Amortization of loan fees	**230**	43
Amortization of embedded option derivatives	**159**	51
Commitment fee	**-**	1
Loss on adjustment of estimated cash flows	**-**	97
Net change in fair value of financial liabilities at fair value through operations	**-**	494
Net foreign exchange loss		56
Finance costs	**940**	872
Net Finance Income/(Costs)	**$ 713**	$ (871)

For the three months ended March 31, 2015 and 2014, net finance income was $713,000 compared with net finance costs of $871,000 respectively. The Company considers financing activities, other than those related to equipment leased in the frac sand segment, to be part of the Corporate segment.

Finance income increased to $1,653,000 from $1,000 in the corresponding prior year quarter primarily due to the reduction in the value of the embedded option derivatives related to the Company's convertible debt of $105,000 since the end of 2014 combined with a $89,000 reduction in the fair value of the warrants issued in connection with the SPA Loan which have a cashless exercise feature. Both of these instruments and their accounting are described below. In addition, revisions to assumptions to the estimated cash flows related to the Participating Interest resulted in a gain of $1,415,000 for the three months ended March 31, 2015. The recent slowdown in demand and the losses incurred during the first quarter necessitated deferral for payment of the Participating Interest and resulted in a gain. The Company applied probability weightings of 5%, 40% and 55% as risk factors to varying levels of expected cash flows. The probability weighted average cash flows has remained at 75% as at March 31 2015 (2014 – 75%) The percentage participation in net cash flows under the Participation Interest is 52.16%. As well, the Company incurred $44,000 in net foreign exchange gain on transactions and balances denominated in the Canadian dollar, compared with a foreign exchange loss $56,000 in the prior period.

There is no comparative balance as the conversion of loan to Participating Interest occurred in April 2014 (refer to Note 15.)

Finance costs were $940,000 for the three months ended March 31, 2015, compared with $872,000 for the same period of 2014. The components were quite different when comparing the quarters. Cash interest expense was $551,000 for the quarter ended March 31, 2015 (2014 - $130,000). The increase in interest expense during 2015 was primarily attributable to interest on the SPA Loan, an additional Convertible Note issued in July 2014, and another short-term loan issued to fund the construction and working capital for the frac sand business (trade accounts receivable and inventory attributable to the frac sand business amounted to an aggregate of $4,868,000 as at March 31, 2015).

The Company has issued several tranches of convertible notes. There are several elements of finance expense associated with these: cash-settled interest expense paid on a calendar quarter basis, non-cash amortization of loan fees, non-cash amortization of the embedded derivative related to the value of the convertibility feature at inception and the change in the value of that embedded derivative at the end of a reporting period. All amortizable elements are calculated using the effective interest rate method. Convertible notes were issued in 2013 and 2014 with similar terms and requiring similar accounting treatments. Collectively, these are termed the "Convertible Notes". The aggregate outstanding principal value of the Convertible Notes as at March 31, 2015 is $5,979,000 (March 31, 2014 - $3,990,000) of which $2,979,000 are due at various times over the next twelve months.

Aggregate interest settled in cash for the three months ended March 31, 2015 amounted to $551,000, of which $220,000 relates to Convertible Notes, $148,000 relates to the SPA Loan, and $179,000 relates to the short-term facility**.** The balance of interest is on leased mobile equipment and other items. In the quarter ended March 31, 2014, interest was $130,000 of which $27,000 related to the Amended Loan prior to its conversion to a Participating Interest and $96,000 related to the Convertible Notes outstanding at that time. The balance of interest relates to leased mobile equipment.

Amortization of cash-settled loan fees in the quarter ended March 31, 2015 amounted to $230,000 with an additional $159,000 for amortization of a portion of the embedded option derivatives related to the Convertible Notes remaining of $1,003,000 calculated at inception ($878,000 of which was recorded in 2014). The value of the embedded option derivatives at March 31, 2015 decreased by $1,420,000 due to reductions in the value of the embedded option derivatives from their inception values and, accordingly, $105,000 was credited through operations as finance income during the first quarter of 2015.

The embedded option derivatives are calculated using the Black-Scholes option-pricing methodology and are a function of share price, the C$1.00 conversion price (after the retroactive effect of the Share Consolidation), risk-free interest rate, length of time to expiry and share price volatility as well as the US dollar exchange rate for loans denominated in US dollars but convertible using a Canadian dollar price. All other things being equal, one would expect the value of the option to decline as time approaches the expiry date. However, because of the volatility of exchange rates and the Company's share price, this may not always be the case. Further, since one Convertible Note was exchanged into a portion of the SPA Loan in the second quarter of 2014, a portion of the embedded option derivative was de-recognized. The SPA Loan does not contain an embedded option derivative feature; however, the warrants which were issued therewith may be exercised on a cashless basis. The value of the warrants is considered to be debt rather than equity and changes in the fair value of the warrants is also recorded through net finance income. For the three months ended March 31, 2015, this amounted to $88,000 in finance income.

Income tax recovery

The Company does not allocate income taxes between segments. In the first quarter ended March 31, 2015, the Company recorded an income tax recovery of $570,000, compared to as income tax recovery of $212,000 for the same period of 2014. This is primarily a function of higher taxable losses.

Other comprehensive income/(loss)

Other comprehensive income ("OCI") for the quarter ended March 31, 2015 relates to an increase of $6,000 compared with an increase of $87,000 in the market value of the Company's financial assets at fair value through OCI along with an income tax expense recorded through OCI of $3,000 in 2015 and $12,000 in the same period of 2014. These changes are a result of net market value changes in the Company's marketable securities. Furthermore, foreign exchange gain in

OCI of $90,000 was incurred compared with foreign exchange loss of $1,812,000 in the comparative quarter of 2014 due to the change in functional and presentation currency to the US$ from the C$, as described earlier.

Other significant changes
The changes in other balances not specifically addressed in other sections of this MD&A are described herein.

Cash and cash equivalents have decreased from $712,000 to $49,000 excluding restricted deposits of $291,000 which support several letters of credit provided to one equipment supplier. The Liquidity and Capital Resources section describes the cash flows for the period in detail.

Receivables and prepaids decreased from $3,367,000 to $809,000 during the three months ended March 31, 2015. The decrease of $2,106,000 to $619,000 in trade accounts receivable from frac sand sales reflects the slowdown in demand. While some balances are in excess of 30-day terms, we do not expect to experience any losses given the quality of our customers. The Company has received payments to date for 100% of the trade accounts receivable outstanding as at March 31, 2015. Prepaids include $50,000 of deposits to sand suppliers as at March 31, 2015 (December 31, 2014 - $555,000).

Marketable securities as at March 31, 2015 increased by $6,000 from December 31, 2014 as a result of improvements in market prices of shares. No sales occurred during 2015 or 2014.

Inventory of $4,249,000 comprises various grades of finished product and concentrated sand at various locations from the transload facilities in Wisconsin and Minnesota, in transit to Seven Persons and at the 7P Plant itself. Valuation of the inventory is based on normalized costs anticipated during normal production levels.

Property, plant and equipment decreased to $6,018,000 at the end of March 2015 from $6,179,000 as at December 31, 2014 primarily due to amortization. The mobile equipment is in use and is being depreciated; amortization on the plant commenced in the second quarter 2014 given its availability for use in production. The first sand was processed through the 7P Plant in March, 2014 and commissioning occurred in early August 2014.

Project expenditures are described below in Mine Property and Development Activities and Exploration and Evaluation Activities.

The increase in trade and other payables of $965,000 to $3,997,000 relates primarily to an increase in outstanding trade payables of $1,267,000 for supplies, transportation and property, plant and equipment for the 7P Plant offset by a decrease in accrued liabilities of $241,000 related to the frac sand business. With the slowdown in sales and the resulting impact on cash availability, the Company has had to defer payments to suppliers.

As previously described, Victory Nickel has several loans and borrowings due within one year amounting to $7,472,000 and long-term loans aggregate $2,157,000; a total decrease of $821,000 over the loans and borrowings as at December 31, 2014 of $10,450,000. Changes in the embedded option derivatives described earlier, account for the remaining changes in loans and borrowings.

Note 14 to the Unaudited Condensed Consolidated Financial Statements includes an analysis of the loans and borrowings balances. Refer to the Liquidity and Capital Resources section for additional discussion.

The Company has entered into several finance leases to purchase mobile equipment with a total fair value of $666,000 at various acquisition dates; the long-term portion of the related obligation is $239,000 at the end of March 2015 (December 31, 2014 - $275,000) and the short-term lease obligation of $139,000 (December 31, 2014 - $137,000) is included in *Trade and other payables*. Note 16 to the Unaudited Condensed Consolidated Financial Statements includes an analysis of the lease obligation.

The Participating Interest is a financial liability carried at amortized cost. The valuation thereof is determined by a model of estimated cash flows. As at March 31, 2015, the estimated value of the Participating Interest was $2,133,000, a decrease of $1,415,000 compared with $3,548,000 as at December 31, 2014. This is a result of changes in amortized loan fees combined with changes in the effect of foreign exchange.

The deferred tax liability balance amounts to $251,000 as at March 31, 2015 (December 31, 2014 - $817,000). The main components of the balance relate to the tax effects of E&E projects and the MP&D project, offset by the tax value of net operating tax losses carried forward. The deferred tax liability amount reflects a rate of 25%.

The share capital balance has not changed as at March 31, 2015 (December 31, 2014 - $52,570,000). On September 12, 2014, the Company consolidated its common shares on a one-for-ten basis (the “Share Consolidation”); any reference to the number of common shares, options and warrants, weighted average number and per share information has been adjusted retroactively to be comparable using that basis as if the Share Consolidation had been effective on the first day of the reporting period referred to in this MD&A. In 2014, the increase in share capital of $522,000 was primarily due to the exercise of 463,000 options (after giving retroactive effect to the Share Consolidation) in the first quarter of 2014 generating cash of $201,000 and requiring a transfer from contributed surplus to share capital of $144,000.

Contributed surplus has increased to $5,670,000 from $5,644,000 as at March 31, 2015 primarily as a result of options vesting during the current quarter of $26,000.

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last nine quarters ended March 31, 2015 is as follows:

Fiscal year 2015	1st Quarter
Revenue	$ 1,522 (1)
Gross margin (loss)	$ (247) (2)
Net finance income (costs)	$ 713 (3)
Net income (loss)	$ (271) (4)
Total comprehensive loss	$ (178)
Earnings (loss) per share - basic and diluted (16)	$ (0.00)

Fiscal year 2014	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue	$ 7,203 (1)	$ 5,463 (1)	$ 1,310 (1)	$ -
Gross margin (loss)	$ 670 (2)	$ 689 (2)	$ (146) (2)	$ -
Net finance income (costs)	$ 714 (5)	$ (255) (7)	$ (47) (9)	$ (872) (11)
Net income (loss)	$ 96 (6)	$ (373) (8)	$ (693) (10)	$ (1,446) (12)
Total comprehensive loss	$ (2,287)	$ (464)	$ (724)	$ (1,371)
Earnings (loss) per share - basic and diluted (16)	$ 0.00	$ (0.01)	$ (0.01)	$ (0.02)

Fiscal year 2013	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Net finance costs	$ (3,443) (13)	$ (66)	$ (73)	$ (37)
Net loss	$ (3,656) (14)	$ (503)	$ (417)	$ (313)
Total comprehensive loss	$ (3,628) (15)	$ (518)	$ (493)	$ (436)
Loss per share - basic and diluted (16)	$ (0.07)	$ (0.01)	$ (0.01)	$ (0.01)

(1) Revenue represents sales of frac sand (first sales were recognized in the second quarter of 2014).
(2) Gross margin (loss) includes cost of goods sold which include operating costs for a full period despite production being at less-than-full capacity.
(3) Net finance income include $194,000 change in the fair value of the embedded option derivatives related to the Convertible Notes, $89,000 reduction in fair value of warrants issued in connection with SPA Loan, and $1,415,000 gain on adjustment of estimated cash flows for the Participating Interest, offset by amortization of embedded derivatives and loan fees of $389,000.
(4) Includes the effects noted above.
(5) Net finance costs include $708,000 change in the fair value of the embedded option derivatives related to the Convertible Notes partly offset by $493,000 gain on adjustment of estimated cash flows for the Participating Interest.
(6) Includes the effects noted in (1), (2), and (5).
(7) Net finance costs include $827,000 change in the fair value of the embedded option derivatives related to the Convertible Notes as well as $20,000 loss on adjustment of estimated cash flows for the Participating Interest.
(8) Includes the effects noted in (1), (2), and (7).
(9) Net finance costs include $450,000 change in the fair value of the embedded option derivatives related to the Convertible Notes as well as $135,000 loss on adjustment of estimated cash flows for the Participating Interest.
(10) Includes the effects noted in (1), (2), and (9).
(11) Net finance costs include $505,000 change in the fair value of the embedded derivatives related to the Convertible Notes as well as $97,000 loss on adjustment of estimated cash flows for the Long-term liability with Nuinsco.
(12) Includes the effects noted above combined with increased costs relating to the frac sand business and net frac sand pre-operating costs of $194,000.
(13) Net finance costs for the period includes $3,133,000 for the loss on adjustment of estimated cash flows for the Long-term liability with Nuinsco and $154,000 for the increase in value of the embedded derivative related to the convertible promissory note.
(14) Net loss for the period includes $229,000 for costs charged under the Management Agreement with Nuinsco and cost sharing arrangement and reflects increased activity on the frac sand business and an income tax recovery of $532,000.
(15) Total comprehensive loss for the period includes the effects noted above.
(16) After the retroactive effect of the Share Consolidation.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2015, the Company had a working capital deficiency of $5,912,000 compared with $3,045,000 as at December 31, 2014.

The increase in working capital deficiency of $2,867,000 resulted primarily from a repayment of $1,000,000 on the short-term facility, Convertible Notes that have become a current liability this quarter as well as a large decrease in accounts receivable balance offset by an increase in inventory, both of which are due to decline in frac sand demand during the first quarter of 2015.

Of the financings of $10,979,000 used to fund the construction and upgrading of the 7P Plant as well as to fund the working capital, $7,979,000 are due within one year. Of this amount, $5,000,000 is secured by the assets of the Company.

Participating Interest

On April 22, 2014, Nuinsco exercised its conversion option and converted its loan to the Participating Interest. At the same time, it relinquished its security over the assets of the Company since the Conversion constituted payment of the loan in full. This obligation will be settled through a 52.16% participation in net operating cash flows from the frac sand business after recoupment of capital costs for Phase One and pre-operating expenses. The participation is capped at $6,053,000 provided the Company proceeds with Phase Two, Otherwise the cap is approximately $8,071,000. Distributions under the Participating Interest terms are calculated based on operating cash flow after recovery of capital and pre-operating costs and take into account working capital. It is presently anticipated that the first payment under the Participating Interest could occur in the second quarter of 2017.

As at March 31, 2015 the carrying value of the Participating Interest was revalued at $2,133,000 to take into account future expected cash flows based on current market information. This compares with $3,548,000 at December 31, 2014. The change in value of $1,415,000 in the quarter ended March 31, 2015 has been recorded through *Finance Costs* in the statement of operations (for further description see Note 15 to the Unaudited Condensed Consolidated Financial Statements).

The Company will continue to reassess the carrying value of the Participating Interest as circumstances warrant.

Convertible Notes – During 2013 and 2014 two year Convertible Notes bearing interest at the rate of 14.8% per annum and aggregating $5,979,000 were issued to fund the construction of the 7P Plant and working capital requirements. The accounting complexities of these financial liabilities have been described earlier. The Convertible Notes may be converted in whole or in part, at any time, at the option of the holders into Victory Nickel shares at a conversion price of C$1.00 per share.

SPA Loan - On May 15, 2014, the Company entered into a senior secured line of credit agreement in the amount of $4,000,000 (the "SPA" Loan"). The SPA Loan bears interest of 14.8% per annum and matures on July 30, 2015 and is now is classified as a current liability due within one year. Full details of the SPA Loan are described in the 2014 Audited Consolidated Financial Statements.

The terms of the SPA warrants contain a cashless exercise feature which requires the warrants to be recognized as a liability rather than as equity within contributed surplus. Accordingly, the fair value of the warrants at inception of $554,000 is recorded as a liability with the balance of the SPA Loan. Any change in the fair value of the warrants is also recorded as a component of the SPA Loan and charged to finance income or costs in the statement of operations. The fair value change amounted to a decrease of $89,000 in the three months ended March 31, 2015 (a net decrease of $550 since inception) bringing the fair value of the cashless warrants to $33,000 as at March 31, 2015.

In the three months ended March 31, 2015, the Company paid $148,000 in cash for interest and amortized $214,000 in loan fees into interest income.

Short Term Facility – On October 1, 2014, the Company completed a short-term financing by way of a $2,000,000 promissory note. The promissory note bears interest at 28%, calculated and settled monthly. This short-term loan has been renewed on a monthly basis upon payment of extension fees and penalties. The Company has repaid $1,000,000 during the first two months of 2015. The remaining balance of $1,000,000 is presently due May 31, 2015.

Cash flows in the first quarter of 2015 - Cash and cash equivalents as at March 31, 2015 and December 31, 2014 were held with major Canadian banks. The Company has a policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board.

For the quarter ended March 31, 2015, the Company generated cash from operating activities of $939,000 compared with cash used of $2,054,000 during the same period of 2014. The build-up of receivables as at December 31, 2014 was essentially all collected during the first quarter of 2015 and provided an increase in cash of $3,786,000 compared to the first quarter of 2014 and extending payables contributed $522,000. However, there continues to be limited revenues due to slowdown in operating activity during the first quarter of 2015 as mentioned earlier. The Company will require a restructuring of its debt while ramping up operations to the level where cash flow is sufficient to meet it needs.

The Company estimates that costs to manage a public company in the quarter ended March 31, 2015 amounted to $258,000. Many of these costs are incurred in the early part of the year. In the same period of 2014, such costs were approximately $345,000.

Costs incurred to advance the Company's exploration, evaluation and development projects are capitalized, as summarized below under the discussion of investing activities. Costs to set up the Company's frac sand operations and operating costs were recorded as part of pre-operating expenditures net of sales revenue of $274,000 for the first three months of 2014 and thereafter are part of cost of goods sold or other expense lines. In the three months ended March 31, 2015, $1,769,000 was charged to cost of goods sold. Revenue in 2015 amounted to $1,522,000.

As operating activity began to slow down during the first quarter of 2015 due the sudden and material drop in the price of oil and the spring breakup period as mentioned earlier, receivables have decreased to $619,000 as at March 31, 2015 compared with $2,727,000 as at December 31, 2014, while inventory and trade and other payables continue to grow. Furthermore, this also led to $600,000 of non-recurring plant costs which were incurred for the quarter as described earlier. The Company continues to hold discussions with financiers and potential business partners to fund the growing working capital deficit.

During the three months ended March 31, 2015, net cash used by investing activities was $71,000, compared with cash used of $861,000 in the prior comparable period. Aggregate amounts of $22,000 and $18,000 were used to advance the MP&D project and E&E projects, respectively, during the periods (2014 - $97,000 and $36,000). In the first quarter of 2015, $31,000 was used for expenditures on the 7P Plant acquisition, equipment and improvements (2014 – $728,000).

The Company used $1,531,000 in financing activities during the three months ended March 31, 2015 compared with $1,833,000 generated in 2014. In 2014, the main source of funds was an additional $1,990,000 from various Convertible Notes issued to March 2014. In 2015, $1,000,000 of the short-term facility was repaid. Loan interest was $471,000 compared with $130,000 in 2014, of which $9,000 related to interest accrued in 2013. The increase is due to the increased debt described elsewhere. Aggregate payments under leases for deposits and other principal payments totalled $40,000 for mobile equipment used in the frac sand business, compared with payments of $41,000 in 2014. The Company also deposited $20,000 (2014 – $187,000) of funds to support letters of credit issued to facilitate the Company's frac sand business.

There were no equity financings completed during the quarter. During the same quarter of 2014 the Company received $201,000 through the exercise of options.

The Company's activities during the quarter ended March 31, 2015 used cash and cash equivalents of $663,000, compared with $1,082,000 during the first quarter of 2014.

Table of Contractual Commitments

	Due Date	Currency		March 31, 2015		December 31, 2014
Transformer and electrical equipment	On shipping	US Dollar	$	1,296	$	1,296
Loans and borrowings (including unpaid accrued interest)						
Amended Loan	January 31, 2015	Canadian Dollar	$	-	$	-
Participating Interest	Refer to note below	Canadian Dollar	$	-	$	-
Convertible Notes	November 11, 2015 to July 7, 2016	US Dollar	$	5,750	$	5,750
Convertible Notes	January 30, 2016 to March 13, 2016	Canadian Dollar	$	265	$	265
SPA Loan	July 30, 2015	US Dollar	$	4,000	$	4,000
Promissory Note (1)	May 31, 2015	US Dollar	$	1,000	$	2,000
Purchase of 7P Plant	Refer to note below	Canadian Dollar	$	-	$	-
Leased mobile equipment	Within one year	Canadian Dollar	$	179	$	179
	One to five years	Canadian Dollar	$	283	$	328

Using May 11, 2015 prices, the aggregate market value of the Company's marketable securities held in public company shares is approximately $220,000.

As at May 11, 2015, the Company had options outstanding which could bring in additional funds of approximately C$1,731,000. Most of those instruments are not "in-the-money" and the receipt of such funds cannot be relied upon. Furthermore, the remaining warrants issued under the rights offering and private placement could generate additional cash of C$3,780,000.

The Company has good title to its projects and will continue to maintain the projects in good standing.

The Company recognizes the imminent cash requirement to repay debt and is actively considering restructuring of its debt to term it out for several years. To date, the Company has not received acceptable expressions of interest and has not completed any debt restructuring.

Development of the Minago mine will require considerable financial resources. The Company recognizes that the state of the financial markets and the apparent lack of support for mining projects will make financing this project difficult. However, validating the frac sand portion of the project could provide leverage to get potential partners interested in the nickel portion of the project.

The Company has in excess of 40,000 tons of sand in inventory which should generate cash to bring suppliers debt up-to-date. The Company is also reducing all discretionary costs which should not have a negative impact on its ability to resume production. Staff, salaries, and director fees are being reduced or deferred where possible.

The Company continues to hold discussions with local and overseas financiers and potential business partners with respect to the nickel and frac sand opportunities.

BUSINESS UPDATE

Reporting Segment

The Company is engaged in the exploration, evaluation and development of properties for the mining and production of nickel and associated products. The Company also now produces frac sand for the oil and gas industry in Canada and the northern US. Accordingly, the Company is reporting on a segmented basis since 2014. The Company has three reporting segments: Corporate, Exploration and Development, and Frac Sand.

The Corporate segment supports all of the Company's activities.

Senior management makes decisions with respect to Exploration and Development by considering exploration and development potential and results on a project basis. The exploration and development projects are all located in Canada.

The Frac Sand segment is managed and operated by Victory Silica's executives and employees although the business and operating assets are part of Victory Nickel (refer also to Note 24 in the 2014 Audited Consolidated Financial Statements). The segment is located in Canada although we sand concentrate as raw material is imported from the USA.

The following table provides information on the Company's segmented assets. The segmented Statement of Operations has been presented earlier in the MD&A in the discussion of operating results for the three months ended March 31, 2015.

	March 31, 2015	December 31, 2014
Canada		
Corporate	**$ 1,233**	$ 1,860
Exploration and Development	**49,792**	49,734
Frac Sand	**9,795**	11,300
Intersegment elimination	**(913)**	(962)
Total Assets	**$ 59,907**	$ 61,932

EXPLORATION AND DEVELOPMENT ACTIVITIES

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

MINE PROPERTY AND DEVELOPMENT ACTIVITIES

NICKEL

Minago Project

During the first quarter ended March 31, 2015 expenditures of $52,000 (March 31, 2014 - $94,000) were incurred on the Minago project.

The Company's 100%-owned Minago project is a permitted project ready for development. It is located on the unexposed southern part of the Thompson Nickel Belt in Manitoba, and is one of Canada's largest undeveloped sulphide nickel deposits. Minago has been shown to be capable of producing a nickel concentrate grading from 22.3% up to 35.0%, making it reportedly the world's highest grade nickel concentrate. In addition to metal by-products such as copper, cobalt, gold, platinum, palladium, silver and rhodium, a layer of silica sand averaging approximately nine metres thick overlies the nickel mineralization within the open pit. Approximately 84% of the sand is marketable as frac sand. The frac sand forms part of the overburden that must be removed prior to mining the nickel ore.

The analytical data and geological interpretations obtained from a work program in 2010 were incorporated into an updated geological model and resource estimate. The updated resource incorporates a 24% increase (over the previous resource estimate) in the NI-43-101-compliant measured and indicated, pit-constrained, sulphide nickel resource used in the Minago FS. The FS is posted at www.sedar.com. Note that all resources are contained in the Nose Deposit and the update below does not include the results of the winter 2011 and 2012 drilling program disclosed below.

	April 2011 Pit-Constrained Resource[1]			**March 2010 In-Pit Resource[2]**			**Increase (Decrease) in Contained Metal**	
	Tonnes	**Grade**	**Ni Content**	Tonnes	Grade	Ni Content	**Ni Content**	**Change**
Category	**Millions**	**%NiS[3]**	**M Lb**	Millions	%NiS[3]	M Lb	**M Lb**	**%**
Measured	**8.2**	**0.473**	**85.0**	6.6	0.488	71.4	**13.7**	**19.2**
Indicated	**22.8**	**0.432**	**217.2**	19.1	0.410	172.6	**44.6**	**25.9**
M&I	**31.0**	**0.443**	**302.2**	25.7	0.430	243.9	**58.3**	**23.9**
Inferred	**0.2**	**0.380**	**1.4**	1.4	0.402	12.2	**(10.8)**	**(88.4)**

[1] Lerch-Grossman pit optimization shell [2] Whittle pit optimization shell [3] Nickel in sulphide form

A winter work program was conducted at Minago in 2011. The program comprised 8,793m of diamond drilling in 20 drill holes with associated ground and borehole electromagnetic geophysics. The program was intended to evaluate parts of the project that have seen little work to date as well as to build upon the existing data-set of the Nose Deposit nickel mineralization. The entire pit-constrained resource is located within the Nose Deposit. A total of 15 holes were collared to intersect the "North Limb", a domain of nickel-bearing ultramafic rock extending at least 1.5km north from the Nose Deposit. A single deep hole was collared on the Nose Deposit to evaluate the depth extension of the ultramafic host rock and nickel mineralization. The hole was drilled to a total length of 1,527m and intersected approximately 160m of ultramafic rock near the bottom of the hole – confirming the extension of the host rock to depths several hundred metres below that previously tested. A single drill hole was collared in the western part of the property in order to test the thickness of the Winnipeg Formation sand horizon. As anticipated, the hole successfully intersected the Winnipeg Formation sandstone layer (frac sand horizon) immediately above the unconformity with the Thompson Nickel Belt rocks.

A 3,500m winter work program was conducted in early 2012. The program tested a number of targets around the property that have been identified in previous work programs as well as areas that are scheduled for Minago mine infrastructure development. In part, the drilling evaluated the nickel-bearing Ospwagan Group/Pipe Formation rocks in the vicinity of the Minago Nose Deposit. Given the widespread nature of nickel mineralization on the Minago property and the number of targets identified, the possibility of intersecting completely new nickel mineralization was considered good. The drilling intersected magnetite-bearing amphibolite domains, pyrite-pyrrhotite intervals and minor serpentinite.

Importantly, two holes of the 2012 program tested known nickel-bearing serpentinite that underlies mining lease ML-003 approximately 5km south of the Nose Deposit. Thirteen historic drill holes are known to have been drilled by previous operators in the area between 1968 and 1971. Ten of the thirteen holes intersected serpentinized ultramafic rock, while seven of these holes obtained significant intersections of nickel-mineralized serpentinite from within a body interpreted to be >2 km long. The most extensive intersection, in MXB-70-60, was 605m grading 0.3% Ni from 154m down hole. DDHs V-12-07 and V-12-09 completed in the winter of 2012 both intersected significant widths of serpentinite and obtained analytical results consistent with historic results.

No exploration or development programs have been conducted on the project subsequent to the winter 2012 work program; current work is related to reporting and evaluation of existing results as well as gathering additional geochemical information from existing drill core. An application to renew the Minago mining leases ML-002 and ML-003 was successful and both leases have been renewed for a 21-year term.

On August 23, 2011, the Manitoba Government issued Victory Nickel's final EAL for the Minago project. During 2013, the Company has complied with the conditions of the EAL and, in December, filed an Environmental Act Proposal ("EAP") to amend the EAL to relocate the proposed tailings and waste rock management facility. The construction of drainage ditches installed to lower the water table within the pit shell limits, the installation of Flow Gauging and Telemetry systems and the implementation of a comprehensive environmental monitoring program are considered part of the site development work commencement necessary to maintain the EAL which would have otherwise expired in August, 2014.

Minago Frac Sand
An indicated resource of 15 million tonnes of sandstone has been estimated to occur within the current Minago pit shell. The frac sand component of this resource of approximately 11 million tonnes is a significant contributor to the positive economics at Minago. As part of the FS, Outotec produced a feasibility-level design for a frac sand plant complete with capital and operating costs to produce 1,140,000 tonnes of frac sand annually for a ten-year period. Considerable potential exists to expand the resource beyond the limits of the current pit.

EXPLORATION AND EVALUATION ACTIVITIES
For the three months ended March 31, 2015, the Company incurred exploration expenditures on its E&E projects of $13,000 (March 31, 2014 - $36,000). Expenditures have been minimal due to the tight equity markets and management's focus on Victory Silica and the frac sand business.

FRAC SAND
Bear Coulee Property
In October 2014, the Company entered into an option to acquire a 100% interest in a frac sand land package totalling over 300 acres in south western Wisconsin, USA (the "Bear Coulee Property"). The option agreement provides for a cash payment of $10,000 on signing of the agreement (and paid in 2014), a second cash payment on delivery of permits and a third cash payment on exercise of the option. The option is valid for six months following receipt of permits with two equivalent extensions available under certain circumstances. Prior to production, the Company will be required to pay $40,000 per annum as advance royalties on the initial 20,000 tons of sand production. Once the Bear Coulee Property is in production, the Company will be required to pay a royalty of $2.00 per ton of frac sand sold from the property.

In February 2015, the Company announced the completion of a National Instrument 43-101 technical report describing a resource estimate of approximately 11 million tons of on the Bear Coulee Property located in Trempeleau County, Wisconsin.

NICKEL
Lac Rocher
Lac Rocher is located in northwestern Québec and has measured (0.29 million tonnes grading 1.23% Ni) and indicated (0.51 million tonnes grading 1.05% Ni) resources of 0.80 million tonnes grading 1.12% nickel, at a 0.5% nickel cutoff, for approximately 20 million pounds of in-situ nickel located between surface and 125 vertical metres. Additional inferred resources total 0.44 million tonnes grading 0.65% Ni. Mineralization remains open to the southwest. The breakeven price of nickel per lb in the Lac Rocher PEA was $9.74 with copper at $3.65.

The Lac Rocher property is subject to a discovery incentive plan (the "DIP") to reward certain individuals involved in the discovery of Lac Rocher with a 2% net smelter royalty ("NSR") for mines that were discovered on certain properties prior to the expiry of the DIP. The NSR is payable only on revenues earned after recovery of all development costs for any mine on the property. The terms of the DIP provide the Company with a right of first refusal on any proposed disposition of the NSR. In addition, the DIP contains put/call provisions under which the Company may be required to purchase, or may exercise an option to purchase, the NSR at the value of its discounted cash flows, as defined therein. The Lac Rocher property is the only property subject to the DIP. As the Lac Rocher property is not yet in production, no royalties are currently payable.

Year round access is now available to the site. In December 2009, diamond drilling was conducted to provide geotechnical data deemed necessary for future portal and ramp development. An InfiniTem ground electromagnetic survey was conducted over a portion of the property to test for deeper extensions to the nickel mineralization. At the same time, evaluation of the availability of borrow material was also conducted in the local region. No work was conducted at the site in 2014 and 2015.

Mel Project
The Mel project is located on the Thompson Nickel Belt, just north of Thompson, Manitoba. It is a large property, approximately 25km east-west by about 6km north-south, and remains underexplored.

Mel has an indicated resource of 4.3 million tonnes grading 0.88% nickel (approximately 83 million pounds in-situ nickel) and an additional inferred resource of one million tonnes grading 0.84% nickel (approximately 19 million pounds in-situ nickel) and offers significant exploration upside as well as near-term production potential.

The Company had earned a 100% ownership of Mel subject to a 51% Vale back-in right. During the third quarter of 2010, the Company announced that Vale had determined that it would not exercise its back-in right. Title to the property has been transferred. Accordingly, the Company is in a position to determine future programs at Mel in its sole discretion.

Ten drill holes, totalling 3,459m, comprised the 2011 winter work program on the Mel Property, the first managed by the Company. Two drill holes, totalling 739m, were collared to test a UTEM geophysical anomaly approximately 700m north of the Mel deposit associated with earlier prospective nickel results; no sulphide mineralization was encountered. Eight drill holes, totalling 2,720m, were collared to test the down-dip extension of the Mel resource shell; all holes intersected nickel mineralization of grade and width comparable to that obtained in holes that comprise the existing resource.

A re-evaluation of the Mel dataset has been completed for both the drill hole data on the Mel deposit and the considerable drilling (111 drill holes) conducted of the claims portion of the property. The study has included reinterpretation of the geological context in order to evaluate new or under-tested target areas, particularly on the portion of the property comprised of claims, for future work and that can be incorporated into further, more refined, modelling of the Mel resource. No fieldwork was conducted during 2014. An application to renew Mel mining lease ML-007 was successful and the lease has been renewed for a 21-year term.

Under the terms of the option agreement, Vale must mill ore from the Mel project at cash costs plus 5% subject to capacity availability and metallurgy – this is unaffected by Vale's decision not to exercise its back-in right. Furthermore, in accordance with the terms of the agreement with Vale, they now are entitled to a 10% royalty on "distributable earnings" as defined in the agreement. Distributable earnings is defined as net revenue less operating expenses, before federal and provincial income taxes, after provincial mining taxes and less aggregate pre-production capital but before depreciation.

Lynn Lake
The Lynn Lake property is located in the historic mining town of Lynn Lake in northern Manitoba, about 320km by road northwest of the Thompson mining camp. The property is the former Sherritt Gordon Mines Limited ("Sherritt") mine site known as the Lynn Lake A Mine and Farley Mine, comprised of 13 mining claims, 14 mining claim leases and 2 mineral leases covering an area of 2,170.26 hectares. The property was operated by Sherritt from 1953 to 1976 with reported production of 22.2 million tons at an average grade of 1.023% nickel and 0.535% copper.

As discussed earlier and described in Note 12 to the 2014 Audited Consolidated Financial Statements, the Company had optioned Lynn Lake to Prophecy Coal with subsequent assignment to Wellgreen. In March, 2014, Wellgreen relinquished the option on the property and it has reverted to the Company. On November 4, 2014, the Company announced that it had optioned the Lynn Lake project to Corazon, an Australian listed public company with assets in the Lynn Lake area. Under the terms of the agreement, Corazon can acquire a 100% interest in Lynn Lake by issuing 40 million Corazon shares to the Company upon closing and incurring A $3,500,000 in exploration expenditures or in payments (in cash or Corazon shares at Corazon's option) to Victory Nickel over five years. In addition, Victory Nickel will retain a 1.5% net smelter royalty on production from the Lynn Lake nickel project, and receive a payment of A$1,000,000 (in cash or Corazon shares at Corazon's option) within 30 days of the commencement of ore processing activities at the Lynn Lake nickel project.

On April 6, 2015 Corazon Mining Ltd. ("Corazon") issued 40,000,000 Corazon shares to Victory Nickel as part of the terms of the option agreement between the two companies.

Also under the agreement, Victory Nickel retains a 1.5% net smelter return royalty on any production from the claims and leases transferred by Victory Nickel to Corazon, 1% of which can be purchased by Corazon for A$1M. Corazon must spend A$3.5M in exploration and resource development over five years upon execution of the agreement - should Corazon fail to make the expenditures, the difference between the expenditure requirement and the actual expenditures must be paid to Victory Nickel in cash or shares of Corazon, or the project is returned to Victory Nickel. Within 30 days of the commencement of commercial ore processing at Lynn Lake, Corazon is required to make a payment of A$1M in cash and/or shares of Corazon to Victory Nickel.

FRAC SAND SEGMENT

As explained above, the Frac Sand segment is managed and operated by Victory Silica's executives and employees although the business and operating assets are part of Victory Nickel (refer also to Note 21 in the Unaudited Condensed Consolidated Financial Statements). The segment is located in Canada although sand as raw material is currently imported from the US. The plan is to eventually produce both domestic and imported sand.

The Company completed Phase One of its three phase business plan. Phase One provided for the refurbishment and upgrading of the 7P Plant to a capacity of 500,000 tpa of high-quality frac sand. The 7P Plant was completed in March 2014 followed by commissioning until early August.

Successful completion of Phase One was expected to lead to Phase Two which provides for the building of a wash plant in Wisconsin, USA followed by Phase Three which provides for the construction of a second dry processing facility in Manitoba with a capacity of approximately 1,000,000 tpa. With the completion of Phase One, the Board of Directors approved proceeding with Phase Two provided non-dilutive financing can be arranged. However, in February 2105, the Compnay announced that Phase Two had been deferred due to the uncertainty caused by the drop in the price of oil.

As mentioned above, sales decreased monthly from January to March and, as a result of unusual market uncertainty and longer than expected spring break-up conditions, the Company temporarily suspended the frac sand operations on April 14, 2015. Management will continue to monitor the situation and re-start production as soon as possible. Frac sand sales typically slow down during this period of the year due to spring break-up road restrictions in Alberta. This year, spring break-up is more pronounced than in prior years as the majority of the oil and gas exploration and production ("E&P") companies appear to be trying to conserve capital by postponing drilling activity to less costly periods after spring break-up. With the price of oil dropping by approximately 50% since November 2014, E&P companies are reducing capital expenditure programs and, as a result, drilling activity has also slowed. The slowdown, combined with spring break-up, is placing pressure on Victory Nickel's oilfield service company customers to reduce E&P company drilling costs.

These companies, in turn, look to their suppliers, including frac sand producers, to help lower their costs. As a result of market uncertainty in Canada and the USA frac sand prices in Canada have decreased to levels that do not appear to be sustainable over the long term. The weakness of the Canadian dollar has made domestic sand more competitive over this period and is taking some of the market previously available for imported sand.

The Company has built approximately 40,000 tons of finished product and raw material inventory at its 7P Plant which is available to supply its customers as fracking activity resumes following spring break-up.

IMPAIRMENT ANALYSIS

There has been no marked recovery in the metals markets and more general economic indicators except for a strengthening US dollar, a small increase in the nickel price and a reduction in the oil and gas prices. The Company performed a detailed impairment analysis on each of its E&E projects and the MP&D project as at December 31, 2014. The Company does not believe that there have been any material changes to date which would adversely affect this analysis. Furthermore there has been no change in management's plans for the projects which would cause a reassessment.

Management concluded that no impairment existed in each of its projects effective March 31, 2015 and that costs incurred to date are recoverable. The Company will continue to monitor developments as they occur in the metals markets and the economy and will update its impairment analysis to take account of any such changes, as appropriate.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements used in the preparation of the consolidated financial statements include determining the carrying value of investments, MP&D and E&E projects, assessing the impairment and classification of long-lived assets, determining the recoverability of deferred income tax assets, the valuation of the Participating Interest and the convertibility feature of the promissory notes, the valuation of share-based payments 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 Note 3 to the Company's 2014 Audited Consolidated Financial Statements. The Company's financial statements have been prepared using the going concern assumption; reference should be made to Note 1 to the Company's 2014 Audited Consolidated Financial Statements.

The recorded value of the Company's E&E projects and the MP&D project is based on historic costs that are expected to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is exposed to a number of risks and there is always the potential for a material adjustment to the value assigned to these assets. Such risks also extend to the evaluation of fair values of net assets upon acquisition.

The value of the Participating Interest is a significant estimate which uses a model of estimated cash flows and applies probability-weighted estimates to the model. Assumptions are made about the phase at which the frac sand business will be when payments are being made as well as production costs and volumes and sales prices and volumes.

The fair value of the stock options and warrants, as well as the embedded option derivative in the promissory note, is calculated using the Black-Scholes option-pricing model that takes into account the exercise price, 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 or embedded option derivative.

The Company has determined that it is highly probable that Victory Nickel 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. Presently, since Victory Silica is not revenue-generating, a full valuation allowance has been recorded against losses incurred in that subsidiary. The Company will monitor any changes in circumstances which could require a reversal of the valuation allowance.

NEW ACCOUNTING POLICIES

IFRS issued by the International Accounting Standards Board ("IASB") have been adopted in the Company's 2014 Audited Consolidated Financial Statements. There have been no new accounting policies adopted by the Company, except as noted Note 3 to those statements.

FUTURE ACCOUNTING CHANGES

New Standards and Interpretations Not Yet Adopted

Since the issuance of the Company's 2014 Audited Consolidated Financial Statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued no new and revised standard and interpretations which are applicable to the Company or which have caused changes to its accounting policies. Refer to Note 3 to those statements.

CORPORATE GOVERNANCE

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

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, (collectively, the "Certifying Officers"), are responsible for designing a system of disclosure controls and procedures, or causing them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed in reports filed with or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and that material information relating to the Company is made known to them with respect to financial and operational conditions to allow timely decisions regarding required disclosure. For the fiscal quarter ended March 31, 2015, an evaluation was commissioned by the Company under the supervision of the Certifying Officers and with the participation of management of the effectiveness of the Company's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities. Based on this evaluation, the Certifying Officers have concluded that the design and operation of the Company's disclosure controls and procedures were effective as at March 31, 2015. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

There were no changes to the Company's disclosure controls and procedures that occurred during the quarter ended March 31, 2015 that materially affected, or are reasonably likely to affect, the Company's disclosure controls and procedures.

Evaluation of Internal Control over Financial Reporting
The Company's Certifying Officers are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP. The Company used the COSO (1992) control framework and is in the process of updating its methodology to incorporate the COSO (2013) framework into its analyses for the future. The COSO Board has made the COSO (1992) framework available for use until an unspecified date at which point it is expected to be considered superseded. For the fiscal quarter ended March 31, 2015, an evaluation was commissioned by the Company under the supervision of the Certifying Officers and with the participation of management of the effectiveness of the Company's internal control over financial reporting. Based on this evaluation, the Certifying Officers have concluded that the design and operation of the Company's internal controls over financial reporting and procedures were effective as at March 31, 2015.

The management of the Company was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

There were no changes to the Company's internal controls over financial reporting that occurred during the quarter ended March 31, 2015 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting. However, reliance was placed on mitigating controls around processes that are currently still evolving to reduce risk of material misstatement on the financial statements to an acceptable level.

TRANSACTIONS WITH RELATED PARTIES AND MANAGEMENT AGREEMENT WITH NUINSCO RESOURCES LIMITED

Related Party Balances and Transactions for Services
Short-term employee benefits provided by the Company to key management personnel include salaries, directors' fees, statutory benefit contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. 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 options and shares as part of the Stock Option Plan and Share Bonus Plan (Notes 19 and 21 to the 2014 Audited Consolidated Financial Statements). Payables to key management personnel generally relate to directors' fees, consulting fees, and expense reimbursements.

Balances and transactions with related parties as at March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014 are shown in the following tables:

		March 31, 2015		December 31, 2014
Balances Outstanding				
Payable to key management personnel	**$**	**169**	$	251

Key management personnel compensation comprises:

	Three months ended March 31,			
		2015		2014
Short-term employee benefits	**$**	**206**	$	221
Share-based payments - options		**-**		64
	$	**206**	$	285

Balances and Transactions with Nuinsco Resources Limited under the Management Agreement
The Company shared management, administrative assistance and facilities with Nuinsco pursuant to a Management Agreement; management operates under the supervision of the respective board of directors of each respective company; there is only one common director. As described earlier in Note 15 to the Unaudited Condensed Consolidated Financial Statements, Nuinsco became a related party of the Company effective July 30, 2013. The costs charged by Nuinsco are recorded at the cost to Nuinsco of such services plus 10 per cent. The Management Agreement commenced February 1, 2007 and is terminable by the Company upon 180 days' notice and by Nuinsco upon 90 days' notice. The Company served notice of termination on September 5, 2014; accordingly, the Management Agreement ceased in March 2015. The Company has continued to share resources and costs with Nuinsco under a cost sharing arrangement.

Balances and transactions with Nuinsco under the management agreement as at March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014 are shown in the following tables:

	March 31, 2015	December 31, 2014
Balances Outstanding under the Management Agreement		
Payable to Nuinsco Resources Limited	**$ 40**	$ 45

	Three months ended March 31,	
	2015	2014
Transaction Values under the Management Agreement		
Overhead charges from Nuinsco Resources Limited	**$ 154**	$ 182
Project costs charged to Nuinsco Resources Limited	**$ 6**	$ 5
Project recoveries charged by Nuinsco Resources Limited	**$ 16**	$ 12

Amounts due to or from Nuinsco under the management agreement are unsecured, non-interest bearing and due on demand. Amounts due to or from Nuinsco thereby are settled on a regular basis.

OUTSTANDING SHARE DATA
As at May 11, 2015, the Company had 57,634,578 common shares issued and outstanding. In addition, there were 3,036,000 stock options and 10,799,935 warrants outstanding which, if exercised and issued, would bring the fully diluted issued common shares to a total of 71,470,513 and would generate cash of approximately $5,510,000. However, although none of the options and warrants are "in the money", all the warrants are exercisable.

RECENT DEVELOPMENTS
The slowdown in demand for frac sand and the necessary temporary suspension of production has required the Company to implement initiatives to conserve cash. The rail car leases were cancelled and arrangements are being made with other suppliers to bridge the period until sales resume. Funds placed in deposit to support letters of credit to facilitate the railcar leases have been redeemed by the lessor to reduce the Company's payables.

The Company has in excess of 40,000 tons of sand in inventory which should generate cash to bring suppliers debt up-to-date. The Company is also reducing all discretionary costs which should to have a negative impact on its ability to resume production. Staff, salaries, and director fees are being reduced or deferred where possible.

RISKS AND UNCERTAINTIES
The exploration and development of natural resources are speculative activities that involve a high degree of financial risk. Additionally, there are specific risks related to the Company's presence in the frac sand market. The risk factors which should be taken into account in assessing Victory Nickel's activities and an investment in its securities include, but are not necessarily limited to, those set out in detail 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 Victory Nickel'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 Victory Nickel and the business, financial condition, operating results or prospects of Victory Nickel and should be taken into account in assessing Victory Nickel's activities.

Financial and Investment Risks

Going Concern

None of the Company's mining projects has commenced 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 and/or the ability to generate sufficient cash flow from its other operating activities for its funding. The Company's 7P Plant completed commissioning during the third quarter 2014 and is capable of producing at a commercial level. However, the recent decrease in drilling activity due to the decrease in the price of oil and the resulting need to temporarily suspend production at 7P Plant may delay the Company's ability to generate sufficient cash flow to meet operating requirements.

The recoverability of the carrying value of exploration and evaluation projects and the mine property and development project, and ultimately the Company's ability to continue as a going concern, is dependent upon either exploration results which have the potential for the discovery of economically-recoverable reserves and resources, the Company's ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets such as royalty interests for its funding or the success of the frac sand business referred to above.

However, should the Company not be able to reach successful cash flow generation and achieve profitable operations from frac sand business or continue to achieve favourable exploration results, obtain the necessary financing or 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 the financial statements should such adverse events impair the Company's ability to continue as a going concern as contemplated under GAAP. There is no certainty, especially in the present environment, that the Company's initiatives to improve working capital will be successful or that working capital generated thereby will be sufficient to fund the Company's activities including project expenditures and corporate costs. 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.

Substantial Capital Requirements

Victory Nickel will have to make substantial capital expenditures for the development of, and to achieve production from, its nickel projects. Production will only be reached a number of years following the start of development. Until that time, the Company is reliant on cash flows generated by its nascent frac sand business, on the equity markets and asset sales to generate cash for ongoing operations and programs. There can be no assurance that any debt or equity financing or cash generated by operations or asset sales 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 Victory Nickel. Moreover, future activities may require Victory Nickel to alter its capitalization significantly. The inability of Victory Nickel 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.

The 7P Plant has been substantially completed. Future capital requirements for the 7P Plant are not expected to be significant. However, future phases will require additional capital; these phases are independent of the 7P Plant. This capital requirement may be in excess of the net funds generated by the business. The frac sand operations have ongoing requirements for working capital financing. There is a risk that sufficient working capital financing may not be available at suitable prices.

The Company recognizes the imminent cash requirement to repay debt and is actively considering restructuring of its debt to term it out for several years. To date, the Company has not received acceptable expressions of interest and has not completed any debt restructuring.

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 Victory Nickel's ability to raise further funds by issue of additional securities or debt.

By entering the frac sand market and becoming an operating company with operating cash flows, Victory Nickel is attempting to distinguish itself from other juniors. This represents a risk in itself.

Metal and Frac Sand 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. Nickel and by-product prices fluctuate on a daily basis and are affected by numerous factors beyond Victory Nickel's control – including factors which are influenced by worldwide circumstances. The level of interest rates, the rate of inflation, world supply and demand for commodities and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The prices of nickel and by-products 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 Victory Nickel's business, financial condition and prospects. As Victory Nickel has historically been in the exploration and development stage, the above factors have had no material impact on present operations but were considered in evaluating the impairment of long-lived assets. However, these factors are of significant importance for the FS and decisions related thereto as well as being important to the developing frac sand business.

The business case developed to support the Company's entry into the frac sand business made significant assumptions on pricing of frac sand as well as for important cost elements of production and transportation. While many of the important costs have been fixed contractually, the price for frac sand sales is subject to market forces beyond the Company's control. The impact of the oil and gas pricing cycle is uncertain.

Areas of Investment Risk

The common shares of Victory Nickel are listed on the TSX. The share prices of publicly-traded companies can be volatile as the price of shares is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to Victory Nickel.

The market for shares in small public companies is less liquid than for large public companies. Investors should be aware that the value of the Company's common shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

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

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 Victory Nickel's exploration efforts 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 Victory Nickel'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, such as has been released with respect to Minago, on Victory Nickel's projects or the current or proposed exploration programs on any of the properties in which Victory Nickel has exploration rights will result in a profitable commercial mining operation. As a result of these uncertainties, no assurance can be given that Victory Nickel's exploration programs will result in the establishment or expansion of resources or 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 the mineral resource properties owned by Victory Nickel, 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/or 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. The costs estimated under the FS for Minago differed from the PEA and may differ again upon actual development.

Frac Sand Industry

Frac sand processing is a new business for Victory Nickel. The industry is closely linked to the oil and gas industry and is therefore affected by economic factors impacting that industry, including the effect of future cycles based on historic experience. Demand for frac sand is influenced by many factors, including: global and regional economic and political events and conditions, fluctuations in pricing and availability of oil and gas and other energy sources, demand for oil and gas products, demand for cars and other vehicles, technological innovation impacting alternative energy sources, changes in the regulatory framework for mining and processing frac sand and the hydraulic fracturing industry. The oil and gas industry can be prone to sudden, unexpected production slowdowns which may impact exploration, development, production and well completion activities. These factors, such as the recent unprecedented drop in the price of oil, cannot readily be predicted or controlled. Negative developments could cause the demand for frac sand products to decline which could have adverse effects on business, financial condition, results of operations, cash flows and prospects.

With respect to the frac sand industry itself, risks include: changes in transportation availability and pricing, inclement or hazardous weather conditions from flooding or climate change, environmental hazards, industrial accidents, changes in the regulatory framework impacting mining, processing and the fracking industries in both Canada and the US, inability to procure sand in the required quantities or qualities, inability to obtain replacement parts or equipment on a timely basis, reduction in the availability of water for processing, inability to hire, train and retain qualified staff at acceptable rates; and other technical difficulties or failures. Any prolonged downtime could impact deliveries and reputation.

The fracking industry has been hailed as significantly contributing to North America's energy self-sufficiency. A combination of techniques is used, any changes impacting the use of frac sand as a proppant through regulation or technological innovation may negatively impact the frac sand industry. In addition, heightened political, regulatory and public scrutiny of hydraulic fracturing practices could potentially expose the Company or its customers to increased legal and regulatory proceedings, and any such proceedings could be time-consuming, costly or result in substantial legal liability or significant reputational harm.

Competition

The mineral exploration business is highly competitive in all of its phases. Victory Nickel competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Victory Nickel, in the search for and acquisition of exploration and development rights on attractive mineral properties. Victory Nickel'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 Victory Nickel will compete successfully in acquiring exploration and development rights on such other properties or in securing customers, sand supplies or other resources such as transportation.

Victory Nickel also faces competition in the frac sand market with respect to its frac sand business and there is no assurance that Victory Nickel will compete successfully processing and selling frac sand in such market. Frac sand is a proppant used in the completion and re-completion of oil and natural gas wells to stimulate and maintain oil and natural gas production through the process of hydraulic fracturing. Frac sand is the most commonly used proppant and is less expensive than other proppants, such as resin-coated sand and manufactured ceramics. A significant shift in demand from frac sand to other proppants, or the development of new processes to replace hydraulic fracturing altogether, could cause a decline in the demand for the frac sand the Company processes and result in a material adverse effect on the Company's financial condition and results of operations. If significant new reserves of raw frac sand are discovered and developed, and those frac sands have similar characteristics to the raw frac sand processed by the Company, the Company's ability to maintain or acquire contracts may be negatively impacted which could have a material adverse effect on the Company's results of operations and cash flows over the long term. Additionally, quality sand supply is a limited resource and the presently-identified sources are a significant distance away from the 7P Plant which provides logistical challenges in securing timely railcar and other transportation at acceptable prices.

Operational Risks

Limited History of Operations

Victory Nickel has no history of earnings and limited financial resources. Victory Nickel currently has no operating mines and its ultimate success may depend on the ability of active mining operations to generate cash flow in the future, as well as its ability to access capital markets for its development requirements. There is no assurance that Victory Nickel will earn profits in the future. Significant capital investment will be required to achieve commercial production at Victory

Nickel's existing nickel projects. There is no assurance that Victory Nickel will be able to raise the required funds to continue these activities.

In particular, frac sand processing represents a new initiative for Victory Nickel which is expected to generate significant cash flow for the Company, if successful. While the Company believes it has mitigated the risks of entering a new market through the hiring of experienced personnel, there is no assurance that this initiative will be successful.

Frac Sand Processing Operations
The 7P Plant is freshly-built. Production risks might be expected to be higher for a new operation than one which has been in operation routinely. However, a new plant may have a reduced risk profile as far as reliability is concerned. Refurbishment of equipment may be more risky than acquiring new plant. Despite hiring experienced management, many new operators have been hired, while risks have been mitigated by training, it is possible that early production may experience excessive downtime. The availability of suitably-qualified staff at acceptable prices also represents a risk.

The procurement, production and delivery of frac sand can be logistically complex – transportation costs represent a significant portion of frac sand costs. Unavailability of appropriate transportation and rail cars or lines on a timely basis may impact turnaround and cause delays in deliveries. Changes in respective transportation costs or decreases in dependability may also impair the Company's ability to receive and/or deliver product with adverse effects on costs, revenues and reputation. Further, changes to logistics to reflect changed demand may not be able to occur on a timely basis, resulting in adverse effects on the cost profile.

Processing frac sand includes substantial costs for energy – electricity and gas – as well as water. Problems in securing sufficient energy supply at appropriate prices would have impact on operating costs and the ability to recover those increased costs may be impaired.

The specifications for frac sand are detailed; maintaining a robust quality control process is key to producing a high-quality product. Failure to do so could cause lost revenues and lost reputation.

Development Targets, Permitting and Operational Delays
There can be no assurance that Victory Nickel will be able to complete the planned development of its 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 Victory Nickel's operations. Any failure to meet development targets or other operational delays or inadequacies could have a material adverse effect. In particular, the Minago EAL was granted for a three-year period and was to expire on August 22, 2014 unless the project is advanced through qualifying activities. There is no guarantee that development work will commence on or before that date or that an extension will be granted. However, the Company believes that it has mitigated this risk through work performed on relocating tailings impoundments and the regulatory filings related thereto should either represent development or should extend the expiry.

The Company's frac sand business in its present phase, is reliant upon a third-party supplier of sand; any difficulties the supplier experiences with respect to securing, maintaining or extending permits for its properties and operations including appropriate water rights, may have adverse effects on the supply of sand.

Resources and Reserves
The figures for 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.

The Company's frac sand business in its present phase is reliant upon a handful of suppliers for its product. The Company has no resources or reserves of its own that can presently be exploited; although it recently announced reserves on the Bear Coulee option in Wisconsin. Permitting this property for production is expected to take one to two years. The frac sand resource at Minago is not contemplated to be developed until either Phase Three of the frac sand initiative or as part of the Minago FS which requires significant financing to be developed.

Title Risks
Victory Nickel'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 Victory Nickel currently holds or has applied for all necessary licences, permits and authorizations to carry on the activities which Victory Nickel is currently conducting and to hold the mineral rights Victory

Nickel currently holds under applicable laws and regulations in effect at the present time. Management also believes that Victory Nickel is complying in all material respects with the terms of such licences, permits and authorizations. However, Victory Nickel'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

Victory Nickel faces all of the hazards and risks normally incidental to the exploration and development of 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. Victory Nickel's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which Victory Nickel has interests; not all such risks are insurable.

Similarly, the frac sand processing plant faces many hazards and risks arising from the transportation and processing of frac sand materials, any of which could result in the matters described above. Again, not all such risks are insurable.

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 activities, the extent of which cannot be predicted and which may well be beyond Victory Nickel's capacity to fund. Environmental laws are becoming more stringent and 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

Victory Nickel may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors in the areas in which Victory Nickel does or will operate and holds its interests, as well as unforeseen matters. In particular, the fracking industry is often at the forefront of public attention whether or not deserved. Nonetheless, this provokes attention and scrutiny.

Other Risks

Environmental and Health Risks

The Company has no significant exposure to environmental or health risks from its exploration and development activities, although this will change as the Company's projects approach production (a normal characteristic of mineral industry projects). Lynn Lake, acquired pursuant to a takeover bid and recently subject to option with Corazon, is a former operating mine; however indemnifications exist from the Manitoba Government with respect to any pre-existing environmental concerns at that property.

The frac sand operation involves processing silica sand. In addition to environmental regulation, the Company is subject to laws and regulations relating to human exposure to crystalline silica under the *Occupational Health and Safety Act*. Workplace exposure to crystalline silica is monitored; the occupational exposure limits in Alberta for respirable crystalline silica are among the lowest in Canada and the US.

Key Personnel

Victory Nickel relies on a limited number of key consultants and senior management and there is no assurance that Victory Nickel will be able to retain such key consultants or other senior management. The loss of one or more such key consultants or members of senior management, if not replaced, could have a material adverse effect on Victory Nickel's business, financial condition and prospects. Directors and management had 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 the Company'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 Victory Nickel will be made in accordance with their duties and obligations to deal fairly and in good faith with Victory Nickel and such other companies.

Investments and Other Agreements with Resource Companies

In addition, Victory Nickel 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 Victory Nickel, and Victory Nickel's investments in and agreements with these companies are subject to similar areas of risk as noted above. Victory Nickel seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's or assignee's failure to meet contractual obligations.

Summary

The future success of the Company is subject to a number of risk factors that are common to the junior natural resources sector and is now exposed to risks associated with frac sand production. These include 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. Another significant factor is the ability of the Company to obtain necessary financing or to find strategic partners to fund expenditure commitments as they fall due, as the Company currently has limited funds. Furthermore, the development of any nickel resource interest may take years to complete and the resulting income, if any, from the sale of any nickel or by- or co-products 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.

The Company has attempted to mitigate some of the risks associated with securing financing through its entry into the frac sand processing business. This is expected to generate significant cash flows to the Company and should enable it to become financially stable. In turn, this could be leveraged to assist in securing funds to ultimately develop Minago. However, the frac sand business also has its own set of risks as indicated earlier, and of which investors should be aware.

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 and/or assumptions in respect of production, revenue, cash flow, costs, economic return, net present value, mine life and financial models, mineral resource estimates, potential mineralization, potential mineral resources, timing of possible production and the Company's development plans and objectives) constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company.

Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from estimates and assumptions; uncertainties relating to the availability and costs of financing needed in the future; failure to establish estimated mineral resources; fluctuations in commodity prices and currency exchange rates; inflation; recoveries being less than those indicated by the testwork carried out to date (there can be no assurance that recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production); changes in equity markets; operating performance of facilities; environmental and safety risks; delays in obtaining or failure to obtain necessary permits and approvals from government authorities; unavailability of plant, equipment or labour; inability to retain key management and personnel; changes to regulations or policies affecting the Company's activities in exploration and development and the frac sand processing business; 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.

May 11, 2015