VICTORY NICKEL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements
The accompanying unaudited condensed interim consolidated financial statements of Victory Nickel Inc. for the three months ended March 31, 2018 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 interim consolidated financial statements have not been reviewed by an auditor.

Condensed Interim Consolidated Balance Sheets

(in thousands of United States dollars)	*Notes*	**March 31, 2018** (unaudited)	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		**$ 46**	$ 125
Receivables and prepaids	*4*	**442**	88
Marketable securities	*5*	**149**	255
Inventory	*6*	**1,769**	1,851
Total current assets		**2,406**	2,319
Non-current assets			
Property, plant and equipment	*7*	**2,905**	3,057
Mine property and development project	*8*	**34,996**	34,996
Exploration and evaluation projects	*9*	**8,718**	8,718
Total non-current assets		**46,619**	46,771
Total Assets		**$ 49,025**	$ 49,090
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	*10*	**$ 2,263**	$ 2,225
Loans and borrowings	*11*	**7,400**	6,500
Total current liabilities		**9,663**	8,725
Non-current liabilities			
Loans and borrowings	*11*	**7,299**	7,286
Participating Interest	*12*	**529**	529
Deferred tax liability		**673**	911
Total non-current liabilities		**8,501**	8,726
Total Liabilities		**18,164**	17,451
Shareholders' equity			
Share capital	*13*	**53,323**	53,323
Contributed surplus		**6,160**	6,140
Accumulated other comprehensive loss		**(3,847)**	(3,777)
Deficit		**(24,775)**	(24,047)
Total shareholders' equity		**30,861**	31,639
Total Liabilities and Shareholders' Equity		**$ 49,025**	$ 49,090

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
The accompanying notes are an integral part of these condensed consolidated financial statements

Condensed Interim Consolidated Statements of Operations

(in thousands of United States dollars, except per share amounts)	Notes	Three months ended March 31, 2018 (unaudited)	Three months ended March 31, 2017 (unaudited)
Sales		**$ 399**	$ 249
Cost of goods sold		**(388)**	(241)
Gross profit		**11**	8
Operating expenses			
General and administrative		**(187)**	(139)
Share based payments	*15*	**(20)**	(304)
Amortization of property, plant and equipment	*7*	**(147)**	(133)
Operating loss		**(343)**	(568)
Finance income	*16*	**-**	28
Finance costs	*16*	**(623)**	(801)
Net finance costs		**(623)**	(773)
Loss before income taxes		**(966)**	(1,341)
Income tax recovery		**238**	433
Net loss for the period		**$ (728)**	$ (908)
Loss per share	*14*		
Basic and diluted loss per share		**$ (0.01)**	$ (0.01)

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

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

(in thousands of United States dollars)		Three months ended March 31, 2018 (unaudited)	Three months ended March 31, 2017 (unaudited)
Net loss for the period		**$ (728)**	$ (908)
Other comprehensive income (loss) ("OCI")			
Net change in fair value of financial assets	*5*	**(106)**	72
Foreign exchange loss		**36**	(3)
Other comprehensive (loss) income for the period		**(70)**	69
Total Comprehensive Loss for the period		**$ (798)**	$ (839)

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

Condensed Interim Consolidated Statements of Shareholders' Equity

(in thousands of United States dollars)		Share Capital	Contributed Surplus	Accumulated Other Comprehensive (Loss) Income	Deficit	Total Equity
Balances as at January 1, 2017	***Notes***	$ 53,241	$ 5,696	$ (3,855)	$ (23,999)	$ 31,083
Total comprehensive loss for the period						
Net loss for the period					(908)	(908)
Other comprehensive income (loss)						
Net change in fair value of financial assets				72		72
Income tax loss				-		-
Foreign exchange on change in functional currency				(3)		(3)
Total other comprehensive income				69		69
Total comprehensive loss for the period						(839)
Transactions with owners, recorded directly in equity						
Contributions in the period						
Options granted and vesting			304			304
Total contributions by owners			304			304
Total transactions with owners			304			304
Balances as at March 31, 2017		$ 53,241	$ 6,000	$ (3,786)	$ (24,907)	$ 30,548
Balances as at January 1, 2018		$ 53,323	$ 6,140	$ (3,777)	$ (24,047)	$ 31,639
Total comprehensive loss for the period						
Net Loss for the period					(728)	(728)
Other comprehensive income (loss)						
Net change in fair value of financial assets	*5*			(106)		(106)
Foreign exchange on change in functional currency				36		36
Total other comprehensive loss				(70)		(70)
Total comprehensive loss for the period						(798)
Transactions with owners, recorded directly in equity						
Contributions in the period						
Options granted and vesting	*15*		20			20
Total contributions			20			20
Total transactions with owners			20			20
Balances as at March 31, 2018		**$ 53,323**	**$ 6,160**	**$ (3,847)**	**$ (24,775)**	**$ 30,861**

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

Condensed Interim Consolidated Statements of Cash Flows

(in thousands of United States dollars)	*Notes*		**Three months ended** **March 31, 2018**		March 31, 2017
Cash flows from operating activities					
Net loss for the period		**$**	**(728)**	$	(908)
Adjustments for:					
Share based payments	*15*		**20**		304
Amortization of property, plant and equipment	*7*		**147**		133
Net finance costs	*16*		**610**		865
Income tax recovery			**(238)**		(433)
Net change in working capital:					
Change in receivables and prepaids	*4*		**(264)**		(191)
Change in inventory	*6*		**82**		134
Change in trade and other payables	*10*		**40**		45
Net cash used by operating activities			**(331)**		(51)
Cash flows from investing activities					
Expenditures on mine property and development project	*8*		**-**		(4)
Expenditures on exploration and evaluation projects	*9*		**-**		(6)
Issuance of current promissory note	*11*		**(90)**		-
Net cash used by from investing activities			**(90)**		(10)
Cash flows from financing activities					
Payments of interest	*11*		**-**		(20)
Receipt of other current loan	*11*		**302**		-
Payments under leases			**(2)**		(35)
Net cash provided (used) by financing activities			**300**		(55)
Net decrease in cash and cash equivalents			**(121)**		(116)
Foreign exchange effect on cash and cash equivalents			**42**		(3)
Cash and cash equivalents, beginning of the period			**125**		197
Cash and cash equivalents, end of the period		**$**	**46**	$	78

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

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 consolidated financial statements as at and for the three months ended March 31, 2018 and 2017 (the "Condensed Interim Consolidated Financial Statements") comprise of the Company and its subsidiaries Victory Silica Ltd. ("Victory Silica") and BG Solutions Ltd. ("BG") 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 frac sand plant (the "7P Plant"), located near the town of Seven Persons, approximately 18 kilometres southwest of Medicine Hat, Alberta. The 7P Plant comprises a fully-operational wet plant with a nominal capacity of approximately 120,000 tons per annum ("tpa") and a dry plant with a nominal capacity of 500,000 tpa. 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.

On February 22, 2016 the Company commenced trading its common shares on the Canadian Securities Exchange ("CSE") under the symbol NI. Previously, the Company was listed on the Toronto Stock Exchange ("TSX") under the symbol NI.

All dollar amounts are quoted in United States dollars ("US$" or "US dollars"), except for those denoted as Canadian dollars ("CAD$") or Australian dollars ("AU$").

Going Concern

These Condensed Interim 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, 2018, the Company had a working capital deficiency of $7,257,000, calculated as current assets less current liabilities, an increase from a working capital deficiency of $6,406,000 as at December 31, 2017. At March 31, 2018, the debts of $7,400,000 were the largest factor in the Company's working capital deficiency, as the Company was in default on all unsecured debt and related interest.

The Company's main assets are its nickel projects. Minago, the most advanced of its projects is permitted and ready for development. However, development costs are in excess of $500,000,000 and given the current price of nickel, it is unlikely that financing for this project will be available in the near future. If the Company is unable to finance and develop these projects, the potential recovery via sale of these projects may be below the current carrying amounts. Given the defaults on various loans discussed below, there is an increased risk that the Company's creditors could force the Company to liquidate its core assets under less than favourable terms.

On April 14, 2015, the Company announced that operations at the 7P Plant were temporarily suspended until the demand for frac sand improved; this temporary suspension was due to the dramatic decrease in energy pricing that began in 2014. Since March 2015, sales have been significantly below rates achieved during 2014 and continue well below the level required to generate positive cash flow. The 7P Plant was restarted in March 2017 and continues to operate on an as-needed basis in order to fulfil customer needs. In October 2017, the Company announced that it had completed the refurbishment of its frac sand wash plant at the 7P Plant. The wash plant is now operational, enhancing the ability to produce and sell frac sand. 2017 has shown some improvement in the slowdown in drilling activity due to the severe drop in the price of oil, but sales have yet to recover to levels that would generate positive cash flow.

The near-term outlook in the frac sand market remains unclear. The US dollar continues to negatively impact demand for high-quality Wisconsin frac sand in Canada, as the price for domestic frac sand has dropped and service companies appear satisfied with using lower-quality domestic frac sand, because of the price differential caused mainly by the exchange rate. As the Company's inventory is Wisconsin frac sand, this will continue to stress the Company's liquidity until such time as the market demand recovers and operations can resume on a consistent basis.

Cash flows from frac sand sales the three months ended March 31, 2018 were sufficient to cover operating costs but not sufficient to pay financing costs and the Company was not able to make any of its interest payments due during the three months ended March 31, 2018.

During 2016, the Company restructured its debt (the "Debt Restructuring Agreement") with holders of promissory convertible notes and trade creditors, by issuing shares of the Company and unsecured promissory convertible notes ("Promissory Convertible Notes"). In 2017, the Company's secured debt ("Secured Debt") increased by the amount of unpaid interest to $7,050,000 and the maturity date was extended to July 31, 2019.

Pursuant to the terms of the Secured Debt, the Company is prevented from making payments under outstanding unsecured debt until the Secured Debt is repaid. The lender of the Secured Debt (the "Secured Lender") provided a forbearance agreement for the balance of the accrued interest and made short term advances to cover non-discretionary costs. Barring a significant improvement in the sales of frac sand, the Company is unlikely to be able to repay the Secured Debt in full when it matures in July 2019. The Company's ability to make the required interest payments during the remainder of 2018 is also in doubt and dependent upon frac sand sales. The Company's Secured Lender continues to demonstrate its commitment to ensure the protection of the Company's core assets by providing working capital advances and forbearance agreements with respect to the Secured Debt. Should the support of the Secured Lender change, the going concern assumption would be in doubt.

During 2016, all of the promissory convertible note holders participated in the Debt Restructuring Agreement, except for one holder of a $3,000,000 promissory convertible note (the "Outstanding Note"). In March 2016, the Company announced that it had received notice that the holder of the Outstanding Note had filed a statement of claim concerning non-payment of principal and interest. The Company has reviewed the statement of claim with legal counsel to assess its impact on the Company and has concluded that there is no significant impact on the status of the Company's debt. The Outstanding Note matured in July 2016 and the Company has been unable to repay the amounts owing and interest payments due, which has resulted in the Company defaulting on the note.

The Company has not paid interest payments due on its Promissory Convertible Notes, which has resulted in the Company defaulting on these notes.

The ability of the Company to continue as a going concern is heavily dependent on the continued support of its lenders and the frac sand market improving, both in demand and in price, and the Company's ability to resume full operations at its 7P Plant. In addition to the liquidity and solvency uncertainties described above, the ability to resume full operations at the 7P Plant will require additional financing. In order to resume purchasing and shipping supplies of frac sand and full operations at the 7P Plant, the Company will require additional working capital. As noted, the Company's Secured Lender has been supportive to date. However, there are no assurances that the Company will be able to obtain the working capital to resume operations at the level sufficient to generate cash flows to repay its outstanding obligations.

The Company has cut non-essential costs in an effort to reduce operating losses and has deferred payments wherever possible. During 2017 and 2016, the Company, with the agreement of its Secured Lender, sold non-core assets to provide operating funds. However, without an injection of capital and/or until the demand and pricing for frac sand returns to pre-2015 levels, the Company will not be able to meet its outstanding obligations or any new obligations as they become due. The defaults on the Company's existing obligations add to the challenge of obtaining additional capital.

There can be no assurance that the Company will be able to restructure its debt further and/or recapitalize, and there is no certainty as to what further steps, if any, the secured and unsecured lenders may take. To date, management and the board of directors have reduced and/or deferred salaries and director fees until business recovers, but there is no certainty that this will continue. Management salary reductions and/or deferrals put the Company at risk of being unable to retain key personnel.

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

None of the Company's mining projects have 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 or interests, exploration results which have the potential for the discovery of economically-recoverable reserves and resources, and/or the ability to generate sufficient cash flow from its other operating activities for its funding. Development of the Company's current nickel mining projects to the production stage will require significant financing. Given the current economic climate, including the low nickel price, and the Company's existing liquidity challenges, the ability to raise sufficient funds will be difficult.

Should the Company not be able to overcome the risks described in this section, the carrying value of the Company's assets would be subject to material adjustment and, in addition, other adjustments may be necessary to these Condensed Interim Consolidated 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 that the Company will be able to generate sufficient cash to fund its 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. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ significantly from the going concern basis.

2. BASIS OF PREPARATION

The Condensed Interim 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") applicable to the preparation of the interim financial statements, including IAS 34. The accounting policies, methods of computation and presentation applied in these Condensed Interim Consolidated Financial Statements are consistent with those of the previous fiscal year.

The unaudited Condensed Interim Consolidated Financial Statements reflect the accounting policies and disclosures described in Notes 2, 3, 4 and 5 to the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016 (the "2017 Audited Financial Statements") (with the exception of changes set out below, if any) and accordingly, should be read in conjunction with those financial statements and the notes thereto.

The management of the Company prepares the consolidated financial statements, which are then reviewed by the Audit Committee and the Board of Directors. The Condensed Interim Consolidated Financial Statements were authorized for issue by the Board of Directors on May 16, 2018 and are made available to shareholders and others through filing on SEDAR shortly thereafter.

These Condensed Interim 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in detail in Note 3 to the 2017 Audited Financial Statements. Such policies have been applied consistently by all Victory Nickel entities and to all periods presented in these condensed interim consolidated financial statements.

There have been no new accounting policies adopted by the Company.

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

4. RECEIVABLES AND PREPAIDS

		March 31, 2018		December 31, 2017
Trade accounts receivable	**$**	**284**	$	19
		284		19
Other receivables		**10**		14
Promissory note and interest		**148**		55
	$	**442**	$	88

During 2017, the Company committed to provide up to $200,000 in funding under certain terms of a secured note. The note has interest bearing at 15%, is secured and matures June 22, 2018. During the first quarter of 2018, the Company advanced $90,000 in addition to the $55,000 advanced during 2017. Any proceeds received from repayment of this loan must be used to repay the other current loan (in Note 11).

The aging of trade accounts receivable is as follows:

		March 31, 2018		December 31, 2017
Trade accounts receivable				
Current	**$**	**284**	$	19
	$	**284**	$	19

As at March 31, 2018, one of the Company's five customers accounted for 78% of the trade accounts receivable balance (December 31, 2017 – one customer for 100%).

5. MARKETABLE SECURITIES

The Company records its investment in 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. The Company's financial assets at fair value through OCI are listed on public stock exchanges, including the TSX and TSX Venture Exchange. As at March 31, 2018, one junior mining company comprised 99% (December 31, 2017 – 99%) of the balance of the Company's investment in shares.

6. INVENTORY

As at December 31,		**March 31, 2018**		December 31, 2017
Raw material				
Stored at 7P Plant	**$**	**1,367**	$	1,503
		1,367		1,503
Finished goods & other inventory		**402**		348
	$	**1,769**	$	1,851

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

7. PROPERTY, PLANT AND EQUIPMENT

Balances as at January 1, 2017	Land and Building	7P Plant	Vehicles and Mobile Equipment	Equipment and Furniture	Total
Cost	83	4,881	685	220	5,869
Accumulated Amortization	(14)	(1,936)	(468)	(42)	(2,460)
Effect of Foreign Exchange	(7)	(133)	(41)	(171)	(352)
Carrying Amount	**$ 62**	**$ 2,812**	**$ 176**	**$ 7**	**$ 3,057**
Amortization	-	(133)	(13)	(1)	(147)
Balances as at March 31, 2018					
Cost	83	4,881	685	220	5,869
Accumulated Amortization	(14)	(2,069)	(481)	(43)	(2,607)
Effect of Foreign Exchange	(7)	(138)	(41)	(171)	(357)
Carrying Amount	**$ 62**	**$ 2,674**	**$ 163**	**$ 6**	**$ 2,905**

As at March 31, 2018 Vehicles and Mobile Equipment includes $46,000 (December 31, 2016 - $46,000) of equipment remaining to be acquired at the end of its term under finance leases.

8. MINE PROPERTY AND DEVELOPMENT PROJECT

	January 1, 2018	Current Expenditures	**March 31, 2018**
Minago	$ 34,996	$ -	**$ 34,996**
	$ 34,996	$ -	**$ 34,996**

Minago

The 100%-owned Minago project covers approximately 19,799 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 that was filed in May 2010. As a result, in August 2011, the Company received its Environmental Act Licence ("EAL"). In April 2014, the Company announced the filing of an amendment to the EAL to relocate the permitted Minago tailings facilities, such that it will not interfere with potential nickel resources and also reduce operating costs. Consultations with First Nations by the Government of Manitoba continue. On completion, the government is expected to issue the amendment to the existing EAL which continues to be valid. 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 ("NSR") with a 50% back-in right; these claims represent approximately 2.4% of the total Minago project and are not contained in the FS pit footprint.

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

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

9. 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, 2018	Current Expenditures	Writedowns	**December 31, 2017**
Lac Rocher	$ 1,922	$ -	$ -	**$ 1,922**
Mel	6,796	-	-	**6,796**
	$ 8,718	$ -	$ -	**$ 8,718**

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 CAD$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.

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. In November 2014, the Company announced that it had optioned the Lynn Lake property to Corazon Mining Limited ("Corazon"). Under the terms of the option agreement, subject to any required regulatory approvals, Corazon can acquire a 100% interest in Lynn Lake by issuing to Victory Nickel, 40,000,000 Corazon shares upon closing and incurring AU$3,500,000 in exploration expenditures or payments (in cash or Corazon shares at Corazon's option) to Victory Nickel before November 2019. In addition, Victory Nickel will retain a 1.5% net smelter royalty on production from Lynn Lake and receive a payment of AU$1,000,000 (in cash or Corazon shares at Corazon's option) within 30 days of ore processing activities. In April 2015, the Company received 40,000,000 shares of Corazon valued at $192,000 as part of the option agreement. These shares were sold in 2016.

Bear Coulee
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 Trempeleau County 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 that is mined from the property.

In February 2015, the Company announced that a resource estimate of approximately 11 million tons of sand has been completed on the Bear Coulee Property and was incorporated into a National Instrument 43-101 technical report.

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

10. TRADE AND OTHER PAYABLES

		March 31, 2018		December 31, 2017
Accounts payable				
Mine property and development project	$	12	$	15
Exploration and evaluation projects		3		3
Frac Sand segment		1,795		1,818
Other payables		112		52
Accrued liabilities				
Other accrued liabilities		338		332
Lease obligations - current portion		3		5
	$	2,263	$	2,225

As part of the Secured Debt terms with the Secured Lender, the Company agreed to not make any payments, prior to the repayment of the Secured Debt and without the Secured Lender's approval, to settle past unsecured debt or balances outstanding with trade creditors that did not agree to the Debt Restructuring Agreement. The balances with trade creditors did not agree to the Debt Restructuring Agreement amount to $975,000 and CAD$777,000 and remained outstanding as at March 31, 2018.

11. LOANS AND BORROWINGS

	Notes		March 31, 2018		December 31, 2017
Current loans and borrowings					
Outstanding Note	*(b)*	$	3,000	$	3,000
Promissory Convertible Notes	*(b)*		1,756		1,629
Accrued interest			2,276		1,806
Other current loan			368		65
Total current loans and borrowings			7,400		6,500
Long-term loans and borrowings					
Secured Debt	*(a)*	$	6,981	$	6,968
Debt owed to management & directors	*(b)*		318		318
Total long-term loans and borrowings			7,299		7,286
		$	14,699	$	13,786

During the three months ended March 31, 2018, the Company made interest payments of $nil (March 31, 2017 - $18,000). The Company also incurred interest expense of $470,000 (March 31, 2017 - $407,000), amortized loan fees of $13,000 (March 31, 2017 - $5,000) and amortized embedded derivatives of $127,000 (March 31, 2017 - $63,000).

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

(a) Secured Debt

		March 31, 2018		December 31, 2017
Carrying balance at beginning of the year	**$**	**6,968**	$	5,468
Conversion from accrued interest		**-**		1,550
Change in fair value of warrants with a cashless exercise feature		**-**		(6)
Change in unamortized fair value of warrants		**13**		15
Unamortized loan fees		**-**		(59)
Secured Debt	**$**	**6,981**	$	6,968

The Secured Debt of $7,050,000 has a maturity date of July 31, 2019. Under the terms of the Secured Debt, if the Secured Debt is outstanding on December 31, 2018, an additional fee of 2,500,000 common shares will be issued by the Company to the Secured Lender.

The interest rate on the Secured Debt is 14.8% with interest payable in arrears. The Secured Debt is due in full on the date of maturity, subject to a cash sweep of 75% of free cash flow (“Free Cash Flow”) payable within 45 days following the end of each fiscal quarter and 90 days from each fiscal year end. Free Cash Flow will be calculated based on the Company’s quarterly unaudited and annually audited consolidated statement of cash flows, as net cash from operating and investing activities, plus interest and lease payments from financing activities. Allowable investing activities must be approved in advance by the Secured Lender.

In addition, the Company has agreed to not make any payments to settle past unsecured debt prior to the repayment of the Secured Debt, without the Secured Lender’s approval.

Warrants issued to the Secured Lender
A total of 2,750,000 warrants were issued to the Secured Lender, with an exercise price of CAD$0.25 and an expiry date of January 31, 2018. The Warrants expired unexercised on January 31, 2018.

(b) Promissory Convertible Notes

		March 31, 2018		December 31, 2017
Total Principal Outstanding at beginning of the year	**$**	**4,629**	$	4,421
Change in present value discount on debt		**101**		148
Change in fair value of conversion options		**-**		(70)
Change in unamortized embedded derivatives		**26**		97
Effect of foreign exchange		**-**		33
Carrying balance at the end of the year		**4,756**		4,629
Less: Outstanding Note		**(3,000)**		(3,000)
Promissory Convertible Notes - Current portion	**$**	**1,756**	$	1,629

During 2016, the Company announced that it had restructured a portion of its debt through private placements of common shares and Promissory Convertible Notes, in settlement of current indebtedness to certain of its unsecured lenders and trade creditors.

The Company has not made any interest payments due on its Promissory Convertible Notes, which has resulted in the Company defaulting on these notes.

Promissory Convertible Note Holders
The Promissory Convertible Notes have the following terms:

- A maturity date of July 31, 2018;
- An interest rate of 7% per annum, payable annually or at any time in cash or in common shares valued at market, at the option of the Company;
- Convertible at CAD$0.25 per share, at the option of the holder; and
- Holders of the Promissory Convertible Notes will also receive one common share purchase warrant for every four common shares acquired upon conversion of the Promissory Convertible Notes, with an exercise price of CAD$0.50 per share, exercisable for a five-year period from the date of conversion.

Debt Owed to Directors and Management
Current directors and management agreed to defer payment until July 2019, of all outstanding debt and director fees accumulated up to December 31, 2017. As a result, the long-term debt of $318,000 owed to directors and management is comprised of a portion of the restructured debt owed to current directors and management amounting to CAD$224,000, and unpaid director fees incurred by current directors during 2016 and 2017 totalling CAD$175,000.

Outstanding Note
During 2016, all of the then holders of promissory convertible notes participated in the Debt Restructuring Agreement except for the one holder of the Outstanding Note of $3,000,000. In March 2016, the Company announced that it had received notice that the holder of the Outstanding Note had filed a statement of claim concerning non-payment of principal and interest. The Company has reviewed the statement of claim with legal counsel to assess its impact on the Company and has concluded that there is no significant impact on the status of the Company's debt. Pursuant to the terms of the Secured Debt, the Company is prevented from making payments under outstanding unsecured debt until the Secured Debt is repaid. As a result, the Company has not paid interest accrued on the Outstanding Note. The Outstanding Note matured in July 2016 and the Company has been unable to repay the amounts owing and interest payments due. This has resulted in the Company defaulting on the Outstanding Note.

12. PARTICIPATING INTEREST

Pursuant to a participating interest loan (the "Participating Interest") with Nuinsco Resources Limited ("Nuinsco" or the "Lender"), the Lender has the right to convert the outstanding balance 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 CAD$10,000,000, with a minimum of CAD$7,500,000, and was subject to adjustment under certain circumstances.

The Participating Interest is classified as a financial liability carried at amortized cost. The estimated future cash flows discounted at 15% were determined using a probability-weighted estimation of future expected cash flow scenarios from the three-phased 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 completion of phase two; the Company expects to enter phase two before paying out the expected cash flows, despite announcing, during February 2015, a deferral of phase two. The Company also included probability weightings of 50%, 25% and 25% as risk factors applied to varying levels of expected cash flows – being zero, 50% and 100% of the applicable ceiling maximum of CAD$7,667,000.

The percentage participation in net cash flows is 52.16% and the applicable ceiling for phase two is CAD$7,667,000 (phase one - CAD$10,222,000). As a result of the continued slowdown in demand for frac sand, the continued suspension of operations at the 7P Plant and the losses incurred during the last few years, the estimated fair value of the Participating Interest was $529,000 at March 31, 2018 (December 31, 2017 - $529,000). 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.

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

13. CAPITAL AND OTHER COMPONENTS OF EQUITY

The Company is authorized to issue an unlimited number of common shares with no par value. The issued and outstanding common shares for the following periods are as follows:

	Number of Shares	Share Capital
Balance as at January 1, 2018 and March 31, 2018	**94,870,968**	**$ 53,323**

14. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share for the period ended March 31, 2018 were based on the information in the table below.

	Three months ended March 31, 2018
Weighted average number of common shares at beginning and end of the period - Basic and Diluted	**94,870,968**
Number of options excluded	12,625,000
Number of shares from conversion of New Promissory Notes excluded	10,086,293
Net loss attributable to shareholders - Basic and Diluted	**$ (728)**
Weighted Average Basic and Diluted Loss Per Share	**$ (0.01)**

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 common shares on a diluted basis for periods where losses are incurred for information only.

15. SHARE-BASED PAYMENTS

Stock Options

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

(amounts in Canadian dollars) **As at March 31, 2018**	**Number of options**	**Weighted average exercise price**
Outstanding and exercisable at beginning and end of the period	**12,625,000**	**$ 0.08**

As at March 31, 2018	**Number of options outstanding**	**Weighted average remaining contractual life (years)**
Range of exercise prices (Canadian dollars)		
$0.05 to $0.06	**11,900,000**	**3.95**
$0.30 to $0.50	**367,000**	**0.26**
$0.55	**103,000**	**0.85**
$0.70 to $1.10	**255,000**	**1.31**
	12,625,000	**3.75**

During the three months ended March 31, 2018, the Company recorded $20,000 (March 31, 2017 - $304,000) in share-based payments upon the vesting of options. As at March 31, 2018 there were no share-based payments remaining to be recognized (March 31, 2017 - $103,000). Options outstanding at March 31, 2018 expire between May 2018 and June 2022.

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

Share purchase warrants

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

(in Canadian dollars) **As at March 31, 2018**	**Date Issued**	**Life (mths)**	**Number of warrants**	**Weighted average exercise price**
Issued pursuant to private placements				
Warrants	March 3, 2016	23	**2,750,000**	**$ 0.25**
Expired			**(2,750,000)**	
Outstanding as at end of the period			**-**	**$ -**

16. FINANCE INCOME AND FINANCE COSTS

	Three months ended	
	March 31, 2018	March 31, 2017
Net foreign exchange gain	**$ -**	$ 28
Finance income	**-**	28
Interest expense on loans		
Accrued and/or cash settled	**470**	407
Amortization of loan fees	**13**	5
Amortization of embedded derivatives	**127**	63
Change in value of options/warrants under Debt Restructuring Agreement	**-**	318
Net foreign exchange loss	**13**	-
Other	**-**	8
Finance costs	**623**	801
Net Finance Costs	**$ (623)**	$ (773)

17. OPERATING SEGMENT

Reporting Segment

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 has been 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.

The Corporate segment operates to support the Company’s activities, including exploration and development projects and the frac sand business.

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 19). The segment is located in Canada, although raw materials purchases are sourced from the United States.

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

The following tables provide information on the assets of the Company's segments:

	March 31, 2018	December 31, 2017
Canada		
Corporate	$ **1,886**	$ 2,020
Exploration and Development	**43,714**	43,714
Frac Sand	**5,081**	4,858
Intersegment elimination	**(1,465)**	(1,502)
Total Assets	$ **49,216**	$ 49,090

There have been no changes in the reportable segments or the treatment of segmented assets and revenues during the period.

Three months ended March 31, 2018	Corporate	Exploration and Development	Frac Sand	Total	March 31, 2017
Revenues	$ -	$ -	$ 399	$ **399**	$ 249
Cost of goods sold	-	-	(388)	**(388)**	(241)
Gross profit	-	-	11	**11**	8
Operating expenses					
General and administrative	(113)	-	(74)	**(187)**	(139)
Share-based payments	(20)	-	-	**(20)**	(304)
Amortization of property, plant and equipment	-	(1)	(146)	**(147)**	(133)
Operating loss	(133)	(1)	(209)	**(343)**	(568)
Finance income	-	-	-	**-**	28
Finance costs	(623)	-	-	**(623)**	(801)
Net finance costs	(623)	-	-	**(623)**	(773)
Loss before income taxes	(756)	(1)	(209)	**(966)**	(1,341)
Income tax recovery	238	-	-	**238**	433
Net loss for the year	$ (518)	$ (1)	$ (209)	$ **(728)**	$ (908)

18. 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. In addition to short-term employee benefits, the Company may also issue options and common shares as part of the stock option plan and share bonus plan. Payables to key management personnel generally relate to director's fees, consulting fees and expense reimbursements. Balances and transactions with related parties as at and for the periods ended are shown in the following tables:

	March 31, 2018	December 31, 2017
Balances Outstanding		
Debt due to key management personnel	$ **318**	$ 318
Other payables due to key management personnel	**251**	173
	$ **569**	$ 491

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

Key management personnel compensation is composed of:

	Three months ended	
	March 31, 2018	March 31, 2017
Short-term employee benefits	**$ 140**	$ 64
	$ 140	$ 64

19. COMPANY ENTITY

Significant Subsidiary - Victory Silica

On June 19, 2012, the Company announced the creation of Victory Silica to establish the Company as a supplier of premium frac sand, prior to commencing frac sand sales from the Minago project. Victory Silica manages the frac sand business on behalf of the Company.

	March 31, 2018	December 31, 2017
Victory Silica Ltd.		
Current Assets	**$ 1**	$ 7
Current Liabilities	**$ -**	$ 37

VICTORY NICKEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED
MARCH 31, 2018

DATED MAY 16, 2018

VICTORY NICKEL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Three Months Ended March 31, 2018

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 16, 2018 consolidates management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2018, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 (the "Condensed Interim Consolidated Financial Statements") and the notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

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, 2017 and 2016 (the "2017 Audited Financial Statements"). The Condensed Interim Consolidated Financial Statements and the 2017 Audited 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$" or "US dollars") unless otherwise stated as Canadian dollars ("CAD$") or Australian dollars ("AU$"). All tabular amounts are in thousands of US dollars.

Common shares of the Company trade on the Canadian Securities Exchange ("CSE") under the symbol NI as of February 22, 2016. Prior to that date, common shares of the Company traded on the Toronto Stock Exchange ("TSX").

COMPANY OVERVIEW

The Company was formed on February 1, 2007 as an exploration and development mineral resource company and 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)) and Mel projects in Manitoba, and the Lac Rocher project in Québec. The Minago project is the Company's most advanced nickel project. A feasibility study on the Minago Project ("Minago FS") was completed and the results were announced in December 2009. The Environmental Impact Study ("EIS") was filed in May 2010 and receipt of the Environmental Act Licence ("EAL") was announced in August 2011. Subsequent improvements to the project were announced in June 2010 and July 2011. In April 2014, the Company announced the filing of an amendment to the EAL to relocate the permitted Minago tailings facilities such that it will not interfere with potential nickel resources and should also reduce operating costs. Consultations with First Nations by the government of Manitoba are ongoing. On completion, it is expected that the government of Manitoba will issue the requested amendment to the existing EAL.

The Company's decision to enter the frac sand business was initially based on the need to generate cash flow and the desire to highlight the value of frac sand, which can be sold into the into the oil & gas industry, as a co-product at its Minago nickel project in Manitoba. Based on the Minago FS, approximately 11 million tonnes of frac sand exist within the Minago pit footprint. The pit footprint represents only a small portion of the Minago property. The frac sand is a significant contributor to the economics of the Minago project.

During 2014, Victory Nickel became a producer and supplier of premium Wisconsin frac sand from its frac sand plant (the "7P Plant") located near Seven Persons, Alberta, approximately 18 kilometres southwest of Medicine Hat, Alberta. High-quality Northern White frac sand is sourced from Wisconsin, USA, through the Company's wholly-owned subsidiary Victory Silica Ltd. ("Victory Silica"). Northern White occurs predominantly in the US Midwest and generally exceeds American Petroleum Institute ("API") specifications for frac sand. For this reason, it is a highly-desirable and preferred frac sand. Frac sand is used as a proppant to enhance recovery from oil and gas wells. The 7P Plant comprises a wash plant with a nominal capacity of approximately 120,000 tons per annum ("tpa") and a fully-operational dry plant with a nominal capacity of 500,000 tpa. The Company established itself as a frac sand producer by acquiring concentrated sand in Wisconsin, USA, washing it prior to shipment to the 7P Plant for processing into four main categories of finished frac sand products.

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 or to acquire/build additional frac sand processing facilities to serve additional markets. The Company was 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 oil and gas producing plays 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.

To ensure long-term supply of concentrated sand, the Company entered into an option to acquire a 100% interest in a frac sand land package totalling over 300 acres in Trempeleau County, Wisconsin, USA (the "Bear Coulee Property"). 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 an advance royalty 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 that a resource estimate of approximately 11 million tons of sand has been completed by Summit Envirosolutions Inc. on the Bear Coulee Property and was incorporated into a National Instrument 43-101 technical report.

The Company's board of directors approved the construction of a wash plant in Wisconsin or Minnesota and has considered building a second 1,000,000 tpa dry plant in or near Winnipeg, Manitoba. Market conditions necessitate the deferral of any such construction until more certainty returns to the oil and gas sector.

Due to the sudden drop in the price of oil during late 2014, drilling activity by oil and gas exploration and production ("E&P") companies decreased significantly and sustained relatively low oil and gas prices continued to negatively affect frac sand demand into 2018. The drop in sales required a temporary suspension in production at the 7P Plant in April 2015. The 7P Plant operates on an as-needed basis only (see Going Concern below). In March 2017, the Company announced that due to the current increasing market demand for frac sand, it has restarted the dry plant at its 7P Plant. In October 2017, the Company announced that it had completed the refurbishment of its frac sand wash plant at 7P Plant that is now operational, enhancing the ability to produce and sell frac sand.

Going Concern

These Condensed Interim 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, 2018, the Company had a working capital deficiency of $7,257,000, calculated as current assets less current liabilities, an increase from a working capital deficiency of $6,406,000 as at December 31, 2017. At March 31, 2018, the debts of $7,400,000 were the largest factor in the Company's working capital deficiency, as the Company was in default on all unsecured debt and related interest.

The Company's main assets are its nickel projects. Minago, the most advanced of its projects is permitted and ready for development. However, development costs are in excess of $500,000,000 and given the current price of nickel, it is unlikely that financing for this project will be available in the near future. If the Company is unable to finance and develop these projects, the potential recovery via sale of these projects may be below the current carrying amounts. Given the defaults on various loans discussed below, there is an increased risk that the Company's creditors could force the Company to liquidate its core assets under less than favourable terms.

On April 14, 2015, the Company announced that operations at the 7P Plant were temporarily suspended until the demand for frac sand improved; this temporary suspension was due to the dramatic decrease in energy pricing that began in 2014. Since March 2015, sales have been significantly below rates achieved during 2014 and continue well below the level required to generate positive cash flow. The 7P Plant was restarted in March 2017 and continues to operate on an as-needed basis in order to fulfil customer needs. In October 2017, the Company announced that it had completed the refurbishment of its frac sand wash plant at the 7P Plant. The wash plant is now operational, enhancing the ability to produce and sell frac sand. 2017 has shown some improvement in the slowdown in drilling activity due to the severe drop in the price of oil, but sales have yet to recover to levels that would generate positive cash flow.

The near-term outlook in the frac sand market remains unclear. The US dollar continues to negatively impact demand for high-quality Wisconsin frac sand in Canada, as the price for domestic frac sand has dropped and service companies appear satisfied with using lower-quality domestic frac sand, because of the price differential caused mainly by the exchange rate. As the Company's inventory is Wisconsin frac sand, this will continue to stress the Company's liquidity until such time as the market demand recovers and operations can resume on a consistent basis.

Cash flows from frac sand sales the three months ended March 31, 2018 were sufficient to cover operating costs but not sufficient to pay financing costs and the Company was not able to make any of its interest payments due during the three months ended March 31, 2018.

During 2016, the Company restructured its debt (the "Debt Restructuring Agreement") with holders of promissory convertible notes and trade creditors, by issuing shares of the Company and unsecured promissory convertible notes ("Promissory Convertible Notes"). In 2017, the Company's secured debt ("Secured Debt") increased by the amount of unpaid interest to $7,050,000 and the maturity date was extended to July 31, 2019.

Pursuant to the terms of the Secured Debt, the Company is prevented from making payments under outstanding unsecured debt until the Secured Debt is repaid. The lender of the Secured Debt (the "Secured Lender") provided a forbearance agreement for the balance of the accrued interest and made short term advances to cover non-discretionary costs. Barring a significant improvement in the sales of frac sand, the Company is unlikely to be able to repay the Secured Debt in full when it matures in July 2019. The Company's ability to make the required interest payments during the remainder of 2018 is also in doubt and dependent upon frac sand sales. The Company's Secured Lender continues to demonstrate its commitment to ensure the protection of the Company's core assets by providing working capital advances and forbearance agreements with respect to the Secured Debt. Should the support of the Secured Lender change, the going concern assumption would be in doubt.

During 2016, all of the promissory convertible note holders participated in the Debt Restructuring Agreement, except for one holder of a $3,000,000 promissory convertible note (the "Outstanding Note"). In March 2016, the Company announced that it had received notice that the holder of the Outstanding Note had filed a statement of claim concerning non-payment of principal and interest. The Company has reviewed the statement of claim with legal counsel to assess its impact on the Company and has concluded that there is no significant impact on the status of the Company's debt. The Outstanding Note matured in July 2016 and the Company has been unable to repay the amounts owing and interest payments due, which has resulted in the Company defaulting on the note.

The Company has not paid interest payments due on its Promissory Convertible Notes, which has resulted in the Company defaulting on these notes.

The ability of the Company to continue as a going concern is heavily dependent on the continued support of its lenders and the frac sand market improving, both in demand and in price, and the Company's ability to resume full operations at its 7P Plant. In addition to the liquidity and solvency uncertainties described above, the ability to resume full operations at the 7P Plant will require additional financing. In order to resume purchasing and shipping supplies of frac sand and full operations at the 7P Plant, the Company will require additional working capital. As noted, the Company's Secured Lender has been supportive to date. However, there are no assurances that the Company will be able to obtain the working capital to resume operations at the level sufficient to generate cash flows to repay its outstanding obligations.

The Company has cut non-essential costs in an effort to reduce operating losses and has deferred payments wherever possible. During 2017, the Company, with the agreement of its Secured Lender, sold non-core assets to provide operating funds. However, without an injection of capital and/or until the demand and pricing for frac sand returns to pre-2015 levels, the Company will not be able to meet its outstanding obligations or any new obligations as they become due. The defaults on the Company's existing obligations add to the challenge of obtaining additional capital.

There can be no assurance that the Company will be able to restructure its debt further and/or recapitalize, and there is no certainty as to what further steps, if any, the secured and unsecured lenders may take. To date, management and the board of directors have reduced and/or deferred salaries and director fees until business recovers, but there is no certainty that this will continue. Management salary reductions and/or deferrals put the Company at risk of being unable to retain key personnel.

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

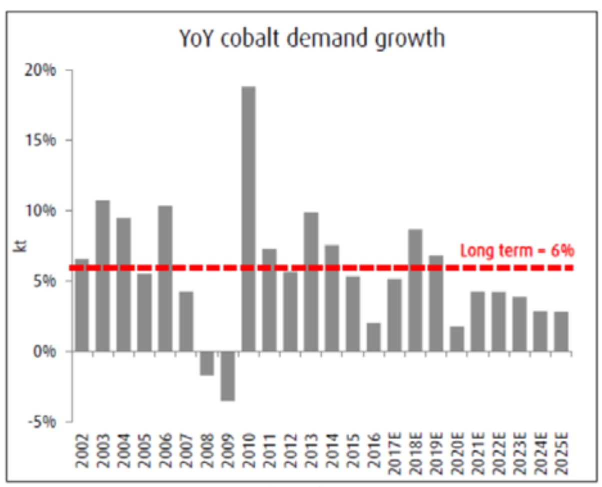
None of the Company's mining projects have commenced commercial production and, accordingly, the Company is dependent upon debt or equity financings, the optioning and/or sale of resource or resource-related assets or interests, exploration results which have the potential for the discovery of economically-recoverable reserves and resources, and/or the ability to generate sufficient cash flow from its other operating activities for its funding. Development of the Company's current nickel mining projects to the production stage will require significant financing. Given the current economic climate, including the low nickel price, and the Company's existing liquidity challenges, the ability to raise sufficient funds will be difficult.

Should the Company not be able to overcome the risks described in this section, the carrying value of the Company's assets would be subject to material adjustment and, in addition, other adjustments may be necessary to these Condensed Interim Consolidated 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 that the Company will be able to generate sufficient cash to fund its 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. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which would differ significantly from the going concern basis.

OUTLOOK

Victory Nickel is a unique minerals company. Unique in that it has one of Canada's largest undeveloped permitted sulphide nickel resources at its Minago project in Manitoba. Unique in that all of the resources at its three nickel projects are sulphide nickel giving it one of the largest sulphide nickel inventories in Canada. Unique in that at Minago frac sand is a significant co-product of nickel production. And unique in that three of its most significant value drivers – nickel, frac sand and cobalt – play crucial roles in the existing and emerging energy markets.

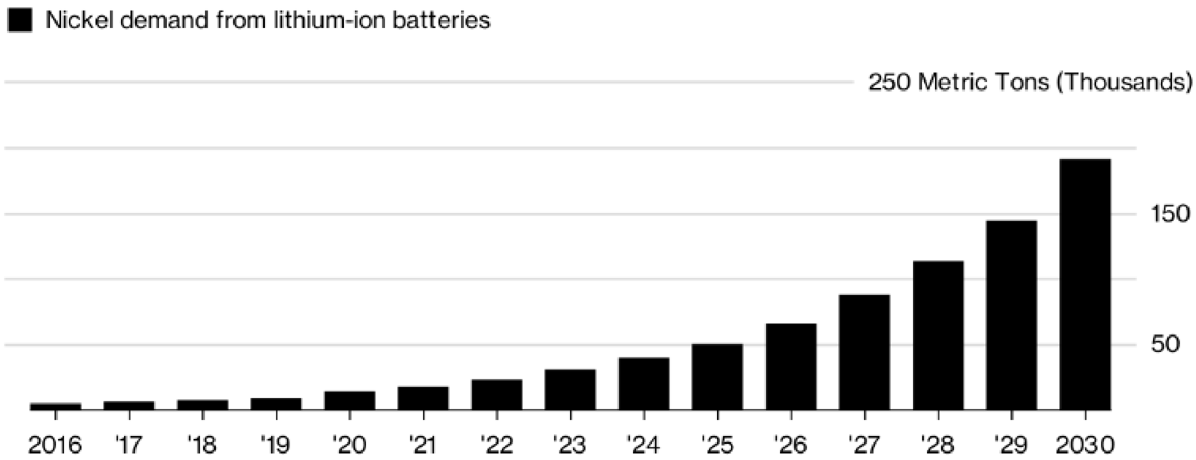
While frac sand has long been known as a key component in improving overall economics in the oil and gas industry, nickel's presence as an "Energy Metal" is just now coming to prominence with the acceleration of worldwide demand for electric vehicles ("EV"). Globally increasing demand for rechargeable batteries due to historic growth in the smartphone market and now increasingly in EVs has led to dramatically growing cobalt demand. According to BMO Capital Markets the demand for cobalt is expected to exceed 100kt in 2018, growth in excess of 150% since 2000, and EVs represent 40% of total cobalt demand by 2025, overtaking portable electronics in terms of cobalt demand by 2022.



Source: CRU, CDI, BMO Capital Markets

Demand growth has led to recent cobalt pricing in excess of $43.00/lb, dramatically higher than the $27.73/lb price used in the Minago FS, and BMO Capital Markets states: "a doubling of the cobalt spot price over the coming couple of years is not out of the question." At the current price $41.50/lb, the Minago FS indicates that the Minago mine produces approximately $173,000,000 of cobalt in concentrate over the approximate eight-year mine life making it a significant by-product of nickel production.

According to Bloomberg, demand for nickel is forecast to increase dramatically through 2030 (see graph below), driven in large part by rising sales of EVs and the fact that EV batteries typically contain more nickel than they do lithium.

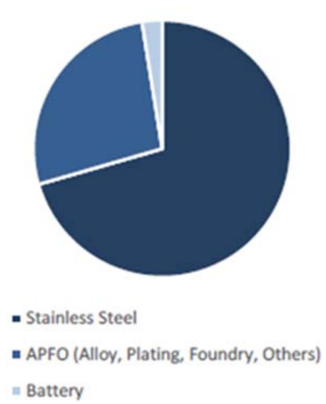


Source: Bloomberg New Energy Finance

UBS concurs, estimating that in a world using only EVs, the increase in sulphide nickel demand relative to today's global market would be 118%. UBS goes on to point out that as EV technology continues to improve, so too will demand for nickel. Today's nickel-manganese-cobalt ("NMC") cathodes used in EVs use a 1:1:1 ratio between nickel, manganese and cobalt. By 2021 this materials mix is expected to be optimized at 8:1:1.

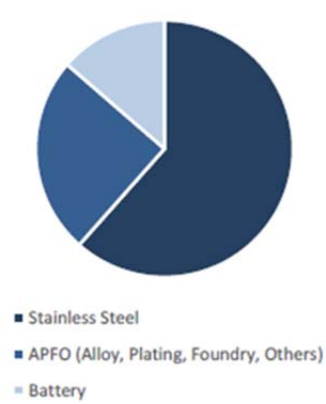
In its report "*Nickel – A Class of its Own*" published on November 7, 2017, Canaccord Genuity agrees, forecasting that in the 2020s battery demand for nickel will rise ~6.5x times and comprise ~14% of nickel demand in 2025.

Figure 1: Nickel use, 2017e



Source: Canaccord Genuity estimates

Figure 2: Nickel use, 2025e



Source: Canaccord Genuity estimates

In addition, BMO, Canaccord and UBS concur that due to the quality requirements of battery producers the winners in this new demand environment will be **sulphide nickel** producers such as Victory Nickel's projects which, unlike laterite deposits, have an economic advantage in the competition for EV battery market share.

And nickel buyers are starting to take notice (see graph below).

With one of the largest in-situ sulphide nickel resources in Canada, situated in two of the world's top ten most favourable mining jurisdictions – Manitoba and Quebec – Victory Nickel is well positioned in both nickel and cobalt to take advantage of the significant market shift toward EVs.

The Minago FS was based on an open pit mining project with a nickel reserve of approximately 30 million tonnes to be mined over about eight years. Beneath the proposed pit exists another potential 30 million tonnes for potential future mining. Immediately to the north of the pit, the Company has identified an additional potential 30 million tonnes. The Minago project was permitted in 2011 and is shovel-ready. With the frac sand co-product credit, the C1 cost to produce a pound of nickel, is projected to be $2.20 per pound. As at December 31, 2017, the long-term forecasted price by a third party was $8 per pound of nickel. Using this price at an exchange rate of US$0.775:CAD$1.00 and other forecasted metal prices at December 31, 2017, the Internal Rate of Return ("IRR") of the Minago project based on the Minago FS was 19.35%. As at the date of this MD&A, the IRR is 14.15% (with no adjustments made to the frac sand market), based on current metal prices and the exchange rate, with the price per pound of nickel at $6.54. The IRR reflected in the Minago FS is 22.4% and the breakeven price of nickel is $3.80 per pound. The value of cobalt in nickel concentrate alone has increased to $173,000,000 at the recent price of $41.50 per pound.

Frac sand contributes approximately $2.90 per pound of nickel based on the Minago FS, and therefore is a substantial contributor to the overall economics as projected in the Minago FS. Persistent weakness in worldwide nickel pricing in the early part of the decade, the resulting contraction in capital markets for nickel project financing, an estimated $500,000,000 capital cost to build a nickel mine at Minago and a robust market for frac sand led the Company to evaluate alternatives to generate cash flow and also to prove the value of the frac sand co-product at Minago.

Frac Sand

In 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. That vision became a reality in 2014 when the Company completed construction and commissioning of its 7P Plant in Alberta.

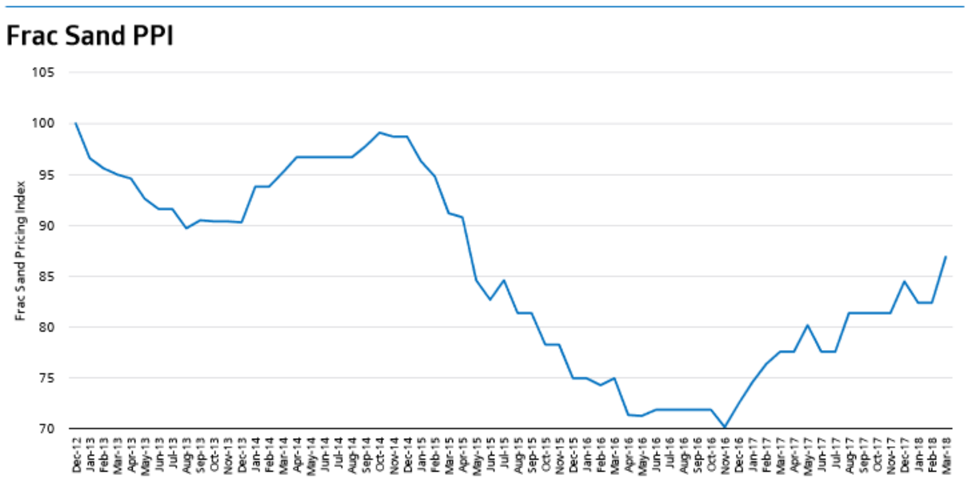
Choosing to enter the frac sand business was not without reason. The strong market fundamentals for frac sand suggested continuing growth of the industry, and new public information combined with strong peer group valuations indicated the potential for near-term cash flow. With an entry fee of approximately $6,000,000 to build a frac sand processing facility, the risk was considered acceptable based on projected cash flows. Soon after commissioning, toward the end of 2014, the bottom fell out of the oil industry and the price of oil crashed from in excess of $100.00 per barrel to below $30.00 per barrel of oil. Except for a few short signs of recovery, the price of oil remained around the $40.00 to $50.00 level since that time until mid-2017 when it broke the $50.00 price level and has continued to rise to in excess of $79.00 today for Brent Crude. Whether this is an indication of bottoming out with a gradual recovery is uncertain.

As a result of the oil and gas price drop, drill rig utilization decreased substantially. In direct response to the declining utilization, E&P companies reduced, cancelled or deferred capital programs. All of this led to an unprecedented decline in the pricing of drilling and well completions, putting downward pressure on the price of frac sand.

During this period, E&P companies looked for ways to improve their economics by reducing costs and enhancing recoveries. Measures include lengthening of both lateral and horizontal drilling, increasing the number of stages per foot and using more sand per stage. These changes have led to an increase in frac sand intensity – using more sand per well – a trend that bodes well for frac sand consumption.

According to Credit Suisse, up to 2,000 pounds of sand per lateral foot is now being used in well completions. On average, each well completed in the US in 2017 required nearly 4,200 tons of frac sand. The demand for US proppant peaked in 2014 at 56,000,000 tons; Credit Suisse estimates that 2018 US frac sand demand could potentially be double that witnessed in 2014, ranging between 90,000,000 and 120,000,000 tons.

Not surprisingly, increased consumption, combined with a rising North American rig count – up 15% year-over-year at March 31, 2018, has had a positive impact on frac sand pricing as demonstrated by the price index chart below.



Source: Bureau of Labor Statistics and Cowen and Company

For Victory Nickel, frac sand activity picked up during 2017 and continues to improve into the first quarter of 2018. Frac sand sales and pricing have shown improvement in 2017, however demand has been for the coarser fractions. As a result, the Company has drawn down its inventory of coarser frac sand and is in the process of replenishing this inventory at the 7P Plant to ensure its ability to serve customers. To accomplish this, the Company completed the refurbishment of its existing wash plant at the 7P Plant during 2017. When the 7P Plant was acquired by the Company in 2012, the facilities included a wash plant and a dry plant. Since the acquisition, the Company had processed only washed sand concentrate purchased from Wisconsin through its dry plant and had never operated its wash plant. With the wash plant operational in 2017, the Company was able to recover approximately 4,000 tons of high-quality Northern White Wisconsin frac sand that was spilled as a natural outcome of dry sand processing and which comprises the highest margin portion of inventory. An additional 14,000 tons is available for washing as soon as the weather improves.

The softness in the frac sand market over the past several years led to declining valuations of frac sand assets throughout North America. Management has been evaluating opportunities to take advantage of market opportunities to build its presence in the frac sand business by acquiring undervalued North American frac sand production assets that offer immediate potential to expand sales and open new markets, while at the same time being complementary to the Company's existing production activities. Management has identified potential acquisition targets and is now in discussions for financing to acquire one of these facilities. This acquisition would add another 1,000,000 tons of production capacity.

As discussed above, management is developing plans to implement strategies to take full advantage of a resurgent frac sand market. In addition, we remain confident that sulphide nickel demand will improve, such that not only the Minago nickel project can be developed, but that the Company's other nickel projects, Mel, Lac Rocher and Lynn Lake, can be advanced as potential producers.

The Company plans to participate in the turnaround in not only the oil and gas industry, but also the nickel industry and we thank our shareholders, lenders and suppliers for their continued patience and support.

RESULTS OF OPERATIONS

Three months ended March 31, 2018	Corporate	Exploration and Development	Frac Sand	Total	March 31, 2017
Revenues	$ -	$ -	$ 399	**$ 399**	$ 249
Cost of goods sold	-	-	(388)	**(388)**	(241)
Gross profit	-	-	11	**11**	8
Operating expenses					
General and administrative	(113)	-	(74)	**(187)**	(139)
Share-based payments	(20)	-	-	**(20)**	(304)
Amortization of property, plant and equipment	-	(1)	(146)	**(147)**	(133)
Operating loss	(133)	(1)	(209)	**(343)**	(568)
Finance income	-	-	-	**-**	28
Finance costs	(623)	-	-	**(623)**	(801)
Net finance costs	(623)	-	-	**(623)**	(773)
Loss before income taxes	(756)	(1)	(209)	**(966)**	(1,341)
Income tax recovery	238	-	-	**238**	433
Net loss for the year	$ (518)	$ (1)	$ (209)	**$ (728)**	$ (908)

Overall
For the three months ended March 31, 2018, the Company had a net loss of $728,000 or a loss of $0.01 per share (March 31, 2017 - $908,000 or $0.01 per share). The following narrative discusses the relevant operations of the Frac Sand and Exploration and Development segments first, and then addresses the corporate segment.

Frac Sand Segment
Due to the decline in the price of oil beginning in 2014, demand for frac sand in the Company's target markets was under pressure throughout 2017 and into 2018. The Company holds inventory in excess of 21,300 tons as at March 31, 2018 (December 31, 2017 – 22,000 tons) at various stages of the process and made sales of 4,222 tons of various grades of frac sand during the three months ended March 31, 2018 (March 31, 2017 – 2,965 tons) by drawing down inventories, generating a gross profit of $11,000 (March 31, 2017 – gross profit of $8,000).

Revenues
The Company recognized revenue on frac sand sales during the three months ended March 31, 2018 aggregating $399,000, or $94.50 per ton, on sales of 4,222 tons (March 31, 2017 - $249,000, or $84.00 per ton, on sales of 2,965 tons). Revenue includes periodic freight for sales delivered to customers. While sales and pricing are showing signs of improvement, the market has not improved sufficiently in the Company's target areas where it can generate positive cash flow sufficient to service debt.

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 trans-loading costs and the operating cost to dry and screen the concentrated sand into four main dry products. Cost of goods sold may also include sand purchased from third parties. 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. Cost of goods sold may also include any write-down or recovery of impairment of inventory values to the lower of cost or net realizable value.

The cost of goods sold was $388,000 during the three months ended March 31, 2018 (March 31, 2017 - $241,000). The 7P Plant continues to operate on an as needed basis, resulting in higher operating costs per ton of product produced than what is expected on a continuous operating basis. The Company has reduced manpower to a skeleton crew sufficient to start production as demand returns on a consistent basis. The Company suspended deliveries of concentrated sand in 2015 and will resume deliveries once demand is sufficient to utilize existing inventories at the 7P Plant. Finished goods inventory was valued at net realizable value of $92.50 per ton at March 31, 2018 (March 31, 2017 - $85.80 per ton) to reflect current market conditions.

Costs per ton are per dry ton, unless otherwise stated.

Gross profit

The 7P Plant generated a gross profit during the three months ended March 31, 2018 and 2017. The 7P Plant continues to operate on an as-needed basis, resulting in higher operating costs per ton of product produced than what is expected on a continuous operating basis, while finished goods inventory is written-down when impaired to the lower of cost of net realizable value.

General and administrative and other costs

General and administrative costs for the frac segment amounted to $74,000 for the three months ended March 31, 2018 (March 31, 2017 - $44,000). These costs include Victory Silica salaries, administration, marketing and logistics management. The Company reduced manpower to a skeleton crew and overhead sufficient to operate the 7P Plant as demand requires.

Amortization of property, plant and equipment of $146,000 was recorded for the three months ended March 31, 2018 (March 31, 2017 - $132,000), for items in use at the 7P Plant.

Net loss

All of the above items combined to produce a net loss for the frac sand segment of $209,000 for the three months ended March 31, 2018 (March 31, 2017 – $168,000).

Corporate Segment

The corporate component of net loss for the three months ended March 31, 2018 was $570,000 (March 31, 2017 – $740,000), including operating expenses of $133,000 (March 31, 2017 - $400,000), net finance costs of $623,000 (March 31, 2017 –$773,000) and an income tax recovery of $238,000 (March 31, 2017 – $433,000). Operating expenses include $20,000 non-cash share-based payments during the three months ended March 31, 2018 (March 31, 2016 - $304,000).

General and administrative expenses were $113,000 during the three months ended March 31, 2018 (March 31, 2017 - $95,000). These costs include statutory costs incurred as a public company, general investor relations expenses, consulting, travel, health benefits, salaries and director costs.

Net finance income (costs)

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 costs were $623,000 for the three months ended March 31, 2018 (March 31, 2017 - $801,000). Cash and accrued interest expense was $470,000 for the three months ended March 31, 2018 (March 31, 2017 - $407,000). The increase in interest expense during the first quarter of 2018 compared with 2017 is mainly related to the compounding of interest outstanding on various debts.

During 2016, the Company issued several tranches of Promissory Convertible Notes. There are several elements of finance costs associated with these notes: accrued and cash-settled interest expense, non-cash amortization of loan fees, non-cash amortization of the embedded derivatives related to the value of the convertibility feature at inception, the change in the fair value of the embedded derivatives, and the non-cash amortization of the present value discount on the Promissory Convertible Notes. All amortizable elements are calculated using the effective interest rate method. As at March 31, 2018 the amortization of the embedded derivatives on the Promissory Convertible Notes amounted to $127,000 (March 31, 2017 - $63,000).

Income tax expense (recovery)

The Company does not allocate income taxes between segments. The Company records a tax recovery as a result of applying carry-forward non-capital losses against deferred tax liabilities. Certain components of finance income and finance costs are not taxable, and their volatility has an apparent effect on the effective income tax rate.

Other comprehensive income

Other comprehensive income ("OCI") for the three months ended March 31, 2018 relates to a decrease of $106,000 in the market value of the Company's financial assets at fair value through OCI (March 31, 2017 – increase of $72,000). These changes are a result of the net market value changes in the Company's marketable securities. Furthermore, foreign exchange gain in OCI of $36,000 was incurred during the three months ended March 31, 2018 (March 31, 2017 – loss of $3,000), mainly due to the translation of the Company's subsidiaries' functional currency of CAD$ to the Company's functional currency of US$.

Deferred tax liability

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying value of the balance sheet items and their corresponding tax values, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are considered probable to be realized. The deferred tax amount reflects a rate of 27% (March 31, 2017 – 27%).

SUMMARY OF QUARTERLY RESULTS

Selected financial information for each of the last eight quarters is as follows:

	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Sales	$ 399	$ 156	$ 428	$ 46
Gross (loss) profit	$ 11	$ 455	$ (116)	$ (158)
General and administrative	$ (187)	$ (133)	$ (120)	$ (199)
Net finance (costs) income	$ (623)	$ (34)	$ (448)	$ (255)
Net loss	$ (728)	$ 2,091	$ (577)	$ (654)
Total comprehensive loss	$ (798)	$ 2,131	$ (571)	$ (691)
Loss per share - basic and diluted	$ (0.01)	$ 0.02	$ (0.00)	$ (0.01)
	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Sales	$ 249	$ 31	$ -	$ 4
Gross profit (loss)	$ 8	$ (640)	$ -	$ 116
General and administrative	$ (139)	$ (61)	$ (212)	$ (249)
Net finance income (costs)	$ (773)	$ (1,350)	$ (560)	$ 2,203
Net income (loss)	$ (908)	$ (7,647)	$ (924)	$ (1,117)
Total comprehensive income (loss)	$ (839)	$ (7,598)	$ (853)	$ (1,047)
Earnings (loss) per share - basic and diluted	$ (0.01)	$ (0.10)	$ (0.01)	$ (0.01)

Revenues from the sales of frac sand increased during 2017 and into 2018. The gross profit or loss includes cost of goods sold, which contain operating costs for a full period despite production being at less-than-full capacity. In addition, the increase in the market value of frac sand required a recovery of impaired inventory values during the fourth quarter of 2017 and an impairment write-off during 2016 into 2017, to the lower of cost or net realizable value. Net finance income and costs have fluctuated period-over-period, due to the change in the fair value of the embedded derivatives related to the Debt Restructuring Agreement, change in the fair value of the Participating Interest (defined below), gain on the Debt Restructuring Agreement during 2016, and amortization of embedded derivatives and loan fees on the Promissory Convertible Notes. During the fourth quarter of 2017, the Company recorded an income tax recovery as a result of adjusting the foreign exchange rate on various tax pools.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2018, the Company had a working capital deficiency of $7,257,000, compared with a working capital deficiency of $6,406,000 as at December 31, 2017. The increase in the working capital deficiency resulted mainly from the increase in short term loans and borrowings to fund working capital requirements.

Participating Interest

Pursuant to a participating interest loan (the "Participating Interest") with Nuinsco Resources Limited (or the "Lender"), the Lender has the right to convert the outstanding balance 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. On April 22, 2014, the Lender exercised the Conversion. 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 CAD$7,667,124 provided the Company proceeds with phase two (see FRAC SAND SEGMENT below for a description of phases one, two and three), otherwise the cap is approximately CAD$10,222,831. 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. The continuing uncertainty surrounding the oil and gas industry and the related use of frac sand has made the determination of the timing of the first payment under the Participating Interest highly unlikely to occur in the next couple of years. As a result, at March 31, 2018, the carrying value of the Participating Interest was $529,000, compared with $529,000 at December 31, 2017. Any change in value is recorded through Finance Income or Cost in the statement of operations. The Company will continue to reassess the carrying value of the Participating Interest as circumstances warrant.

Secured Debt

The Secured Debt of $7,050,000 has a maturity date of July 31, 2019. Under the terms of the Secured Debt, if the Secured Debt is outstanding on December 31, 2018, an additional fee of 2,500,000 common shares will be issued by the Company to the Secured Lender.

The interest rate on the Secured Debt is 14.8% with interest payable in arrears. The Secured Debt is due in full on the date of maturity, subject to a cash sweep of 75% of free cash flow (“Free Cash Flow”) payable within 45 days following the end of each fiscal quarter and 90 days from each fiscal year end. Free Cash Flow will be calculated based on the Company’s quarterly unaudited and annually audited consolidated statement of cash flows, as net cash from operating and investing activities, plus interest and lease payments from financing activities. Allowable investing activities must be approved in advance by the Secured Lender.

In addition, the Company has agreed to not make any payments to settle past unsecured debt prior to the repayment of the Secured Debt, without the Secured Lender’s approval.

Warrants issued to the Secured Lender

A total of 2,750,000 warrants were issued to the Secured Lender, with an exercise price of CAD$0.25 and an expiry date of January 31, 2018. The Warrants expired unexercised on January 31, 2018.

Promissory Convertible Notes

During 2016, the Company announced that it had restructured a portion of its debt through private placements of common shares and Promissory Convertible Notes, in settlement of current indebtedness to certain of its unsecured lenders and trade creditors.

The Company has not made any interest payments due on its Promissory Convertible Notes, which has resulted in the Company defaulting on these notes.

Promissory Convertible Note Holders

The Promissory Convertible Notes have the following terms:

- A maturity date of July 31, 2018;
- An interest rate of 7% per annum, payable annually or at any time in cash or in common shares valued at market, at the option of the Company;
- Convertible at CAD$0.25 per share, at the option of the holder; and
- Holders of the Promissory Convertible Notes will also receive one common share purchase warrant for every four common shares acquired upon conversion of the Promissory Convertible Notes, with an exercise price of CAD$0.50 per share, exercisable for a five-year period from the date of conversion.

Debt Owed to Directors and Management

Current directors and management agreed to defer payment until July 2019, of all outstanding debt and director fees accumulated up to December 31, 2017. As a result, the long-term debt of $318,000 owed to directors and management is comprised of a portion of the restructured debt owed to current directors and management amounting to CAD$224,000, and unpaid director fees incurred by current directors during 2016 and 2017 totalling CAD$175,000.

Outstanding Note

During 2016, all of the then holders of promissory convertible notes participated in the Debt Restructuring Agreement except for the one holder of the Outstanding Note of $3,000,000. In March 2016, the Company announced that it had received notice that the holder of the Outstanding Note had filed a statement of claim concerning non-payment of principal and interest. The Company has reviewed the statement of claim with legal counsel to assess its impact on the Company and has concluded that there is no significant impact on the status of the Company’s debt. Pursuant to the terms of the

Secured Debt, the Company is prevented from making payments under outstanding unsecured debt until the Secured Debt is repaid. As a result, the Company has not paid interest accrued on the Outstanding Note. The Outstanding Note matured in July 2016 and the Company has been unable to repay the amounts owing and interest payments due. This has resulted in the Company defaulting on the Outstanding Note.

Cash flows in the year
Cash and cash equivalents as at March 31, 2018 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.

For the three months ended March 31, 2018, the Company used cash of $331,000 through operating activities (March 31, 2017 - $51,000). During the three months ended March 31, 2018, operating activity was minimal, due to the low-price environment in the oil and gas sector and the protracted period of minimal drilling activity in the Company's market area.

During the three months ended March 31, 2018, net cash used by investing activities was $90,000 (March 31, 2017 - $10,000). During 2017, the Company committed to provide up to $200,000 in funding under certain terms of a secured note receivable. The note has interest bearing at 15%, is secured and matures June 22, 2018. During the first quarter of 2018, the Company advanced $90,000 in relation to the note receivable. Any proceeds received from repayment of this loan must be used to repay the other current loan (refer to Note 11 of the Condensed Interim Consolidated Financial Statements).

The Company received $300,000 from financing activities during the three months ended March 31, 2018 (March 31, 2017 – used cash of $55,000 mainly related to the payments of interest and lease obligations). During the three months ended March 31, 2018, the Company received advances from the Secured Lender for working capital purposes and in relation to the secured note receivable discussed above.

The Company's activities during the three months ended March 31, 2018 used cash and cash equivalents of $121,000, with a foreign exchange gain effect of $42,000.

Other potential sources of cash flow
The aggregate market value of the Company's marketable securities held in public company shares is approximately $162,000 as at the date of this MD&A.

As at May 16, 2018, the Company had options outstanding that could bring in additional funds. All of those instruments are not "in-the-money".

The Company's title to its projects is in good-standing and management will continue to maintain the projects in good-standing.

The Company has approximately 21,000 tons of sand in inventory at March 31, 2018. The Company has eliminated all discretionary costs that should not have a negative impact on its ability to resume production. Staffing, salaries and director fees have been previously reduced or accrued and deferred where possible.

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 produces frac sand for the oil and gas industry in Canada and the northern US. 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. The segment is located in Canada although sand as raw material is imported from the United States.

The following table provides additional information on the Company's total segment assets:

	March 31, 2018	December 31, 2017
Canada		
Corporate	**$ 1,886**	$ 2,020
Exploration and Development	**43,714**	43,714
Frac Sand	**5,081**	4,858
Intersegment elimination	**(1,465)**	(1,502)
Total Assets	**$ 49,216**	$ 49,090

EXPLORATION AND DEVELOPMENT ACTIVITIES

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

MINE PROPERTY AND DEVELOPMENT ACTIVITIES

Minago Project

During the three months ended March 31, 2018, $nil was incurred on the Minago project (March 31, 2017 - $4,000).

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. According to the Minago FS, production of frac sand could begin 20 months after the start of mine development. As noted in Outlook above, the value of the cobalt alone in the Minago concentrate has increased to $188,000,000 at the recent cobalt price of $42.00.

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 and pit-constrained sulphide nickel resource used in the Minago FS. The Minago FS is available 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 2011 drilling program.

	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

On August 23, 2011, the Manitoba Government issued Victory Nickel's final EAL for the Minago project. The licence was to expire on August 22, 2014 unless the Company completes a certain amount of work to move the project forward. During 2014, the Company complied with the conditions of the EAL and, in December 2014, 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 down 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 necessary to maintain the EAL. Consultations with

First Nations by the government of Manitoba continue. The existing EAL continues to be valid and on completion of consultations, the government is expected to issue the amendment to the existing EAL.

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 is approximately 11 million tonnes and 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, 2018, the Company did not incur exploration expenditures on its E&E projects (March 31, 2017 – $6,000). Expenditures have been reduced 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 totaling over 300 acres in Trempeleau County Wisconsin, USA (the "Bear Coulee Property"). The option agreement provides for a cash payment of $10,000 on signing of the agreement (paid in 2014), a second cash payment on delivery of permits (which has not yet been completed) 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 frac sand on the Bear Coulee Property.

Nickel
Lac Rocher
Lac Rocher, with year-round access, 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 pound in the Lac Rocher PEA was US$9.74 with copper at US$3.65 with an exchange of CAD$0.95 / US$1.00.

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. No work has been conducted on site since December 2009.

Mel Project
The 100% owned Mel project is located on the Thompson Nickel Belt, just north of Thompson, Manitoba 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 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 on 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 for future work that can be incorporated into further, more refined, modelling of the Mel resource. No fieldwork has been conducted since 2011. 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 Mel option agreement with Vale, 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.

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 40,000,000 Corazon shares to the Company upon closing and incurring AU$3,500,000 in exploration expenditures or in payments (in cash or Corazon shares at Corazon's option) to Victory Nickel before November 2019. 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 AU$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 issued 40,000,000 Corazon shares to Victory Nickel as part of the terms of the option agreement between the two companies. In October 2016, the shares were sold for net proceeds of AU$515,000.

FRAC SAND SEGMENT

As explained above, the Frac Sand segment is managed and operated by Victory Silica, although the business and operating assets are part of Victory Nickel. The segment is located in Canada although sand as raw material is currently imported from the United States. 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. Phase one was completed in 2014.

The Board of Directors approved proceeding with phase two, provided non-dilutive financing could be arranged. However, in 2015, the Company announced that phase two had been deferred due to the uncertainty caused by the drop in the price of oil. However, phase two remains 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 is to build a wash plant on a Wisconsin sand resource. Frac sand production is a two-stage process: the wet stage (washing) and the dry stage. The Company has historically contracted out the wet stage in Wisconsin prior to shipping the wet sand to its plant in Alberta. The wet stage removes impurities, enabling transport of only the desired sand size fractions. The dry stage, where the sand is dried and separated into several products of different sizes, is completed at the Company’s 7P Plant.

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. A site serviced by multiple rail carriers would give 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 from the Company’s Minago project in Manitoba (see above). The Minago project is a nickel project overlain by overburden, which includes sand meeting the tier two 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 as not all of the Company’s customers’ applications require Wisconsin sand.

As a result of commodity market uncertainty, the 7P Plant operates on an as-needed basis only. Due to continued uncertainty in the oil price E&P companies have reduced capital expenditure programs, 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. Accordingly, frac sand prices in Canada have decreased to levels that do not appear to be sustainable over the long term.

During 2017, the Company sold most of the coarser fractions of its finished goods inventory requiring the start-up of the 7P Plant to replenish finished goods, in anticipation of a continued improvement in sales.

TRANSACTIONS WITH RELATED PARTIES

Related Party Balances and Transactions for Services
Short-term employee benefits provided by the Company to key management personnel include salaries, directors' fees, statutory contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. In addition to short-term employee benefits, the Company may also issue options and common shares as part of the stock option plan and share bonus plan. Payables to key management personnel generally relate to directors' fees, consulting fees and expense reimbursements.

Balances and transactions with related parties are shown in the following tables for the periods ended:

	March 31, 2018	December 31, 2017
Balances Outstanding		
Debt due to key management personnel	**$ 318**	$ 318
Other payables due to key management personnel	**251**	173
	$ 569	$ 491

Key management personnel compensation is comprised of:

	Three months ended	
	March 31, 2018	March 31, 2017
Short-term employee benefits	**$ 140**	$ 64
	$ 140	$ 64

OUTSTANDING SHARE DATA

As at May 16, 2018, the Company had 94,870,968 common shares issued and outstanding. In addition, there were 12,625,000 stock options outstanding with a weighted average exercise price of CAD$0.08. Of the outstanding options none were in the money.

CORPORATE GOVERNANCE

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. Such controls are facilitated by the small size of the Company's senior management team and their access to material information.

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 the preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP. 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.

FORWARD-LOOKING STATEMENTS

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, the Company's development plans and objectives and the ability of the Company to restructure its debt with the relevant lenders and the ability of the Company to pay future interest and other payments in connection with such debts) constitute forward-looking information

The forward-looking information contained in this MD&A 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 current expectations, including, but not limited to, an unwillingness of the Company's lenders to refinance the Company's debts on terms favourable to the Company or at all and the ability of the Company to continue selling frac sand. Additionally, if the Company is unable to restructure its debts, obtain additional financing and/or continue generating revenue through the sale of frac sand, the Company may be required to curtail activities and/or liquidate its assets or the Company's creditors may seek to seize its assets. For a discussion in respect of risks and other factors that could influence forward-looking events, please refer to the factors discussed in the Company's MD&A for the year ended December 31, 2017, under the heading "Risk Factors". These factors are not and should not be construed as being exhaustive.

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 16, 2018